



BUSINESS PLAN

2022/2023 - 2026/2027







**BUSINESS
PLAN**
2022/2023
2026/2027

Abbreviations

AC	Audit Committee
ACIP	Accelerated Community Infrastructure Programme
AGSA/AG	Auditor-General South Africa
AMCOW	African Minister Council on Water
ASB	Accounting Standards Board
AFWA	African Water Association
ASIDI	Accelerated Schools Infrastructure Development Initiative
BBBEE	Broad-Based Black Economic Empowerment
BCOM	Bachelor of Commerce
BDS	Blue Drop System
BSc	Bachelor of Science
CAPEX	Capital Expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMA	Catchment Management Agency
CMF	Catchment Management Forum
CMMS	Computerised Maintenance Management System
CoGTA	Cooperative Governance and Traditional Affairs
COO	Chief Operations Officer
COVID-19	the coronal flu virus declared an international pandemic by the World Health Organisation in 2019
CoU	City of uMhlatuze Municipality
CSD	Central Supplier Database
CSI	Corporate Social Investment
DBSA	Development Bank of Southern Africa
DBE	Department of Basic Education
DM	District Municipality
DUT	Durban University of Technology
DWS	Department of Water and Sanitation
ECSA	Engineering Council of South Africa
EIA	Environmental Impact Assessment
EMS	Environmental Management System
EPC	Engineering Procurement and Construction
ESD	Enterprise and Supplier Development
EWSETA	Energy and Water Sector Education and Training Authority
EXCO	Executive Committee
FY	Financial Year
GDP	Gross Domestic Product
GIS	Geographic Information System
GRAP	Generally Recognised Accounting Practices
HoD	Head of Department

HR	Human Resources
IAS	International Accounting Standards
IDZ	Industrial Development Zone
IFRS	International Financial Reporting Standards
INCA	Infrastructure Finance Corporation Limited
ISA	International Standard on Auditing
ISO	International Organisation for Standardisation
KCDM	King Cetshwayo District Municipality
KZN	KwaZulu-Natal
LIMS	Laboratory Information Management System
LM	Local Municipality
m³	Cubic Metres
m³/s	Cubic Metres per second
Minister	Minister of Human Settlements, Water and Sanitation
MI	Megalitre
MI/day	Megalitres per day
MANCO	Management Committee
MBA	Master of Business Administration
MBL	Master of Business Leadership
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MW	Mhlathuze Water
MWIG	Municipal Water Infrastructure Grant
NEMP	National Eutrophication Monitoring Programme
NMMP	National Microbial Monitoring Programme
NT	National Treasury
NQF	National Qualifications Framework
O&M	Operations & Maintenance
OHSAS	Occupational Health and Safety Assessment Series
OPEX	Operational Expenditure
PFMA	Public Finance Management Act
RBM	Richards Bay Minerals
RBIG	Regional Bulk Infrastructure Grant
SA GAAP	South African Statements of Generally Accepted Accounting Practices
SAICA	South African Institute of Chartered Accountants
SAICEE	South African Institute of Electrical Engineers
SANS	South African National Standards
SCADA	Supervisory Control and Data Acquisition
SHC	Shareholders Compact
SHEQ	Safety, Health, Environmental and Quality Management
SCM	Supply Chain Management
SLA	Service Level Agreement

SOE	State Owned Enterprise
SMME	Small Medium Micro Enterprise
TGS	Tugela-Goedertrouw Transfer Scheme
TR	Treasury Regulations
uPVC	Unplasticized Polyvinyl Chloride
UKDM	uMkhanyakude District Municipality
VRIO	assessment framework originally developed by Barney, J. B. in 1995
	V-valuable R-rare I-imitate (costly to imitate) and O-organized
WfW	Work for Water
WISA	Water Institute of South Africa
WMA	Water Management Areas
WSA	Water Services Authority
WSIG	Water Services Infrastructure Grant
WRM	Water Resource Management
WUL	Water Use License
WTP	Water Treatment Plant
WTW	Water Treatment Works
WWDS	Waste Water Disposal Scheme
WWTP	Waste Water Treatment Plant
ZDM	Zululand District Municipality

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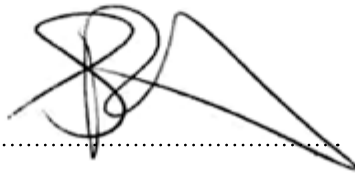
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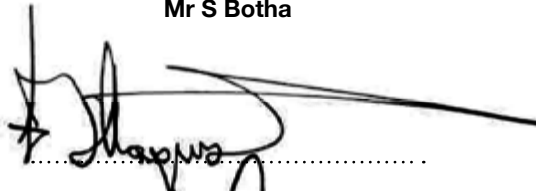
Official Sign-Off

It is hereby certified that this Business Plan was developed by the management of Mhlathuze Water, a Schedule 3B Public Entity in terms of the Public Finance Management Act 1 of 1999. The Business Plan takes into account all relevant policies, legislation and other mandates and accurately reflects the strategic objectives and outputs which Mhlathuze Water will endeavour to achieve during the fiscal period 2022/2023-2026/2027.

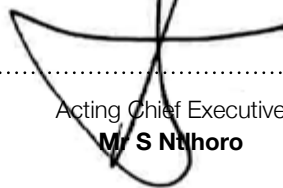
Recommended for approval by:



Strategic Development Manager
Mr S Botha



Interim Chief Financial Officer
Mr T Hlongwane



Acting Chief Executive
Mr S Ntshoro

Approved by:



Chairperson of the Board
Ms T Shange



Foreword by the Chairperson of the Board

Ms Thabi Shange

The universal provision of clean drinking water has been identified as one of our government's apex priorities. In the province of KwaZulu-Natal where the vast majority of communities, particularly those residing in rural and peri-urban areas are still without access to this life giving resource, the impact of water is markedly more severe, manifesting itself in a myriad of ways ranging from health challenges to economic exclusion. This is a problem exacerbated by our country's semi-arid status which means that the demand for water far outstrips the available resources. Moreover, while in urban areas there is markedly better access to water, this is not necessarily the case for rural geographies such as those largely serviced by Mhlathuze Water. This is due to a lack of adequate infrastructure which enables the extraction and purification of potable water from the source to our clients.

Mindful of these challenges and guided by the injunctions of the Water Services Act, Mhlathuze Water has set about developing a forward looking Water Master Plan which acts as our lodestar as we plan for a water secure future. Our unique position as a Water Board that services municipal and industrial clients with bulk water and waste water related competencies means that we must, at all material times, remain mindful of our critical role as enablers for socio-economic development. Our presence in northern KwaZulu-Natal therefore constitutes one of the cornerstones of local, regional and provincial growth aspirations. This means that in our planning we need to balance the available financial resources against the infrastructural needs of these unique yet interdependent stakeholders. On the one hand we need to consider the population growth impacts and reckon with the additional demands for water from our municipal clients.

This will be achieved through forming closer collaborations with district municipalities where we have a footprint so that we better understand and assist in their future water planning. Additionally, with the Richards Bay area serving as one of two special economic zones in KwaZulu-Natal, it is

imperative that in our planning we take into cognisance the increased demand for bulk water from investors in the near future. We have taken heed of the injunction by the Minister of Water and Sanitation, Honourable Senzo Mchunu that the heart of all that we do must be the need to operate within the bounds of ethical governance and an adherence to the prescripts of sound financial management as outlined in the Public Finance Management Act.

In this regard, the Board has put strong emphasis on the early identification and avoidance of practices that have the propensity to negatively affect the organisation's performance. Because Mhlathuze Water operates in a highly regulated environment which is subject to various statutes including the Water Services Act and the National Environmental Management Act, we are exposed to significant risk which could have a bearing on our business prospects, future performance, financial position, reputation and licence to operate our waste water disposal on behalf of industrial clients. These demand agility and dynamism from both management and the Board in order to identify and mitigate against those risks that could impair the organisation's ability to continue as a going concern. We have thus put in place strong internal control systems and processes, particularly around the critical areas of internal audit. In pursuance of the goals and objectives outlined in our mandate, we have put in place strong internal control systems to mitigate against risk, provide assurance service and, critically, to safeguard the institution's financial and capital assets against mismanagement.

At the same time, and appreciating that while internal controls and risk management integral to organisational success, the Board has equally taken great care against being too risk averse lest we impede productivity and stifle innovation among staff. Our assessment of Mhlathuze Water's risk landscape in relation to the achievement of strategic objectives has led us as the Board to the realisation that, if we are to meet the future demands for water provision for all in our areas of operation, we must have a certain appetite for risk tolerance.

In this regard, and under the high level guidance of the Board's Audit and Risk as well as the Finance Committees, our executive management has been given the go-ahead to identify the acceptable quantity of risk, particularly as this relates to financial injections into the maintenance and extension of the useful life of our strategic assets. Appreciating the stubborn prevalence of the lack of requisite engineering skills in some of the localities in which we operate and how this impedes on service delivery, Mhlathuze Water has availed itself to assist overcome some of the operations and maintenance challenges experienced at municipal levels. In this regard, we are grateful to the Minister for Water and Sanitation, Honourable Senzo Mchunu, who has entrusted us with the responsibility of providing water relief intervention to the uMkhanyakude District Municipality through the Shemula scheme augmentation.

At the same time as this mega project is envisaged to provide water relief to thousands of households in an area of KwaZulu-Natal that has, for the longest time, been subjected to the indignity of drawing water from unsafe sources, at times competing with livestock, we are equally mindful of the need to ensure that its economic benefits accrue to local emerging contractors. Our ultimate objective is to lessen the burden on the previously marginalised, being Black and mainly rural communities in general and women in particular. Therefore, as an infrastructure intensive organisation, in all its endeavours to deliver bulk water projects, Mhlathuze Water will ensure that job and economic development opportunities accrue to locals in line with the community participation goals.

In keeping with National Treasury regulations that demand that a minimum of 30 percent of project expenditure is targeted for sub-contractors and suppliers, the Board has given a firm decree to management to ensure that in all its project contracting, it must ensure that its main service providers subcontract a minimum of percent of the total contract value to designated groups. Due to the specialised services that it renders to mainly its industrial clients, Mhlathuze Water is also cognisant of the importance of preserving the environment. Guided by the conditions of our license which enables us to treat and dispose waste water in a

responsible and environmentally sensitive manner, we have been able to augment the operations of some of the largest industrial actors in the Richards Bay area. Looking ahead, and as good corporate social citizen, the Board of Mhlathuze Water will continue to invest in research and development in order to arrive at more innovative methods of operations thereby minimising our impact on the environment. We will always consider as sacrosanct the strong stakeholder ties that exist between ourselves and the various actors in the water value-chain. As we gear to expand both our footprint and service offerings to existing and new customers, we will continue to engage robustly with our stakeholders ranging from the private sector, municipalities, ordinary communities as well as traditional leaders.

As the Board nears the completion of its current term at the end of 2022, we can proudly declare that it has maintained its original membership as when it was first constituted in 2018. This augurs well for organisational stability and the overall implementation of systems to ensure strong governance. The building blocks for building a stronger, accountable and effective water entity have been laid at Mhlathuze Water.

This is an institution with immense potential and an able workforce. We are doubtless that with the continued support of the Department of Water and Sanitation, Mhlathuze Water will eventually bridge the divide between those privileged enough to access clean water and those rural communities who still nurse the hope of one day accessing this life giving resource. This Business Plan, whose compilation has been made possible through the joint efforts and guidance of the Board and the management of Mhlathuze Water, will serve as a guiding light as we seek to bring to fruition the aspirations of entire communities.



Ms Thabi Shange
Chairperson: Mhlathuze Water Board



Acting Chief Executive's Overview

Mr S Ntlhoro

Mhlathuze Water continues to forge ahead with its plans of guaranteeing water security in the north of KwaZulu-Natal. Our unique position of being a distributor of bulk potable water and also managing waste water from industries means that we occupy centre stage as a water board upon which hinges the interests of various stakeholders. This Business Plan, as with previous ones, outlines some of the strategies and plans that Mhlathuze Water will explore as it navigates the institutional complexities and challenges associated with the implementation of our programmes to ensure a water secure future. It moreover suggests new and innovative approaches that must necessarily be undertaken in managing water availability issues which, due to a variety of factors ranging from infrastructure to climate change, have become increasingly harder to ignore.

The recent extreme weather events where heavy rains wrought destruction on properties, infrastructure and led to the loss of lives in KwaZulu-Natal brought home the harsh reality that unless our infrastructure is sturdy and resilient enough to withstand natural phenomena, we are doomed to face an uphill battle in so far as the sustainable provision of water is concerned. Closely linked to the foregoing is aging water infrastructure which, as our asset register shows, has grown steeply in recent times. Some of our components have either reached or are quite close to reaching their useful lives. This necessarily means that we must make considerable financial injection towards either maintaining or replacing our water infrastructure components and pipelines.

We are in a race against time. The National Development Plan and Sustainable Goal 6 of the United Nations exhort us to move with expeditious speed to provide universal access to clean drinking water and sanitation for people in rural areas in particular. In his 2021 State of the Nation Address, where he announced the reconfiguration of the Department of Water and Sanitation to its current form, the President of the

Republic, His Excellency Cyril Ramaphosa said: "...The reality is that water is a far broader issue, impacting not only on human settlements, but also on agriculture, industry, mining and environmental management. Water security is fundamental to the lives and health of our people, to the stability of our society and to the growth and sustainability of our economy."

This is a direct injunction to all water stakeholders to adopt appropriate and future orientated plans to improve water efficiency, widen distribution networks and, most importantly ensure that the provision of water is used as an enabler for economic growth and poverty alleviation. Driven by advances in the water management space, where interest is increasingly growing in the integration of potable water, wastewater, and stormwater as a viable approach towards a water secure future, Mhlathuze Water has adopted an ambitious plan which will allow us to meet current water demands and ensure that there is a surplus to cater for the rapidly industrialising northern node of the province.

This plan focusses, in the main, on the vigorous maintenance of existing infrastructure and where needs be, the construction of new infrastructure. Appreciating that water provision is one of the vital ingredients for boosting the economy and thus overcoming the challenges of poverty, unemployment and inequality, Mhlathuze Water aims to use its water infrastructure as leverage to drive the economic emancipation of previously marginalised groupings in rural areas. This will be achieved through ensuring that in all our infrastructure undertakings beneficiation accrues to emerging contractors as well as job opportunities and skills transfer for immediate communities.

In his maiden budget speech to parliament this year, the Minister for Water and Sanitation, Honourable Senzo Mchunu stressed the need for Water Boards to adhere to all governance prescripts in order to be financially viable and live up to their mandates.

Mhlathuze Water has taken heed of the Minister's counsel. As demonstrated under our financial ratios in this report, Mhlathuze Water continues to be on very sound financial footing. Our projections for the coming financial year indicate a healthy debt to equity ratio increase in line with projected loan acquisitions while for the 2024/25 financial year we will record a decrease in line with our long term loan repayments and projected increase in retained earnings. These ratio trends are in line with our projected capital expenditure on mega bulk water infrastructure projects. In the final analysis, this shows that Mhlathuze Water remains a going concern and its profit margin is consistent within the business plan period as well as the projected operational activities.

Appreciating that the mainstay of our operations is the sale of bulk water and the disposal of wastewater, and while we need to generate profits from these activities in order to remain financially viable, we have endeavoured to keep our tariffs among the lowest in the country, especially given the prevailing constrained economic conditions post the Covid-19 lockdowns. As approved by the Board, our major infrastructure expansion programmes for the coming years, which are estimated at R800 million will be funded from both our operating income and long term borrowings. Among some of our envisaged future undertakings for water security and to augment our existing operations are the following projects:

Augmentation of Nsezi Water Treatment Plant

The objective of the project is to refurbish and upgrade the existing Water Treatment Plant, in order to increase the output from 205MI/d to 265MI/d. The refurbishment project includes alterations and additions to strengthen the Mhlathuze Weir structure due to the identified risk of the Weir structure washing away in the event of severe floods.

Abstraction from the Tugela River (Mandeni)

Mhlathuze Water intends to initiate its Tugela River abstraction license by conducting a feasibility study. The intention is to abstract raw water from the Tugela River (130 MI/D) and distribute this water via pipeline to industrial and domestic customers in its area of operation. The project scope includes conducting the feasibility and design of the proposed abstraction works on the Tugela River. This is to commission Mhlathuze Water's 47.3million m³/annum water use licence issued in 2005. The intention would be to supply Tronox, Fairbreeze as well as the King Cetshwayo District with water to meet the domestic demand from this supply point. The overall budget for the feasibility and design is estimated at R5-million.

Bulk Water Resource and Infrastructure Master Plan

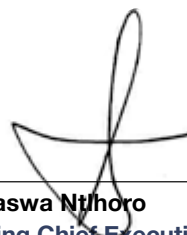
In order to effectively play the role of business partner of choice for water services authorities in the region, Mhlathuze Water in partnership with the Department of Water and Sanitation will prepare, resource and implement a Bulk Water Resource Master Plan. The purpose and aim of this plan would be to consolidate the future demand versus future supply of not just the immediate area of Richards bay (City of uMhlathuze Local Municipality), but the region as a whole, that include King

Cetshwayo, UMkhanyakude, Zululand and Amajuba Districts.


The envisaged future value that will accrue from these undertakings – as well as catalytic water infrastructure projects – is laid out in greater detail under the relevant sections of this Business Plan. Mhlathuze Water, beyond its core competency of water provision, has also placed particular emphasis on environmental protection. Through our Scientific Services Unit, we have maintained a renewed focus on research, development and innovation so that we are at the cutting edge of new technologically savvy approaches to the water generation and purification process.

This is especially important because we operate under a discharge permit which enables us to dispose off effluent in an environmentally sensitive manner. Under the strict conditions of this license as spelt out by the Department of Environmental Affairs, we need to at all times ensure that we are above reproach when it comes to issues of protecting our green environment.

While a lot of work lies ahead before we can achieve universal access to water, this is not a task that is insurmountable. We will continue to implement its programmes with our eyes on the grand goal of delivering water to mainly the rural poor. We will continue to look to the Board of Mhlathuze Water as well as the Department of Water and Sanitation for guidance as we trudge forward with this noble task.



Swaswa Ntshoro
Acting Chief Executive



“The Entity provides service delivery initiatives on behalf of the Department of Water and Sanitation (DWS) and the Department of Cooperative Governance and Traditional Affairs (CoGTA.”



SECTION A
**Strategic
Overview**



1. Introduction

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

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

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

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

Equally, Mhlathuze Water provides **bulk marine effluent disposal** services to both industrial and domestic customers. The main business activities include the collecting of effluent

from contributors, transporting such via pipelines where it is diluted with seawater at the Alkantstrand Pump Station and disposed to sea via submersed ocean pipelines.

The entity also provides a range of **other water resource and infrastructure related support** services to its customers, such as:

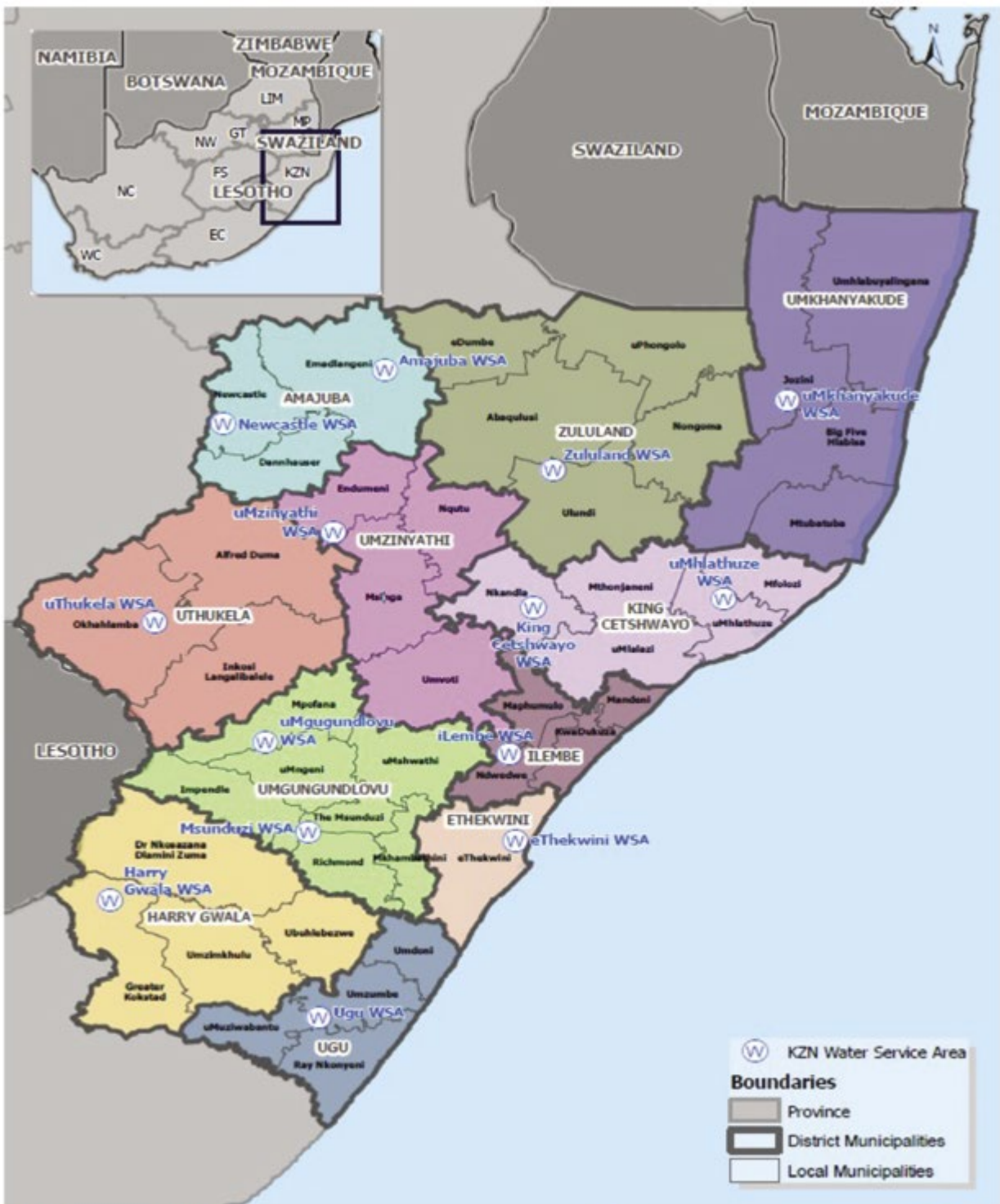
- project planning and implementation;
- operation and maintenance of water and waste water bulk infrastructure, and;
- water and waste water quality sampling and testing form compliance against standards.

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

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

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

MHLATHUZE WATER OPERATIONAL AREA



SOURCES

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

PROPERTIES

Document Name :
KZN WSA map
Creation date : 17/01/2020

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

SCALE

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



Figure 1: Mhlathuze Water Operational Area

2. Vision, Mission, Values and Critical Success Factors

2.1 Vision, Mission, Outcomes and Key Strategic Objectives

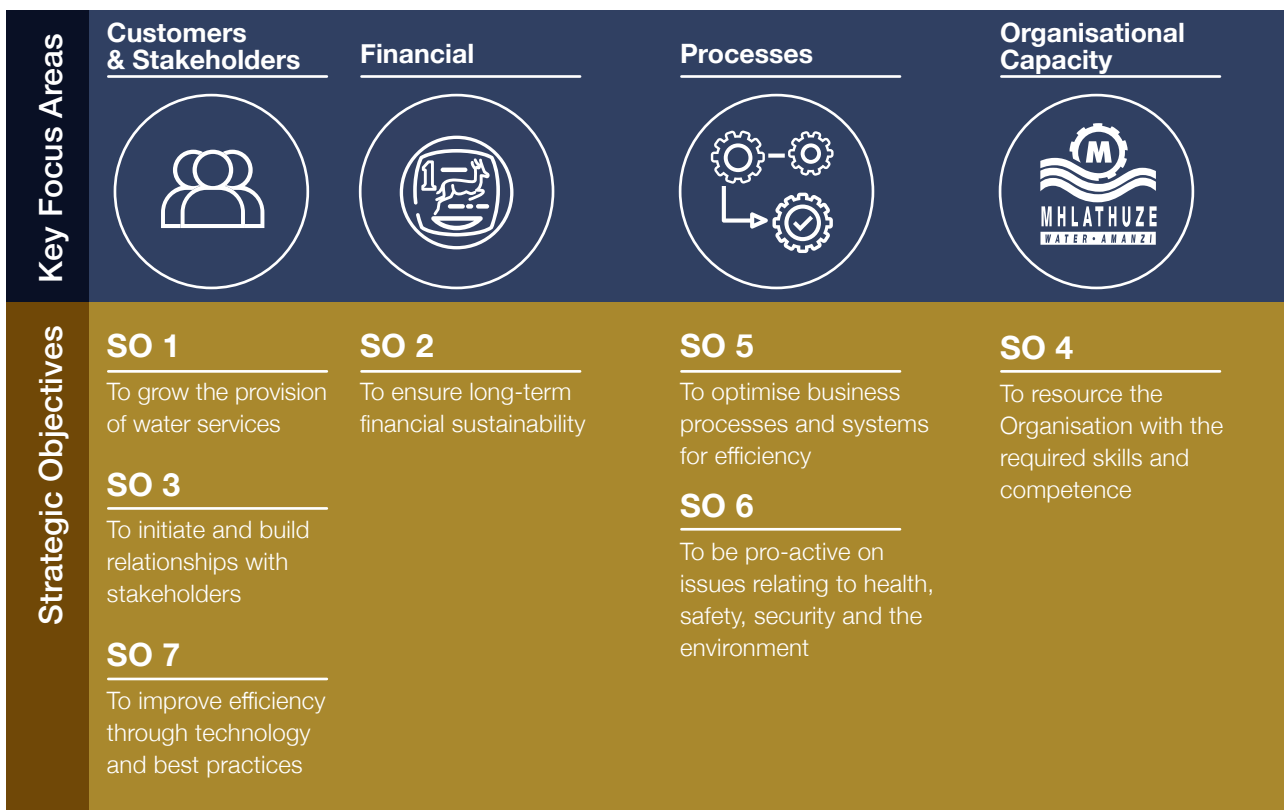
Vision

Your reliable water and waste water business partner of choice.

Mission

To provide high quality water and waste water disposal services to clients and communities that contribute to sustainable socio and economic upliftment and development.

Strategic Intent



2.2 Values

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

› **Ethics and Integrity**

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

› **Excellence and Quality**

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

› **Fairness and Redress**

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

› **Creativity and Innovation**

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

› **Enthusiasm and Energy**

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

› **Viability and Sustainability**

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

2.3 Critical success factors

› **Good Governance**

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

› **Customers and Communities**

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

› **Operations**

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

› **Skills and Competence**

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

› **Financial Viability**

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

› **Research and Development**

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



3. Legislative and other Mandates

3.1 Legislative Mandates Relevant to Mhlathuze Water

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

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

3.1.1 Constitution of the Republic of South Africa

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

3.1.2 Water Services Act, 1997

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

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

- Gathering of information in a national information system and the distribution of that information.

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

The business plan must at least contain information regarding

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

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

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

3.1.3 National Water Act, 1998 (Act 36 of 1998)

The National Water Act, 1998 (Act 36 of 1998) recognizes that water is a scarce and unevenly distributed national resource which occurs in many different forms. It further states that while water is a natural resource that belongs to all people, the discriminatory laws and practices of the past have prevented equal access to water and use of water resources. This Act acknowledges the National Government's overall responsibility for and authority over the nation's water resources and their use, including the equitable allocation for beneficial use.

3.1.4 Public Finance Management Act, Act 1 of 1999 (as amended)

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

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

3.1.5 Disaster Management Act, Act 57 of 2002

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

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

3.1.6 Other legislative imperatives include, but are not limited to:

- Companies Act, 2008 (Act 71 of 2008);
- Treasury Regulations (in terms of the PFMA Act 1 of 1999);
- South African Receiver of Revenue Act 34 of 1997;
- National Environmental Management Act 107 of 1998;
- The National Environmental Management: Integrated Coastal Management Act 24 of 2008;
- Occupational Health and Safety Act 85 of 1993;
- The Compensation for Occupational Injuries and Diseases Act Treasury Regulations 130 of 1993;
- Employment Equity Act 55 of 1998;
- Labour Relations Act 66 of 1995;
- Basic Conditions of Employment Act 75 of 1997;
- Skills Development Act 97 of 1998;
- Protection of Personal Information Act 4 of 2013; and
- Protected Disclosures Act 26 of 2000.
- Disaster Management Act 57 of 2002.

3.2 Other Mandates Relevant to Mhlathuze Water

3.2.1 National Water and Sanitation Master Plan (2019)

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

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

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

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

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

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

Water is severely under-priced and cost recovery is not being achieved. To achieve water security, an estimated capital funding gap of around R33 billion per annum for the next 10 years must be closed through, a combination of improved revenue generation and a significant reduction of costs.

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

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

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

3.2.2 United Nation's Sustainable Development Goals

Mhlathuze Water contributes to the below mentioned SDGs:

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

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

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

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

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

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

3.2.3 National Priority Outcomes

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

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

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

3.2.4 National Development Plan

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

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

2030 NDP Milestones:

- All South Africans will have affordable, reliable access to sufficient safe water and hygienic sanitation;
- Effective management of water and the services will support a strong economy and a healthy environment;
- Establish a national water-resources infrastructure agency to support implementation of large projects;
- The country's development will reflect an understanding of available water resources and effective water planning that cuts across different economic sectors and spheres of government;
- All main urban and industrial centres will have a reliable water supply to meet their needs, while increasingly efficient agricultural water use will support productive rural communities; and
- Natural water sources will be protected to prevent excessive extraction and pollution.



4. Corporate Governance

4.1 High Level Organisational Structure

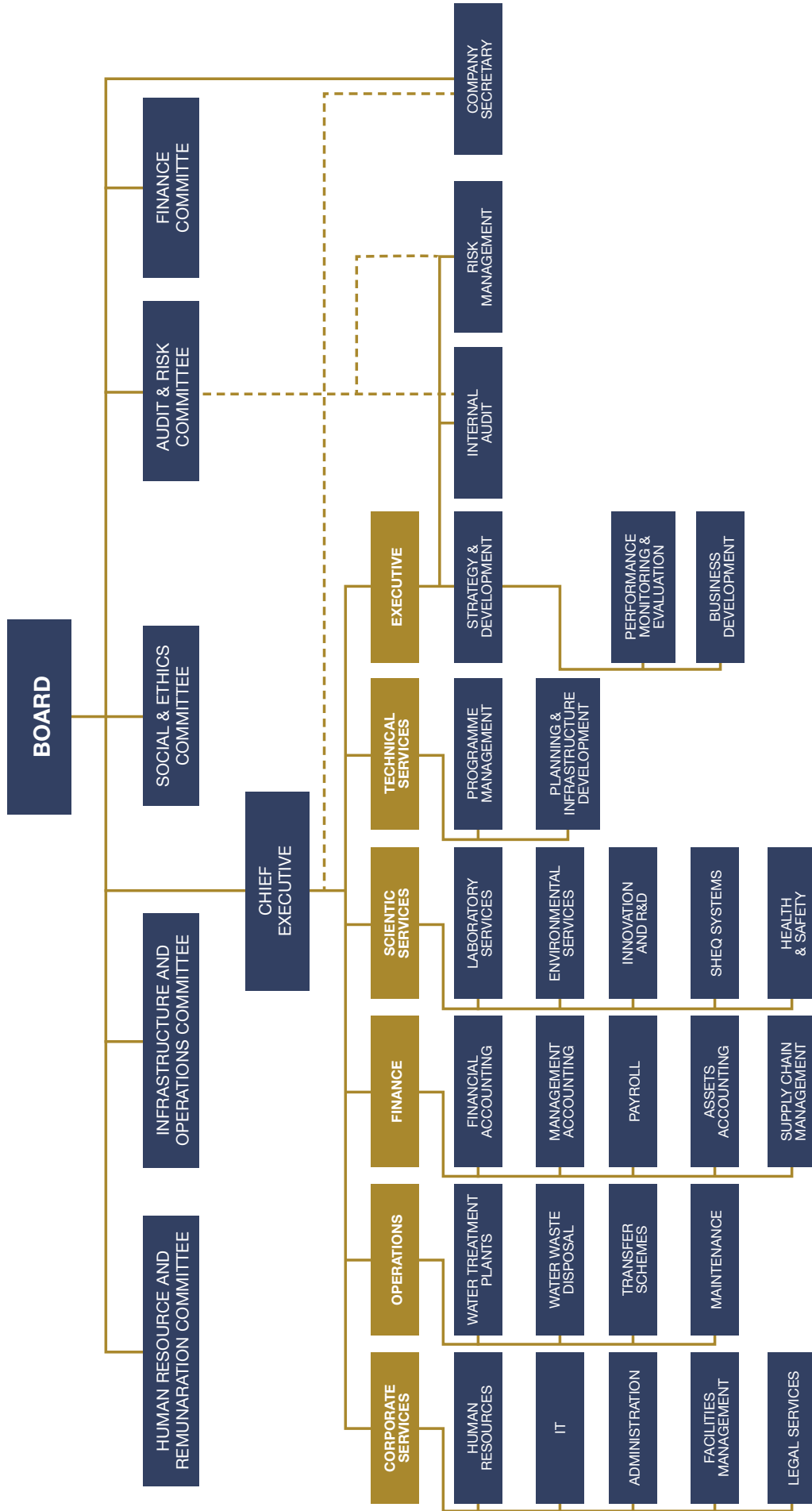


Figure 2: High Level Organisational Structure

4.2 The Board of Mhlathuze Water

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

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

As part of the range of tools available, the Board developed a set of key Strategic Risks and associated tolerance levels the acts as a compass to affect course corrections when deviations are recorded. The main risk areas that are managed are: operations, finance, reputation, health and safety, environment and community, legal and project implementation and management.



Ms TA SHANGE

Age: 75 years

Gender: Female

Race: African

Period of service at Mhlathuze Water: 3 years, 5 months

Position held at Mhlathuze Water: Chairperson

CORE QUALIFICATIONS

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

AREAS OF EXPERTISE

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

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- Forest Sector Charter Council: Deputy Chairperson & Chair of the Forest Members Outreach Committee
- Director: Ubuqotho Integrity Institute (Pty) Ltd
- Director: Accomplish Enterprise (Pty) Ltd
- Philisisizwe Development Trust: Chairperson
- King Cetshwayo Fresh Produce Market: Board Chairperson
- Rand Water Foundation: Chairperson
- uThungulu Community Foundation: Board member
- National Development Agency (NDA): Deputy Chairperson & Chairperson of Audit & Risk Committee
- Thembeni International Guarantee Fund: Chairperson
- Development Innovations and Networks (International): Chairperson
- SACC Women's desk and Development Division: Chairperson
- Special Pensions Board: Deputy Chairperson
- Reconstruction and Development Programme: Committee member
- World Bank Research & Policy Framework: Advisory committee member (Land Reform: Restitution, Redistribution, Tenure)
- Khula Enterprise Finance: Board member
- KwaZulu-Natal Transport: Board member
- Washesha Bus Services: Board member
- Sheridan Farm Association: Board member
- Transformation Resource Centre (Lesotho): Board member
- Rural Transformation Association(Natal): Board member



Mr SZ HLOPHE

Age: 44 years

Gender: Male

Race: African

Period of Service at Mhlathuze Water: 3 years, 5 months

Position held at Mhlathuze Water: Deputy Chair

CORE QUALIFICATIONS

- **Masters:** Business Leadership (MBL)
- **BCom Hons:** Accounting
- **National Diploma:** Cost and Management Accounting

AREAS OF EXPERTISE

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

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

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



Prof. PS REDDY

Age: 66 years

Gender: Male

Race: Indian

Period of service at Mhlathuze Water: 3 years, 5 months

Position held at Mhlathuze Water Board: Board Member

CORE QUALIFICATIONS

- **PhD:** Public Administration
- **Masters:** Public Administration
- **Hons:** Public Administration
- **Bachelor of Admin Degree**
- **Certificate:** Local government studies (UK)

AREAS OF EXPERTISE

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

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

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





Mrs N GEVERS

Age: 66 years

Gender: Female

Race: White

Period of Service at Mhlathuze Water: 3 years, 5 months

Position held at Mhlathuze Water: Board Member

CORE QUALIFICATIONS

- **Chartered Accountant of South Africa**
- **PGDip:** Management Accounting
- **Diploma:** Accountancy
- **BCom Degree**

AREAS OF EXPERTISE

- She has extensive experience at both management and executive level in the private and public sectors, and in particular the water sector
- She has experience in corporate project finance, risk management, compliance and auditing

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- Project preparation trust: Trustee and Finance Committee member, Chairman of the Finance Committee: June 2014
- University of KwaZulu-Natal: Independent member of the Finance Committee: 2nd December 2019
- South African nursing council: 01st April 2017 - 31st March 2020, April 2014 - 27th March 2017
- ISimangaliso Wetland Park Authority – Independent member of the Audit and Risk Committee: February 2018 - February 2020
- Mhlathuze Water: Member of Independent Audit & Risk Committee 01st August 2017 - November 2018
- Msunduzi Local Municipality: Independent member of Audit and Risk Committee: August 2013 - December 2016
- Msunduzi Local Municipality: Chairperson of the Audit Committee: January 2017 - May 2018
- University of Zululand: Independent member of Audit and Risk Committee 30th January 2014 - January 2015
- uMngeni Local Municipality: Independent member of the Audit and Risk Committee 03rd April 2013 - November 2015



Dr M MAKGAE

Age: 47 years

Gender: Female

Race: African

Period of service at Mhlathuze Water Board: 3 years, 5 months

Position held at Mhlathuze Water: Board Member

CORE QUALIFICATIONS

- **PhD:** Environmental Chemistry
- **MSc** Chemistry in Membrane Technology
- **BSc Hons:** Chemistry
- **Certificate:** Environmental Management
- **Certificate:** Project Management
- Management Advancement Programme (MAP)

AREAS OF EXPERTISE

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

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- Amotole Water Board: Board member: 2021 - to date
- Strategic Fuel Fund: Board member: 2019 - to date
- National Research Foundation: Peer Review Committee member: 2019 - to date
- Water Research Commission – Board member, Chairperson and Innovation committee member, committee member of remuneration and human resource: 2016 - to date
- National Nuclear Regulator: Advisor to the Technical Committee of the National Nuclear Regulator Board: 2017 - 2020
- One Geology – Board member (International body of Geological Surveys): 2015 - 2017
- Zenzele TDC, Subsidiary of SEDA: Interim Board member: 2015 - 2016
- Water Institute of Southern Africa – Council Member.



