

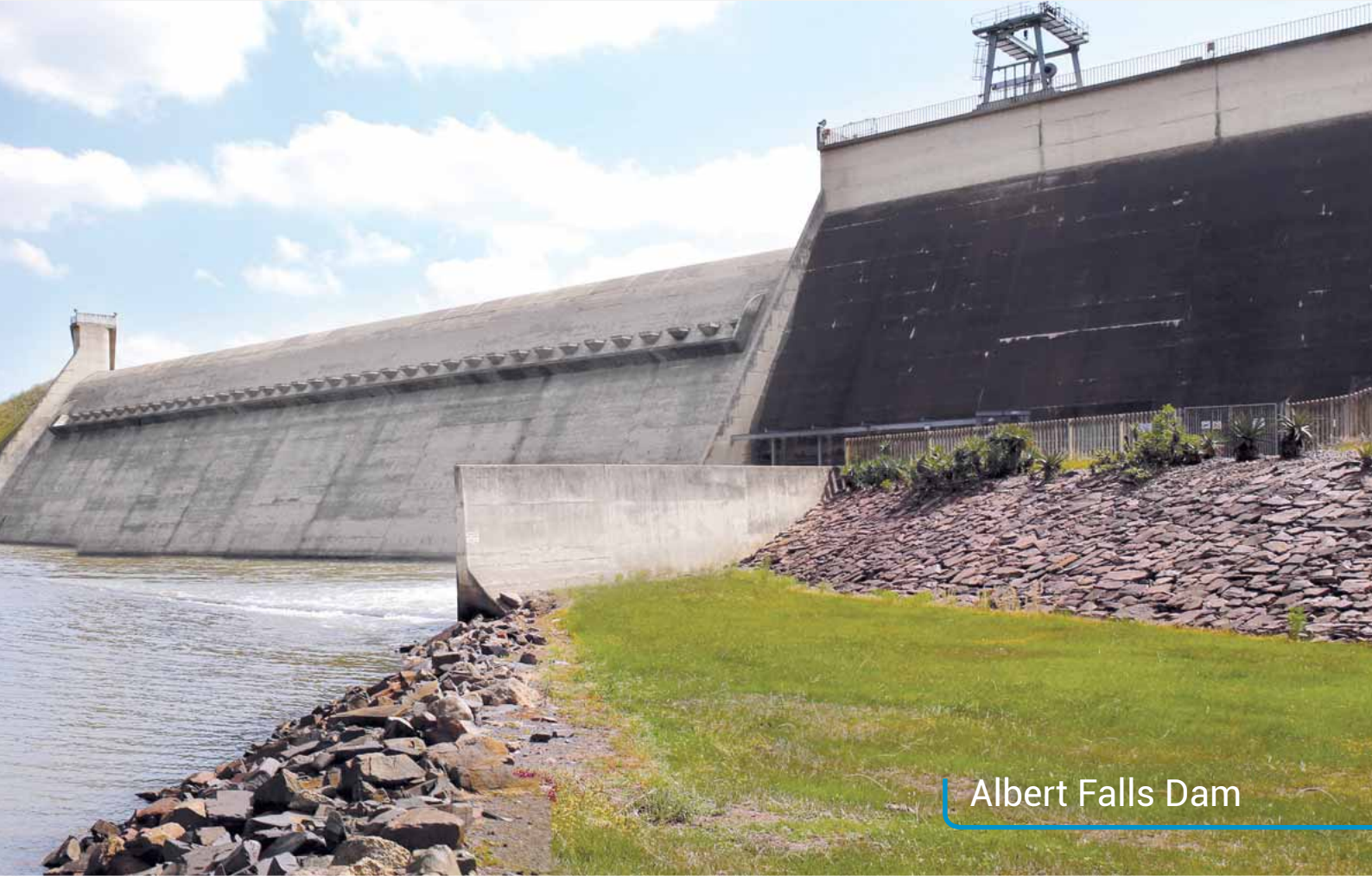
Performance against Umgeni Water Strategy and Shareholder Compact Indicators 2015/2016

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

The KPIs are further made up of seventy-one (71) 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.

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.



