




33 MILLION
cubic metres (90 Ml/d) of
wastewater
treated in
2016/2017



MHLABATSHANE DAM

<p>8.0 PG 57-63</p> <p>PERFORMANCE AGAINST 2016/2017 SHAREHOLDER COMPACT</p>	<p>9.0 PG 65-81</p> <p>CREATING VALUE</p>	<p>10.0 PG 83-93</p> <p>CONSERVING OUR NATURAL RESOURCES</p>	<p>11.0 PG 95-103</p> <p>ENABLING OUR PEOPLE</p>	<p>12.0 PG 105-111</p> <p>IMPROVING RESILIENCY</p>	<p>13.0 PG 113-197</p> <p>FINANCIAL SUSTAINABILITY</p>	<p>14.0 PG 199-204</p> <p>GRI CONTENT INDEX</p>
--	---	--	--	--	--	---

8.0

Performance against Umgeni Water Strategy and Shareholder Compact Indicators 2016/2017

Umgeni Water implements its strategy through a balanced scorecard, comprising four (4) *Perspectives*, four (4) *Strategic Goals*, nine (9) *Strategic Objectives* and nine (9) *Key Performance Indicators (KPIs)*.

The KPIs are further made up of fifty-five (55) total annual measurable *Result Indicators*, for which responsibilities and accountabilities are agreed and targets approved within the entity. These Result Indicators include all statutory indicators specifically targeted by the Executive Authority and approved via the Shareholder Compact.

Collectively the scorecard enables the organisation to achieve its ten (10) Outcomes and ultimately its Mission/Mandate to provide innovative, sustainable, effective and affordable bulk water and sanitation services to customers.

For the period 1 July 2016 to 30 June 2017, the planned initiatives were implemented and progress assessed by the entity. The detailed scorecard follows. Performance against the strategy is also illustrated graphically in Figures 8.1 to 8.4.

Figure 8.1: 2016/2017 Performance

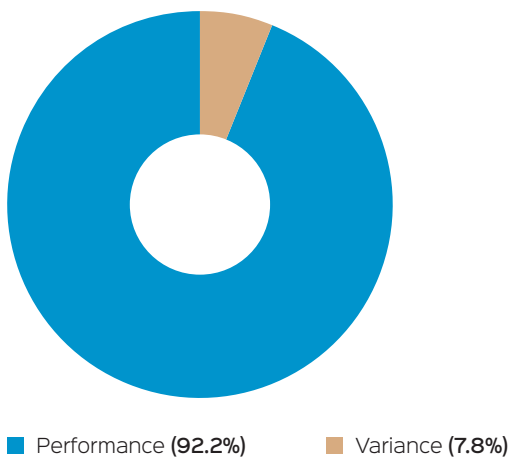
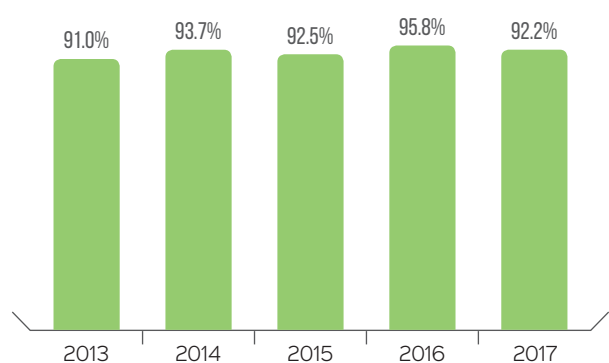


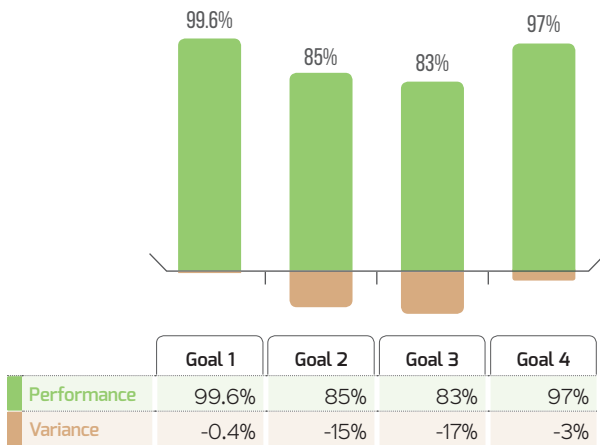
Figure 8.2: Performance Trend



Per cent targets met: 92.2%
Per cent targets not met: 7.8%

Umgeni Water has achieved excellent performance for the year continuing its positive performance trend over the years. This is illustrative of an entity that has delivered well against its mission and mandate to provide innovative, sustainable, effective and affordable bulk water and sanitation services

