

8.0 PERFORMANCE AGAINST UMGENI WATER STRATEGY AND SHAREHOLDER COMPACT INDICATORS 2017/2018

Umgeni Water implements its strategy through a balanced scorecard. For the past year, this comprised of four (4) Balanced Perspectives, four (4) Strategic Goals, nine (9) Strategic Objectives and nine (9) Key Performance Indicators (KPIs).

The KPIs were further made up of fifty-five (55) total annual measurable Result Indicators, for which responsibilities and accountabilities were agreed and targets approved within the entity at the start of the year. 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 2017 to 30 June 2018, 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: Overall Performance

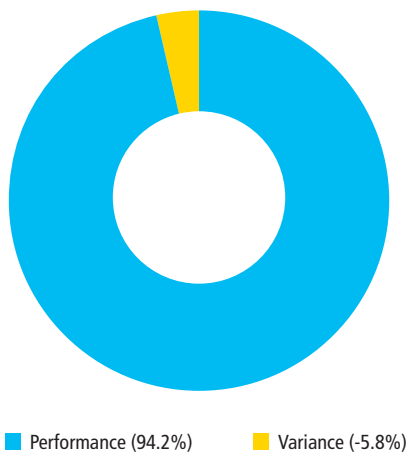
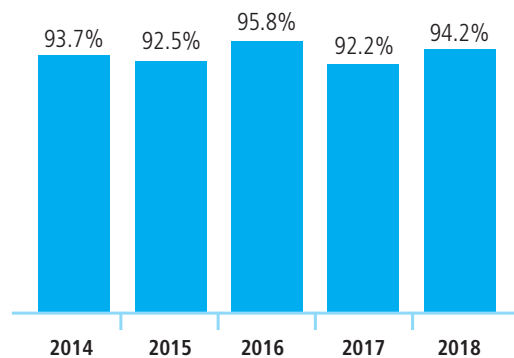


Figure 8.2: Performance Trend



PER CENT TARGETS MET: 94.19%
PER CENT TARGETS NOT MET: 5.81%

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.

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**, **99.3%** performance was achieved, for which:

- SO 1 - Increase services and customers achieved 100%; and
- SO 2 - Increase customer and stakeholder value achieved 99.3%.

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**, performance achieved was **92.2%**, for which:

- SO 3 - Increase mobilisation of funds achieved 100%;
- SO 4 - Increase financial sustainability 83.3%; and
- SO 5 - Improve financial ratios 100%.



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CAPEX Programme
Jobs in the 2017/2018
financial year

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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,* performance achieved was **85.2%**.

- SO 6 - Improve service delivery systems achieved 85.2%.

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,* **96.3%** performance was achieved, for which:

- SO 7 - Improve and increase infrastructure assets achieved 94.8%;
- SO 8 - Increase water resources sustainability 100%; and
- SO 9 - Increase skills and competency 95.6%.

