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ORGANISATIONAL PROFILE, GOVERNANCE STRUCTURE AND STRATEGY



2.1 LEGISLATIVE MANDATE

Umgeni Water is a public entity established in 1974 to provide water services - water supply and sanitation services - to other water services institutions in its service area. The organisation operates in accordance with the Water Services Act (No. 108 of 1997) and the Public Finance Management Act (No. 1 of 1999), amongst others, and is categorised as a National Government Business Enterprise. Umgeni Water reports directly to the Department of Water Affairs through the Chairman of the Board and the Chief Executive. The Executive Authority of the water board is the Minister of Water and Environmental Affairs.

2.2 ACTIVITIES OF UMGENI WATER

The primary activities of Umgeni Water, as pronounced in section 29 of the Water Services Act, is to provide water services (water supply and sanitation services) to other water services institutions in its service area.

In addition, section 30 of the Water Services Act, enables Umgeni Water to undertake other activities, provided these do not impact negatively on the organisation's ability to perform its primary activity. These include:

- Providing management services, training and other support services to other water services institutions, in order to promote co-operation in the provision of water services,
- Supplying untreated or non-potable water to end-users who do not use the water for household purposes,
- Providing catchment management services to or on behalf of the responsible authority,
- With the approval of the water services authority having jurisdiction in the area, supplying water directly for industrial use, accepting industrial effluent and acting as a water services provider to consumers,
- Providing water services in joint venture with water services authorities, and
- Performing water conservation functions.

2.3 SUPPLY AREA AND CUSTOMERS (SHOWN IN MAP)

Over the years Umgeni Water has grown into the largest bulk water supplier in KwaZulu-Natal and has an operational area of 21 155 square kilometres. Umgeni Water's operational area is bounded by the uThukela River in the North, the Mtamvuna River in the South, the Indian Ocean in the East and Drakensberg Mountains in the West.

Umgeni Water has its head office in Pietermaritzburg and is supported by offices to serve its regions, namely Ulwandle (coastal region) and Izintaba (inland region).

The organisation derives its revenue from the sale of bulk potable water to its six customers:

- eThekweni Metropolitan Municipality,
- iLembe District Municipality,
- Ugu District Municipality,
- Sisonke District Municipality,
- uMgungundlovu District Municipality, and
- Msunduzi Local Municipality.

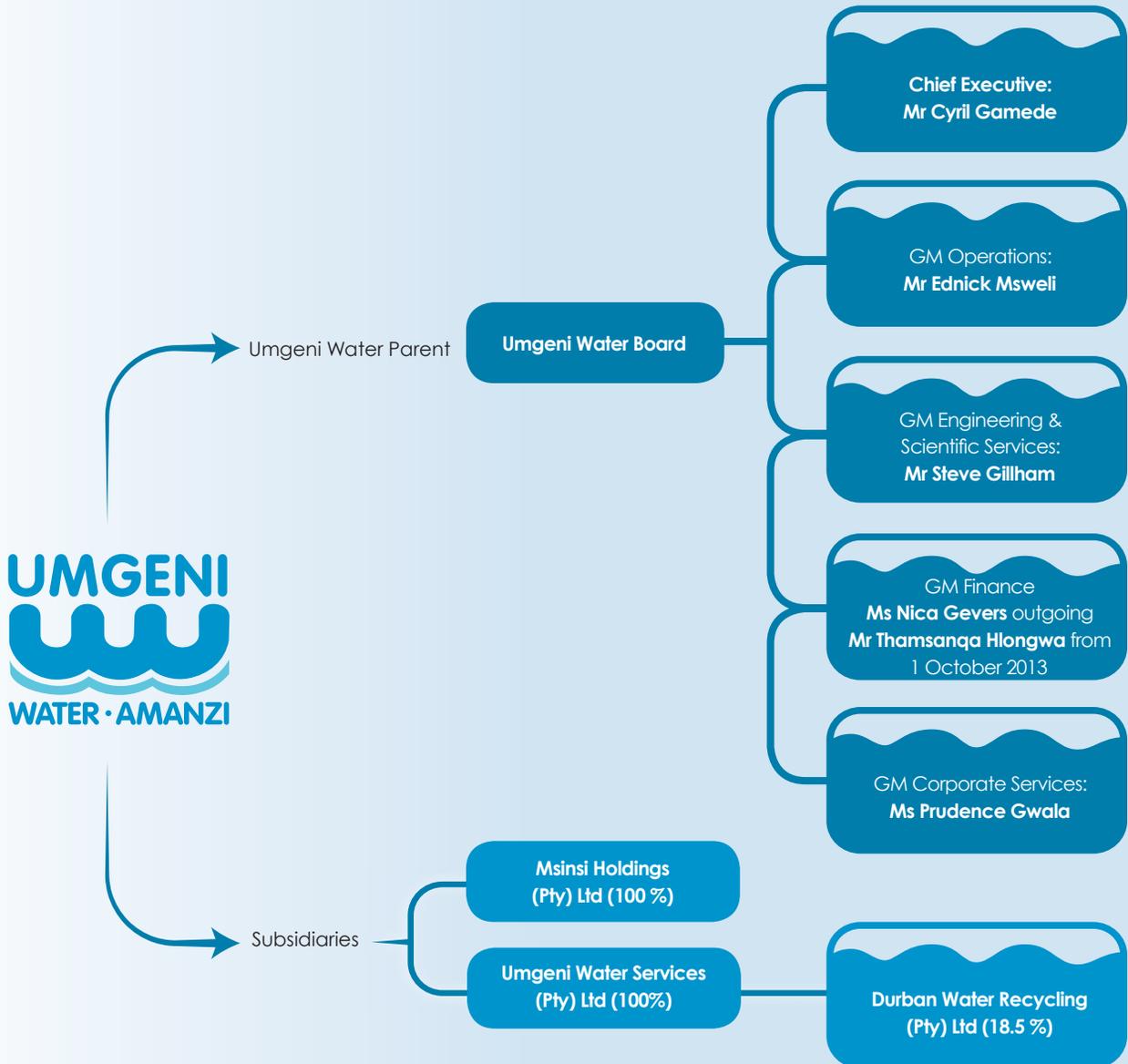
Umgeni Water's infrastructure assets in support of its primary business comprise:

- Approximately 746 kilometres of pipelines and sixty-six (66) kilometres of tunnels,
- Thirteen (13) dams, of which five (5) are managed on behalf of the Department of Water Affairs and two (2) on behalf of the Ugu District Municipality,
- Eleven (11) water treatment works, of which two (2) are managed on behalf of the Ugu District Municipality, and
- An additional eighteen (18) small water treatment works and nineteen (19) borehole schemes managed on behalf of the iLembe District Municipality.

A total of 423million cubic metres of potable water per annum (1 159MI/d) are currently supplied to customers who serve 6.1million people or 1.68million households through reticulation networks.

The organisation also treats bulk wastewater totalling 31.8million cubic metres per annum (87MI/d) and in support of this operates five (5) wastewater treatment works, of which one (1) is managed on behalf of the uMgungundlovu District Municipality.

2.4 STRUCTURE OF UMGENI WATER



There have been no changes in the organisation's structure in the past year, which, in addition to the Office of the Chief Executive, comprises divisions for: Operations, Engineering and Scientific Services, Finance, and Corporate Services, each of which is headed by a General Manager. The Chief Executive, as the Accounting Officer, guides the day-to-day activities of the organisation, while a non-executive Board, whose members are appointed by the Minister of Water and Environmental Affairs, is the Accounting Authority and provides strategic leadership to the organisation.