Mr MM XULU

Age: 48 years

Gender: Male

Race: African

Period of service at Mhlathuze Water Board: 3 years, 5 months

Position held at Mhlathuze Water: Board Member

CORE QUALIFICATIONS

- **Hons Degree:** Accounting
- **BCom Degree**
- Management Development Programme

AREAS OF EXPERTISE

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

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- None



Ms NN MKHIZE

Age: 30 years

Gender: Female

Race: African

Period of service at Mhlathuze Water Board: 3 years, 5 months

Position held at Mhlathuze Water: Board Member

CORE QUALIFICATIONS

- **Candidate for B-Tech:** Civil Engineering
- **ND:** Civil Engineering
- **Post Graduate Diploma:** Project Management

AREAS OF EXPERTISE

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

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- None





Ms GD BIYELA

Age: 45 years

Gender: Female

Race: African

Period of service at Mhlathuze Water Board: 3 years, 5 months

Position held at Mhlathuze Water: Board Member

CORE QUALIFICATIONS

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

AREAS OF EXPERTISE

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

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- None



Mr BV MSHENGU

Age: 69 years

Gender: Male

Race: African

Period of service at Mhlathuze Water Board: 3 years, 5 months

Position held at Mhlathuze Water: Board Member

CORE QUALIFICATIONS

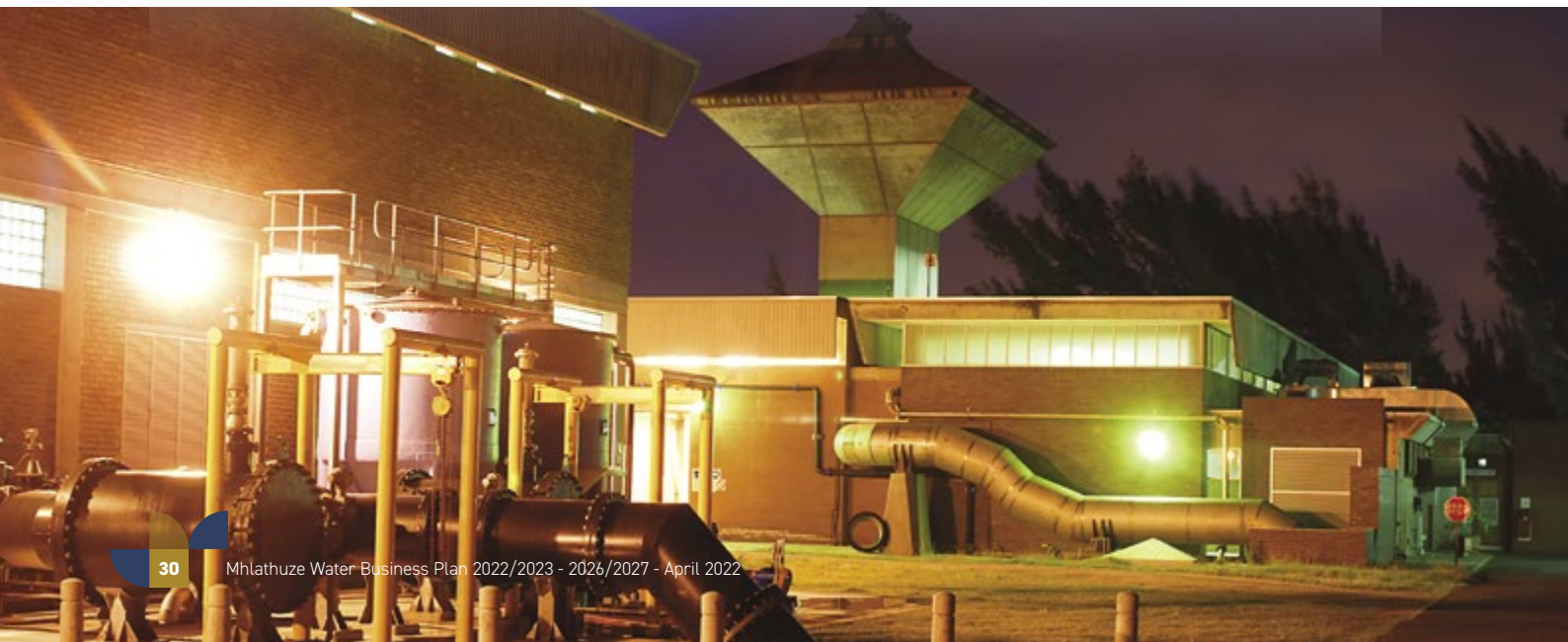
- **Hons Degree** Political Science
- **Bachelor of Arts**
- **Diploma:** Social Work
- **Certificate:** Labour Law
- Personnel Management Programme
- Programme for Management Development
- **Certificate:** Integrating Strategy, Budgeting and Reporting

AREAS OF EXPERTISE

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

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- Pietermaritzburg Chamber of Business: President: 2018 - to date
- Mhlathuze Water: Board member: 2018 - to date
- Durban International Convention Centre: Board member: 2020 - to date
- Mhlathuze Water Board Member and Audit Committee: 2007 - 2017
- United Community Chest of South Africa: Chairperson: 2004 - 2005
- Pietermaritzburg Community Chest: Chairperson: 2002 - 2004
- National Medical Plan: Board member: 1996 - 2002
- Tongaat & Districts Child Welfare Society: Chairperson: 1982 - 1983
- Msunduzi Municipality: Member of the Oversight Committee: 2010 - 2011





Mr PM ZIKALALA

Age: 41 years

Gender: Male

Race: African

Period of service at Mhlathuze Water Board: 3 years, 5 months

Position held at Mhlathuze Water: Board Member

CORE QUALIFICATIONS

- **MBL:** Master of Business Leadership
- **BSc Hons:** Technology Management
- **B.Tech:** Civil Engineering
- **ND:** Civil Engineering

AREAS OF EXPERTISE

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

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- None



Mrs A BADUL

Age: 61 years

Gender: Female

Race: Indian

Period of service at Mhlathuze Water Board: 3 years, 5 months

Position held at Mhlathuze Water: Board Member

CORE QUALIFICATIONS

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

AREAS OF EXPERTISE

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

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- Stanger Provincial Hospital – Board member
- Liquor Board – Board member
- Institute of Directors of Southern Africa – Board member
- Mhlathuze Water – Board member
- Board of Enterprise ILembe: 2009 – 2012
- The Board of Stanger Provincial Hospital: 2012 – 2015
- Sub-Committee of the Liquor Board for ILembe District: 2011 – 2014

4.3 Board Committees

4.3.1 Audit and Risk Committee

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

4.3.2 Finance Committee

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

4.3.3 Infrastructure and Operations Committee

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

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

4.3.4 Human Resources and Remuneration Committee

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

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

4.3.5 Social and Ethics Committee

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

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

4.4 Company Secretariat

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

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

4.5 Executive Committee (EXCO)

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



**ACTING CHIEF EXECUTIVE &
GENERAL MANAGER: SCIENTIFIC SERVICES**

MR S NTLHORO

AGE: 50 years

GENDER: Male

RACE: African

Period of Service at Mhlathuze Water: 13 years and 2 months

**CORE
QUALIFICATIONS**

- **BSc Hons:** Chemistry
- **Post Graduate Diploma:** Management
- Registered with SACNASP as Professional Natural Scientist

**AREAS
OF EXPERTISE**

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

**YEARS OF SERVICE &
POSITIONS HELD ON OTHER BOARDS**

- None



INTERIM CHIEF FINANCIAL OFFICER

MR T HLONGWANE

AGE: 40

GENDER: Male

RACE: African

Period of Service at Mhlathuze Water: 3 years

**CORE
QUALIFICATIONS**

- **Chartered Accountant of South Africa**
- **Postgraduate Diploma** in Applied Accounting Sciences
- **Bachelor of Accounting**

**AREAS
OF EXPERTISE**

- Financial Accounting
- Accounts Payable
- Project Management
- Debt Collection
- Treasury Management
- Driving the profitability of the company to achieve the budgeted operating margin, EBITDA and return on assets employed.
- Identifying, prevent and detect Irregular Fruitless and Wasteful Expenditure.
- Participating in Continuous Improvement projects to identify systems that need to be improved to ensure that the company is run efficiently and there is tangible savings
- Compilation and implementation of corrective action to prevent re- occurrence of audit findings
- Identification and management of financial and other risks facing the company

**YEARS OF SERVICE &
POSITIONS HELD ON OTHER BOARDS**

- King Dinuzulu Hospital: Board member: 2021 to 2024



ACTING GENERAL MANAGER: CORPORATE SERVICES

MRS V GOVENDER

AGE: 46

GENDER: Female

RACE: Indian

Period of Service at Mhlathuze Water: 22 years

CORE QUALIFICATIONS

- **Masters:** Business Administration Degree
- **Honours Degree:** Industrial Psychology
- **Bachelor of Administration Degree:** Industrial Psychology & Public Administration

AREAS OF EXPERTISE

- Human Resource Management
- Employee Relations
- Performance Management
- Training and Development
- HR Systems; Policy and Procedure development and implementation
- Public Sector Procurement

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- None



GENERAL MANAGER: OPERATIONS

Mr PJ MAPONYA

AGE: 46 years

GENDER: Male

RACE: African

Period of Service at Mhlathuze Water: 1 year, 5 months

CORE QUALIFICATIONS

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

AREAS OF EXPERTISE

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

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- Thuto ke Motho (NPO): Chairperson of the Board: 3 years, 4 months



GENERAL MANAGER: TECHNICAL SERVICES

Mr P MAISIRI

AGE: 54 years

GENDER: Male

RACE: African

Period of Service at Mhlathuze Water: 1 year, 9 months

CORE QUALIFICATIONS

- **Masters:** Business Leadership (MBL)
- **BSc Hons:** Civil Engineering
- **Professional Registration:** Professional Engineer (Pr. Eng.) with Engineering Council of South Africa (ECSA).

AREAS OF EXPERTISE

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

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- None



COMPANY SECRETARY

Ms S Mbatha

AGE: 38 years

GENDER: Female

RACE: African

Period of Service at Mhlathuze Water: 1 year, 6 months

CORE QUALIFICATIONS

- **LLB Degree**
- Admitted as attorney of the High Court
- **Certificate:** Public Sector Governance: Chartered Governance Institute of South Africa
- **Certificate:** Strategic Management and Corporate Governance

AREAS OF EXPERTISE

- Legal
- Corporate governance
- Compliance

YEARS OF SERVICE & POSITIONS HELD ON OTHER BOARDS

- Member of The Institute of Directors in Southern Africa

4.6 Management Committee (MANCO)

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

4.7 Management Operational Committees

4.7.1 Bid Committees

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

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

4.7.2 Risk, Information Technology (IT), Health and Safety Committee

The Risk, IT, Health and Safety Committee is tasked with managing issues of risks, IT governance as well as health and

safety. The Committee considers reports from IT Steering Committee, the Risk Champion Forum and Health and Safety Committee covering matters relating to substantive Risk Management, Information Technology as well as Health and Safety. The Committee meets quarterly to discuss reports on risk, IT governance and health and safety. The Committee reports to the Audit and Risk Committee on all the assigned matters in terms of its Terms of Reference.

4.7.3 Employment Equity Committee

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

4.7.4 Physical Assets Disposal Committee

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

4.7.5 Bursary and Study Assistance Committee

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

4.7.6 Capital Infrastructure Investment Committee

In terms of the Section 51(1)(a)(iv) (iv) of the Public Finance Management Act, the Accounting Authority of a public entity must have and maintain a system for properly evaluating all major capital projects prior to a final decision on the project.. The Board approved the Capital Infrastructure Investment Framework in April 2022 to enable the organisation to set out the governance and management process to evaluate, prioritise and implement material capital projects that relate to expansion, refurbishment, and replacement of assets. The committee deliberates and to make recommendations on material capital projects to for approval to the Board in line with the aforementioned framework.

5. Other Governance Matters

5.1 Disclosure of Interest

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

5.2 Code of Conduct

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

Objectives of this Code, among others, are to:

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

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

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

5.3 Internal Control

Internal control systems, for which the Board is accountable, are designed to provide reasonable assurance that assets are safeguarded and that liabilities and working capital of the Organisation are efficiently managed. Mhlathuze Water's internal audit programme is risk based, and covers a range of audit universe for example; operational audits (e.g. Water quality); compliance audits (eg. Legal compliance) and financial audits (e.g., financial statement review).

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

5.4 Materiality and Significance Framework

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

5.5 Risk Management

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

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

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

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

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

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

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

5.6 Whistle Blower

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

The Board has approved the whistleblowing Policy aiming to eliminate the occurrence of fraud, corruption and theft at the Institution. It also strives to create a culture which will facilitate the disclosure of information by employees and relevant stakeholders relating to criminal and other irregular conducts, in the workplace in a responsible manner by providing clear guidelines for the disclosure of such information and protection against reprisals as a result of such disclosure.

5.7 Capital Infrastructure Investment Framework

Historically, Mhlathuze Water has made significant investment and upgrades to its bulk infrastructure and associated assets. The capital investment planning for the medium term continue is to determine the required investment in critical areas and to ensure that the organisation derive maximum benefit from such investment.

The objectives of the framework is to set out an effective process and criteria for planning and scheduling of material capital projects that has an impact on the organisation achieving its mandate. Further, it is to align the capital investment to the tangible deliverables as projected in the organisation's Business Plan, growth strategy, infrastructure plans and strategies as well as Property, Plant, Equipment and Intangible Asset Policy.



5.8 Strategic Risk Register

Table 1: Risk Descriptions, Ratings, Mitigations Appetite and Tolerances

Risk No:	Risk Name	Risk Description	Inherent Risk	Existing Controls	Residual Risk	Further Actions
1	Possibility of environmental damage due effluent spillage	Possibility of environmental damages due to non compliant effluent and/or spillages that may result into penalties and possible loss of operating licence.	Catastrophic	<ol style="list-style-type: none"> 1. Quartely Effluent pipeline stakeholder meetings 2. Continuous monitoring of effluent quality 3. Environmental Contingency Plan to effectively respond to emergencies 4. Internal maintenance function 5. MW and contributors have effluent discharge agreements 6. Effluent penalty system in place for non-complying contributors 7. ISO14001 Environmental Management system 8. Bi-ennial Environmental Legal Audits 9. Maintenance Strategy and Plan 10. Foskor improvement plan to mitigate Non-Compliance with effluent discharge 11. Foskor to have insurance cover equivalent to limits of liability that can respond to litigations. 12. Environmental affairs stakeholder meeting 13. Escalation mechanism in the event of continuous non-compliance 14. Development and implementation of Power Outage SOP 15. Environmental Insurance Cover. 16. Pipeline structural integrity 	Priority 2	<ol style="list-style-type: none"> 1. Assess the outcome of feasibility study 2. Develop a business case for effluent treatment process. 3. Procure, Installation and Commissioning a backup power generator(WWDS)
2	Inadequate infrastructure to meet customer needs	The organisation may not be able to meet customer needs due to inadequate infrastructure resulting into loss of revenue and reputation damage	Catastrophic	<ol style="list-style-type: none"> 1. Maintenance strategy and plan 2. Security services 3. Community liaison officers 4. Project management and review process 5. 5-year Capex programme 6. Capital replacement reserve 7. Borrowing limits application is done on regular basis 8. Procurement Plan for Capital Projects 	Priority 3	<ol style="list-style-type: none"> 1. Improve programme and performance management process 2. Escalation clauses in contracts for service providers 3. Infrastructure Master Plan
3	Inability to attract, develop and retain critical skills	The organisation may not be able to attract, develop and retain employees due to high demand of critical skills resulting in poor service delivery	Catastrophic	<ol style="list-style-type: none"> 1. Market-related salaries 2. Skills development programmes 3. Staff retention policy 4. SHE department ensuring safe working environment 5. Whistle-blower policy 6. IR specialist deals with conflicts 7. Talent Management Strategy 8. Job exit interviews 	Priority 3	<ol style="list-style-type: none"> 1. Implementation of the skills development program 2. Implementation of talent management strategy
4	Liquidity and cashflow risk	The organisation may not be able to fund operational requirements due to key customers inability to pay their debt which may result in poor service delivery	Catastrophic	<ol style="list-style-type: none"> 1. Credit checks prior to entering in contracts 2. Customers requirements included when business plans are developed 3. Customer service agreements 4. Process to formally scan key customer financial sustainability 5. Credit Control Policy 	Priority 3	<ol style="list-style-type: none"> 1. Quarterly financial viability assessment on all key customers.
5	Vulnerability to fraud and corruption	The organisation may be exposed to fraud and corruption activities due to employees un-ethical culture that may results to financial losses and reputational damage	Critical	<ol style="list-style-type: none"> 1. Supply Chain Management Policy 2. Delegation of Authority 3. Annual declaration of interest 4. Anti-fraud and Corruption Strategy 5. Fraud Prevention Plan 6. Fraud Prevention Policy 7. Ethics awareness campaign 8. Disciplinary policy 9. Whistle-blower policy 10. Board Training Ethical Leadership 11. Board Assessment and Evaluation 12. Organization policies and procedures 	Priority 3	<ol style="list-style-type: none"> 1. Monitoring of remedial action from internal audit report. 2. Quarterly reporting to the board on DOA
6	Scarcity of water resources to meet demand	The organisation may not be able to continually supply water due to limited raw water supply resulting in financial losses and reputational damage	Critical	<ol style="list-style-type: none"> 1. Monitoring pollution, interaction with, and reporting to, the Regulator 2. Interaction with and reporting to, authorities 3. Interaction with Catchment Management Forum and implement as per resolutions issued by the forum 4. Climate change strategy 5. Climate change forum 6. Environmental communication procedure 	Priority 3	<ol style="list-style-type: none"> 1. Development of water resource master plan. 2. Feasibility studies : Nseleni Dam

Table 1: Risk Descriptions, Ratings, Mitigations Appetite and Tolerances (Continued from page 36)

Risk No:	Risk Name	Risk Description	Inherent Risk	Existing Controls	Residual Risk	Further Actions
7	Delayed implementation and adaptation of new technologies	The organisation may not be able to timeously implement new technology (IT and Operational systems) resulting in missed opportunities to realize the benefit	Critical	<ol style="list-style-type: none"> 1. Approved IT strategy 2. Approved IT budget including Capex approval to implement new systems 3. Benchmarking with other Water Boards on new Technologies 4. Innovation plan 5. Review of existing ICT infrastructure 6. Monitoring of ICT Performance 	Priority 3	<ol style="list-style-type: none"> 1. Review IT strategy to incorporate forth industrial revolution strategy 2. Development of forth industrial revolution strategy 3. Conduct project specific training on change management intervention 4. Revive the Idea for innovation
8	Unauthorised access to information and operational systems	Possible compromise in data due to cyber-attack that may results into financial losses and reputational damage	Moderate	<ol style="list-style-type: none"> 1. Physical access control 2. Logical controls including Firewall 3. Regular cyber audits 4. Cyber risk insurance 5. Domain policy in place (accounts threshold) 6. Cyber Security Framework 7. Annual cyber security assessment (vulnerability testing) 8. ICT Disaster Recovery Plan 	Priority 4	<ol style="list-style-type: none"> 1. Cyber Security Awareness Campaigns 2. Remote Working Procedure Manual
9	Political risk (Stakeholder Management)	Event that are happening within political sphere may have an impact on the discharge of Mhlathuze Water's mandate	Critical	<ol style="list-style-type: none"> 1. Stakeholder engagements in terms of stakeholder governance 2. Whistle-blower policy 3. Fraud awareness programs 4. Antifraud Strategy 5. Fraud Prevention Plan 6. Monthly liaison meeting with unions 	Priority 3	<ol style="list-style-type: none"> 1. On-going stakeholder engagements
10	Missed business opportunities leading to limited business growth	Growth not attainable in current business configuration that may result in missed opportunities	Minor	<ol style="list-style-type: none"> 1. Stakeholder engagement to open up opportunities; 2. Memorandum of Understanding with water service authorities in area of operation; 3. Implementation agreements with Department of Water and Sanitation 4. Marketing strategy 5. Feasibility study on raw water source 6. Reserve Application Policy 	Priority 4	<ol style="list-style-type: none"> 1. Development of Mhlathuze Water growth action plan. 2. Submission of Mhlathuze Water growth plan to the Board. 3. Improvement of COVID 19 response plan. 4. Review of planning and prioritization of core services(Prioritization framework to address competing priorities) 5. Consultation with other water boards and shareholder on un-insurable risk

Table 2: Narration of the Residual Rating

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

Table 3: Risk Appetite and Tolerance Impact Rating

Rating	Operations	Financial	Reputation	Health and Safety	Environment and Community	Legal	Projects
Catastrophic	5 Complete Interruption of >3 days leading to collapse of business.	Impact is catastrophic if decrease in is greater than 24% (EBITDA).	Prolonged negative media exposure and public outcry.	>1 fatality or serious irreversible health effects to people. Catastrophic impacts on employee morale.	Environmental disaster with irreversible damage and impact on communities. Catastrophic contamination of inputs or outputs.	Non-compliance with laws, policies and procedures that results in catastrophic reputational and financial impact and/or legal action. (i.e. permanent loss of operation licences).	Capital variance >30% (R 30 Million) of base Capex estimate. Delay of more than 12 months on expansion projects or more than 6 months business sustenance projects. >20% Scope deviation on expansion projects or >10% on business sustenance projects.
Critical	4 Interruption of 1-3 days with prolonged negative impact and extensive consequences.	Impact is critical if decrease in is between 16% (MOS) and 24% (EBITDA).	Significant adverse media exposure and public outcry.	1 fatality or serious irreversible health effects to people (DFIR >0.46). Significant widespread impacts on employee morale.	Environmental disaster with major environmental impact and impact on communities. Major contamination of inputs or outputs.	Non-compliance with laws, policies and procedures that results in critical reputational and financial impact and/or Legal action. (Temporary/partial loss of licences and fines imposed).	Capital variance ≤ 20% (R 20 Million) of base Capex estimate. Delay of 6-12 months on expansion projects or 1 months on business sustenance projects. 15-20% Scope deviation on expansion projects or ≤ 10% on business sustenance projects.
Moderate	3 Interruption of 12hrs - 24hrs requiring additional resources and management effort.	Impact is moderate if decrease in EBIDTA is greater than 10% but less than 16% .	Adverse attention from media exposure, interest groups and public attention.	Temporary disabling injuries (DFIR ≤0.46). Widespread impacts on employee morale.	Environmental disaster with environmental impact and impact on communities. Moderate contamination of inputs or outputs.	Non-compliance with laws, policies and procedures that results in moderate reputational damage and preliminary legal action.	Capital variance 5-15 % (R 15 Million) of base Capex estimate. Delay of 3-6 months on expansion projects or 1months on business sustenance projects. 10-15% Scope deviation
Minor	2 Partial interruption of 3hrs-12 hrs which can be managed under normal operating conditions.	Impact is minor if decrease in EBIDTA is between 5% and 10%.	Minor media public attention and complaints.	Medical treatment / Minor injuries. Minor to moderate impacts on employee morale.	Environmental pollution with minimal environmental impact and impact on communities. Minor, treatable contamination of inputs or outputs.	Non-compliance with laws, policies and procedures that results minor reputational damage and legal action.	Capital variance <5 % (R 5 Million) of base Capex estimate. Delay of 1-3 month on expansion projects or <1 month on business sustenance projects. <10% Scope deviation.
Insignificant	1 Minor interruption that can be readily absorbed under normal operating conditions.	Impact is insignificant if decrease in EBIDTA is less than 5%.	Public concern restricted to community complaints.	Minor first aid injuries. Localized employee morale problems.	Environmental pollution with no environmental impact and impact on communities. No detectable contamination of inputs or outputs.	Non-compliance with laws, policies and procedures that does not result in financial penalties or legal action, which can be remedied by management.	Insignificant variance of base Capex estimate. Insignificant delay on business sustenance or expansion project. Little or no scope deviation.



5.9 Internal and External Audit

5.9.1 Internal Audit

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

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

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

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

5.9.2 External Audit

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

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

“The Auditor General (AG) South Africa is mandated to conduct an independent appraisal of Mhlathuze Water.”





SECTION B
**Strategic
Objectives**

6. The Strategic Planning Process

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

These performance areas have been specifically aligned against the 6 capitals that form the architecture of integrated thinking/reporting that was developed to guide the organisation to place its existence in the context of being a responsible corporate citizen.

The benefits of integrated thinking/reporting as endorsed by the Integrated Reporting Council of South Africa in the international Framework on integrated reporting is to:

- Improve the quality of information.
- Promote a more cohesive and efficient approach to corporate reporting.

- Enhance accountability and stewardship and promote understanding of their interdependencies.
- Support integrated thinking, decision-making and actions that focus on the creation of material value over the short, medium and long term.

Integrated thinking takes into account the connectivity and interdependencies between the range of factors that affect an organization's ability to create value over time, including:

- The capitals that the organization uses or affects, and the critical interdependencies, including trade-offs, between them.
- The capacity of the organization to respond to key stakeholders legitimate needs and interests.
- How the organization tailors its business model and strategy to respond to its external environment and the risks and opportunities it faces.
- The organization's activities, performance and outcomes in terms of the capitals – past, present and future.

Table 4: High Level Summary of the Six Capitals

High level summary of the Six Capitals	
Financial capital	The pool of funds that is available to an organization for use in the production of goods or the provision of services.
Manufactured capital	Manufactured physical objects (assets) that are available to an organization for use in the production of goods or the provision of services.
Intellectual capital	Organizational, knowledge-based intangibles, including intellectual property, such as patents, copyrights, software, rights and licences.
Human capital	People's competencies, capabilities and experience, and their motivations to innovate, including their alignment with and support for an organization's governance framework, risk management approach, and ethical values.
Social and relationship capital	The institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being.
Natural capital	All renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organization.

The Business Plan spans a five-year period from the date of the Boards approval, and is reviewed annually to maintain a 5 year planning horizon. The Business Plan is presented in the format prescribed in the Water Services Act, 1997 (Act No. 108 of 1997) and Public Finance Management Act, 1999 (as amended).

The statutory key performance indicators to be attained by Mhlathuze Water in the implementing year are contained in the shareholders compact. This is agreed into between

the Board and the Minister of Human Settlements, Water and Sanitation. The Board undertakes to oversee the implementation of the agreement as attached as an annexure to this document.

In the event that it is envisaged that Mhlathuze Water will not be able to fully execute the plans, the Board will promptly inform the Minister accordingly and seek approval to makes changes. The strategic objectives are provided in relation to specific outputs documented in the section below.

Statutory KPAs incorporated in the shareholders compact are marked with 'CS and number' and additional Mhlathuze Water's strategic KPAs are marked with 'MW and number'.

The approach to align to the King IV integrated thinking/reporting is a new approach the organisation adopted and remains work in progress over the next 3 to 5 years.

6.1 Strategic Objectives and projected outputs

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

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

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

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

"Raw water quality" drives the point of preserving and managing the quality of water being produces and released by natural water resource bodies such as rivers, dams, lakes, wetlands, estuaries and ground water; to prevent deterioration. Deterioration of natural raw water quality poses a threat to economic growth, social development, health and hygiene and aquatic ecological functioning. Fundamental issues that need managing is the poor quality of effluent discharge from municipal and industrial waste water treatment works as well as diffusing pollution of these resources, such as runoff affected by atmospheric deposition or land use practices.

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

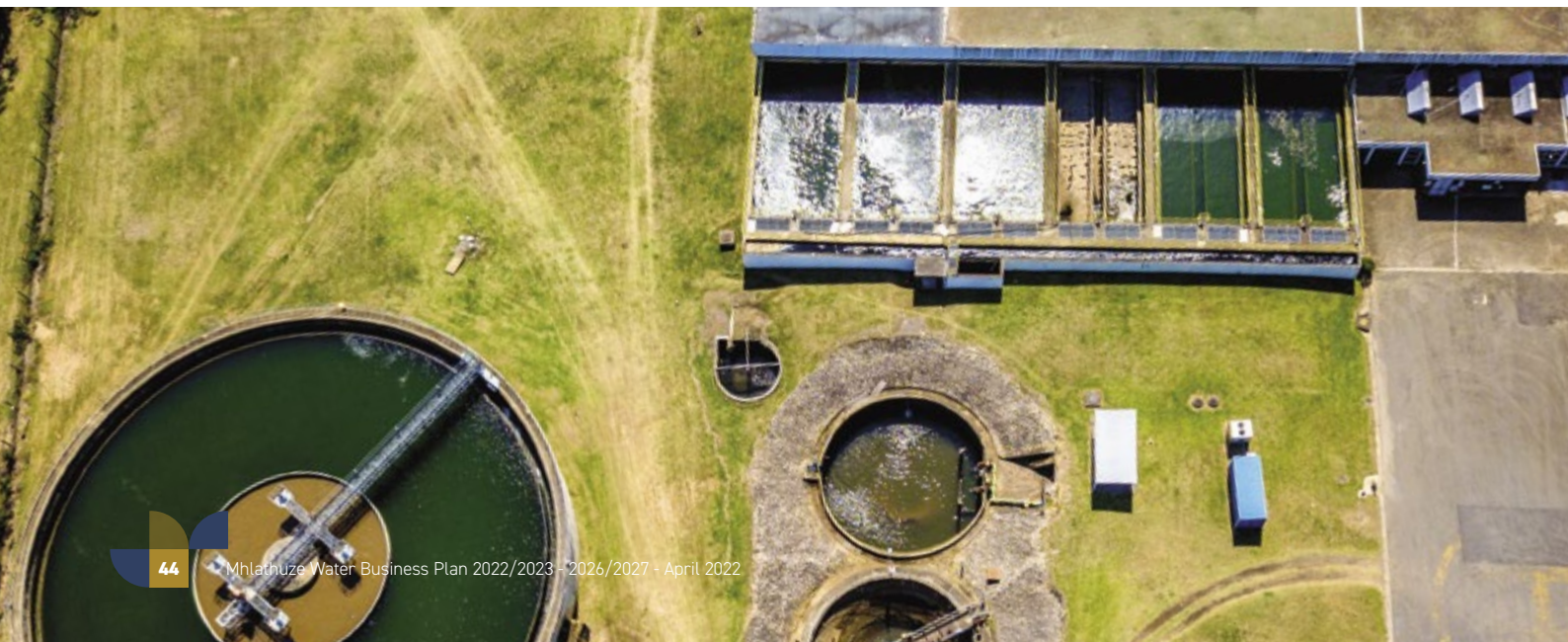


Table 5: National Water and Sanitation Master Plan

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

6.2 Situational Analysis

6.2.1 Mhlathuze Water’s Business

Our services:

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

6.2.2 Section 29 Core: Bulk water provision

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

6.2.3 Section 29 Core: Bulk waste water disposal

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

6.2.4 Section 29 Core: Scientific Services

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

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

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

6.2.5 Section 30 Additional: Project implementation and management services

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

6.2.6 Mhlathuze Water’s Strengths, Weaknesses, Opportunities and Threats

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

A Strength, Weaknesses, Opportunities and Threat (SWOT) analysis was done to then provide more in-depth information.

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

Table 6: Analysis on Water Provision Services

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

Despite the organisation having the sole mandate at this point in time to dispose of effluent to sea, the competitive advantage of this service is under threat by a number of factors as mentioned in the SWOT below. Therefore, the result is shown to be a temporary competitive advantage. To engage the advantages and opportunities, the organisation must systematically address the weaknesses, threats and areas of underperformance. A fundamental area that will receive focussed attention to preserve the competitive advantage is the research into effluent treatment or possibly re-use by means of filtration technologies and chemical application.

Table 7: SWOT Analysis on Effluent Disposal Services

Resources (Product)	Strengths	Weaknesses	Opportunities	Threats
Effluent disposal services	<ul style="list-style-type: none"> Existing bulk infrastructure Effluent disposal at affordable tariffs Primary owner of the coastal waters discharge permit Strong customer relations 	<ul style="list-style-type: none"> Limited access to infrastructure for new customers No plan to re-use No R&D to manage better Limited use of operational technologies to improve efficiencies 	<ul style="list-style-type: none"> Effluent treatment to re-use Effluent product re-use 	<ul style="list-style-type: none"> Increased pressure to reduce pollution/ discharge Environmental pollution incidents attracting negative publicity Possible effluent re-use competitors entering the market Non responsive to stakeholder concerns Increases in tariffs could lead to alternatives being explored by customers. Ageing infrastructure that could lead to not meeting customer demands

Project Implementation and Management Services as well as Scientific Services reflect as unused competitive advantages. The market share reflects to be competitive but not inaccessible. Notwithstanding the drive to exploit the unused competitive advantages, the organisation must carefully manoeuvre through the identified threats and risks. To effectively make any inroads into it. A concerted effort to deal with barriers and challenges will have to be made. This include building and maintaining a resilient and sustainable resource and project implementation model within the organisation. As part of the model would be to access grant funding and/or avail organisational profit in support of programme & strategy implementation. This coupled with approach financial institutions for additional funding support where projects yield viable returns on investments.

Table 8: SWOT Analysis on Project Implementation Services and Scientific Services

Resources (Product)	Strengths	Weaknesses	Opportunities	Threats
Project implementation and management services	Capable and skilled staff Reasonable W&S MP at WSA level Access to market resources (skills, financial etc)	GIS/ data management Lack of coordination amongst WSA Poorly conceptualised funding models Lack of/ Limited external government funding	Challenges in WSAs on TS/ O&M Unused competitive advantages and unclaimed profits Leader in the bulk resource and infrastructure	Organisational Red-tape Political climate Unpreparedness Non-responsiveness Staff turnover impacting on Implementation momentum and knowledge retention Credit rating of WSA
scientific services	State of the art, ISO 17025 accredited laboratory Competent and skilled staff	Lack of a clear project implementation and funding model in order to compete for unused market share	Unused competitive advantages Market services to take hold of the available market share	Organisational Red-tape Unpreparedness Non-responsiveness Credit ratings of WSA

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

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

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

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

Notwithstanding the collaborative approach, there are emerging competitors in the market that could pose potential risk to the financial viability of the organisation. Such competition include the aforementioned water services authorities as well as private industrial corporations.

Competitors are exploring alternate possibilities such as effluent re-use and possibly small and large scale desalination programmes. Acknowledging the medium to high capital and operation cost of these alternatives; the demand and security for water in a drought stricken region; most likely will outweigh the cost of investment.

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

6.2.7 Financial Viability and Sustainability

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

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

The recent past and medium term economic climate, predominantly influenced by the impact of COVID-19 pandemic, forced the organisation to adjust its financial operations to ensure business continuity. The Minister approved a 0% increase in the domestic bulk water tariffs in the 2020/2021 financial year and only 50% of the 2021/2022 domestic bulk water tariffs 21/22 compared to that applied for in the respective financial years. As a consequence of implementation this directive and notwithstanding the increases in in cost of sales, the organisation incurred a loss in revenue and a reduced net surplus. As an immediate counter measure, an operational budget restructuring process was undertaken to minimise the impact of the loss in revenue. A conscious decision was taken not to impact the capital expansion programme so not to compromise the core service delivery mandate of the organisation.

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

- Operational efficiencies are of critical importance. Firstly, general expenses are to be reviewed, controlled and implement austerity measures where appropriate.
- The review of major operational cost drivers in the cost of sales and general expenses and

implement efficiencies is required. This also will involve researching and implementing technological advances to reduce cost or improve efficiencies.