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

Figure 8.3: Performance by Strategic Goal

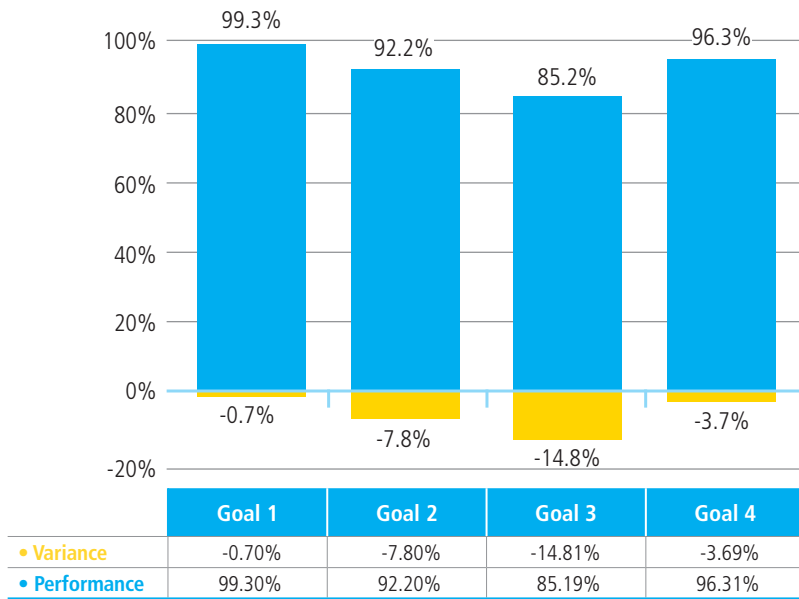
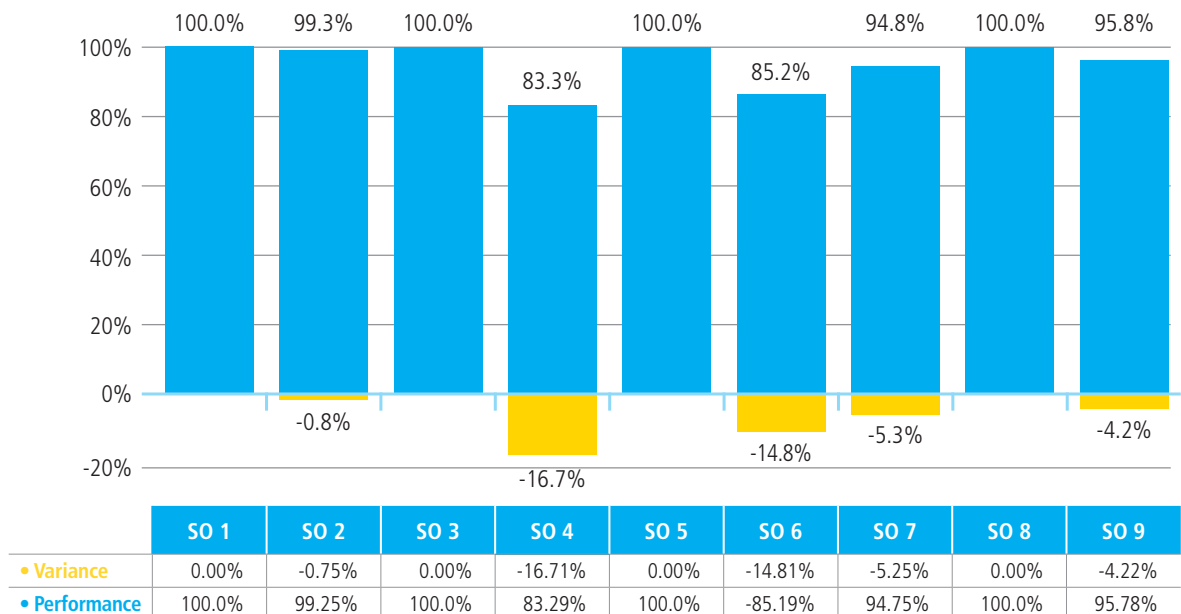


Figure 8.4: Umgeni Water Performance by Strategic Objective



The detailed performance of the organisation against indicators and targets for 2017/2018 follows, with further expansion in each of the Annual Report chapters.

SCORECARD 2017/2018ⁱ

#	Result Indicator	Target	Actuals	Variance	Pg. #
BALANCED SCORECARD PERSPECTIVE: CUSTOMER AND STAKEHOLDER					
Outcomes: Stakeholder Understanding and Support, Community and Environmental Sustainability, Customer Satisfaction					
Strategic Objective 1: Increase services and customers					
KPI 1: The extent to which the entity has grown its services and customers					
1.1	Investigations for new services or products completed.	Scope of work for two investigations finalised.	Scope of work for two investigations finalised.	Nil	27
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)	Response to received Directives: One (1) Directive was received during the reporting year.	One (1) Directive was received and appropriately responded to within the reporting year.	Nil	19
2.2	Number of engagements with statutory stakeholders: Minister, DWS, PC and NT. (DWS SHC Indicator)	≥ 4 engagements.	12 engagements.	Nil	54
2.3	Number of engagements with contractual stakeholders: Customers, Employees, Union and Suppliers.	≥ 3 customer sessions. ≥ 3 staff sessions. ≥ 3 union meetings. ≥ 1 supplier forum. ≥ 1 executive site visit.	6 customers engaged. 1 staff session. 3 union meetings. 1 supplier forum. 1 executive site visit.	< 3 Staff Sessions	56
2.4	Number of engagements with strategic stakeholders.	≥ 4 engagements.	14 engagements with KZN Province	Nil	54
2.5	Number of Engagements with non-contractual stakeholders.	≥ 4 media. ≥ 1 community. ≥ 1 business. ≥ 1 national.	14 media engagements. 1 community. 1 business. 1 national.	Nil	56
2.6	Number of signed contracts / bulk supply agreements (BSAs) in place as a % of total customers. (DWS SHC Indicator)	6 customers, 100% signed agreements.	7 customers, 100% signed agreements. 7 th BSA with uThukela DM signed in Nov 2017.	Nil	73
2.7	Number of signed contracts / MOUs with rural Municipalities for provision of support. (DWS SHC Indicator)	≥ 2 signed contracts/MOUs.	3 signed contracts/MOUs.	Nil	74
2.8	Number of submissions in respect of Monthly Reports, Quarterly Reports, Annual Report, Tariff, Corporate Plan, SHC and Policy Statement. (DWS SHC Indicator)	20 of 20 submissions: 4 Quarterly Reports; Annual Report; Tariff; Corporate Plan; SHC; and 12 Monthly Reports.	20 of 20 submissions: 4 Quarterly Reports; Annual Report; Tariff; Corporate Plan; SHC; and 12 Monthly Reports.	Nil	56
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.	12 WTW systems 100% compliant with Excellent SANS 241.	1 WTW system not 100% compliant with Excellent SANS 241.	70
		Four (4) UMDM schemes compliant with Good SANS 241.	Mhlabatshane WTW: Operational Category 90.43%. Four (4) UMDM schemes compliant with Good SANS 241.	Mhlabatshane WTW: 2.57% Variance with Operational category.	

