

Session 1 (Morning Briefing)

Address by the Chairperson of the Board, Umgeni Water

Andile Mahlolutye

2011-2012 Annual Report Presentation

Southern Sun Elangeni Hotel, Durban

25th October 2012

Members of the Media

Fellow members of the Board of Umgeni Water

The Executive Management of Umgeni Water

Senior Managers of Umgeni Water

All Protocols Observed

Ladies and Gentlemen, welcome to this briefing session for the 2011- 2012 Annual Report of Umgeni Water. It is indeed a proud moment for the Board and Executive Management of Umgeni Water to share with you today a high-level summary of Umgeni Water's performance in the past financial year.

Before we begin with the proceedings of the day, on behalf of the Board, Management and Staff of Umgeni Water, I want to congratulate the Mayors and Municipal Managers of eThekweni Metropolitan Municipality, uMgungundlovu District Municipality and Msunduzi Local Municipality for their municipalities' outstanding performance in the 2012 Municipal Awards, hosted by the KwaZulu-Natal Department of Co-operative Governance and Traditional Affairs. These municipalities received awards for excellence in service delivery to their constituencies. Well done – your efforts have been recognised and rewarded.

The presentations that the Chief Executive and General Manager of Finance will take you through today amply illustrate the characteristics of an organisation at work and delivering value to its customers and consumers through the provision of an efficient service and high quality and cost-effective product. The results will illustrate, at the same time, that the organisation remains committed to its mandate, as is evidenced in its contribution to socio-economic development in our province and to the developmental priorities of the National Government.

The Annual Report that is being presented today encapsulates the performance of Umgeni Water, in line with the deliverables contained in a performance agreement it has signed with the Minister of Water and Environmental Affairs. For the purpose of context and clarity, the legislated functions of Umgeni Water are articulated in the

Water Services Act, which allocates the role of bulk water and wastewater treatment to Umgeni Water as a Water Service Provider, while municipalities, as Water Service Authorities, have the function of reticulation of water services to consumers. In order to remain relevant and perform at optimum, it is important for organisations like Umgeni Water to regularly take stock to determine whether they continue to meet the expectations of their customers. In this regard, Umgeni Water has, indeed, risen to this challenge by ensuring the further alignment of its strategy to the priorities of national, provincial and local tiers of government. The cumulative effect of the deepening of this alignment has also contributed to the reduction of the triple challenges of unemployment, poverty and inequality which were mentioned by our President in his 2012 State of the Nation Address. Umgeni Water has taken the challenge issued by our President seriously and, in response, firmly recommitted itself to touching the lives of ordinary people in a profound way. In this regard, there has been an overhaul of Umgeni Water's BBBEE policy which is now more focused on job creation, poverty alleviation and economic empowerment through the further development of the SMME sector of our province. Details about this economic transformation initiative will be dealt with by the Chief Executive in his presentation.

In the past Financial Year it was both a pleasure and a rewarding experience to have worked with our stakeholders and customers in jointly resolving challenges that occurred. The ultimate winners in this amicable outcome were the people that we serve. It is worth noting at this stage that 2012 marks a milestone in the history of our democracy. It is the 18th anniversary of our country's Constitution which, among others, enshrines access to water and sanitation as a basic human right. As an organisation, Umgeni Water can proudly proclaim that it has contributed, and continues to contribute, to a better quality of life by enabling municipalities to extend water services to un-served areas. But as we make progress in attaining equity in the provision of basic services, the truth is much still needs to be done before our country reaches the stage where every household has access to safe drinking water.

I would now like to deal with some of the key and critical areas of performance in the Financial Year 2011 – 2012.

As the year under review came to a close, Umgeni Water again attained full compliance through adherence to all corporate governance requirements. This was manifested in compliance with the Water Services Act, the Public Finance Management Act, internal policies and King III Code of Governance Principles. The good performance in corporate governance was also assisted by the execution of an organisational integrated risk management framework which forms part of initiatives to ensure continuity of business. There was on-going and robust monitoring, management and reporting on the targets related to the mitigation of the organisation's strategic and divisional risks. Umgeni Water has a well-rounded understanding of its risks, and manages them in a coherent and effective way, using,

among others, a Strategic Risk register, which has been cascaded to divisions within the organisation.