Figure 8.3: Performance Against Strategic Goals



For the **Customer and Stakeholder Perspective** and **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, 99.6%** performance was achieved, for which:
SO 1 - Increase services and customers achieved 100% and **SO 2** - Increase customer and stakeholder value achieved 99.6%.

Key outcomes: Stakeholder Understanding and Support, Customer Satisfaction, Product Quality, Community and Environmental Sustainability

For the **Financial Perspective** and **Strategic Goal 2: Expand and improve funding collaborations whilst managing key cost drivers, 85%** performance was achieved, for which:

- SO 3** - Increase mobilisation of funds achieved 100%;
- SO 4** - Increase financial sustainability 82.7%; and
- SO 5** - Improve financial ratios 75%.

Key Outcomes: Financial Viability, Stakeholder Understanding and Support, Customer Satisfaction, Community and Environmental Sustainability.

For the **Process Perspective** and **Strategic Goal 3: Remove system constraints and blockages through innovative thinking and improve efficiency of all inputs, 83%** performance was achieved.

For **SO 6** - Improve service delivery systems, the entity continues to improve its systems and is progressively closing gaps.

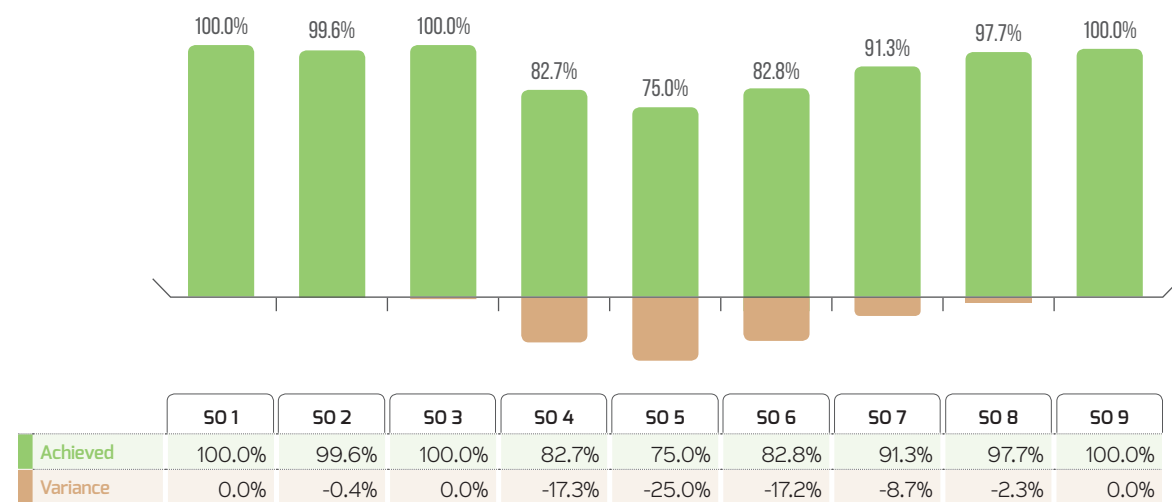
Key outcomes: Operational Resiliency, Operational Optimisation, Community and Environmental Sustainability.

For the **Organisational Capacity Perspective** and **Strategic Goal 4: Strengthen and develop quality human resources, infrastructure capacity and water resources sustainability to support growth, 97%** performance was achieved, for which:

- SO 7** - Improve and increase infrastructure assets achieved 91.3%;
- SO 8** - Increase water resources sustainability 97.7%; and
- SO 9** - Increase skills and competency 100%.

Key outcomes: Infrastructure Stability, Water Resources Adequacy, Leadership and Employee Development.

Figure 8.4: Umgeni Water Performance by Strategic Objective



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
ENABLING
OUR PEOPLE

12.0 PG 105-111
IMPROVING
RESILIENCY

13.0 PG 113-197
FINANCIAL
SUSTAINABILITY

14.0 PG 199-204
GRI CONTENT
INDEX

The detailed performance of the organisation against indicators and targets for 2016/2017 follows, with further expansion in each of the Annual Report chapters.