- Operational budget preparation and management reforms are to be implemented, one of many will be to implement a zero-based operational budgeting process.
- Development and implementation of a Capital Investment Policy in order to assess, prioritise and schedule material capital expansion, upgrade and refurbishment projects.
- Further, it is assumed that abnormal tariff increases, especially in bulk potable water will be considered favourably. Therefore, a staggered approach is to be implemented to recover losses. An “abnormal” tariff increase, in addition to the normal tariff, over a 5 year period is proposed.
- Even though under restrained economic growth climate, the objective remains to increase revenue by the sale of bulk volumes under primary activities in order to increase revenue.
- As an absolute last resort, the organisation would need to access its cash reserves to remain solvent.

The following table outline the scheduling of these interventions:

Table 9: Schedule of Short and Medium Interventions Adopted by Mhlathuze Water

Intervention	2022	2023	2024	2025	2026	2027
OPEX: general expense review and reduction	Reduce equal to revenue	Reduce equal to revenue	Reduce equal to revenue	Reduce equal to revenue	Reduce equal to revenue	Reduce equal to revenue
OPEX: R&D to reduce cost of sales	-	-	Reduce by 1%	Reduce by 2.5%	Reduce by 5%	Reduce by 5%
OPEX: budget reform	-	0-based budgeting	0-based budgeting	0-based budgeting	0-based budgeting	0-based budgeting
CAPEX: assess, prioritise and schedule	assess, prioritise and schedule	assess, prioritise and schedule	assess, prioritise and schedule	assess, prioritise and schedule	assess, prioritise and schedule	assess, prioritise and schedule
Abnormal tariff to recover loss	-	Tariff + 4%	Tariff + 4%	Tariff + 4%	Tariff + 4%	Tariff + 4%
Revenue growth	Increase sale of volumes Increase Section 30 activity	Increase sale of volumes Increase Section 30 activity	Increase sale of volumes Increase Section 30 activity	Increase sale of volumes Increase Section 30 activity	Increase sale of volumes Increase Section 30 activity	Increase sale of volumes Increase Section 30 activity
Cash Reserves	-	-	-	-	Remain solvent	Remain solvent

6.2.8 Predicted Water Demand

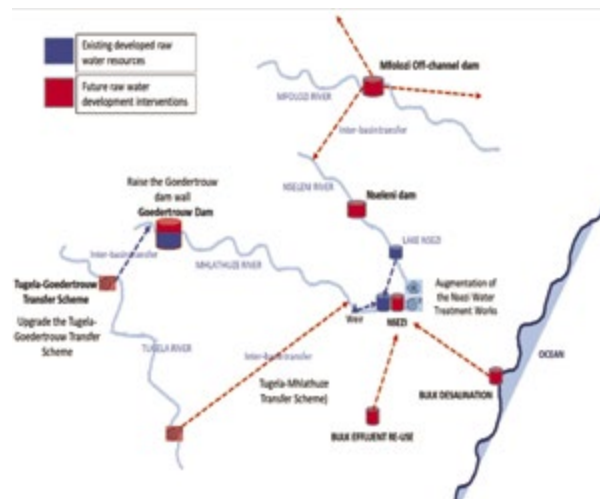
To take full advantage of the competitive advantages presented to Mhlathuze Water, the organisation constantly review its position in line with current and future demands. Based on the moderate planning scenarios, the current industrial and residential water demand are predicted to steadily increase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

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

A number of strategic interventions have been identified in collaboration with the Department of Water and Sanitation through the Richards Bay Reconciliation Study. Mhlathuze Water was requested to drive the implementation for certain these strategic projects. In summary, there are targeted feasibility studies to augment natural storage capacity of water by investigating the suitability of the Nseleni River as well as future plans for bulk desalination.

The demands for raw water abstraction is within the limits placed on the organisation to abstract water from the Mhlathuze River (weir). Compared to actual metered consumption usage data, raw water abstraction will remain within the limits for some time in the future.

Figure 3: Strategic Interventions Identified in Richards Bay Reconciliation Study



Mhlathuze Water, in anticipation of contractual demand for bulk services increasing, will embark on collaborative programmes to augment bulk water resources by investigating a mix of options that could include raw natural water, waste water re-use and/ or large scale desalination.

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

Table 10: Predicted Water Demand

Demand Projections ('000m ³ /Day)	2021	2022	2023	2024	2025	2026	2027
Purified							
CoU: Richardsbay	0	0	12	12	12	12	12
CoU: Esikhaleni	0	0	0	20	20	20	20
	0	12	12	32	32	32	32
Clarified							
IDZ oil refinery development	0	0	0	20	20	20	20
IDZ Nyanza Metals	0	0	7	7	15	15	15
Reserve capacity	0	10	10	10	10	10	10
	0	10	17	37	45	45	45
TOTAL	0	22	29	69	77	77	77

There is currently no potable water supply from Mhlathuze Water to Esikhaleni (City of uMhlathuze). The water demand from this system far outweighs the available water supply (the plant capacity cannot meet the demand) such that restrictions have to be implemented as part of normal system operation. The process of conducting the feasibility study to augment the Forrest Hill reservoirs (Esikhaleni/Vulindlela system) with potable water from Nsezi WTP to Esikhaleni bulk reservoirs (i.e. Forest reservoirs) have been concluded by the CoU. The projection is to supply the Forrest Hill reservoirs with 20 000 m³ of potable water per day in 2022. However, the implementation of the 15MI/day package plant

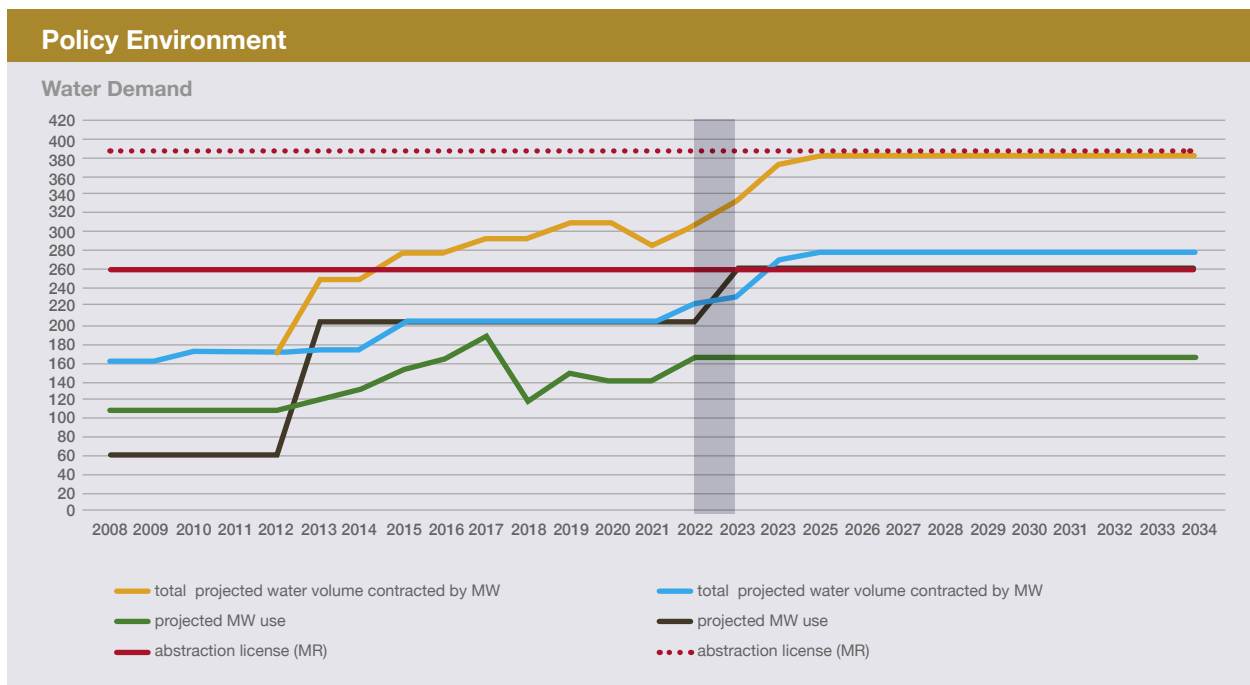
as an interim measure has moved the implementation of the potable pipeline forward by 2 years.

Discussions are continuing between Mhlathuze Water and the Richards Bay Industrial Development Zone as well as Petro SA for a proposed Oil Refinery. The RBIDZ will revert once they have completed with the planning phase of the development that requires 20 000 m³ of clarified water per day in 2024. Further discussions indicated that Nyanza Metals would require an initial 7MI/day clarified water supply in 2023 and a full 15MI/day in 2025 when production is at full capacity.

6.2.9 Bulk Water Production Capability

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

Figure 4: Predicted Future Demand



The augmentation of Nsezi Water Treatment Works; coupled with the existing Mhlathuze Weir infrastructure and pipeline augmentation project, should comfortably deal with water production demands for the area over the next 10 to 15 years.

As the organisation is strengthening its relationships with water service authorities in the region, the anticipated water demand is likely to rise in the next 2 to 5 years. Security (short and long term natural yield) of raw water sources relating to the City of Umhlathuze Local

Municipality's water treatment plants would require closer co-operation and integration of the plans and infrastructure to meet future demand.

The need for integrated bulk resource and infrastructure master planning over a 10 year horizon is of critical importance to not just ensure security of supply and demand, but also maintain business continuity from one administration to another. The planned project and its financial implications is elaborated on in the Technical and Financial Services sections of this Business Plan respectively.

Table 11: Strategic Objectives and Projected Outputs

Alignment to Sustainable Development Goals	2030 NDP Milestones	National Water and Sanitation Master Plan	Strategic Objective	King IV Corporate Citizen	Projected 5 year Performance Outputs	June 2018 Baseline	Source of baseline	5 year Performance Targets				
6.4, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity	All main urban and industrial centres will have a reliable water supply to meet their needs	Improve Raw Water Quality	SO1	To grow the provision of water services	Natural Capital	Invest effectively in bulk water storage	240 million m³/a water secured or stored	DWS Reconciliation Study	280 million m³/a water secured or stored			
					Manufacturing Capital	Invest effectively in bulk water production	74 million m³/a plant capacity	Annual Report	90 million m³/a plant capacity			
			SO2	To ensure long-term financial sustainability of the organisation	Financial Capital	Maintain a sustained net profit margin	16%	Annual Report	10% net profit margin maintained			
					Financial Capital	Diversify/ Expand the business footprint	R394.3m revenue (s29) R136.6m revenue (s30)	Annual Financial Statements in Annual Report	Increase in volumes of water/ waste water to new/ existing customers			
					Financial Capital		R394.3m revenue (s29) R136.6m revenue (s30)			Annual Financial Statements in Annual Report	increase in Section 30 customers	
					Financial Capital Manufacturing Capital	Revenue generation from investment in assets	Return on assets 6,24%	Annual Report	Maintain/ increase return on assets to 8%			
			6.1, achieve universal and equitable access to safe and affordable drinking water for all	All South Africans will have affordable, reliable access to sufficient safe water and hygienic sanitation;	Reduce Water Demand And Increase Supply Equitable Redistribution For Transformation (Equity)	SO3	To initiate and build relations with all stakeholders to add value for all	Social and Relationship Capital	Maintain quality service to existing customers	Mondi purified: 88.4% Foskor clarified: 100% All other purified: 100%	Customer Standards and Lab test results	95% of customer water quality standards achieved
								Social and Relationship Capital	Increase in the Local/ Regional economic spend	7% of bids >R500k spent in District	Contract register	20% of procurement budget spend within the area of operation
						SO4	To resource the Organisation with the required skills and competence to deliver the strategic intent	Human Capital	Reinforce the transformation agenda	BBBEE level 8	BBBEE certificate Annual Report	Achieve and maintain a BBBEE level 1 rating
								Social and Relationship Capital	Local community to benefit from the presence of MW	24% spend on regional CSI and municipal rural development budget in line with the mandate	Annual Report (CSI and municipal budget vs actual spend)	90% budget spend on local and regional CSI and municipal rural development in line with the mandate
Manufacturing Capital	Increase Leadership and Operational competence	97.1% plant availability						Maximo reports	95% plant availability			
Manufacturing Capital		0 instances of unplanned supply interruptions exceeding 24 hours						Maximo reports	3 instances of unplanned supply interruptions exceeding 24 hours			
Social and Relationship Capital												
Intellectual Capital	Maintain business continuity through knowledge management and mentorship	New						HR reports on business continuity	80% of identified staff participating in relevant programmes			

Table 11: Strategic Objectives and Projected Outputs (Continued from page 51)

Alignment to Sustainable Development Goals	2030 NDP Milestones	National Water and Sanitation Master Plan	Strategic Objective	King IV Corporate Citizen	Projected 5 year Performance Outputs	June 2018 Baseline	Source of baseline	5 year Performance Targets
			SO5 To optimise business processes and systems to be compliant	Social and Relationship Capital	Unqualified Audit	Qualified	External Audit Report	Unqualified Audit opinion
6.3, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally	Natural water sources will be protected to prevent excessive extraction and pollution	Protecting And Restoring Ecological Infrastructure	SO6 To be pro-active on issues relating to health, safety, security and environmental compliance and stewardship	Human Capital	Safe and Secure working environment	1 disabling incident	DFIR report	0.45 disabling incidences
				Social and Relationship Capital	Meet quality and compliance standards	99.9% compliance with SANS	Independent compliance testing reports	97% compliance with set standards
				Social and Relationship Capital		91.8% compliance with disposal permit	Independent compliance testing reports	90% compliance with set standards
				Natural Capital	Complete feasibility studies to reduce waste water discharge into the ocean	64.8 million m³/a	Annual Report	Feasibility to re-use the waste or dispose of waste water in an environmentally friendly manner
	The country's development will reflect an understanding of available water resources and effective water planning that cuts across different economic sectors and spheres of government	Reduce Water Demand And Increase Supply	SO7 To improve efficiency through technology and best practices	Financial Capital	Implement technology to reduce cost of sales	43% (cost of sales as part of gross revenue)	Annual Financial Statements in Annual Report	5% reduction in costs of sales due to technological advances implemented
				Natural Capital	Reduce water wastage from abstraction	2.72% of water loss from abstraction	Annual Report	2.5% of unaccounted water loss from abstraction
				Intellectual Capital	Research and Development that informs operational efficiency	New	None	Conduct research on 5 initiatives and implement 4



Table 12: Strategic Objectives and Projected Targets

5 Year Performance Targets	Operational Performance Activities	Year 2020/2021 Actual	Year 2021/ 2022 Estimate	Year 1 2022/2023	Year 2 2023/2024	Year 3 2024/2025	Year 4 2025/2026	Year 5 2026/2027
280 million m³/a water secured or stored in natural/ produced by human systems	Prepare Bulk Water Resource Master Plan	RB RECON 2018/19 DWS commenced with KZN Northern Catchments (Pongola, Mkuze, Hluhluwe and Mfolozi) (Sept 2021- 2023/2024)	RB RECON 2018/19 Northern Catchments 1 st technical review	Bulk Water Resource Master Plan finalised Implementing funding models	Implementing funding models	Implementing funding models	Implementing funding models	Implementing funding models
	Prepare Bulk Infrastructure Master Plan	MW Master Plan – June 2028	Infrastructure Master Plan reviewed	Bulk Infrastructure Master Plan Implementing funding models	Implementing funding models	Implementing funding models	Implementing funding models	Implementing funding models
90 million m³/a plant capacity	CAPEX programme implemented to increase plant production capacity	NWTP pipeline material R90.4m NWTP pipeline construction R0m (not awarded) NWTP plant upgrade material R278.1m	Pipeline material delivered Pipeline construction ##% complete Plant augmentation ##% complete	Nsezi WTP upgrade	Nsezi WTP upgrade complete	-	-	-
10% net profit margin maintained	Maintain net profit margin >10%	20.06%	25.28%	20.35%	17.15%	17.77%	21.09%	17.94%
5% increase in gross revenue from Section 29 customers	Increase in volumes of water/ waste water to new/ existing customers							
	Purified Water	202 000	202 000	224 000	244 000	244 000	244 000	244 000
	Raw Water	108 840	108 840	108 840	108 840	108 840	108 840	108 840
	Waste Water	158 983	159 483	159 483	159 483	159 483	159 483	159 483
Increase in Section 30 customers	Increase Section 30 business with regional Water Services Authorities or other	DWS directive issued on TGS upgrade CoU directive on Esikhawini intervention	Pending DWS directive on UMkhanyakude District Municipality	1 new S30 agreement	1 new S30 agreement	1 new S30 agreement	1 new S30 agreement	1 new S30 agreement
Maintain/ increase return on assets to 8%	Increase in the return on assets	8.36%	4.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %
95% of customer water quality standards achieved	Meet customer water requirements	Mondi purified: 95.75% Foskor clarified: 100% All other purified: 100%	Mondi purified: 95.75% Foskor clarified: 100% All other purified: 100%	94%	95%	95%	95%	95%
20% of procurement spend within the area of operation	Emerging and Local Supplier Development	31%	30%	30%	30%	30%	30%	30%
Achieve and maintain a BBBEE level 1 rating	Skills Development Plan and implementation	83%	90% of budget spent	90% of budget spent	90% of budget spent	90% of budget spent	90% of budget spent	90% of budget spent
	procurement budget spent on BBBEE level 1 companies	84.58%	75% budget spent	75% budget spent	80% budget spent	80% budget spent	80% budget spent	80% budget spent
	Successful Emerging Suppliers Developed by MW	0	1	1	1	1	1	1

Table 12: Strategic Objectives and Projected Targets (Continued from page 53)

5 Year Performance Targets	Operational Performance Activities	Year 2020/2021 Actual	Year 2021/ 2022 Estimate	Year 1 2022/2023	Year 2 2023/2024	Year 3 2024/2025	Year 4 2025/2026	Year 5 2026/2027
90% budget spend on local and regional CSI and municipal rural development in line with the mandate of MW	Targeted initiatives implemented according to policy and mandate	CSI = 60% Rural Dev: 117% Combined: 113%	90% spent	90% spent	90% spent	90% spent	90% spent	90% spent
95% plant availability	Reduce down time of plant or critical plant assets	98.36%		95%	95%	95%	95%	95%
Less than 3 instances of unplanned supply interruptions exceeding 24 hours	Reduce down time of plant or critical plant assets	1	3	3	3	3	3	3
80% of identified staff participating in relevant programmes	Initiate and maintain mentorship and coaching programmes at core levels	14 positions identified	50% of identified staff participate in identified programmes	50%	60%	70%	80%	80%
Unqualified Audit	Unqualified audit opinion	Unqualified audit opinion with findings	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion
0.45 disabling incidences	Compliance with OHSWA requirements	0.32	0.45	0.45	0.45	0.45	0.45	0.45
100% compliance with set standards	97% compliance with drinking water standards	99.56%	97%	97%	97%	97%	97%	97%
90% compliance with set standards	90% compliance with waste water disposal standards	87.75%	90%	90%	90%	90%	90%	90%
Feasibility to re-use the waste or dispose of waste water in an environmentally friendly manner	Feasibility Studies to re-use waste produced from industry	Feasibility study conducted by CoU. MW partnership defined		Agreements entered into	-	-	-	-
5% reduction in costs of sales due to technological advances implemented	Implement efficiency research initiatives	Not yet measured	0% decrease	1% decrease	2% decrease	2% decrease	2% decrease	2% decrease
2.5% of avoidable water loss from abstraction	Planned and Preventative maintenance programme	2.94%	4%	4%	4%	3%	3%	3%
Implement 5 research and development initiatives	Conduct research to improve organisational efficiency and growth	1	1 research and development initiatives implemented	1 research and development initiatives implemented	1 research and development initiatives implemented	1 research and development initiatives implemented	1 research and development initiatives implemented	1 research and development initiatives implemented

7. Chief Executive Unit

7.1 Chief Executive Unit

Mandate of the Chief Executive Unit

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

7.2 Functions within the Chief Executive Unit

Office of the Chief Executive

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

Company Secretary

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

Strategy and Development

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

Risk Management

The purpose of the risk management function is to identify potential challenges that the organisation might face and implement appropriate mitigating measures before they occur. This is done so that risk activities may be planned and invoked as needed across the life of the business to

mitigate adverse impacts on achieving objectives. Effective risk management includes early and aggressive risk identification through the collaboration and involvement of relevant stakeholders on a continuous basis.

Corporate Communications

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

Internal Audit

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

Corporate Social Investment

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

The focus areas of the CSI strategy are as follows:

- Education;
 - Mhlathuze Water supports interventions that address effective delivery of quality education or/ and improvement of resources.
- Supply of potable water and sanitation facilities;
 - Mhlathuze Water provides water tanks to communities and schools, build boreholes and fast track the process of ensuring availability of water in rural areas.
- Economic development;
 - Mhlathuze Water partners with stakeholders in its area of operation to create opportunities to train women and youth to be economically independent

- Sports development
 - Mhlathuze Water provides support by addressing sport development and youth development
- Public health and community development
 - Mhlathuze Water may decide to provide public health and community development support where necessary depending on the needs of the community.

Institutionalisation of the Planning, Monitoring and Reporting System

Mhlathuze Water introduced a planning, monitoring and reporting system that assists the organisation in monitoring its performance and initiatives which contribute to service delivery outcomes. The planning, monitoring and reporting system was developed in compliance with the Framework for Managing Programme Performance Information, 2007 and applicable National Treasury regulations. The reporting system involves collecting, analysing, and assessing the validity and accuracy of performance information; and reporting on performance information. The Planning, Monitoring and Reporting Policy was approved by the Accounting Authority in August 2018; and the Monthly, Quarterly and Annual Reporting Procedures was approved by EXCO in August 2018.

7.3 Future Plans

Stakeholder Engagement

One key area of focus as a responsible corporate citizen, Mhlathuze Water strive to contribute and creating value to its social and relationship capital. Critical focus areas in this regard have been identified as the shareholder, customers and clients as well as the broader community within which Mhlathuze Water exist and operate.

From a shareholder point of view, Mhlathuze Water intends to improve its performance around the directives issued and specifically the performance around the shareholder agreement entered into. Associated with creating value

within the communities the organisation operate, it is recognised/ admitted that at it has to play a more proactive and involved role by working with other stakeholders in identifying initiatives or programmes (including funding models/ options) that can improve access to water and sanitation in communities.

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

The organisation must marshal its resources towards delivering more impactful corporate social responsibility initiatives and, ultimately, poverty reduction. Ultimately, in line with the imperative of using the services the organisation provides, Mhlathuze Water will strengthen its relationships with stakeholders based on an ethos of mutual respect, improving and sustaining quality of life, collaboration and constant communication and interaction. To increase the organisations value add, a more coordinate effort is needed to channel resources in its core community contribution programmes such as CSI, ESD and Rural Development to maximise the value that the organisation can generate in these areas.

For the organisation to claim that it adds value to sustained quality of life, it has to mature in its programme implementation methodologies, and track implemented programmes throughout its lifecycle. This means that it is no longer good enough for the organisation to claim just project outputs as achievements, but mature to a stage whereby continuous evaluation of projects in collaboration with beneficiaries and stakeholders to measure towards the intended outcomes and impact it must achieve. This will not just assist in improving project implementation methodologies but also allow the organisation to reflect and redress where needed to.



7.4 Chief Executive Unit Pre-determined Objectives and Targets

Table 13: Chief Executive Unit Pre-determined Objectives and Targets

Shareholder Compact Targets	Strategic Objective	To Initiate and Build Relationships with Stakeholders										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Targets
			2018/2019	2019/2020	2020/2021	2021/2022 2 nd quarter actual						
SC10	Bulk supply agreements concluded with municipalities/ other customers	Number of bulk supply service level agreements in place	7.00	7.00	7.00	6.00	8	7	7	8	8	8
SC12	Rural development support in line with the organisation's mandate	Number of projects implemented in municipalities	0.00	0.00	2.00	ToR drafted , Technical Services required to confirm the CIDB grading required for the project in order to include on the advert/RFQ	10	2	2	2	2	2
SC20	Corporate Social Investment (CSI) initiatives in line with the organisation's mandate	Number of CSI initiatives undertaken	4.00	5.00	4.00	4.00	20	4	4	4	4	4
Shareholder Compact Targets	Strategic Objective	To Optimise Business Processes and Systems for Efficiency										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Targets
			2018/2019	2019/2020	2020/2021	2021/2022 2 nd quarter actual						
SC4	Effective governance, compliance with legislation and financial sustainability	Number of unqualified external audit reports received	2017/2018 Qualified opinion	2018/2019 Unqualified audit opinion with matters of emphasis	2019/2020 Clean audit	2020/2021 Unqualified audit opinion	1	1	1	1	1	1
SC13	Meeting statutory submission deadlines	Number of approved business plans submitted as per compliance requirements	1.00	1.00	1.00	1st Draft 2022/23 - 2026/27 Business Plan	5	1	1	1	1	1
		Number of approved Shareholder Compact submitted as per compliance requirements	1.00	1.00	1.00	1st Draft 2022/23 Shareholders Compact	5	1	1	1	1	1
		Number of approved annual reports submitted as per compliance requirements	1.00	1.00	1.00	2020/2021 Annual Report	5	1	1	1	1	1

Table 13: Chief Executive Unit Pre-determined Objectives and Targets (Continued from page 57)

Mhlathuze Water Targets	Strategic Objective	To Optimise Business Processes and Systems for Efficiency										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target
			2018/2019	2019/2020	2020/2021	2021/2022 2 nd quarter actual						
SC13	Meeting statutory submission deadlines	Number of approved quarterly reports submitted as per compliance requirements	4.00	4.00	4.00	MW 2021/2022 second quarter report submitted as per compliance requirements	20	4	4	4	4	4
SC17	Board effectiveness	Percentage of attendance of Board members at Board meetings	94.63%	84.27%	97.73%	100%	80%	80%	80%	80%	80%	80%
SC18	Corrective measures for internal audit findings	Number of repeat internal audit findings	8.00	0.00	0.00	0.00	0	0	0	0	0	0
SC18	Corrective measures for internal audit findings	Number of unresolved internal audit findings	9.00	2.00	0.00	7.00	0	0	0	0	0	0
Shareholder Compact Targets	Strategic Objective	To Ensure the Long Term Financial Sustainability										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target
			2018/2019	2019/2020	2020/2021	2021/2022 2 nd quarter actual						
SC9	Engagement in secondary activities	Percentage of growth in turnover secondary activities	(10.00%)	(26.16%)	(43.62%)	(39.61%)	2.5%	0.5%	0.5%	0.5%	0.5%	0.5%
SC19	Good Governance	Number of breaches of materiality and significant framework	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mhlathuze Water Targets	Strategic Objective	To Initiate and Build Relationships with Stakeholders										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target
			2018/2019	2019/2020	2020/2021	2021/2022 2 nd quarter actual						
MW1	Board performance assessment	Number of Board performance assessment conducted	-	-	1	The board confirmed that in a 4 year term, board assessments will be alternated between being done internally and externally. Given that the last exercise was done externally, the current one should be done internally.	5	1	1	1	1	1

Table 13: Chief Executive Unit Pre-determined Objectives and Targets (Continued from page 58)

Mhlathuze Water Targets	Strategic Objective	To Initiate and Build Relationships with Stakeholders											
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance					
			Audited actual performance					2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target	
			2018/2019	2019/2020	2020/2021	2021/2022 2 nd quarter actual							
MW2	Meeting statutory obligations	Percentage of Shareholder Compact targets achieved	88.89%	72.97%	89.00 %	79.41%	80%	80%	80%	80%	80%	80%	
MW3	MW positioned as the preferred water service provider	Number of stakeholder engagements held	4.00	8.00	24.00	6.00	40	8	8	8	8	8	
MW4	MW positioned as customer focused organisation	Number of Stakeholder Indaba held	1.00	0.00	1.00	The Stakeholder Indaba Concept document was presented and approved by EXCO on 11 October 2021 and approved by the Social and Ethics Committee on 22 October 2021	5	1	1	1	1	1	
MW5	MW positioned as a brand through Marketing initiatives	Number of marketing initiatives conducted	4.00	4.00	11.00	4.00	20	4	4	4	4	4	
MW6	External stakeholders informed on MW programmes, projects and services through media engagements	Number of media initiatives conducted	35.00	22.00	37.00	6.00	80	16	16	16	16	16	
Mhlathuze Water Targets	Strategic Objective	To Optimise Business Processes and Systems for Efficiency											
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance					
			Audited actual performance					Unaudited 2 nd quarter performance	2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target
			2018/2019	2019/2020	2020/2021	2021/2022							
MW7	Effective internal controls	Number of three-year strategic rolling internal audit plan	1.00	1.00	1.00	1.00 three-year strategic rolling internal audit plan approved on 21 August 2021.	5	1	1	1	1	1	
MW8	Effective risk controls and management	Percentage of implementation of strategic risk further action plans	-	91.00%	100%	33.33%	100%	100%	100%	100%	100%	100%	
MW9		Percentage of implementation of fraud risk further action plans	-	75.00%	100%	100%	100%	100%	100%	100%	100%	100%	

8. Corporate Services Unit

8.1 Mandate of Corporate Services Unit

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

8.2 Functions within the Corporate Services Unit

Human Resources Development

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

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

Human Resource Management

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

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



Information Technology

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

Document and Knowledge Management

Mhlathuze Water keeps and manages official records to support its business operations, as well as to fulfil legal and administrative obligations. These records are

managed from date of creation of documents to date of disposal thereof, in terms of the National Archives and Records Service Act 43 of 1996, as amended. The Document Management function, therefore, ensures that institutional records of historical, fiscal and legal value are identified and preserved; and that non-essential records are discarded in a timely manner according to established guidelines and legislation.

Facilities and Fleet Management

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

Thirty nine (39) of the vehicles are owned by Mhlathuze Water while fifteen (15) are held under lease agreements.

Legal Services

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

8.3 Situational Analysis

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

Table 14: SWOT Analysis

Strength	Threats
Reputable employer Diversified workforce Access to various recruitment strategies Range of successful core skills development programmes Km: expertise and knowledge in an essential service and related assets	Ability to attract and retain qualified graduates in core competencies Efficiency and productivity – covid19 Km: lack of platforms, or techniques to share and document knowledge It: "outdated" information management systems Ot: operating outside it governance frameworks
Opportunities	Weakness
Improve on retention programmes Introduce re-skilling programmes to improve efficiency Km: create knowledge hub It: access to technology to improve system performance	Knowledge management Employment of people with disabilities Retention of professional graduate trainees Km: access to, and documentation of organisational knowledge

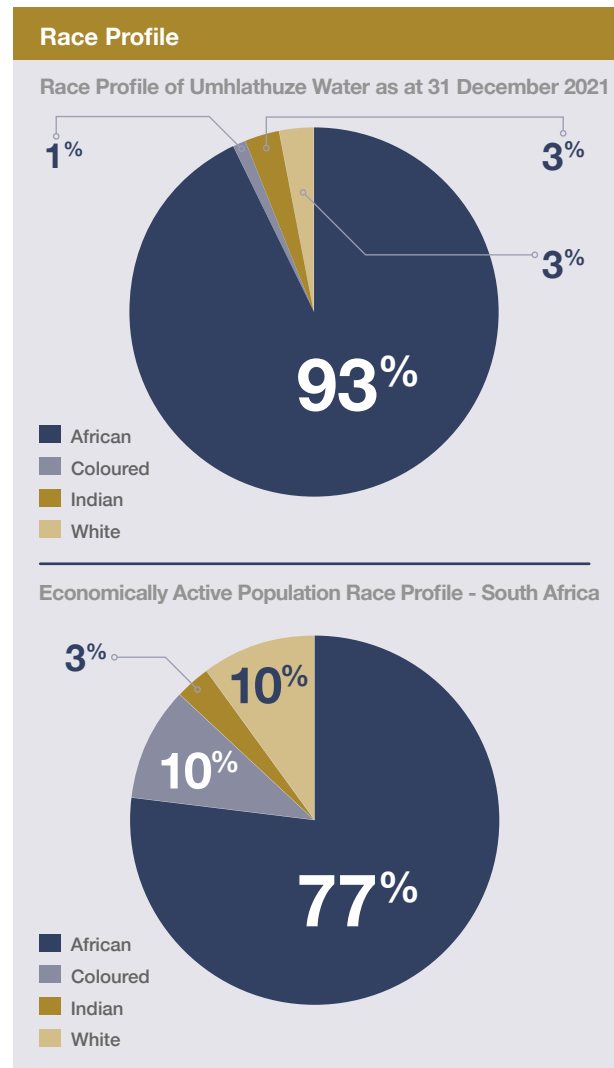
Table 15: Workforce Profile as at 31 December 2021

Occupational Levels	Male				Female				Foreign Nationals		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top Management	1	0	0	0	0	0	0	0	0	0	1
Senior Management	2	0	0	0	1	0	0	0	1	0	4
Professionals	17	0	1	1	17	0	2	1	0	0	39
Skilled Technical & Academically Qualified Workers	33	0	0	2	42	1	2	1	0	0	81
Semi-Skilled	47	1	1	0	23	1	0	1	0	0	74
Unskilled & Defined Decision Making	12	0	0	0	9	0	0	0	0	0	21
Totals	112	1	2	3	92	2	4	3	1	0	220
Percentage	51%	0.5%	1%	1%	42%	1%	2%	1%	0.5%	0%	100%
Total Percentage	54%				46%				0.5%		100%

Figure 5: Gender Profile



Figure 6: Race Profile



Mhlathuze Water as at the 31 December 2021 exceeded the Gender Target for females, when compared to the Economically Active Population for South Africa.

MW did not achieve target in terms of Employment Equity as per Race Groups. Gaps are in terms of:

- Coloured persons – below the target by -9%
- White persons – below the target by -7%
- Indian persons – on target
- African persons – over the target by 16%



Disability employment

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

Staff retention/ attrition

Mhlathuze Water retained more staff on a year to year comparative basis. The highest attrition rate is within the Finance, Executive and Maintenance Units. Retention of staff and their inherent skills is an important aspect that contributes to the intellectual capital of the organisation. Both from an operational efficiency point and a organisational sustainability point of view (knowledge management).

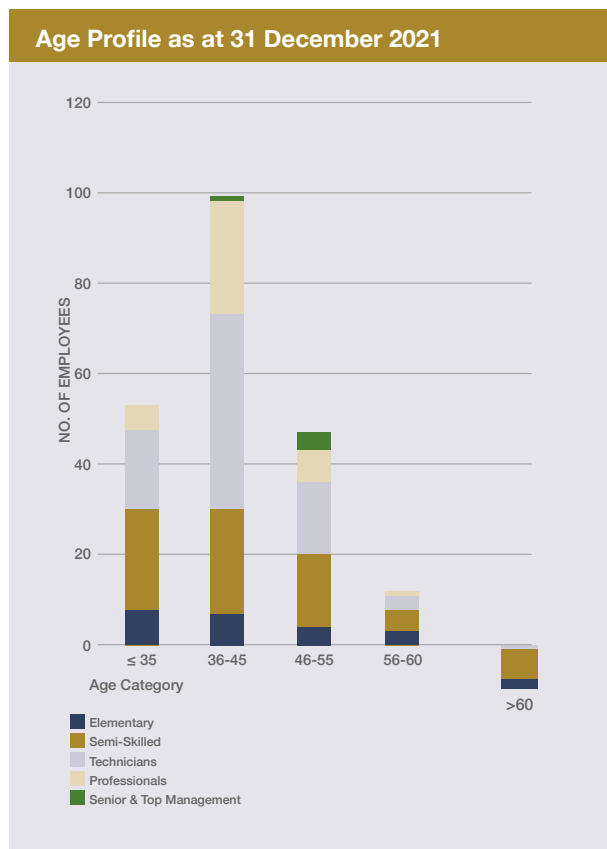
Age profile

The highest concentration of employees are in the age bracket 36 - 45 years in the Technician Occupational group mainly due to the number of positions occupied by middle age employees.

No of employees;

≤ 35 years	= 53 employees
36 – 45 years	= 99 employees
46 – 55 years	= 47 employees
56 – 60 years	= 12 employees
>60 years	= 09 employees

Figure 7: Age Profile as at 31 December 2021



Artisan Development Programme

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

Graduate Development Program

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

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

Internal External Bursary Programme

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

Internship programme

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

Learnership programme

Furthermore, in order for Mhlathuze Water to continue to provide clean water of acceptable standard at all times, a need to upskill employees was identified. Therefore, the Learnership Programme on Water and Waste Water Treatment was implemented. Learners receive a national qualification accredited by the EWSETA. This programme further equips internal employees to build their capacity for advancement opportunities in the organisation by assisting them to obtain up to NQF level 4 qualification.

