

# STRATEGY/ CORPORATE PLAN

## 2019/20 to 2023/24



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*Prepared in accordance with section 40 of the Water Services Act 1997 and the National Treasury Guideline Framework for Corporate Planning and Shareholder's Compact September 2002, source [www.treasury.gov.za](http://www.treasury.gov.za)*

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## Vision

“To be the leading provider of quality water services in South Africa”

## Mission

Magalies Water Board provides (bulk) water services to Water Services Authorities, Water Services Institutions and other users to positively impact the quality of life and economic growth for communities in our areas of operation.

## Strategic Intent

The Strategic Intent of Magalies Water is to meet its Mandate of sustainable water provision and this will be achieved through reliable provision of quality water services and contribution to the socio economic development in the service areas.

## Policy Statement

The Magalies Water Board has the authority to set policies and to delegate the implementation stages to the executive committee members. For accessibility to our Policies, the organisation uses the intranet, among other platforms, to save / place such policies within the reach of all stakeholders (Interested / Affected Parties).

## Core Values

Magalies Water is guided by its values, which are used as anchor-points to establish the manner in which we approach our activities and how we relate to each other and our Stakeholders.

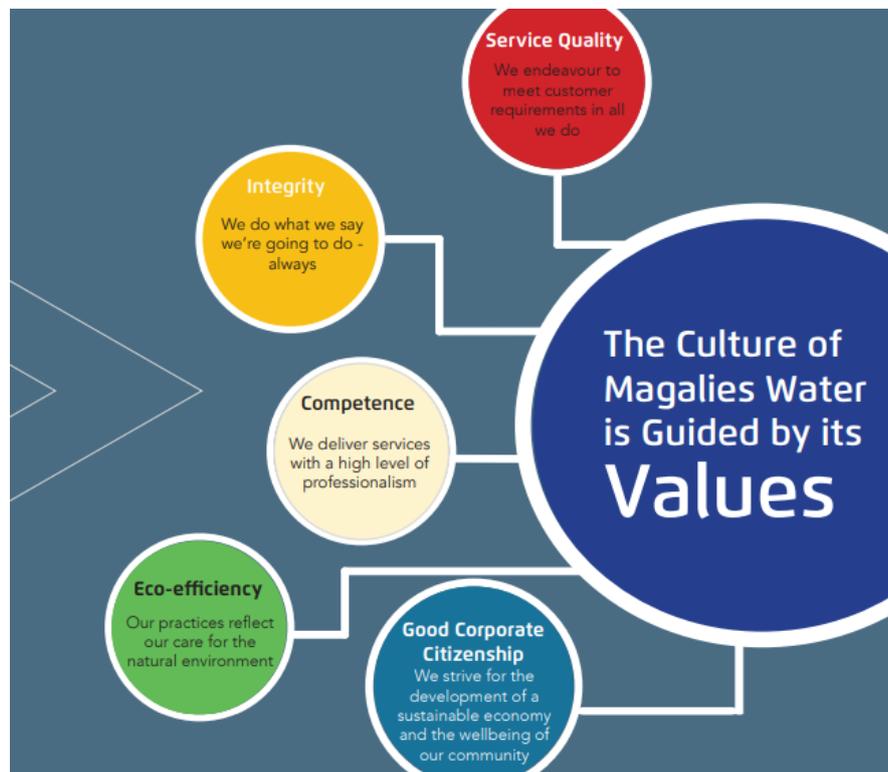
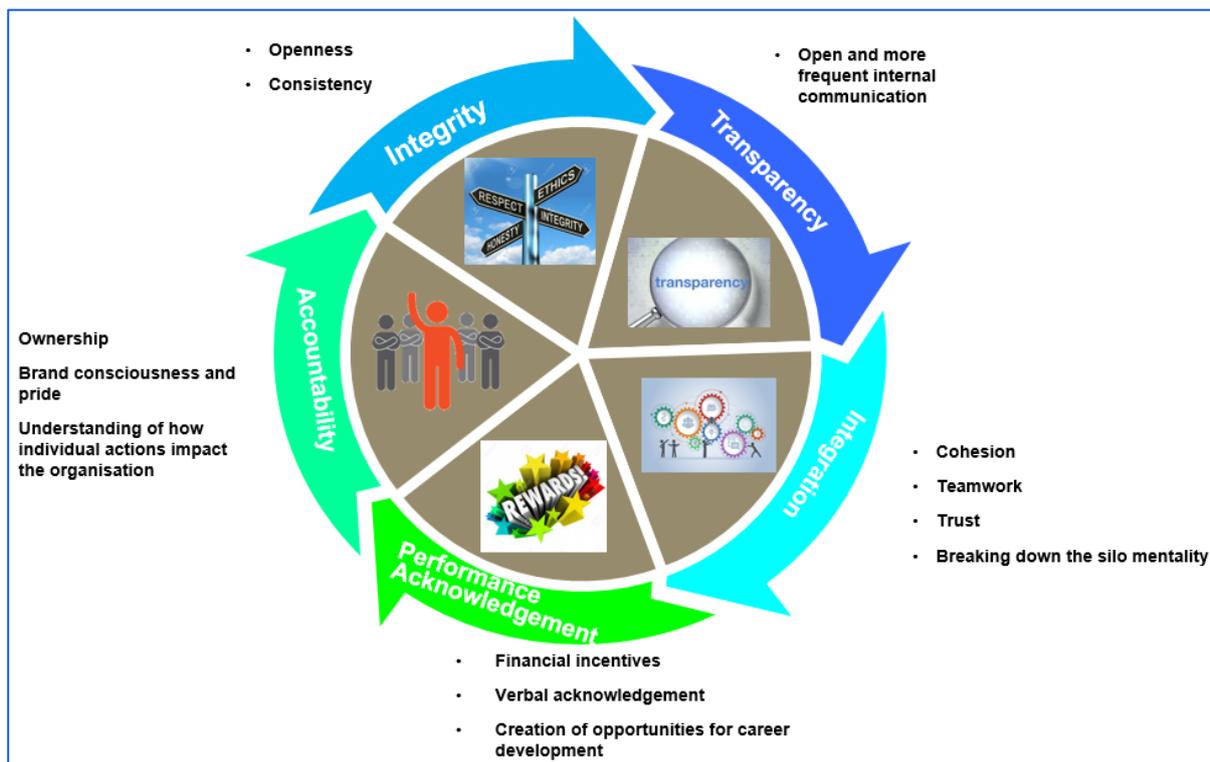


Figure 1: Our Values

Magalies Water relies on the commitment and dedication of each of our Staff Members to fulfil its Vision and Mission. This Entity aspires to be both a leader in the delivery of quality services and employer of choice.

Hence the development and retention of the best human capital is at the core of the Magalies Water Strategy and underscores the worth it places on the organisations most valuable asset – its people. To this end, Magalies Water has embarked on an extensive exercise to revive the spirit inherent in its Values as a means to re-imagine the Magalies Water of the future in which the personnel thrive and excel in their areas of operation. Staff members provided input regarding the cultural behaviours that should be typical of Magalies Water, during the Management Strategy Workshop and a combination of novel and existing key themes emerged as highlighted in Figure 2 below.



