

72%



of target water  
infrastructure project  
milestones were met

LOWER THUKELA BWSS

8.0 PG 57-63  
PERFORMANCE AGAINST  
2016/2017 SHAREHOLDER  
COMPACT

9.0 PG 65-81  
CREATING  
VALUE

10.0 PG 83-93  
CONSERVING  
OUR NATURAL  
RESOURCES

11.0 PG 95-103  
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12.0 PG 105-111  
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13.0 PG 113-197  
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## 2.0

# Organisational Profile

## 2.1 Legislative Mandate

Umgeni Water is a state-owned entity (SOE) established in 1974 to provide water services - water supply and sanitation services - to other water services institutions in its service area. The entity operates in accordance with the Water Services Act (Act 108 of 1997) and the Public Finance Management Act (Act 1 of 1999), amongst others, and is categorised as a National Government Business Enterprise. Umgeni Water reports directly to the Department of Water and Sanitation (DWS), through the Board (*Accounting Authority*) and through its functionaries, the Chairman of the Board and the Chief Executive. The Minister of Water and Sanitation is the *Executive Authority* for water boards.

## 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 entity'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 (map on page 3)

KwaZulu-Natal is the gazetted supply area of Umgeni Water and Mhlathuze Water and straddles a total geographical area of 94 359 km<sup>2</sup>, which is home to 11.1 million people and 2.9 million households.

The KwaZulu-Natal Province comprises one (1) Metropolitan Municipality, ten (10) District Municipalities and forty-three (43) Local Municipalities. Fourteen (14) of these municipalities are Water Services Authorities as defined in the Water Services Act.

The Executive Authority has initiated a process that will culminate in the establishment of a single Water Board for KwaZulu-Natal. The proposal is to amalgamate the areas served by both Umgeni Water and Mhlathuze Water into one regional water utility for KwaZulu-Natal. The process of service expansion to municipalities in KwaZulu-Natal is expected to follow timeframes proposed by the Executive Authority.

At the moment Umgeni Water focuses service delivery and largely derives its revenue from the following six (6) customers:

- › eThekweni Metropolitan Municipality
- › iLembe District Municipality
- › Ugu District Municipality
- › Harry Gwala District Municipality
- › uMgungundlovu District Municipality
- › Msunduzi Local Municipality

These customers, located in an area spanning approximately 30 000 square kilometres and a population of 6.7 million people (1.9 million households), are provided with a total of 410 million cubic metres of potable water per annum (1 123 Ml/d). In addition, the entity treats bulk wastewater totalling 33 million cubic metres per annum (90 Ml/d) from these customers.

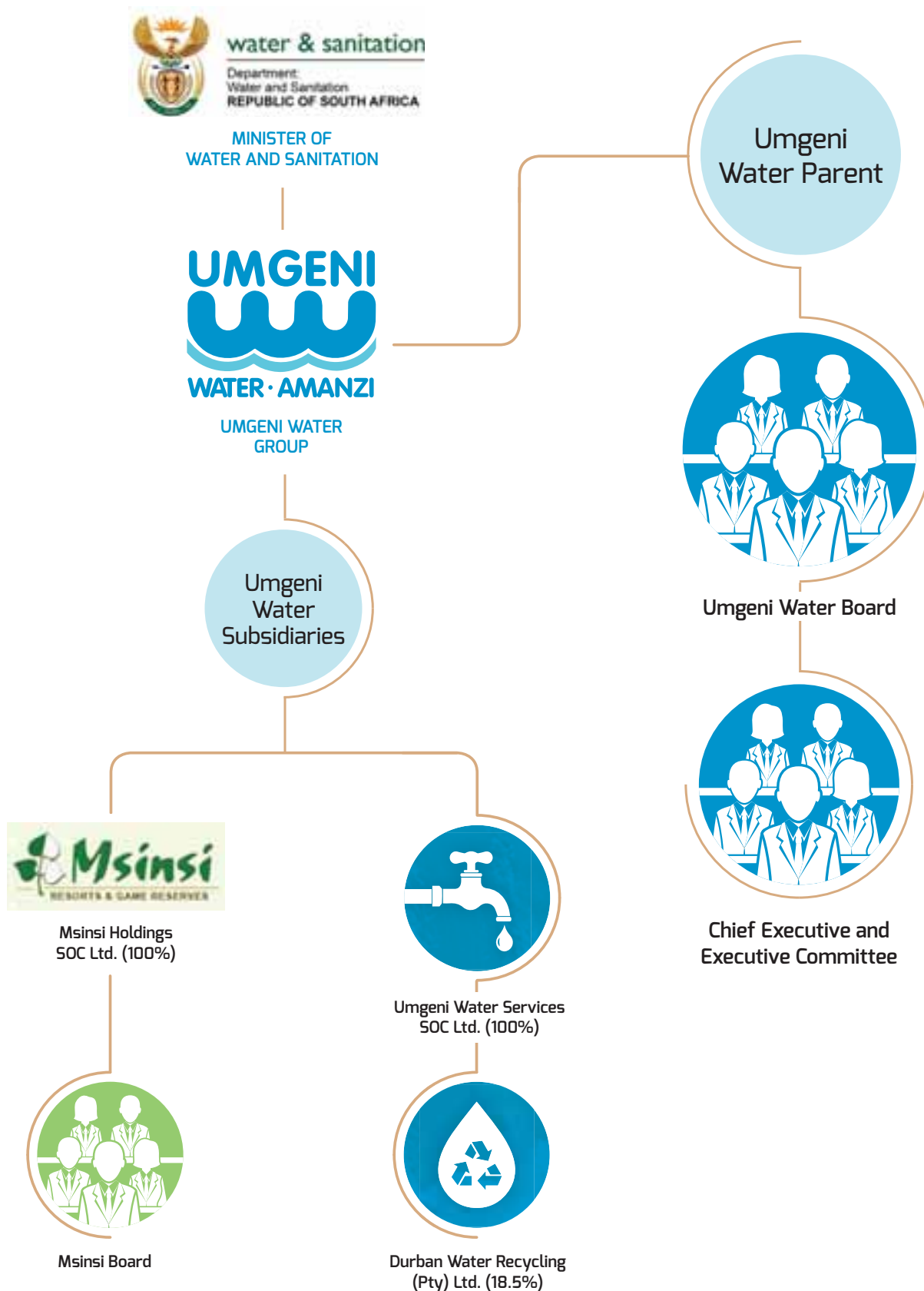
Umgeni Water's infrastructure assets in support of its bulk water services business comprise:

- > Approximately 1 260 km of pipelines and sixty-seven (67) km of tunnels;
- > Fourteen (14) impoundments;
- > Seventeen (17) water treatment works; and
- > Nine (9) wastewater treatment works.



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## 2.4 Structure of Umgeni Water



The Umgeni Water Group comprises a parent, which is the dominant entity, and further has two small subsidiaries.

The Executive Committee is the top management structure of Umgeni Water Parent and comprises a Chief Executive and four General Managers, namely for Operations, Engineering and Scientific Services, Finance and Corporate Services. The Chief Executive guides the day-to-day activities of the entity with powers delegated to him by the Board.

The non-executive Board is the Accounting Authority and provides strategic leadership to the Executive. The Board is appointed by the Minister of Water and Sanitation. The term of office of the Board expired at the end of June 2017 and the process of appointing a new Board has commenced.<sup>1</sup>

With respect to the subsidiaries, Umgeni Water has 100% shareholding in Msinsi Holdings SOC Ltd. and Umgeni Water Services SOC Ltd. The latter holds an 18.5% investment in Durban Water Recycling (Pty) Ltd.

The Umgeni Water Group has a head count of 1 150 employees (996 permanent and 154 fixed-term contracts).

In 2016/2017, Umgeni Water Group income was R2.51 billion and the net surplus generated was R746 million. Umgeni Water

has a total balance-sheet asset value of R10.2 billion of which reserves total R6.83 billion.

## 2.5 Umgeni Water Strategy

Umgeni Water's strategy comprises four (4) goals and ten (10) long-term sustainability outcomes. The strategy map succinctly illustrates the manner in which sustainable value is created through integrating nine (9) strategic objectives through four (4) balanced scorecard perspectives in support of the mission and mandate.

**Strategic Goal 1:** Develop strategic partnerships, increase support to customers, improve visibility and be a regional leader in the provision of bulk water and sanitation services.