Compliance Training Programme

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

Employee Wellness

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

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

Long Service Recognition Programme

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

ICT Reporting Frameworks

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

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

8.4 Human Resource Future Plans

8.4.1 Projected employee complement

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

Table 16: Projected Employee Complement over the Next Five Years

Category	Actual 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025	Projected 2025/2026	Projected 2026/2027
Management	6	6	6	6	6	6	6
Other	209	219	219	219	219	219	219
Total	215	225	225	225	225	225	225

8.4.2 Professional Registration

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

Table 17: Professional Registration

Category	Actual 2020/2021	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025	Projected 2025/2026	Projected 2026/2027
Pr. Eng.	1	2	2	2	2	2	2
Pr. Tech.	4	4	4	4	4	4	4
Candidate Engineer	3	3	3	3	3	3	3
Chartered Accountants (CA)	4	3	3	3	3	3	3
Institute of Internal Auditors (IIASA)	2	3	3	3	3	3	3

8.4.3 Employment Equity Targets

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

Table 18: 2020/2021 Numerical Goals

Occupational Levels	Male				Female				Foreign Nationals		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top management	1										1
Senior management	3				2						5
Professionally qualified and experienced specialists and mid-management	12	2	1	2	11	3	1	2			34
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	26	2	1	5	32	3	3	3			75
Semi-skilled and discretionary decision making	41	3	1	3	17	2	0	2			69
Unskilled and defined decision making	13	1	0	0	18	0	0	0			32
TOTAL PERMANENT	96	8	3	10	80	8	4	7			216
Temporary employees	0	0	0	0	0	0	0	0			0
GRAND TOTAL	96	8	3	10	80	8	4	7			216



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

A major challenge is the recruitment and employment is in the area of people that live with disabilities. Mhlathuze Water is as committed employer of PWD, and will take the necessary steps to improve its employment equity in this regard by fostering meaningful relationships and interactions with relevant social and community institutions and organisations that support PWD.

8.4.4 Numerical targets for people with disabilities

Table 19: Numerical Targets for People with Disabilities

Occupational Levels	Male				Female				Foreign Nationals		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top management											
Senior management											
Professionally qualified and experienced specialists and mid-management											
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1							1			2
Semi-skilled and discretionary decision making					1	1		1			3
Unskilled and defined decision making				1							1
TOTAL PERMANENT	1			1	1	1		2			6
Temporary employees											
GRAND TOTAL	1			1	1	1		2			6



8.4.5 Five Year Skills Development Plan

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

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

Skills Development Programmes	Projected 2021/2022	Projected 2022/2023	Projected 2023/2024	Projected 2024/2025	Projected 2025/2026	Projected 2026/2027
Learnerships	5 learners enrolled as water and waste water process controllers	5 learners enrolled as water and waste water process controllers	5 learners enrolled as water and waste water process controllers	5 learners enrolled as water and waste water process controllers	5 Learners enrolled as water and waste water process controllers	5 Learners enrolled as water and waste water process controllers
Graduate Development	4 graduates in the graduate training programme	4 graduates in the graduate training programme	4 graduates in the graduate training programme	4 graduates in the graduate training programme	4 graduates in the graduate training programme	4 graduates in the graduate training programme
External Bursaries	3 continuation of students enrolled in Engineering or other fields	4 new students enrolled in Engineering or other fields	4 continuation students enrolled in Engineering or other fields	4 continuation of students enrolled in Engineering or other fields	4 continuation of students enrolled in Engineering or other required fields	4 continuation of students enrolled in Engineering or other required fields
Training Courses	40 training courses	40 training courses	40 training courses	40 training courses	40 training courses	40 training courses
Study Assistance	3 internal bursaries to be awarded	3 internal bursaries to be awarded	3 internal bursaries to be awarded	3 internal bursaries to be awarded	3 internal bursaries to be awarded	3 internal bursaries to be awarded
Internships	8 interns	16 interns	16 interns	16 interns	16 interns	16 interns
In-service Trainees	4 trainees	4 trainees	4 trainees	4 trainees	4 trainees	4 trainees

8.4.6 Annual Workplace Skills Plan

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

8.4.7 Information Technology

Mhlathuze Water committed to a substantial investment in its information technology systems and infrastructure to build a "smarter" business. This investment to upgrade its

Enterprise Resource Planning aims to integrate the organisation's financials, supply chain, operations, business, reporting, and human resource activities in order to improve decision making, access to information and improve overall efficiencies in the organisation. Further, it is to assist the organisation in creating and maintaining value in its intellectual and capital and by so sustaining an enabling environment for efficient business operation, transacting and continuity.

8.4.8 Document and Knowledge Management

Document and knowledge management is central to building intellectual capital. The organisation plans to implement the ISO standards that relate and guide this aspect of the organisation. The backbone to the business continuity is the implementation and maintenance of a knowledge hub. This hub aims to retain all operational information ranging from detail standing operating procedures, drawings and designs as well as the supporting information that resulted in infrastructure upgrades or expansions.

8.5 Corporate Services Pre-determined and Targets

Table 21: Corporate Services Pre-determined Objectives and Targets

Shareholder Compact and Mhlathuze Water Targets	Strategic Objective	To Resource the Organisation with the Required Skills and Competence										
	Outputs	Performance Indicator	Baseline				5 Year Target	Estimated Performance				
			Audited Actual Performance					2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target
			2018/2019	2019/2020	2020/2021	2021/2022 2 nd Quarter Actual						
SC14	Optimal Staff Retention	Percentage of staff Turnover	11.17%	5.89%	6.42%	0.46%	8%	8%	8%	8%	8%	8%
SC15	Learners trained and equipped with skills	Number of learners trained and equipped with skills	8.00	5.00	5.00	4.00	25	5	5	5	5	5
	MW employees trained and equipped with skills	Number of new internal bursaries awarded to MW employees	6.00	3.00	9.00	4.00	15	3	3	3	3	3
	Graduate trainees participating in the graduate training programme	Number of graduate trainees participating in the graduate training programme	2.00	4.00	4.00	4.00	2	4	4	4	4	4
MW10	MW internship programme that equips the youth with the required skills that will assist them to be professionals	Number of graduates appointed in the MW internship programme	8.00	8.00	14.00	Staff requisition form for the existing interns	16	16	16	16	16	16
MW11	Approved vacant positions filled within turnaround time on recruitment	Percentage of approved vacant positions filled within average of 90 days	-	-	-	100%	100%	100%	100%	100%	100%	100%
MW 12	Employment of people living with disabilities	Percentage of people living with disabilities employed	-	-	-	1%	2%	1.25%	1.50%	1.75%	2%	2%
MW13	Ensure management of business continuity	Percentage of identified employees participating in the Mentorship programmes	-	-	-	0.00%	80%	50%	60%	70%	80%	80%
Shareholder Compact Targets	Strategic Objective	To Ensure Long –Term Financial Sustainability										
	Outputs	Performance Indicator	Baseline				5 Year Target	Estimated Performance				
			Audited Actual Performance					2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target
			2018/2019	2019/2020	2020/2021	2021/2022 2 nd Quarter Actual						
SC5	Effective and Efficient Mechanisms to Ensure Financial Sustainability and Viability	Percentage of staff remuneration of total operating expenditure	23.97%	28.26%	24.97%	26.64%	30%	30%	30%	30%	30%	30%

Table 21: Corporate Services Pre-determined Objectives and Targets (Continued from page 68)

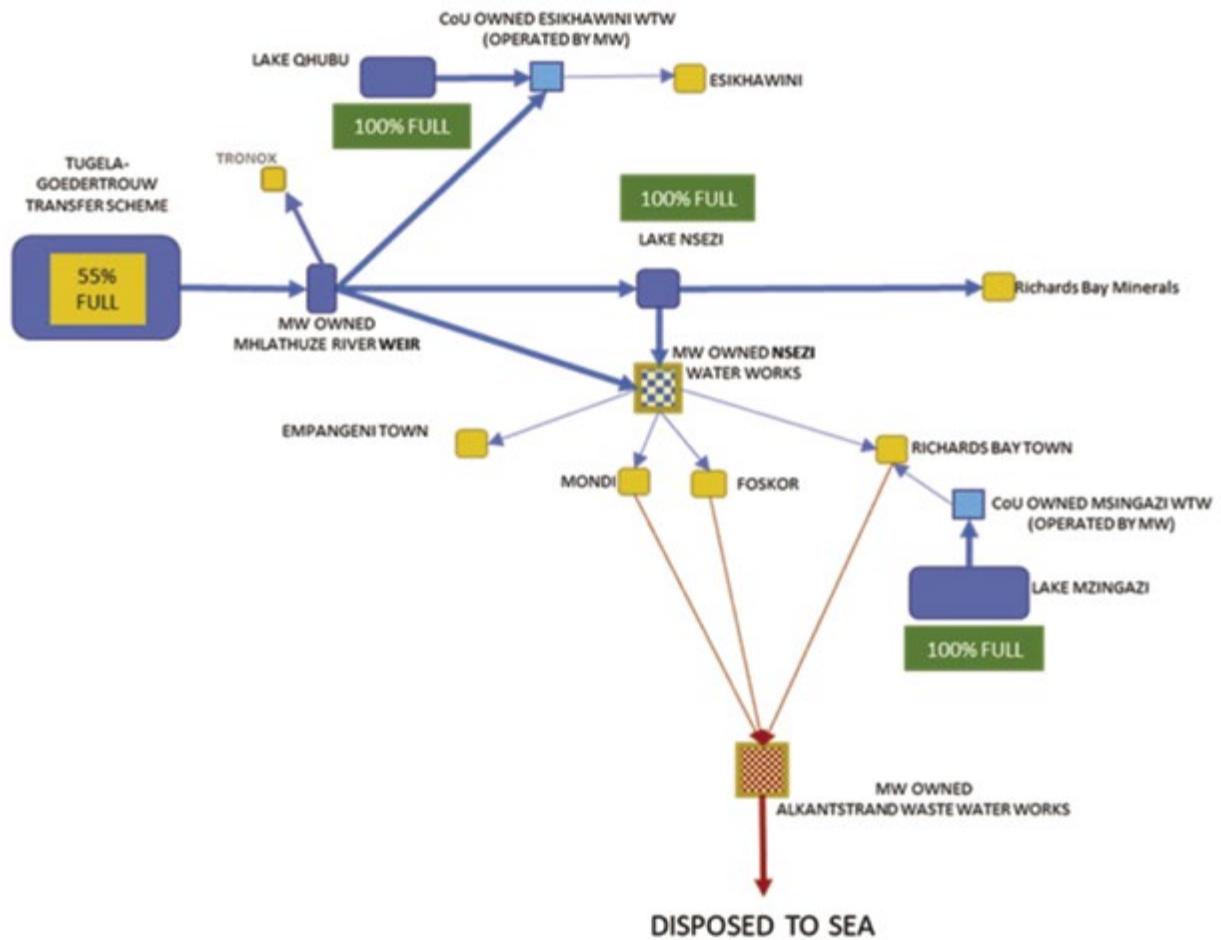
Mhlathuze Water Targets	Strategic Objective	To Ensure Long –Term Financial Sustainability										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target
			2018/2019	2019/2020	2020/2021	2021/2022 2 nd quarter actual						
MW14	Effective and Efficient Mechanisms to Ensure Financial Sustainability and Viability	Percentage of skills development budget spent	-	-	-	23.91%	90%	90%	90%	90%	90%	90%
Mhlathuze Water Targets	Strategic Objective	To Optimise Business Processes and Systems for Efficiency										
	Outputs	Performance Indicator	Baseline				5 Year Target	Estimated Performance				
			Audited Actual Performance					2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target
			2018/2019	2019/2020	2020/2021	2021/2022 2 nd Quarter Actual						
MW15	Business continuity and reliable IT operations	Percentage of server availability based on operating hours	-	-	-	97.51%	95%	95%	95%	95%	95%	95%
MW16	Efficiency of ERP System	Percentage of ERP user requirements implemented	-	-	-	0.00%	95%	95%	95%	95%	95%	95%
MW17	Zero default judgements	Number of default judgements against the organisation	0.00	0.00	0.00	0.00	0	0	0	0	0	0
MW18	Service level agreements concluded with service providers	Percentage of service level agreements finalised within 30 days after appointment of the service provider	-	-	-	0.00%	100%	100%	100%	100%	100%	100%
MW19	Compliance with financial disclosure	Percentage of compliance with financial disclosure	100%	100%	100%	91.74%	100%	100%	100%	100%	100%	100%
MW20	Compliance with facility management standards	Percentage compliance with facility management standards	-	-	-	96.97%	95%	95%	95%	95%	95%	95%
MW21	Ensure management of business continuity	Percentage implementation of knowledge & information management	-	-	-	75.00%	95%	95%	95%	95%	95%	95%

9. Operations Unit

9.1 Operations Unit

Mandate of the Operations Unit

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



9.2 Functions within the Operations Unit

Operations

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

Maintenance

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

Occupational Health and Safety

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

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

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

Disaster management

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

9.3 Situational Analysis

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

➤ Continued Consultation with stakeholders regarding water use reduction:

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

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

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

➤ Working together with the CoU on the investigation into effluent reuse

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



Mhlathuze Water: Weir to Nsezi Transfer Scheme

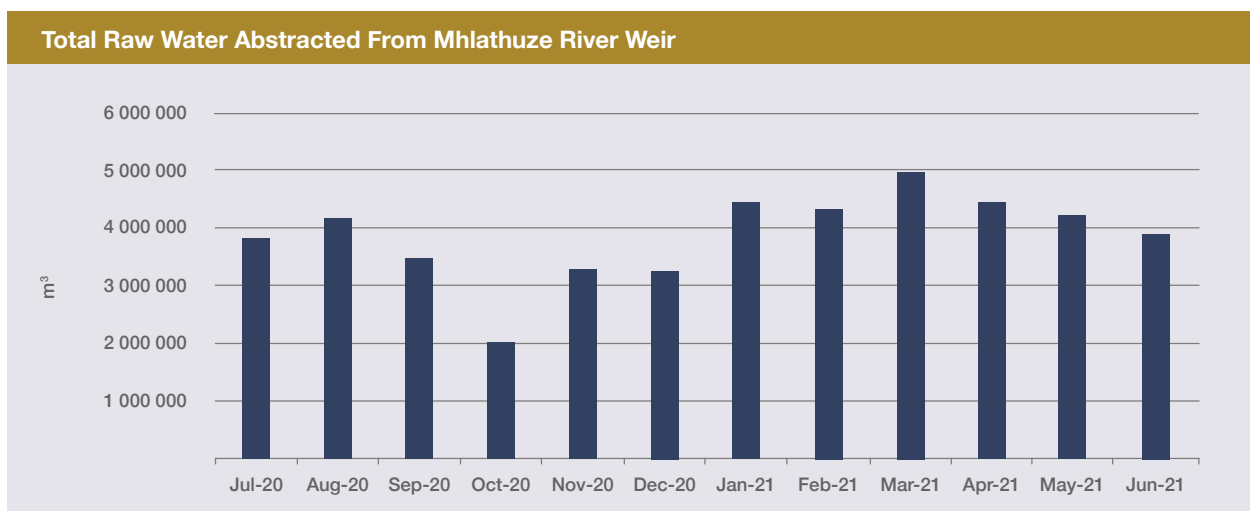
Mhlathuze Water continues to abstract water from the Mhlathuze River which is fed by the Goedertrouw Dam that is augmented by the TGS. The raw water abstraction takes place at the Weir Pump Station, which is about 70km from the discharge of Goedertrouw Dam. The primary beneficiaries from this Pump Station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

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

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

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

Figure 8: Total Raw Water Abstracted from Mhlathuze River Weir

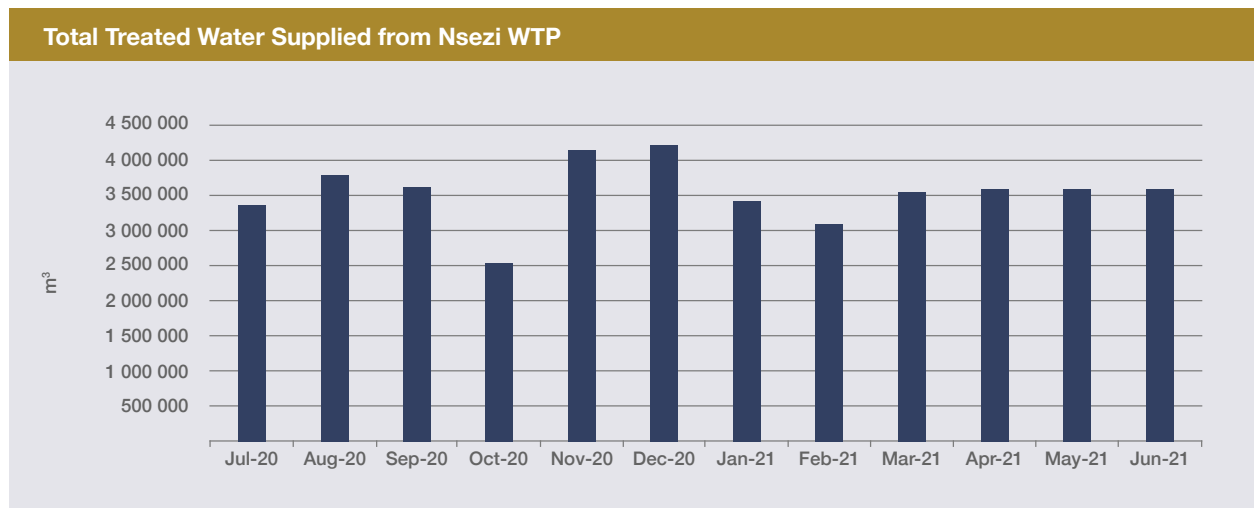


Mhlathuze Water: Nsezi Water Treatment Plant

A total of 44 664 055 m³ of raw water was supplied to Nsezi Water Treatment Plant, with 89% of this volume from Mhlathuze River and the remainder from Lake Nsezi. The total volume supplied by Nsezi WTP to customers during the financial year under review increased by 5% year-on-year mainly due to more water supplied to the CoU (Richards Bay) and CoU (Empangeni). The customers were supplied as per demand within contracted volumes. Unaccounted water loss during the financial year was 1.53%, and was within the target of 5%.



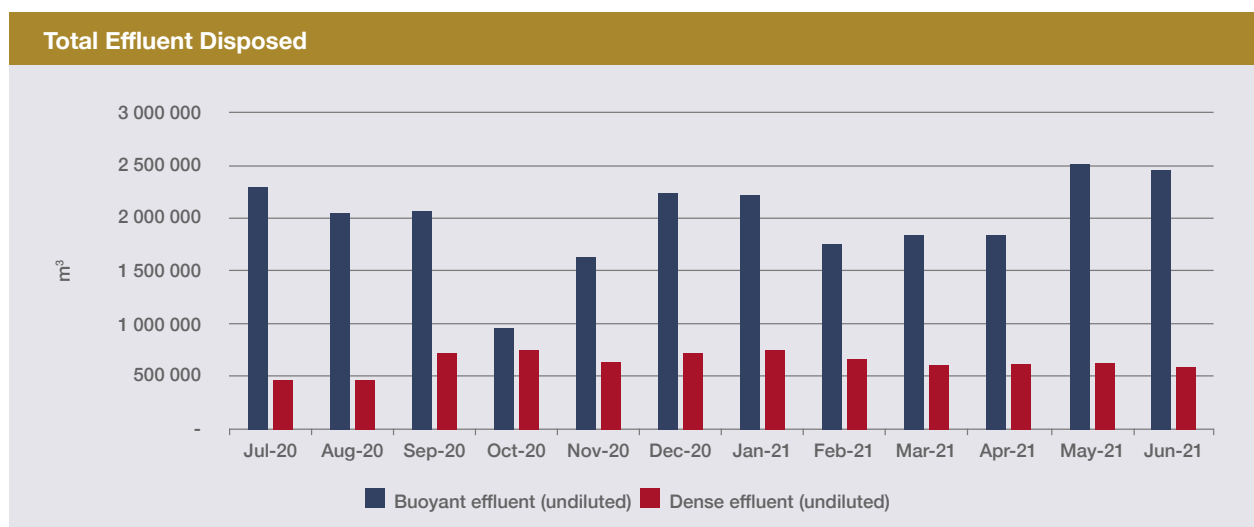
Figure 9: Total Treated Water Supplied from Nsezi WTP



Mhlathuze Water: Alkantstrand Effluent Disposal Scheme

A total of 31 324 659 m³ was disposed off-shore through the Waste Water Disposal System. 76% of this volume was discharged through the buoyant line and 24% through the dense line which contributed to a 10% decrease from the previous financial year.

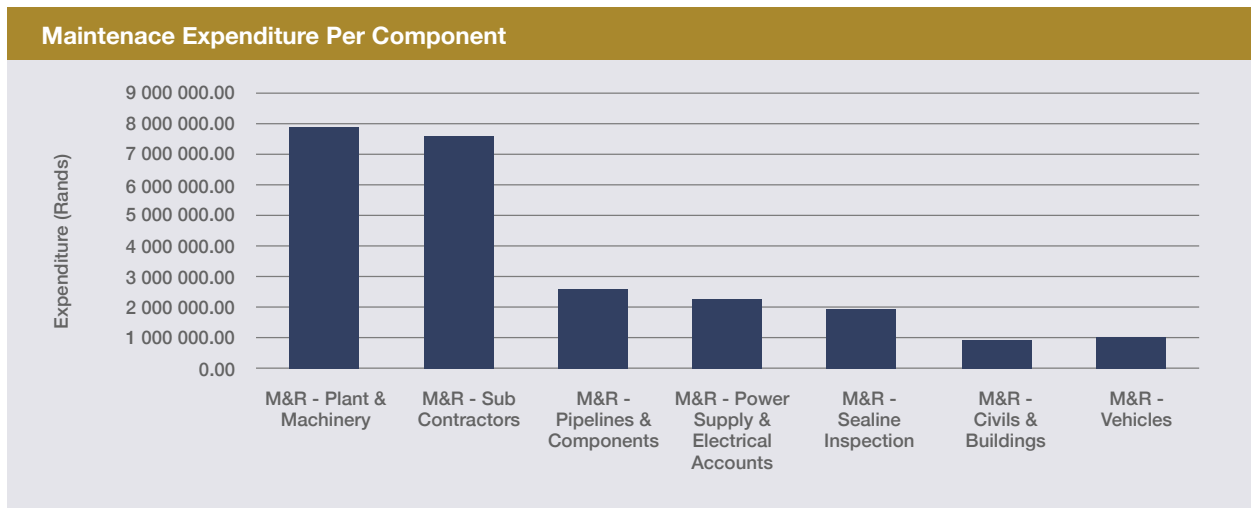
Figure 10: Total Effluent Disposed



Maintenance, Plant Efficiency and Availability

A Planned and Preventative Maintenance Plan was devised and implemented to ensure the maintenance of all plant, as well as manage the budget expenditure. This was in response to the challenges of constant vacancies and staff turnover within the department at management level that affected primary planning and implementation of the maintenance plan. This in turn manifested itself in insufficient expenditure in the maintenance section achieving only 2.69% expenditure against its annually target of 4%. Notwithstanding, Mhlathuze Water maintained its world class plant availability of 98.36%, with only two water supply interruptions exceeding 24 hours. This augurs well going forward especially as both incidences were investigated and corrective actions put in place to prevent the reoccurrence of similar events.

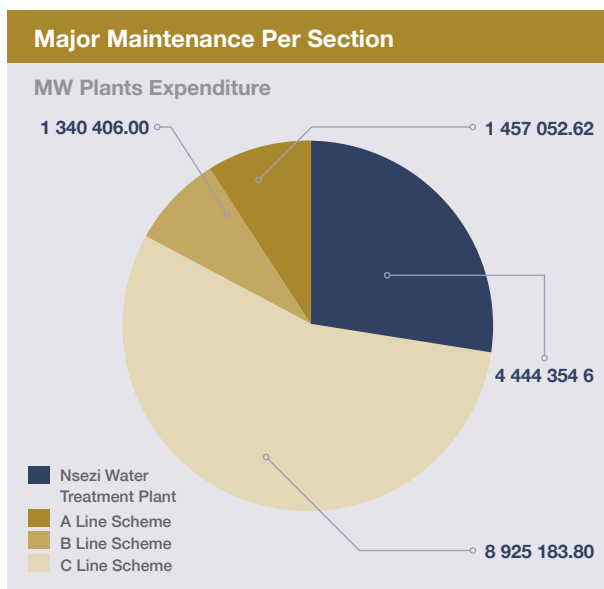
Figure 11: Major Maintenance Per Component



Major activities relate to the annual inspection required in terms of the Coastal Waters Discharge Permit on the marine effluent discharge pipelines. Repairs were then made to certain diffusers, bellows as well as rubber linings on the C-line as a result of these inspections. Similarly, the annual integrity and bathymetric inspections were carried out on the entire A-line B line and C line. All line are still in good conditions. The A-line bypass hole was finally closed. This resulted in improved effluent dispersion. A major repair was undertaken to the A5 and A6 stuffer box on A-line.

Routine and preventative mechanical maintenance was furthermore carried out on pumps and bearings at Nsezi, The Weir Pump Station and the Alkanstrand Pump Station. Weir intake saw 4 pumps refurbish which then improve plant reliability and ensure operatability. The electrical assets of Mhlathuze Water remains in excellent condition due to planned and preventative maintenance activities. To augment this at head office was equipment with a 100% uninterrupted power supply by form of a generator. This will ensure business continuity given the high rate of failure of electrical supply infrastructure.

Figure 12: Major Maintenance Per Section



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

External Operations and Maintenance Projects

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

Richards Bay Minerals

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

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

City of uMhlathuze

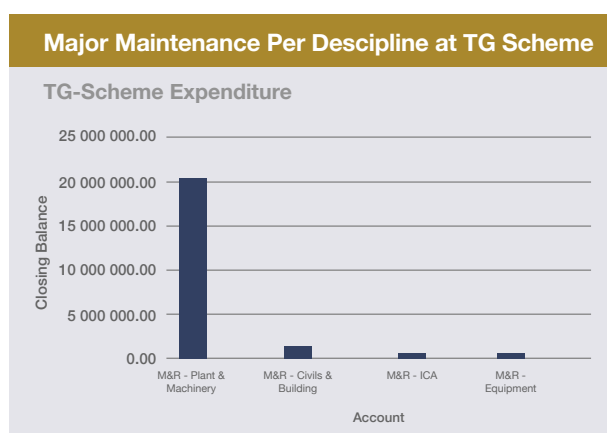
Mhlathuze Water continued to manage, operate and maintain the CoU's Water and Waste Water Treatment Plants and associated bulk distribution infrastructure up until 31 January 2020 when the CoU took over the management, operation and maintenance of their installations. However, Mhlathuze Water continued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

Thukela-Goedertrouw Transfer Scheme

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

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

Figure 13: Major Maintenance Per Discipline at TG Scheme

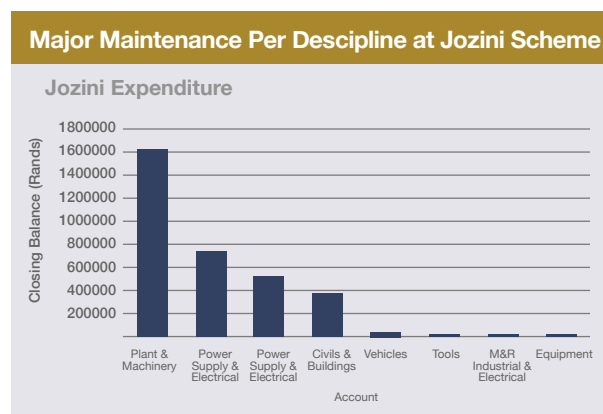


Jozini Regional Water Treatment Plant and Bulk Reticulation Network.

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

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

Figure 14: Major Maintenance Per Discipline at Jozini Scheme



9.4 Future Plans Raw Water Supply

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

Mhlathuze Water supplies raw water (untreated) to 3 customers. The Tronox Mining pumping infrastructure scheme comprises a direct abstraction of river water, which is pumped through 6.1km of pipeline of varying sizes ranging from 700mm to 900mm (ID), into storage ponds at the mining site of Tronox South Africa at Hillendale. The pump station is located at the Mhlathuze Water Weir on the north bank of the Mhlathuze River and approximately eight kilometres north-east of the mining site. The pump station is capacitated to meet 10 years' mining demands, which includes the Fairbreeze Mine and Port Dunford Mining operations planned to commence in 2028. Mhlathuze Water continues to supply up to the Hillendale Balancing Dam and Tronox has their own system to pump water to Fairbreeze Mine.

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

Mhlathuze Water is currently contracted to supply 15 000m³ of raw water per day to supplement the City of uMhlathuze's Esikhaleni Water Treatment Plant as and when required. Mhlathuze Water plans in conjunction with the CoU is to redirect this supply to the planned package plant to be constructed at the Hillendale balancing dam (in partnership with Tronox) in order to treat water and supply to the Forrest Hills Reservoirs and in turn augment the supply to the Esikhaleni residential area.

Figure 15: Future Customer Demand: Bulk Raw Water

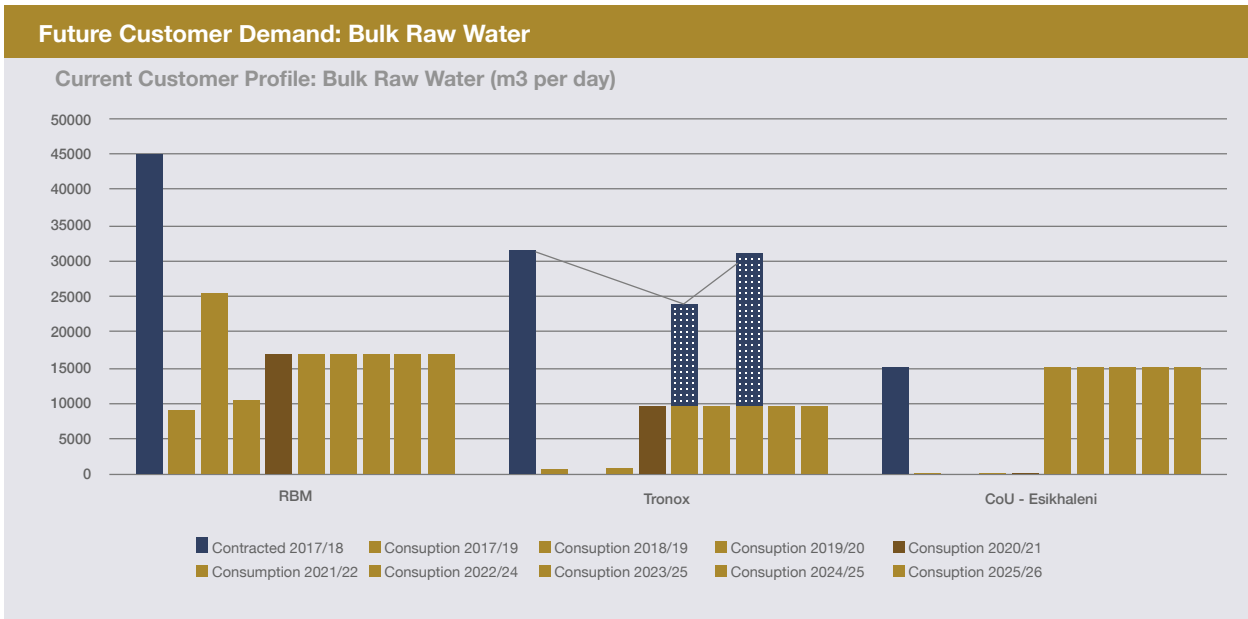
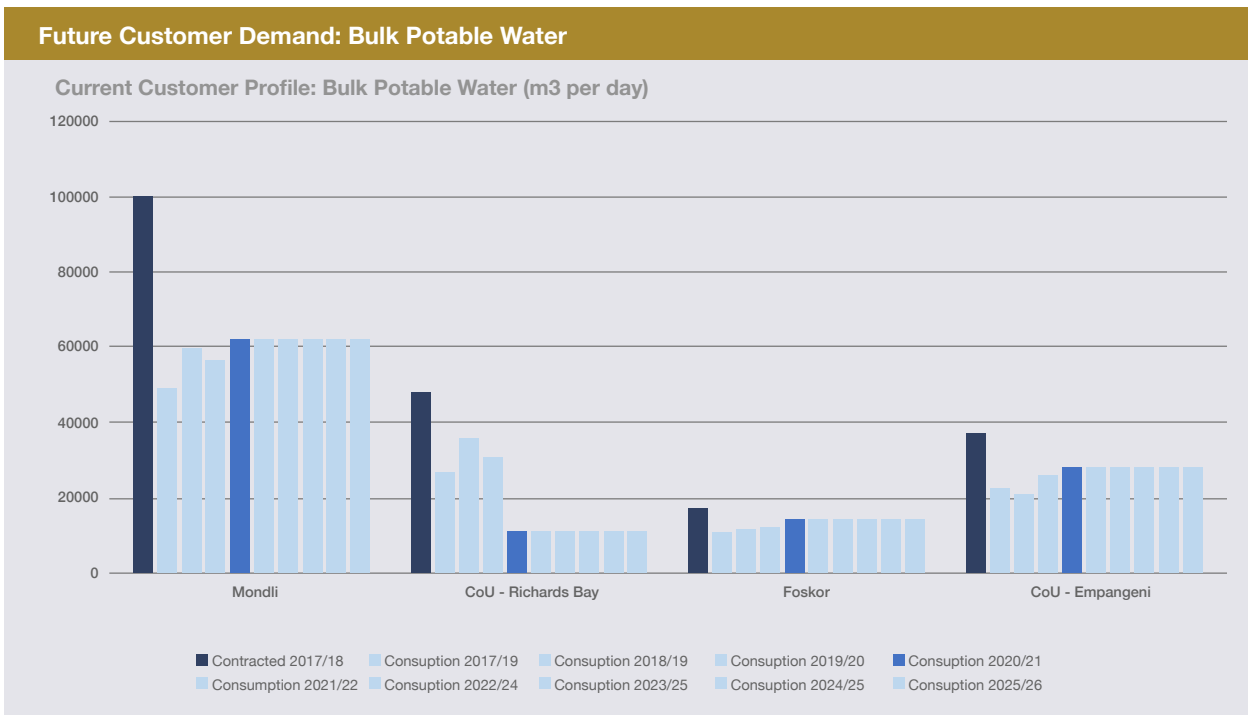


Figure 16: Future Customer Demand: Bulk Potable Water



Operational Technology

To enhance the organisations value in intellectual and manufacturing capital, the investment into operational technology to enhance data collection, storage and analysis on order to improve operational efficiency must be made. This require both SCADA and GIS capabilities Areas where immediate to the medium term value will be generated is in leaked detection (water loss reduction) as well as overall equipment efficiency.

9.5 Operations and Maintenance Pre-determined Objectives and Targets

Table 22: Operations Unit Pre-determined Objectives and Targets

Shareholders Compact and Mhlathuze Water Targets	Strategic Objective	To Improve Efficiency Through Technology and Best Practice										
	Output	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target
			2018/2019	2019/2020	2020/2021	2021/2022 2 nd quarter actual						
SC2	Manage avoidable water losses	Percentage of avoidable water losses on water abstracted	1.41%	1.52%	2.94%	2.12%	2.5%	4%	3%	2.5%	2.5%	2.5%
MW22	ISO 50001 standard certification (ENMS = energy management system)	Number of ENMS developed	-	-	0.00	Certification body appointed to conduct stage 1 audit, Nsezi Augmentation commenced	1	-	1 ENMS developed	ENMS feasibility studies implementation	ENMS project implementation	ENMS Audit and corrective action
Shareholders Compact Targets	Strategic Objective	To Grow the Provision of Water Services										
	Output	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target
			2018/2019	2019/2020	2020/2021	2021/2022 2 nd quarter actual						
SC3	Reliability of water supply	Number of instances of unplanned supply interruptions exceeding 24 hours	0	0	1.00	0.00	0	3	3	3	3	3
Shareholders Compact Targets	Strategic Objective	To Ensure Long –Term Financial Sustainability										
	Output	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target
			2018/2019	2019/2020	2020/2021	2021/2022 2 nd quarter actual						
SC5	Effective and efficient mechanisms to ensure financial sustainability and viability	Percentage of repairs and maintenance of PPE	3.74%	2.68%	2.79%	1.21%	3%	3.50%	3.50%	3.50%	3%	3%
Mhlathuze Water Targets	Strategic Objective	To Grow the Provision of Water Services										
	Output	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target
			2018/2019	2019/2020	2020/2021	2021/2022 2 nd quarter actual						
MW23	Existing infrastructure maintained to ensure plant availability	Percentage of plant availability based on operating hours	97.54%	99.58%	98.36%	96.87%	95%	95%	95%	95%	95%	95%
MW24	Availability of the Thukela Goedetrouw (TG) Scheme	Percentage of scheme availability based on production volumes	-	-	50.00%	3.19%	75%	75%	75%	75%	75%	75%

10. Scientific Services

10.1 Mandate of the Scientific Services Unit

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

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

10.2 Functions of the Scientific Services Unit

Laboratory Services

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

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

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

SHEQ Systems

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

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

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

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

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

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

Environmental Services

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

Water quality status reports for rivers and lakes/dams in the Mhlathuze River system are prepared on a regular basis.