**Figure 2: Summary of Cultural Behaviours at Magalies Water**

Magalies Water has committed to revive the internal communication mechanisms in order to foster trust and to ensure synergy / coherence between internally and externally disseminated information. Further to this, Magalies Water will continue to maintain a responsive, timeous and proactive Consumer Centric Service approach to fulfil our aspirations to excel in delivering services to customers. The set standards and performance measures will strategically re-build the Magalies Water brand, reputation, good standing and in the medium to long term, assist in the expansion of the Utility’s footprint.

## Statement by the Chairperson

On behalf of Magalies Water, it is my pleasure to present to our Shareholder (Hon. Minister, Gugile Nkwinti MP: Water and Sanitation) and to all our Stakeholders, the Magalies Water's Corporate Plan 2018/19-2022/23 (Plan) as adopted for the next 5-years. We continue to adapt our business focus in line with the set developmental goals, the National Development Plan, the State of the Nation Address and its Medium Term Budget Policy Statements, or any changes of the National Treasury and Department of Water and Sanitation (DWS)'s Plans.

This Plan reflects on the envisaged humanitarian impact we aim to make in areas Magalies Water services have 'presence'; it keeps linkages to the Sustainable Development Goals (SDGs). We focus on the modernisation of access to sanitation in order to improve health, well-being and wealth of our citizens. Our initiatives are similar to the SDGs and the Millennium Development Goals; they address the effect of systematic barriers of socio-economic inequality, environment degradation, changes in business models due to technological advancement and the related techno-risks, among others.

### Environmental and Demographic / Socio-Economic Factors

The evident adverse impact of global warming and climate change, in other parts of the country, to the hydrological / water sources systems call for innovative adaptation strategies. Scarcity of both surface and ground water is a serious business disruptor, which could lead to restrictions even to Magalies Water, in recognition of the water-food-energy interconnectivity.

**Economic Factors:** This Plan is linked to the Government's Policy position to radically transform the RSA economy, i.e., to promote an inclusive economic participation. The timing of the Policy puts the water services value-chain at a back foot as the world economic growth is sluggish. This has been evident in the recent credit downgrades to (near) junk status; albeit this left us with a mixed impact i.t.o the Rand volatility. The latter is not ideal to our contribution to the Government's Fiscal and Monetary Policies; it may curtail the affordability (incl. borrowing) and / or infrastructure related Capital Projects' funding. It ultimately distracts our course to optimally service and/or grow our Section 29 and Section 30 existing markets, alike.

**Social / Political Factors:** The majority of the societies we serve are in rural and / or of informal settlements that are poverty-stricken and occupied by people with low levels of education. The mines lay-offs increase unemployment. This brings about the relationship of our business to the changing spatial patterns, population growth, and political volatility especially now that we face the looming elections. The increasing demand for water services and / or disruptions to our service will, in all likelihood, be the 'tram card' for in the election manifestos,

In this instance, we continue to capacitate and strengthen our functions in risk and business continuity planning to respond appropriately to mission critical activities. We find comfort that our young and energetic employees have revived their commitments to our Values and they have outlined a range of cultural behaviours towards re-living / reviving our consciences around the spirit of Batho Pele.

### Technological factors

Water utilities across the world have already embraced principles of the fourth industrial revolution on utilisation of big data in management of their operations. The internet of things is a reality and technology is viewed as one of the big disruptors to the business models of organisations. Magalies

Water will continuously embrace utilisation of technology in enhancement of our Information Technology value chain. Technology enhancement will occur in the data, applications and governance areas.

### **Programmes to Implement Strategy**

The Magalies Water Corporate Plan exhibits our 5-year objectives and major enabling programmes designed along the Balanced Score Card perspectives of-

- Organisational Efficiency and Effectiveness
- Financial and Governance
- Customer and Stakeholder Interaction
- Organisational Capacity

The programmes design also take into account the General Performance perspective.

Our Infrastructure Master Plan enable us to achieve the commitments. It guides our investment to build/refurbish/upgrade/maintain capacity for effective water demand / supply management. The latter is one of our success factor to achieve the desirable increase in market share and financial returns in line with our Strategy Growth Plan. We continue to segment our Customers and uphold tailor made engagement approaches to our critical Stakeholders, especially our Local Governments. Likewise, we determine our response to water demand according to each Municipality's classification of vulnerability to delivering services to the End Users (2013/14 assessment report). Innovatively, we set our Treatment Systems / Laboratories consistent with the applicable norms and standards set for the quality of bulk water and/or treated wastewater while we research / search for modern ways to achieve the results.

On behalf of the Board of Directors, we look forward to another term of our Shareholder's unwavering support and guidance, and the DWS's tireless drive to transform our water sector. We further confirm our accountability for the success of this Corporate Plan and that we have identified appropriate talented human capital to ensure we realise the ambitions of this Plan. We have confidence in our Executive Management's capability too.



**Adv. MM Petlane**

**Chairperson of the Board**

## Statement by the Chief Executive

Together with the Executive Committee of Magalies Water, we are happy to share with our Stakeholders, our Corporate Plan 2019/20 to 2023/24 (Plan) that reflects our strategic “Road Map” for the next five (5) years. As the Chief Executive of Magalies Water, I give re-assurance that the fundamentals of our strategic Corporate Plan are in sync with the great strides and bold decisions we committed on, in the previous financial years. This is a reminder that this Plan marks the end of the first 5 years, since 2013/14, of rolling out our bulk water services (Section 29) and supporting other Water Services Entities or Institutes (Section 30).

The Corporate Plan 2019/20 to 2023/24 presents a renewed dedication to enhance the various management actions and processes for the sole purpose of providing excellent and satisfactory service to all our customers. The desired end-state of Magalies Water is to be a fully capacitated, high performance organisation that keeps on improving and growing sustainably; and that carries out its mandate in the most efficient and effective possible manner.

For this Corporate Plan, our analysis of the external and internal environmental factors gave rise to the articulation of the selected and prioritised intensive strategic Programmes for growing the organisation. We have recognised the possible impacts to our business of the renewal of the debates around the land redistribution models, conversation on the fourth industrial revolution, among others, some of which our Chairman has outlined earlier.

In short, we are cognisance of the factors of uncertainties, trends and scenarios in our strategic environment. These include the following:

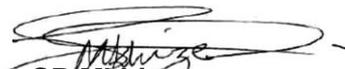
1. Alignment of the increasing demand for water services in our service area to local population growth, local economic conditions (affordability), and our commitment to extending services to all in terms of our Shareholder Compact.
2. The impact of drought conditions and pollution on input water sources.
3. The availability of modern water services technologies and their applicability to our ageing legacy assets.
4. The Department’s Strategic Plans for Institutional Reform and Realignment
5. The capabilities of our Water Service Authority Clients where these may have been assessed as “Extremely Vulnerable” or “Highly Vulnerable” in the Municipal Services Strategic Assessment (MuSSA) for South Africa (2013/14).
6. Our impact on the environment
7. Magalies Water’s own success in operations, capital infrastructure delivery and socio-economic development.

As a result, this Corporate Plan contains our 5-year commitment to further enhance our capabilities, achieving the “desired state”, described above, across the following major programmes:

1. Plan, design and acquire water services facilities, equipment, bulk distribution capacity and enterprise capabilities within funding constraints to achieve our Mandate of primary (Section 29) activities efficiently.