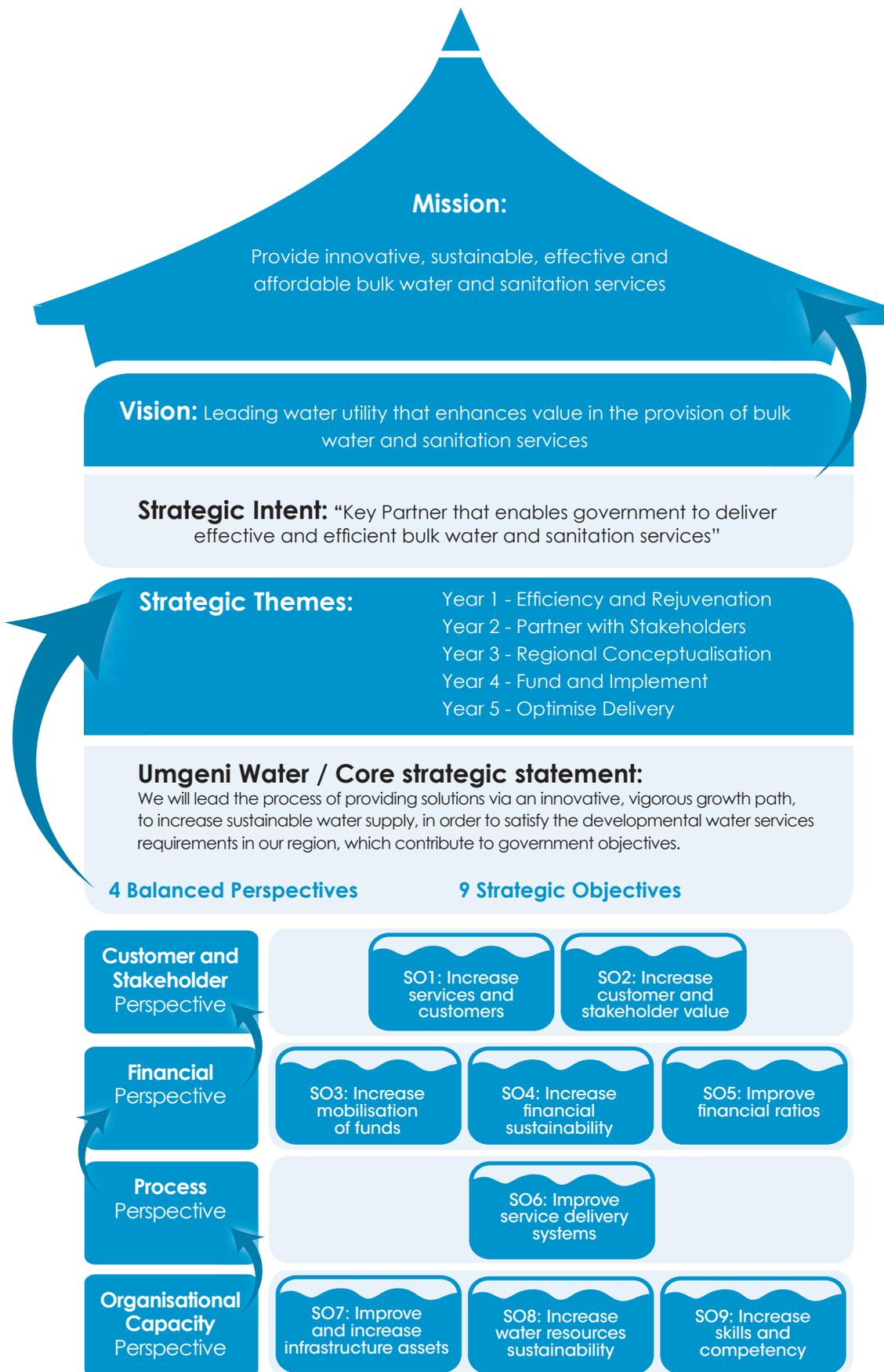
The organisation has 976 employees (permanent and contract) in its group. There are two subsidiaries in which Umgeni Water has 100% shareholding, Umgeni Water Services (Pty) Ltd and Msinsi Holdings (Pty) Ltd. Umgeni Water Services holds an 18.5% investment in Durban Water Recycling (Pty) Ltd.

In 2012/2013, Umgeni Water's income was R2.1billion and the surplus generated was R583million. Umgeni Water has a total balance-sheet asset value of R5.9billion of which its reserves total R3.7billion.



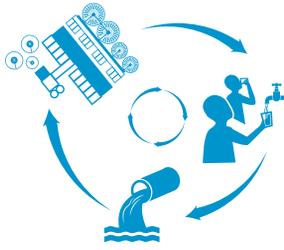
2.5 UMGENI WATER STRATEGY

Umgeni Water's current strategy map, updated in February 2013, illustrates the manner in which sustainable value is created through integrating nine (9) strategic objectives through four (4) balanced scorecard perspectives.



2.6 TEN OUTCOMES FOR SUSTAINABLE VALUE CREATION

Umgeni Water's integrated strategy targets ten (10) outcomes



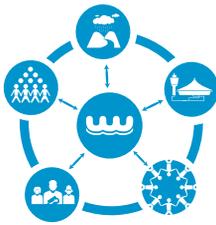
1. Product Quality (Water and Wastewater)

Is achieved when Umgeni Water produces potable water and wastewater in full compliance with statutory and reliability requirements and consistent with customer and environmental needs.



2. Customer Satisfaction

Is achieved when Umgeni Water provides reliable, responsive, and affordable services in line with explicit, customer-agreed service levels and receives timely customer feedback to maintain responsiveness to customer needs and emergencies.



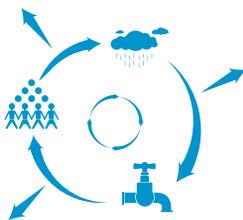
3. Stakeholder Understanding and Support

Is attained when Umgeni Water engenders understanding and support from statutory, contracted and non-contracted bodies for service levels, tariff structures, operating budgets, capital improvement programmes, risk management decisions and water resources adequacy.



