


Chief Executive's Report



Mr Cyril Vuyani Gamede
Chief Executive

This annual report is a special one in that Umgeni Water celebrated forty (40) years of service delivery history in June 2014. I am honoured to be at Umgeni Water at this stage in its journey. Umgeni Water is recognised as a credible brand with a sound implementation track record and is in a position of strength that it can use to leverage future growth and service delivery plans. The organisation's strategies in the past year continued to respond positively to the business environment. This was achieved through targeting the resources, planned activities and outputs to realise the ten (10) organisational outcomes.

R158 million
(7% of revenue)
was spent on
asset maintenance
in the past year



Environmental Sustainability 1994

Delivering focussed and balanced organisational outcomes over the years



Community Sustainability 2005



Product Quality

Excellent drinking water quality was provided to customers and communities. The water quality at all treatment works improved since the previous period. Umgeni Water was also proud to achieve its first ever Green Drop certification for the Ixopo Wastewater Treatment Works (WWTW), whilst making inroads with implementing the multi-year project to refurbish and upgrade the Darvill WWTW to address wastewater quality gaps. Umgeni Water's commitment to assure its product quality is borne out by its sound asset management strategy and consistent investment over the past five years in water and wastewater treatment assets, averaging 7% of revenue. A total of R158 million was spent on asset maintenance in the past year (R152 million in 2013).

Customer Satisfaction

Umgeni Water focused its customer engagement sessions in the year on issues of growth, expansion and extending access to rural communities. The organisation is committed to ensuring long-term sustainability of bulk water services delivery for each customer area. In the current supply area, customer satisfaction was assured through meeting all requirements of bulk supply agreements in the year. Volumes totalling 440 million cubic metres (1205 MI/d) were reliably supplied to six major water service authority customers. At the same time, the organisation treated 28 million cubic metres (75 MI/d) of wastewater.

Lower Thukela Bulk Water Supply Scheme Abstraction construction site

Chief Executive's Report

A long-term (ten-year) bulk supply agreement was concluded and signed in the reporting year with Harry Gwala District Municipality. This will enable Umgeni Water to implement water resources infrastructure and increase the bulk supply footprint in the municipality to address the current high level of unserved areas in the municipality.

Stakeholder Understanding and Support

Umgeni Water's milestone of forty (40) years of service delivery coincided with the entity joining the newly established Department of Water and Sanitation, headed by a new ministry. Umgeni Water remains closely aligned to the agenda of government, which is comprehensively presented in the Chairperson's Report, and will work closer and more seamlessly with the new Ministry, Department of Water and Sanitation and other key partners that will ensure acceleration of water services delivery to communities.

Community and Environmental Sustainability

Umgeni Water entrenched the initiative it commenced with in the previous year, namely introduction of Contract Participation Goals (CPGs) for its contracts. CPG targets set for 2013/2014 were 35% for construction contracts and 30% for professional services. Of forty-one (41) projects awarded in the year, 37.3% CPG was achieved for construction contracts and 33.5% for professional services projects, with a total CPG value of R311 million being awarded (R240 million in 2013).

In the year BBBEE implementation was improved and expanded with 65.6% of total spend allocated to BBBEE (51.64% in 2013) and fourteen (14) new entrants added to the database (3 in 2013).

In undertaking its business in the year, Umgeni Water further created a total of 3375 temporary jobs (2328 in 2013), comprising 1073 from its Capital Expenditure Programme and 2302 through work as an implementing agent.

A total of R25.8 million was paid in wages to local labour (R10.8 million in 2013), while implementing the Capital Expenditure Programme.



achieved its first ever



for the
Ixopo Wastewater Treatment Works (WWTW)

Infrastructure Stability

The entity planned, designed and implemented bulk water infrastructure aligned to its strategy and business plan with significant success in the year. This included pipelines, bulk water supply schemes, notably for rural areas, and critical refurbishments and upgrades of major treatment works.

At least 75% of the infrastructure budget of R902 million was targeted to be spent in 2013/2014. However, actual spend was a significant R1024 million (R643 million in 2013), of which 68%, R694 million (R308 million in 2013) was for rural infrastructure projects.

The investment supported implementation of Ten (10) major capital infrastructure projects in the year:

- **'61 Pipeline Augmentation**



Serves uMgungundlovu District Municipality and eThekweni Metropolitan Municipality

This comprises of a Bulk Potable Water Pipeline from Richmond Off-take to Umlaas Road. All main civil works were practically complete in 2013/2014 and the environmental rehabilitation will be completed in the 2014/2015 rainy season.