2. Deliver water services that comply with required standards of water quality and reliability of supply and satisfy our customers.
3. Enhance our Section 30 functional capacity and capability to, effectively, handle the supply and demand.
4. Maintain financial sustainability within the approved Tariffs
5. Develop or transform the Magalies Water's Human Capital, Suppliers, and Communities through embarking on initiatives for upskilling, localising employment and effectively implementing enterprise development programmes.
6. Provide efficient and effective business support to Finance, Supply Chain, Information and Communications Technology, Governance and Risk Management
7. Engage Stakeholders (Shareholder, Customers) towards enabling appropriate level of influence to the flexibility of our operations and planning.

On behalf of the Executive Committee and the Magalies Water as an organisation, be assured that we geared to respond to the opportunities and challenges in line with our Strategy Growth Plan. This Corporate Plan is an appropriate basis to meet legislated accountabilities and simultaneously enable Magalies Water to be a "good citizen" in the communities it serves. This Corporate Plan is designed for success.



SP Mkhize

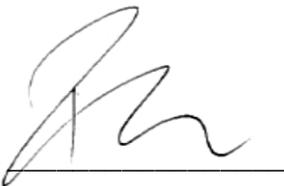
**Chief Executive Officer**

## Official Sign Off

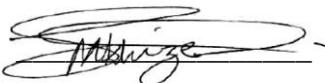
The Magalies Water Management Staff held a 2-Day Workshop during the 25 to 26 February 2019 on the Corporate Plan (2019/20 to 2023/24) in order to assess progress and to identify shortcomings / opportunities that the Executives should be raised to the Board, as the new 5-Year commitment is being crafted. The outputs of the Management Strategy Workshop were further interrogated for relevance to the coming 5-Year planning period - through the lenses of our Board Members during the Board-specific-Workshop held from 24 to 25 April 2019. The latter culminated to the Board's adoption of the format of the Corporate 2019/20 to 2023/24, as being submitted to the Shareholder.

We certify that the Corporate Plan takes into account the Mandate, all relevant Policies, legislation and other commitments for which Magalies Water is accountable. The Corporate Plan accurately reflects the strategic outcome oriented goals and objectives which Magalies Water will endeavour to achieve over the period.

We, further, certify that all the information that the organisation is aware of and is significant to functioning and delivery of the Mandate, is disclosed in this Corporate Plan as required in terms of the Water Services Act (Act 108 of 1997), Public Finance Management Act (Act 1 of 1999), and other relevant legislation and associated Regulations, prescribed Guidelines and practice notes issued by the Department of Water and Sanitation (DWS) and the National Treasury.



P Moseki  
Chief Financial Officer



SP Mkhize  
Chief Executive Officer



Adv. M Petlane  
Chairperson of the Board

## 1. Introduction

This Magalies Water Corporate Plan for the next five (5) years 2019/20 to 2023/24 has been prepared and adopted by the Magalies Water Board as required by Section 40 of the Water Services Act, 1997 (Act No. 108 of 1997).

The Act prescribes that a “Business Plan” must at least contain information regarding the following:

- Each specific primary and other activity to be undertaken and the performance targets for each
- The Tariff applicable to each service, the method by which it was determined, the motivation for the Tariff and the estimated Tariff income
- Forecasts of capital expenditure for the primary and other activities for the next five years, and
- Any other information, which the Minister may prescribe from time to time.

In addition, this Corporate Plan incorporates the recommendations of the National Treasury Frameworks, for example, the on Strategic Plans and Annual Performance Plans of 2010 and the Framework for Managing Programme Performance Information of 2007 on strategic planning and Shareholder Compact, to mention some; the information contained in here is in the format and order proposed by the National Treasury Guidelines.

## 2. Purpose of the Public Entity

Magalies Water is a Water Board established in terms of section 28 of the Water Services Act, (Act No 108 of 1997, as amended) and is classified as Government Business Enterprise as per Schedule 3B of the Public Finance Management Act (Act No 1 of 1999, as amended). The Service Area of Magalies Water as determined by the Minister stretches over Pienaars River and Crocodile River, these being two of its major service area Catchments.

The Mandate of Magalies Water is to provide water services in terms of Section 29 and ensure viable Section 30 initiatives as prescribed in the Water Services Act, (Act No 108 of 1997).

Magalies Water will continue to contribute to the socio- economic development within our Service Areas, as mandated.

### 3. Operating Principles

Magalies Water is a Schedule 3B: State-owned Company (SoC) and like all the businesses operating in the country (the Republic of South Africa), it is governed by all applicable country's legislation. The Magalies Water's operating relevance and its critical role are grounded in the legislative Mandate imposed through the Water Services Act, 108 of 1997, i.e., to ensure that the State complies with Bill of Rights duties enshrined in Chapter 2 of the Constitution. Below is the outline of more information on some of the applicable laws.

#### 3.1 Legislative Mandate

Magalies Water as a State-owned Enterprise is governed by the following legislation, among other legal frameworks that constitute its Regulatory Universe:-

1. The Constitution of the Republic of South Africa, 1996 [(Act 108 of 1996), Bill of rights: According to Chapter 2: Bill of Rights - the State must respect, protect, promote and fulfil the Rights of all people in our country and (must) affirm the democratic values of human dignity, equality and freedom. Explicitly, Section 10 states that everyone has Rights to human dignity and Section 11 speaks of everyone's Right to life.
2. The Public Finance Management Act, 1999 [(Act 1 of 1999 as amended, PFMA)]: The PFMA classifies Magalies Water as a Schedule 3(B): National Government Business Enterprise.
3. National Water Act, 1998 [(Act 36 of 1998 as amended, (NWA)] and its Regulations: provides that the National Government is the public trustee of the national water resources. Acting through the Minister of Water and Sanitation, the National Government has the power to regulate the use, flow and control of all water in the Republic. This is to ensure that water resources are protected, used, developed, conserved and managed in a sustainable and equitable manner for the benefit of all persons.
4. Water Services Act, 1997 [(Act 108 of 1997 as amended, WSA)]: provides for the right of access to the basic water supply and the right to basic sanitation services. The WSA also provides for the establishment of Water Boards and defines their primary (Section 29) and secondary (Section 30) functions.

#### 3.2. Overview of Business Activities

Legally, on behalf of national government, the Minister of the Department of Water and Sanitation (DWS) is the custodian of water resources, including the Dams from which Magalies Water abstracts and channels water to its own Water Treatment Plants for treating / cleaning before distributing through pipelines to Water Service Authorities and other Users (Customers).

### 3.2.1 Primary Activities (Section 29)

The primary activity of a Water Board is to provide water services to other water services institutions within its service area (Section 29). Raw water is obtained through various intermediaries (e.g., Dams, Mining associated sources, etc.) that are linked to two (2) major catchments of the Crocodile and the Pienaars Rivers.

Magalies Water services extend over an area of 42,000 km<sup>2</sup> that cuts across three (3) namely, the North West, Limpopo and Gauteng. Section 29 states that the primary activity of a Water Board is to provide water services to other water services institutions within its service area. Magalies Water service area covers 42 000 km<sup>2</sup> across the three (3) provinces of North West, Limpopo and Gauteng, within the major catchments of the Crocodile and the Pienaars rivers.