ⁱ Parent Only

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SCORECARD 2017/2018 (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 (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.	6 WWTW ≥ 85% compliant. 0 WWTW ≥ 80% compliant. 1 WWTW ≥ 60% compliant.	1 WWTW < 85% compliant: Appelsbosch WWTW. 1 WWTW < 80% compliant: Darvill WWTW.	71
2.11	Number of schools/community initiatives undertaken.	≥ 3 initiatives implemented.	3 initiatives implemented.	Nil	84
2.12	Number of CSI initiatives undertaken. (DWS SHC Indicator)	≥ 1 completed	1 completed: Qhulula Spring Protection	Nil	85
2.13	Per cent PSP and contractor order values (CPGs) awarded to B-BBEE suppliers.	≥ 35%	39% (R174 million of R451 million)	Nil	83
	PSP and contractor order values (CPGs) awarded to B-BBEE suppliers that are women.	≥ 14%	55% (R95 million of R174 million)		
2.14	Actual B-BBEE spend as a % of total discretionary expenditure.	≥ 80% spend	122% spend	Nil	83
	Number of new B-BBEE entrants awarded work. (DWS SHC Indicator)	≥ 2 new entrants awarded work.	3 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.	≥ R1 000 million	R1 324 million	Nil	149
3.2	Current ratio. (DWS SHC Indicator)	1.5 to 2.1	2.74	0.64 A higher current ratio - assets much higher than liabilities - is not an issue for UW.	
3.3	Debt to Equity ratio. (DWS SHC Indicator)	≤ 0.4	0.23	Nil	131
3.4	Interest cover ratio.	≥ 2.5	4.94	Nil	131
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, Rbn and per cent variance.	R2.98 billion ±10%	R2.89 billion Within allowable limits.	Nil	146
4.2	Total expenditure, Rm and per cent variance. (DWS SHC Indicator)	R2.20 billion ±10%	R1.718 billion R522 million below budget.	Nil	146
4.3	Total surplus (loss), Rm and per cent variance.	R747 million ±10%	R1 183 million R436 million above target.	Nil	146
4.4	Number of debtor days. (DWS SHC Indicator)	≤ 40 debtor days.	47 debtor days.	47 debtor days against a target of 40.	175
4.5	Total S30 revenue, Rm and per cent of turnover. (DWS SHC Indicator)	≥ R20 million 1% (±10%) of turnover.	R51 million 2% of turnover.	Nil	163

SCORECARD 2017/2018 (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)					
4.6	Per cent return on assets. (DWS SHC Indicator)	≥ 7%	11.15%	Nil	131
4.7	Number of breaches or instances of non-compliance to the approved materiality and significance framework. (DWS SHC Indicator)	Nil	One (1) breach	R33m Irregular Expenditure incurred.	186

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)	≥ 50% (R1.649 billion ± 10%)	60% (R1.690 billion)	Nil	163
5.2	Net profit margin % for primary activity (Bulk Water and Wastewater). (DWS SHC Indicator)	≥ 20% (R742 million ± 10%)	42% (R 1 177 million)	Nil	163
5.3	Gross profit margin % for secondary activity. (DWS SHC Indicator)	≥ 2% (R1 million ± 10%)	15% (R7.5 million)	Nil	163
5.4	Net profit margin % for secondary activity. (DWS SHC Indicator)	≥ 1% (R0.5 million ± 10%)	11% (R5.6 million)	Nil	163

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	89 days average 11 of 15 tenders < 90 days	4 of 15 tenders > 90 days	
	Working days for CPG negotiations, measured from expiry of appeals period.	≤ 45	50 days average 9 of 15 tenders < 45 days	6 of 15 tenders > 45 days	
	Working days for issuing of signed contracts, measured from conclusion of CPG negotiations.	≤ 15	23 days average 8 of 15 tenders < 15 days	7 of 15 tenders > 15 days	
6.2	Number of environmental sustainability initiatives implemented.	≥ 1 assessment completed.	Draft assessment: Nagle Dam Resource Management Plan.	Assessment not finalised.	95
6.3	Number of research and development / innovation initiatives implemented.	≥ 1 initiative completed.	1 initiative completed: Desalination pre-treatment pilot plant completed and commissioned.	Nil	110
6.4	Unqualified external audit report with no emphasis of matters (clean audit). (DWS SHC Indicator)	Unqualified external audit report with no emphasis of matters (clean audit).	Unqualified external audit report in respect of financial statements and pre-determined objectives.	Material finding with respect to compliance with legislation.	135