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

Research, Development & Innovation (RDI)

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

1. Lead, facilitate and promote RDI within Mhlathuze Water;
2. Develop a research agenda for the organisation;
3. Facilitate collaborative research with external organizations;

4. Develop programmes and initiatives to build internal RDI capacity;
5. Strengthen networks and relationships with other stakeholders; and
6. Review, update and implement MW's RDI strategy.

10.3 Situational Analysis

Commemoration of environmental days, general awareness and education

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

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

Table 23: Environmental Awareness Campaigns and Events

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

Water Quality Management

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

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

An Incident Management Protocol, which is aligned to the requirements of South African National Standard (SANS241:2015) is in place. The protocol provides a framework

for responding to water quality incidents in a structured manner and also includes stakeholder communication during such incidents.

Potable Water Quality Performance

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

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

The current monitoring exceeds the minimum requirements so as to cater for other operational requirements and contractual obligations with certain industrial consumers. Performance during 2018/9 is detailed below.

Table 24: Compliance Report – SANS 241:2015 for Nsezi Water Treatment Plant

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

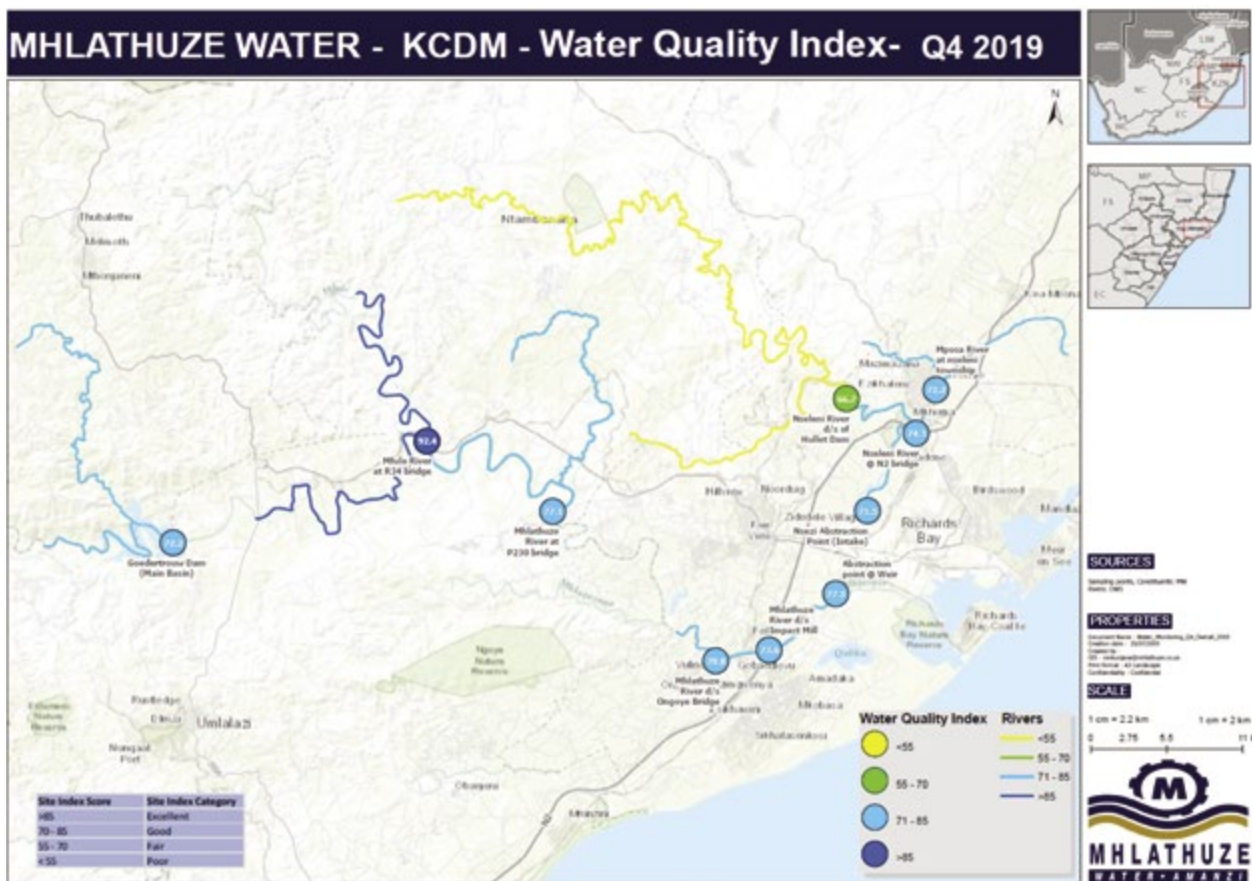
Water Quality Monitoring Programme

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

Catchment quality monitoring indicators used are as follows:

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

Figure 17: Mhlathuze Water - KCDM - Water Quality Index - Q4 2019



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

Waste Water Quality Monitoring

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

Environmental Management

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

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

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

Environmental Incidents

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

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

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

Incidents are identified through direct observation and indirect observation:

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

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

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

Waste Management

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



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

Carbon Footprint and Emissions Reduction Initiatives

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

Electricity consumption per area/ installation

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

Environmental Authorisation and Compliance Monitoring

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

Water Conservation

To respond to the global issue of climate change and the life threatening impact it has, the organisation developed and approved a Climate Change Strategy in 2021. The principal aim of the Mhlathuze Water Climate Change Strategy is to manage the business risk associated with climate change and also to contribute in adding value in to the natural capital. It is in place so that the organisation is better informed of future potential changes in the supply, availability and quality of our primary water resources. The strategy is concerned with building resilience by understanding how climate change will affect the ability of Mhlathuze Water to meet customer requirements in the future.

This strategy provides a framework for long term transition to a climate resilient, lower carbon water organisation, and is intended to enable the following:

- Manage climate change impacts effectively through implementing interventions that reduce the organisation's vulnerability and build its resilience and adaptive capacity to the impacts of climate change;
- Provide an integrated response to climate change and its impacts in all relevant aspects of the water value chain; and
- Contribute fairly to the global efforts to reduce greenhouse gas emissions to a level that avoids anthropogenic interference with the climate system and enables sustainable development.

This then requires incorporation of climate change adaptation and mitigation measures and interventions in the following areas of the water value chain:

- Protection of water resources at catchment level;
- Planning and design of water infrastructure;
- MW's operations which include:
 - Operation and maintenance of weir, pumpstations, and pipeline infrastructure for storage, abstraction and conveyance of water;
 - Water resources monitoring;
 - Operation and maintenance of water treatment and wastewater disposal infrastructure; and
 - Distribution of bulk water to customers.

Environmental Forums

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

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

Systems Management

ISO 17025:2005: Laboratory System Accreditation

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

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

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

Safety, Health, Environmental and Quality Management Systems (SHEQ)

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

The specific areas of application are:

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

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

10.4 Future Plans Commercialisation of Laboratory Services

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

A substantial capital investment has been made over the last several years to ensure that the laboratory is adequately resourced to cover a significant scope of analyses required. This included ensuring that the required redundancy is available to provide for uninterrupted services. Due to the location of Richards Bay, it is not possible to get immediate

backup during breakdowns, hence sufficient backup equipment is critical to meet customer expectation on a continuous basis.

Research, Development & Innovation (RDI)

An RDI Policy has been developed and approved by the Board with the objective of aligning the organisation with international norms and standards, containing costs of doing business and increase efficiencies. To give effect to the policy, a Research, Development and Innovation Strategy was adopted in 2020. The Strategy gives direction to the organisation's approach to RDI, in as far as it applies to its primary business of bulk water services provision and waste water disposal. Ten (10) RDI projects or initiatives have been identified for implementation starting during 2019/20 and continuing through to the outer years. The main strategic focus areas are:

- Optimising and enhance Assets and Technology
- Efficiency of operational processes and systems
- Collection and analysis of operational data to make informed decisions
- Existing and future technology to minimise the impact on water resources and the environment

It is of critical importance that the organisation implement the RDI Policy and Strategy in order to contribute add value to its intellectual and natural capital.

Improve Compliance with the Coastal Water's Discharge Permit

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

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

10.5 Scientific Services Pre-determined Objectives and Targets

Table 25: Scientific Services Pre-determined Objectives and Targets

Shareholders Compact and Mhlathuze Water Targets	Strategic Objective	To Be Pro-Active on Issues Relating to Health, Safety, Security and the Environment										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target
			2018/2019	2019/2020	2020/2021	2021/2022 2 nd quarter actual						
SC1	Compliance with SANS 241:2015 water quality standard for potable water	Percentage compliance to water quality standard	99.95%	99.92%	99.56%	99.79%	97%	97%	97%	97%	97%	97%
SC21	Health & safety of employees	Disabling injury frequency rate (DIFR)	0.91	0.00	0.33	0.31	0.45	0.45	0.45	0.45	0.45	0.45
MW25	Compliance with Coastal Water's Discharge Permit (CWDP)	Percentage of quality compliance with CWDP	91.87%	90.08%	87.75%	88.45%	100%	100%	100%	100%	100%	100%
MW26	ISO 9001, 14001 & ISO 45001 standard certification	Number of compliance certifications maintained	3.00	3.00	3.00	External surveillance audit conducted in November 2021. Continual certification recommended subject to clearance of findings.	3	3	3	3	3	3
MW27	ISO 17025 laboratory management system accreditation maintained	Number of accreditations retained on laboratory management system	1.00	1.00	1.00	1 Audit report for accredited chemistry methods to ISO 17025 approved by GM: Scientific Services. SANAS Audit planned for February 2022 - recertification	1	1	1	1	1	1
MW28	Annual Marine Impact Assessment conducted as per the CWDP	Number of annual marine impact assessments conducted	-	-	-	Service provider to perform the assessment has been appointed	5	1	1	1	1	1
MW29		Percentage of recommendations implemented in accordance with the marine impact assessment conducted	-	-	-	Service provider to perform the assessment has been appointed	100%	100%	100%	100%	100%	100%

Table 25: Scientific Services Pre-determined Objectives and Targets (Continued from page 84)

Mhathuze Water Targets	Strategic Objective	To Improve Efficiency Through Technology and Best Practices										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target
			2018/2019	2019/2020	2020/2021	2021/2022 2 nd quarter actual						
MW30	Improve Knowledge Hub, evidence and innovation through research and development	Number of Research and development initiatives completed	-	1.00	2.00	Service provider appointed to perform additional work (neutralisation study) on effluent treatment options project	5	1	1	1	1	1
MW31		Number of Research and development initiative recommendations implemented	-	-	-	-	4	-	1	1	1	1
MW32		Number of research papers finalised	-	-	1.00	Abstract not produced and approved by the HoD	5	1	1	1	1	1
MW33	To reduce the cost of sales through implementation of technology and efficiencies	Percentage reduction in cost of sales	-	-	-	-	5%	-	1%	2.5%	5%	5%
Mhathuze Water Targets	Strategic Objective	To Grow the Provision of Water Services										
	Outputs	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target
			2018/2019	2019/2020	2020/2021	2021/2022 2 nd quarter actual						
MW34	Engagement in secondary activities (Section 30 activities)	Percentage of growth in Laboratory Revenue (Real growth excluding annual price increases)	-	(38.18%)	246.45%	(39.08%)	25%	5%	5%	5%	5%	5%

11. Technical Services Unit

11.1 Mandate of the Technical Services Unit

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

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

11.2 Functions within the Technical Services Unit

Planning

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

The Planning section is also tasked with driving business case studies for the exploration and solution option/s analysis of alternative water sources together with waste water re-use projects. The functions of the section also extend to providing support to the Department of Water and Sanitation in the form of reviewing the water control and water catchment areas within Mhlathuze Water's area of Operation.

Project Management

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

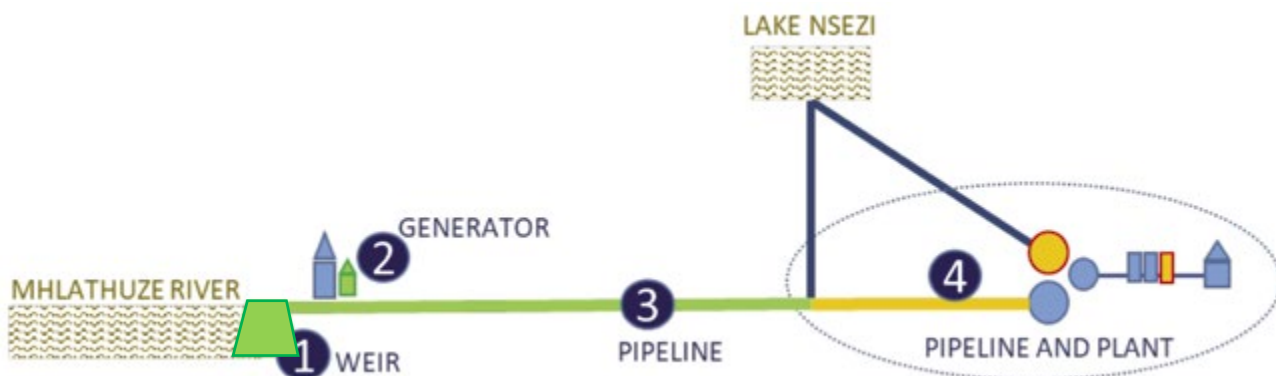
11.3 Situational Analysis

Bulk Water and Sanitation Infrastructure Master Plan

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

Primary Infrastructure Development Activities

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



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

- **Alterations and strengthening of weir structure (1):**
 - Project scope: Alterations and additions to the existing Mhlathuze weir. The execution of which includes: new mass concrete ogee spillway; bulk earthworks; new inlet channel to existing pump station; installation of permanent sheet piles; construction of a fish ladder; stabilization of riverbed and banks with excavation and placement of riprap.
 - Overall budget: R 66 826 451.54
 - Completion: project reached practical completion in March 2019
 - Impact and benefit to Mhlathuze Water: The project benefits to the organisation is a strengthened and more stable weir structure. By replacing the old structure prolonged the useful life of a critical asset that is used to transfer raw water to the Nsezi Water Treatment Plant as well as Nsezi Lake.

- **Installation of a standby diesel generator as a back-up power supply (2):**
 - Project scope: construction of the standby generator building. Supply, installation and commissioning of a new standby generator.
 - Overall budget: R 16 014 210.40
 - Project Completed: The project was completed in June 2019
 - Impact and benefit to Mhlathuze Water: By installing the backup power supply enables Mhlathuze Water to have uninterrupted supply of raw water to the Nsezi Water Treatment Plant, The Nsezi Lake, Tronox as well as Esikawini Water Treatment Plant.

- **Replacement of 1 500mm Ø Raw Water Pipeline from Mhlathuze River to Shooting Range (3):**
 - Project scope: upgrade of the existing 1200mm diameter pipeline to a 1500mm diameter continuously welded mild steel pipeline from the Mhlathuze Weir to the Nsezi offtake.
 - Overall budget: R 151 00 000
 - Expenditure as at 30 June 2019: R 68 708 488.00
 - Planned completion date: The project was completed in February 2020
 - Impact and benefit to Mhlathuze Water: Increasing the diameter of the pipeline enables Mhlathuze Water to transfer maximum capacity under its abstraction licence to the Nsezi Water Treatment Plan in order to meet future demand. It further enable Mhlathuze Water to transfer larger volumes of water from the weir to the Nsezi Lake in the event that excess raw water is available in the system (weir overflowing/spilling).

- **Plant augmentation (Independent 170 MI/D Plant) (4):**

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

Secondary Infrastructure Development Activities (Section 30)

UMkhanyakude District Municipality: Jozini Regional Water Supply Project

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

11.4 Future Plans

Augmentation of Nsezi Water Treatment Plant (4)

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

The refurbishment project includes a series of works:

- The alterations and additions to strengthen the Mhlathuze Weir structure
 - This project is currently underway as documented above, due to the identified risk of the Weir structure washing away in the event of severe floods. This project is planned for completion during the 2019/2020 financial year.

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

Waste water re-use

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

Abstraction from the Tugela River (Mandini)

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

- Project scope: Conduct the feasibility and design of the proposed abstraction works on the Tugela River. This is to commission Mhlathuze Water's 47.3million m³/annum water use licence issued in 2005. The intention would be to supply Tronox Fairbreeze as well as the King Cetshwayo domestic demand from this supply point.
- Overall budget: Feasibility and design estimated to be R5million
- Commencement date: Aug 2022
- Project status: Project is in the planning.
- Planned completion date: June 2023
- Impact and benefit to Mhlathuze Water: The project will benefit Mhlathuze Water in that it would relieve pressure on the Mhlathuze Weir Supply system that is already allocated to its maximum demand. It would further add a second raw water source to the supply of

potential new and existing customers. It would enable Mhlathuze Water to meet future demand and business development initiatives.

Bulk Water Resource and Infrastructure Master Plan

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

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

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



Table 26: Strategic Interventions Identified in Richards Bay Reconciliation Study

Project	Completion of the upgrade to the Tugela-Goedertrouw dam inter-basin transfer scheme in order to double the transfer capacity.
Funder	DWS
Client	DWS
Budget	estimated R650million
Status	Project was on hold since 2017/18 for 18 months due to a contractual dispute between the contractor and DWS. Since September 2020 DWS resolved the contract dispute and approached Mhlathuze Water to complete the outstanding works.
Project	Raising of the Goedertrouw Dam wall
Funder	DWS
Client	DWS
Budget	estimated R130million over a 3 year period commencing in 2022/23
Status	Not started, Subject to feasibility and budget allocation. The dam can be raised by 2.8metres which will result in an increase in storage capacity from the existing volume of 301millionm ³ to 336millionm ³ .
Project	Constructing an earth dam on the Nseleni River
Funder	DWS
Client	DWS
Budget	estimated R300million over a 3 year period commencing in 2022/23
Status	Not started, Subject to feasibility and budget allocation. An additional yield of 12 0 Mm ³ /a can potentially be added to the system with a capacity of 55 Mm ³
Project	Constructing the coastal pipeline from Tugela River north to Richards bay IN 2023/2024
Funder	DWS
Client	DWS
Budget	Estimate for 20 million m ³ /a R1billion Estimate for 40 million m ³ /a R2,4billion
Status	Not started, Subject to feasibility and budget allocation. With the uncertainty surrounding the quantity of water that will be available for transfer to the Mhlathuze catchment, as well as the timing of its availability, scenarios with 20 million m ³ /a and 40 million m ³ /a were investigated.
Project	Constructing the Mfolozi Off Channel Storage Dam
Funder	DWS
Client	DWS
Budget	estimated R1.3 to R1.8 billion over a 5 year period commencing in 2023/24
Status	Not started, Subject to feasibility and budget allocation. The studies indicate that an additional yield of 36 9 Mm ³ /a can potentially be added to the system for an off channel dam size of 30 Mm ³ with a transfer capacity of 2.0 m ³ /s. This is also a proposal to potentially alleviate water pressure in the next 5 years in the Zululand and Umkhanyakude District Municipalities.
Project	Bulk desalination
Funder	DWS
Client	DWS
Budget	estimated R2,5 billion over a 5 year period commencing in 2024/25
Status	Economics of scaled indicate that the larger the plant the lower the unit cost of the water produced. The intention is to construct a 60 m ³ /d plant.

11.5 Technical Services Pre-determined Objectives and Targets

Table 27: Technical Services Pre-determined Objectives and Targets

Shareholders Compact and Mhlathuze Water Targets	Strategic Objective	To Grow the Provisions of Water Services										
	Output	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target
			2018 /2019	2019 /2020	2020 /2021	2021/2022 2 nd quarter actual						
SC8	Capital expenditure programme	Percentage of CAPEX spend against budget	99.49%	36.28%	26.65%	20.22%	90%	90%	90%	90%	90%	
SC8	Capital Expenditure Programme in line with infrastructure master plan	Percentage of capital projects completed within targeted dates	95.00%	66.66%	65.29%	65.79%	100%	100%	100%	100%	100%	
SC11	Implementation of Ministerial directives	Percentage of Ministerial directives ¹ implemented against allocated budget	100%	-	-	1 Ministerial directive issued on 09 July 2021	100%	100%	100%	100%	100%	
SC16	Temporary jobs created	Number of temporary jobs created through MW programmes	208.00	224.00	53.00	37.00	60	60	Nil	Nil	Nil	Nil
MW35	MW Infrastructure Master plan entailing emerging infrastructure requirements	Number of approved MW bulk infrastructure master plans developed	-	-	-	-	1	1	Nil	Nil	Nil	Nil
MW36	Determining the state of the water resources in a catchment for different future development	Number of catchment assessment studies completed	-	-	-	-	1	1	Nil	Nil	Nil	Nil

¹Ministerial Directives are issued by the Minister as and when required. These are multi-year projects that can only be implemented once DWS has confirmed the budget allocation for the financial year.



12. Finance Unit

12.1 Mandate of Finance Unit

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

12.2 Functions within the Finance Unit

Financial Accounting

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

Management Accounting

The function is responsible for providing an accurate budget and financial forecasts, determine relevant cost effective tariffs, provide management and financial information, monitor and report on variances, analyse financial feasibility and meet financial obligations to generate accurate and relevant information and mobilise resources to achieve accurately informed and supported decision makers and a financially resourced organisation in order to contribute to the sustainable delivery on mandate.

Asset Management

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

Supply Chain Management

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

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

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

12.3 Key Performance Highlights

Mhlathuze Water will continue to have a sound financial status as demonstrated by the following ratios. The debt-equity ratio from FY2022/23 is expected to increase in line with projected loan acquisitions, and from FY2024/25 will decrease in line with the long term loan repayments and the projected increase in retained earnings. The current ratio trends are in line with the capital expenditure projection and the proceeds from long-term loans. This shows that Mhlathuze Water will be able to pay its debtors as they become due within the Business Planning period. The profit margin is expected to be consistent within the business plan period in line with the projected operational activities.

Table 28: Financial Ratios

Financial Ratios	Audited			Budget	Estimate					
	2019/20	2020/21	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26	2025/27
Operating Risks										
Gross margin	61.68%	64.32%	61.11%	63.65%	63.79%	61.87%	61.35%	62.42%	62.70%	62.59%
Debtors collection period	44.77	38.29	40.89	45.00	45.00	45.00	45.00	45.00	45.00	45.00
% of staff remuneration	23.97%	28.26%	24.97%	28.70%	27.14%	24.46%	25.29%	25.34%	24.40%	24.58%
Net profit margin	20.00%	23.95%	18.45%	16.73%	25.86%	16.10%	17.08%	19.60%	16.65%	16.80%
% of repairs and maintenance	3.74%	2.68%	2.79%	3.50%	2.35%	4.28%	3.52%	3.58%	3.40%	3.73%
Financial Risks										
Current ratio	2.50	3.12	3.03	3.76	2.79	2.69	3.95	3.65	4.80	5.96
Debt-equity ratio	0.24	0.20	0.21	0.18	0.19	0.23	0.24	0.19	0.16	0.14

12.4 Future Plans and Five Year Projections

Introduction

The 2022/23-2026/27 Business Plan seeks to ensure that Mhlathuze Water remains financially viable in the medium to long term (Strategic Objective 2) while continuing to grow the provision of water services (Strategic Objective 1). In order to achieve both these objectives, the organisation needs to ensure that sound capital investments are made to ensure that the current business is maintained while increasing capacity and growing and diversifying the client base. Sound budgeting and expenditure controls need to also be put in place to contain spiralling staff and other operational costs whilst also exploring technological innovations to improve efficiencies. These actions will lead to a sustainable and affordable tariff in the long term.

Volumes

Bulk Raw Water

Over the years Mhlathuze Water has built and maintained good relationship and added value to our stakeholders. Volumes are projected to remain constant in raw water consumption throughout the business planning period. The table below provides details of our key customers contracted for Bulk Raw Water and projected consumption.



Table 29: Raw Water

Mhlathuze Water										
Contracted Demands And Consumption Volumes										
Figures m3/Day										
Mhlathuze Transfer Scheme - Contracted Demands										
Raw Water										
	Actual			Budget	Estimate	Budget	Projection			
Maximum Demand	2018/19	2019/20	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
RBM – North	45 000	45 000	45 000	45 000	45 000	45 000	45 000	45 000	45 000	45 000
Tronox	31 460	48 000	48 840	48 840	48 840	48 840	48 840	48 840	48 840	48 840
CoU – Esikhaleni	15 000	15 000	15 000	15 000	15 000	15 000	15 000	15 000	15 000	15 000
Total	91 460	108 000	108 840	108 840	108 840	108 840	108 840	108 840	108 840	108 840

Mhlathuze Transfer Scheme - Consumption Volumes										
Raw Water										
	Actual			Budget	Estimate	Budget	Projection			
Consumption	2018/19	2019/20	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
RBM – North	3 296	4 775	10 023	10 385	27 462	27 462	27 462	27 462	27 462	27 462
Tronox	283	800	2 168	890	5 940	5 940	5 940	5 940	5 940	5 940
CoU – Esikhaleni	73	-	3 930	229	10 766	10 766	10 766	10 766	10 766	10 766
Total	v3 652	5 575	16 121	11 504	44 168	44 168	44 168	44 168	44 168	44 168

Clarified Water

The table below provides details of our key customers contracted for clarified water and projected consumption.

Table 30: Clarified Water

Nsezi - Potable Water										
	Audited			Budget	Estimate	Projections	Projections			
Maximum Demand	2018/19	2019/20	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Foskor	17 000	17 000	17 000	17 000	17 000	20 000	20 000	20 000	20 000	20 000
IDZ Inyanza metals	-	-	-	-	-	7 000	7 000	7 000	7 000	7 000
Total	17 000	17 000	17 000	17 000	17 000	27 000	27 000	27 000	27 000	27 000

Nsezi - Consumption Volumes										
	Audited			Budget	Estimate	Projections	Projections			
	2018/19	2019/20	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Foskor	3 871	5 274	4 950	12 196	12 196	12 196	24 000	24 000	24 000	24 000
IDZ Inyanza metals	-	-	-	-	-	5 000	5 000	5 000	5 000	5 000
Total	3 871	5 274	4 950	12 196	12 196	17 196	29 000	29 000	29 000	29 000

Potable Water

An increase in revenue in FY2022/23 is expected due to the tariff increase. Furthermore, customers have projected an increase in consumption volumes, the increase is still within the contracted volumes. The table below provides details of our key customers contracted for bulk potable water and projected consumption.

Table 31: Potable Water

Nsezi - Potable Water										
Maximum Demand	Audited			Budget	Projections					
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	
Mondi	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
CoU - Richards bay	48,000	48,000	48,000	48,000	48,000	60,000	60,000	60,000	60,000	60,000
CoU - Empangeni	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000	37,000
CoU - Esikhaleni	-	-	-	-	-	-	20,000	20,000	20,000	20,000
Total	185,000	185,000	185,000	185,000	185,000	197,000	217,000	217,000	217,000	217,000

Nsezi - Consumption Volumes										
Consumption	Audited			Budget	Projections					
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	
Mondi	17,860	23,687	21,944	46,893	56,272	56,272	56,272	56,272	56,272	56,272
CoU - Richards bay	9,748	2,501	5,075	30,714	30,714	30,714	30,714	30,714	30,714	30,714
CoU - Empangeni	8,221	8,904	10,305	25,903	28,232	25,903	25,903	25,903	25,903	25,903
CoU - Esikhaleni	-	-	-	-	-	-	17,000	17,000	17,000	17,000
Total	35,829	35,092	37,324	103,510	115,218	112,889	129,889	129,889	129,889	129,889

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

Table 32: Effluent Disposal

Mhlathuze Water						Permits				
Contracted Demands - Effluent Disposal						Buoyant effluent				
Figures m3/Day						Dense effluent				
Buoyant Effluent										
CONSUMER	Audited			Budget	Estimate	Budget	Projections			
	2018/19	2019/20	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Mondi	110 000	110 000	110 000	110 000	110 000	110 000	110 000	110 000	110 000	110 000
CoU - Richards Bay	20 000	20 000	20 000	20 000	20 000	20 000	20 000	20 000	20 000	20 000
South 32 - Bayside	1 500	1 500	1 500	1 500	1 500	1 500	1 500	1 500	1 500	1 500
South 32 - Hillside	6 250	6 250	6 250	6 250	6 250	6 250	6 250	6 250	6 250	6 250
Mpact	8 000	8 000	8 000	8 000	8 000	6 000	6 000	6 000	6 000	6 000
Foskor	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000
Tronox	2 400	2 400	2 400	2 400	2 400	2 400	2 400	2 400	2 400	2 400
Isizinda Aluminum*	333	333	333	333	333	333	333	333	333	333
John Ross Interchange	-	-	5 500	5 500	5 500	5 500	5 500	5 500	5 500	5 500
Wilmar Processing						500	500	500	500	500
Total	153 483	153 483	158 983	158 983	158 983	159 483	159 483	159 483	159 483	159 483

Dense Effluent										
CONSUMER	Audited			Budget	Estimate	Budget	Projections			
	2018/19	2019/20	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Foskor	30 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000
TOTAL	30 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000

Table 33: Revenue Breakdown Per Product

Maximum Demand	Audited		Budget	Estimate	Budget	Projections			
	2018/19	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Raw water including Government Levies	33,856	49,575	162,538	158,753	193,550	203,233	217,838	226,484	232,353
Potable Water	273,806	311,339	211,240	183,194	223,348	234,521	251,375	261,352	268,124
Effluent	171,178	198,763	209,616	225,283	274,663	288,403	309,129	321,399	329,727
Total	478,840	559,677	583,394	567,230	691,561	726,157	778,342	809,234	830,204

Tariffs

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

Financial Assumptions

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

Table 34: Planning Financial Assumptions

Year ending 30 June	Actuals			Existing	Forecast				
	2019	2020	2021	2022	2023	2024	2025	2026	2027
CPI	5.70%	5.30%	3.41%	3.41%	4.06%	4.10%	4.18%	4.22%	4.23%
Tariff growth - Raw Water : City*	7.42%	12.99%	0.00%	9.24%	8.01%	8.01%	4.99%	7.16%	7.47%
: Other*	11.48%	15.10%	3.86%	6.24%	7.98%	7.98%	4.68%	7.02%	7.31%
Tariff growth - Potable Water : City*	8.00%	12.86%	0.00%	9.00%	9.94%	6.34%	4.97%	5.90%	6.05%
:Other*	11.98%	13.95%	8.07%	9.19%	10.04%	6.24%	4.86%	5.79%	5.92%
Tariff growth - A Line Effluent*	8.36%	12.23%	11.49%	8.19%	8.18%	4.71%	4.77%	4.80%	4.82%
Tariff growth - B Line Effluent*	9.97%	14.77%	11.82%	10.12%	9.95%	4.71%	5.23%	4.43%	4.44%
Raw water ex Govt. Schemes*	13.85%	14.14%	13.68%	4.39%	8.06%	8.40%	8.20%	8.58%	8.98%
Average Loan Pool Rate**	10.61%	10.64%	9.75%	10.60%	10.54%	10.54%	10.54%	9.54%	9.54%
Expected Rates - New Funding***	10.25%	10.25%	10.75%	11.60%	8.54%	8.54%	8.54%	8.54%	8.54%
Electrical Power – Eskom	5.53%	5.00%	8.76%	5.00%	15.06%	15.06%	15.06%	15.06%	15.06%
High then moderate to CPI									
Electrical Power – Municipality**** Higher by 4% above Eskom	9.53%	9.00%	12.76%	9.00%	19.06%	19.06%	19.06%	19.06%	19.06%
Chemicals	9.50%	9.50%	11.38%	11.38%	11.38%	11.38%	11.38%	11.38%	11.38%
Emoluments Increases	7.50%	7.50%	8.00%	6.70%	5.50%	5.50%	5.50%	5.50%	5.50%
Staff Complement									
Staff	219	219	219	229	229	229	229	229	229
Management	6	6	6	6	6	6	6	6	6
Total	204	225	215	213	235	235	235	235	235

* CPI was obtained from statistical release P0141 (average was utilised from January 2021 to July 2021) and in consultation with DWS and www.focus-economics.com;

** Increase is driven by projected expenditure increase;

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

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

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

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

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

The following cost drivers increased by more than CPI:

- Average Loan Pool - based on existing loan and anticipated interest rate on the new borrowing to be sourced for capital investment;
- Electricity - based on the proposed Eskom increase, which however has not yet been approved by NERSA and municipal admin cost;
- Chemicals – based on current contracts in place which are further impacted by foreign currency exchange;
- Direct Employee costs are one of the highest cost drivers in production of water and disposal of waste water. Therefore, it is crucial that the correctly budgets for these costs as they may affect productivity and service delivery.
- Salary increments are based on the latest Amanzi Bargaining Council Agreement which has also required an amendment on the following calculations:

» Shift Allowance

Shift Allowance is currently calculated as 5.5% of total cost to company and for FY2021/22 the Amanzi Bargaining Council Agreement necessitates an increase to 10% of the 80% of total cost to company.

» Standby Allowance

Standby Allowance is currently calculated as 5.5% of total cost to company and for FY2021/22 the Amanzi Bargaining Council necessitates an increase to 10% of the 80% of total cost to company.

- MW's policies, procedures and newly approved organogram were also considered in preparation of the employee costs budget.

» Increase in Head Count

MW's headcount was increased during FY2020/21 – as approved by the Board on 29 April 2021. This translated to an increase in the salary budget by R3,920,749 for the remainder of FY2021/22 and R7,884,334 in FY2022/23.

» Long Term Incentives

The board approved a long term incentive policy during FY2020/21. This translated to an increase in salary budget by R3,090,394 in FY2021/22 and R3,586,483 in FY2022/23.

» Positions that were re-graded

Some positions were re-graded during FY2020/21 and that resulted in a net increase of R1,286,469 in FY2021/22 and R1,357,224 in FY2022/23.

» Increase in leave days from 23 to 25 days per annual leave cycle

The Amanzi Bargaining Council has resolved that effective from 2021/2022 Annual leave to increase by 2 days and that resulted in leave provision increasing by R898,996 in FY2021/22 and R948,441 in FY2022/23.

Tariff composition

Mhlathuze Water tariffs consist of the following elements:

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

Mhlathuze Water collects raw water charges and government levies on behalf of DWS (TRWP). Upon collection, these are transferred to DWS. These charges and levies are implemented as gazetted.

Tariffs process

MW tariffs are regulated by MFMA Circular 23. The circular requires Water Boards to consult comprehensively with all Water Service Authorities within their area of supply on proposed tariff increases by no later than 30 November of each year.

The tariffs are calculated to ensure sustainability of the organization. Large volumes of bulk water supply bring economies of scale, thus making bulk water more affordable for customers.

The following chart depicts the step by step processes of MFMA Circular 23 which Water Boards follow and MW's progress:



Proposed Tariff Increases

To ensure that Mhlathuze Water remains financially viable, reasonable tariff increases were proposed which take into account the current and projected economic conditions. The financial increases for FY2022/23 are indicated in tables 5 to 9.

