

# 8. KEY PERFORMANCE INDICATORS 2011/2012



## 8. KEY PERFORMANCE INDICATORS AND PERFORMANCE AGAINST SHAREHOLDER'S COMPACT 2011/2012

### 8.1 Alignment of Umgeni Water (UW) Objectives with the Department of Water Affairs (DWA) Objectives for Water Boards

DWA Outcomes and Outputs for Water Boards, which are linked to Presidential Outcomes★	DWA Performance Objective for Water Boards in 2011/2012	UW 2011/2012 Objectives linked to UW Outcomes
<p><b>Outcome 10★: Environment</b> DWA Outcome A: Environmental Assets and natural resources that are well protected and continually enhanced.</p> <p>Output 1: Enhanced quantity and quality of our water resources.</p> <ul style="list-style-type: none"> <li>Target (a) Reduction of water losses from distribution networks from 30% to 18% by 2014 and; effective water conservation and water saving.</li> <li>Target (b) Improve current capability to treat wastewater, 80% of sewage and wastewater treatment works should be upgraded by 2015.</li> <li>Target (c) The percentage of wastewater treatment works meeting water quality standards to be increased from 40% to 80% by 2014.</li> </ul>	<ul style="list-style-type: none"> <li>(1) Water Quality Compliance.</li> <li>(15) Wastewater Quality Compliance.</li> <li>(3) Reliability of supply.</li> <li>(8) Bulk Supply Agreements Concluded With Municipalities/ Other Customers.</li> <li>(14) Capital Expenditure.</li> <li>(14) Increased Access to Services.</li> </ul>	<p><b>UW Objective:</b> Exceed Customer Expectations. Grow / Increase Customer Base. Manage Stakeholder Relations</p> <p><b>UW Outcomes</b> <i>Customer satisfaction.</i></p> <p><i>Product Quality.</i></p> <p><i>Infrastructure Stability.</i></p> <p><i>Water Resources Adequacy.</i></p> <p><i>Stakeholder Understanding and Support.</i></p>
<p><b>Outcome 6★: Infrastructure</b> DWA Outcome B: Contribution to An efficient, competitive and responsive economic infrastructure network.</p> <p>Output 2: Ensuring the maintenance and supply availability of our bulk water infrastructure.</p> <ul style="list-style-type: none"> <li>Target (a) Reduce unaccounted water (non-revenue water) from approximately 30% of supply to 18%</li> </ul>	<ul style="list-style-type: none"> <li>(4) Financial Reporting Compliance.</li> <li>(9) Improved financial performance.</li> <li>(11) Manage Costs Within The Approved Budget.</li> <li>(13) Surplus targets.</li> </ul>	<p><b>UW Objectives:</b> Contribute to an affordable tariff. Maintain an optimal debt level. Enhance shareholder value.</p> <p><b>UW Outcome</b> <i>Financial Viability.</i></p>

Customer and Stakeholder Perspective

Financial Perspective

DWA Outcomes and Outputs for Water Boards, which are linked to Presidential Outcomes*	DWA Performance Objective for Water Boards in 2011/2012		UW 2011/2012 Objectives linked to UW Outcomes
<p><b>Outcome 8* : Human Settlements</b> DWA Outcome C: Sustainable human settlements and improved quality of household life.</p> <p><b>Outcome 9* : Local Government</b> DWA Outcome D: Responsive, accountable, effective and efficient local government system.</p> <ul style="list-style-type: none"> <li>Target (a) The shared output to improve access to basic services from the current 92% to 100% by 2014.</li> </ul>	<p>14) Increased Access to Services. (10) Increase BBBEE Spend. (15) Jobs Created. (2) Water losses</p>	 Process Perspective	<p><b>UW Objectives:</b> Contribute to developmental agenda and the social economy. Contribute to the green economy.</p> <p><b>UW Outcomes</b> <i>Community and Environmental Sustainability</i></p>
<p><b>Outcome 4* : Employment</b> DWA Outcome E: Decent employment through inclusive economic growth.</p> <p><b>Outcome 11* : International</b> DWA Outcome F: Create a better South Africa and contribute to a better and safer Africa and world.</p> <p><b>Outcome 7* : Rural Development</b> DWA Outcome G: Vibrant, equitable and sustainable rural communities with food security for all.</p>	<p>(12) Achieve Statutory Reporting Compliance. (6) Board Member Attendance. (5) Staff Turnover. (7) Positive internal audit report.</p>	 Organisational Capacity Perspective	<p><b>UW Objectives:</b> Maintain Strategic Effectiveness. Ensure Functional Excellence. Ensure Operational Competence.</p> <p><b>UW Outcomes</b> <i>Leadership and Employee Development</i></p> <p><i>Operational Resiliency.</i></p> <p><i>Operational Optimisation.</i></p>

