



2026/27 – 2030/31 DRAFT BUSINESS PLAN

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Abbreviations of Terms

Term	Description
AD	Active Directory
APC¹	Assistant Process Controller
APC²	Company name of a manufacturer of uninterruptible power supplies, electronics peripherals and data centre products
BBBEE	Broad-Based Black Economic Empowerment
BCEA	Basic Conditions of Employment Act
CAPEX	Capital Expenditure
CFO	Chief Financial Officer
COGTA	Cooperative Governance and Traditional Affairs
DM	District Municipality
DOL	Department of Labour
DWS	Department of Water and Sanitation
EAP	Employee Assistance Program
EEF	Employment Equity Forum
ERP	Enterprise Resource Planning
EWSETA	Energy and Water Services-Sector Education and Training Authority
GIS	Geographic Information System
GSM	Global System for Mobile Communication
IDP	Institutional Development Plan
ISA	Internet Security and Acceleration
KPA	Key Performance Area
KPI	Key Performance Indicator
MES	Manufacturing Execution System
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MTREF	Medium term revenue expenditure framework
OHSA	Occupational Health and Safety Act
OPEX	Operational Expenditure

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OS	Operating System
PABX	Private Automatic Branch Exchange
PLC	Programmable Logic Controller
HC	Human Capital
PMS	Performance Management System
SAIX	South African Internet Exchange
SALGA	South African Local Government Association
SALGBC	South African Local Government Bargaining Council
SCADA	Supervisory Control and Data Acquisitions
SCM	Supply Chain Management
SHEQ	Safety, Health, Environment and Quality
SMME	Small, Medium and Micro Enterprises
TCO	Total Cost of Ownership
TRO	Total Risk of Ownership
TVO	Total Value of Ownership
UPS	Uninterruptable Power Supply
VM	Virtual Machine
WPP	Water Purification Plant
WSA	Water Services Authority
WSDP	Water Services Development Plan
WSP	Water Services Provider
WSP	Workplace Skills Plan
WWTP	Wastewater Treatment Plant

1. EXECUTIVE SUMMARY

Purpose: This Business Plan maps out the strategic focus of the uThukela Water (Pty) Ltd, hereafter called the Entity, over the five-year period: 2026/27 to 2030/31 financial years. Aligned to key strategic objectives of government, such as set out in the National Development Plan and the 2030 Water Services Plan, the business plan outlines the Entity vision, along with key developmental goals to be reached by 2033.

This multiyear business plan sets out the Board's agreed key financial and non-financial performance objectives and measurement criteria. The plan also presents the Entity's proposed Operational and Capital Budget initiatives, the alignment of the Bulk Water Services Master Plan (BWSMP) with the municipal Integrated Development Plans (IDPs) and development plans and water service level agreements (SLAs) with its shareholder municipalities.

Ownership: The Share value of the Entity has been issued at 100 ordinary shares valued at R100.00. The individual shareholding stands at: 34% Newcastle Local Municipality, 33% Umzinyathi District Municipality and 33% Amajuba District Municipality.

The Business: The Entity is a municipal owned Entity established in September 2001. The Entity operates as a bulk water service provider to its shareholder municipalities.

The relationship between the Entity and its shareholder municipalities is governed by Water Service Authority/Water Service Provider (WSA/WSP) agreements. The WSA/WSP agreements are output based and they express the level of expected service by both Parties, with the aim to ensure a sustainable bulk water provision.

Management and Leadership: The Board and its governance structures are supported by the Senior Management Committee (EMC) and Audit Committee. The internal administrative structures supporting

the Board include the Internal Audit Unit, Risk Management Unit and Performance Management System Unit.

The Board is also supported by other Statutory Committees such as the Safety Committee, Remuneration/Job evaluation Committee, Joint Regional Operations, Admin and Finance Committee, Bulk Water Master Plan Committee and the Annual External Statutory Audit functions performed in terms of the Public Audit Act (No. 25 of 2004).

The Guiding Framework: The Entity has Bulk Water Service Level Agreements that replaced the initial 2030 Water Services Plan with each of the shareholder municipalities since 1 July 2013. The replacement of the 2030 Water Services Plan was due to the Municipal Systems Act Section 78 split and transfer of the water reticulation services back to the municipalities.

The Entity also has a Bulk Water Services Master Plan, which is its cornerstone of its service delivery planning model. The BWSMP helps in ensuring that the Entity diligently utilises its resources to provide a sustainable bulk water service to its parent municipalities.

In order to ensure a unified approach to bulk water master planning in the region, the revised BWSMP has been developed in alignment with the National, Provincial and Universal Water Axis Development Plans.

However, the acceptance and commencement of the implementation of the BWSMP has delayed. This has led to the Board to take the initiative to, jointly with the parent municipalities, go ahead with the implementation of the strategic objectives during this multiyear period of the Business Plan.

Target Market: The Entity supplies bulk water to its parent municipalities, who in turn reticulate the water to their respective customers (communities and business). The Entity provides the bulk

water from its Ngagane and Biggarsberg Water Plants that service approximately 250 000 households.

SALIENT EXPECTATIONS AND BUSINESS REQUIREMENTS FOR THE SUCCESSFUL RENDERING OF A WORLD CLASS BULK WATER SERVICE TO THE SHAREHOLDER MUNICIPALITIES

This business plan, amongst other things, highlights the many successes, expectations, untapped potential, and challenges that impact on an effective and efficient bulk water service delivery.

There are high risk factors that impact on the Entity's operations that shareholder municipalities must take note of. These risk factors must be considered when reflecting on the plans and objectives of bulk water services delivery as they have a potential to impede effective and efficient service delivery. The risks are:

- Ensuring that the Entity's annual budgets are carefully considered and fully funded and driven by a sustainable and affordable recovery bulk water tariff.
- Ensuring that the shareholder municipalities continually honour their annual budgetary commitments to the Entity to ensure that water services are delivered in a sustainable and uninterrupted manner.
- The Entity's ability to access capital revenue via its bulk water tariff mechanism, available government grant mechanisms and other funding sources in order to ensure the implementation of the BWSMP and annual performance objectives.
- Ensuring that the shareholders embrace the strategic objectives of the BWSMP and implement the plan as a matter of urgency.

Going Concern: The Entity's audited financial statements for the 2024/25 financial year reflect its assets and liabilities as presented in table 1:

Table 1: Assets and liabilities

Indicator	Status
Assets	Total Assets : R 1 217 503 374, comprising of- • Current Assets : R 346 742 275 • Non-Current Assets : R 870 761 099
Liabilities	Total liabilities : R 587 601 099, comprising of- • Current Liabilities : R 584 362 229 • Non-Current Liabilities: R 13 238 790/
Net Assets	Total Net Assets : R 629 902 355, comprising of- • Share Capital : R 100 • Reserves : R 801 458 592 • Accumulated Funds : (R 171 556 637)

2. ORGANISATIONAL PROFILE

Who we are

uThukela Water (Pty) Ltd is a multijurisdictional municipal owned Entity established in September 2001, then called uThukela Water Partnership (TWP).

Established in terms of the Municipal Systems Act (No. 32 of 2000), its purpose is the provision of bulk water services within the area of jurisdiction of its shareholder municipalities. The Entity delivers bulk water services from raw water abstraction, through treatment, distribution and quality monitoring and then finally delivering to its shareholder municipalities at bulk metered points.

Vision, Mission, Business Focus and Values

In 2007, the Board and senior management met to review the Entity's strategic direction and the vision was retained. Figure 1 presents that the Entity vision, mission, business focus and values.

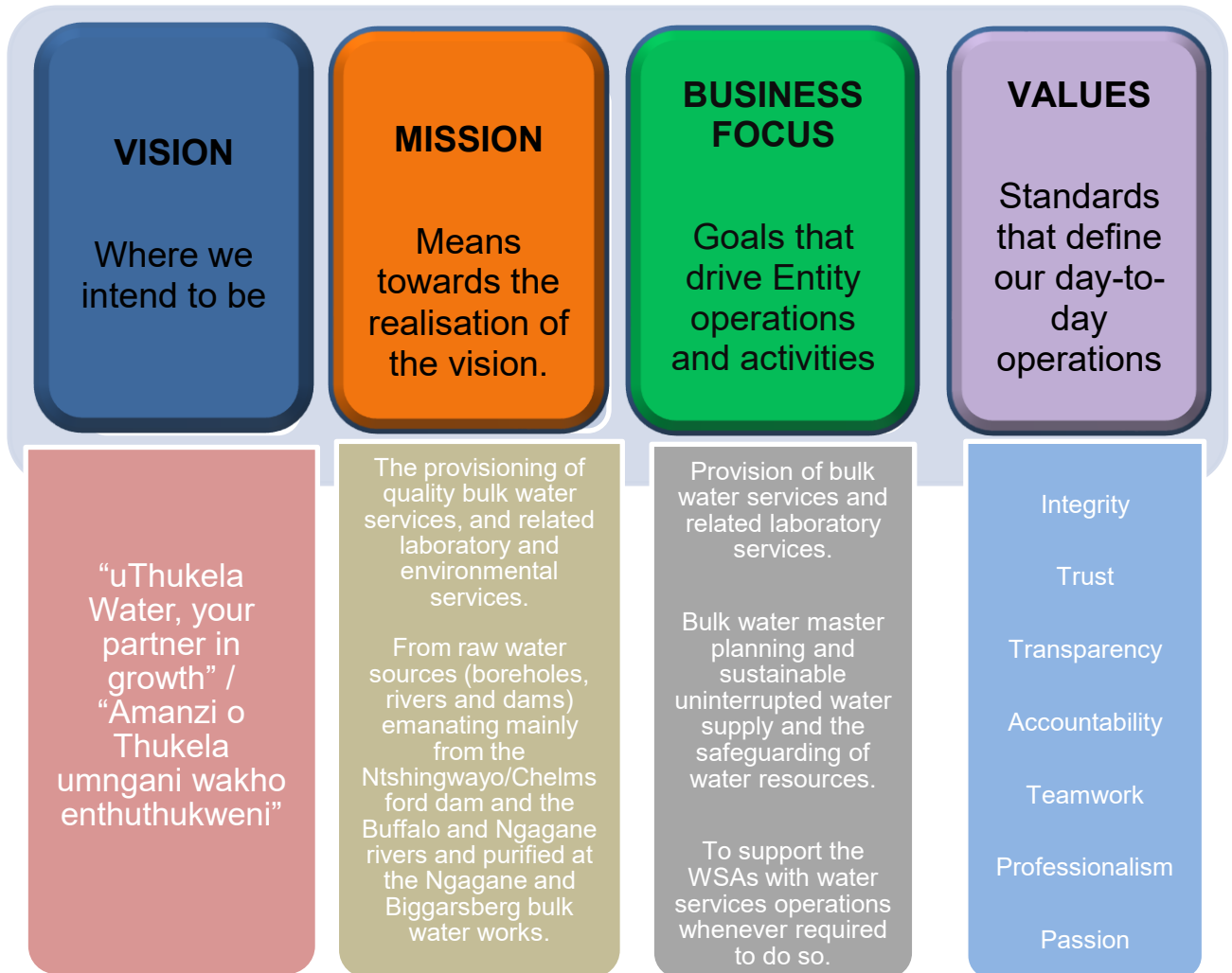
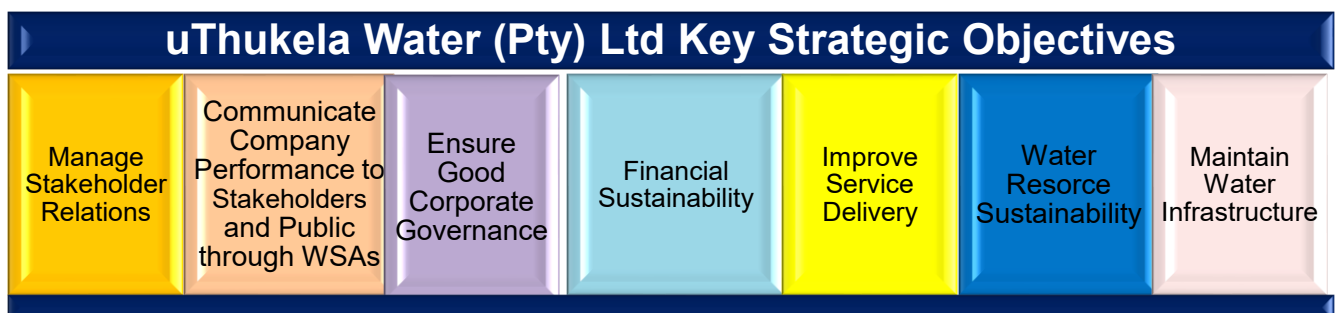