- **Greater Eston BWSS**



Serves uMgungundlovu District Municipality and will reach and provide potable water access for 41240 people in four (4) wards in Mkhambathini

Local Municipality and two (2) wards in Richmond Local Municipality, making a significant impact in alleviating water backlogs in these areas.

The 4 Ml/d infrastructure development is in construction and will be completed by December 2014.

- **Richmond Pipeline**



Serves the Msunduzi Local Municipality and uMgungundlovu District Municipality and will reach and provide access to rural communities in Richmond Local Municipality.

The project comprises a 30km potable water pipeline from the '61 Pipeline to Richmond Reservoirs for which the on-route reservoir is complete, the pump station construction is in progress and the pipe laying is ahead of programme. The project will be completed by April 2015.

- **Maphumulo BWSS Phase 2 Imvutshane Dam**



Serves the iLembe District Municipality, and KwaMaphumulo, Ndwedwe, and KwaDukuza Local Municipalities, and will serve 150000 people in Maqumbi and Ashville.

The construction of the Imvutshane Dam is in progress and will be completed in April 2015.

- **Lower Thukela BWSS**



Serves the iLembe District Municipality and eThekweni Metropolitan Municipality along the coastal strip from north of Durban to the uThukela River.

The infrastructure development comprises an abstraction works, pump station and weir on the uThukela River, water treatment works and potable water pipelines to deliver 55 Ml/d in Phase 1. Construction of Access Roads, Weir and Abstraction Works, Gravity main and the Water Treatment Works were in progress in 2013/2014.

- **Mhlabatshane BWSS**



Serves Ugu District Municipality and will reach and provide potable water access for over 100000 inhabitants of ten tribal authority areas.

Commissioning of the BWSS is in progress and will be completed in September 2014.

• **uMshwathi Regional BWSS**



Serves the uMgungundlovu District Municipality and iLembe District Municipality

Planning and design of the scheme which includes 91 km of pipelines, pump stations and 3 bulk storage reservoirs is complete, and the first phase pipeline, reservoir and pump station construction will be completed by December 2015.

• **Maphephethwa WTW Upgrade**



Serves the rural areas of Greater Maphephethwa in Inanda area, in the eThekweni Metropolitan Municipality.

The works upgrade to 5 Ml/d was undertaken and partially commissioned in December 2012 and the remaining work will be completed in 2014/2015.

• **Hazelmere WTW Upgrade**



Serves eThekweni Metropolitan Municipality and iLembe District Municipality.

Construction is close to completion and commissioning will commence in October 2014.

• **Darvill WWTW Capacity Increase**



Serves The Msunduzi Local Municipality.

Construction is due to commence by September 2014 for completion by June 2016.

In addition, Umgeni Water implemented the Greater Mbizana Regional Bulk Water Supply Scheme:

• **Greater Mbizana Regional BWSS**



Serves the Mbizana Local Municipality within the Alfred Nzo District Municipality in the Eastern Cape area.

The regional bulk water supply scheme includes a dam and bulk treated water system for which construction of Ludeke Dam was completed in April 2014 and construction of the first phase of the Bulk Treated Water Supply System, comprising 28 km of pipelines, eight (8) bulk storage reservoirs and a pump station, continued and will be completed by December 2014.

Water Resources Adequacy

Security of water supply resources is paramount to sustainable bulk water supply delivery. Umgeni Water has identified a mix of supply sources for which key projects and progress in 2013/2014 include:

- Imvutshane Dam (UW) construction in progress,
- Spring Grove Dam (DWS-TCTA) impoundment in progress.
- uMkhomazi Water Project (DWS and UW) detailed feasibility study,
- Hazelmere Dam raising (DWS) detailed design,
- Lower Thukela Water Project (UW) construction of run of river abstraction in progress,
- Darvill WWTW Reuse project feasibility study,
- East Coast Desalination Plants detailed feasibility study, and
- Ludeke Dam (UW) construction complete.

Leadership and Employee Development

In the year, Umgeni Water concluded a Memorandum of Agreement with the University of KwaZulu-Natal as part of the initiative to equip its leaders with the necessary skills and competencies to drive and implement the organisational strategy. The Programme commenced in May 2014 and will continue to 2016, and has its first batch of **fifty-five (55) employees enrolled in the Management Development Programme.**

Umgeni Water has grown its pool of Learnerships and Apprenticeships and in the year provided training, development and exposure to both internal and external candidates. **Thirty-two (32) Artisan Trainees completed and passed their trade test** and are employed within the entity as Artisan Trainees in Mechanical Engineering, Electrical Engineering and Instrumentation.

Eighteen (18) Apprentices are receiving training in electrical, mechanical and instrumentation disciplines.