## 8. KEY PERFORMANCE INDICATORS 2011/2012 CONTINUED...

### 8.2 Key Performance Indicators and performance against Shareholder Compact 2011/2012<sup>1</sup>

- Good performance trends to be maintained 83%
- Targets not completely met, but can be explained 17%

#### CUSTOMER AND STAKEHOLDER PERSPECTIVE

Umgeni Water Strategic Objective 2011/2012: Exceed customer expectations

#### OUTCOME: Product Quality

#	DWA Objective for WBs (SHC Annex I)	UW Key Performance Indicator (KPI)	2011/2012 Target	Actual 2011/2012	Variance	Page #
1	● Water Quality Compliance	Per cent statutory compliance for bulk potable water with SANS 241.	100%	100% for all 6 WTW $\geq$ 20Ml/d	Nil	62
				100% for 3 of 5 WTW $<$ 20Ml/d	2 WTW sites with variance: operational 1.3 to 6.5% and aesthetic 5.5%	63
				100% for iLembe boreholes and small WTWs for Acute Health I – Chemical and Aesthetic requirements.	2.29% variance with Acute Health I-Micro and 12.8% operational variance.	64
2	● Wastewater Quality Compliance	Per cent statutory compliance for bulk wastewater with discharge licence or general authorisation.	100%	85.94%	14.06% variance	65

#### OUTCOME: Customer Satisfaction

3	● Reliability of Supply	Per cent compliance with service level agreements with particular reference to supply volumes, pressure, service disruption intervals, and metering.	100%	100% with supply volumes, pressure and metering. 98% for service disruption intervals.	2% variance (7.5 days' supply disrupted for > 24 hours)	68
4	● Bulk Supply Agreements Concluded With Customers	Per cent customers with signed bulk supply agreements.	83% (5 of 6) bulk supply agreements in place.	100% (6 of 6 customers). A one-year interim agreement was signed with Msunduzi WSA.	0% variance	67

<sup>1</sup> Parent Only

Umgeni Water Strategic Objective 2011/2012: Grow / Increase customer base

**OUTCOME: Infrastructure Stability**

#	DWA Objective for WBs (SHC Annex I)	UW Key Performance Indicator (KPI)	2011/2012 Target	Actual 2011/2012	Variance	Page #
5	● Increase access to services	The extent to which there is planned and funded infrastructure to support economic growth and livelihoods, and asset condition is enhanced and maintained.	100% planned and funded infrastructure (i) Total Capex: R589m	R485m or 82% of target Capex spend, comprising:	R104m or 18% variance, comprising:	72
				R411m or 93% for infrastructure to support economic growth and livelihoods.	R30m or 7% variance	
				R74m or 50% to support asset upgrades and refurbishments, including: water and wastewater treatment works, ICT, laboratories, and buildings refurbishment.	R74m or 50% variance	
			(ii) Economic Growth And Livelihoods: 85% of infrastructure project milestones met.	78% project milestones met.	7% behind schedule.	72
(iii) Asset Upgrades and Refurbishments: 100% completion of scheduled milestones: (WTW, WWTW, ICT, LAB, Process, H-Office refurbishment)	59% of project milestones on schedule.	41% behind schedule.	72			
N/A		(iv) Maintenance: R116m annual budgeted cash flows (Opex).	R133.4m	+R17.4	69	
6	● N/A (no specific indicator, but a requirement)	Per cent alignment to provincial water plan.	85% alignment of Infrastructure Master Plan to municipality water plans.	Alignment of master plan to WSDPs, IDPs and PGDS achieved in all areas. Completion of 2012/2013 Infrastructure Master Plan update.	Nil	71