Figure 1: uThukela Water Vision, Mission, Business Focus and Values

The Key Objectives of the Entity

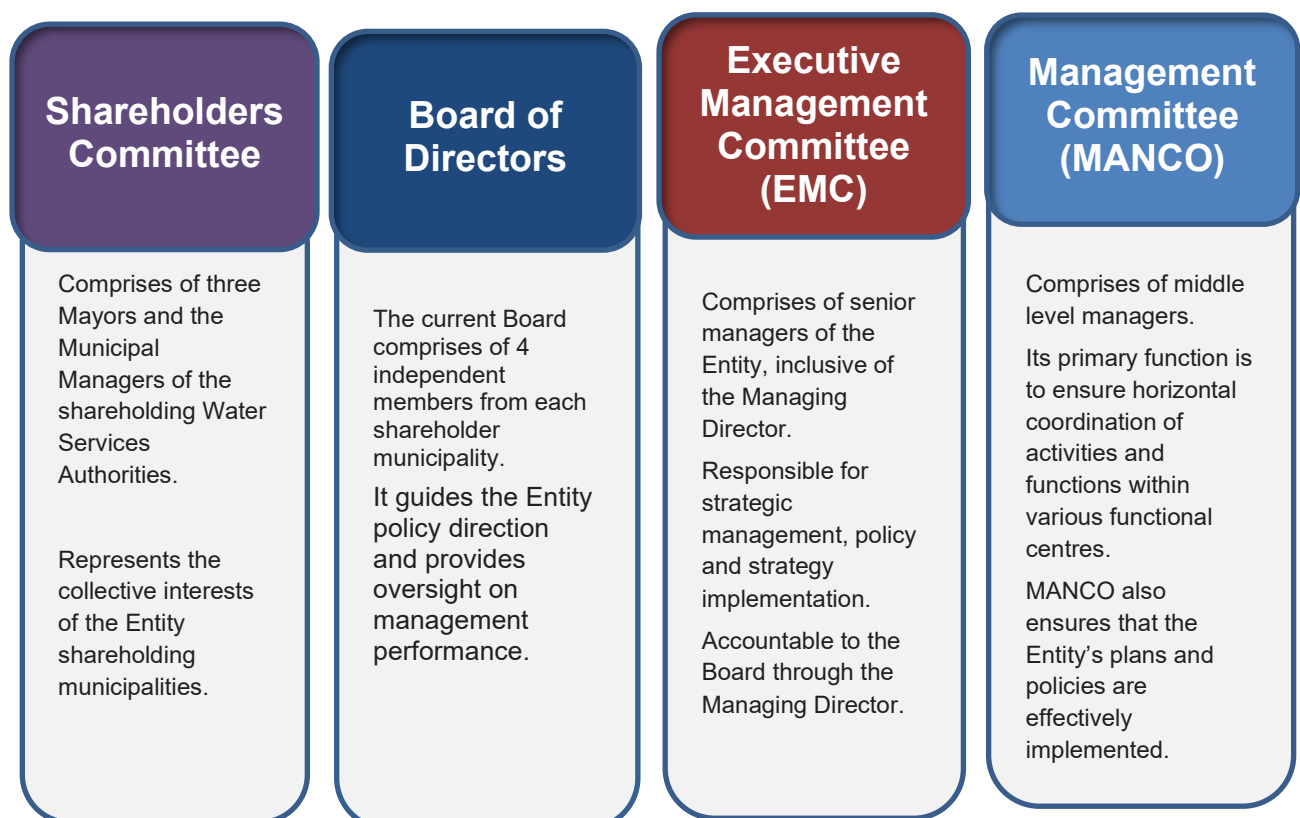
The entity upholds its mission of providing quality bulk water services and laboratory services, by identifying its key objectives, which are filtered into all departments, and further broken down into measurable targets and milestones that are reported on quarterly.



Institutional Structures

uThukela Water institutional structures comprise of four key committees, namely: Shareholders Committee, Board of Directors, Leadership Committee and Management Committee. Figure 2 captures a summary of the compositions and roles of the structures.

Figure 2: uThukela Water Institutional Structures



uThukela Water notes the huge responsibility it has of ensuring that communities within its area of supply have access to sustainable good quality safe drinking water. Through its innovative solutions, the Entity is ready to fulfil this task, which will result in it playing a meaningful developmental role in the region.

As a Bulk Water Service Provider, the Entity provides the bulk water services on behalf of, and in agreement with, the Water Services Authorities, who in turn reticulate the treated water to their respective community households, industries, businesses, agriculture, government institutions and other users.

The Entity may expand its service coverage to provide water and related services beyond the current area of jurisdiction, but on condition that those services will create benefits for the Entity. Such may include providing laboratory services to private companies.

Services Provisioning and Delivery Focus

- Safe drinking water for all customers.
- Compliance with all relevant legislation.
- Participant in the regional economy.
- Implementation of Continuous Improvement Processes to minimise tariff increases.
- Positioning the Entity as a World Class utility.
- Exemplary for capacity building and empowerment.
- Implementation of appropriate and focused technologies, including IT and systems in a cost-effective manner.
- A motivated, energetic, committed, creative, innovative, and professional team.

Resourcing (Processes, Systems and Standards) Focus

Integrated and effective information systems.

Adherence to the concepts of total cost of ownership (TCO), total value of ownership (TVO) and total risk of ownership (TRO).

Performance management to be based first on employee performance management which will then translate to organisational performance management.

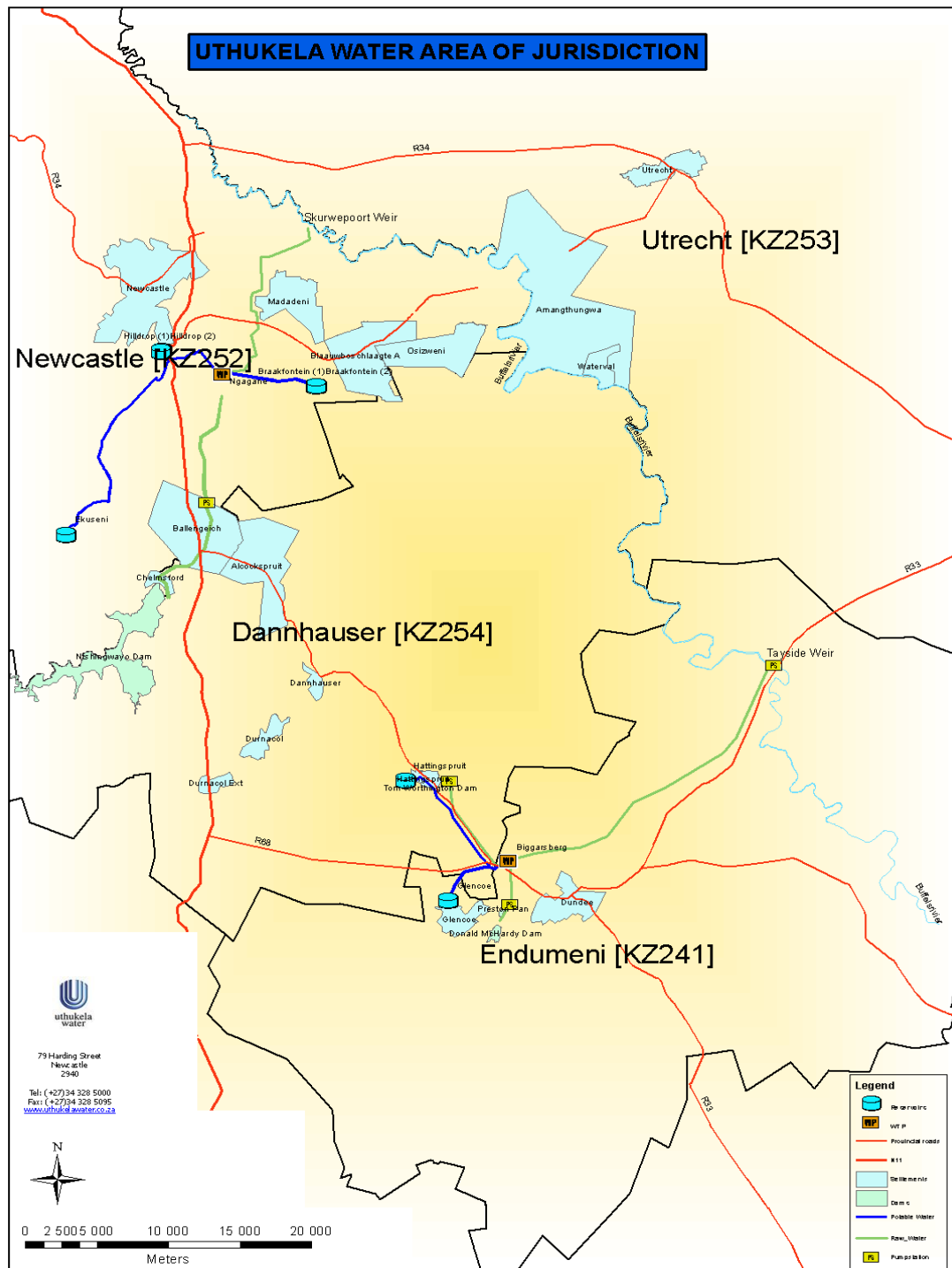
Adherence to sound business and corporate governance principles.

3. GEOGRAPHIC AREA OF SUPPLY

uThukela Water is the first Municipal Entity that provided a full spectrum of bulk and reticulation water and sanitation services on a regional basis, covering three municipalities. The Entity's Head office and Laboratory facilities are situated in Newcastle.

Operations within uThukela Water are centred in Newcastle, from which the bulk water works at Ngagane (outside Newcastle) and Biggarsberg (outside Dundee) are operated. The map of uThukela Water's operational area is further illustrated by figure 3.

Figure 3: uThukela Water geographic area of operation.



4. EXECUTIVE MANAGEMENT STRUCTURE

uThukela Water's top management structure, as depicted by figure 4 below, shows that the entity has a functional structure. As prescribed in the entity's Articles of Association, the Board of Directors is appointed by the Councils of the shareholder municipalities, with the Managing Director (MD) and Company Secretary appointed by the Board. The rest of the Executive Directors are appointed by the Managing Director.

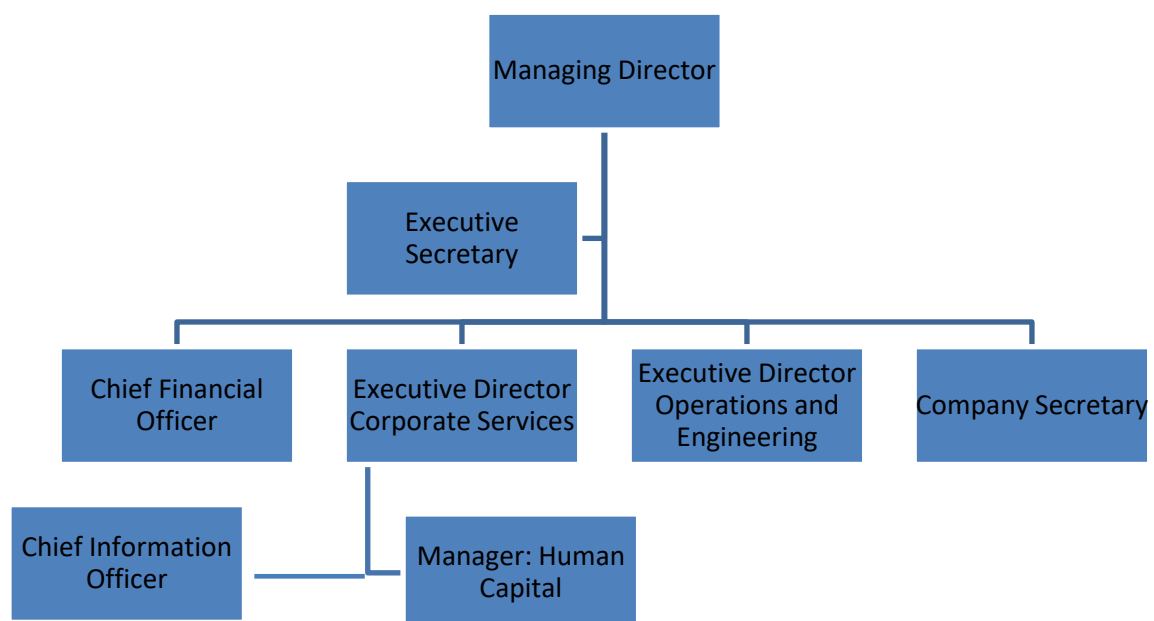


Figure 4: uThukela Water Management Structure

5. AREAS OF BUSINESS

The entity operates as a water services provider as per Section 22 of the Water Services Act (No.108 of 1997)

The primary activity of the entity is the delivery of bulk water services and water quality monitoring services to its WSA's. It delivers the full cycle of bulk water services from abstraction of raw water, treatment,

quality control and distribution to the WSA municipalities at bulk water supply points. Its products and services include:

- Raw and potable water supplied in bulk.
- Water treatment to potable water standards.
- Wastewater and sanitation monitoring for the Newcastle municipality through the laboratory services.
- Assisting the WSAs with water services whenever needed.

In addition, other critical activities that support the functions of the primary activities include:

- The development of bulk water infrastructure through planning and implementation of capital projects.
- Scientific and technical services to ensure quality and security of supplies.

6. THE PLANNING PROCESS

6.1 The Strategic Planning Cycle

The strategic planning process is designed to encourage maximum participation from line management. Additionally, it aims to ensure that the objectives, strategies, and action plans formulated are in line with the overall corporate strategic direction of the Entity. Consultations regarding action plans involve all employees as well as all stakeholders.

The Entity's business plan is based on the current institutional arrangements. Through a cascading process, the corporate long-term plans and strategic issues are translated into divisional strategies and long-term goals, and then to departmental annual business plans and performance plans. The intention being to use these strategies and action plans to measure the departmental and individual staffs' performance and contribution towards achieving the strategic goals.

On-going monitoring and reporting by EMC ensures that the Board of Directors is able to do its fiduciary oversight duty on Entity performance: i.e., evaluating the implementation of the strategy, determining the level of success and coming up with improvement interventions where necessary.

The institutionalisation of the philosophy of strategic management in uThukela Water has unfortunately been impeded by the lack of adequate budgets both operational and capital, which leads to the failure to fully implement the bulk water master plan of the entity.

6.2 Planning for Infrastructure Development

The BWSMO envisages a new raw water source being secured higher up in the northern catchment area as well as the construction of an additional water treatment plant at the Ntshingwayo Dam.

This new water source, new treatment plant, together with the existing plants at Ngagane and Biggarsberg, would be enough to serve the whole region with adequate bulk water for the next 30 to 50 years. Other augmentative schemes are also proposed in the plan for areas that are either too sparse or remote to be served by the regional bulk water schemes.

Included in the revised plan is the possibility of considering the construction of a new dam on the Ncandu River. This dam is projected to yield approximately 48 mega litres of bulk water per day to the Newcastle and Amajuba region.

The success of the proposed infrastructure development is dependent on a WSA/WSP unified vision and capital funding plan utilising pooled and available grant and loan funding. Since the anticipated grant funding through the Municipal Infrastructure Grant

(MIG) will not be sufficient, the plan is reliant on the Shareholders and the Entity being able to supplement the MIG funding by obtaining additional RBIG Grants and external loans.