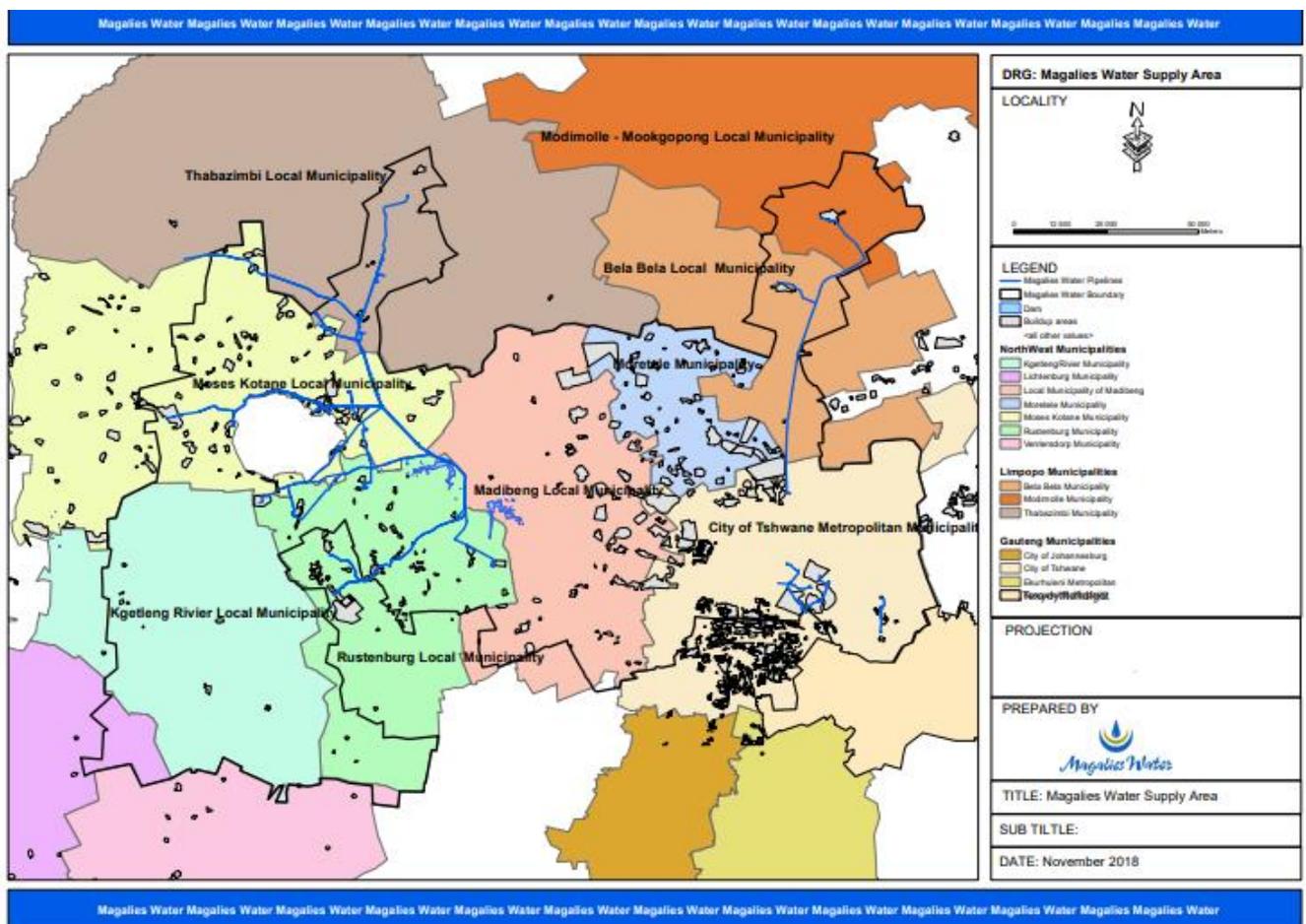


Figure 3: Magalies Water Service Area Map

### 3.2.2 Magalies Water Customers

Magalies Water provides bulk potable water to the following Water Service Authorities, in terms of the core customers (Section 29):

**Table 1: Key Customers- Water Service Authorities**

Water Service Authorities	Water Service Authorities
Rustenburg Local Municipality	Modimolle-Mookgophong Local Municipality
Moses Kotane Local Municipality	Bela Bela Local Municipality
Thabazimbi Local Municipality	City of Tshwane Metropolitan Municipality

**Table 2: Other Major Customers**

Customers Names	Customers Names
Bafokeng Rasimone Platinum Mine	Pilanesberg Platinum Mines
Bakubung Minerals	Rhino Andalusite Mine
Carousel Casino	Royal Bafokeng Administration
Cullinan Diamond Mine	SA Ferrochrome (Pty)Ltd
Impala Platinum Mine	Sun City
Northam Platinum Limited	Union Section Joint Venture

### 3.2.3 Water Treatment Plants

Magalies Water owns and operates the following Water Treatment Plants and associated Pipelines:

- Vaalkop Water Treatment Plant (VWTP):** has a design capacity of 270ML/day, abstracting raw water from the Vaalkop Dam in the Crocodile River Catchment. Potable water produced from this plant is distributed to the North West and Limpopo Provinces.
- Klipdrift Water Treatment Plant (KWTP):** has a design capacity of 42ML/day abstracting raw water from the Roodeplaat Dam in the Pienaars River Catchment. Potable water produced from this Plant is then supplied across Limpopo and Gauteng Provinces.
- Cullinan Water Treatment Plant (CWTP):** has a design capacity of 16ML/day, abstracting raw water from the Bronkhorstspruit Dam that is also in the Pienaars River Catchment. Potable water is supplied to the Cullinan Diamond Mine and the City of Tshwane.
- Wallmannsthal Water Treatment Plant (WWTP):** has a design capacity of 12ML/day, and abstracts raw water from the Roodeplaat Dam in the Pienaars River Catchment. Potable water from this plant is supplied to the City of Tshwane and some individual customers.

### 3.2.4 Other Activities (Section 30)

In partnership with the DWS and/or Municipalities, Magalies Water concludes Contracts / Agreements to perform Section 30 duties, such as when we become the Implementing Agency, and/or as per the Minister's Directive.

With regards to Section 30 activities, Magalies Water has the capabilities and experience to carry out and or perform the following activities:

1. Infrastructure refurbishment

2. Potable water and wastewater treatment solutions ranging from consultancy services, treatment, monitoring and operation of potable water and wastewater treatment plants
3. Rapid response on critical interventions required on water and sanitation
4. Water conservation and demand management
5. Operations and Maintenance (O&M) of bulk water supply and bulk sanitation infrastructure
6. Magalies Water Scientific Services: The SANAS 17025 accredited laboratory-offering services in chemical, environmental and microbiological analyses to the water industry.

Summarily, in general, Magalies Water is capacitated and capable to perform the secondary activities to enhance the optimisation of the value chain of the water services business in South Africa. Specifically, we possess good and relevant experience gained through Programmes rolled out within the areas we have been and still are operating.