Scorecard 2016/2017ⁱ

#	RESULT INDICATOR	TARGET	ACTUALS	VARIANCE	PG#
Balanced Scorecard Perspective: Customer and Stakeholder					
OUTCOMES: Stakeholder Understanding and Support, Community and Environmental Sustainability, Customer Satisfaction and Product Quality.					
Strategic Objective 1: Increase services and customers					
KPI 1: The extent to which UW has grown its services and customers					
1.1	Number of new schemes and signed contracts for implementing new schemes.	≥ 2 new schemes and signed contracts by WSAs for implementation.	2 new schemes and signed contracts by WSAs for implementation.	Nil	71
Strategic Objective 2: Increase customer and stakeholder value					
KPI 2: The extent to which customer and stakeholder needs have been met					
2.1	Per cent directives implemented in accordance with plan. (DWS SHC Indicator)	N/A (There are no current directives)	N/A (There are no current directives)	N/A (There are no current directives)	71
2.2	Number of engagements with statutory stakeholders: Minister, DWS, PC and NT. (DWS SHC Indicator)	≥ 10	> 10	Nil	51
2.3	Number of engagements with contractual stakeholders: customers, employees, union and suppliers.	≥ 6 Customers ≥ 3 Staff Sessions ≥ 3 Union Meetings ≥ 1 Supplier Forum	6 Customers 4 Staff Engagements 8 Union Meetings 1 Supplier Forum	Nil	51
2.4	Number of engagements with strategic stakeholders.	≥ 8	≥ 8	Nil	51
2.5	Number of engagements with non-contractual stakeholders.	≥ 1 Community ≥ 4 Media ≥ 1 Business ≥ 1 National ≥ 1 International	≥ 1 Community ≥ 7 Media ≥ 1 Business ≥ 1 National ≥ 1 International	Nil	51
2.6	Number of signed contracts (bulk supply agreements) in place as a % of total customers. (DWS SHC Indicator)	100% 6 customers/signed contracts.	100% 6 customers/signed contracts.	Nil	69
2.7	Number of signed contracts/MOUs with rural Municipalities for provision of support. (DWS SHC Indicator)	≥ 3 signed contracts/MOUs.	5 signed contracts/MOUs.	Nil	71
2.8	Number of submissions in respect of Monthly Reports, Quarterly Reports, Annual Report, Tariff, Corporate Plan, SHC and Policy Statement (DWS SHC Indicator)	21 of 21 submissions: 4 Quarterly Reports, Annual Report, Tariff, Corporate Plan, SHC, Policy Statement and 12 Monthly Reports required.	21 of 21 submissions: 4 Quarterly Reports, Annual Report, Tariff, Corporate Plan, SHC, Policy Statement and 12 Monthly Reports required.	Nil	51
2.9	Per cent compliance of WTW systems with SANS 241 water quality standard per risk category. (DWS SHC Indicator)	13 WTW systems 100% compliant with Excellent SANS 241. Four (4) UMDM schemes compliant with Good SANS 241.	13 WTW systems 100% compliant with Excellent SANS 241. Four (4) UMDM schemes compliant with Good SANS 241.	Nil	66