6.3 Stakeholder Engagement

The Entity fully understands the importance of keeping the consumers and the public informed of its plans and operational performance.

Apart from the involvement of employees in the planning process, legislation requires the involvement of key stakeholders such as WSAs and the public in the planning process. The WSAs are responsible for the compilation of the Water Services Development Plans (WSDPs), which form part of their IDPs.

The role of uThukela Water is to influence the WSDPs to align to the Entity's Bulk Water Infrastructure Master Plan. The Entity will therefore be actively involved in the development of the IDPs of the shareholder municipalities.

The biggest challenge in this regard relates to motivating the stakeholders on matters relating to higher capital costs versus lower operating and maintenance costs. The municipalities tend to prefer the implementation of standalone schemes with lower capital costs, which speeds up the elimination of backlogs. The main disadvantage of the small stand-alone schemes is the high operating and maintenance costs and low sustainability.

7. ANALYSIS OF THE WATER INDUSTRY

The South African water sector is facing several challenges relating to institutional transformation, historical service backlogs, ageing infrastructure, climate change, inadequate water resources and high demands for service provision. Key amongst these is ensuring that the citizens have universal access to basic water services as per the Constitution of the Republic and the Millennium Development Goals. These challenges will lead to the transformation of the sector, and consequently forcing water services institutions to adopt new ways of conducting the water business in order to adapt.

The sector has set some service delivery targets, and it is widely acknowledged that capacity constraints remain a challenge for local government.

Major challenges facing the water sector include:

- Lack of adequate water resources.
- Lack of secure and adequate funding sources.
- Failure to implement medium- and long-term plans.
- Institutional arrangements/realignments (WSA/WSP and CMA) aimed at streamlining the service delivery effort.
- Resident capacity (technical and managerial) to deliver required water services.
- Governance and regulation of water services (number of institutions and their defined roles).
- Addressing the negative impact of the historical poor asset management practices (e.g., neglect of maintenance).

- Cost recovery in high-poverty rural areas.
- Water scarcity.
- Developing sustainable financing strategies for new infrastructure especially in rural areas.

7.1. The Macro Business Environment

7.1.1.Socio-Cultural Influence

A considerable number of people living in rural areas in the region still have no access to basic water services. The elimination of the backlogs in water services delivery has proven to be more difficult to achieve than had been anticipated. The problem is further compounded by the migration patterns in some areas, resulting in the creation of new backlogs due to population increase in those areas, negatively impacting on planning processes.

7.1.2.Political / Legal Environment

uThukela Water (Pty) Ltd is registered as a private Entity under the Companies Act (No. 71 of 2008). Being owned by three shareholder municipalities (the WSAs), it is a municipal entity and should therefore comply with the various pieces of legislation applicable to local government. If there is any conflict between the Companies Act and the municipal legislation, the municipal legislation takes precedence.

The biggest socio-political challenge faced by the Entity relates to the fact that the Entity, whilst delivering a basic service, does not have enough financial resources (i.e., sufficient budget allocation approved by its parent municipalities) to deliver the services in line

with expectations of the communities it serves. Citizens feel entitled to demand that such services be provided. A failure to do so is generally regarded as poor and/or non-performance by the Entity.

Notably, the financing model of the Entity is not implemented in accordance with the outcome of the Municipal Systems Act Section 78 Assessment, rather it is implemented around the financial affordability of the parent municipalities. The financing model is not based on the actual costs of providing the service, affecting the Entity's ability to deliver on its mandate.

Several challenges facing the Entity relate to its institutional model. When the Entity was established, it was with the aim for the parent municipalities to reap efficiency benefits that can be achieved by a private sector organisation. However, the Entity currently operates like a municipality in several respects. Several key decisions such as those relating to its capital expenditure and operating budgets must be approved by the Councils of the parent municipalities on a yearly basis. Although the Entity operates in terms of a WSA/WSP agreement, the agreement is not structured in a way that allows proper long-term financial planning. The following issues illustrate this point:

- The agreement does not include a set agreed framework for budget increases, thus, making it difficult and risky for the Entity to obtain loan funding, especially since the parent municipalities have always approved budgets that are significantly lower than those requested by the Board or projected from the Municipal Systems Act Section 78 Assessment estimates. The Entity is thus losing opportunities to implement even those projects with a short payback period.

The implementation of some of the projects in the water industry, including those aimed at efficiency improvements, require long term financial planning. However, this is rendered

impractical for uThukela Water due to the uncertainty perpetuated by the unpredictable municipal budgets.

- The prioritisation of CAPEX projects is subject to consultations with Councils of shareholder municipalities at determined times of the year. This dependency has the potential to negatively impact on the long-term planning of the Entity.
- Section 87 of Municipal Finance Management Act (No. 56 of 2003) (MFMA) requires operational and capital budgets to be based on short and medium-term planning forecasts. These requirements are currently not being fully adhered to.
- The Entity is fully tariff driven, and its annual budget is calculated by multiplying the bulk water volumes demanded by the WSAs multiplied against the approved tariff. The tariff is however not sustainable as it does not reflect the true cost of providing a sustainable bulk water service. Albeit this the proposed tariff is often reduced to cater to the affordability of the WSAs.

The WSA's poor and inconsistent payment for bulk water services has a bearing on the Entity's going concern and its ability to provide sustainable bulk water service.

The adoption of the KZN Bulk Water Strategy and Universal Access Plan by the provincial government, as well as the decision by DWS to support the implementation of regional bulk infrastructure should be an opportunity. The Entity should therefore ensure that all bulk infrastructural needs are properly packaged in an approved business plan.

The Entity should improve current expenditure as poor expenditure performance affects its future budget allocations.

7.1.3.Economic Influence

uThukela Water's jurisdictional area is affected by high poverty levels, with low economic activity. There is minimal cross subsidisation for service delivery, especially within the Amajuba and uMzinyathi WSAs, where the billable customer base is between 6% and 8% of the total population served. The water service delivery function is therefore heavily grant dependent and the quality of service will depend on the amount of equitable share allocated by the WSAs to the entity.

The Entity aims to continually improve productivity and efficiency in order to decrease the cost of rendering the service. In this regard, the Entity will have to develop comprehensive performance criteria and service delivery standards and recommend them to the parent municipalities for adoption.

Most of the Entity's area of supply has been declared a priority development corridor. The Entity will have to actively participate in the planning processes of the WSAs in order to ensure that its infrastructure planning processes do not become a limiting factor for development and that the Entity obtains optimum benefits from the planned economic developments.

7.1.4.Technological Influence

Technological aggressive advancements such as nanotechnology and the internet of things has rapidly changed both businesses and our daily lives.

In order for the Entity to improve levels of productivity and to be a leader in the water industry, there must be greater investment and increasing reliance on IT operations. This investment will be required for various business systems ranging from financial management systems, process control, monitoring and

supervision, engineering design, assets management, data management, etc.

The Entity will need to strike a balance between technological advancements and the implementation of systems that are capable of being utilised using its current skills complement.

7.1.5.Environmental Influence

In all its operations, the Entity strives to fully adhere to national environmental management prescripts as well as global treaties and protocols on environmental conservation and sustainability.

Notably, there is an increasing awareness of the negative environmental impact by various business activities. This has resulted in attempts, for example, to reverse some of the negative effects of the use of ozone-depleting chemicals and the use of fossil fuels in energy generation.

Since the Entity is involved in the implementation of capital projects that have an impact on the environment, infrastructure development and technologies introduced by the Entity should contribute towards the enhancement of environmental sustainability.

Water treatment facility design and processes in the not to distant future will also have to address the increasing issue of being able to treat raw water of poor quality, due to the pollutants in our dams and rivers.

Water conservation has been raised to new levels of awareness, particularly during the current prevailing drought conditions. Water is regarded as a limited resource that must be managed in a holistic manner. Since our water resources are limited, the potential to

meet the increasing demand for water can only be met through better and more responsible management of available resources.

The water industry is rising to the occasion by developing and implementing water conservation strategies, using supply and demand management as components of integrated water resource management strategies. Efficient water usage would require means to reduce unaccounted-for water. This will include educational programmes to encourage consumers to use water sparingly and wisely, the involvement of agriculture and the use of devices that reduce the use of water.

7.2. The uThukela Water Business Environment

This section summarises the analysis of the effect of various business environmental factors that have a direct influence on uThukela Water's operations.

7.2.1. Suppliers of Goods and Services

uThukela Water services comprise of small towns and mostly rural areas with a limited market for the specialized services required in the water sector business. This makes it difficult to obtain adequate competition amongst local suppliers, impacting on the cost of outsourcing.

The nature of the operations of the Entity requires it to be run by electricity. With the rising cost of electricity and few to no competitors in the market, the tariff of the entity will always have to accommodate the sharp hikes in Eskom tariffs.

7.2.2. Availability of Skills and Labour

The Entity aims to recruit and retain personnel with the relevant skills and expertise. The remuneration and retention policies are used to motivate and retain scarce skills. The Entity will also intensify its training and development efforts. Staff turnover at uThukela Water is low at less than 5% per annum.

7.2.3. Training and Development Capacity

The Entity does not have adequate critical scarce technical skills. It is therefore essential that the Entity continues to take full advantage of the available SETA funds to close this gap.

The Assisted Education Programme will help encourage employees to further their studies in disciplines relevant to the Entity's business.

The Training and Development function will be further strengthened by adequately capacitating it.

7.2.4. Supply of Raw Materials

Most of the raw water is purchased from DWS, abstracted from the Ntshingwayo Dam, the Ngagane River and the Buffalo River. The Entity also owns and manages several small dams, weirs and boreholes. Most of the boreholes are not sustainable and the water source should be augmented by a different source through regional bulk infrastructure.

Climate variability is currently a significant factor affecting water resource availability. This is exacerbated by the growth in water demand within existing and new settlements. The situation may

lead to undetected over-abstraction since ground water monitoring equipment is not affordable due to financial constraints.

The recent drought has served to highlight that the current water resources are inadequate and that a new and additional water source must be identified and developed in the very near future.

The possible re-commissioning of an old power station, along with other possible industrial and agricultural developments, has further necessitated the need for DWS to fast track planning processes for a new dam.

7.2.5.Competitors

The Entity must demonstrate that it delivers services competitively. It should manage the threats and opportunities presented by the competition environment in a way that benefits it as well as the regional economy.

Albeit being unsustainable, uThukela Water's R6.58 and R6.60 Bulk Water Tariffs has a competitive advantage as it is below the industry average of R8.26.

There are neighbouring water boards delivering similar services. It is therefore imperative that the Entity continuously strive to find efficient and effective ways to deliver excellent water services to all the communities it serves. This will help reduce and/or eliminate the risk of the possibility of shareholder municipalities electing to make use of neighbouring water boards to get the same service or establish their own internal capacity for bulk water service provision.

7.2.6. Customer Leverage

These institutional customers (the WSAs) are also the Shareholders of the Entity, with legal powers over it, including the powers to appoint and dismiss the Board. They also have powers to disestablish the Entity if they can demonstrate that it would be in their best interest.

7.2.7. Financial and Business Risk

One of the most critical challenges facing most municipalities is the historical neglect of maintenance of infrastructure.

There is also a high risk posed by the threat of infrastructure failure due to the age and natural deterioration of the infrastructure.

What makes this a bigger threat to the Entity is that most of these threats/failures occur within the developed urban areas, thus affecting mostly the paying customer base.

Since the use of loan funding to address this is not viable under current institutional arrangements, this threat must be taken into consideration during decision making on the financing model of the business.

The Entity's shareholders (the WSAs) who are also the entity's major customer base, determine its operating and capital expenditure budgets. There is currently no agreed framework for annual budget increases. This makes it difficult for the Entity to carry out proper medium to long-term financial planning.

Arguably, some capital projects identified may pay back in the medium to long-term and would therefore be justifiable if future

budget escalation guidelines were clear. The impact of the uncertainty of future budgets is compounded by that budget allocations do not adequately provide for operation and maintenance costs of both old and planned infrastructure projects.

The WSAs do not provide and pay for depreciation on existing assets. This makes it very difficult for the Entity to systematically replace ageing, obsolete and redundant assets.

These issues are clearly highlighted; reported and managed in terms of the Board's risk management plan, risk tolerance and appetite levels.

The Entity manages its risks as best as it can under the circumstances to ensure compliance with applicable legislation and render basic services.

8. CORPORATE LONG-TERM GOALS

The strategic planning processes require that the Entity formulates departmental and divisional goals, strategies and action plans that support its long-term corporate goals. This is the first step in the cascading of the corporate plans, ultimately resulting in the formulation of action plans at individual employee levels. uThukela Water's adopted long-term goals are as follows:

8.1. Coverage

- The Entity aims for the realisation of **“access to potable water to all within the Newcastle, uMzinyathi and Amajuba District municipalities areas of supply by the year 2030.”**
- This goal takes into consideration that all projects must be sustainable; there must be adequate funding from the WSAs, mainly through the RBIG, MIG and DWS programmes. Other

sources of funding of funding will also be explored.

8.2. Cost Effectiveness

- The objective is to reduce the unit cost of producing water in the medium-term since long-term interventions are impractical owing to budget constraints. It is imperative to become more cost effective and to be competitive.
- The following are measures being explored to address issues of cost effectiveness:
 - rationalisation of resources,
 - introduction of an improved financial management system,
 - benchmarking and studies to evaluate outsourcing of certain non-core functions, and
 - organisation design and change management.
- The forging of stronger relationships with external customer groups, including various institutions such as the WSAs, Provincial Government, DWS, DALRD, DPW and various funding Agencies.
- The bulk water cost drivers, e.g., ESKOM and DWS, are revisited and monitored regularly in order to ensure that the best economic benefits are always achieved.