## 4. Environmental Scan

Magalies Water continuously conducts an environmental scan to assess the external and internal factors to determine risks and key capabilities. Through Environmental Scanning strategic operating conditions confronting Magalies are described and therefore gathering Information on several variables of the environment facilitates alignment between Magalies Water's strategic plans and the operational environment in which it operates in. It is imperative for Magalies Water to understand the forces of change so to develop effective response mechanisms that could secure or improve the entity's position in the future.

### 4.1 Environmental Analysis

Magalies Water use the P-E-S-T-E-L (Political, Economic, Social, Technological, Environmental and Legislation) approach during the analysis of external environmental conditions / changes: See **Table 3: The Macro Operating Environment** below

**Table 3: The Macro Operating Environment**

Aspect	Key outcome
Political	<p>The political landscape, particularly the Policy position on Institutional Reforms and Realignment (IRR) provides a strategic imperative for Magalies Water to grow. The perception that Municipalities' capabilities in water services delivery and operations of water and sanitation infrastructure are, generally, considered as being highly or extremely vulnerable, provide an opportunity for Magalies Water to grow through providing the necessary (e.g., Section 30) interventions.</p> <p>The different proposed approaches to land redistribution (e.g. land grab) call for Magalies Water's vigilance in ensuring that alternative plausible servitudes and land assets pockets necessary for its operations are kept intact / measured in line with the growth (expansion) plans.</p> <p>The sixth parliament will in all likelihood amend section 25 of the Constitution which strikes a delicate balance between the interest of existing property owners and the interests of society as a whole. This amendment may in short to long term affect the agriculture sector client base and their obligations to Magalies Water. The redistribution of land may affect some of the mining houses we provide service to. Some of the land which might be redistributed in the Koster area, for example, is under serviced and might require us to provide own resources, among others, if to make the land productive.</p> <p>The ongoing various Commissions of Enquiries may change how the shareholders manage State-Owned Entities (SOEs) with the good intentions to enhance controls to avoid a repeat of the allegations of corruption. If that happens, it might not be good for our already enabling corporate governance processes or controls.</p> <p>The first two (2) years of this five (5) Year Plan will be politically challenging due to the upcoming elections. Already, the elections manifestos of the competing political parties seem to be highlighting the weaknesses in the water service delivery promises, among other.</p> <p>The evident dynamics in Local Government political environment seem to lead to the advent of split ruling constituencies. Political instability in Municipalities is a threat to Magalies Water and so are the mineworkers' strikes and the associated possible closures' adverse effects to the value chain of our industry.</p> <p>The maturing of democracy inevitably results in the possible change of political administrations as witnessed in the 2016 Local Government elections. Magalies Water must factor in the long term planning the possibility that new administrations may not be willing to honour or proceed with prior agreements; this may affect revenue base.</p> <p>Many municipalities remain dysfunctional or distressed because of systemic and management issues associated with the alleged "political interference, corruption and incompetence". If this situation persists, Magalies Water and similar entities may be forced to take some of the responsibilities of these municipalities, i.e. sanitation. This possibility might strain the capacity of entities to deliver water services.</p> <p>At ground level, the Magalies Water role and its brand are not 'recognised' separately from the role of the Municipalities we sell water to, and this calls for an intense marketing of our business as well as increased awareness on the fact that Tap Water is an easy 'road' to great life.</p> <p>Magalies Water needs to aggressively support black economic empowerment through its procurement process and programmes. Failure to do so might create an impression that we deliberately undermine our government's stated objectives.</p> <p>The answer to these scenarios lie in Magalies Water's reviewing of its approach towards having clearly designed proactive Response Plans including careful mapping of its stakeholder segments towards uniting everyone under a common service excellence banner and reliable consumers. Magalies Water needs to apply its mind to how the Utility could engage and operate better, where the Party political ideologies differ in the same local landscape.</p>

Aspect	Key outcome
Economic	<p>South Africa weathers economic storms of varying intensity and has been through an immensely difficult time during the first cycle of Magalies Water's 5-Year Business Plan 2019/20 to Corporate Plan 2019/20 to 2023/24. Constrained economic growth, tight Fiscal Policies, effects of Monetary Policy and the recent Sovereign Credit Rating Downgrades have already shown their impact on the desired future capital structures particularly in light of the implementation of high austerity measures, to mention a few. Government may not be in a position to provide funding for the social component of projects to the required levels. Yet Magalies Water has to explore other areas to improve operational efficiencies (realise cost savings) and drive its growth aspirations by establishing itself in rural rather than that feature high unemployment (the inability to pay) rates.</p> <p>SOEs have a crucial role in maintaining the basic infrastructure of South Africa to deliver services. Numerous SOEs are facing financial difficulties, which has led to credit rating downgrades and, in turn, increased financial deficits. The downgrades limit SOEs funding options, since it deters risk adverse investors and investors with specific limitations to investing funds in sub-investment rated entities.</p> <p>A funding mix will be required, which is capital contributions by customers, grant funding and borrowings only to the extent of improved cash flows and bankable Projects. Net cash flows will therefore need improvements to bring investments to optimal levels within the constraints of the latest significant factor of the increase in VAT and the exchange rate (the Rand volatility) with respect to the cost of importing the necessary equipment).</p> <p>Changing spatial patterns, economic and population growth in the service areas provide Magalies Water with an opportunity to grow its business. The ongoing infrastructure upgrades address the demand and progressively reach areas that do not have access to water services. Magalies Water takes into account the affordability impact due to the income levels in the area serviced during the Tariff review process.</p>
Social	<p>The radical economic transformation theme articulated by the State President/s bring about an opportunity for the transformation profile of Magalies Water; it should give rise to inclusive socio-economic benefits in the targeted areas of operation as well. The current levels of poverty, low-income levels and unemployment, however, continue to pose threats on financial sustainability of Magalies Water; ill-affordability levels of consumers to pay municipal services has a domino effect in the revenue of the bulk water services.</p> <p>Further to this, Magalies Water should position itself as the service provider of choice through, not only expanding its service footprint, but also creating job opportunities and skills development / youth capacitation. Corporate Social Investment initiatives designs need to encourage 'innovation' as well as research publication based Industry Specific adaptation views to changing environment (best practices within and among Water Services and Water Boards). Learnerships and Internships Programmes strive to grow our social license to operate and expand the economic base of the municipalities in which we have presence. The net effect should improve the rural and informal surrounding consumers' unemployment / affordability challenges.</p>