ⁱParent Only

Scorecard 2016/2017ⁱ ...continued

#	RESULT INDICATOR	TARGET	ACTUALS	VARIANCE	PG#
Balanced Scorecard Perspective: Customer and Stakeholder ...continued					
OUTCOMES: Stakeholder Understanding and Support, Community and Environmental Sustainability, Customer Satisfaction and Product Quality. ...continued					
Strategic Objective 2: Increase customer and stakeholder value ...continued					
KPI 2: The extent to which customer and stakeholder needs have been met ...continued					
2.10	Per cent compliance of WWTW systems with discharge licence or General Authorisation requirements (DWS SHC Indicator)	7 WWTW ≥ 85% compliant. 1 WWTW ≥ 80% compliant. 1 WWTW ≥ 60% compliant.	7 WWTW ≥ 85% compliant. 0 WWTW ≥ 80% compliant. 1 WWTW ≥ 60% compliant.	1 WWTW < 80% compliant.	67
2.11	Number of schools/community initiatives undertaken.	≥ 3 initiatives implemented.	3 initiatives implemented.	Nil	80
2.12	Number of CSI initiatives undertaken. (DWS SHC Indicator)	≥ 3	≥ 3	Nil	81
2.13	Per cent PSP and contractor order values (CPGs) awarded to B-BBEE suppliers	≥ 35%	36% (R149m of R414m)	Nil	79
	PSP and contractor order values (CPGs) awarded to B-BBEE suppliers that are women.	≥ 14%	28% (R41m of R149m)		
2.14	Actual B-BBEE spend as a % of total discretionary expenditure.	≥ 80% spend	≥ 80% spend (estimated)	Nil	80
	Number of new B-BBEE entrants awarded work. (DWS SHC Indicator)	≥ 2 new entrants.	5 new entrants awarded work.		
Balanced Scorecard Perspective: Financial					
OUTCOMES: Financial Viability, Stakeholder Understanding, Customer Satisfaction and Support, Community and Environmental Sustainability.					
Strategic Objective 3: Increase mobilisation of funds					
KPI 3: Increased funding collaboration and funds mobilised for sustainable growth, expansion and access					
3.1	Operating cash flows, Rm	≥ R800m	R818m	Nil	144
3.2	Current ratio (DWS SHC Indicator)	1.5 to 2.1	2.35	Nil	126
3.3	Debt to Equity ratio (DWS SHC Indicator)	≤ 0.4	0.29	Nil	126
3.4	Interest cover ratio	≥ 2.5	2.86	Nil	126
Strategic Objective 4: Increase financial sustainability					
KPI 4: The extent to which there are sustainable financial returns for each system, area, region and the organisation					
4.1	Total expenditure, Rm and per cent variance. (DWS SHC Indicator)	R2.20bn±10%	R1.78bn (R0.44bn below budget)	Nil	141
4.2	Total surplus (loss), Rm and per cent variance.	R598m±10%	R751m R153m above target	Nil	141
4.3	Number of debtor days. (DWS SHC Indicator)	≤ 40	41	41 debtor days against a target of 40.	172
4.4	Total S30 revenue, Rm and per cent of turnover. (DWS SHC Indicator)	R342m ±12% of turnover.	R165m 7% of turnover.	R177m below budget. 5% below budget % of turnover.	159
4.5	Per cent return on assets. (DWS SHC Indicator)	≥ 5%	7.19%	Nil	126
4.6	Number of breaches or instances of non-compliance to the approved materiality and significance framework. (DWS SHC Indicator)	Nil	The entity incurred Fruitless and Wasteful Expenditure, Irregular Expenditure and breaches or instances of non-compliance to the materiality and significance framework.	R9.4m Irregular expenditure incurred. R5.2m Fruitless and Wasteful expenditure incurred.	184

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 ENABLING OUR PEOPLE	12.0 PG 105-111 IMPROVING RESILIENCY	13.0 PG 113-197 FINANCIAL SUSTAINABILITY	14.0 PG 199-204 GRI CONTENT INDEX
--	--	--	---	---	---	--