**Strategic Goal 2:** Expand and improve funding collaborations whilst managing key cost drivers.

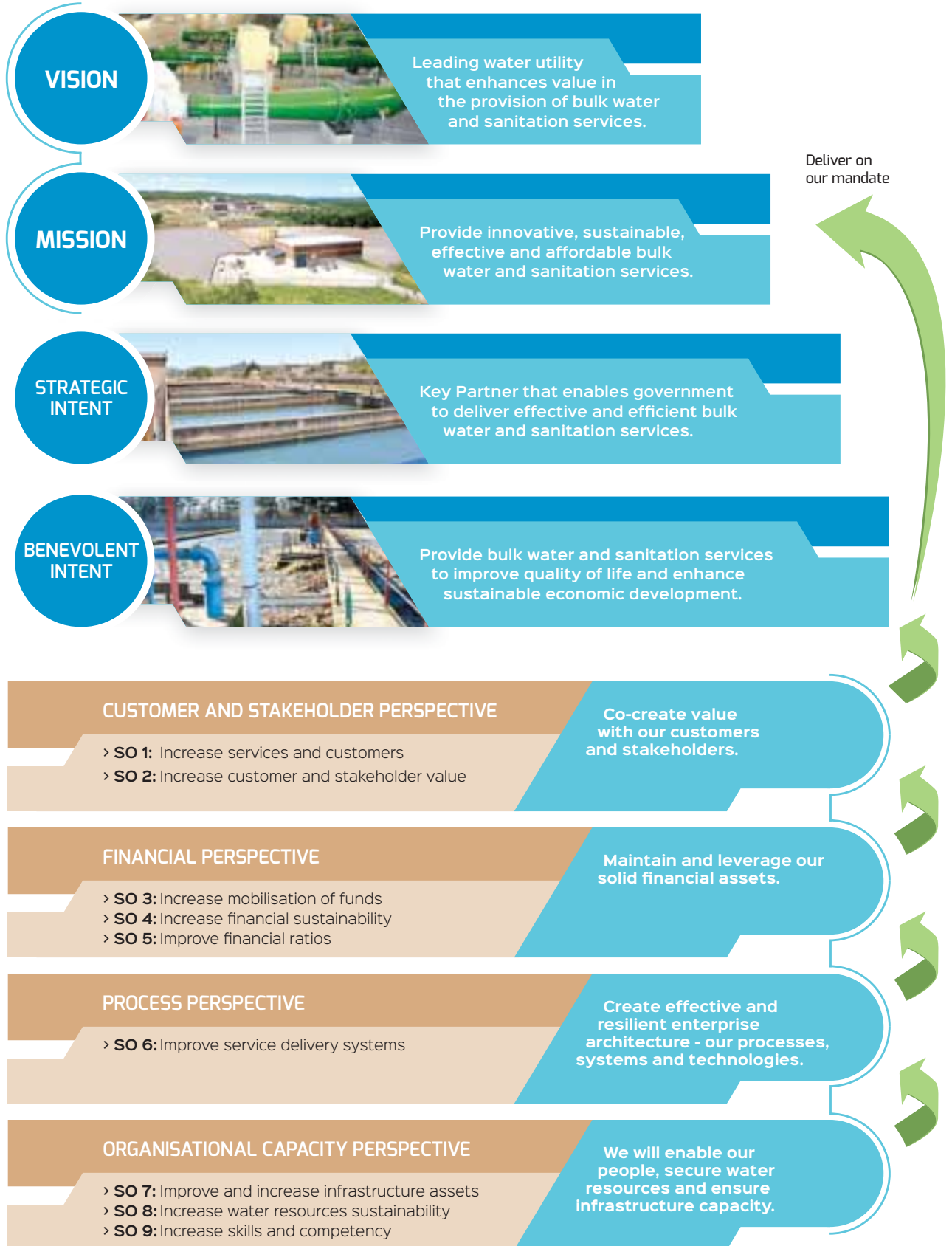
**Strategic Goal 3:** Remove system constraints and blockages through innovative thinking and improve efficiency of all inputs.

**Strategic Goal 4:** Strengthen and develop quality human resources, infrastructure capacity and water resources sustainability to support growth.

<sup>1</sup>Subsequent to the approval of the annual report, the Minister communicated her decision to appoint an Interim Board effective from 28 September 2017.



## 2.6 Strategy Map



## 2.7 Ten Outcomes for Sustainable Value Creation

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



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**6**  
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.

**7**  
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.

**8**  
Infrastructure  
Stability:



is achieved when Umgeni Water understands the conditions 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.



## 2.8 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, 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 and partner with stakeholders to deliver organisational objectives and 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.



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**Engineering and Scientific Services:** We understand water demand, resources and technology to implement infrastructure, manage water quality, optimise treatment processes and drive social and environmental initiatives to provide innovative and optimal engineering and scientific solutions, 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, proactively implement procurement strategies, and maintain internal control and

systems, which result in funding, control, efficient, effective and economical supply of requisites, support and monitoring of the business, to deliver sound financial management and corporate governance, to contribute towards organisational objectives.

**Corporate Services:** We will provide a specialised, diverse and essential enabling service through the provision of holistic human capital management, property and security management, management of information, communication and technology systems, computing infrastructure, and legal services to enhance organisational service delivery capacity.