Albert Falls Dam

For the period 1 July 2015 to 30 June 2016, 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: 2015/2016 Performance

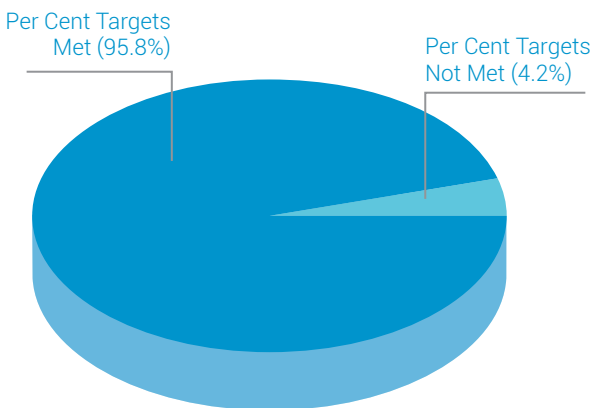
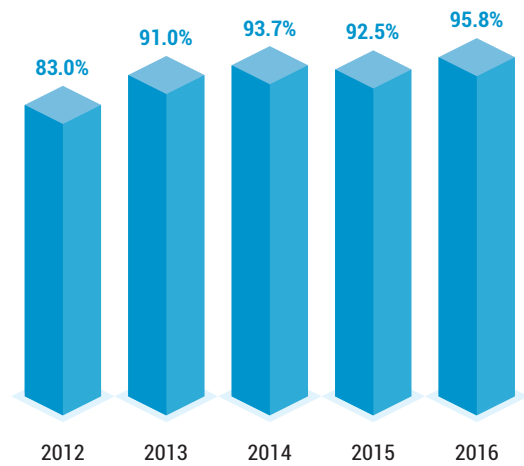


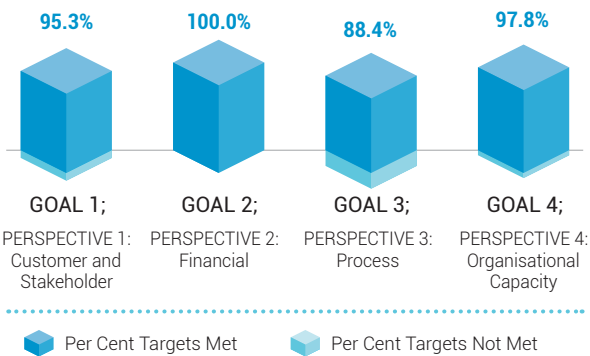
Figure 8.2: Performance Trend



Per cent targets met: 95.77%
Per cent targets not met: 4.23%

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**, **95.3%** performance was achieved, for which:

- SO 1** - Increase services and customers achieved 100% and
- SO 2** - Increase customer and stakeholder value achieved 95%.

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**, **100%** performance was achieved, for which,
SO 3 - Increase mobilisation of funds achieved 100%,
SO 4 - Increase financial sustainability 100%, and
SO 5 - Improve financial ratios 100%.

Key outcome: 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**, **88.4%** performance was achieved.

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

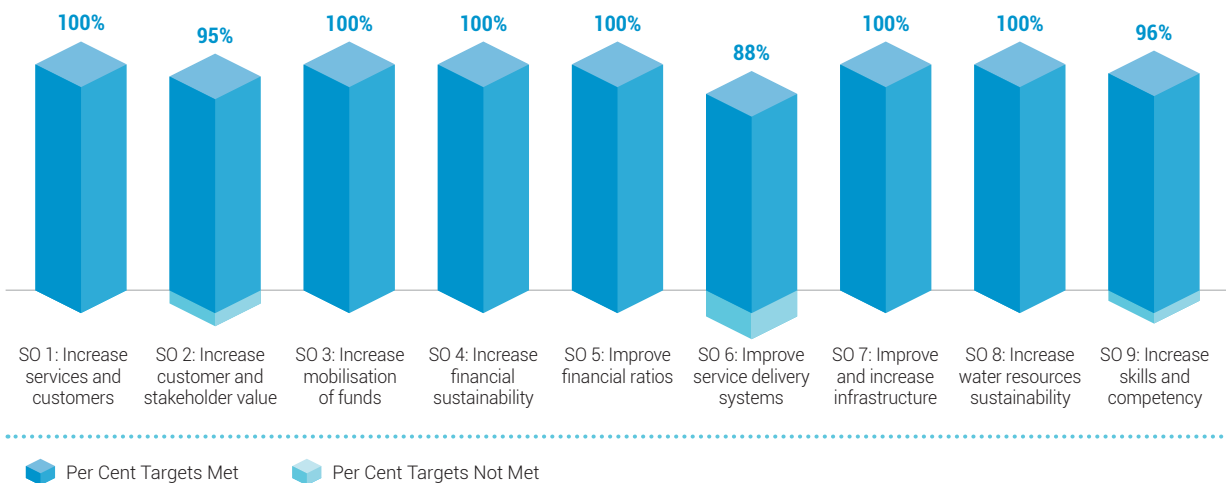
Key outcomes: Operational Resiliency, Operational Optimisation, Community and Environmental Sustainability.