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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 repeat and unresolved findings. (DWS SHC Indicator)	≤ 10 findings.	7 findings.	Nil	44
6.6	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 93% - REMCO 95% - CAPEX 94% - GOVERNANCE 100% > 80% resolutions taken.		42
6.7	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	43
6.8	Disabling Injury Frequency Ratio (DIFR).	≤ 0.5	0.16	Nil	104
6.9	Per cent compliance against legal Compliance Register.	100% against Compliance Register.	95% against Compliance Register.	5% below target.	44
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 329 million ±30%	R927 million 30% variance	R402 million below target. Within allowable limits.	80
7.2	Number of CAPEX projects within target completion dates against planned number and % variance. (DWS SHC Indicator)	≥ 85% completion ≤ 15% variance	67% completion 33% variance Of 13 strategic projects: 5 on schedule; 5 partly on schedule; 3 behind schedule.	18% variance	80
7.3	CAPEX spend on rural expansion related projects as % of budget. (DWS SHC Indicator)	R255 million ±30% ± 19% of total CAPEX budget spend.	R367 million of R927 million spent on rural expansion projects. 40% of total CAPEX spend. (28% of CAPEX budget).	Nil	80
7.4	Repairs and maintenance as % of PPE and Investment Property (Carrying Value). (DWS SHC Indicator)	R232 million ± 10% ≥ 2% of PPE	R213 million. Within allowable limits. 2.56% of PPE.	Nil	75
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.	Infrastructure Master Plan updated and refined. Quarterly Water Resources status reports. Quarterly plant utilisation reports.	Infrastructure Master Plan updated and refined. Quarterly Water Resources Status Reports. Quarterly plant utilisation reports.	Nil	73-76
8.2	Per cent supply disrupted > 24 hours (over total supply days). (DWS SHC Indicator)	0 days	0 days	Nil	72

SCORECARD 2017/2018 (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)					
8.3	Avoidable water lost (mil m ³) over total water produced (mil m ³). (DWS SHC Indicator)	≤ 5%	2.17%	Nil	93
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 management development programme.	≥ 90% enrolled candidates attended target modules as at 30 June 2018.	Service Provider appointed to coordinate and facilitate the MDP for 30 Young Professionals. 2 of 12 sessions attended; 95% average attendance.	Programme commenced 3 months later than scheduled.	105
9.2	Number of Young Professionals enrolled and developed through Youth Development projects.	Competent communicator (CC) and Competent Leader (CL) Toastmasters Programme: ≥ 30 YPs successfully completed; ≥ 10 new YPs registered; and ≥ 5 other employees registered. Advanced Toastmasters Programme: ≥ 20 YPs registered.	Competent communicator (CC) and Competent Leader (CL) Toastmasters Programme: 30 YPs successfully completed; 39 new YPs registered; and 8 other employees registered. Advanced Toastmasters Programme: 16 YPs registered.	Only 16 of 20 expected YPs registered for the Advanced Toastmasters Programme.	106
9.3	Number of Artisans and Apprentices (Learnerships). (DWS SHC Indicator)	≥ 50	70 plans met: - 58 Apprentices; - 12 Artisan Trainees.	Nil	106
9.4	Number of Bursar degree plans met. (DWS SHC Indicator)	≥ 10	10	Nil	106
9.5	Number of Graduate Trainees (Graduates, In-service Trainees, Interns) development plans met. (DWS SHC Indicator)	≥ 20 graduate trainees. ≥ 25 in-service trainees. ≥ 8 interns.	24 graduate trainees. 50 in-service trainees. 17 interns.	Nil	106
9.6	Number of candidate engineers/professionals developed (NT) and number of professional registration submissions.	≥ 18 developed. 10 certification submissions.	30 developed. 18 certification submissions for candidate Engineers. 4 candidates from prior programme have been successfully registered as Professional Engineers.	Nil	106
9.7	Number of permanent jobs created.	N/A	5 new permanent positions created.	Nil	84
	Number of temporary jobs created. (DWS SHC Indicator)	≥ 700 temporary jobs. CAPEX programme jobs.	599 temporary jobs. CAPEX programme jobs.	101 below target	
9.8	Number of staff terminations, excluding normal retirements, as a % of the total staff complement. (DWS SHC Indicator)	≤ 8% turnover.	3.14% turnover.	Nil	104
9.9	Staff remuneration % of total operating expenditure. (DWS SHC Indicator)	≤ 35%	35%	Nil	146

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