Today we are proud to announce that the position of Chief Executive of Umgeni Water has been filled by Mr Cyril Gamede. The appointment of the Chief Executive means that Umgeni Water is now operating with the full complement of its Executive Management. As the Board, we are confident that Mr Gamede, with the assistance of the Executive, Managers and staff, will continue to deliver optimal organisational performance, thereby ensuring that the implementation of infrastructure and provision of services remain the highest priority of the organisation.

Umgeni Water and all of its customers became the proud recipients of 9 Blue Drop Awards in 2012. This has indeed been a proud achievement for Umgeni Water and its Water Authority partners as it represents the highest number of awards received since the inception of the Blue Drop awards three years ago. Consumers of water in the Umgeni Water operational area are assured that the water they receive is safe to drink and remains among the finest in the country. This is further attested by certification of water supplied by Umgeni Water as excellent under the new South African National Standards 241:2011. As a result, the organisation continues to play an important role as an enabler of good public health.

It is imperative at this stage to inform you that while Umgeni Water will make every endeavour to retain and increase the number of Blue Drop awards it has received and also support its customers in every manner to attain the same, there is an accompanying need to ensure that we retain the appropriate expertise to continue to maintain our infrastructure, and implement new infrastructure, in order to sustain excellence in water quality management in the future.

In this review period, there were several key financial highlights, which will be dealt with extensively by both the Chief Executive and the General Manager of Finance. However, I would like to mention that Umgeni Water remains in a sound financial position in the year under review and received an unqualified audit report from the Auditor General. In the year under review, a surplus of R591 million was posted which will be used, among others, to repay debt, maintain affordable potable water tariffs and to fund investment in infrastructure aimed at assisting municipalities to meet future demands and eliminate backlogs.

It is important that we continue as an organisation to leverage grant funding for infrastructure projects, especially those of a developmental nature. We will continue to lobby the Government for such funding, and wish to express our profound thanks to the Department of Water Affairs for allocating an amount of R131 million in the year under review, as grant funding for some of the developmental projects. The reality is that, in the absence of grant funding, projects of a developmental nature will have to be financed through the balance sheet, resulting in impairments, which is not the ideal situation. As the Board, we fully recognise the need to ensure that all citizens in our operational area have access to safe drinking water and we will continue to do this while ensuring the sustainability of our organisation, now and well into the future.

Conclusion

The year ahead holds both interesting and challenging prospects for the organisation. In this period – and beyond – Umgeni Water will begin:

- The development and roll-out of a growth and expansion strategy, which is intended to take its expertise to organisations that are lacking in capacity and skill and require assistance, and
- To also position itself as the leader of the water sector of KwaZulu-Natal. This is in line with the revised organisational strategy, which has the theme ***more value through greater efficiency, rejuvenation and innovation.***

While the Board remains focused on ensuring financial sustainability and growth, we are nevertheless mindful of the reason for the organisation's existence, and that is to contribute to a better quality of life through the provision of safe drinking water. Water is an intrinsic part of development, but also a quintessential public service. In this regard we fully accept that any compromise on our role and mandate would similarly translate into a compromise on our obligations to society. But the proud history and tradition of Umgeni Water has ensured, and it will continue to ensure, that it remains as a catalyst for socio-economic development and the vehicle that enables an estimated 4.8 million people to receive water.

Acknowledgements

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

- ❖ The Minister of Water and Environmental Affairs, Ms Edna Molewa, for her strategic leadership of water boards and other water sector institutions that report to her.
- ❖ The Deputy Minister of Water and Environmental Affairs, Ms Rejoice Mabudafhasi, for her guidance and support.
- ❖ The Chairperson and members of the Portfolio Committee for Water and Environmental Affairs, for their constructive role and comments
- ❖ The Executive Management of the Department of Water and Environmental Affairs (National and Provincial)
- ❖ The MEC for Co-operative Governance and Traditional Affairs, Ms Nomusa Dube
- ❖ The Municipal Customers of Umgeni Water for their loyal support.
- ❖ Colleagues on the Board for their leadership and contribution to deliberations of the Board
- ❖ The Management and Staff of Umgeni Water for their contribution to the organisation's performance.

On behalf of the Board, thank you for making the time to be here today, and have a wonderful day. With that, I will now hand you over to the Chief Executive, who will present the organisational performance for the year under review.