

Chairperson's Report



Overview

It is a pleasure to present this Report for the Financial Year ended 30 June 2009, my first since being appointed to the position on 1 July 2009. Through the consistent application of its mandate, Umgeni Water has continued to play a strategic role, thereby adding value to the Government's developmental priority of achieving sustainable livelihoods in our country.

This Annual Report, for the period 1 July 2008 to 30 June 2009, encapsulates the performance of Umgeni Water, in line with the objectives and targets set in its Business Plan. The Report's theme 'Water for Growth and Sustainable Development' is, in itself, apt as it gives meaning to the Mission and Strategic Intent of the organisation, and is also aligned to the Water for Growth and Development Framework of the Department of Water Affairs.

One of the key functions of Umgeni Water is to implement the legislative mandate issued by its Shareholder. The mandate entails the provision of potable water in bulk to municipalities in its service area. In doing so, Umgeni Water continues to contribute to socio-economic development by ensuring that it has adequate infrastructure and that it also provides water at an affordable cost.

It is important to note that in the period under review, there were numerous challenges in the macro environment, notably an economic recession that began in the first quarter of 2009. One of the effects of the recession has been a tightening of lending conditions by financial institutions. Despite the challenges of a recession, Umgeni Water has been

able to make progress with the provision of infrastructure needed to enhance assurance of water supply and eliminate backlogs.

State of the Business

It has been a significant year for Umgeni Water, reflected, in part, by a year-end surplus of R 527 million. Strong and improving surpluses will assist in building a solid foundation for the financial sustainability of Umgeni Water. Being in a strong financial position will also allow Umgeni Water to continue to charge affordable tariffs, invest in new infrastructure and continue an effective asset management programme, thereby enhancing assurance of water supply.

Strategic Partnerships

The relevance of Umgeni Water, both in the water sector and as a partner of Government, was further consolidated through three strategically important developments in the reporting period:

- ◆ **The initiation of a process of dialogue with the two other sector utilities in KwaZulu-Natal - Mhlathuze Water and uThukela Water – and community-based and Provincial Government stakeholders to find practical and cost-effective solutions to extend water provision coverage in KwaZulu-Natal. This dialogue occurred at the December 2008 KwaZulu-Natal Water Conference.**
- ◆ **A request by the KwaZulu-Natal Department of Local Government and Traditional Affairs for Umgeni Water to provide support to uThukela Water to overcome challenges it has over functionality. A senior Umgeni Water official was subsequently seconded as Administrator. The significance of this appointment is that it opens the way for partnerships with the Provincial Government to capacitate municipalities and other sector role players that have encountered challenges with the delivery of water services.**
- ◆ **OR Tambo District Municipality's appointment of Umgeni Water as an Implementing Agent to plan and implement infrastructure that will ensure sustainability of supply of potable water to municipalities in the OR Tambo District.**

Board Performance

Board Business Cycle

A Board Plan has been developed and aligned to the legislative mandate of Umgeni Water, which both guides the Board on the business it has to discharge and ensures that the Board, as the Accounting Authority, complies with the legislative framework within which the organisation operates.

Strategy

The organisation's strategy is reviewed annually to ensure it remains aligned to government's priorities. Strategy review is followed by the Board approving the Five year Business Plan and reviewing the organisation's Balanced Scorecard.

Governance

The Board remains unwavering in its obligations in terms of the Water Services Act and Public Finance Management Act, and concurs with the principles of the good governance as set out in King II.

The Board is able to exercise its oversight in line with the Delegation of Authority and hence retain effective control over significant strategic, financial, organisational and legal compliance matters. Progress with the implementation of organisational strategy is monitored through strategic review sessions.

Evaluation

Board members' performance evaluations are conducted through a combination of self-assessment and peer review. The performance of the Board, as a collective, and as Board Committees are assessed. Based on the findings, an action plan is developed to enhance Board performance, including, formulation of training and development plans for each Board member.

Board evaluation reports, action plans and areas identified for further development are submitted to the Minister, who appraises the reports and makes recommendations.

A legacy report was prepared and made available to the new Board. The legacy report encapsulates the successes, achievements and challenges of the previous Board during its term of office.

Challenges, Opportunities and Focus

Rural development

The Government has invited state-owned enterprises to become part of its initiatives to achieve a better quality of life for all by providing basic services, including safe drinking water to rural areas. This has subsequently been translated into a priority area of the Government for the next five years. For its part, Umgeni Water has already completed, and is in the process of commissioning, new projects that will serve rural communities.

In dealing with the foregoing challenge, Umgeni Water will have to decide how it can further expand its role in, and contribution to, rural development, in line with Government's plans to upscale social and economic infrastructure in rural areas.

Institutional

Many municipalities in areas where water boards do not exist are facing challenges with the provision of bulk water and reticulation services. It is advisable for water boards to examine how best they can assist and support these municipalities.

In the year ahead, new members of the current Board of Directors will continue to acclimatise themselves to the business from strategic perspectives. The Board will also deliberate on the Government's focus on rural development.

Acknowledgements

It is with a deep sense of appreciation that the Board would like to acknowledge the following:

- ◆ The Minister of Water and Environmental Affairs, Ms Buyelwa Sonjica, on her appointment as Minister,

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continued

- ◆ The Deputy Minister of Water and Environmental Affairs, Ms Rejoice Mabudafhasi, on her appointment as Deputy Minister,
- ◆ The chairperson of the Portfolio Committee for Water and Environmental Affairs,
- ◆ The Director General and her management team of the Department of Water Affairs, for their support,
- ◆ The former Minister of Water Affairs and Forestry, Ms Lindiwe Hendricks, for her contribution to the water sector,
- ◆ The previous Board of Umgeni Water, for its significant contribution to the organisation,
- ◆ Colleagues on the current Board, and
- ◆ The Executive and Employees of Umgeni Water.



MR ANDILE MAHLALUTYE (CHAIRMAN OF THE BOARD)