## 8. KEY PERFORMANCE INDICATORS 2011/2012 CONTINUED...

### OUTCOME: Water Resources Adequacy

#	DWA Objective for WBs (SHC Annex I)	UW Key Performance Indicator (KPI)	2011/2012 Target	Actual 2011/2012	Variance	Page #
7	● N/A (no specific indicator, but a mandatory requirement to identify sustainable water supplies and conserve resources)	The extent to which there is water resources assurance / supply security.	85% completion of infrastructure project milestones.	Mhlabatshane Dam (UW) construction. Spring Grove Dam (DWA-TCTA) in construction. Mkomazi Project (DWA) detailed feasibility study. Hazelmere Dam raising (DWA) detailed design. Reclamation project at Darvill WWTW. Detailed feasibility of seawater desalination plants for the East Coast Region underway.	Imvutshane Dam construction is in tender phase (behind schedule).	85

### Umgeni Water Strategic Objective 2011/2012: Manage Stakeholder Relations

#### OUTCOME: Stakeholder Understanding and Support

8	● N/A (no specific indicator, but a mandatory requirement to engage stakeholders)	The extent to which there is engagement of statutory, contracted and non-contracted stakeholders, inputs into policy frameworks and response to queries.	Engagement of statutory stakeholders and response to queries.	Constructive engagement and feedback with the Portfolio Committee for Water and Environment Affairs; National Treasury, DWA, as well as, KZN Provincial Government and MECs and Customer Municipal Mayors amongst others.	Nil	42
9	●		Engagement of contracted stakeholders and response to queries.	Constructive engagement and feedback with Employees, Organised labour, Investors, Suppliers.	Nil	42
10	●		Engagement of non-contracted stakeholders and response to queries.	In the year Umgeni Water provided information to the media, community, environmental lobby groups, academia and other stakeholders on plans and performance including supply incidents and resolution of these.	Nil	43

## FINANCIAL PERSPECTIVE

### Umgeni Water Strategic Objective 2011/2012: Contribute to an affordable tariff

#### OUTCOME: Financial Viability

#	DWA Objective for WBs (SHC Annex I)	UW Key Performance Indicator (KPI)	2011/2012 Target	Actual 2011/2012	Variance	Page #
11	● Improved Financial Performance	Positive improvement trend in financial ratios.	Positive improvement trend.	Target ratios, except for working ratio, have been met.	Working ratio not met	110
12	●	The extent to which there is a tariff that is constant in real terms while allowing for the repayment of debt and infrastructure funding requirements.	Average 2011/2012 Tariff: R3.638/kl.	R3.638/kl	Nil	115
13	●		Bulk water Total Cost/kl: Including finance costs: R2.456/kl	2.342	0.115	115
14	●		Operational cash flows: R666m.	R685m Debtor's days: 36 days	R19m	140 125
15	●		Bulk Revenue Growth: 5.94%.	6.74%	0.807%	110
16	●		Working ratio: 0.637.	0.655	-0.018	125

### Umgeni Water Strategic Objective 2011/2012: Maintain an optimal debt level

#### OUTCOME: Financial Viability

17	●	The extent to which there is an optimal debt level.	Net debt-equity: 0.114.	0.00	0.114	125
18	●		Gross debt-equity: 0.449.	0.401	0.039	121
19	●		Interest cover: 4.228.	4.542	0.314	125
20	●		Debt-assets: 0.281.	0.243	0.038	121