8.3. Financial

- There is a substantial gap between the required budget and the budgets approved.
- A framework for future budget increases needs to be finalised.
- The infrastructure master plan should be the guiding framework for the budget, grant and financial plans. Commitment should be obtained from the WSAs.
- The 2026/2027 multiyear budget and plans are aimed at addressing this problem going forward. It is envisaged that a volume and tariff

budget principle will finally be implemented together with a MTEF capital programme.

- The envisaged new institutional arrangements will also assist to refocus these programs towards the right direction.

8.4. Area of Supply

- The area of supply is currently limited to the geographic boundaries of the parent municipalities.
- Opportunities exist for selling water in bulk to neighbouring WSAs.
- These opportunities should be properly evaluated and included in the Entity's medium to long-term plans.

8.5. Human Resources

- The Entity has a plan to ensure the constant supply of skilled employees to meet the organisational mandate and to ensure compliance with applicable legislations and collective agreements.
- There is a need to continuously develop, update and implement enabling policies and procedures, including Employment Equity Plan and targets monitoring.
- One of the most important initiatives will be to ensure that the corporate values are inculcated.
- Improving inter-departmental co-ordination.

8.6. Key Focus Areas

Table 3: Key focus areas of the Corporate Long-Term Goals

Focus Areas	Discussion
Transformation	The budget constraints that the Entity is currently under puts pressure on it to become cost effective by adapting

	to best practice and innovative initiatives to effectively produce a sustainable bulk water service. The Entity is committed to a transformation process that will enable it to achieve its strategic objectives. Leadership, management, policies, procedures and systems are reviewed as appropriate, ensuring and contributing to a change in organisational culture.
Environmental and Safety Management	Water service delivery projects and activities such as energy consumption from pumping and leakage from pipes can affect the environment by damaging natural habitats. Environmental Impact Assessments are conducted and Environmental Management Plans developed for all projects and NEMA listed activities.
Information Technology (IT)	The promotion and development of IT is a key component in any organisation's strategic objectives. The efficient use of IT can result in significant gains in proficiency and effectiveness. To achieve this, it is essential that the IT strategy is guided by corporate strategy to ensure that the expenditure on technological advancements is aligned with corporate objectives.

8.7. Bulk Water Master Plan

The BWSMP for water services was developed and approved along with the establishment of the Entity. The plan initially covered four municipalities, i.e., uMzinyathi District Municipality, Amajuba, uThukela District Municipality and Newcastle Local Municipality.

The uThukela District Municipality withdrew from the Entity in 2006 and has since not been included in the Entity's plans. Further, the

remaining three municipalities reclaimed the water reticulation and sanitation functions from the Entity from 01 July 2013.

The BWSMP is also aligned to the National and Provincial Universal access plans and ensures a unified and single approach to bulk water planning and delivery in the region. This assists with planning submissions and access to funding.

The purpose of the BWSMP is to serve as a reference document for the sustainable provisioning of safe, acceptable and affordable bulk water. The plan aims to guide the delivery of:

- A unified National, Provincial and Regional approach to bulk water development and planning and supply.
- Cost saving and economies of scale.
- A strategy for the eradication of cholera and other water borne diseases.
- Adequate environmental auditing and monitoring systems.
- Basic water service provision to all customers.
- Adequately controlled metered bulk water for all shareholder municipalities.
- Eradication of all drinking water backlogs within a short- and medium-term framework.
- Inwardly focused and driven capital expenditure programme for water development of about R10 to R 15 billion.
- Assurance of supply in the short, medium and long-term.

All plans are continually reviewed, and the following areas need to be considered for the BWSMP to be meaningful:

- Securing of grant funding and raising of external loans of approximately R10 to 15 billion to implement the capital expenditure plan over a short and medium-term but with longer term repayment obligations
- The approved operating budgets be in line with the costs as per the Municipal Systems Act Section 78 Assessment (escalated for CPI and growth).

Because of inadequate funds for capital expenditure, the WSAs have opted to approve several small standalone water infrastructural schemes which are less sustainable and result in higher operating costs. It is anticipated that grant funding will be available in future to implement the required regional bulk water infrastructure.

According to the WSA/WSP agreement, the parent municipalities are responsible for the preparation of the WSDPs. These should be informed by the BWSMP.

An analysis of economic growth within the Entity's area of supply indicates that, except for the Newcastle town, no significant economic growth is anticipated within the next five years. The District Municipalities of uMzinyathi and Amajuba have plans for agricultural development initiatives.

However, these are unlikely to result in a significant increase in their paying customer base. This implies that the planned capital expenditure on new infrastructure will not in the short-term result in a significant increase in revenue, and thus place further strain on the already limited financial resources available. This will increase

pressure on the Entity to become more cost effective and more innovative in its revenue generation strategies.

The realisation of uThukela Water's vision in line with that of the National, Provincial and Regional Universal Access Plan, requires a future orientation and a long-term planning horizon. This will require the implementation of the BWSMP, that should guide the efforts towards providing water infrastructure to serve the people in this region to the year 2040 and beyond.

Notably, the Entity's area of supply includes areas ranked among those with the highest water service backlogs

The BWSMP proposed infrastructure development is based on an analysis of the existing population and its growth projections and the water demands generated by such growth projecting to 2040.

The IDPs of the parent municipalities and the Provincial Growth Strategy were used as a point of departure in determining water demand projections for each of the demand nodes.

Further, existing infrastructure has been assessed to determine projections of when its capacity or design life will exceed that of the projected demands. Planning was carried out in consultation with the shareholder municipalities.

The unreliable availability of water resources is a serious constraint, especially within the uMzinyathi District Municipality. The sustainability of water services therefore hinges on the use of the existing Ntshingwayo Dam, together with an extensive network of treated bulk water pipeline infrastructure to satisfy future demand. A number of the current local sources of raw water (mostly boreholes) have proven to be unsustainable as a result of seasonal drought fluctuations. Therefore, their ability to meet the increasing

demand cannot be depended on. Thus, the time is now to start implementing the BWSMP.

The preferred option for bulk water service delivery as detailed in the Entity's BWSMP can be summarised as follows:

- Two regional water purification plants, one situated in Newcastle and a new plant at the Ntshingwayo Dam with capacities of 40MI/d and 150 MI/day respectively.
- A new bulk water pipeline from the envisaged new water plant at the Ntshingwayo Dam, to augment the Dannhauser and Durnacol Water Works, to serve the rural areas of Amajuba District as well as Dundee, Glencoe and possibly Nquthu areas.
- The Ngagane and Ntshingwayo Purification Plants located in Newcastle to supply all local municipalities in the area of supply.
- Four local water purification plants and abstraction points sized at not more than 2 MI/day each in areas far outside the supply areas, 350 kilometres of regional gravity mains between 90 mm and 800 mm in diameter and 250 kilometres of rising mains between 125 mm and 600 mm diameter.
- At least 10 regional pump stations with a total pumping capacity of 190 MI / day.
- At least 20 regional storage reservoirs to receive pumped water and reduce the risk of unavailability.
- The total cost of bulk infrastructure in a thirty-year design horizon is estimated to be about R10 to 15 billion.

In order to adequately address its infrastructure challenges, the Entity will need a total of **R7 000 000 000.00** CAPEX funding over the next five years. Table 3 provides a detailed breakdown of the capital projects planned to be implemented from 2026/27 through to 2030/31.

The Board has noted with concern the unsustainability that was caused by the Entity having not implemented medium term to long term infrastructure development projects for the past twelve years. It is for this reason that from 2025/26 onwards, the Board has resolved to make provision for infrastructure projects.

The entity has managed to source funding from the DWS, for the implementation of three bulk water master plan projects these projects are broken down in Table 4 (a).

Table: 4(a) uThukela Water planned Bulk Water Master Plan Projects

Description of Capital Items	Estimated Total Cost
<u>Bulk Water Master Planning</u>	-
Design & Construction of new Ntshingwayo Regional water scheme	2 400 000 000
Biggarsberg WTP Upgrades	1 000 000 000
Ncandu Dam Project	3 100 000 000

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Table 4(b): uThukela Water planned CAPEX projects for the Ngagane Water Treatment Plant

Ngagane Water Treatment and Infrastructures	Estimated Total Cost	Required Allocation 2026/2027	Required Allocation 2027/2028	Required Allocation 2028/2029	Required Allocation 2029/2030	Required Allocation 2030/2031
Clarifier tank upgrade/refurbishment (water loss savings)	1800000		600 000	800000		400000
Automatic desludge of sedimentation tanks (Saving on desludge water)	700 000		200 000	333 333		166 667
Backwash recovery pit: Return of filter & de-sludge water to Inlet works (Water loss savings)	4 500 000		4 500 000		-	-
Dosing room equipment replacement/upgrade (Polymer & building)	2 600 000		-	2 600 000	-	-
Valve replacement at WPP: Desludge and backwash, clarifier inlet valves etc.	5 000 000	1 500 000	-	1 500 000	1 000 000	1 000 000
Power factor correction at WPP	1 100 000		-	1 100 000	-	-
Electrical panel upgrade to 3.3kva	12 000 000		5 000 000	4 666 667		2 333 333
MCC Control centre B - pumps	2 000 000			2 000 000	-	-
Ngagane River PS - Pump Refurbishment/new abstraction pump	2 700 000	2 700 000			-	-
Blowers Upgrades					-	-

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KSB pump for N11 station and Allcockspruit station	700 000			700 000	-	-
Refurbish and upgrade manifold in the plant	1 400 000			1 400 000	-	-
Sludge Dams , recovery system	3 500 000			3 500 000	-	-
Cathodic protection upgrade Hilddrop line	4 000 000		3 000 000	666 667	333 333	
Bulk flow meters	1 000 000		600 000	400 000		
Ngagane houses repair	500 000		500 000		-	-
Schurwepoort raw water pipeline refurbishment	11 000 000		6 000 000	3 333 333	1 666 667	
Kilbarchan Pipeline rerouting	1 200 000		1 200 000		-	-
GRP Pipeline valve chambers	1 500 000			1 500 000	-	-
Online quality monitoring	6 000 000		3 000 000	2 000 000		1 000 000
Replacement of Plant Tools and equipment	5 500 000		350 000	1 700 000	2 183 333	1 266 667
Replacement of Motor Vehicles	3 750 000	900 000	600 000	700 000	700 000	850 000
Replacement of B and C pumps	12 000 000	3 000 000		3 000 000	6 000 000	
2.5 MVA Electrical transformer	3 000 000		3 000 000			
				-	-	-
Sub Total	85 650 000	8 100 000	28 550 000	30 700 000	11 883 333	6 416 667

Table 4(c): uThukela Water planned CAPEX projects for the Biggarsberg Water Treatment Plant

Biggarsberg water works	Estimated Total Cost	Required Allocation 2026/2027	Required Allocation 2027/2028	Required Allocation 2028/2029	Required Allocation 2029/2030	Required Allocation 2030/2031
Tayside line cathodic protection	5 000 000			2 000 000	2 000 000	1 000 000
Upgrade dam (Verdruk PS) pump stations	3 500 000		-	2 100 000	933 333	466 667
Upgrade of lime dosing system and building	3 300 000		1 980 000	880 000		440 000
alternative energy	200 000 000			118 500 000	54 333 333	27 166 667
Upgrade of ESKOM Tayside substation	5 500 000		3 300 000	1 466 667	733 333	
Replacement of valves at WPP	1 200 000		420 000	520 000	260 000	
Tom Worthing pipeline, flow meters, Cath Protection, valves	2 200 000		900 000	866 667	433 333	

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New accomodation for shift and standby staff	4 400 000		300 000	2 733 333		1 366 667
Forklift	1 200 000			1 200 000	-	-
Workshop	3 500 000		-	2 100 000	933 333	466 667
On-line water quality monitoring equipment and sensors	3 000 000		1 000 000	1 333 333	666 667	
Electrical Upgrades at PS (Verdruk & Sterkstroom)	3 000 000			2 000 000	666 667	333 333
Vedruik houses Refurbishmenmt	5 000 000		500 000	3 000 000	1 500 000	
Refurbshment of Bigegrsberg Filters	20 000 000		9 500 000	7 000 000	3 500 000	
Dam safety inspections and repairs	9 000 000			2 000 000	4 666 667	2 333 333
Replacement of Plant Tools and equipment	4 000 000		200 000	1 600 000	1 400 000	800 000
Tayside high lift pump replacement	6 400 000	6 400 000				

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Replacement of Motor Vehicles	3 750 000	600 000	900 000	700 000	700 000	850 000
excavator Biggarsberg	3 000 000			-	3 000 000	
Bobcat Biggarsberg	1 500 000			-	1 500 000	
				-	-	-
Sub Total	288 450 000	7 000 000	19 000 000	150 000 000	77 226 667	35 223 333

Table 4(d): uThukela Water planned CAPEX projects for the Laboratory and Head Office (Please see attached spreadsheet)

<u>Administrative and plant and equipment</u>	Estimated Total Cost	Required Allocation 2026/2027	Required Allocation 2027/2028	Required Allocation 2028/2029	Required Allocation 2029/2030	Required Allocation 2030/2031
IT Monitoring	9 700 000	1 200 000	1 700 000	2 400 000	2 400 000	2 000 000
Maintenance system upgrade/replacement	3 500 000		2 500 000	666 667	333 333	
Cooperate risk management system	200 000			200 000	-	-
Office furniture and equipment	4 000 000	650 000	750 000	800 000	900 000	900 000
Laboratory equipment & upgrades	4 200 000	500 000	2 200 000	1 000 000	500 000	
Design software	100 000	100 000	100 000		-	-
Desktops laps and peripherals	300 000	300 000		300 000	-	-
				-	-	-

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Sub Total	22 000 000	2 750 000	7 250 000	5 366 667	4 133 333	2 900 000
				-	-	-
Grand Total Capital Requirements	6 896 100 000	242 850 000	879 800 000	2 686 066 667	1 743 243 333	1 344 540 000

9. RESOURCES

The resource requirements are a key part of any plan. This section outlines these in terms of operating and capital budgets and human resources.