For the **Organisational Capacity Perspective** and **Strategic Goal 4: Strengthen and develop quality human resources, infrastructure capacity and water resources sustainability to support growth**, **97.8%** performance was achieved, for which:

- SO 7** - Improve and increase infrastructure assets achieved 100%,
- SO 8** - Increase water resources sustainability 100% and
- SO 9** - Increase skills and competency 96%.

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

Figure 8.4: Umgeni Water Performance by Strategic Objective



The detailed performance of the organisation against indicators and targets for 2015/2016 follows, with further expansion in each of the annual report chapters.

SCORECARD 2015/2016ⁱ

#	Result Indicator	Target	Actuals	Variance	Pg#
Balanced Scorecard Perspective: Customer and Stakeholder					
OUTCOMES: Stakeholder Understanding and Support, Community and Environmental Sustainability, Customer Satisfaction, Product Quality					
Strategic Objective 1: Increase services and customers					
KPI 1: The extent to which UW has grown its services and customers					
1.1	KZN regional bulk water universal access detailed reconnaissance level plan developed.	100% complete	100% complete	Nil	76
1.2	Number of signed contracts for implementing new schemes.	≥ 2 new schemes	10 new schemes	Nil	69
1.3	Umgeni Water contributions to KZN due diligence report developed, including information for uThukela area customers.	100% complete	100% complete	Nil	24
Strategic Objective 2: Increase customer and stakeholder value					
KPI 2: The extent to which customer and stakeholder needs have been met					
2.1	Redesigned and fully functional corporate communications function.	100% complete	75% complete	25% Resourcing in 2017	24, 52
2.2	Targeted marketing and branding strategy and plan developed.	100% complete	100% complete	Nil	53
2.3	Structured corporate communications strategy and plan developed.	100% complete	100% complete	Nil	53
2.4	Number of engagements with Minister, Department of Water and Sanitation (DWS), Portfolio Committee and National Treasury.	≥ 4 engagements	> 7 engagements	Nil	55
2.5	Per cent directives implemented in accordance with plan. (DWS SHC Indicator)	≥ 80% complete	100% complete	Nil	73
2.6	Number of engagements with customers.	≥ 3 engagements	> 6 engagements	Nil	56
2.7	Customers engaged regarding tariff affordability and sustainability.	100% customer consultations complete	100% customer consultations complete	Nil	25
2.8	Webpage water forum for regional water utility concept developed.	100% developed, tested and communicated	75% developed, tested and communicated	25%. Communication deferred to 2017	76
2.9	Number of supplier / investor forums held.	≥ 2 engagements	2 engagements	Nil	56
2.10	Number of engagements with strategic stakeholders: KZN Province, SAAWU, SALGA and African Water Boards.	≥ 4 engagements	> 4 engagements	Nil	56
2.11	Number of staff and union engagements.	≥ 3 engagements	> 3 engagements	Nil	56
2.12	Number of engagements with media.	≥ 3 engagements	> 4 engagements	Nil	55
2.13	Number of community engagements.	≥ 1 engagement	> 2 engagements	Nil	83
2.14	Number of engagements with other civil society groups, namely, business chambers, environmental lobby groups and academia.	≥ 3 collaborations	≥ 3 collaborations	Nil	56
2.15	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	71
2.16	Number of signed contracts/MOUs with rural Municipalities for provision of support. (DWS SHC Indicator)	≥ 3 signed contracts/MOUs	6 signed contracts/ MOUs	Nil	73