Table 35: Raw Water

Mhlathuze Water Transfer Scheme - Weir		Audited			Current	Projection				
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Proposed Tariff increases	Municipality	11,66%	13,77%	0,00%	6,39%	8,01%	8,01%	4,99%	7,16%	7,47%
	Industries	12,99%	14,48%	6,36%	6,24%	7,98%	7,98%	4,68%	7,02%	7,31%
		R/m3	R/m3	R/m3	R/m3	R/m3	R/m3	R/m3	R/m3	R/m3
Capital Charges	Municipality	0.1084	0.1228	0.1228	0.1449	0.1464	0.1557	0.1656	0.1761	0.1874
	Industries	0.1292	0.1491	0.1719	0.1788	0.1806	0.1920	0.2042	0.2172	0.2311
Fixed Operation and maintenance	Municipality	0.4355	0.5013	0.5013	0.6116	0.6705	0.7241	0.7042	0.7326	0.7622
	Industries	0.4967	0.5817	0.6398	0.7264	0.7824	0.8450	0.8217	0.8548	0.8893
Variable Cost Electricity	Municipality	0.0753	0.0755	0.0755	0.0845	0.0909	0.0946	0.0986	0.1028	0.1071
	Industries	0.08	0.0818	0.0873	0.0930	0.0962	0.1002	0.1044	0.1088	0.1134

Table 35: Raw Water (Continued from page 97)

Mhlauze Water Transfer Scheme - Weir		Audited			Current	Projection				
Tariff Excluding Government Charges & Levies	Municipality	0.6192	0.6996	0.6996	0.8410	0.9078	0.9744	0.9683	1.0114	1.0566
	Industries	0.7059	0.8126	0.8990	0.9982	1.0592	1.1371	1.1302	1.1808	1.2338
Government Charges		1.2657	1.4560	1.4560	1.4544	1.5716	1.7036	1.8433	2.0015	2.1813
Raw Water Resource Management		0.0573	0.0740	0.0740	0.0701	0.0733	0.0767	0.0767	0.0767	0.0767
Raw Infrastructure Water Charges		0.0256	0.0290	0.0290	0.0312	0.0322	0.0333	0.0345	0.0359	0.0373
Water use		1.1827	1.3530	1.3530	1.3531	1.4661	1.5935	1.7320	1.8889	2.0673
Total Tariff	Municipality	1.8849	2.1556	2.1556	2.2954	2.4794	2.6780	2.8116	3.0130	3.2379
	Industries	1.9716	2.2686	2.3550	2.4526	2.6308	2.8407	2.9735	3.1823	3.4151

Table 36: Clarified Water

Mhlathuze Water Nsezi Water Treatment Works - Clarified Water				Current	Projection				
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Proposed Tariff increases - Industries	13.09%	14.06%	5.24%	7.49%	9.64%	6.82%	6.64%	6.89%	7.14%
	R/m3	R/m3	R/m3	R/m3	R/m3	R/m3	R/m3	R/m3	R/m3
Capital Charges	0.3635	0.4293	0.4841	0.5340	0.5890	0.6262	0.6660	0.7085	0.7538
Fixed Operation and maintenance	0.3138	0.3699	0.405	0.4550	0.5001	0.5240	0.5450	0.5669	0.5898
Variable Cost Electricity	0.2844	0.2966	0.3357	0.3726	0.4268	0.4442	0.4628	0.4823	0.5028
Tariff Excluding Government Charges & Levies	0.9617	1.0958	1.2248	1.3616	1.5158	1.5945	1.6738	1.7578	1.8463
Government Charges	1.2657	1.4560	1.4560	1.4544	1.5716	1.7036	1.8433	2.0015	2.1813
Raw Water Resource Management	0.0573	0.0740	0.0740	0.0701	0.0733	0.0767	0.0767	0.0767	0.0767
Raw Infrastructure Water Charges	0.0256	0.0290	0.0290	0.0312	0.0322	0.0333	0.0345	0.0359	0.0373
Water use	1.1827	1.3530	1.3530	1.3531	1.4661	1.5935	1.7320	1.8889	2.0673
Total Tariff	2.2274	2.5518	2.6808	2.8160	3.0874	3.2980	3.5171	3.7593	4.0276

Table 37: Potable Water

Mhlathuze Water Nsezi Water Treatment Works - Potable Water		Audited			Current	Projection				
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Proposed Tariff increases	Municipality	9.59%	13.24%	0.00%	9.00%	9.94%	6.34%	4.97%	5.90%	6.05%
	Industries	12.66%	14.17%	9.61%	9.19%	10.04%	6.24%	4.86%	5.79%	5.92%
		R/m3	R/m3	R/m3	R/m3	R/m3	R/m3	R/m3	R/m3	R/m3
Capital Charges	Municipality	0.9595	1.1235	1.1235	1.2125	1.3374	1.4220	1.5124	1.6089	1.7116
	Industries	1.0386	1.2265	1.3832	1.5257	1.6828	1.7892	1.9030	2.0244	2.1536
Fixed Operation and maintenance	Municipality	0.8494	0.9931	0.9931	1.0873	1.1951	1.2522	1.3023	1.3548	1.4095
	Industries	0.8964	1.0570	1.1572	1.3000	1.4289	1.4972	1.5570	1.6198	1.6852
Variable Cost Electricity & Chemicals	Municipality	0.7838	0.8095	0.8095	0.8780	1.0056	1.0468	1.0906	1.1366	1.1847
	Industries	0.8126	0.8474	0.9591	1.0646	1.2193	1.2693	1.3223	1.3781	1.4364
Tariff Excluding Government Charges & Levies	Municipality	2.5927	2.9261	2.9261	3.1779	3.5382	3.7210	3.9053	4.1003	4.3059
	Industries	2.7476	3.1309	3.4995	3.8903	4.3310	4.5556	4.7823	5.0223	5.2753
Government Charges		1.2657	1.4560	1.4560	1.4544	1.5716	1.7036	1.8433	2.0015	2.1813
Raw Water Resource Management		0.0573	0.0740	0.0740	0.0701	0.0733	0.0767	0.0767	0.0767	0.0767
Raw Infrastructure Water Charges		0.0256	0.0290	0.0290	0.0312	0.0322	0.0333	0.0345	0.0359	0.0373
Water use		1.1827	1.3530	1.3530	1.3531	1.4661	1.5935	1.7320	1.8889	2.0673
Total Tariff	Municipality	3.8584	4.3821	4.3821	4.6323	5.1097	5.4246	5.7486	6.1019	6.4871
	Industries	4.0133	4.5869	4.9555	5.3447	5.9025	6.2592	6.6256	7.0238	7.4566
Raw Water Costs	Municipality	0.6192	0.6996	0.6996	0.8410	0.9078	0.9744	0.9683	1.0114	1.0566
	Industries	0.7059	0.8126	0.8990	0.9982	1.0592	1.1371	1.1302	1.1808	1.2338
Total Tariff Inc. Raw Water Charges	Municipality	4.4776	5.0817	5.0817	5.4733	6.0176	6.3990	6.7169	7.1133	7.5438
	Industries	4.7192	5.3995	5.8545	6.3428	6.9617	7.3963	7.7559	8.2046	8.6904

Table 38: Buoyant Effluent

Mhlathuze Water Effluent Scheme – Bouyant	Audited			Current	Projection				
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Proposed Tariff increases	8.36%	12.23%	11.49%	8.19%	8.18%	4.71%	4.77%	4.80%	4.44%
	R/m3	R/m3	R/m3	R/m3	R/m3	R/m3	R/m3	R/m3	R/m3
Capital Charges	0.5743	0.6278	0.7291	0.7364	0.7438	0.7908	0.8411	0.8947	1.7684
Fixed Operation and maintenance	0.8955	0.9648	1.2635	1.4194	1.5885	1.6514	1.7176	1.7868	8.2590
Total Tariff	1.4698	1.5926	1.9926	2.1558	2.3323	2.4422	2.5586	2.6816	10.0274

Table 39: Dense Effluent

Mhlathuze Water Effluent Scheme - Dense	Audited			Current	Projection				
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Proposed Tariff increases	9.97%	14.77%	11.82%	10.12%	9.95%	4.38%	6.36%	4.43%	4.44%
	R/m3	R/m3	R/m3	R/m3	R/m3	R/m3	R/m3	R/m3	R/m3
Capital Charges	1.1065	1.1554	1.2284	1.3681	1.3818	1.4692	1.5626	1.6623	1.7684
Fixed Operation and maintenance	3.8837	4.2314	4.9537	6.2441	6.9879	7.2674	7.6308	7.9384	8.2590
Total Tariff	4.9902	5.3868	6.1821	7.6122	8.3697	8.7366	9.1934	9.6007	10.0274

Projected Revenue

The projected primary and secondary revenue and expenditure for FY2022/23 is based on current contractual agreements and expected future demands informed by current engagements.

Table 40: Segment reporting

	Primary Activities		Secondary Activities		TOTAL
	Bulk Water	Waste Water	TG Scheme O & M	Other Activities	
Volumes (m³)	54 598	70 900			125 498
The Segmental report is as follows					
Revenue from exchange transactions	R'000	R'000	R'000	R'000	R'000
Sale of goods and services	428,264	274,663	116,229	54,724	873,881
Cost of Sales	218,989	49,010	84,040	6,037	358,076
Bulk purchases	77,856	-	-	-	77,856
Electricity and water	38,785	30,214	77,760	940	147,698
Chemicals	27,082	-	27	1,735	28,844
Employee related costs	16,162	4,608	6,253	3,362	30,385
Depreciation	59,104	14,188	-	-	73,292
					-
Gross Profit	209,275	225,653	32,190	48,687	515,805
					-
Other income	7,171	5,071	-	-	12,242
					-
Expenditure	179,929	176,223	32,190	26,529	414,872
Employee related costs	72,102	59,825	-	-	131,927
Remuneration of board members	3,513	2,885	-	-	6,398

Table 40: Segment Reporting (Continued from page 100)

	Primary Activities		Secondary Activities		TOTAL
	Bulk Water	Waste Water	TG Scheme O & M	Other Activities	
Depreciation and amortisation	5,249	3,501	-	-	8,750
Impairment of Assets			-	-	-
Finance costs	2,180	1,366	-	-	3,546
Lease rentals on operating lease	125	362	-	-	487
Debt impairment	-	-	-	-	-
Repairs and maintenance	17,655	29,962	22,871	148	70,636
Other expenses	76,712	76,793	9,319	26,381	189,205
Electricity and water	1,798	1,052	-	-	2,849
Chemicals	597	477	-	-	1,074
Operating surplus	36,517	54,500	-	22,158	113,175
Loss on disposal of assets	-	-	-	-	-
Surplus for the year	36,517	54,500	-	22,158	113,175
Assets					
Segment assets	1,505,813	472,306	-	21,076	1,999,195
Centralised services					97,464
Total assets as per statement of financial position					2,096,659
Liabilities					
Segment liabilities	48,572	84,997	-	22,974	156,543
Centralised services					236,141
Total liabilities as per statement of financial position					392,683
Other information					
Capital expenditure	234,021	100,044	-	-	334,065
Centralised services					60,214
					394,279

Statement of Capital Expenditure Budget

To ensure that Mhlathuze Water meets its strategic objectives [SO:1 and SO:7] to grow the provision of water services and improve efficiency through technology and best practice, Mhlathuze Water plans to invest in capital projects to meet the desired outcomes. Major expenditure is expected to be incurred from 2022 to 2023 on expansion, augmentation & upgrade projects. Upon completion of the major projects, a massive decrease in capital expenditure is expected. The planned capital projects will be funded from operating income and reserves. The plant augmentation project will be funded from both operating income and long term borrowings.

The following major projects can be highlighted:

- The Nsezi Augmentation – R457.4 million;
- Nsezi Generators – R141.6 million;
- Pump Station generators – R75.2 million;
- Dense effluent diffuser replacement – R30 million; and
- Variable speed drives replacement – R10 million.

The table 13 below provides a summary of planned projects for the next 5 years per category - detailed projects are attached as Annexure A.

Table 41: Forecast of Capital Expenditure

Projected Statement of Capital Expenditure		Actual	Actual	Actual	Budget	Estimate	Budget	Budget	Budget	Budget	Budget	Total
Year ending 30 June	Project Type	2019	2020	2021	2022	2022	2023	2024	2025	2026	2027	2026-2027
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
BULK RAW WATER SUPPLY												
Mhlathuze Transfer Scheme												
Civil & Buildings Refurbishments	Refurbishment				200	200	150	150	220	240		960
Weir Pump Refurbishment	Refurbishment				1 700	1 700	870	890	900			4 360
Replacement of Flow meters	Refurbishment				500	500	500					1 000
Package Plant	Expansion				120	120						120
Desktop Turbidity Meter	Replacements				120	120						120
PH Meter	Replacements				50	50						50
Conductivity Meter	Replacements				50	50						50
New Weir	Expansion	55 182	13 908									-
Pipeline from Weir to Shooting range	Expansion	71 818	76 485	60								-
Weir Generator	Refurbishment	6 398										-
Refurbishment Cost	Replacements	415										-
Variable Speed Drive	Replacements							10 000				10 000
New Weir Change room	Refurbishment			304	2 982	2 982						2 982
Replacement of MV Switchgear	Refurbishment				1 400	1 400						1 400
												-
												-
Total		133 813	90 393	364	7 122	7 122	1 520	11 040	1 120	240		21 042
FY2021-2022 Business Plan					1 500		1 520	1 040	-	240		4 300
Difference between the two Business Plan					5 622		-	10 000	1 120	-		16 742
BULK PURIFIED & CLARIFIED WATER SUPPLY												
Lake Nsezi WTP												
Plant Augmentation (Independent 170 M/D Plant)	Expansion			25 521	236 902	121 361	225 051	-	-			346 412
Civil & Buildings Refurbishment	Refurbishment		283	86	200	200	200	200	920	345		1 865
Speed Drives	Replacements				3 000	3 000	-	-	-			3 000
Replacement of Flow Meters	Refurbishment				500	500						500
Permanent bottling plant structure	Expansion				500		500	-	-			500

Table 41: Forecast of Capital Expenditure (Continued from page 102)

Projected Statement of Capital Expenditure		Actual	Actual	Actual	Budget	Estimate	Budget	Budget	Budget	Budget	Budget	Total
Year ending 30 June	Project Type	2019	2020	2021	2022	2022	2023	2024	2025	2026	2027	2026-2027
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Resurfacing of Nsezi Access Road	Refurbishment				2 000		500	1 500				2 000
Battery Tripping Plant	Replacements				400	400						400
Replacement of Suction Valves	Refurbishment				600	600						600
Replacement of Floatation Scrapper System	Refurbishment				750	750	750	750	750			3 000
Replacement of DN1000 Empangeni Pump Station Suction Manifold	Refurbishment						1 000					1 000
Lay flat Hoses	Refurbishment				20	20						20
Portable Pneumatic Chemical Transfer Pump	Replacements				50	50						50
Submersible Pump	Replacements				60	60						60
Nsezi Pilot Plant	Replacements				100		2 000	1 000				3 000
Nsezi WTP Augmentation Phase 2	Replacements							47 761	63 298			111 059
Tronox Pumpstation Upgrade-Electrical & Mechanical Works MW16/2015	Refurbishment	846										-
Supply & Installation of Mondi Portable Water Pumps at Nsezi WTW MW000211	Refurbishment	1 152										-
Generators (5)	Expansion								141 600			141 600
2nd Nsezi 20ML Balancing Reservoir-Tie-ins	Expansion	630										-
Nsezi WTP Empangeni Pump Station	Expansion	459										-
Scada Phase 2	Expansion	2 032										-
Nsezi Refurbishment	Refurbishment	568										-
SCADA Intelligence (Alarm Management & Report Suite)	Information technology communication						2 500					2 500
Polymer Tank Bund Wall at Nsezi WTW	Expansion			2 271	1 751	1 751						1 751
AC Mitigation	Refurbishment	60	65	2 024	7 038	7 038						7 038
Nsezi Security Fence	Refurbishment			3 468	2 550	2 550						2 550
Nsezi WTW Control Room and Plant Laboratory Refurbishment	Refurbishment				548	548						548
Replacement of Compressors and Receivers	Refurbishment				800	800						800
Replacement of Switchgear	Refurbishment				800	800						800
Mondi Valves DN800	Replacements				3 000	3 000						3 000

Table 41: Forecast of Capital Expenditure (Continued from page 103)

Projected Statement of Capital Expenditure		Actual	Actual	Actual	Budget	Estimate	Budget	Budget	Budget	Budget	Budget	Total
Year ending 30 June	Project Type	2019	2020	2021	2022	2022	2023	2024	2025	2026	2027	2026 -2027
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
												-
												-
Total		5 747	348	33 370	261 569	143 428	232 501	51 211	206 568	345		634 054
FY2021-2022 Business Plan					245 081		114 359	48 711	206 568	345		614 719
Difference between the two Business Plan					16 488		118 142	2 500	-	-		19 335
P/S NO1 SHARED BETWEEN A&B LINE												
Conductivity Meter	Replacements				50	50						50
Floor Meter	Replacements				20	20						20
pH Meter	Replacements				50	50						50
Replacement of Rotary Screens	Refurbishment			463	1 500		1 500					1 500
Refurbishment Cost - 553	Replacements		404									-
Replacement of Rotary Screens	Refurbishment				537	537						537
												-
												-
Total		-	404	463	2 157	657	1 500	-	-	-		2 157
FY2021-2022 Business Plan					1 620			-				1 620
Difference between the two Business Plan					537		1 500	-	-			537
BUOYANT EFFLUENT DISPOSAL												
Electric Actuator	Replacements				1 350	1 350						1 350
Battery Tripping Plant	Replacements				80	80						80
Refurbishment of Pumps	Refurbishment				700	700	700	800	800	900		3 900
PLC Installation	Replacements				5 000	5 000						5 000
Replacement of Suction Piping	Refurbishment			360	500	500						500
Landline Pipeline Refurbishment	Refurbishment				500	500	500	180	250	340		1 770
Surge Tower 1 and 2 Earth Mat Installations	Replacements				400	400						400
Offshore Pipeline Refurbishment	Replacements											-
Generator	Replacements				37 752		56 752	1 000				57 752

Table 41: Forecast of Capital Expenditure (Continued from page 104)

Projected Statement of Capital Expenditure		Actual	Actual	Actual	Budget	Estimate	Budget	Budget	Budget	Budget	Budget	Total
Year ending 30 June	Project Type	2019	2020	2021	2022	2022	2023	2024	2025	2026	2027	2026-2027
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Refurbishment A-Line Pump Bases	Refurbishment	23			4 000	4 000						4 000
Civil & Buildings Refurbishment	Refurbishment	6	56									-
Refurbishment	Refurbishment	124										-
Replacement of Switchgear	Refurbishment			172	628	628						628
												-
Total		153	56	532	50 910	13 158	57 952	1 980	1 050	1 240	-	75 380
FY2021-2022 Business Plan					29 982		2 200	1 980	1 050	1 240		-
Difference between the two Business Plan					20 928		55 752	-	-	-		75 380
DENSE EFFLUENT CONNECTIONS												
Civil & Building Refurbishments (552)	Refurbishment		76		320	320	340	160	300	180		1 300
Replacement of Defective DN500 GRP landline	Refurbishment				600	600						600
Total		-	76	-	920	920	340	160	300	180	-	1 900
FY2021-2022 Business Plan					920		18 340	160	300	180		19 900
Difference between the two Business Plan					-		-18 000	-	-			-18 000
DENSE EFFLUENT DISPOSAL												
Dense Effluent Diffuser Replacement	Refurbishment							20 000	10 000			30 000
Refurbishment of Offshore Pipeline	Refurbishment				5 000	5 000	2 000	1 500				8 500
Booster Pump station	Refurbishment				-	-	7 500					7 500
Speed Drives	Replacements				5 000	5 000	5 000					10 000
Electric Actuator	Replacements				1 300	1 300						1 300
Replacement of Pressure Pumping System	Refurbishment				1 500	1 500				350		1 850
Replacement of C line Screen Valves and Gearbox	Refurbishment						1 600					1 600
Replacement of C line Pedestals	Refurbishment				350	350	350	350	400	400		1 850
Refurbishment of Delivery Screen	Refurbishment				500	500						500
Replacement of C line VSD Air Conditioners	Refurbishment				250	250						250

Table 41: Forecast of Capital Expenditure (Continued from page 105)

Projected Statement of Capital Expenditure		Actual	Actual	Actual	Budget	Estimate	Budget	Budget	Budget	Budget	Budget	Total
Year ending 30 June	Project Type	2019	2020	2021	2022	2022	2023	2024	2025	2026	2027	2026-2027
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Replacement of C line Bearing Houses	Refurbishment				350	350	350	350	400	400		1 850
PLC and HMI	Replacements				5 000		5 000					5 000
SCADA Replacement	Refurbishment				5 000		5 000					5 000
Standby Generator Replacement	Refurbishment				400	400						400
VSD Switchgears Replacement	Refurbishment				2 000	2 000						2 000
Replacement of 750mm Butterfly Valves	Refurbishment											-
Generator	Replacements		630		13 452		13 452					13 452
Upgrading C line VSD power supply circuit Breakers	Replacements		46									-
Upgrade Of B Line Refurbishment 554	Replacements			806								-
												-
Total		-	676	806	40 102	16 650	40 252	22 200	10 800	1 150	-	91 052
FY2021-2022 Business Plan					40 102		16 800	22 200	10 800	1 150		91 052
Difference between the two Business Plan					-		-	-	-	-	-	-
CENTRALISED SERVICES												
Acquire, Enhance, Upgrade and Integrate Core Financial and Related Business Systems	Information technology communication			26 560	14 500	10 456	4 044					14 500
Document Management System	Information technology communication				3 500		3 500					3 500
Central Renovations	Refurbishment	50	292	290	200	200	150	250	385	240		1 225
Strategic Stock	Replacements			1 282	5 000	5 000	5 000	5 000	5 000	5 000	5 000	30 000
Office Expansion at MW Head Office	Expansion		24				14 690					14 690
Alternative Potable Water Supply	Replacements		703	106								-
Electric Fence	Refurbishment				3 000	3 000						3 000
Mhlathuze Catchment Study & MW Master Plan Review	Expansion				3 500	3 500						3 500
Vehicles	Equipment				13 185	6 408	6 777					13 185
Autotrator	Equipment		552				1 500					1 500
Inductively Coupled Plasma Emission Spectrometer (ICP OES)	Equipment		955						3 000			3 000
Deionized Water	Equipment							180				180

Table 41: Forecast of Capital Expenditure (Continued from page 106)

Projected Statement of Capital Expenditure		Actual	Actual	Actual	Budget	Estimate	Budget	Budget	Budget	Budget	Budget	Total
Year ending 30 June	Project Type	2019	2020	2021	2022	2022	2023	2024	2025	2026	2027	2026-2027
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Discrete Analyser	Equipment									2 500		2 500
Ion Chromatograph	Equipment		789					1 450				1 450
Fridge - Lab	Equipment				80	80				200		280
Autoclave	Equipment								550			550
Instrument Computers	Equipment				60	60	70	70	70			270
Ultrapure Water System	Equipment						250					250
Modification of Stores Building	Refurbishment				3 000		3 000					3 000
Tender & ESD Facility	Expansion				750		750					750
Replacement of Workshop/Stores UPS	Refurbishment				1 000	1 000						1 000
Titmus V2 Keystone Vision Screen	Equipment				40		40					40
Shredder Machine - Clinic	Equipment				40	40						40
Replacement of Head Office Server Room Air conditioners	Replacements				300	300						300
Replacement of Portable Pumps and Welding Generator	Refurbishment						250					250
Urgent Capital 2014/2015	Replacements		62	12								-
Polymers Chain Reaction Instrument	Equipment		931									-
Gas Chromatograph with a Mass Spectra Detector	Equipment	1 889										-
Cura Risk Management Software	Information technology communication			583								-
Induced Draft Fan for A/B line ventilation system	Equipment			97								-
Corporate Stock Container	Replacements			55								-
Small Items	Equipment	2 444	1 189	1 526	144	144						144
Projector	Equipment						10					10
Shredder - Executive	Equipment						10					10
Replacement of Old Furniture in CE's Office	Equipment						100					100
Replacement of Old Boardroom Furniture	Equipment						300					300
Shredder - Finance	Equipment						10					10

Table 41: Forecast of Capital Expenditure (Continued from page 107)

Projected Statement of Capital Expenditure		Actual	Actual	Actual	Budget	Estimate	Budget	Budget	Budget	Budget	Budget	Total
Year ending 30 June	Project Type	2019	2020	2021	2022	2022	2023	2024	2025	2026	2027	2026-2027
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Furniture	Equipment						80	20	35	10	35	180
Vehicle - 4X4 Double Cab Bakkie	Equipment						550					550
Fridge	Equipment						10					10
Hydroboil	Equipment						10					10
Binding Machine	Equipment						12					12
Projector - Board	Equipment						12					12
Vehicle - 4X4 Single Cab Bakkie	Equipment						450					450
Laptops and Computer Replacements Refresh	Information technology communication						1 000	1 000				2 000
Server and SAN Refresh	Information technology communication						5 000	5 000	5 000	5 000		20 000
Digital Signature	Information technology communication						1 000					1 000
Telephone Lines	Information technology communication						2 250					2 250
Datacenter Air-Conditioner	Replacements						1 000					1 000
CCTV	Replacements			170	9 735	4 846	4 889					9 735
Upgrade of Standby Generator	Expansion			1 457	536	536						536
Car Wash	Expansion			118	317	317						317
Backup and Recovery Hardware and Servers	Information technology communication			78	4 000	4 000	3 500					7 500
Incubator	Equipment				56	56						56
Replacement of Fume Extraction Fan	Refurbishment				2 000	2 000						2 000
Total		4 383	5 497	30 511	64 943	41 943	60 214	12 970	14 040	12 950	5 035	147 152
FY2021-2022 Business Plan					44 618		21 910	6 950	9 005	2 940		85 423
Difference between the two Business Plan					20 325		38 304	6 020	5 035	10 010	5 035	69 684
TOTAL		144 096	97 450	66 046	427 723	223 878	394 279	99 561	233 878	16 105	5 035	972 735

Table 42: Capital expenditure per category

	Actual	Actual	Actual	Budget	Estimate	Budget	Budget	Budget	Budget	Budget	Total
	2019	2020	2021	2022	2022	2023	2024	2025	2026	2027	2023-27
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Expansion	132 900	86 001	27 783	244 772	124 981	243 991	47 761	63 298			481 031
Other Equipment	4 333	4 416	1 526	13 604	8 675	8 303	1 720	3 655	2 710	35	25 098
Refurbishments	1 822	772	7 167	136 477	69 896	107 941	39 080	156 925	3 395		377 237
Replacements	5 041	6 261	7 398	5 870	5 870	7 250	6 000	5 000	5 000	5 000	34 120
Information technology communication	-	-	26 638	27 000	14 456	26 794	5 000	5 000	5 000		56 250
Total Capital before Interest	144 096	97 450	70 512	427 723	223 878	394 279	99 561	233 878	16 105	5 035	972 735
Capitalised interest				4 305			14 628	27 074	-		41 702
Total Capital after Interest	144 096	97 450	70 512	432 028	223 878	394 279	114 189	260 952	16 105	5 035	1 014 437

Projected Statement of Financial Position

The Non-Current Assets of Mhlathuze Water have constantly increased in the past years and are projected to continue growing in line with the planned capital projects. The cash and cash equivalent is projected to remain constant as a result of planned long term borrowings to be utilised for the plant augmentation project.

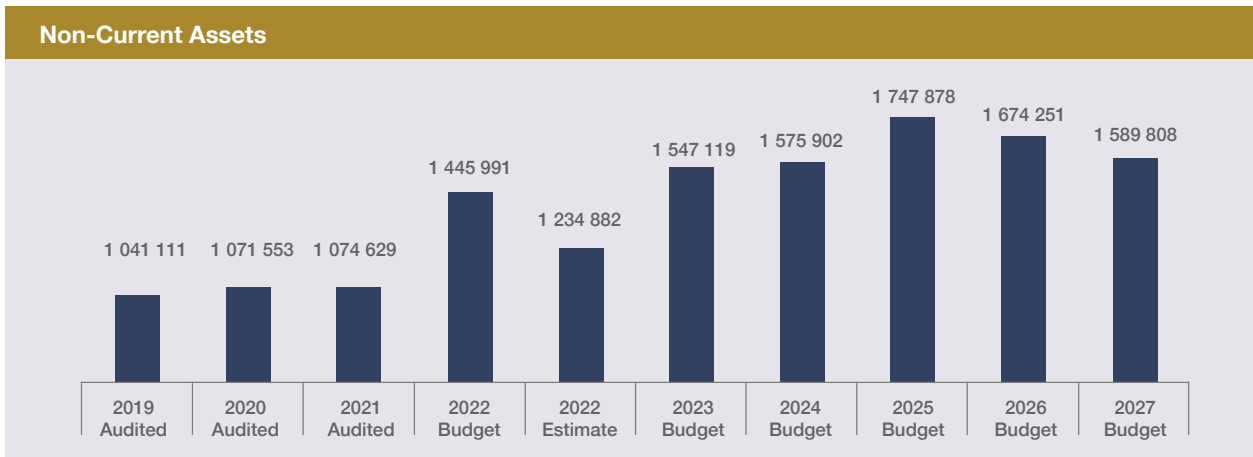
Table 43: Statement of Financial Position

Five Year Projections - Statement Of Financial Position (R'000)										
Projected Statement of Financial	Audited	Audited	Audited	Budget	Estimate	Budget	Budget	Budget	Budget	Budget
Position For Year ending 30 June	2019	2020	2021	2022	2022	2023	2024	2025	2026	2027
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
ASSETS										
Current Assets										
Inventories	36,565	32,079	31,960	29,629	27,962	27,460	27,210	26,960	26,710	26,461
Receivables from exchange transactions	141,567	117,345	105,678	90,523	86,547	107,739	105,128	112,417	116,374	119,871
VAT receivable	3,071	-	-	1,911	2,538	2,369	2,591	-	2,833	-
Cash and cash equivalents - Primary activities	263,086	372,407	529,131	372,137	550,627	414,424	556,643	487,267	658,828	863,271
	444,290	521,830	666,768	494,200	667,674	551,992	691,572	626,644	804,745	1,009,603
Non-current assets										
Property, plant and equipment	1,038,654	1,069,830	1,048,628	1,392,989	1,194,425	1,479,868	1,503,651	1,670,627	1,592,000	1,507,557
Intangible assets	2,457	1,723	26,001	53,001	40,457	67,251	72,251	77,251	82,251	82,251
	1,041,111	1,071,553	1,074,629	1,445,991	1,234,882	1,547,119	1,575,902	1,747,878	1,674,251	1,589,808
Total assets	1,485,401	1,593,383	1,741,398	1,940,190	1,902,556	2,099,111	2,267,474	2,374,522	2,478,996	2,599,411
LIABILITIES										
Current liabilities										
Short term interest bearing borrowings	22,692	10,839	10,748	10,345	10,345	25,345	38,345	38,345	33,172	28,000
Short term Finance Lease					2,203	2,418	2,133	2,195	-	-

Table 43: Statement of Financial Position (Continued from page 109)

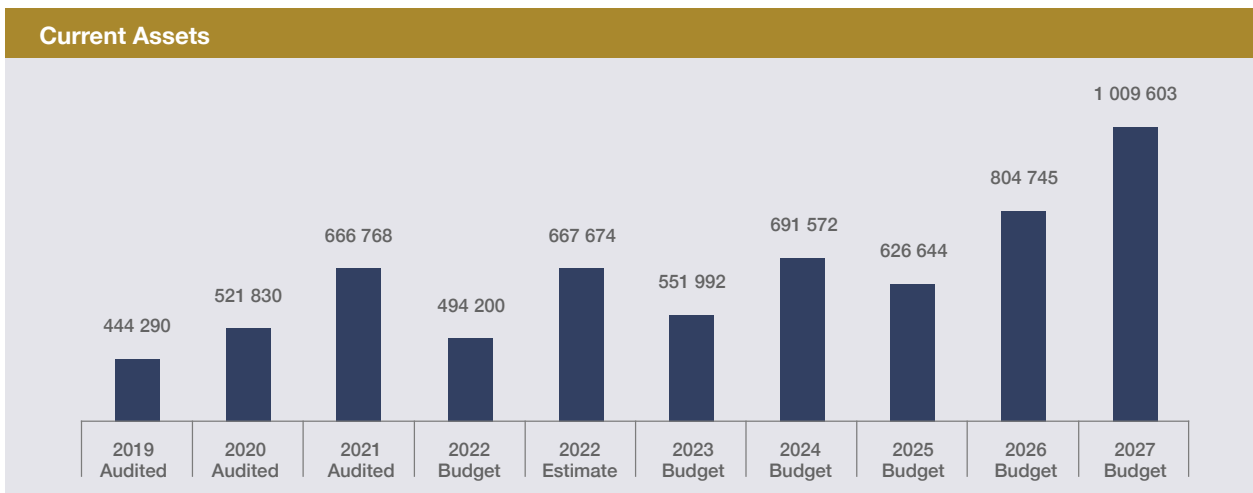
Five Year Projections - Statement Of Financial Position (R'000)										
Projected Statement of Financial	Audited	Audited	Audited	Budget	Estimate	Budget	Budget	Budget	Budget	Budget
Position For Year ending 30 June	2019	2020	2021	2022	2022	2023	2024	2025	2026	2027
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Payables from exchange transactions	131,391	129,075	182,565	96,252	206,252	156,251	112,578	105,217	109,529	112,111
VAT Payable	-	4,819	1,717	-	-	-	-	2,828	-	3,062
Employee benefit liability	16,825	15,865	17,965	19,625	14,625	15,503	16,743	18,082	19,529	21,091
Income received in advance	7,026	6,828	6,828	5,235	5,235	4,968	4,479	4,225	3,765	3,305
	177,934	167,425	219,822	131,457	238,660	204,485	174,278	170,892	165,995	167,569
Long term interest bearing borrowings	56,897	46,552	36,207	126,354	26,354	151,009	229,664	191,320	163,320	140,000
Long term Finance Lease	-	-	-	-	6,730	4,328	2,195	-	-	-
Income received in advance	57,103	50,480	43,656	37,829	37,829	32,861	28,382	24,157	20,392	17,087
	113,999	97,032	79,862	164,183	70,913	188,198	260,241	215,477	183,712	157,087
Total liabilities	291,934	264,457	299,685	295,641	309,573	392,683	434,519	386,371	349,707	324,658
Net assets										
Reserves										
Capital replacement reserve	242,418	249,675	254,356	352,690	256,540	256,807	257,295	257,552	261,846	265,623
Business development reserve	18,805	21,775	23,909	23,909	23,825	21,325	21,327	21,325	21,325	21,325
Self insurance reserve	10,165	5,855	11,347	11,347	11,347	11,347	11,347	11,347	11,347	11,347
Maintenance reserve	5,475	10,874	6,108	6,108	6,108	6,108	6,108	6,108	6,108	6,108
Loan Obligation reserve	0	7,959	8,217	13,670	8,217	8,217	17,635	26,801	26,801	26,801
Environmental reserve	1,605	1,952	2,503	2,503	2,503	2,503	2,503	2,503	2,503	2,503
Accumulated surplus	915,000	1,030,837	1,135,273	1,234,323	1,284,443	1,400,121	1,516,740	1,662,517	1,799,359	1,941,048
Total net assets	1,193,467	1,328,926	1,441,712	1,644,549	1,592,983	1,706,428	1,832,955	1,988,153	2,129,289	2,274,755
Total net assets and liabilities	1,485,401	1,593,383	1,741,398	1,940,190	1,902,556	2,099,111	2,267,474	2,374,522	2,478,996	2,599,411

Figure 18: Non-Current Assets



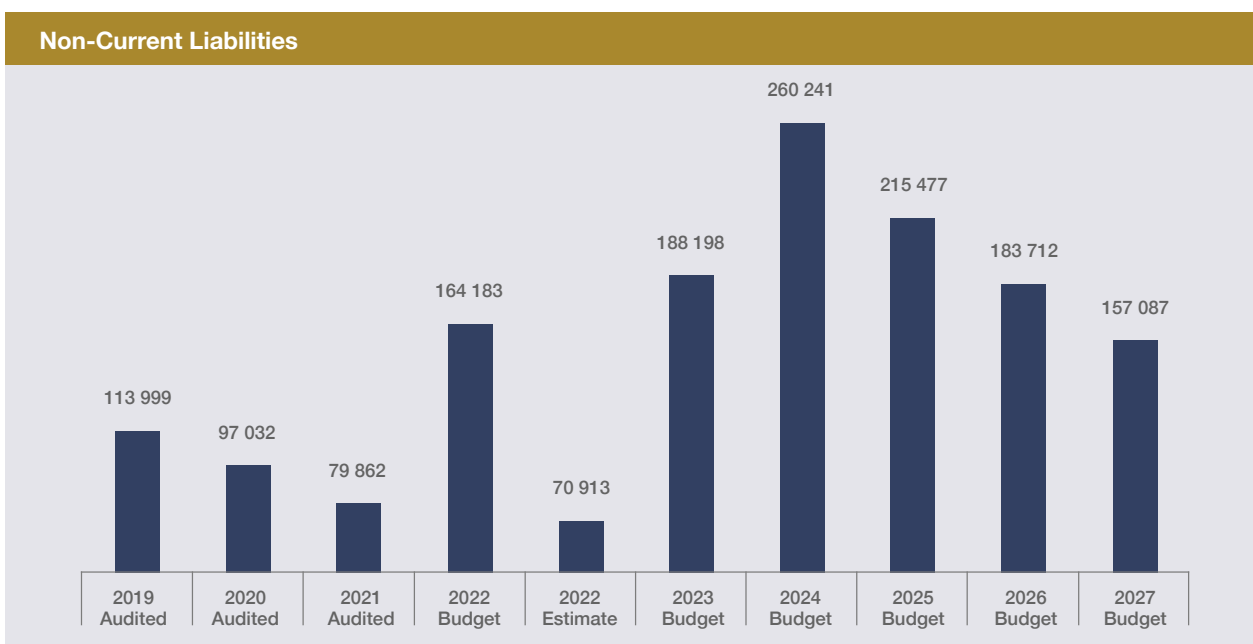
Non-Current Assets are projected to increase over the years in line with projected capital expenditure.