9.1. The Financial Plan

The annual Multiyear OPEX and CAPEX budget submissions are the Entity's financial plans that deal with the required cost of resources between now and 2026/27. It matches affordable expenditure with the projected income streams. The budgets are linked to the proposed bulk water tariff.

The Board has achieved its ultimate objective of getting the shareholders to base their bulk water budgets on the volumes they purchase at the agreed bulk water tariff determined in terms of the existing bulk water services agreement. However, the WSAs do not always pay their invoices based on volumes supplied at the approved tariff on time. This has an impact on the Entity's cash flow forecasting.

Operating Budget: Section 87 (5) of the MFMA requires a balanced (income v/s expenditure) budget for municipal entities and that the budgets be within limits determined by parent municipalities. The budgets required by the Entity have historically been significantly higher than those approved by the parent municipalities. There is also no agreed framework for annual budget increases (including tariff increases). This has made it impractical for the Entity to have a proper long-term financial plan, except for a year-on-year plan, which is not appropriate for planning in this capital-intensive water industry.

The 2026/27 multiyear budget and plan require approximately R331 million to run the bulk water operations. The Entity proposes to recover these costs by charging the shareholder municipalities a bulk

tariff of R6.58 per kilolitre for uMzinyathi District Municipality and because of water testing, R6.60 per kilolitre for Newcastle Local Municipality and Amajuba District Municipality.

Capital Budget:

The entity's current tariff structure provides for a very limited capital budget, significantly restricting the timely replacement of critical assets that have exceeded their useful life and increasing operational risk

9.2 Human Resources Plan

The Entity values the positive contribution of its employees. It is for this reason that it endeavours to keep motivating and supporting the employees through, amongst other things:

- Providing adequate training to ensure that they meet the job requirements in this dynamic environment.
- Providing opportunities for personal advancement within the Entity using the assisted education programme and attendance of various courses relevant to the water industry.
- Ensure that continuous development initiatives are informed by the Entity's succession plans, personal development plans, affirmative action and performance appraisals.
- Ensure consistent recruitment of skilled personnel.
- To Promotes sound industrial relations

In order to maximise the training and development efforts, maximum use of available funds from the Sector Education and Training Authority (SETA) will be made. This will require proper planning and dedicated capacity and effort. This will also help to ensure that most of the required skills, especially the scarce and critical skills, are sourced internally. It will also foster a multi-skilled approach for technical staff –

an efficient approach in large geographic spreads such as the one of uThukela Water.

Due to the financial resource constraints, the entity optimises the utilisation of human resources - doing more with less. This will ensure that the Entity performs at its optimum best, meeting all its obligations with the current staff complement, apart from new schemes and or restructuring.

The use of cost beneficial advanced technology such as the remote monitoring of key infrastructure (e.g., reservoirs and pump stations) will have to be utilised in order to help save on employee related costs.

10. PERFORMANCE MANAGEMENT

The Entity views performance management (PM) as a structured tool that holds both individuals and the organisation accountable for the timely and effective execution of assigned tasks over time.

In line with its PM Policy, the Entity has implemented a fully-fledged, goal-oriented Performance Management System (PMS), cascaded across all levels of staff. The system emphasises key performance priorities while promoting the core values of a people-centred approach to water service delivery

The Entity's recently (2024/25) audited performance management score cards reflect well on the strategic, corporate, governance, financial, technical and operational targets as well as on the objectives and standards set by the Entity. The Entity managed to achieve 99% of its pre-determined objectives during the 2024/2025 financial year. On average, nearly all employees performed at acceptable levels.

The 2025/26 performance targets and indicators have been re-assessed and are aimed at meeting all the Entity's objectives and addressing key findings identified in the 2024/2025 audit report.

10.1. Strategy and Leadership

The Strategy and Leadership Functional Centre comprises the top leadership of the Entity, namely, the Shareholder, the Board and includes the administrative support. Figures 5 and 6 portray the structure and purpose of this functional centre.

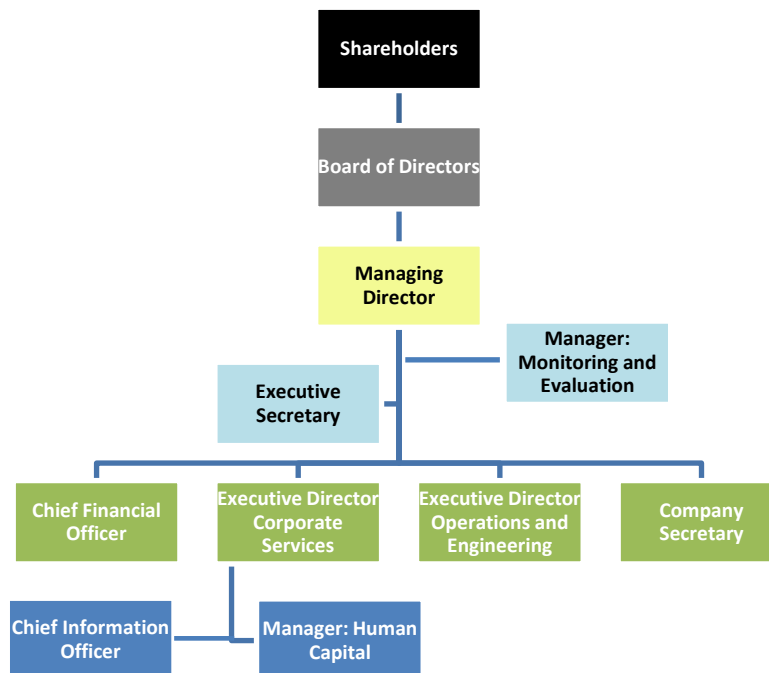


Figure 5: uThukela Water Leadership Structure



Figure 6: Focus areas of Strategy and Leadership Functional Centre

The key deliverables of the Strategy and Leadership Functional Centre, especially during and following the corporate restructuring / institutional transformation of the Entity, will be as follows:

- Reviewing the BWSMP.
- Development and implementation of turnaround strategies for the Entity.
- Develop corporate performance management framework.
- Actively influence the municipal IDPs.
- Research on innovative funding mechanisms for capital expenditure.
- Inculcate agreed corporate value systems.
- Institutionalise strategic planning processes.
- Drafting and implementation of the required policies and procedures.
- Ensuring compliance with the King Code on corporate governance.
- Implementation of a strategy for enhancing relationships with Provincial and National Government Entities and Departments, particularly DWS, COGTA and the WSAs.

11. COMPANY SECRETARY

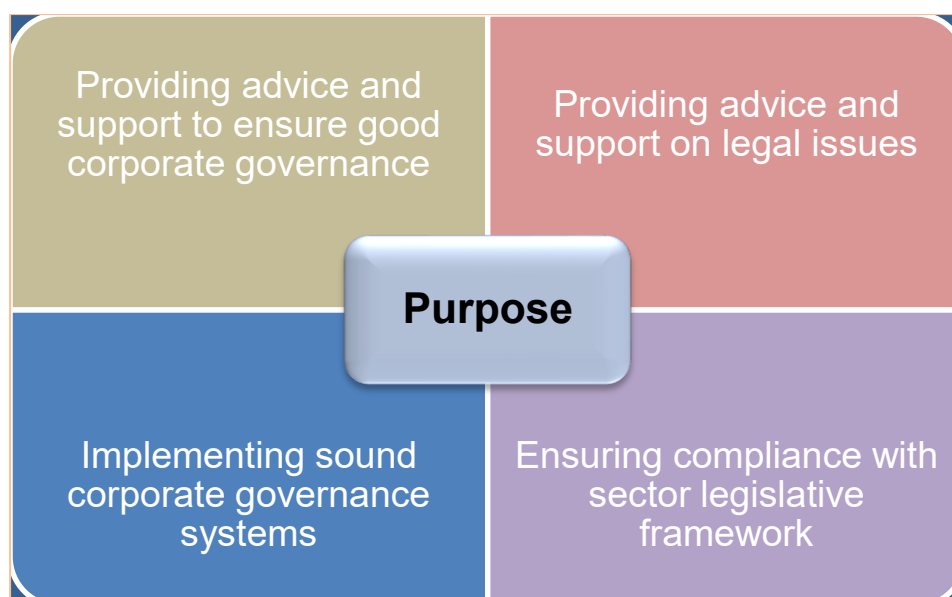


Figure 7: Purpose of the Office of the Company Secretary

The Company Secretary function deals with the corporate management matters of the Entity, which include ensuring board functionality, shareholder governance, legal services, institutional compliance, internal auditing, risk management and operationalisation of company strategy.

The most important aspect to be addressed within this service centre is to determine and prioritise the risk exposure of the Board and the company.

The key deliverables for this service centre are to:

- Ensuring board functionality and providing board advisory.
- Developing and executing the entity's governance framework.
- Operationalisation of company strategy.
- Internal auditing.
- Oversee governance of water supply agreements.
- Monitoring statutory compliance and filings and identify corrective measures and foster their implementation.
- Preparation and ensuring implementation of risk management policies and procedures.
- Institutionalisation of effective risk management practices.
- Ensuring an efficient business continuity management strategy. Testing all policies and contracts for legal compliance.
- Ensuring that all legal action against or by the entity is afforded the best affordable chance of a positive outcome.

12. RISK MANAGEMENT

The Entity has a fully functional Risk Management Plan, supported by policies and guidelines, which are regularly reviewed by a

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qualified Risk Assessment Manager. Risk assessments are conducted and formally reported on a quarterly basis to the Audit Committee, EMC, the Board, and Shareholders to ensure effective oversight and governance. The ten highest risks of the Entity are discussed in table 5 below.

Table 5: uThukela Water Risk Model, 2025/26

Identified Risk	Residual Risk	Risk Appetite	Risk Tolerance	Appetite	Tolerance
Bulk Water Tariff not reflective of true cost of water supply	63	21	51	Outside of Appetite	Outside of Tolerance
Failure of Company to operate as a going concern	60	21	51	Outside of Appetite	Outside of Tolerance
Failure of critical infrastructure and safeguarding of key assets	60	21	51	Outside of Appetite	Outside of Tolerance
Inability to adequately Respond / Recover from Disaster	60	21	51	Outside of Appetite	Outside of Tolerance
Lack of cohesive approach to bulk water strategic planning	42	41	51	Outside of Appetite	Within Tolerance
Failure to supply agreed volumes of water	11	21	31	Within Appetite	Within Tolerance
Occupational health and safety non-compliance	60	41	51	Outside of Appetite	Outside of Tolerance
Non-Compliance with legislation and policies	6	21	31	Within Appetite	Within Tolerance

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Inability to establish optimal staffing requirements	1,6	41	31	Within Appetite	Within Tolerance
Failure to supply potable water of required standards	2	21	31	Within Appetite	Within Tolerance

The Entity has identified four key risks that pose a substantial threat to its operations. These risks fall outside the established risk appetite and tolerance levels. Failure to effectively mitigate these risks may significantly impair the Entity's ability to operate sustainably. The risks are further outlined in Table 6 below

Table 6: uThukela Water's critical risks.

#	Risk factor	Root cause	Mitigation
1	Bulk water tariff not reflective of true cost of water supply.	The failure for a Capital Budget to be included in the approved bulk water tariff.	Implementation of a fully cost - effective bulk-water-driven tariff as opposed to non-aligned budgets.
2	The failure of the Entity to operate as a going concern.	The poor and inconsistent payment for services from shareholder municipalities.	• Continuous lobbying for adequate funding. • Roll-out of the Bulk Water Infrastructure Master Plan. • Renegotiate upfront payments with WSA's / Revisit Bulk Water SLAs.
3	Infrastructure failure and safeguarding of assets.	Unsustainable tariff and cash-flow constraints caused by the unreliable payment for bulk water by parent municipalities.	• Lobby for budget allocations for infrastructure upgrades and refurbishments. • Heightened infrastructure security measures.

4	Inability to respond and recover from disasters.	Should key water infrastructure be hit by a disaster, the Entity will have no way to supply treated bulk water to the communities until the infrastructure is repaired and/or replaced.	Provision of budget for the development of Business Continuity Plan, Disaster Recovery and Emergency Response Plan.
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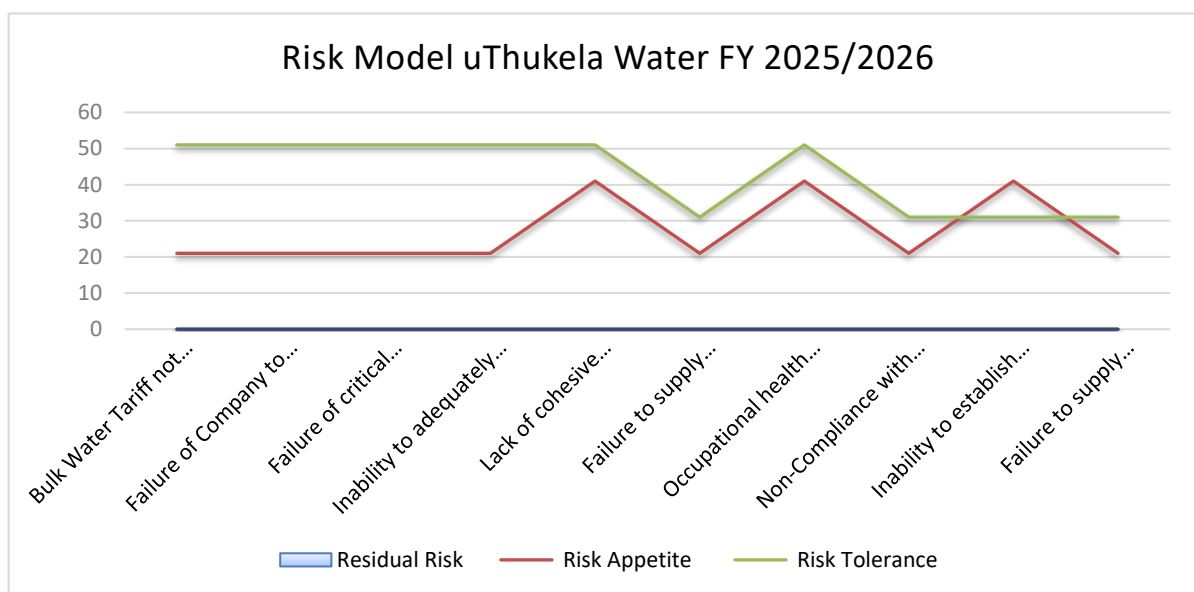


Figure 8: Risk Profile of the entity 2025/2026 FY

The key risk concentration areas are:

- Water resource planning, management, and development.
- Bulk water master plan, financial planning, and implementation.
- Effective budgeting and bulk tariff application.
- Assurance of supply and minimum service interruption.
- Maintenance and safeguarding of water infrastructure.