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SCORECARD 2015/2016 ...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, 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					
2.17	Per cent submissions in respect of Quarterly Reports, Annual Report, Tariff, Business Plan and SHC on time. (DWS SHC Indicator)	100% 13 of 13 submissions: 4 Quarterly Reports, Annual Report, Tariff, Corporate Plan, SHC and 5 Monthly Reports required.	100% 13 of 13 submissions: 4 Quarterly Reports, Annual Report, Tariff, Corporate Plan, SHC and 5 Monthly Reports required.	Nil	55
2.18	Per cent compliance of WTW systems with SANS 241 water quality standard per risk category. (DWS SHC Indicator)	Fourteen (14) WTW systems 100% compliant	Fourteen (14) WTW systems 100% compliant	Nil	68
2.19	Per cent compliance of four (4) WWTW systems with Discharge Licence or General Authorisation requirements. (DWS SHC Indicator)	Four (4) WWTW systems \geq 85% compliant	Four (4) WWTW systems 84.65% compliant	0.35%	69
2.20	Number of water education initiatives for schools / communities implemented.	\geq 3 initiatives implemented	3 initiatives implemented	Nil	83
2.21	Number of CSI initiatives implemented. (DWS SHC Indicator)	\geq 4 initiatives implemented	1 initiative implemented and 2 initiatives partly implemented.	Planned initiatives still in progress.	84
2.22	Per cent PSP and contractor order values (CPGs) awarded to B-BBEE suppliers, including \geq 5% for women.	\geq 35%	36% (R89m of R247m)	Nil	82
	Per cent PSP and contractor order values (CPGs) awarded to B-BBEE suppliers that are women.	\geq 5%	15% (R36m of R247m)		
2.23	Actual B-BBEE spend as a % of total discretionary expenditure.	\geq 80% spend	>100% spend	Nil	82
	Number of new B-BBEE entrants awarded work. (DWS SHC Indicator)	\geq 2 new entrants	8 new entrants		
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	Total RBIG funding for rural schemes received, Rm.	R282m	R294m	Nil	124
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 revenue, Rm and per cent variance.	R2.38bn \pm 10%	R2.36bn Within allowed variance	Nil	142
4.2	Total expenditure, Rm and per cent variance. (DWS SHC Indicator)	R1.86bn \pm 10%	R1.61bn (Below budget)	Nil	142
4.3	Total surplus (loss), Rm and per cent variance.	R529m \pm 10%	R790m (Above target)	Nil	142
4.4	Number of debtor days. (DWS SHC Indicator)	\leq 42	40.34	Nil	172

SCORECARD 2015/2016 ...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 4: Increase financial sustainability ...continued					
KPI 4: The extent to which there are sustainable financial returns for each system, area, region and the organisation ...continued					
4.5	Total s30 revenue, Rm and per cent of turnover. (DWS SHC Indicator)	R36m, 1%	R115m, 5%	Nil	158
4.6	Per cent return on assets. (DWS SHC Indicator)	≥ 7%	8.56%	Nil	129
4.7	Number of breaches or instances of non-compliance to the approved materiality and significance framework. (DWS SHC Indicator)	Nil	Nil	Nil	184
Strategic Objective 5: Improve financial ratios					
KPI 5: Ratios for financial viability and sustainability met					
5.1	Debt to Equity %. (DWS SHC Indicator)	≤ 60%	34%	Nil	129
5.2	Interest cover ratio.	≥ 2.5	4.6	Nil	129
5.3	Current ratio. (DWS SHC Indicator)	1.5 to 2.1	2.07	Nil	129
5.4	Liquidity - operating cash flows, Rm.	≥ R800m	R1152m	Nil	145
5.5	Gross profit margin % for primary activity (Bulk Water and Wastewater). (DWS SHC Indicator)	≥ 50%	59%	Nil	158
5.6	Net profit margin % for primary activity (Bulk Water and Wastewater). (DWS SHC Indicator)	≥ 20%	35%	Nil	158
5.7	Gross profit margin % for secondary activity. (DWS SHC Indicator)	≥ 5%	5%	Nil	158
5.8	Net profit margin % for secondary activity. (DWS SHC Indicator)	≥ 1%	5%	Nil	158
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.				80
	Working days from tender advert to issuing intention of award.	≤ 90	87 days average 14 of 19 tenders < 90	5 of 19 tenders > 90	
	Working days for CPG negotiations, measured from expiry of appeals period.	≤ 45	18 days average 16 of 19 tenders < 45	3 of 19 tenders > 45	
	Working days for issuing of signed contracts, measured from conclusion of CPG negotiations.	≤ 15	20 days average 8 of 12 tenders < 15	4 of 12 tenders > 15	
6.2	Project lifecycle, Engineering, Procurement and Construction Management (EPCM), incorporates structured gate review process.	100% complete	73% complete	27% behind schedule	80
6.3	Per cent Enterprise Resource Planning (ERP) system reviewed and implemented.	100% complete	70% complete	30% behind schedule	111
6.4	Number of environmental sustainability initiatives implemented.	≥ 3 initiatives implemented	3 initiatives implemented	1 very slightly behind schedule	91