Sixty-five (65) candidates were enrolled in either the Learnership Programme or in various courses in water and wastewater treatment including N3 Water and Waste Treatment. Fifteen (15) Learnership candidates completed and passed NQF Level 4 of the programme in October 2013.

Ten (10) bursary students are on track with completing tertiary education in the fields of Civil Engineering, Mechanical Engineering, Electrical Engineering, Chemistry, Microbiology and Finance, one of which successfully completed a degree in Civil Engineering and has been recruited as a Graduate Trainee by Umgeni Water.

Fifty-nine (59) employees are on the Umgeni Water assisted education programme of which 33% are enrolled in programmes that are directly targeting critical and scarce skills for the organisation.

Umgeni Water provided **development opportunities to twenty-one (21) graduates and in-service trainees** in the year of which eight (8) graduates are enrolled in engineering, science and other required professional fields in the organisation and thirteen (13) students are from the Institute of Higher Learning.

Umgeni Water in partnership with National Treasury continues to implement the graduate development programme of engineers, technologists, process controllers and technicians with specific emphasis on meeting the skills shortages in municipalities. As part of this programme, **forty-four (44) trainees are enrolled and in training for a period of five years.**

Umgeni Water entered into a five-year collaborative **agreement with Mangosuthu University of Technology to provide students with work integrated learning. Eight (8) interns are in the programme** and are being provided with mentorship and an integrated theoretical and practical learning experience.

Maphumulo Bulk Water Supply Scheme
Invutshane Dam Construction



Operational Resiliency

The organisation's strategic risks are clearly mapped to the organisation's strategy. Of a total of nine (9) strategic risks all have been reasonably mitigated and are within the organisation's risk tolerance level.

Umgeni Water maintains its Laboratory Service, which is a dynamic centre of excellence comprising three modern accredited laboratories in Chemistry, Microbiology, and Hydrobiology with a long established reputation of meeting international standards. Modern analytical techniques and a team of highly skilled and dedicated scientists and technicians enable world-class water quality testing to be undertaken 365 days a year.

Umgeni Water has an organisation-wide and holistic ICT management approach in place that aligns information and communication technology systems to business information needs. Programmes completed in 2013/2014 include:

- The creation of a regional office / secondary computer room to enhance business continuity,
- A Treasury Management System,
- A SharePoint Performance Management System,

- A new Laboratory Management System (LabWare),
- Redundant Wireless Network for operational areas, which has ensured a stable communication platform, and
- Development of the ICT Governance framework, which has ensured alignment with King III.

Operational Optimisation

Water balancing and water loss management measures continued to be implemented in treatment systems and enabled Umgeni Water to maintain its total water loss level below the target 5%.

Umgeni Water continued with investigating the option of treating domestic sewage from its Darvill Wastewater Treatment Works to potable standards. The feasibility study for this wastewater reclamation project was completed in 2013/2014.

The main initiative to reduce Umgeni Water's carbon footprint, is the development of an electricity co-generation plant at the Darvill Wastewater Treatment Works. The project is in the final design stage.



Financial Viability

Umgeni Water achieved positive results in the year due to continued sound financial management:

- Revenue of R2.20 billion was generated (R1.91 billion in 2013),
- Expenditure was R1.55 billion (R1.26 billion in 2013) and
- Surplus generated was R682 million (R667 million in 2013).

Umgeni Water has continued to strengthen its financial position and has total capital and reserves of R4.4 billion (R3.6 billion in 2013), which allows for delivery of its future capital expenditure programme of growth and expansion.

The earned surplus for the year will be invested in support of the organisation's five-year R6.9 billion capital infrastructure programme, and debt reduction. R3.2 billion capital expenditure has already been committed for implementation in the next five years.

The organisation has maintained its reputation as a financially viable entity that continues to create value for its customers and shareholders. Its existence is important as a strategic supplier of bulk water services to local government. It is also vital that Umgeni Water continues to maintain its positive rating by agencies in order to continue raising money for infrastructure projects that will benefit the municipalities and the economy.

Conclusion

2013/2014 has been a mammoth year for Umgeni Water, with over one (1) billion rand of capital infrastructure implemented in the year for ten (10) major infrastructure projects which largely targeted rural areas.

Umgeni Water also celebrated forty (40) years of service delivery history in the last year. It is indeed fortunate, notably in the light of a taut local and global economic environment, to show positive results and continue to be in a strong financial position.

This performance, coupled with the sound brand, reputation and sector credibility will enable the entity and its employees to partner with customers, the new Ministry of Water and Sanitation and other key stakeholders to continue on the journey from water for a few to water for all.

Mr Cyril Vuyani Gamede
Chief Executive
17 September 2014