Scorecard 2016/2017ⁱ ...continued

#	RESULT INDICATOR	TARGET	ACTUALS	VARIANCE	PG#
Balanced Scorecard Perspective: Financial ...continued					
OUTCOMES: Financial Viability, Stakeholder Understanding, Customer Satisfaction and Support, Community and Environmental Sustainability. ...continued					
Strategic Objective 5: Improve financial ratios					
KPI 5: Ratios for financial viability and sustainability met					
5.1	Gross profit margin % for primary activity (Bulk Water and Wastewater). (DWS SHC Indicator)	R1 320m of R2 448m ≥ 50%	R1 306m of R2 331m 56%	Nil	159
5.2	Net profit margin % for primary activity (Bulk Water and Wastewater). (DWS SHC Indicator)	R582m of R2 448m ≥ 20%	R756m of R2 331m 32%	Nil	159
5.3	Gross profit margin % for secondary activity. (DWS SHC Indicator)	R17.9m of R341.6m ≥ 5%	R11.5m of R165m 7%	Nil	159
5.4	Net profit margin % for secondary activity. (DWS SHC Indicator)	R16.2m of R341.6m ≥ 4%	Loss of R4.95m against a profit of R165m. 3% loss	7% below target profit level of 4%.	159
Balanced Scorecard Perspective: Process					
OUTCOMES: Operational Resiliency, Operational Optimisation, Community and Environmental Sustainability.					
Strategic Objective 6: Improve service delivery systems					
KPI 6: The extent to which business processes, policies and systems are enabling strategy implementation					
6.1	Turnaround time (working days) for awarding of CAPEX programme tenders, contract negotiations and issuing of signed contracts.				76
	Working days from tender advert to issuing intention of award.	≤ 90	97 days average 2 of 7 tenders < 90	5 of 7 tenders > 90	
	Working days for CPG negotiations, measured from expiry of appeals period.	≤ 45	61 days average 0 of 4 tenders < 45	4 of 4 tenders > 45	
	Working days for issuing of signed contracts, measured from conclusion of CPG negotiations.	≤ 15	26 days average 0 of 2 tenders < 15	2 of 2 tenders > 15	
6.2	Per cent Enterprise Resource Planning (ERP) system reviewed and implemented.	Final Preparation Stage Complete. ERP System Go Live implemented. Post-Go Live Support implemented.	Final Preparation Stage Complete (100%). ERP System Go Live (90%) implemented. Post-Go Live Support (95%) implemented.	Slight variance on outstanding SAP project related issues. Planning of future support.	107
6.3	Number of environmental sustainability initiatives implemented.	≥ 3 initiatives implemented.	1 initiative completed.	2 initiatives in planning.	89
6.4	Number of research and development/innovation initiatives implemented.	At least one (1) new technology project implemented.	Darvill Final Effluent Reuse Pilot Project in progress.	N/A	84
6.5	Unqualified external audit report with no matters of emphasis (clean audit). (DWS SHC Indicator)	Unqualified external audit report with no matters of emphasis (clean audit).	An unqualified external audit report was received in respect of financial and pre-determined objectives.	Two findings were incurred with the audit of compliance with legislation, one of which was material	130
6.6	Number of repeat and unresolved findings. (DWS SHC Indicator)	≤ 10	4 unresolved findings.	Nil	39

Scorecard 2016/2017ⁱ ...continued

#	RESULT INDICATOR	TARGET	ACTUALS	VARIANCE	PG#
Balanced Scorecard Perspective: Process ...continued					
OUTCOMES: Operational Resiliency, Operational Optimisation, Community and Environmental Sustainability. ...continued					
Strategic Objective 6: Improve service delivery systems ...continued					
KPI 6: The extent to which business processes, policies and systems are enabling strategy implementation ...continued					
6.7	Board/Committee meetings attended as a % of planned meetings and resolutions taken by the board as a % of resolutions required. (DWS SHC Indicator)	≥ 80% attendance ≥ 80% resolutions taken	> 80% attendance - BOARD 95% - AUDIT 91% - REMCO 79% - CAPEX 79% - GOVERNANCE 100% 100% (47 of 47) resolutions taken	- REMCO < 80% - CAPEX < 80%	37
6.8	Ethical issues addressed as assessed against key ethics areas.	Seven (7) key ethics areas assessed and issues dealt with.	Seven (7) key ethics areas assessed and issues dealt with.	Nil	38
6.9	Disabling Injury Frequency Ratio (DIFFR).	≤ 0.5	0.05	Nil	98
6.10	Per cent compliance against legal Compliance Register.	100% against Compliance Register.	99.9% against Compliance Register.	0.1% non-compliance	39
Balanced Scorecard Perspective: Organisational Capacity					
OUTCOME: Infrastructure Stability.					
Strategic Objective 7: Improve and increase infrastructure assets					
KPI 7: Infrastructure expenditure within target cash flows and completion dates					
7.1	CAPEX Rm against budget and % variance (DWS SHC Indicator)	R1 451 of R1 814m 20% variance	R1 163m 36% variance	16% variance	76
7.2	Number of CAPEX projects within target completion dates against planned number and % variance. (DWS SHC Indicator)	≥ 85% completion ≤ 15% variance	72% projects within target dates 28% variance 13% variance from target	13% variance	76
7.3	CAPEX spend on rural expansion related projects as % of budget. (DWS SHC Indicator)	± 30% of annual CAPEX budget. ± R566m of R1814m on rural expansion.	43% of annual CAPEX spend. 28% of annual CAPEX budget. R503m of R1814m on rural expansion.	Nil	76
7.4	Repairs and maintenance as % of PPE and Investment Property (Carrying Value). (DWS SHC Indicator)	R206m ± 10% ≥ 2% of PPE.	R190m (within allowable variance) 2.45% of PPE	Nil	71
OUTCOME: Water Resources Adequacy.					
Strategic Objective 8: Increase water resources sustainability					
KPI 8: Sustainable water resource options identified for all systems					
8.1	Supply and demand status and projections demonstrating long-term water resources adequacy per system and region.	Quarterly status report Quarterly plant utilisation report. Infrastructure Master Plan updated to include long-term integrated water resources plans.	4 Quarterly status reports submitted. 4 Quarterly plant utilisation reports submitted. Infrastructure Master Plan updated and approved.	Nil	70