Figure 19: Current Assets



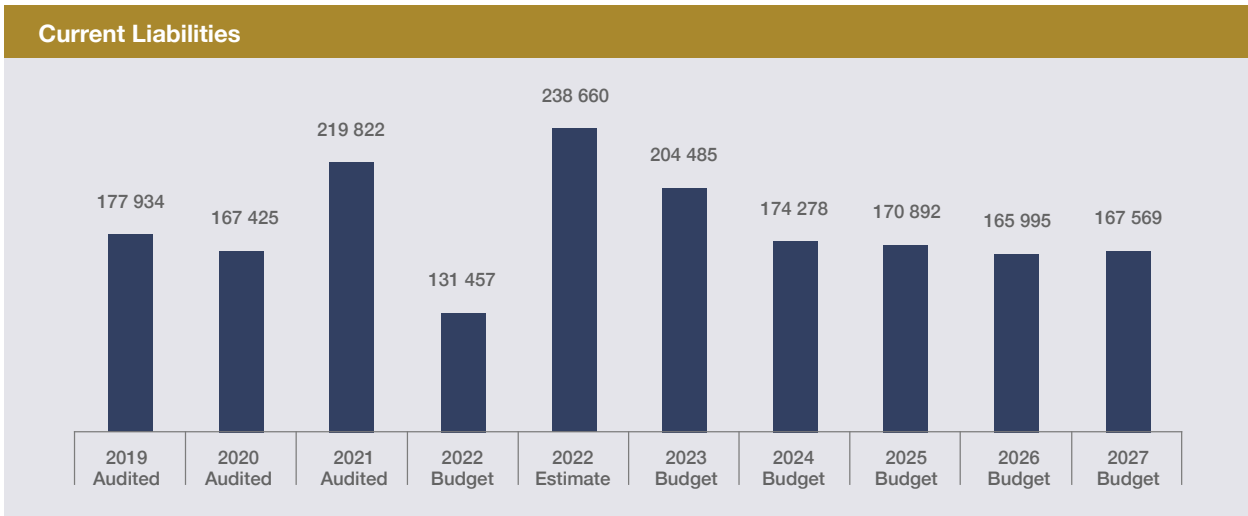
The current assets are projected to decrease in line with implemented capital projects and increase in the outer years in line with decrease in planned capital projects.

Figure 20: Non-Current Liabilities



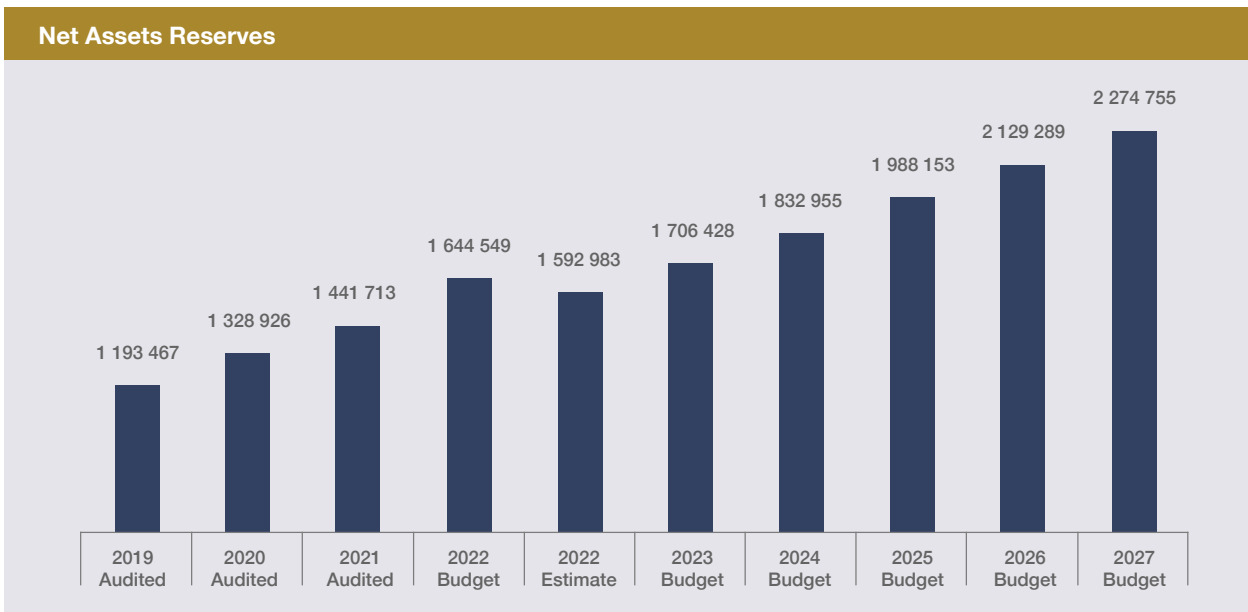
The liability is expected to increase in FY2022/23 and 2023/24 in line with the planned borrowing, thereafter decreasing as the existing loan matures.

Figure 21: Current Liabilities



The current liabilities are projected to constantly increase over the 5 year period due to increase in short term loan portion, trade payable and employee benefits in comparison to FY2022 budget.

Figure 22: Net Assets Reserves



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

Projected Statement of Financial Performance

The increase in sales is mainly due to tariff increases and an increase in potable water volumes. The operating expenditure is projected to increase as per Financial Assumptions.

Table 44: Statement of Financial Performance

STATEMENT OF FINANCIAL PERFORMANCE (R'000)										
Projected Statement of Financial Performance	Audited	Audited	Audited	Budget	Estimate	Budget	Budget	Budget	Budget	Budget
for the year ended 30 June	2019	2020	2021	2022	2022	2023	2024	2025	2026	2027
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Volumes (kilolitres)										
Revenue from exchange transactions										
Sale of goods and services	479,542	512,489	559,697	592,005	576,583	702,927	737,990	790,669	822,081	843,595
Cost of Sales	(183,765)	(182,881)	(217,650)	(215,185)	(208,796)	(267,999)	(285,199)	(297,123)	(306,660)	(315,582)
Bulk purchases	(63,069)	(58,538)	(76,514)	(62,584)	(59,255)	(77,856)	(81,048)	(84,436)	(87,999)	(91,721)
Electricity and water	(46,327)	(46,508)	(54,007)	(57,776)	(61,318)	(68,998)	(71,827)	(74,830)	(77,988)	(81,286)
Chemicals	(14,795)	(13,770)	(17,827)	(18,946)	(17,438)	(27,082)	(28,192)	(29,372)	(30,611)	(31,905)
Employee related costs	(13,283)	(14,650)	(15,549)	(22,354)	(18,660)	(20,770)	(27,834)	(28,998)	(30,221)	(31,500)
Depreciation	(46,290)	(49,416)	(53,754)	(53,525)	(52,126)	(73,292)	(76,297)	(79,487)	(79,842)	(79,170)
Gross Profit	295,777	329,608	342,047	376,820	367,787	434,928	452,790	493,546	515,421	528,013
Total Secondary activities	9,887	13,586	9,019	25,750	14,938	22,158	5,230	5,640	6,082	6,558
Sale of goods and services - Secondary activities	233,109	151,459	82,726	142,241	125,411	170,954	114,719	121,159	121,839	128,691
Expenditure - Secondary activities	(223,222)	(137,873)	(73,707)	(116,491)	(110,473)	(148,795)	(109,489)	(115,519)	(115,757)	(122,133)
Other income	19,962	18,002	18,753	12,103	16,508	12,242	11,333	12,214	7,740	10,892
Sundry income	2,610	998	-	-	640	8	8	9	9	9
Interest received - investment	17,352	17,003	18,753	12,103	15,868	12,234	11,325	12,205	7,731	10,883
Expenditure										
Employee related costs	(95,588)	(106,740)	(111,610)	(129,998)	(104,565)	(131,927)	(131,124)	(136,604)	(140,370)	(145,308)
Remuneration of board members	(3,274)	(4,700)	(4,342)	(7,547)	(5,732)	(6,398)	(6,660)	(6,939)	(7,231)	(7,537)
Depreciation and amortisation	(9,831)	(5,984)	(6,291)	(7,142)	(6,530)	(8,750)	(9,108)	(9,489)	(9,890)	(10,308)
Impairment of Assets		(7,670)	(4,260)	-	-	-	-	-	-	-
Finance cost	(9,770)	(4,201)	(6,465)	(4,636)	(4,370)	(3,546)	(2,461)	(1,360)	(24,317)	(21,119)
Lease rentals on operating lease	(2,797)	(3,267)	(3,504)	(3,246)	(2,530)	(487)	(507)	(528)	(551)	(574)
Debt impairment	(21)	(1)	(104)	-	-	-	-	-	-	-
Repairs and maintenance	(29,861)	(25,561)	(24,494)	(52,412)	(23,191)	(47,617)	(49,569)	(51,641)	(53,821)	(56,098)
Chemicals	(829)	(61,169)	(92)	(847)	(228)	(1,074)	(1,118)	(1,164)	(1,214)	(1,265)
Electricity and water	(2,076)	(2,180)	(3,854)	(1,423)	(3,051)	(2,849)	(2,966)	(3,090)	(3,221)	(3,357)
General expenses	(63,620)	(847)	(88,670)	(108,373)	(94,979)	(153,506)	(139,799)	(145,642)	(151,788)	(158,209)
Total expenditure	(217,666)	(222,320)	(253,686)	(315,623)	(245,176)	(356,154)	(343,313)	(356,457)	(392,401)	(403,774)

Table 44: Statement of Financial Performance (Continued from page 113)

STATEMENT OF FINANCIAL PERFORMANCE (R'000)										
Projected Statement of Financial Performance	Audited	Audited	Audited	Budget	Estimate	Budget	Budget	Budget	Budget	Budget
for the year ended 30 June	2019	2020	2021	2022	2022	2023	2024	2025	2026	2027
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Operating surplus	107,960	138,875	116,132	99,050	154,057	113,175	126,040	154,943	136,842	141,689
Gain/(loss) on disposal of assets	(4,014)	(2,547)	(3,871)	-	(4,970)	-	-	-	-	-
Surplus for the year	103,946	136,328	112,261	99,050	149,087	113,175	126,040	154,943	136,842	141,689

Projected Statement of Cash Flow

The table below provides an overview of the projected Statement of Cash Flow for the business planning period. Mhlathuze Water intends to utilise internal funding for capital projects and subsidise the shortfall with long term loans for the plant augmentation project.

Table 45: Statement of Cash Flow

Cash flows from operating activities	Audited	Audited	Audited	Budget	Estimate	Budget	Budget	Budget	Budget	Budget
Year ending 30 June	2019	2020	2021	2022	2022	2023	2024	2025	2026	2027
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Cash flow from operating activities										
Receipts										
Sale of goods and services	680,164	683,587	649,934	733,387	716,529	847,729	850,848	900,323	936,207	965,493
Interest received	17,352	17,003	17,309	12,103	15,868	12,234	11,325	12,205	7,731	10,883
	697,516	700,591	667,243	745,490	732,397	859,964	862,172	912,528	943,938	976,376
Payments										
Cash paid to employees	(147,523)	(147,301)	(134,425)	(152,352)	(123,225)	(152,697)	(158,958)	(165,602)	(170,591)	(176,807)
Cash paid to suppliers	(381,212)	(316,244)	(288,294)	(403,121)	(349,170)	(585,300)	(536,000)	(515,645)	(528,193)	(540,479)
Finance costs	(9,770)	(7,670)	(6,465)	(4,636)	(4,370)	(3,546)	(2,461)	(1,360)	(24,317)	(21,119)
Finance costs capitalised	(289)	-	-	(4,305)	-	-	(14,628)	(27,074)	-	-
	(538,794)	(471,215)	(429,185)	(564,415)	(476,765)	(741,543)	(712,047)	(709,681)	(723,100)	(738,406)
Net cash flows from operating activities	158,722	229,375	238,058	181,075	255,632	118,421	150,125	202,847	220,838	237,970
Net cash flows from investing activities										
Purchase of property, plant and equipment	(139,661)	(97,950)	(45,751)	(400,723)	(209,422)	(367,485)	(94,561)	(228,878)	(11,105)	(5,035)
Proceeds from sale of property, plant and equipment	852	94	21	-	-	-	-	-	-	-
Purchase of intangible assets	(156)	-	(25,171)	(27,000)	(14,456)	(26,794)	(5,000)	(5,000)	(5,000)	-
Net cash flows from investing activities	(138,965)	(97,856)	(70,901)	(427,723)	(223,878)	(394,279)	(99,561)	(233,878)	(16,105)	(5,035)

Table 45: Statement of Cash Flow (Continued from page 114)

Cash flows from operating activities	Audited	Audited	Audited	Budget	Estimate	Budget	Budget	Budget	Budget	Budget
Year ending 30 June	2019	2020	2021	2022	2022	2023	2024	2025	2026	2027
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Cash flows from financing activities										
Proceeds (Repayment) of Long term borrowings	(22,198)	(22,199)	(10,434)	89,655	(10,256)	139,655	91,655	(38,345)	(33,172)	(28,492)
Net cash flows from financing activities	(22,198)	(22,199)	(10,434)	89,655	(10,256)	139,655	91,655	(38,345)	(33,172)	(28,492)
Net increase/(decrease in cash and cash equivalents	(2,442)	109,320	156,722	(156,992)	21,498	(136,203)	142,219	(69,376)	171,560	204,443
Cash and cash equivalents at beginning of year	265,529	263,087	372,407	529,129	529,129	550,627	414,424	556,643	487,267	658,827
Cash and cash equivalents at end of year	263,087	372,407	529,129	372,137	550,627	414,424	556,643	487,267	658,827	863,271

Projected Borrowings

Long-term Borrowings: Terms and Conditions

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

Information on Proposed Domestic Borrowings

New borrowings, as outlined in table 16 below, will be sourced from the local finance market in the form of loans with fixed interest rates in FY2022, FY2023 and FY2024. New funding will be sourced via open tender processes.

Table 46: Maturity Profile of the Debt

Maturity Profile of Debt Repayments and Borrowings									
	Audited	Audited	Audited	Projected					
	2019	2020	2021	2022	2023	2024	2025	2026	2027
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Opening Long Term Borrowings	(101,788)	(79,589)	(57,391)	(46,955)	(36,610)	(161,265)	(252,920)	(217,575)	(184,403)
New Borrowings			-	-	(150,000)	(130,000)	-	-	
Scheduled Repayments	22,199	22,198	10,436	10,345	25,345	38,345	38,345	33,172	28,000
Closing Loan Pool	(79,589)	(57,391)	(46,955)	(36,610)	(161,265)	(252,920)	(214,575)	(184,403)	(156,403)

Table 47: Amortisation of Proposed Long Term Loan

Proposed Long Term Borrowing	Proposed Year of Borrowing	Proposed Term of Borrowing	Projected Interest Rate	Estimated Capital Repayment Over the Term	Estimated Interest Payment over the Term	Estimated Total Repayment over the Term
R'000			%	R'000	R'000	R'000
150,000	2023	10 Years	10%	150,000	78,682	228,682
130,000	2024	10 Years	11%	130,000	75,101	205,010

Information on Proposed Foreign Borrowing

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

Debt Guarantees by the Government

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

Confirmation of Compliance with Loan Covenants

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

Mhlathuze Water borrowing limits were reviewed and approved by National Treasury on 14 January 2022 with the following conditions:

1. A minimum cash interest cover (CIC) ratio of three (3) times, calculated as follows: cash generated from operations (after changes in working capital) divided by (-) cash finance costs (from the cash flow statement);
2. A minimum debt service cover ratio (DSCR) of one (1) time, calculated as follows: cash generated from operations (after changes in working capital) divided by (-) total debt service costs (debt capital repayments plus gross interest paid – from the cash flow statement);
3. A gearing limit of fifty per cent (50%) calculated as follows: interest –bearing debt divided by (-) total equity;
4. Mhlathuze Water submits quarterly progress reports to the Assets and Liability Management Division on the above – mentioned requirements as well as Borrowing Programme and Funding Plan, Including the utilization of the borrowing limit within 30 days after the end of each quarter; and
5. Mhlathuze Water submits bi-annual reports to the Assets and Liability Management division of the National Treasury on the progress of Major capital expenditure projects and the project plans for the upcoming 6 months.

Should MW fail to comply with any of the compliance requirements stipulated in (1)-(3) above, the entity should provide (in the quarterly progress report) detailed reasons

for such noncompliance as well as remedial actions that the entity plans to take to ensure that it is able to rectify the non-compliance. Furthermore the entity will be afforded a period of 90 days after the date of the non-compliance to rectify such noncompliance. Failure to rectify the non-compliance following this period may result in the entity's borrowing authorization being revoked, which would mean that the entity would not be able to raise any further debt.

Table 48: The approved borrowing limits for period 2022 to 2024

Financial Year	Amount
	R'000
2022	136,610
2023	216,265
2024	265,920

Going Concern

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

- Mhlathuze Water's major customers are in essential goods and services, their operations were still on-going during the lockdown periods and bulk water supply and effluent disposal was not affected negatively;
- Mhlathuze Water's customers have not indicated severe financial difficulties that may provide reasonable doubt that may significantly affect their credit risk;
- Mhlathuze Water operates on contracted volumes and significant portion of revenue is therefore fixed and none of the key customers have indicated intent to decrease contracted volumes or cease operating;
- There was no significant decrease in either the water volumes sold or the effluent disposal during the 2020/21 financial year as a result of the COVID-19 pandemic, and no such volatility is expected in the foreseeable future.

This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Finance Unit Pre-determined Objectives: 2022/2023 – 2026/2027 Targets

Table 49: Finance Unit Pre-determined Objectives: 2022/2023 – 2026/2027 Targets

Shareholder Compact and MW Targets	Strategic Objective	To Ensure the Long Term Financial Sustainability										
	Output	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target
			2018/2019	2019/2020	2020/2021	2021/2022 2 nd Quarter Actual						
SC5	Effective and Efficient Mechanisms to Ensure Financial Sustainability and Viability	Current ratio	2.50	3.39	3.04	3.27	5.50	2.50	3.5	3.5	4.5	5.5
		Percentage of primary gross profit margin	61.62%	64.37%	60.95%	66.54%	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%
		Percentage of primary net profit margin	20.27%	26.29%	18.45%	39.03%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
		Debt-equity ratio	0.12	0.08	0.07	0.06	0.14	0.23	0.24	0.19	0.16	0.14
		Percentage of return on assets	7.79%	11.08%	8.36%	17.05 %	9.00 %	6.00%	7.00%	8.00%	8.00%	9.00%
		Number of days to collect primary activities debts	44.77 days	38.29 days	40.89 days	44.73 days	45 days	45 days	45 days	45 days	45 days	45 days
SC7	Manage cost within approved budget	Percentage expenditure over approved operational budget	7.47%	27.09%	94.23%	63.14%	0%	0%	0%	0%	0%	0%
MW37	Approved tariff increase	Approved tariffs by the Minister	15 March	15 March	15 March	15 March	15 March	15 March	15 March	15 March	15 March	15 March
Shareholder Compact and MW Targets	Strategic Objective	To Initiate and Build Relationships with Stakeholders										
	Output	Performance Indicator	Baseline				5 year target	Estimated performance				
			Audited actual performance					2022/2023 Target	2023/2024 Target	2024/2025 Target	2025/2026 Target	2026/2027 Target
			2018/2019	2019/2020	2020/2021	2021/2022 2 nd Quarter Actual						
SC6	Increase BBBEE expenditure relative to operational projects	Percentage of total procurement spent on BBBEE services providers	72.29%	78.65%	84.58%	95.11%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%
MW38	SMMEs paid within turnaround time	Percentage of SMME invoices paid within 14 days of receipts	75.00%	75.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
MW39	Invoices paid within 30 days of receipts	Percentage of invoices paid within 30 days of receipts	-	-	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
MW40	Emerging suppliers developed through the incubation programme	Number of new emerging suppliers developed through the incubation programme	-	-	-	-	10	1	2	2	2	3



ANNEXURES

Annexure A

Table 50: Shareholder Compact: (Performance Objectives and Targets)

Performance Perspective	Output		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2021/2022 2nd Quarter Audited actual	2022/2023 Projected Target
	Ministerial Outcomes		DWS Strategic Goals	WB Strategic Objectives						
Organisational Efficiency and Effectiveness	1	Compliance with SANS 241:2015 water quality standard for potable water	MO A, OP1, Ta) & c). MO B, OP2, Ta)	SG1 (SO1.1, 1.2, 1.3) SG2 (SO3.2)	SO 6	Water quality standard met	Percentage compliance to water quality standard	%	99,97%	97%
	2	Manage avoidable water losses	MO A, OP1, Ta) MO B, OP2, Ta)	SG2 (SO2.1) SG3 (SO 3.1, 3.2)	SO 7	Reduced avoidable water losses in treatment and distribution systems	Percentage of avoidable water losses on water abstracted	%	2,12%	4%
	3	Reliability of water supply	MO A > G OP1, Ta), b) & c). OP2, Ta)	SG2 (SO2.1, 2.4) SG3 (SO 3.1)	SO 1	No unplanned interruptions to bulk supply exceeding 24 hours	Number of instances of unplanned supply interruptions exceeding 24 hours	Number	0	3
Financial Performance	4	Effective governance, compliance with legislation and financial sustainability	MO A > G	SG1 (SO1.2) SG3 (SO3.2)	SO 5	Unqualified audit report	Number of unqualified external audit reports received	Number	2020/2021 Unqualified audit opinion	1
	5	Effective and efficient mechanisms to ensure financial sustainability and viability	MO A B & D OP1, Ta), b) & c). OP2, Ta)	SG1 (SO1.2) SG3 (SO3.2)	SO 2	Improved viability and sustainability	Current Ratio	Ratio	3,27	2,50
							Percentage of primary gross profit margin	%	66,54%	60%
							Percentage of primary net profit margin	%	39,03%	15%
							Debt equity Ratio	Ratio	0,06	0,23
							Percentage of return on assets	%	17,05%	6%
							Number of days to collect primary activities debts	Number	44.73 days	45 days
							Percentage of repairs and maintenance of PPE	%	1,21%	3,50%
						Percentage of staff remuneration of total operating expenditure	%	26,64%	30%	
6	Increase BBBEE expenditure relative to operational projects	MO E	SG1(SO1.2) SG3(SO3.2)	SO3	Procurement spent on BBBEE services providers	Percentage of total procurement spent on BBBEE service providers	%	95,11%	55%	
7	Manage costs within approved budget	MO B OP2 Ta)	SG1(SO1.2) SG3(SO3.2)	SO 2	Actual budget compared with budgeted expenditure	Percentage expenditure over approved operational budget	%	63,14%	0%	

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Table 50: Shareholder Compact: (Performance Objectives and Targets) (Continued from page 119)

Performance Perspective	Output		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2021/2022 2nd Quarter Audited actual	2022/2023 Projected Target
	Ministerial Outcomes		DWS Strategic Goals	WB Strategic Objectives						
	8	Capital expenditure programme	MO E MO A,B & D	SG1 (SO1.2) SG 3 (SO3.2)	SO 1	Infrastructure available to meet demands	Percentage of CAPEX spend against budget	%	22,22%	90%
	8	Capital expenditure programme in line with infrastructure master plan	MO E MO A,B & D	SG1 (SO1.2) SG 3 (SO3.2)	SO 1	Infrastructure available to meet demands	Percentage of capital projects completed within targeted dates	%	65,79%	100%
	9	Engagement in secondary activities	MO A,D,E & G	SG1(SO1.2) SG3(SO3.4)	SO 2	Growth in turnover from secondary (other activities)	Percentage of growth in turnover secondary activities	%	-39,61%	0.5%
Customer/ Stakeholder Interaction	10	Bulk supply agreements concluded with municipalities/other customers	MO A,B & D OP1, Ta), b) & c). OP2, Ta)	SG1(SO1.3) SG2(SO2.3) SG3(SO3.2, 3.4)	SO 3	Statutory and Service Level Agreements in place	Number of bulk supply agreements in place	Number	6,00	7
	11	Implementation of Ministerial directives	MO B,C	SG1(SO1.3) SG2(SO2.2) SG3(SO3.2)	SO 1	Ministerial directives issued are implemented on time	Percentage of Ministerial directives implemented against allocated budget	%	1,00	100%
	12	Rural development support in line with the organisation's mandate	MO C,G,F	SG1(SO1.1, 1.3) SG2(SO2.3)	SO 3	Total Number of projects implemented in municipalities	Number of projects implemented in municipalities	Number	ToR drafted , Technical Services required to confirm the CIDB grading required for the project in order to include on the advert/ RFQ	2
	13	Meeting statutory submission deadlines	MO A,B & D OP1, Ta), b) & c). OP2, Ta)	SG1(SO1.2) SG3(SO3.2)	SO 5	All statutory reports submitted on time	Number of approved business plans submitted as per compliance requirements	Number	1st Draft 2022/23 - 2026/27 Business Plan	1
		Meeting statutory submission deadlines	MO A,B & D OP1, Ta), b) & c). OP2, Ta)	SG1(SO1.2) SG3(SO3.2)	SO 5	All statutory reports submitted on time	Number of approved shareholders compact submitted as per compliance requirements	Number	1st Draft 2022/23 Shareholders Compact	1
	Meeting statutory submission deadlines	MO A,B & D OP1, Ta), b) & c). OP2, Ta)	SG1(SO1.2) SG3(SO3.2)	SO 5	All statutory reports submitted on time	Number of approved annual reports submitted as per compliance requirements	Number	2020/2021 Annual report	1	
	Meeting statutory submission deadlines	MO A,B & D OP1, Ta), b) & c). OP2, Ta)	SG1(SO1.2) SG3(SO3.2)	SO 5	All statutory reports submitted on time	Number of approved quarterly reports submitted as per compliance requirements	Number	MW 2021/2022 second quarter report submitted as per compliance requirements	4	

118.

Table 50: Shareholder Compact: (Performance Objectives and Targets) (Continued from page 120)

Performance Perspective	Output Ministerial Outcomes		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2021/2022 2nd Quarter Audited actual	2022/2023 Projected Target
			DWS Strategic Goals	WB Strategic Objectives						
Organisational Capacity	14	Optimal staff retention	MO E	SG1(SO1.1, 1.3)	SO 4	Optimal staff turnover	Percentage of staff turnover	%	0,46%	8%
	15	Learners trained and equipped with skills	MO E	SG1(SO1.1, 1.3)	SO 4	Skills and capacity building	Number of learners trained and equipped with skills	Number	4,00	5
		MW employees trained and equipped with skills	MO E	SG1(SO1.1, 1.3)	SO 4	Skills and capacity building	Number of new internal bursaries awarded to MW employees	Number	4,00	3
		Graduate trainees participating in the graduate training programme	MO E	SG1(SO1.1, 1.3)	SO 4	Skills and capacity building	Number of graduate trainees participating in the graduate training programme	Number	4,00	4
	16	Temporary jobs created	MO E	SG1(SO1.1, 1.3)	SO 1	Temporary jobs created	Number of temporary jobs created through MW programme	Number	37,00	60
General Performance	17	Board Effectiveness	MO A > G	SG1(SO1.1, 1.2) SG3(SO3.1, 3.2)	SO 5	Improved performance of fiduciary duties/ governance	Percentage of attendance of Board members at Board meetings	%	100%	80%
	18	Corrective measures for internal audit findings	MO B	SG1(SO1.2) SG3(SO3.2)	SO 5	Internal audit findings dealt with	Number of repeat internal audit findings	Number	0,00	0
							Number of unresolved internal audit findings	Number	7,00	0
	19	Good governance	MO E,F & G	SG1(SO1.2) SG3(SO3.2)	SO 2	Improved controls and risk mitigation	Number of breaches of materiality and significant framework	Number	0,00	0,00
	20	Corporate Social Investment (CSI) initiatives in line with the organisation's mandate	MO E	SG2(SO2.2) SG3(SO3.2)	SO3	Good corporate citizenship	Number of CSI initiatives undertaken	Number	3,00	4
Optional WB Specific Performance objectives	21	Health & Safety of employees	MO B	SG1(SO1.2) SG3(- SO3.2)	SO 6	Reduced number of disabling injuries	Disabling injury frequency rate (DIFR)	Rate	0,31	0,45

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Annexure B


Enterprise Risk Management Implementation Plan



DOCUMENT NUMBER	
AUTHOR	RISK MANAGER
DOCUMENT TITLE	
ENTERPRISE RISK MANAGEMENT IMPLEMENTATION PLAN	

OBJECTIVE
The purpose of Enterprise Risk Management Implementation Plan is to enable the entity to achieve its mandate, through the process of implementation of Enterprise Wide Risk Management System, further the plan outlines risk management programs and projects that will be implemented in building operational resilience throughout the organization.

BRIEF DESCRIPTION OF CHANGE
ENTERPRISE RISK MANAGEMENT IMPLEMENTATION PLAN- 2021/2022

APPROVAL SIGNATURE RECORD
Approved by the Audit and Risk Committee at its meeting of 21 July 2021

SZ HLOPHE
CHAIRPERSON OF AUDIT AND RISK COMMITTEE
DATE: 21/7/2021

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- 3. LEGAL FRAMEWORK 4
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- 5. AUTHORITY & RESPONSIBILITY..... 5
- 6. DEFINITIONS AND ACRONYMS 6
- 7. DETAILED RISK MANAGEMENT PLAN 7

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1. INTRODUCTION

The Board while in pursuit of the entity vision and mandate has therefore identified risk management section as a strategic business enabler to achieve the entity vision, thus adopted Public Sector Risk Management Framework and Enterprise Wide Risk Management Framework then developed Risk and Business Continuity Management Policy, Risk Appetite and Tolerance Framework and Enterprise Risk Management Implementation Plan in order to increase probability for achievement of Mhlathuze Water strategic objectives and mandate.

Board has recently approved a business plan 2020/21 to 2024/25 financial year which articulates sets of strategic goals, outcomes and objectives, thus developed Risk Management Plan which will be rolled throughout in the entire organisation in ensuring that there is a good risk management culture and embedding risk management in all operational activities. The Enterprise Risk Management Implementation Plan outlines a number of risk management projects within set risk management programmes that risk management section will perform in 2021/22 financial year in order to increase probability of the Mhlathuzi Water to achieve the set objectives and targets.

2. PURPOSE OF ENTERPRISE RISK MANAGEMENT PLAN

The purpose of Enterprise Risk Management Implementation Plan is to enable the Mhlathuze Water to achieve its mandate, through the process of implementation of Enterprise Wide Risk Management System, further the plan outlines risk management programs and projects that will be implemented in building operational resilience throughout the organization. The following are some the benefits that will be realized by implementing the plan.

- The Board delegates the risk management responsibility to Audit and Risk Committee to provide oversight on effectiveness of risk management activities within the organisation.
- Executive management and staff work together to anticipate business risk areas and proactively identify, analyses, mitigate and timeous report to all relevant stakeholders.
- The Board setting risk appetite and tolerance levels thus proactively and effectively provide guidance to management to better manages organisational risks areas.

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- Management taking calculated risk and informed decision making process while in pursuit of delivering entity mandate.
- Ensure that all plant and equipment's/assets are adequately covered and insured at all times.
- Improved organizational performance by early identification of risk exposures that may impact on delivery of objectives and timeously implementation of response plans.
- Instil good business ethos, accountability and compliance culture via fraud prevention strategies, and
- Benchmarking of risk management activities and be consistent with industry trends and best practice.

The following are risk management programs that will be implemented in order to realized the above benefits:

- **Business Continuity Management Programme.**
- **Enterprise Wide Risk Management Programme.**
- **Insurance Management Programme, and**
- **Anti-Fraud Prevention Programme.**

3. LEGAL FRAMEWORK

The following are relevant acts related to the roll out of risk management plan for the organisation.

Acts relevant to the BCMS Program:

Disaster Management Act (Act No. 57 of 2002) defines a disaster as a progressive or sudden, widespread or localised, natural or human-caused occurrence which: Causes or threatens to cause:

- Death, injury or disease
- Damage to property, infrastructure or the environment
- Disruption of the life of the community and magnitude that exceeds the ability of those affected by the disaster to cope with its effects using only their own resources.
- Public Finance Management Act, 1999 (Act No. 1 of 1999), section 38 as amended including the Treasury regulations,2005, a
- Promotion of Access to Information Act, 2000 (Act No 2 of 2000)
- Electronic Communications and Transactions Act (ECTA), 2002 (Act No. 25 of 2002)
- Minimum Information Security Standard
- Occupational Health and Safety Act No 85 of 1993, Section 24
- Internal Security and Intimidation Act, 1991 (Act No 138 of 1991)

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Act Relevant to Risk Management Program

- Public Sector Risk Management Framework
- National Treasury Practice Note 27(1,2)
- ISO 31001

Act Relevant to Insurance Program

- National Traffic Management Act, 1996
- Short Term Insurance Act 18 of 2017

Acts Relevant To Anti-Fraud Prevention Program

- National Public Service Anti-corruption Strategy
- Prevention and Combating Corrupt Activities 12 of 2004
- Prevention of organized crime 121 of 1998
- Financial Intelligence centre Act 38 of 2001
- Protected disclosure 26 of 2000

4. APPROACH

The development of the Enterprise Risk Management Implementation Plan has taken into consideration various inputs from entity business strategies and plans but not limited to the following:

- Mhlathuzi Water Business Plan for 2020/21 – 2024/25.
- Annual Performance Management Plan.
- Available entity resources and budget, and
- Urgency, quick wins and financial sustainability of the entity.

