

Chairperson's Report

Highlights for 2009/2010

Umgeni Water continued to perform consistently well in the Financial Year under review, evidenced by the significant value it has brought to its Customers, Communities and Shareholder. In a word, the performance of the organisation has been in line with the Board's projections. This Report of the Chairperson articulates, at a high level, the key factors and outcomes that contributed to the organisation achieving what I consider to be a momentous year. As the Board, we have also decided that it would be appropriate and incumbent to sketch a scenario for the future in order to ensure that, as an organisation, we continue to remain relevant to our mandate and the expectations of our stakeholders.

The Financial Year 2009/2010 produced its fair share of challenges, but Umgeni Water was able to fully execute its mandate to provide bulk potable water services to municipalities (Water Services Authorities) in its designated service area. In addition, it could further execute other water service-related functions in accordance with its legislated imperatives and strategic intent, as expressed in its Business Plan.

The achievements of the past year can largely be ascribed to the fact that the activities and efforts of the entire organisation were informed by, aligned to and directed at the effective implementation of the organisational strategy through its twelve (12) Strategic

Objectives and ten (10) Outcomes. The resolute focus on effective implementation of the strategy paved the way for the organisation to post impressive results that either fully met or exceeded the organisational performance targets set in the Shareholder Compact and Five-Year Business Plan concluded with the Minister of Water and Environmental Affairs.

It is with pride and confidence I report that during the year Umgeni Water had been able to continue to entrench its position as a strategic entity and partner of Government through improved efficiencies, reliability and quality of services, infrastructure stability and enabler of good public health by the provision of a safe product. This was underpinned by effective risk management and sound financial management that ensured the organisation had adequate cash resources for the planned Capital Expenditure Programme, while reducing financial gearing levels and managing the impact of higher costs in a low volume growth environment.

In line with the Government's developmental priorities, Umgeni Water continues to provide support to local government initiatives to reduce backlogs in rural areas, through projects that support the provision of water services to un-served communities. There can be no doubt that KwaZulu-Natal is predominately a rural province, and there are associated socio-economic issues to be addressed. As the Board, we are delighted to report that in the execution of our functions and responsibilities,



we have been able to make a significant contribution to an improvement in the quality of life, thereby also giving meaning to the strategic development objectives of the KwaZulu-Natal Provincial Government.

It is important to note that in addition to projects already implemented by Umgeni Water, there are four (4) major Umgeni Water transformational projects presently in various stages of implementation. Collectively, they will make a significant difference to the lives of hundreds of thousands of people in the Maphumulo, Mzumbe, Richmond, Mshwati and iLembe areas through the provision of a sustainable supply of safe drinking water, in some instances, for the first time. These projects, on their own, represent a remarkable means of supporting our customers and enable Government to achieve the objectives set to enhance the quality of life of poor communities. The seriousness with which Umgeni Water continues to take its pledge to make water services accessible to the un-served is reflected in the fact that thirty-five (35%) of its Capital Expenditure Programme budget has been earmarked for rural projects. We are confident that the benefits from these projects will be far-reaching, impacting across the socio-economic sphere through better access to water, improved public health and an improvement in the lives of vulnerable communities.

During the course of the year Umgeni Water specifically focused on initiatives directed at improving and building sound long-term relationships based

on appropriate interactions with key stakeholders, including the Executive Authority, the Portfolio Committee for Water and Environmental Affairs, the Department of Water Affairs, Premier of the Provincial Government of KwaZulu-Natal and Executive Mayors and Managers of Municipalities, among others. The success of the relationship developed with the Provincial Government of KwaZulu-Natal resulted in Umgeni Water being invited to participate in the Provincial Cabinet Lekgotla, where a decision was taken to develop a strategy for the sustainable delivery of bulk potable water to the entire Province of KwaZulu-Natal. Umgeni Water will contribute to the development of this strategy.

Umgeni Water is also a partner of the KwaZulu-Natal Provincial Government in a twinning arrangement with the Benguela Province of Angola, in line with the organisation's objective to contribute to regional integration within the Southern African Development Community.

Future Focus

It is recognised that a significant amount of work remains to be done at local, regional and national levels in order to ensure equity is achieved in the provision of water services. Umgeni Water, as a strategic role player in the socio-economic development of the region, is fully committed to continue giving effect to its Mission and Strategic Intent by positioning itself as a sustainable partner of municipalities and Government. We will continue

to add value through a number of initiatives that are encapsulated in Umgeni Water's Business Plan and are specifically intended to align with and support the Government's broad policies and objectives, among them:

- Water for Growth and Development,
- Poverty eradication, and
- Reducing unemployment.

It is also recognised that this can only be achieved by ensuring that Umgeni Water strengthens its ability to deliver on and extend its mandate of delivering bulk water services in an efficient, viable and sustainable manner, while focusing on:

- Building and working in partnership with key stakeholders,
- Greater collaboration and alignment with all spheres of Government, particularly in respect of key capital projects,
- Strengthening capacity to support local government,
- Upholding the highest standards of corporate governance, and
- Building the capacity and skills of the staff of the organisation.

In recognition of the fact that water is a scarce, finite and a strategic resource that is increasingly impacted on by climate change and users' demands, increased emphasis will be placed on securing cost-effective access to additional water resources for the future. The efficient and wise use of water resources, focusing on water demand management initiatives throughout the water value chain, will be promoted.

Governance and Board Evaluation

The Board remains committed and unwavering in fulfilling its fiduciary responsibilities in terms of the legislative mandate and compliance with the principles of Good Governance, as set out in the King II Report. The Codes as per the King III, called the Code of Governance Principles, will be adopted in the new financial year. During the year the Board was able to exercise its oversight and retain effective control over significant strategic financial, organisational and legal compliance matters and monitor the implementation of organisational strategy through strategic review sessions. It ensured that a robust risk management framework is in place for the entire organisation and continued to review its delegation of authority to its Committees, as well as to the Executive Management. I am pleased to say that as a result, Umgeni Water continued to receive an unqualified audit report.

As part of the continuous focus on good governance, Board members' performance evaluations are conducted through a combination of self-assessment and peer review. The performance of the Board, as a collective, and Board Committees are also assessed. Based on the findings, an action plan is developed to enhance Board performance. In addition, training and development plans are formulated for each Board member. Board evaluation reports, action plan and areas identified for further development are submitted to the Minister.

Acknowledgements

The Board would like to acknowledge the contribution, support and understanding received from the following:

- The Minister of Water and Environmental Affairs, Ms Buyelwa Sonjica, for her leadership to the sector,
- The Deputy Minister Water & Environmental Affairs, Ms Rejoice Mabudafhasi, for her guidance in the water sector,
- The Premier of KwaZulu-Natal, Dr Zweli Mkhize, and MECs in the KwaZulu-Natal Provincial Government,
- The Chairperson of the Portfolio Committee of Water and Environmental Affairs, Ms Makhotso Soty, and
- The Acting Director-General of the Department of Water Affairs, Ms Nobubele Ngele, and her management for their support,
- The Regional Office of the Department of Water Affairs, and
- Colleagues on the current Board,
- Organised Labour at Umgeni Water, and
- The Executive and Employees of Umgeni Water.



**MR ANDILE MAHLALUTYE
(CHAIRMAN OF THE BOARD)**