Aspect	Key outcome
Technological	<p>Technology, when used to support business needs, should be considered as an asset to be invested in, not a cost to be borne. When implemented properly, good technology investments resulting a measurable return on investment (ROI). That ROI might well be achieved through lower running costs, better productivity, better customer service or simply increased sales due to increased capacity. Technology is a business enabler that doubles up as a disruptor to most business models - consideration the “internet of things”. Globally, the water sector is utilising big data to optimise business models that evolve along with times. The Technologies advancement require enhancement of research and development capabilities; operations must respond to ‘business unusual’ model – hackers pose a serious threat to our business Blue Prints.</p> <p>Now, as much as Magalies Water operates within fresh surface water resources constrained landscape, we are set to grow our customer base, raw water sources, and spatial footprint. We therefore, take cognisance of the need to adopt the emerging diversification strategic trends. Our Strategy Growth Plan already includes the use of boreholes and ground water in recent future. In the end, we might consider a mix such as, for example, innovative initiatives like 1. the zero effluent / zero discharge strategy, 2. the re-engineering of brown water / sanitation water through a closed cycle process similar to the Israel’s greening or water re-use – refer to some of the Cruise Ships, 3. desalination that may reduce fresh raw water use, and 4. adoption of energy efficient technologies to generate power from wastewater in order to lower the costs of production and increase competitiveness.</p> <p>Global warming and climate change requires adaptation strategies as they have an adverse impact on the hydrological systems. Groundwater resource diminishes at a faster rate than it can be naturally replenish and this translate to the surface water scarcity; one of the key business disruptors within the emergent concept of the water-food-energy nexus.</p> <p>Now, in keeping with Magalies Water’s Vision to be the leader in the delivery of bulk water services in the country, the expansion of services plans need not add pressure to natural ecological systems.</p>
Environmental	<p>To understand the human factors to the Catchment areas we draw raw water from, Research and Development efforts will include innovative technologies for the laboratories. Currently, it is possible that the emerging ‘strains’ of contaminants from the pharmaceutical industry and other ecological disruptors need smarter detection techniques.</p> <p>Magalies Water activities that could contribute negatively to the carbon footprint or potentially be legally constrained due to the surrounding natural environment’s protection requirements fall within our eco-efficiency / friendly values and we see opportunities for the future, in exploring initiatives based on water sources associated with the closing mines and the ‘raw’ polluted water from disused mining facilities.</p> <p>In addition, critical environmental management Threats (SWOT) arising from</p> <ol style="list-style-type: none"> <li>1. Municipalities with weak internal control to deal with the quality of waste water released to the environment, and which increases the Magalies Water’s production costs could be addressed through partnerships that could re-direct such polluted water feedstock to electricity generation, and ultimately, drive Tariffs down; and</li> </ol> <p>Emerging trends in severe climatic conditions including droughts and floods, which potentially cripple any Water Board’s business continuity, among many, are difficult to tackle but encourages us to work, innovative, with other parties to, effectively, detect / reduce water losses.</p>

Aspect	Key outcome
Legal	<p>The current review of water sector legislation provides an opportunistic environment conducive to business growth. Magalies Water will need to prepare itself with respect to the DWS' Institutional Reform and Realignment (IRR) processes.</p> <p>Furthermore, the DWS process of establishing an Independent Regulator for water as well as Nation Water Infrastructure Agency may change the modes of interaction between the Water Boards and the DWS, particularly the benefits associated with Section 30.</p> <p>These factors are on the planning radar, deliberated upon and monitored in order to strengthen Magalies Waters' business framework. The same applies to the continued efforts to monitor the Ministerial deployments and the continued planning of different engagement approaches to various constituencies or stakeholder segments include this phenomenon.</p>

## 4.2. Outcomes of the Environmental Analysis

Further, the environmental analysis revealed the following:

1. Economic and population growth in our service area presents Magalies Water with an opportunity to grow the business and infrastructure to address the increasing demand and progressively reach areas that do not have access to water and sanitation services
2. There is increasing availability of modern water services technologies globally and in South Africa
3. There is an ongoing increase in opportunities to render Secondary services
4. Policy positions by the Government present opportunities for Magalies Water to position itself to be relevant in achievement of Governments service delivery mandate
5. Increasing attention to environmental impacts is required

Table 4 below provides the contrasting and / or overlapping nature of the **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats (S-W-O-T Self-Analysis).

**Table 4: Strengths, Weaknesses, Opportunities and Threats Matrix**

<p><b><u>Strengths</u></b></p> <ul style="list-style-type: none"> <li>✓ Values driven internal stakeholder relationships (labour union and employees in general)</li> <li>✓ (Critical) skills development and retention</li> <li>✓ Readiness for Institutional Reforms and Realignment process;</li> <li>✓ Readily crafted Growth Response Plan: ability, capacity and capabilities to respond to the increasing spatial patterns, population growth, urbanisation and increasing demand in the service area;</li> <li>✓ Ability to utilise new generation technologies in the value chain;</li> <li>✓ Ownership of assets - Water Treatment / and distribution infrastructure processes</li> <li>✓ Effective systems to uphold the safety of all employees and asset security.</li> </ul>	<p><b><u>Opportunities</u></b></p> <ul style="list-style-type: none"> <li>✓ Retention and optimisation of youth based skills and organisational memory</li> <li>✓ Institutional Reforms and Realignment process</li> <li>✓ Introduction of Independent Water Regulator</li> <li>✓ Political environment and legislative amendments provide a conducive environment for business growth</li> <li>✓ Innovation around treatment processes</li> <li>✓ Increasing spatial patterns, population growth, urbanisation and increasing demand in the service area</li> <li>✓ Adaptation and optimisation / the utilisation of new generation technologies in the value chain</li> <li>✓ Dependence to other role players for some infrastructure</li> </ul>
<p><b><u>Weaknesses</u></b></p> <ul style="list-style-type: none"> <li>✓ Containment of the operational costs</li> <li>✓ Financial resources constraints to implement capital expansions</li> <li>✓ Plants capacity constraints to meet the water demand</li> <li>✓ Inability to perform Section 30 services</li> </ul>	<p><b><u>Threats</u></b></p> <ul style="list-style-type: none"> <li>✓ Technological Changes (rate and frequency)</li> <li>✓ Introduction of Independent Water Regulator</li> <li>✓ Business / industry inherent risks (labour demands, Rand volatility (exchange rates, interest rates, VAT changes, etc.)</li> <li>✓ Global economic conditions and sovereign credit downgrade</li> </ul>

<ul style="list-style-type: none"> <li>✓ Fiscal consolidation and austerity measures in relation to the business growth plans</li> <li>✓ Dependence to other role players for some infrastructure</li> <li>✓ Brand and reputation protection and preservation (e.g. matching Stakeholder Communication Strategy to the media / social media developments)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Fiscal consolidation stance and sluggish economic growth Skills and organisational memory still lie in the younger generation</li> <li>✓ Poor quality of raw water due to pollution and contamination of water resources</li> <li>✓ Environmental impacts due to the effects of global warming.</li> <li>✓ Organisational memory lies in the younger / mobile generation</li> <li>✓ Dependence to other role players for some infrastructure</li> <li>✓ Political environment and legislative amendments (e.g. land grabs and restitution)</li> </ul>
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In addition, Magalies Water’s response to the outcomes of the Environmental Analysis is through the implementation of the following Key Action Plans:

5. To prioritise increased volumes of potable water and extend services in terms of the Capital Expansion Masterplan
6. Improve Research and Development capabilities
7. Enhance capabilities to perform Section 30 Activities
8. Perform a credit rating and enhance capability to borrow against the strength of Cash Flows
9. Pay particular attention to threats posed by the natural environment

For the Key Risks, our capacitated risk management process provides another layer of the tools we use to mitigate the impacts and enhance the benefits.