5. AUTHORITY & RESPONSIBILITY

POSITION TITLE	TASK DESCRIPTION
Audit & Risk Committee	Approves the ERMP
EXCO	Recommend amendments of the Enterprise Risk Management Implementation Plan to Audit and Risk Committee
Risk Management Committee	Discuss and recommends the Enterprise Risk Management Implementation Plan to EXCO
Risk Manager	Develop and review Enterprise Risk Management plan
Line Managers	Ensure adherence of personnel to the principles of this policy

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6. DEFINITIONS AND ACRONYMS**Definitions**

Acronyms	Definitions
EXCO	Executive Management Committee
RMC	Risk Management Committee
BCM	Business Continuity Management
EWRM	Enterprise Wide Risk Management
BIA's	Business Impact Assessment
Entity or Organisation	Mhlathuze Water
Shareholder	Department of Water and Sanitation
ERMP	Enterprise Risk Management Plan

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7. DETAILED ENTERPRISE RISK MANAGEMENT IMPLEMENTATION PLAN

The detailed implementation plan is articulated below

ERM, BCM, Insurance and Anti-Fraud Prevention Activity	Quantity	Frequency	Completion Status	Due date	Outputs / Outcomes
Risk Management Projects Initiation					
Information gathering and development of Risk Management Plan		Annually	80%	30/06/2021	Enterprise Risk Management Plan
Determine risk maturity levels of the organization and development of risk management roadmap/projects plans and obtain approval from EXCO					
<ul style="list-style-type: none"> Determine Risk and BCM Maturity Assessment for organization 	1	Once off	80%	31/07/2021	Maturity Assessment and Roadmap for BCM/ERM
<ul style="list-style-type: none"> Road Map for Enterprise Risk and Business Continuity Plan 	1	Once Off	60%	31/07/2021	Board Approved Strategy
<ul style="list-style-type: none"> Review of Antifraud and Corruption Strategy/ERM and RAT Framework 	2	Once Off	80%	31/07/2021	Communication Calendar
<ul style="list-style-type: none"> Development of project stakeholder and communication calendar for Annual Risk Management Activities. 		Once Off	80%	15/07/2021	
Obtain approval from Risk management and EXCO, Audit and Risk, Board Approval	4	Quarterly	100%	31/07/2020	EXCO Approved Enterprise Risk Management Plan
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Projects Planning and Designs						
Review ERM and RAT, Annual Reports and APP's for the Organization and Development of Review of TOR's and Insurance Management Governance Documents and placement of Insurance cover. <ul style="list-style-type: none"> Review Enterprise Risk Management Framework/ERM and RAT Framework Review of terms of reference for Risk Management Committee Development of Appointment Letters and Appointing Committee Members Review of insurance program and recommend changes to current insurance structure to incorporate to insurance Renewal effective 01 September 2021 	2	Once Off	80%	31/07/2021	Approved ERM and RAT Frameworks	
	1	Once Off	80%	31/07/2021	Approved Terms of Reference	
	1	Once Off	70%	31/06/2021	Appointed RMC Members	
	1	Once Off	40%	31 August 2021	Insurance Renewal	
	5	Once Off	65%	31/08/2021	Insurance cover, Annual Risk Management Calendar Approved Framework(RAT/ERM)	

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Projects Executions(Risk Assessments, Business Impact Assessments)						
Conduct annual Risk Assessment, Business Impact Assessments (BIA's) and Site Inspections for the development of BCM Strategy and review of BCM Plan <ul style="list-style-type: none"> • Conduct Annual Strategic Risk Assessments (Entity Risk Profile) • Conduct Annual Risk Assessment (Operational Risk Assessments) ➤ Executive Dept ➤ Corporate Services Dept ➤ Scientific Services Dept ➤ Finance Dept ➤ Operations and Maintenance Dept ➤ Technical Services Dept ➤ Fraud and Corruption ➤ Information and Communication • Conduct Continuity Risk Assessments, Business Impact Assessments, Inspections, development of BCM Strategy and update of BCM Plan 	1	Annually	90%	31/07/2021	Approved Strategic Risk Register	
	8	Annually	85%	31/07/2021	Approved Operational Risk Registers	
	1	Annually	70%	31/08/2021	Updated BCM Plan and Strategy	

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Projects Executions(Development of Procedures/Strategies and Plans)						
Development of BCM Strategies/Procedures and Support Plans <ul style="list-style-type: none"> • Development of Business Continuity Strategy • Review of Business Continuity Plan • Development of Entity Wide Crisis Management Plan • Develop Business Continuity Testing and Maintenance Procedure 	1	Once Off	50%	30/07/2021	Business Continuity Strategy	
	1	Once Off	90%	30/07/2021	Approved Business Continuity Plan	
	1	Once Off	0%	30/09/2021	Approved Crisis Management Plan	
	1	Once Off	0%	30/09/2021	Approved Testing and Maintenance Procedure	
Review Insurance Portfolio and ensure adequacy of insurance cover for Mhlatuzi Water Plant and Equipment reduction in insurance premium. <ul style="list-style-type: none"> • Review of insurance procedure • Asset Conditional Assessments/Revised Assets Disposal Register • Conduct Annual Insurance Declarations • Conduct Thermo graphics assessment and Hot Stop on electrical reticulations system • Review of Insurance Premium and new insurance cover 	1	Annually	80%	31/07/2021	Revised Insurance Procedure	
	1	Annually	80%	30/08/2021	Revised assets register	
	1	Annually	0%	31/07/2021	Revised Insurance declarations	
	1	Annually	0%	30/09/2021	Revised Insurance Premium and new insurance cover	
	1	Annually	0%	31/08/2021		

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Reviews, Monitoring and Reporting (Monthly, Quarterly and Annual Basis)						
Periodically review and update risk register including the testing of business continuity plans, reporting progress to all stakeholders						
		9	Monthly	0%	Q1,Q2,Q3,Q4	Emerging Risk Areas Register
<ul style="list-style-type: none"> • Conduct Monthly Risk Reviews Operational Risk registers ➢ Executive Dept ➢ Corporate Services Dept ➢ Scientific Services Dept ➢ Finance Dept ➢ Operations and Maintenance Dept ➢ Technical Services Dept ➢ Fraud and Corruption ➢ Information and Communication 						
Generate and Present Risk, BCM and Insurance and report to Risk Champions Forum (Monthly)		9	Monthly	0%	Q1,Q2,Q3,Q4	Departmental Progress Status Reports
Generate and Present Risk, BCM and Insurance and report to Management Committee (Quarterly)		3	Quarterly	0%	Q1,Q2,Q3,Q4	Risk, BCM, Insurance Reports
Generate and Present Risk, BCM and Insurance and report to Risk Management Committee (Quarterly)		3	Quarterly	0%	Q1,Q2,Q3,Q4	Risk, BCM, Insurance Reports
Generated Present Risk, BCM and Insurance report to Audit and Risk Committee (Quarterly)		3	Quarterly	0%	Q1,Q2,Q3,Q4	Risk, BCM, Insurance Reports
Generated Present Reports: Risk, BCM, Insurance changes to the Board (Quarterly)		3	Quarterly	0%	Q1,Q2,Q3,Q4	Risk, BCM, Insurance Reports

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Business Continuity Testing, Awareness and Training						
Identification of Training Needs for the Organization and conduct training						
Risk Management Training and Awareness (Management)	9	Annually	30%	Q1	Attendance Register	
Business Continuity Training and Awareness	4	Annually	0%	Q1	Attendance Register	
Insurance Training and Road Shows	1	Annually	0%	Q2	Attendance Register	
Testing of Business Continuity Plans and Strategies	6	Quarterly	0%	Q2, Q3, Q4	Quarterly BCM Testing Reports	
<ul style="list-style-type: none"> • Conduct Continuity Risk Assessments/Testing and Business Impact Assessments and Inspections ➢ Executive Dept ➢ Corporate Services Dept ➢ Scientific Services Dept ➢ Operations and Maintenance Dept ➢ Technical Services Dept ➢ Finance Dept 						

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Knowledge Management Systems and Maintenance of Programs						
Identification of various records generated within the programs						
Development of a specification for ICT Systems						
• Risk Management Module – Year 1	1	Once Off	100%	30/06/2021	Specifications	Quotations for systems
• Business Continuity Module – Year 2	1	Once Off	100%	30/06/2021		
• Insurance Management Module – Year 2	1	Once Off	100%	30/06/2021		
Procurement of the system						
• Motivation and Quotations (All Licenses for users)	1	Once Off	100%	30/06/2021	Specifications	Quotations for systems
Project Execution and Maintenance (Risk Management Module)						
• Configuration of risk methodology	1	Once Off	0%	30/07/2021	System Acceptance and	Test Reports
• Capturing of risk registers into the system	1	Once Off	0%	30/07/2021	Approved Risk Register	
• Quality assurance of risk registers	1	Annually	0%	30/06/2022	System Maintenance	SLA with service provider
• Annual Maintenance of the systems	1	Once Off	0%	30/08/2021		
Training of the system users						
Master System Users (System Support)	1	Once Off	0%	30/08/2021		
Web Access Users (Risk Champions)	1	Once Off	0%	30/08/2021		Training Register

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Annexure C

Framework for Materiality and Significance



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

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

APPROVAL SIGNATURE RECORD
Approved by the full EXCO at its meeting of 15 January 2020.
 Mr. M. P. DUZE CHAIRPERSON OF EXCO DATE: 15/01/2020

Document Title	Revision No.	Reference	Effective Date	Page No.
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1. **PURPOSE**

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

2. **OBJECTIVE**

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

3. **SCOPE**

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

4. **ACRONYMS**

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

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5. LEGAL FRAMEWORK

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

6. FRAMEWORK

6.1. Background

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

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

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

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

6.2. Factors considered in developing the materiality framework

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

6.2.1 Quantitative aspects: Materiality level

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

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

Table 1: Parameters

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

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

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

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

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

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

Table 2: Calculation of materiality:

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

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

Factors considered:

i. Nature of MW's business:

MW's objective is to become the preferred water service provider in South Africa. MW's Revenue primarily comprises of bulk water sales, discharging of effluent, fees for management of waterworks and waste water works and revenue from secondary activities.

ii. Statutory requirements applicable to MW:

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

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

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

- Established governance structures which includes:

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i. **The Board Committees and Executive Committee**

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

6.2.5 Qualitative Aspects

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

Mhlathuze Water recognises that misstatements that are large either individually or in aggregate may affect a "reasonable" user's judgement.

Further, misstatements may also be material on qualitative grounds. These qualitative grounds include amongst other:

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

6.3. Responsibility for procedure maintenance

6.3.1 Procedure for Annual Review

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

6.3.1.2 The CFO must take the following factors into account:

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

6.3.2 Recording of the approved Framework

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

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

6.3.2.4 The CFO is the custodian of this framework.

6.4. Reference to other policies

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

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

7. RESPONSIBILITIES

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

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8. REVIEW OF THE FRAMEWORK

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

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Annexure D

Fraud Prevention Policy



DOCUMENT TITLE

FRAUD PREVENTION POLICY

POLICY OBJECTIVE

To combat and set out the plan for prevention, detection and investigation of fraud

BRIEF DESCRIPTION OF CHANGE

Revised the policy to align with MW periodic review standard

APPROVAL SIGNATURE RECORD

Approved by the full Board at its meeting of **29 October 2020**



MS TA SHANGE
CHAIRPERSON OF THE BOARD

DATE: 29/10/2020

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1. OBJECTIVES

The policy is set to uphold the philosophy of Mhlathuze Water on fraud, as well as to reinforce existing systems, policies and procedures of the organization aimed at deterring, preventing, detecting, reacting and reducing fraudulent activities.

Furthermore, Mhlathuze Water aims, through this policy to confirm and foster its commitment to Zero tolerance to fraud and corruption in all its activities.

2. SCOPE

This policy applies to the prevention, detention and investigation of any fraud, corruption or suspected fraud, involving employees and members of the board as well as all stakeholders, including consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties involved in a business relationship with Mhlathuze Water.

Any investigation activity required will be conducted regardless of the suspected wrongdoer's length of service, position/title, or relationship to Mhlathuze Water.

3. DEFINITIONS

In this policy, unless the context indicates otherwise, a word or expression, to which a meaning has been assigned in the Public Finance Management Act has the same meaning; and-

1. "Corruption" refers to –

Any person who, directly or indirectly-

(a) Accepts or agrees or offers to accept any gratification from any other person, whether for the benefit of himself or herself or for the benefit of another person; or

(b) Gives or agrees or offers to give to any other person any gratification, whether for the benefit of that other person or for the benefit of another person,

In order to act, personally or by influencing another person so to act, in a manner-

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(l) That amounts to the-

(a) Illegal, dishonest, unauthorised, incomplete, or biased; or

(bb) misuse or selling of information or material acquired in the course of the,

Exercise, carrying out or performance of any powers, duties or functions arising out of a constitutional, statutory, contractual or any other legal obligation;

(ii) that amounts to-

(aa) the abuse of a position of authority;

(bb) a breach of trust; or

(cc) the violation of a legal duty or a set of rules;

(iii) designed to achieve an unjustified result; or

(iv) that amounts to any other unauthorised or improper inducement to do or not to do anything,

is guilty of the offence of corruption.”

“Corrupt activities” refer to –

any person who, directly or indirectly, accepts or agrees or offers to accept any gratification from any other person, whether for the benefit of himself or herself or for the benefit of another person, as-

(a) an inducement to, personally or by influencing any other person so to act-

(i) award a tender, in relation to a contract for performing any work, providing any service, supplying any article, material or substance or performing any other act, to a particular person; or

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(ii) upon an invitation to tender for such contract, make tender for that contract which has as its aim to cause the tenderer to accept a particular tender; or

(iii) withdraw a tender made by him or her for such contract; or

(b) a reward for acting as contemplated in paragraph (a)(i) (ii) or (iii),

is guilty of the offence of corrupt activities relating to procuring and withdrawal of tenders. (Section 13 (1) of The Prevention and Combating of Corrupt Activities Act (PCCA)).

Section 13 (2) of the PCCA stipulate that, any person who, directly or indirectly

(a) gives or agrees or offers to give any gratification to any other person, whether for the benefit of that other person or the benefit of another person, as

(i) an inducement to, personally or by influencing any other person so to act, award a tender, in relation to a contract for performing any work, providing any service, supplying any article, material or substance or performing any other act, to a particular person; or

(ii) a reward for acting as contemplated in subparagraph (i); or

(b) with the intent to obtain a tender in relation to a contract for performing any work, providing any service, supplying any article, material or substance or performing any other act, gives or agrees or offers to give any gratification to any person who has made a tender in relation to that contract, whether for the benefit of that tenderer or for the benefit of any other person, as-

(i) an inducement to withdraw the tender; or

(ii) a reward for withdrawing or having withdrawn the tender,

is guilty of the offence of corrupt activities relating to procuring and withdrawal of tenders.

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2. **"Fraud" refers to** – Wrongful or criminal deception intended to result in financial or personal gain.

3. **"Dishonesty"** is a generic term embracing all forms of conduct involving deception on the part of employees and include for this policy's purposes, all the definitions and acts dealt with in this policy. Dishonesty includes any act or omission which entails deceit.

4. **"Theft"** means the unlawful and intentional misappropriation of another's property or property which is in his/her lawful possession, with the intention to deprive the owner of its rights permanently.

4. LEGISLATIVE AND POLICY FRAMEWORK

The legislative and policy framework for formulating and implementing this policy is:

4.1 Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 1 of 2004)

4.2 Public Finance Management Act, 1999 (Act No 1 of 1999)

4.3 Protected Disclosure Acts, 2000 (Act No. 26 of 2000)

4.4 Labour Relations Act, 1995 (Act No. 66 of 1995)

4.5 Treasury Regulations

5. POLICY STATEMENT

Fraud is defined as the intentional, false representation or concealment of a material fact for inducing another to act upon it to the organizations or his/her detriment. Fraud represent a significant potential risk to the Mhlathuze Water assets, service delivery efficiency and reputation. The institution will not tolerate fraudulent or corrupt activities, whether internal or external to the Institution, and will vigorously investigate and follow all legal means available to deal with such practices or attempts to do so within Mhlathuze Water.

Management is responsible for the detection and prevention of fraud. Each member of the management team should familiarize themselves with the types of fraud that might occur within his or her area of responsibility and be alert for any indication of

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inappropriate conduct. Any fraud that is detected or suspected must be reported immediately to the whistleblower.

Every staff member has the responsibility to report incidences of fraud or conduct which (if not attended to) could lead to incidences of fraud.

- . Impropriety in the handling or reporting of money or financial transaction
- . Profiteering because of insider knowledge of Mhlathuze Water's activities
- . Disclosing confidential and proprietary information to the outside parties

A non- exhaustive list of the types of fraud is detailed on the fraud prevention strategy document.

6. FRAUD PREVENTION STRATEGY

Mhlathuze Water shall develop; amongst others the following policies and programs within the fraud prevention strategy to address fraud risks in the institution

- . Recruitment policy;
- . Finance and operational policies;
- . Supply Chain Management Policy;
- . Whistleblower policy;
- . Employee satisfaction assessment/ Climate survey;
- . Fraud risk assessment;
- . Fraud Prevention Plan;
- . Code of ethics and conducts;
- . Investigation plans / procedures; and
- . Fraud response plans.

7 FRAUD INVESTIGATION PROCEDURES

7.1 Responsibility

The Accounting Officer has the primary responsibility for the investigation of all suspected fraudulent acts.

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7.2 Confidentiality

The accounting Officer and/or any other person with the privileged access shall treat all information received and the source thereof with strictest confidentiality.

7.3 Authorization for Investigation of Suspected Fraud

The forensic investigators or the internal auditors or any other party will be appointed by the Accounting Officer to conduct investigation, provided with adequate access and authority; and report directly to him/her.

7.4 Reporting Procedures

Great care must be taken in the investigation of suspected improprieties or wrongdoings to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.

7.5 Determination

The Accounting Officer and the Social and Ethics Committee will review and assess the reports in conjunction with Risk Manager and seek legal advice where necessary.

7.6 Recovery of Loss

Losses incurred as a result of the fraudulent activity shall be recovered as far as practically and economically possible.

8. RESPONSIBILITIES

POSITION TITLE	TASK DESCRIPTION
Accounting Authority	Approves the policy
Accounting Officer	Accountable for the overall governance of fraud and corruption risk and creating the positive control environment

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Audit & Risk Committee	Provides an independent and objective view of the institutions fraud and corruption risk management effectiveness
Risk Management committee	Review the fraud and corruption risk management progress of the institution, the key fraud risks facing the institution, and effectiveness of responses to address this key fraud risks
Risk Manager	Develop, revive & monitor enforcement of the policy
Risk Champions	Support implementation of fraud and corruption risk management activities in their departments
Departmental Managers	Ensure adherence of their personnel to the principles of this policy by integrating risk management into their day-to-day activities
Internal Audit	Evaluate the effectiveness of the entire system of fraud risk management and provide recommendations for improvement where necessary
External Audit	Provides an independent opinion on the effectiveness of fraud risk management
Employees	Comply with the principles of this policy

9 REVIEW OF POLICY

Management shall review the policy every three years or as when required and recommended to the Board any amendment(s) for approval.

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Annexure E

Projected Financial Statements For The 6 Years

Table 51: Statement of Comprehensive Income

Actual	Account	Estimated Actual	Projected	Projected	Projected	Projected	Projected
2020/21		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
125,776	Water sold (kilolitres)	115,214	255,435	255,435	264,830	275,050	284,175
16,121	- Raw water sales (kl)	10,849	113,457	113,457	114,457	124,677	126,502
42,273	- Potable water sales (kl)	35,092	73,730	73,730	82,125	82,125	89,425
67,382	- Waste water sales (kl)	69,273	68,249	68,249	68,249	68,249	68,249
642,422	TOTAL REVENUE (Primary and secondary activities)	701,994	873,881	852,709	911,828	943,921	972,286
559,697	Revenue (Primary activity)	576,583	702,928	737,990	790,669	822,082	843,595
103,284	- Raw water sales	158,753	193,550	203,233	217,838	226,484	232,353
249,358	- Potable water sales	183,194	223,348	234,521	251,375	261,352	268,124
198,783	- Waste water sales	225,283	274,663	288,403	309,129	321,399	329,727
	- Industrial water sales						
	- Implementing Agency fee						
8,272	- Connection Fees	9,353	11,367	11,833	12,327	12,847	13,391
	- O & M Activities						
	- Lab Analysis						
82,725	Revenue (Secondary activity)	125,411	170,954	114,719	121,159	121,839	128,691
	- Retail water operation						
	- Waste water management fee						
	- Management fee - consulting						
	- Management fee - other						
	- Section 30 activities	12,588	17,159	11,514	12,161	12,229	12,917
1,247	- Implementing Agency fee	4,261	5,808	3,898	4,116	4,140	4,372
5,502	- Lab Analysis	3,618	4,931	3,309	3,495	3,515	3,712
75,976	- O & M Activities	104,945	143,055	95,998	101,387	101,956	107,690
250,898	Total Cost of Sales	319,270	416,794	394,688	412,642	422,417	437,715
217,651	Cost of sales (raw water purchased)	208,796	267,999	285,199	297,123	306,660	315,582
76,514	- Raw water	59,255	77,856	81,048	84,436	87,999	91,721
141,137	Electricity, Chemicals, Employee costs, Depreciation	149,542	190,143	204,151	212,687	218,661	223,861
33,247	Cost of sales (secondary activities)	110,473	148,795	109,489	115,519	115,757	122,133
	- Employee costs						
	- Chemicals and purification						
	- Energy						
	- Repairs and maintenance						
	- General and administration expenses						
	-Project / WIP costs						

Table 51: Statement of Comprehensive Income (Continued from page 153)

Actual	Account	Estimated Actual	Projected	Projected	Projected	Projected	Projected
2020/21		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
33,247	- Other direct operating activities	110,473	148,795	109,489	115,519	115,757	122,133
391,524	Gross Income	382,724	457,087	458,020	499,186	521,504	534,571
60.9	Gross Profit %	54.5	52.3	53.7	54.7	55.2	55.0
61.1	- Gross profit % - primary activity	63.8	61.9	61.4	62.4	62.7	62.6
59.8	- Gross profit % - secondary activity	11.9	13.0	4.6	4.7	5.0	5.1
	Government grants and other funding						
5,323	Other operating income	(4,330)	8	8	9	9	9
	- Commission income and insurance						
	- Game and grazing sales (net of expenses)						
	- House and other rentals - all related income						
	- Other income (scrap, telephone, refurbishment, lab)						
	- Project income						
	- Bad debts recovered						
3,871	- Profit (Loss) on sale of fixed assets	(4,970)					
	- Profit (loss) on disposal of investments						
	- Profit (loss) on sale of biological assets						
	- Profit (Loss) on sale of intangible assets						
	- Wastewater - Darville revenue amort						
1,452	- Sundry income	640	8	8	9	9	9
396,847	Total Operating Income	378,395	457,095	458,028	499,195	521,513	534,580
295,421	Total Expenses	240,805	352,609	340,852	355,098	368,085	382,654
177,614	- Variable costs (related to cost of sales)	137,564	192,217	193,886	201,989	208,514	216,334
111,610	- Employee costs	104,565	131,927	131,124	136,604	140,370	145,308
	- Directors emoluments (include in general)						
102,597	- Employee salaries - (including leave, annual bonus, 13th cheque)	90,422	113,367	111,716	116,385	119,297	123,344
4,865	- Performance bonuses	3,655	8,736	9,094	9,474	9,874	10,291
	- Company contributions - Medical contributions and expenses		86	90	93	97	102
1,294	- Company contribution - UIF and SDL	1,389	1,810	1,971	2,053	2,140	2,231
	- Contributions to pension and provident funds						
847	- OID contributions	973	1,034	1,077	1,122	1,169	1,219
	- Changes in post employment liabilities						
	- Direct cost of Water Schemes allocated to Cost of Sales						
2,007	- Allowances	8,125	6,894	7,177	7,477	7,792	8,122

Table 51: Statement of Comprehensive Income (Continued from page 154)

Actual	Account	Estimated Actual	Projected	Projected	Projected	Projected	Projected
2020/21		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
92	- Chemicals	228	1,074	1,118	1,164	1,214	1,265
3,854	- Energy	3,051	2,849	2,966	3,090	3,221	3,357
50,711	- Repairs and maintenance - (cost of sales related)	23,191	47,617	49,569	51,641	53,821	56,097
1,794	- Property and buildings	429	3,596	3,744	3,900	4,065	4,237
34,503	- Plant, machinery and equipment	4,467	4,467	8,911	9,283	9,675	10,084
14,414	- Other - to be included in general expenses	18,295	39,554	36,915	38,458	40,081	41,776
	Sealine inspection vehicles						
11,243	- Depreciation	6,530	8,750	9,109	9,489	9,889	10,308
6,291	- Depreciation property, plant and equipment	58,656	82,043	85,406	88,976	89,731	89,478
692	- Amortisation of intangible assets						
4,260	- Impairments of property, plant and equipment	(52,126)	(73,292)	(76,297)	(79,487)	(79,842)	(79,170)
	- impairments of intangible assets						
104	- Impairment of trade receivables						
	- Other direct costs						
	- Motor vehicle repairs and running expenses						
	- Other direct						
117,807	- General expenses	103,241	160,392	146,966	153,109	159,571	166,320
	- Advertising and promotions	500	360	375	390	407	424
	- Amortisation - office intangibles						
	- Amortisation of biological assets						
3,598	- Audit fees	20,756	25,770	26,827	27,948	29,127	30,359
1,171	- Bad debts						
1,074	- Bursaries, donations and gifts		100	104	108	113	118
5,824	- Cleaning - all administration areas	4,944	7,973	8,300	8,647	9,012	9,393
7,504	- Computer and IT consumables	5,375	23,899	24,879	25,919	27,013	28,156
131	- Conferences, seminars and workshops	11	393	409	426	444	463
469	- Consultants and professional fees	360	2,070	2,155	2,245	2,340	2,439
	- Contractors	1,804	2,144	2,232	2,325	2,423	2,526
	- Courier and postage	58	12	12	13	14	14
	- Depreciation of office assets						
	- Directors - performance bonuses						
4,342	- Directors emoluments	5,182	5,248	5,411	5,637	5,875	6,123
	- Employee costs - (related to administration)						
	- Energy - related to administration areas	3,051	2,849	2,966	3,090	3,221	3,357
	- Impairments of biological assets						
3,615	- Insurance	5,252	6,283	6,540	6,813	7,101	7,401
3,056	- Lease costs	6,407	4,000	4,164	4,338	4,521	4,712

Table 51: Statement of Comprehensive Income (Continued from page 155)

Actual	Account	Estimated Actual	Projected	Projected	Projected	Projected	Projected
2020/21		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
4,999	- Legal and contract fees	7,678	9,000	9,369	9,761	10,173	10,603
65	- Marketing - not advertising and promotions	45					
2,335	- Motor vehicle expenses (not in direct costs)	168	756	272	284	296	308
448	- Operating leases - photocopiers etc	482	595	620	646	673	702
59,902	- Other operating expenses	27,211	48,637	31,196	32,499	33,873	35,304
751	- Printing and stationery	463	839	873	910	948	988
985	- Protective clothing and uniforms	1,138	1,517	1,580	1,646	1,715	1,788
762	- Rates and taxes	521	994	1,035	1,078	1,123	1,171
	- Relocation costs - all items						
	- Rent paid - equipment hire and other hiring costs						
	- Repairs and maintenance						
9,900	- Safety and security	5,337	6,143	6,394	6,662	6,943	7,236
	- Service contracts						
	- Software and other small assets expensed						
2,804	- Staff welfare	2,701	3,109	3,236	3,372	3,514	3,663
275	- Subscriptions, licences and membership fees	103	607	632	658	686	715
1,827	- Training and development	1,808	3,100	3,227	3,362	3,504	3,652
550	- Telephone and fax	741	1,397	1,454	1,515	1,579	1,646
1,420	- Travel and entertainment	1,144	2,596	2,703	2,816	2,934	3,059
	- Veterinary services, supplies and biological costs						
101,426	Operating Profit (Loss) For Year	137,590	104,486	117,176	144,098	153,428	151,925
17,309	Finance income - (enter as positive)	15,868	12,234	11,325	12,205	7,731	10,883
17,309	- Trade receivables						
	- Extended payment trade receivables - deemed interest						
	- Short term deposits - call accounts	15,868	12,234	11,325	12,205	7,731	10,883
	- Held to maturity financial assets						
	- Available for sale investments						
	- Employee advances						
	- SARS						
	- Other						
	- 57 pipeline						
	-						
(6,465)	Finance costs - (enter as negative)	(4,370)	(3,546)	(2,461)	(1,360)	(24,317)	(21,119)
(5,671)	- Long term borrowings	(4,370)	(3,546)	(17,089)	(28,433)	(24,317)	(21,119)
	- Bank overdraft						
	- SARS						
	- Finance leases						

Table 51: Statement of Comprehensive Income (Continued from page 156)

Actual	Account	Estimated Actual	Projected	Projected	Projected	Projected	Projected
2020/21		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
(794)	- Borrowing costs capitalised (positive)			14,628	27,074		
	- Other						
	- Darvill revenue in advance						
	-						
112,270	Profit (Loss) For Year	149,087	113,175	126,040	154,943	136,842	141,689
	Other comprehensive income						
	- Gain on revaluation of property, plant and equipment						
	- Gain on revaluation of intangible assets						
	- Transfers (to) from general reserves						
	- Gains / (losses) on retirement benefit plans						
	- Retirement benefit adjustment (IAS19)						
112,270	Total Comprehensive Income (Loss) For The Year	149,087	113,175	126,040	154,943	136,8432	141,689

Table 52: Statement of Financial Position

Actual	Account	Estimated Actual	Projected	Projected	Projected	Projected	Projected
2020/21		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Assets						
	Non-current assets						
1,048,628	Property, plant and equipment	1,194,425	1,479,868	1,503,651	1,670,627	1,592,000	1,507,557
1,070,181	Carrying value - opening balance	1,048,628	1,194,425	1,479,868	1,503,651	1,670,627	1,592,000
45,751	Additions - (will be carried to cashflow)	209,422	367,486	94,561	228,878	11,104	5,036
(59,353)	Depreciation - (ex income statement)	(58,656)	(82,043)	(85,406)	(88,976)	(89,731)	(89,478)
(3,892)	Disposals - carrying value	(57,096)	(73,292)	(76,297)	(79,487)	(79,842)	(79,170)
(4,059)	Impairments - (ex income statement)	52,126	73,292	76,297	79,487	79,842	79,170
	Revaluations - (ex income statement)						
	Interest capitalised			14,628	27,074		
26,001	Intangible assets	40,457	67,251	72,251	77,251	82,251	82,251
1,723	Carrying value - opening balance	26,001	40,457	67,251	72,251	77,251	82,251
25,171	Additions - (will be carried to cashflow)	14,456	26,794	5,000	5,000	5,000	
(692)	Amortisation - (ex income statement)						
	Disposals - carrying value						
(201)	Impairments - (ex income statement)						
	Revaluations - (ex income statement)						

Table 52: Statement of Financial Position (Continued from page 157)

Actual	Account	Estimated Actual	Projected	Projected	Projected	Projected	Projected
2020/21		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Biological assets						
	Carrying value - opening balance						
	Additions - (will be carried to cashflow)						
	Amortisation - (ex income statement)						
	Disposals - carrying value						
	Impairments - (ex income statement)						
	Fair value adjustment						
	Investments in subsidiaries and associates						
	Opening balance						
	Changes in year						
	Investments - financial instruments						
	Held to maturity						
	Loans receivable						
	Employee loans						
	Other financial assets						
	General						
1,074,629		1,234,882	1,547,119	1,575,902	1,747,878	1,674,251	1,589,808
	Assets held for sale - net						
	Dams						
	Farms						
	Reservoirs						
	Other						
	Current assets						
	Investments						
	Short term						
	Available for sale						

Table 52: Statement of Financial Position (Continued from page 158)

Actual	Account	Estimated Actual	Projected	Projected	Projected	Projected	Projected
2020/21		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
31,960	Inventories	27,962	27,460	27,210	26,960	26,710	26,461
	Piping						
	Electrical						
18,611	Maintenance spares	27,962	27,460	27,210	26,960	26,710	26,461
353	Water						
7,088	Chemical stores						
6,914	Consumables						
(1,006)	Miscellaneous						
105,678	Trade receivables	86,546	107,739	105,128	112,417	116,375	119,871
91,997	Trade receivables - bulk and waste water	71,086	86,662	90,985	97,480	101,352	104,005
16,742	Trade receivables - other activities	15,460	21,076	14,143	14,937	15,022	15,866
(3,061)	less: provision for doubtful debts / impairments - balance b/f						
	Change in prov - doubtful/impairments - ex income statement						
	Sundry debtors	2,540	2,369	2,591		2,833	
	VAT	2,540	2,369	2,591		2,833	
	Interest receivable						
	Loans and financial receivables						
	Employee loans						
	Other loans						
529,131	Cash and cash equivalents	550,627	414,424	556,643	487,267	658,828	863,271
5	Cash on hand	5	5	5	5	5	5
2,311	Bank current account						
526,815	Short term deposits	550,622	414,419	556,638	487,262	658,823	863,266
	Cash Reserves						
666,769		667,674	551,992	691,572	626,644	804,745	1,009,603
1,741,398	Total Assets	1,902,556	2,099,111	2,267,474	2,374,522	2,478,996	2,599,411
	Equity and Liabilities						
	Capital and reserves						
254,356	Capital	256,539	256,809	257,295	257,552	261,846	265,623
52,000	Reserves	52,000	52,000	52,002	52,000	52,000	52,000
52,000	Opening balance	52,000	52,000	52,000	52,002	52,000	52,000

Table 52: Statement of Financial Position (Continued from page 159)

Actual	Account	Estimated Actual	Projected	Projected	Projected	Projected	Projected
2020/21		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Transfers in (out)						
	Transfer in reserves			2	(2)	(0)	0
1,135,357	Accumulated profit (loss)	1,284,444	1,397,619	1,523,659	1,678,601	1,815,443	1,957,132
1,135,357	Opening balance	1,135,357	1,284,444	1,397,619	1,523,659	1,678,601	1,815,443
	Comprehensive income (loss) for year - (ex income statement)	149,087	113,175	126,040	154,942	136,843	141,689
	Other						
1,441,713		1,592,983	1,706,428	1,832,955	1,988,153	2,129,289	2,274,755
	Non-current liabilities						
79,863	Long term debt	70,914	188,198	260,242	215,477	183,712	157,087
36,207	Bank loan - fixed rate						
	Bank loan - variable rate	26,354	151,009	229,664	191,320	163,320	140,000
	Bonds - fixed rate						
	Bonds - variable rate						
	Loans - interest free						
	Settlement agreements						
43,656	Income received in advance	37,829	32,861	28,382	24,157	20,392	17,087
	Finance lease obligation	6,730	4,328	2,195			
	Other non-current liabilities						
	Post retirement benefit obligations						
	Defined benefit and contribution plans - opening						
	Actuarial movement on defined benefit contribution						
	- Healthcare benefits						
79,863		70,914	188,198	260,242	215,477	183,712	157,087
	Current liabilities						
17,576	Current portion of long term loans	17,783	32,731	44,957	44,765	36,937	31,305
10,748	Bank loan - fixed rate	10,345	25,345	38,345	38,345	33,172	28,000
	Bank loan - variable rate						
	Bonds - fixed rate						
	Bonds - variable rate						
	Loans - interest free						
	Settlement agreements						
6,828	Income received in advance	5,235	4,968	4,479	4,225	3,765	3,305
	Finance lease obligations	2,203	2,418	2,133	2,195		

Table 52: Statement of Financial Position (Continued from page 160)

Actual	Account	Estimated Actual	Projected	Projected	Projected	Projected	Projected
2020/21		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Interest payable						
177,055	Trade and other payables	206,251	156,251	112,578	108,045	109,530	115,173
39,941	Trade payables	206,251	156,251	112,578	105,217	109,530	112,111
	Trade payables - related parties						
61	Statutory payables - employees tax / benefits funds						
1,717	SARS - VAT				2,828		3,062
13,122	Amounts received in advance						
	Accrual - audit fees						
122,214	Accruals - other						
7,257	Other payables / loans						
17,934	Provisions	14,625	15,503	16,743	18,082	19,529	21,091
8,669	Leave pay	14,625	15,503	16,743	18,082	19,529	21,091
9,265	Bonuses						
	Legal fees - costs and claims						
	Other						
	Bank overdraft						
	Current account 1						
	Current account 2						
	Current account 3						
219,822		238,659	204,485	174,277	170,893	165,996	167,569
1,741,398	Total equity and liabilities	1,902,556	2,099,111	2,267,474	2,374,522	2,478,996	2,599,411

Table 53: Statement of Cashflow

Actual	Element	Estimated Actual	Projected	Projected	Projected	Projected	Projected
2020/21		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Operating Activities						
112,270	Net profit for period before changes	149,087	113,175	126,040	154,942	136,843	141,689
69858	Adjustments for non-cash items, interest and other	2	62	245	(1,356)	26,475	20,544
60,045	- Depreciation and amortisation	58,656	82,043	85,406	88,976	89,731	89,478
4,260	- Impairments of PPE, intangibles and biological assets	(52,126)	(73,292)	(76,297)	(79,487)	(79,842)	(79,170)
	- Retirement benefits provisions						
3,871	- Profit (loss) on sale of fixed, intangible and biological assets	4,970					
	- Interest received - (deduct from profit)	(15,868)	(12,234)	(11,325)	(12,205)	(7,731)	(10,883)
	- Interest paid - (add to profit)	4,370	3,546	2,461	1,360	24,317	21,119
	- Revaluations of assets						
1,682	- Impairment of trade receivables						
	Net Finance costs capitalised						
	Adjustments for:			(14,626)	(27,077)		
	- Discontinued operations						
	Finance cost capitalised			(14,626)	(27,077)		
55931	Working capital changes	104,358	(69,643)	(39,795)	(7,641)	(3,609)	6,791
(288)	- Inventories	4,000	502	250	250	250	249
10,436	- Trade debtors	19,130	(21,193)	2,610	(7,289)	(3,958)	(3,497)
(6,824)	- Sundry debtors	60,881	171	(222)	2,591	(2,833)	2,833
50,385	- Trade and other payables	23,687	(50,000)	(43,674)	(4,532)	1,484	5,644
2,222	- Provisions	(3,340)	878	1,240	1,339	1,447	1,562
238059	Net cash generated from operating activities	253,447	43,593	71,864	118,869	159,708	169,024
(70901)	INVESTING ACTIVITIES - NET CASH UTILISED	(223,878)	(320,718)	(22,778)	(154,134)	68,032	77,911
(45,751)	- Additions to property, plant and equipment	(209,422)	(367,486)	(94,561)	(228,878)	(11,104)	(5,036)
(25,171)	- Additions to intangible assets	(14,456)	(26,794)	(5,000)	(5,000)	(5,000)	
	- Additions to biological assets						
21	- Proceeds on disposal of fixed and intangible assets	52,126	73,292	76,297	79,487	79,842	79,170
	- Proceeds on disposal of biological assets						
	- Investments in subsidiaries and associates						
	- Interest receivable movement						
	- Movement in assets held for sale						

Table 53: Statement of Cashflow (Continued from page 162)

Actual	Element	Estimated Actual	Projected	Projected	Projected	Projected	Projected
2020/21		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	- Increase (decrease) in capital	(52,126)	270	486	257	4,294	3,777
(10,434)	FINANCING ACTIVITIES - NET CASH UTILISED	(8,072)	140,921	93,132	(34,112)	(56,179)	(42,493)
(10,434)	- Movement in long term borrowings	(21,754)	117,285	72,043	(44,765)	(31,765)	(26,624)
	- Movement in investments						
	- Proceeds (repayment) short term borrowings		14,948	12,226	(192)	(7,828)	(5,632)
	- Movement in loan receivables						
	- Interest received	15,868	12,234	11,325	12,205	7,731	10,883
	- Interest paid	(4,370)	(3,546)	(2,461)	(1,360)	(24,317)	(21,119)
	- Movement in retirement benefit obligations						
	- Adjustment for non-cash interest						
	- Decrease in income received in advance	2,184					
	CASH AND CASH EQUIVALENTS						
156724	- Net increase (decrease) in cash utilised for the year	21,497	(136,203)	142,219	(69,376)	171,561	204,442
372,407	- At beginning of year	529,131	550,627	414,424	556,643	487,267	658,828
529,131	- AT END OF YEAR	550,627	414,424	556,643	487,267	658,828	863,270

Table 54: Capital Expenditure Program

Actual	Capex Category	Estimated Actual	Projected	Projected	Projected	Projected	Projected
2020/21		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Immovable capex						
29309	Augmentation and upgrade						
7167	Expansion	124,981	243,991	47,761	204,898		
7398	Rehabilitation	69,896	107,941	39,080	15,325	3,394	
	Development projects	14,545	15,554	7,720	8,655	7,710	5,036
	Capitalised interest			14,628	27,074		
43874		209,422	367,486	109,189	255,952	11,104	5,036
	Movable capex						
	Equipment and vehicles						
26638	Information technology communication	14,456	26,794	5,000	5,000	5,000	
	Laboratory and process services						
26638		14,456	26,794	5,000	5,000	5,000	
	Summary						
43874	Immovable capex	209,422	367,486	109,189	255,952	11,104	5,036
26638	Movable capex	14,456	26,794	5,000	5,000	5,000	
70512		223,878	394,280	114,189	260,952	16,104	5,036





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