### Umgeni Water Strategic Objective 2011/2012: Contribute to an affordable tariff

#### OUTCOME: Financial Viability

21	●	The extent to which there is ability to raise affordable funding.	Maintain National credit rating of: AA+ Long term; F1+ Short term.	National credit rating of: AA+ Long term; F1+ Short term reaffirmed Nov 2011.	Nil	124
22	●	The extent to which there is improvement in accumulated reserves.	Accumulated reserves: R3,016m.	R3,098m	R82m	138
23	● Dividend / Surplus Targets	Per cent variance	0% variance. Surplus target: R505.13m.	17% R591m	17% above budget. R86m	137
24	● Financial Reporting Compliance	Unqualified/ Qualified external audit report.	Unqualified External Audit.	Unqualified External Audit in September 2011 for 2011 financial year.	Nil	-

## 8. KEY PERFORMANCE INDICATORS 2011/2012 CONTINUED...

#	DWA Objective for WBs (SHC Annex I)	UW Key Performance Indicator (KPI)	2011/2012 Target	Actual 2011/2012	Variance	Page #
25	● Manage costs within the approved budget	Per cent variance	0% variance.	7% below budget	7% below budget	-

### PROCESS PERSPECTIVE

Umgeni Water Strategic Objective 2011/2012: Contribute to developmental agenda and the social economy

#### OUTCOME: Community and Environmental Sustainability

Increase access to services	The extent to which there is planned and funded infrastructure to support economic growth and livelihoods.	Target Capex for Rural Development R220m.	R227.8m or 103.5% of target Capex spend.	R7.8m or +3.5%	72
26 ● Jobs Created	Number of jobs created through infrastructure and other programmes.	607 temporary jobs created during bulk water infrastructure construction.	1,010 jobs created.	+403	78
27 ● Increase BEE Spend	The extent to which there is use of preferentially procured suppliers, cooperatives, NGOs or charities.	78% spend on preferential procurement.	68.8% spend on preferential procurement.	-9.2%	79
28 ● N/A (no specific indicator)		4 Co-Operatives contracted.	4 Co-Operatives contracts have been awarded.	Nil	79
29 ●		100% targeted suppliers developed.	100% targeted suppliers developed.	Nil	79
30 ●	The extent to which there is support provided to vulnerable communities and municipalities.	100% completion of contracted IA project milestones.	Completion of IA project milestones within UW control.	Nil	77
31 ●		Complete planned interventions for 4 schools adopted.	Planned interventions for 4 schools completed.	Nil	80
32 ●		90 water education classes taught.	109 water education classes taught.	+19	79

Umgeni Water Strategic Objective 2011/2012: Contribute to the green economy

#### OUTCOME: Community and Environmental Sustainability

33 ● Non-Revenue Water	Number of environmental sustainability initiatives.	≤ 3% water losses.	2.26% water losses.	Nil	85
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Umgeni Water Strategic Objective 2011/2012: Contribute to the green economy

**OUTCOME: Community and Environmental Sustainability**

#	DWA Objective for WBs (SHC Annex I)	UW Key Performance Indicator (KPI)	2011/2012 Target	Actual 2011/2012	Variance	Page #
34	● N/A (no specific indicator)	Number of environmental sustainability initiatives.	Finalised baseline targets for environmental sustainability indicators.	Umgeni Water's environmental indicators aligned to GRI sustainability indicators.	Nil	84
35	●		Contractor appointed for energy co-generation investigation at the Darvill Wastewater Works.	Tender process nearing completion.	Contractor to be appointed in July 2012.	91
36	●		Modelling impacts of climate change on water resources: completion of work plan to review Mgeni system climate change model.	Study complete.	Nil	85
37	●		80% implementation of annual biodiversity management plan for alien plants, game and grasslands (dams).	80% implementation of annual biodiversity management plan (dams).	Nil	87

**ORGANISATIONAL CAPACITY PERSPECTIVE**

Umgeni Water Strategic Objective 2011/2012: Maintain Strategic Effectiveness

**OUTCOME: Leadership and Employee Development**

38	● N/A (no specific indicator)	The extent to which the organisation provides leadership and influences the water sector.	Continued input into water sector's long-term strategies in the context of a developmental state.	In the year, Umgeni Water took cognisance of its operating environment, made input into key sector strategies, identified the key issues for the organisation and developed a responsive long-term strategy.	Nil	15
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## 8. KEY PERFORMANCE INDICATORS 2011/2012 CONTINUED...