- Water quality standards and health issues.

BUDGET AND TREASURY OFFICE

13. 1. Purpose

The purpose of the Budget and Treasury functional centre is to provide timely, online, accurate and integrated accounting records for all Entity financial transactions. This is aimed at ensuring that the Entity meets its goals effectively and efficiently by providing liquidity data, financial information, financial controls and acquisition of goods and services.

With effective utilisation of Financial Management and Financial Accounting Systems, the Budget and Treasury Department will ensure that all financial resources are managed and controlled and that accurate timeous reports are produced.

This Budget and Treasury Functional Business Plan sets out the strategy for managing financial risks, the operational plans to support the broader Entity strategy and requirements for monitoring and review of the strategy.

Key expected outputs:

- Establishing sound financial systems and procedures in terms of the MFMA and other relevant legislation and regulations.
- Improved financial reporting, systems, controls and revenue enhancement mechanisms.
- Ensure that all relevant finance and procurement policies are developed and implemented.

- Ensure the availability of timeous and reliable financial information.
- Management of assets and cash reserves.
- Budget preparations and implementation.

This business plan will serve as guide in pursuing identified goals and a financial strategy that defines sound financial management and expenditure control, as well as ways and means of increasing revenues and external funding. The strategy will address the following:

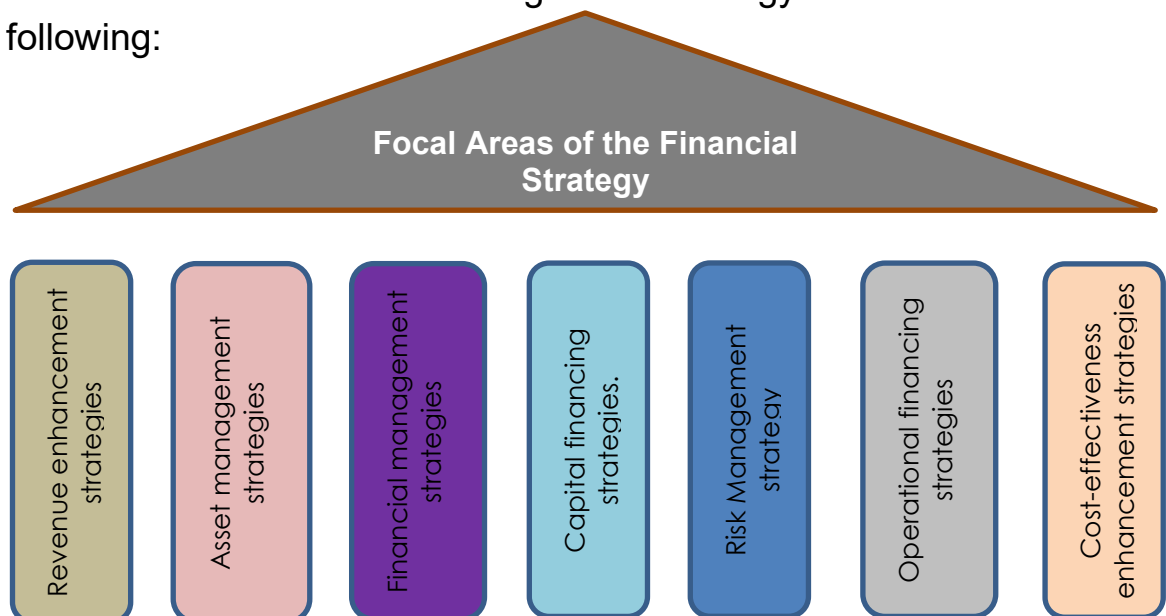


Figure 9: Pillars of the Financial Strategy

The accomplishment of this plan will require team effort, determined and motivated personnel to translate it into actual deliverable activities and to ensure that there is sustainability in all initiatives accomplished.

The focus of this plan lies on matters relating to, or which have bearing on, the overall financial management of the Entity and performance of the finance department.

This section will provide a description of the Budget and Treasury functional centre, a brief history of past events, highlight the challenges and path a way forward.

13.2. Description of the Budget and Treasury Function

The Budget and Treasury Function is responsible for Entity financial management and financial administration processes and will fulfil the required services in accordance with the approved financial strategy.

It is proposed that the Budget and Treasury Function should focus and improve on the following specific support services:

- finance processes,
- finance legal compliance,
- policies and procedures,
- budget administration,
- revenue management,
- treasury management (cash management, banking),
- expenditure and liability management (procurement, creditors, expenses, payments),
- asset management support services (risk register, asset insurance and depreciation),
- general ledger (reconciliation),
- payroll support services, and
- financial reporting.

13.3. Functional Mission

Budget and Treasury shall ensure the effective and efficient delivery of all finance services to the Board, the leadership, other functions /Departments and other stakeholders by striving for an effective support service.

Functional Goals and Objectives

The strategic goal of the functional centre is the provision of *“timeous, online, accurate, integrated transaction processing and financial services.”*

uThukela water has been designed to be a cost recovery non-profit organisation and any surpluses made should be re-invested to service delivery projects.

The sources of operational income are water revenue, laboratory sampling revenue and investment interests.

On the expenditure/cost side, the cost allocation model is used to share and allocate costs amongst the shareholders. The model prescribes that the cost of laboratory services and Head Office expenses will be shared by the shareholders whilst the bulk water provision costs are allocated to the separate accounts of each shareholder.

The functional goals and objectives of the Finance function are as follows:

- Accurate and timely transaction processing.
- To ensure that the Entity complies with all pieces of legislation on financial matters.

- Timely and meaningful management and external reporting.
- To ensure financial sustainability by working together with the WSAs towards an all-inclusive realistic bulk water tariff.
- Cost effective, transparent, fair and equitable supply chain management.
- Sound financial governance.

13.4. Financial Governance Imperatives

About corporate governance reporting issues, the goal is to improve accountability and reporting to stakeholders. This takes the form of:

- (a) Audited annual financial statements. The aim is to maintain 100% compliance with submission deadlines as well as improving audit outcomes from unqualified to clean audits.
- (b) Submission of monthly Financial Statements and Variance Reports to the Board and the WSAs.

13.5. Financial Performance Indices

The following financial ratios are used as a guide in financial management:

Return on Assets (Earnings before interest divided by total assets)

This is an indication of the return before interest in relation to the investment that the Entity has made. This percentage can be used as a comparison to the average cost of borrowing. This is one of the primary measures of financial performance.

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Earnings Before Interest			(28 940 106)
Total Assets			1 217 503 374
			(0.02)

Debtors Collection Period (Trade debtors multiplied by 365 days over total sales)

This ratio equates trade debtors to turnover and shows the average number of days that debtors take to settle their accounts. The Entity aims to bring this in line with its creditor payment policy as much as possible.

Trade Debtors	x365		586 165 289	x365
Total Sales			292 035 821	
			733	Days

Equity to Total Liabilities (Reserves and provisions divided by long-term debt)

This ratio indicates the level at which the Entity is internally funded. It compares the Entity's total liabilities with its shareholder equity and is used to assess the extent of the Entity's reliance on debt.

Total Liabilities			587 601 019
Shareholders Equity			629 902 355
			0.93

Current Ratio (Current assets divided by current liabilities)

The current ratio provides an indication of the general financial health of the Entity. It gives an indication of the short-term liquidity

of the Entity as it measures the Entity's ability to pay off its short-term debt.

Current Assets			346 742 275
Current Liabilities			574 362 229
			0.60

Tariff Increases (% increase on previous year's tariff)

The most significant consideration factor for this indices is that the annual budget increase should be done in relation to the CPI.

Last year's tariff			5.45
Current year's tariff			6.06
			0.61
			5.45
			11.19%

Other financial ratios that the Entity monitors closely are:

- Total Expenditure divided by Budget
- Overhead cost ratios (total overhead costs divide by total costs)

13. OPERATIONS/ENGINEERING AND LABORATORY SERVICES

14.1. Purpose

The Entity's Operations and Engineering Function aims to achieve the strategic objective of sustainable, affordable and reliable water services.

The Department's objective is to *"to become a leader in the provision of equitable, sustainable, people-centred, affordable and credible water services to all within the area of supply."*

14.2. Operations and Engineering

The utilisation of appropriate technology and the optimised application of a motivated and well-trained workforce is a challenge that needs to be continually monitored and addressed.

In contributing to fulfilling the Entity's vision and the departmental strategic objectives, the Department will ensure the following:

Table 7: Means to fulfil Technical Services strategic objectives

<i>Equitable Service Delivery</i>	• The provision of basic water supply for improved quality of life and poverty alleviation. • The provision of a higher level of service to stimulate economic growth in the region.
<i>People-Centred Approach</i>	• Customer satisfaction. • Skills, Competencies and Innovation of employees. • Meaningful stakeholder relationships.
<i>Affordability</i>	• Fair and affordable tariffs.
<i>Sustainability</i>	• Available and reliable water resources. • Safe drinking water. • Safe, healthy and protected environment. • Enough capital and operational budget to sustain and maintain existing and future infrastructure.
<i>Credibility</i>	• Applies international best practice management. • Aims to be the preferred water services provider.

The Department's Business Units are focused and driven by:

- The Operations business unit, main streams of Bulk Water Services, Maintenance and Support Services, Environmental Services, Laboratory and Scientific Services and Dam and Water Resource Management.
- Bulk Water Services, with the water supply divided into two systems : Ngagane system and Biggarsberg system.
- Engineering, design, health and safety and project management.

The Department has since 2012, operated without a Director and with insufficient budget and no capital budget to effectively implement the objectives of the water services agreement, BWSMP and municipal IDPs. As a consequence, there has been no construction of new extensions on existing infrastructure to cover un-serviced and new developmental areas for the past ten years.

The Entity has as a result only implemented the following:

- Small and ad-hoc infrastructure refurbishment/renewal.
- Basic and most urgent infrastructure upgrades to meet growing demand or requests to increase service levels.

Business Plans and funding requests are made through the budget processes and on an ad-hoc request basis throughout the year. However, there is always limited budget to fund the requests. Due to budgetary constraints, the following high-risk areas do not receive the due attention:

- The inadequate attendance of routine maintenance issues by skilled maintenance personnel.
- Addressing the continued decline in the condition of the water assets conditions.

- Safety and health issues at treatment plants and installations.
- Systematic replacement of outdated plant and equipment with modern and more effective systems.
- Total maintenance support (limited operational/maintenance budget) of all new infrastructure.
- Operational contingencies (no operational emergency funds).

Without proper budget planning and allocation for these unavoidable costs, more pressure is brought on the Entity by other cost drivers such as ESKOM, DWS raw water charges and staff costs, which if they were to be attended to immediately, it would cripple the budget of the Entity severely.

14.3 Raw Water

14.3.1 Tariffs

DWS annually increases its raw water tariff within the Ngagane Government Scheme. the Board has only increased this item by 4% within the National Treasury limitation of 10%.

Notably, the shareholder municipalities do not adequately pay their DWS raw water charges to the Entity. This has resulted in a backlog of payments to DWS, amounting to approximately R517 million inclusive of interest.

Having noted this is a serious concern, National Treasury has instructed municipalities to make provision for these charges and any arrears in their current and consolidated budgets.

14.3.2 Raw Water Sources

14.3.2.1 Ngagane System

NTSHINGWAYO DAM	INGAGANE RIVER	BUFFALO RIVER
The main source of raw water supply to the Ngagane Water Purification Plant is the Ntshingwayo Dam. Ngagane Water Purification Plant receives raw water from the Ntshingwayo Dam via two gravity pipelines. An average daily supply volume of 80 Mℓ /day is received from Ntshingwayo Dam.	This is the second raw water supply for Ngagane Water Purification Plant. The plant receives raw water from the Ingagane River via the Ngagane Pump Station. It can supply a maximum of 36 Mℓ /day. The water use licence allows for a maximum abstraction of 36 Mℓ /day.	This is the third raw water source for Ngagane Water Purification Plant. The plant receives raw water from the Buffalo River through the Schurwepoort weir, 26Km North of Ngagane Water Treatment plant.

Figure 10 - Ngagane Water Treatment Works Raw Water Sources

The above sources supply Ngagane Water Treatment plant which is a three-module plant with a total capacity of 120 Mℓ /day. The plan is to increase the capacity by adding a fourth 30 Mℓ /day module to 150 Mℓ /day.