## 5. Strategy

### 5.1. Strategic Choices

Magalies Water's response to the outcomes of the environmental analysis is to continuously pursue the following:-

Magalies Water's response to the outcomes of the environmental analysis is to continuously pursue the following ***intensive strategies*** over the planning period:

- 1. Market Development Strategies:** This comprise expanding services to new areas of supply, thus Magalies Water efforts being made to extend the area of operation in the whole of Bojanala and Waterberg District Municipalities. A request to gazette additional supply areas will be made to the Shareholder in order to execute the strategic Growth Plan extensively.
- 2. Product Development Strategies:** This comprises development of new products to existing and new customers, therefore growing the wastewater treatment business in the Magalies Water Treatment Plants. This will further involve a long-term focus in provision of bulk water and wastewater services to customers as a secondary service.
- 3. Market Penetration Strategies:** This involves growth and expansion of existing services to existing customers. This will be performed through continued implementation of capital expansion in the current service area to increase footprint and reach areas that do not have access to services.

### 5.2 Strategic Perspectives

The strategic perspectives to be pursued are:

1. Organisational Efficiency and Effectiveness
2. Financial
3. Customer and Stakeholder Interaction
4. Organisational Capacity (and the additional to the Balance Scorecard approach, is)
5. General Performance

### 5.3 Strategic Objectives

The above strategic perspectives are expanded into the following strategic objectives:

1. To provide quality potable water
2. To provide reliable and sustainable water services to customers
3. To achieve growth and sustainable financial returns
4. To manage financial and business risk

5. To manage Customer and Stakeholder relations
6. To contribute towards Transformation and Developmental Agenda
7. To maintain and retain critical skills of all employees

#### 5.4 Alignment to the Outcome Oriented Goals of Government and Sustainable Development Goals

South Africa is a signatory to the United Nations Sustainable Development Goals (SDGs) which are built on principles of the Millennium Development Goals. SDGs address key systematic barriers to sustainable development such as inequality, unsustainable consumption patterns, weak institutional capacity, and environmental degradation.

The SDG focus on the following six (6) elements:

1. **Dignity** : To end poverty and fight inequality
2. **Prosperity** : To grow a strong inclusive and transformative economy
3. **Justice** : To promote safe and peaceful societies with strong institutions
4. **Partnership** : To catalyse global partnerships for sustainable development
5. **Planet** : To protect ecosystems for all societies and children
6. **People** : To ensure healthy lives, knowledge and (socio-economic) inclusion of women and children.

The National Government developed National Development Plan (NDP) as the implementation Programme of the SDGs. The Medium Term Strategic Framework (MTSF) is a Governments Strategic Plan that came about as 2014-2019 first five (5) year tool that reflects the commitments made by the State.

The strategy of Magalies Water is therefore aligned with the Government and SDG outline in the next section.

**Table 5: Alignment of the Government<->SDG Outcomes<->Magalies Water Strategic Objectives**

No.	SDG Goals	Strategic Outcome Goals	DWS Strategic Goals	Organisational Alignment to the Strategic Objective
1	<b>Goal 6:</b> Ensure availability and sustainable management of water and sanitation for all	<b>Outcome 6:</b> An efficient, competitive and responsive economic infrastructure network	➤ Equitable access to reliable, sustainable and acceptable water resources and water sanitation systems	➤ To provide sustainable water services to customers
2	<b>Goal 9:</b> Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	<b>Outcome 9:</b> Responsive, accountable, effective and efficient Local Government system		
3	<b>Goal 13:</b> Take urgent action to combat climate change and its impacts	<b>Outcome 10:</b> Environmental assets and natural resources that are well protected and continually enhanced	➤ Enhanced and protected water as a resource across the value chain	➤ To provide quality potable water
4	<b>Goal 10:</b> Reduce inequality within and among countries	<b>Outcome 12:</b> An efficient, effective and development oriented public service and an empowered and inclusive citizenship	➤ An efficient, effective and development oriented water and sanitation sector	➤ To achieve growth and sustainable financial returns ➤ To manage customer and stakeholder relations
		<b>Outcome 5:</b> A skilled and capable workforce to support an inclusive growth path <b>Outcome 4:</b> Decent employment through inclusive economic growth	➤ An enhanced contribution to socio-economic development and transformation by the sector	➤ To maintain and retain critical skills of all employees ➤ To contribute towards transformation and developmental agenda

## 6. Operating Model

This Corporate Plan envisages achievement of Strategy through continuing development of Magalies Water Operating Model on the following bases:

### 6.1 Governance

We further expand Strategic Perspectives into the following Strategic Objectives

#### 6.1.1 Magalies Water Governance Structures.

The Board of Directors (Board) is the overarching controlling structure of Magalies Water and this is in line with the legislated good governance requirements in terms of the South African laws. In accordance with the provisions of the Water Services Act (Act 108 of 1997), the Honourable Minister: Department of Water and Sanitation, in this regard, appoints the Magalies Water Board Members. Magalies Water adopted the Board's Term of Office that does not exceed four years..

The Mandate of the Board is outlined in the adopted Board Charter and the Charter defines the Board's responsibilities as follows: -

1. Ensuring that the Objectives of the Shareholder are achieved
2. Contribute to and adopt the Business Plan
3. Strive to achieve financial viability of the organisation
4. Ensure that there is an effective Risk Management System
5. Ensure that the Annual Financial Statements that objectively represent the **monetary** affairs of the organisation are prepared for each financial year
6. To be responsive to perceptions that affect **the brand and** the reputation of the organisation
7. To ensure that Magalies Water is not only perceived to be, but is, a responsible corporate citizen / organisation.

In order to enhance the effectiveness of its fiduciary activities and to comply with the applicable legislation. The following are Board Committees have been established:

##### 6.1.1.1. Capital Investments Committee

The Capital Investments Committee is tasked with reviewing the infrastructure and expansion programmes and with ensuring that the schedules are in line with Magalies Water infrastructure master plan. The committee ensures that the execution of capital programmes is within budget both in terms of time and expenses, and that

all projects are guided by fair, equitable, transparent, competitive and cost-effective requirements of Section 217 of the Constitution, PFMA and PPPFA.

The key roles and responsibilities of the committee include the following:

- To recommend the approval of Magalies Water's capital expansion programme and projects prioritisation plans to the Board;
- To recommend to the Board, the approval of additional, including deviations from re-prioritisation of projects away from the originally-approved infrastructure expansion programme;
- To bring to the Board any water infrastructure-related matter that warrants its attention;
- To ensure that the primary activity of Magalies Water is achieved in terms of Section 29 and 30 of the Water Services Act, 1997 (Act 108 of 1997), among others; and
- To ensure adherence to the secondary mandate of Magalies Water in so far as Section 30 of the Water Services Act, 1997 (Act 108 of 1997) is concerned.

#### **6.1.1.2. Finance Committee**

The Finance Committee oversees financial reporting, effective and efficient financial management, reviews the investment portfolio governance. It held all its four scheduled meetings during the period under review.