4. Community and Environmental Sustainability

Is achieved when Umgeni Water is explicitly cognisant of and attentive to the impacts it has on current and future community sustainability, supports socio-economic development, and manages its operations, infrastructure, and investments to protect, restore and enhance the natural environment, whilst using energy and other natural resources efficiently.



5. Financial Viability

Is achieved when Umgeni Water understands the organisational life-cycle costs and maintains a balance between debt and assets while managing operating expenditures and increasing revenues. In addition, the organisation aims at a sustainable tariff that is consistent with customer expectations, recovers costs and provides for future expansion.



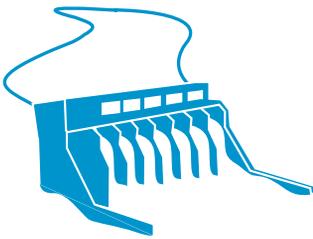
6. Operational Resiliency

Is achieved when Umgeni Water's leadership and staff work together to anticipate and avoid problems and proactively identify, assess, and establish tolerance levels for and proactively and effectively manages a full range of business risks, consistent with industry trends and system reliability goals



7. Operational Optimisation

Is achieved when Umgeni Water has on-going, timely, cost-effective, reliable and sustainable performance improvements in all facets of its operations, minimises resource use, loss and impacts from day-to-day operations and maintains awareness of information and operational technology developments to anticipate and support timely adoption of improvements.



8. Infrastructure Stability

Is achieved when Umgeni Water understands the condition and costs associated with critical infrastructure assets and maintains and enhances the condition of all assets over the long-term. This is done at the lowest possible life-cycle cost and acceptable risk levels, is consistent with customer service and statutory-supported service levels and consistent with anticipated growth and system reliability goals. The organisation further assures that asset repair, rehabilitation and replacement efforts are coordinated to minimise disruptions and other negative consequences.



9. Water Resources Adequacy

Is achieved when Umgeni Water assesses the scarcity of freshwater resources, investigates sustainable alternatives, manages water abstractions assiduously and has access to stable raw water resources to meet current and future customer needs.



10. Leadership and Employee Development

Is achieved when Umgeni Water is a participatory, collaborative organisation dedicated to continual learning and improvement, recruits and retains a workforce that is competent, motivated, adaptive and works safely, ensures institutional knowledge is retained and improved; provides opportunities for professional and leadership development and creates an integrated and well-coordinated senior leadership team.



2.7 STRATEGIC STATEMENTS OF UMGENI WATER AND ITS FUNCTIONAL DIVISIONS

Umgeni Water strategic statement: We will lead the process of providing solutions via an innovative, vigorous growth path, to increase sustainable water supply, in order to satisfy the developmental water services requirements in our region, which contribute to government objectives.

Board Strategic Statement: We will consider internal and external factors, consult with stakeholders, develop a strategy, authorise implementation, manage resources, manage risks and oversee implementation to produce a valid and approved strategic plan, deploy resources, deliver on strategic objectives and provide sound corporate governance to achieve our vision and mission in order to contribute towards government objectives.

Chief Executive Office: We will position and lead the organisation, plan activities and allocate resources, implement strategy, manage risk, champion corporate governance, partner with stakeholders to deliver organisational objectives, to achieve a well governed, vibrant, committed, sector-relevant and engaged organisation that delivers on its mandate.

Operations: We will position ourselves, plan, structure, mobilise resources, source, specify, operate and maintain our infrastructure, abstract, treat, sell, distribute, monitor, conserve and re-use water to deliver quality, effective, affordable water services to our stakeholders which will deliver on organisational objectives.



Engineering and Scientific Services: We understand water demand and water technology and will plan, design and construct infrastructure and manage water resources to provide suitable capacity and assurance of supply, to achieve efficient and effective infrastructure and meet demand. We will manage water quality, optimise treatment processes and drive social and environmental initiatives to provide water quality and environmental sustainability and social investment to achieve with appropriate technology, optimised water quality and cost, and good corporate citizenship to achieve sustainability and public health, in order to meet organisational objectives.

Finance: We will plan, mobilise, account for and report on resources, manage financial risk and maintain internal control and systems, which result

in funding, control, support and monitoring of the business, to deliver sound financial management and corporate governance to contribute towards organisational objectives.

Corporate Services: We will lead, plan, mobilise, motivate and develop human resources, which will lead to a competent, efficient and an energised workforce and plan, develop, implement and maintain an ICT platform, which will lead to an efficient and effective ICT service, proactively implement procurement strategies, which will lead to efficient, effective and economical supply of requisites and optimise and safeguard properties which will lead to an efficient property and security services, to support and enable the functions of the business to meet organisational objectives.