14.3.2.2 Biggarsberg System

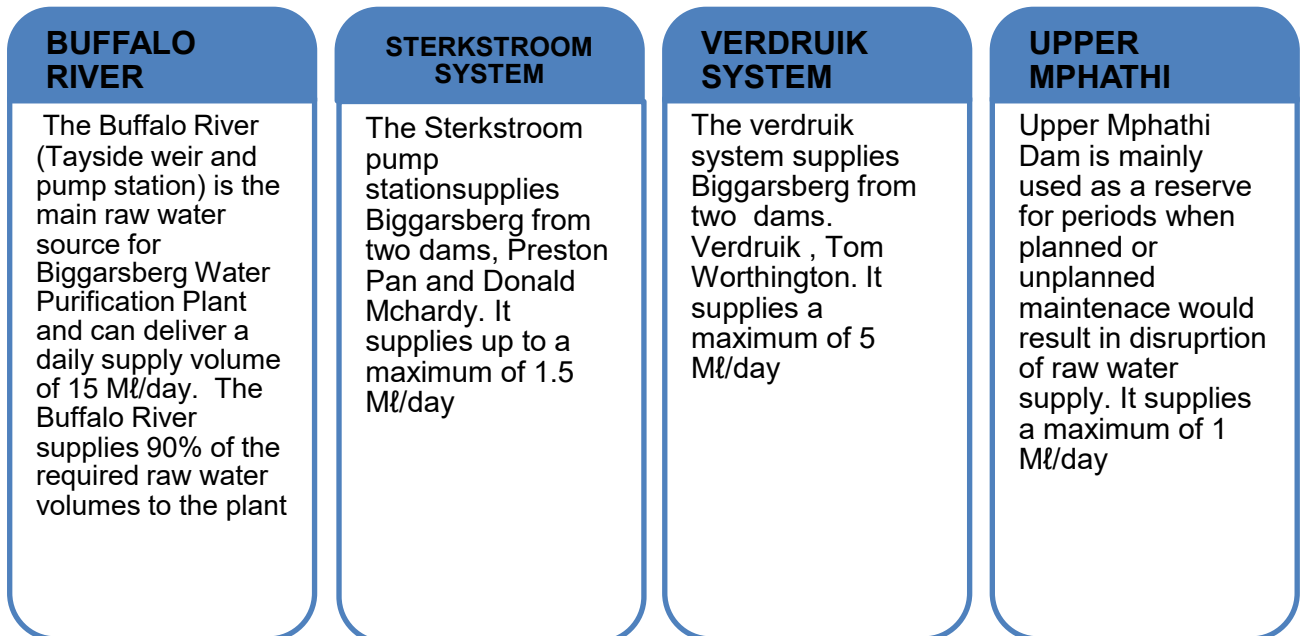


Figure 21 – Biggarsberg Water Treatment Works Raw Water Sources

The above sources supply Biggarsberg Water Treatment plant which capacity of 16.8 Ml /day. The plan is to increase the capacity by upgrading all the process units and the Tayside to Biggarsberg raw water pipeline to produce 25 Ml /day.

14.4 Energy

The electricity costs have been budgeted for per registered point/service centre at actual demand. The National Electricity Regulator of South Africa (NERSA) has restricted ESKOM's increase to around 9% and the budget has been adjusted accordingly.

14.5 Maintenance and Repairs

The maintenance of existing infrastructure has not been adequately addressed in the past. This poses a significant risk to the assurance of a sustainable water supply.

Conditional assessments of all major mechanical, electrical, equipment / machinery, vehicles, plant and administrative assets are conducted annually and aligned to maintenance programs and budget allocations. Key maintenance and repair issues include:

- A number of serious life-threatening events have occurred, and continue to pose a threat, due to the poor state of some of the electrical and mechanical equipment including pipelines.
- Funding is required for building and structural repairs, cleaning of sludge dams, sand filter refurbishment and pumps/motors due for critical maintenance.
- Vehicle running costs and service costs are escalating due to the age and condition of the fleet. The entity has however embarked on a vehicle replacement programme which has yielded seven new vehicles in the past 2 financial years.
- Proper provision for security costs is required to help curb theft and vandalism at the plants. Though we have night-time guards, CCTV surveillance is crucial particularly after hours.
- The major bulk water pipelines to and from the Water Treatment Plants have reached the end of their useful lives and require upgrades and or total replacement.
- In the interim, all the Entity can do is to ensure that the infrastructure and installations are maintained in terms of routine and planned maintenance programmes with the little funding available. This will help ensure that the infrastructure can still operate, albeit beyond its design lifespan.

- The Entity has put teams in place to carry out routine maintenance of plant and equipment, reservoirs, pump-stations, the handling of chemical stocks and general housekeeping duties.

14.6 Electricity cost management

The following measures have been put in place to reduce electricity consumption:

- Effective use of the high voltage pumps at all pump stations.
- Control supply volumes and save on additional pump usage.
- Effective use of ESKOM tariff tables for on-and-off peak times.
-
- Installation of automated timer controls to switch lights on-and-off at the Plants and save on daylight hours.
- Use of the telemetry IT system to monitor and balance the supply reservoirs and optimise the operation of the pump sets.
- Monitor all pump sets efficiencies on an on-going basis: subject to the availability of funds.
- The upgrading of all electrical panels on an on-going basis: subject to the availability of maintenance and CAPEX funds. This will optimise and ensure the effective usage of electricity and reduce losses associated with the old equipment.
- The upgrade and refurbishment of telemetry and level control systems. This will ensure that pumps stop when reservoirs are full and that the reservoirs don't overflow unnecessarily,

thereby optimising and ensuring the effective use of pumping hours that will have a saving in the electricity use.

14.7 Laboratory and Scientific Services

The current Laboratory Staff Structure does not allow for an optimal deployment of resources and needs to be reviewed to the current staff establishment.

The location and current form of the laboratory (in terms of office and equipment space) does not support accreditation to ISO17025 standard. The entity is in the process of relocating the laboratory with an aim of moving towards the necessary accreditation. Currently though, the entity participates in the quarterly SABS Laboratory Proficiency Testing. Be that as it may, the laboratory in its current form ensures that the entity produces water that complies with the national standard (SANS 241 2015). There is a new standard that is being workshopped (SANS241 2025). The entity is gearing up to make provisions for it to comply with this standard.

14.8 The Water Services Operations Activity

This activity manages bulk water service provision. The division will continue to carry out the core business functions of water abstraction, purification, production and distribution.

Process controllers are continuously trained to ensure that they discharge the water purification function diligently

To ensure for accurate billing, all meters are calibrated regularly to ensure that customer billing is accurate. Maintenance teams are also constantly trained on the maintenance of these meters.

14.9 Engineering Team

The Engineering Team is responsible for the planning, implementation and control of new water infrastructure projects. The function falls within the operations and engineering department. The function is structured into design and projects. It implements new infrastructure projects, infrastructure maintenance and controls health and safety aspects.

Table 8 provides a summary of the responsibilities of the Engineering Team.

Table 8: Responsibilities of the Engineering Teams

The Design Team responsibilities	The Projects Team responsibilities	The Operations Services Team responsibilities
• Engineering planning • Design services • Drawing services • Compilation of specifications, drawings, schedule of quantities, feasibility studies, assessments and audits, tender documents and evaluations, request for proposals • Loan and grant applications • NAV determinations • Engineering informatics and geometrics • Some of the design work for the projects is outsourced to consultants.	• Project planning • Project review and closure • Project management • Quantity surveying • Cash flow management • Quality assurance, quality control, filed inspections, and payment certificates • Testing and commissioning of projects • Operating manuals • As-build drawings • Asset registers. • Most of the construction for new projects is outsourced.	• Bulk water production and distribution operations. • The functions include maintenance, safety, water demand management and metering.

15. HUMAN CAPITAL

15.1. Purpose

The Human Capital (HC) Department offers human resource support services and solutions in the Entity. Its broad role is the management of human capital. The role of the HR staff is to add value to the Entity through strategic input and human capital provisioning, development and retention. The focus is to assist the organisation to optimise its human resources potential and to ensure that it contribute to the overall achievement of the business goals and targets.

The HC Department is responsible for monitoring and ensuring effective support through the following initiatives:

- Sourcing and developing the human capital that the Entity requires to achieve its objectives.
- Development and Implementation of the Entity's Employment Equity Plan.
- Supporting the development and observance of organisational culture and management style.
- Ensuring the optimal deployment of skills, competencies and capabilities of all employees.
- Ensuring that the organisation meets its social and legal responsibilities towards its employees with reference to reward pay and conditions of service.
- Development and implementation of an enabling environment and policies that promote employee wellbeing.

- Development and Maintenance of a healthy labour relations environment

HR further provides the following services to all departments

- HC provisioning.
- Providing advice on labour relations issues, training initiatives and compliance with various pieces of legislation.
- Skills Audit, providing and organising training interventions.
- Dispute resolution assistance, grievance and disciplinary hearings support (Labour Relations).
- PMS implementation and monitoring.
- Assist with talent identification, monitoring and counselling.
- Interpretation of HR and other labour related legislation and agreements.
- Facilitating the drafting and submissions of the WSP and EE Plan.
- Facilitating training and development of staff.
- Facilitating and improving internal and external communication.
- Developing a service culture within the Entity.
- Aligning staff establishment to the organisation's vision, mission and goals.
- Conducting human resources audit.
- Provide employee assistance (EAP) interventions.

Figure 12: HC Mission Statement, KPAs and Key Stakeholders



15.2. The HC Strategy

The HR strategy, as defined in the Board's Policy documents is as follows:

- Use of appropriate HR systems for all administration functions.
- Outsourcing to consultants shall be restricted to only needed specialised expertise, for example, training, job-evaluation, restructuring, HR system/s etc.
- Operations management shall be capacitated to exercise HR

functions within its service centres.

- Sourcing, developing and monitoring the human capital required to achieve organisational objectives.
- Developing an organisational culture and climate and adopting a management style which will promote co-operation and commitment throughout the organisation.
- Assist in making best use of skills and capabilities of all employees.
- Ensuring that the organisation meets its social and legal responsibilities towards its employees with reference to conditions of employment and quality of working life.

15.3. Key Objectives of the HC Department

The Entity's HR philosophy is "**people create the business**". This demonstrates the paramount importance that the Entity attaches to its human capital. Therefore, the HC strategic objectives emanate from the Department's philosophy and key objectives as discussed in table 8.

Table 9: HR Strategic Objectives

Strategic Objective	Description and goal
<i>Transparency, Participation and Accountability</i>	In order to entice their maximum contribution towards organisational objectives, the entity will create platforms for employees to fully participate in the formulation of its strategic objectives. The top-down, bottom-up approach will be used. The entity shall effectively communicate and involve staff in

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Strategic Objective	Description and goal
	the formulation of its labour relations policies, procedures and programmes. This approach shall inform and guide the entity practices adopted by the EMC and the Board. The ultimate focus is accountability to both the customers and WSAs.
Quality Performance	The entity shall pursue a SMART and high standard service delivery strategy. Employee productivity improvement programmes shall be vigorously pursued in order to enhance efficiency and improve the unit costs, through its performance management programme.
Development and Training	A continuous and systematic training and development programme shall be incorporated in the workplace skills plan (WSP) of the Entity All these programmes shall be incorporated in the strategic objectives identified in the WSP. The Entity understands that its future growth and prosperity is largely dependent on the knowledge, skills and expertise of its human resources. Staff motivation through capacity building and training development programmes. Intensifying the training and development efforts to deal with the challenges of lack of skills and the high competition for engineering / technical skills.
Fair Labour Practice	The labour relations function and treatment of staff shall be based on fair labour practice. Labour policies and procedures, relevant labour legislation and Collective Agreements shall substantially be complied with.

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Strategic Objective	Description and goal
Human Resource Planning	• The human resources planning shall be guided by flexibility and creativity. • The ultimate objective in this regard shall be the retention of staff and improvement of their loyalty to the Entity.
Employee Benefits and Remuneration	• Benchmarking on employee benefits and remuneration practices.
Structured Recruitment	The Entity shall source high quality personnel capable of meeting the high-performance standards expected of them. A comprehensive HR strategy will also support specific strategic objectives undertaken by the Strategy, Finance, Operations and IT Departments. The strategy aims to capture "the people element" of what the Entity is hoping to achieve in the medium to long-term, ensuring that it has the right people and the right mix of skills. It will also consider issues such as: • Workforce planning issues • Workplace skills plan (WSP) • Employment Equity plan • Pay levels designed to recruit, retain and motivate people • Succession planning- Career development framework which looks at growth and development within the Entity.
Employment Equity (EE)	• Ensuring that the Entity complies with the Employment Equity Act (No. 55 of 1998). • Ensuring that the Entity is free from any discrimination

Strategic Objective	Description and goal
	and actively seeks to support employment equity imperatives. • Oversees and monitors the implementation of the EE Plan. • Monitoring, evaluating and reporting on results according to legislative requirements. • Annually submit an annual EE report to Department of Employment and Labour as stipulated by the EE Act. • Staff recruitment shall be informed, not only by competitiveness, but by employment equity imperatives.
Industrial Relations (IR)	The following shall be part of maximising HR functions and legal compliance: • Ensuring that all employees understand and use proper grievance and disciplinary procedures. • Ensuring that all managers and supervisory staff are trained in IR procedures. Monitor the implementation of the relevant procedures (e.g. disciplinary enquiries and grievance hearings). • Liaising with and negotiate/consult with organised labour. • Dispute resolution, including advice and briefing. • Ensuring and monitoring the establishment of all IR structures, provision of secretariat services and advice where necessary. • Identify potential conflict situations and minimise the implications through labour relations interventions. • Conducting staff inductions on policies and procedures.
Employee Assistance Programme (EAP)	• Compiling and implementing an EAP. • Ensuring that HC staff members are trained in the principles and the requirements of the EAP. • Ensuring that all managers and supervisory understand the principles and requirements of the EAP referral

Strategic Objective	Description and goal
	procedures. • Regularly assess the value and cost-effectiveness of the programme.
Human Resources Data/Records	• Ensuring that all HR records and data management are maintained and standardised according to all relevant legislations and SALGBC agreements. • Safe keeping and updating of all forms of HR data. • Maintaining good record management. • Ensuring that HR systems can meet all legislated functional requirements.

Organisational Structure - HR Functional Centre

The HC Department must ensure that the entity operations with the approved structure and ensure that it is updated from time to time as may be deemed necessary in compliance with the law.

Staff Training and Development

Training and Development is one of the crucial requirements for organisational development. The following activities are planned:

- Development and monitoring the implementation of the WSP and encourage the culture of learning in the organisation.
- Subject to the availability of funds, implement Learnerships to upskill the employees and the community.
- On-going training of Artisans.