### Umgeni Water Strategic Objective 2011/2012: Ensure Functional Excellence

#### OUTCOME: Leadership and Employee Development

#	DWA Objective for WBs (SHC Annex I)	UW Key Performance Indicator (KPI)	2011/2012 Target	Actual 2011/2012	Variance	Page #
39	● Training and Skills Development	Per cent retention and development of core and distinctive competencies.	64 Learnerships.	Learnerships capacity re-assessed at 52 per year. Experiential exposure provided to 48 learners - process controllers and artisan trainees.	-4	100
40	●		18 additional graduates/ interns developed.	18 graduates/ interns developed. 38 graduates enrolled as part of a National Treasury programme.	+20	100
41	●		10 bursary students enrolled in engineering and financial fields.	10 bursary students enrolled in engineering and financial fields.	Nil	100
42	●		60% of assisted education targeting critical and scarce skills needs.	62% of planned training has been implemented.	+2%	100
43	● N/A (no specific indicator)		Human Resource strategic priorities implemented.	Human Resource strategic priorities implemented.	Nil	96
44	● Staff Turnover		Staff turnover within industry benchmark.	Staff Turnover: 9% (Industry Benchmark: 10.3%)	Nil	97
45	● N/A (no specific indicator)		100% implementation of employee wellness programmes including HIV/AIDS.	100% implementation of employee wellness programmes including HIV/AIDS.	Nil	98

Umgeni Water Strategic Objective 2011/2012: Maintain Strategic Effectiveness

**OUTCOME: Leadership and Employee Development**

#	DWA Objective for WBs (SHC Annex I)	UW Key Performance Indicator (KPI)	2011/2012 Target	Actual 2011/2012	Variance	Page #
46	● Achieved Statutory Reporting Compliance	Number of systems and processes that enable implementation of strategy.	100% statutory submissions deadlines met.	100% statutory submissions deadlines met.	Nil	42
47	● Board Member Attendance		Board member attendance.	80% attendance	-20%	26
48	● N/A	Number of systems and processes that enable implementation of strategy.	100% procurement plan aligned to Opex and Capex plans.	Procurement plan is complete.	Nil	102
49	● N/A		60% organisational systems reviewed, aligned to ISO 17025, ISO 9001, ISO 14001 and OHSAS 18001, and contributing to operational resiliency.	The gap analysis for corporate-wide certification to ISO 9001 will be undertaken by the SABS in July 2012	Organisational-wide audit for ISO 9001 is to be completed.	24
50	●		≥ 80% strategic risks mitigated to ≥ 50% (satisfactory-good) overall control strength.	92% (23 of 25) of strategic risks mitigated to ≥ 50% overall control strength.	Nil	47
51	● Positive internal audit report.		0% repeat findings	9% (4 of 47)	9% repeat	30
		0% unresolved findings	9% (4 of 47)	9% unresolved		
52	● N/A		100% Implementation of ICT Strategy.	95%	5% behind schedule.	106

**OUTCOME: Operational Optimisation**

53	● N/A	Per cent increase in utilisation of organisational resources (more balanced use).	Improved utilisation of resources.	Staff productivity: 448 kl per employee.	-2	125
			Staff productivity: 450 kl per employee. Chemical and Electricity utilisation: improve or maintain usage efficiency and Workshop cost/kl: improve or maintain cost efficiency.	Chemicals and electricity usage monitored per site for chlorine, lime and polymer, as well as, workshop costs per site. Chemical plant trials initiated. Energy audit of main sites completed and actions to reduce usage proposed	Utilisation trend to be analysed and baseline to be set.	90



Midmar Water Treatment Works