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
ENABLING
OUR PEOPLE

12.0 PG 105-111
IMPROVING
RESILIENCY

13.0 PG 113-197
FINANCIAL
SUSTAINABILITY

14.0 PG 199-204
GRI CONTENT
INDEX

Scorecard 2016/2017ⁱ ...continued

#	RESULT INDICATOR	TARGET	ACTUALS	VARIANCE	PG#
Balanced Scorecard Perspective: Organisational Capacity ...continued					
OUTCOME: Water Resources Adequacy. ...continued					
Strategic Objective 8: Increase water resources sustainability ...continued					
KPI 8 : Sustainable water resource options identified for all systems ...continued					
8.2	Per cent supply disrupted > 24 hours (over total supply days). (DWS SHC Indicator)	0 days	Supply disruptions: (i) 10 of 365 supply days disrupted (3%). (ii) Disruptions occurred in 3 of 17 systems (18%). (iii) Average of 0.03% of planned sales volumes were not supplied (99.97% supplied). Overall Performance 93%.	Supply disruptions: (i) 10 of 365 supply days disrupted (3%). (ii) Disruptions occurred in 3 of 17 systems (18%). (iii) Average of 0.03% of planned volumes were not supplied. Overall Variance 7%.	68
8.3	Avoidable water lost (mil m ³) over total water produced (mil m ³). (DWS SHC Indicator)	≤ 5% of total sales	2.29%	Nil	87
Strategic Objective 9: Increase skills and competency					
KPI 9: Effectiveness and efficiency of employee training and development programmes					
9.1	Number of employees enrolled and developed through Senior Management Development Programme (SMDP).	≥ 20 employees (80% of programme completed).	20 employees enrolled (> 80% of programme completed).	Nil	100
9.2	Number of Artisans and Apprentices (Learnerships). (DWS SHC Indicator)	≥ 40	150 plans met: - 69 Artisans and Apprentices. - 81 Process Controllers.	Nil	32; 100
9.3	Number of Bursar degree plans met. (DWS SHC Indicator)	≥ 10	12	Nil	101
9.4	Number of Graduate Trainees (Graduates, In-service Trainees, Interns) development plans met. (DWS SHC Indicator)	≥ 28 Graduate Trainees ≥ 28 In-Service Trainees ≥ 10 Interns	41 Graduate Trainees 31 In-Service Trainees 10 Interns	Nil	101
9.5	Number of candidate engineers/professionals developed (NT) and number of professional registration submissions.	≥ 29 developed. 7 certification submissions.	≥ 29 developed. 25 certification submissions.	Nil	101
9.6	Number of Young Professionals (YPs) enrolled and developed through Youth Development projects.	≥ 30 YPs successfully completed. ≥ 20 new YPs registered. ≥ 10 other employees registered.	34 YPs successfully completed. 24 new YPs registered. 12 other employees registered.	Nil	101
9.7	Number of permanent jobs created. Number of temporary jobs created. (DWS SHC Indicator)	N/A ≥ 900 temporary (CAPEX programme)	N/A 1 258 temporary (CAPEX programme)	Nil Nil	79
9.8	Number of staff terminations, excluding normal retirements, as a % of the total staff complement. (DWS SHC Indicator)	≤ 8% turnover	2.8% turnover	Nil	98
9.9	Staff remuneration % of total operating expenditure. (DWS SHC Indicator)	≤ 35%	33%	Nil	141