Currently the following training is available and taking place in the entity on an ongoing basis:

- Safety Committee Representatives
 - First Aids Representatives
 - Finance Staff training
 - HR Staff training
 - EE and PMS
 - Supervisory training and development
 - Individual career and professional Development
 - Operations skills training, upskilling and reskilling
- Table 9 captures the scarce and critical skills identified by EWSETA, whose training plan will be developed:

Table 10: EWSETA Critical Skills List

Management Skills	Soft Skills	Technical Skills	Other Skills
Leadership and management	Decision making	Health and Safety	Customer relations
Mentoring and coaching	Interpersonal skills	Arc Welding	Customer service
Planning and project management	Emotional intelligence	Scaffolding	Communication skills
Conflict management	Assertiveness	Underground setting course	Telephone etiquette
Negotiation and persuasion	Teamwork	Water Purification	ABET/numeracy and literacy
Business Management	People skills such as managing diversity	Fire Fighters	Ability to apply knowledge
Analytical skills	Communication	SHE awareness training	Access to information
Scenario planning skills	Presentation skills	Safety officer course	Interpersonal relations skills
Report-writing skills	Listening skills	Forklift	Problem solving and

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			decision-making skills
Morals/ethics skills	Life skills (personal, finance, time management, resilience, stress management)	Basic lab & Instrument Training	Conflict resolution skills
Skills to address the Green Economy Agenda	Innovation and creativity	Technical Report Writing	Time management skills
Project management	Personal hygiene	Lubrication Essentials	Anger management skills
Teamwork	Food safety	Risk Management Advanced Operator Training	Listening Skills
Labour law	First Aid	Basic Environmental Awareness	Business and general skills training for Shop stewards
Labour economics	Care of HIV/AIDS patients, & care of disability)	Dangerous Goods Training	
Case management	Numeracy	Hazardous Materials Transport	
Supply chain management		Hazardous Identification and Risk Assessment	
Business Development Officer		Landfill Operations	
Corporate Treasure		Water reticulation pipe laying	
Organisational Risk Manager		Electrical Engineer	
Applications Programmer		Industrial Engineer	
Developer programmer		Millwright	
Economist		Engineering Manager	
		Environmental Scientist	

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		Safety, Health Environmental and Quality SHEQ Practitioner	
		Water Quality Analyst	
		Electrical Engineering Technologist	
		Civil Engineering Technologist	
		Electrical Engineering Technician	
		Chemistry Technician	

15.4. High Level Strategies

In order to address the retention and development of the identified critical scarce skills, EWSETA came up with strategies to be considered by Water Utilities. The following were agreed to be part of strategies:

- Research and Development Strategy (including curriculum development).
- Partnership Strategy (including SMME Strategy).
- Marketing and Communication Strategy.
- Delivery Strategy.
- Skills Retention Support Strategy.
- Funding Strategy.

The Entity is therefore expected to embark on a strategic drive towards ensuring that training takes place for the identified scarce skills. Managers are required to submit lists of staff members with potentials to be developed and capacitated. These lists will inform the

development of scarce skills and training plan/WSP. The Entity has the responsibility to train staff that occupy positions requiring the scarce skills which are also linked with succession plans.

Remuneration Strategy

The Entity has approved a remuneration strategy and a remuneration policy that help ensure that the staff are remunerated inline with market related salaries. Considerations are made for the following:

- Scarce skills
- Retention of skills
- Succession planning
- Mentorships
- Recruitment

The Remuneration policy and procedures is linked to the performance appraisal system as one of the important aspects and performance motivation factors.

The implementation of annual notch increases is linked to both the performance appraisal system and PMS.

Performance Management

PMS is one of the key requirements of the Municipal Systems Act and its regulations. Its purpose is to promote accountability and productivity and to enhance service delivery.

The PMS within the entity allows for ongoing monitoring of the entity's performance outcomes against its deliverables and reports these both to the Board and Shareholders. The Entity implements a PMS for all levels of employees. This system seeks to ensure that performance is measured and monitored across the entire institution in order to

ensure maximum efficiency of service delivery.

Succession Planning

Succession planning imperatives are continuously being pursued to ensure continuity in operations and staff retention. A succession plan is continuously monitored and updated. Staff are trained and developed in line with this plan, and Workforce Planning.

Disciplinary Matters

The entity conducts its disciplinary processes in line with the provisions of the South African Local Government Bargaining Council Disciplinary Procedure Collective Agreement and endorse progressive discipline. Staff are capacitated in terms of conduct and sanctions in the workplace.

Entity Staff Complement

The Entity currently employs 77 permanent employees and 5 fixed-term contract employees and 1 seconded employee.

Some senior level positions such as the Chief Financial Officer, Executive Director Operations and Engineering are vacant and are filled on acting capacity. The new structure has been approved, and budget provisions will be made to fill critical positions

15.5. Human Capital Indices

Staff Turnover (Given as the % of staff departing due to resignation, death, retirement, etc. in relation to the total number of staff)

As an organisation that is aspiring for high performance standards, it is vital to retain staff to maintain the intellectual capability and institutional memory. Staff turnover rate highlights employee satisfaction and motivation to remain in the Entity. The staff turnover rate is currently at 9%, however, it needs to be noted that out of 10 terminations, 9 were retirements and 1 is resignation.

Staff Development Expenditure

uThukela water is highly committed to the development of its staff. It is therefore important to maintain staff development costs at a level that is comparable to the best in the industry. The Entity endeavours to fully comply with national statutory requirements governing employee development.

Employment Equity (Compliance with Employment Equity Plan)

This measure is an essential requirement for both legislative compliance reasons as well as for monitoring the Entity's success in achieving diversity in the workplace. Detailed demographic statistics will be maintained until the targets have been achieved and beyond.

16. INFORMATION TECHNOLOGY

16.1. Summary of Purpose Drivers

- Business application development and acquisition should be subject to basic business rules, integrate with existing systems and be evaluated periodically.

- Entity data should be managed as an asset and be maintained and managed in a way that is consistent with global best practices.
- All relevant locations of the Entity should be interconnected with both telecommunications and data communications infrastructure.
- A scalable, central processing infrastructure should be maintained for effective data management and integration.
- Users should be provided with appropriate hardware and software and fast, readily available and professional support.
- The Technology function should enter into partnerships with other functions for procurement and development co-ordination.

16.2. Description of the IT Function and Functional Mission

The IT function is responsible for the management and operation of Technology Infrastructure and includes these domain activities:

- The planning, design, acquisition, testing, operation and maintenance and support of all technology infrastructure in accordance with the Technology Business Plan.

Technology Infrastructure includes all IT and Communication Systems necessary for the functioning of both business and production processes.

- Staff and Board capacity building and eradication of the “digital divide”.
- The design and delivery of User training in terms of Technology Infrastructure.

- Ensure that all data in the organisation is based on sound meta data design and is of high quality.
- Responsible for the availability, scalability, total cost of ownership, security, disaster recovery and risk management of all Technology Infrastructure.
- Responsible for the setting up and support of shared technology resources centres to optimise the use of technology.
- Research on Technology Infrastructure advancement.
- The development and implementation of Technology Infrastructure Standards.
- The development and implementation of policies and procedures required for the management of Technology Infrastructure.
- The Technology Infrastructure Asset Management.
- SCADA, APC and other.
- Technology Total Cost of Ownership (TCO) services.

16.3. Functional Objectives

Objective 1: Affordable and effective interactive digital access and information to all staff, customers and business partners.

Objective 2: Effective technology and business skills training and capacity building for staff.

Objective 3: Provide timeous and effective communication about the Entity's plans, projects, achievements and knowledge to our communities.

Objective 4: The total annual IT Operating expenditure (OPEX) be predetermined at not more than 4% of the annual OPEX of the Utility. That this objective be reviewed when updating the Technology Functional Plan.

Objective 5: All existing and future Technology Infrastructure investments should contribute back at least 10% value add/benefit against the investment cost.

Objective 6: Technology Infrastructure end-to-end availability should be 99% during business hours and 95% after hours.

16.4. Key Assumptions

The design of the Technology Function will be based on the following key assumptions:

- Business and IT will continue to change rapidly, requiring short design life cycles of not more than three years.
- Technology licensing and intellectual capital structures will remain unchanged for the planning period.
- Telecommunication costs will reduce over time.
- The Rand/Dollar exchange rate will weaken not more than 20% per annum.
- That purchasing will be based on brand names and standardisation.

16.5. Systems

The Technology Systems design is presented according to the following functionalities:

- Software: All corporate and divisional computer software systems.
- Servers and OS: All computer servers and storage devices.
- Networks: All network devices, cables and linkages, wireless applications and telephony.
- Desktop Services: All desktop equipment including desktop computers, thin clients, telephone instruments, cell phones, printers, fax machines, photocopiers and related software.

Software Systems

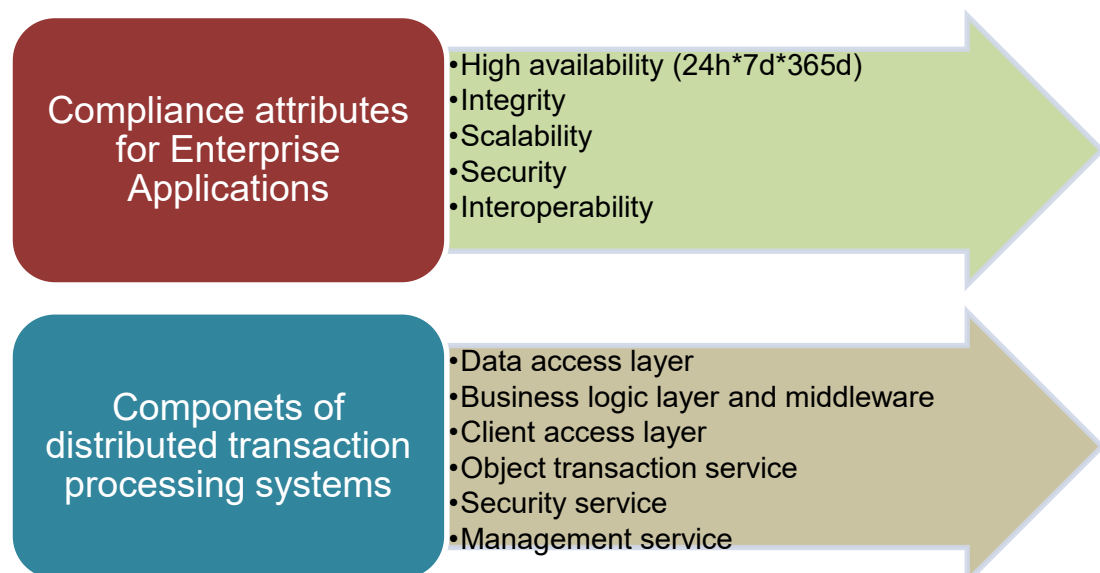


Figure 13: Enterprise Applications and Transaction Processing Systems

Table 11: Networks and Network Infrastructure

Networks	Network Infrastructure
• Best practice design and implementation for an area network generally calls for standardisation, flexibility, convergence and scalability of network infrastructure. • Centralisation and remote enterprise systems management of all network devices. • Infrastructure must be planned and allow for convergence such as VoIP (Voice of IP) telephony, wireless local area networks and broad banding to include audio and video. • Ethernet Technology Standardisation that allows for Gigabit and Terabit Ethernet. • Manage the corporate network in the same way as best practice utility management, focusing on cost and time of networking, redundancy and reliability. Optimise centralisation-decentralisation mix. • Accommodation of thin client connectivity technology like SMS/RAS. • SLAs and management should be well established. • Mission critical network devices to be supported by clean uninterrupted power supplies to ensure 24/7 availability.	• 100Mbps Fibre (Unshaped and Uncapped Vodacom Managed) • 100Mbps Fibre (Unshaped and Uncapped Vodacom Managed) • SDWAN Network (Vodacom Managed, (Satellite connections to remote sites) • Long-range Ceiling: Mount Wireless Access Points at Head Office and Ngagane • NetGear 24x Port POE Switches • Mitel VOIP PABX

Table 12: IT systems

PC and SCADA	• Adroit or similar • Input from Operations Division will be solicited • Siemens/ ABB • Intelligent Meters
MES	• Excel Spreadsheets • Flows • Electricity • Input from Operations Division will be solicited
BESBOKE	• Spatial Data Model • LIMS Laboratory Information Management • Internet/Intranet • OPSWQMS
ERP / DSS	• SAGE Evolution • MSCOA compliant accounts and transactions • SAGE people • EMIS and PlantMAN • ArcGIS

16.6. Servers and OS

- Standardisation, right sizing and procurement of good brand names of all servers, storage and backup devices will lower TCO and reduce complexity.
- Management of the corporate and business server farms in the same way as best practice utility management, focusing on cost and time of processing, storage type, space, cost, redundancy and reliability.
- Optimisation of centralisation-decentralisation mix.
- Server and OS management delivers effectively on:
 - 24/7 Operability

- Clustering (redundancy optimisation and fail over)
- Storage back-up and disaster recovery
- Physical environment of server farms, including physical and virtual security access, environmental conditions and monitoring there-of
- Clean uninterrupted power supply (CUPS) and backup power generation
- Stand by availability of mission critical components.
- Smart remote device management as part of enterprise management system
- Suitably qualified staff to set-up and manage servers and OS.

16.7. Desktop Services and User support

The Technology function has a strong support function to internal computer users, including:

- Network monitoring
- First-line IT support (problem resolution)
- Second-line IT support
- Configuration management
- License management
- Asset management
- Infrastructure diagnostics services

17. CONCLUSION

This Business Plan outlines the strategic direction and objectives of uThukela Water (Pty) Ltd for the next five years. To drive the organisation forward, the Entity has developed targeted strategies aimed at achieving its long-term vision. Key enablers include the financial plan, human capital plan, as well as engineering and operations management plans.

It is essential that the Entity continues to deliver high levels of performance and meet customer expectations in order to strengthen its competitive position. The primary objective remains the provision of high-quality, reliable water services. With its current management and leadership structures in place, the Entity is well-positioned to achieve sustained success and long-term sustainability.



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