SCORECARD 2015/2016 ...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					
6.5	Number of research and development / innovation initiatives implemented.	≥ 3 initiatives implemented	5 initiatives in progress with 2 on track	3 behind schedule	110
6.6	Unqualified external audit report with no matters of emphasis (clean audit). (DWS SHC Indicator)	Unqualified audit	Unqualified audit	Nil	134
6.7	Number of repeat internal audit findings.	Nil	Nil	Nil	41
	Number of unresolved internal audit findings. (DWS SHC Indicator)	≤ 5	7 unresolved findings (6 Medium and 1 High)	> 5 unresolved findings.	
6.8	Board / Committee meetings attended as a % of planned meetings. (DWS SHC Indicator)	≥ 80%	Board: 89.2% Audit: 90% Capex: 84.4% REMCO: 77.1% Governance: 100%	REMCO: < 80%	39
6.9	Ethical issues addressed as assessed against key ethics areas.	100% addressed	100% addressed	Nil	40
6.10	Disabling Injury Frequency Ratio (DIFR).	≤ 1.0	0.08	Nil	102
6.11	Per cent compliance against legal Compliance Register.	100%	99.5% One non-compliance	0.5% To be closed in 2017	41
6.12	Water Utility Benchmarking System includes four (4) new parameters with developed Business Intelligence (BI).	100% complete	100% complete	Nil	25
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	Actual CAPEX Rm implemented and % variance against budget. (DWS SHC Indicator)	≥ 80% of R1 962m (Escalated: R2,142m)	R2 019m Within allowed variance	Nil	80
7.2	Number of CAPEX projects within target completion dates against planned number.	≤ 85% completion	93% completion	Nil	80
	% variance (DWS SHC Indicator)	≤ 15% variance	7% variance		
7.3	Actual CAPEX spend on rural expansion related projects as % of budget. (DWS SHC Indicator)	R 843m ± 10% (Escalated: R917m)	R967m (Above budget due to project acceleration)	Nil	80
7.4	Repairs and maintenance spend (excluding renewals) Rm as % of Property Plan and Equipment (PPE) and Investment Property (Carrying Value).	R175m ± 10% ≥ 4% of PPE	R169m 2.4% of PPE Reallocation from renewals to Capex	Nil	75

SCORECARD 2015/2016 ...continued

#	Result Indicator	Target	Actuals	Variance	Pg#
Balanced Scorecard Perspective: Process ...continued					
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.	100%	100%	Nil	87
8.2	Per cent supply disrupted > 24 hours (over total supply days). (DWS SHC Indicator)	0%	0%	Nil	70
8.3	Avoidable water loss as a percentage of water produced. (DWS SHC Indicator)	≤ 5%	3.85%	Nil	75, 91
8.4	Water demand business unit developed and functional and analysis of customer non-revenue water.	100% complete	100% complete	Nil	91
OUTCOME: Leadership and Employee Development					
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).	100% complete	63% complete	Behind schedule. To be implemented in 2017	33
9.2	Number of Artisans and Apprentices (Learnerships). (DWS SHC Indicator)	≥ 40	57 Artisans 12 Apprentices 91 Process Controllers	Nil	103
9.3	Number of Bursar degree plans met. (DWS SHC Indicator)	≥ 10	13	Nil	104
9.4	Number of Graduate Trainees development plans met (Graduates, In-Service Trainees and Interns). (DWS SHC Indicator)	≥ 28 Graduate Trainees ≥ 28 In-Service Trainees ≥ 10 Interns	39 Graduate Trainees 31 In-Service Trainees 13 Interns	Nil	104
9.5	Number of candidate engineers / professionals developed (NT) and professional registration submissions.	≥ 40 developed 11 professional registrations	40 13 professional registrations	Nil	104
9.6	Formulate scope for involvement in War-on-Leaks programme (Rand Water) skills development partnership.	100% Scope of involvement finalised.	100% MOU signed	Nil	91
9.7	Number of permanent jobs created.	35 permanent jobs	155 permanent jobs	Nil	83, 101
	Number of temporary jobs created. (DWS SHC Indicator)	600 temporary jobs	1514 temporary jobs	Nil	
9.8	Number of staff terminations, excluding normal retirements, as a % of the total staff complement. (DWS SHC Indicator)	≤ 8% turnover	4% turnover	Nil	101
9.9	Staff remuneration % of total operating expenditure. (DWS SHC Indicator)	≤ 35%	30.3%	Nil	142