The key roles and responsibilities of the Finance Committee include the following:

- To recommend the approval of financial information to the Board;
- To recommend approval of the annual budget and its adjustments to the Board;
- To assess the financial reports as per the Corporate and Annual performance plans;
- To ensure that the Board approve the significance and materiality framework and that it is in place;
- To oversee the recommendation of irregular, fruitless and wasteful expenditure reports to the Board for approval;
- To monitor the quarterly approval of the management accounts by the Board;
- To recommend the audited annual financial statements to the Board for approval;
- To review the delegation of authority and recommend to the Board for approval;
- To review and recommend the Finance Committee's terms of reference in line with the Board Charter for Board approval; ;

- To conduct annual self-assessment in line with the approved finance strategy implementation plan;
- To incorporate the King IV Principles on corporate governance into drafted policies for the Board's approval;
- To oversee Magalies Water's supply chain management compliance to Treasury Regulations and other relevant policies;
- To review and report progress to the Board on debt collection and cost-recovery;
- To advise Magalies Water on investments, loan requirements, bank facilities as well as guide the setting of the borrowing limits, guarantees and grant funding for Board's approval;
- To recommend to the Board the approval of annual tariffs, among others.

#### **6.1.1.3. Risk Committee**

The Risk Committee fulfils an independent oversight role in guiding the management of strategic level risks including opportunities available to the organisation. This is carried out through the implementation of the approved strategic risk management plan. Among its functional roles, the committee is responsible for:

- Assisting the Board in formulating a risk policy and framework which facilitates implementation of a robust strategic risk management plan;
- Making recommendations to the Board concerning risk tolerance levels and mitigation thereof;
- Providing assurance to the Board on the effectiveness of the risk management process;
- Ensuring that controls in place are relevant and effective in addressing all the identified risks including the ICT risks.

#### **6.1.1.4 Audit Committee**

The Audit Committee performs its statutory function as set out in the Companies Act of 2008 and its roles and responsibilities as set out in the PFMA and Treasury Regulation 27.1. The committee is accountable to the Board and has played a critical independent oversight on corporate governance, integrated financial reporting, evaluation of the effectiveness of internal controls, risk management systems, as well as internal and external audit functions. , During the 2017/18, it reported on its evaluation of effectiveness of all measures put in place that culminated to this Annual Report. Some of the key activities and roles of the committee include the following:

- To oversee the Entity compliance with the legal and statutory provisions;
- To approve the risk areas of the entity to be covered in the scope of internal audit as per the risk assessment reports noted quarterly and annually;
- To review the audited annual financial statements and assess the adequacy, reliability and accuracy of financial information provided to end users;
- To review and recommend to the Board for approval, the management accounts, performance information report, debt management and contingent liability reports identified as a result of internal and external audit and on a quarterly basis;
- To approve the annual internal Audit Operational Plan and the internal Audit Charter;
- To review quarterly internal audit progress report;
- To note the approved risk management implementation plan;
- To review the internal and external audit findings tracking register on a quarterly basis; and
- To conduct annual self-assessment, to mention a few.

#### **6.1.1.5 Human Resources and Remuneration Committee**

This committee is responsible for recommending remuneration, ethics and other human resource related policies, succession planning, induction, training, as well as the evaluation of the Board and its other committees. The key functional roles and responsibilities include:

- To recommend the executive organisational structure for approval to the Board;
- To regularly review and recommend to the Board for approval, all corporate services policies, e.g., Human Resources, Records Management and Information, Communication and Technology (ICT), among others;
- To undertake annual review of the committee's terms of reference in line with the Board Charter;
- To promote conducive channels of communication between the Board and the Executive Management as well as between management and staff members, on matters relating to working conditions and remuneration;
- To recommend to the Board all relevant activities relating to the agreeable minimum services agreement for the Amanzi Bargaining Council (ABC);
- To review the ABC and provide guidance on feedback on various matters

pertaining to the South African Municipal Workers' Union (SAMWU) and National Education, Health and Allied Workers' Union (NEHAWU) meetings, including the non-unionised employees. These could be in terms of compliance to:

- ✓ Safety, Health and Environment (SHE) performance and policies,
  - ✓ Skills development and training and succession planning opportunities and targets,
  - ✓ Employment equity targets, and
  - ✓ Sharing appropriate processes for commitments;
- To oversee the implementation of the remuneration and rewards policies that are conducive to the achievement of strategic objectives and to individual performance. This role includes:
    - ✓ Recommending to the Board for approval regarding general annual salary adjustments within Magalies Water's both bargaining and non-bargaining staff categories;
    - ✓ Making recommendations to the Board for the approval of the 2017/2018 performance incentive bonuses for all employees;
  - To review and recommend the terms and conditions for executive committee service agreements, including review of performance and rewards; and
  - To very importantly, perform annual self-assessment.

#### **6.1.1.6 Stakeholder engagement Committee**

The key roles and responsibilities of the Stakeholder Engagement Committee are

- To identify key stakeholders and addressing the material risks and opportunities they present;
- To develop and implement of stakeholder strategies and policies;
- To develop a mechanism for constructive stakeholder
- To engage with all material stakeholders;
- To adopt communication guidelines for stakeholders including publication of policies detailing the nature of interaction with the stakeholders.

#### **6.1.1.7 Board Members**

Below are the existing Board Members of Magalies Water as at the end of April 2019.

**Table 6: Magalies Water Board Members (2014 to 2019)**

Board Member	Appointment Date	Gender	F	HR	CIC	A	R	SE
Advocate M Petlane (Board Chairman)	1 May 2014	Male						
PN Nkwiniika (Deputy Chairman)	1 Sept 2009	Female		X				
T Monewe	1 Dec 2011	Female	X					X
F Saloojee	1 May 2014	Female		X	X		X	
TT Mohapi	1 Dec 2011	Male	X		X			
TF Zondi	1 Sept 2009	Female				X	X	
N Mufamadi	1 May 2014	Female				X	X	
FP Vilakazi	1 May 2014	Male	X		X			X
S Lebeko-Ratlhagane	1 May 2014	Female			X	X	X	X
Kgosi SV Suping	1 May 2014	Male		X			X	X
S Mamotheti*	1 May 2017	Male				X		
S Madikizela*	1 May 2017	Male				X		
K Moodley*	1 May 2017	Female				X		

F	Finance Committee
HR	Human Resources and Remuneration Committee
CIC	Capital Investments Committee
A	Audit Committee
R	Risk Committee
SE	Stakeholder Engagement Committee
*	External Member of the Audit committee

#### **6.1.1.8. Code of Conduct and Promotion of Ethical Culture**

The Accounting Officer promotes the implementation of the Ethical Code of Conduct's related processes through a delegated split between the Risk Specialist at internal operational and tactical level - and the Company Secretary at strategic Board level. As a result, declarations of financial interests, confidentiality, conflict of interests and disclosures are made by all employees as provided for in the 1997 government's set standards for the Public Service. Practices and in line with the Financial Disclosure Framework requirements for senior officials.

## 6.2. Key Performance Areas

Magalies Water shall continue with the management focus on the following Key Performance Areas:

1. Bulk Potable Water Quality Compliance
2. Management of Water Losses
3. Reliability of Supply
4. Financial Sustainability
5. Efficiency of Capital Expenditure
6. Avoidance of reportable Safety, Health and Environmental Incidents
7. Appropriate support for public policy: rural development, Broad Based Black Economic Empowerment (BBBEE), skills development and job creation.
8. Stakeholder engagement and interaction

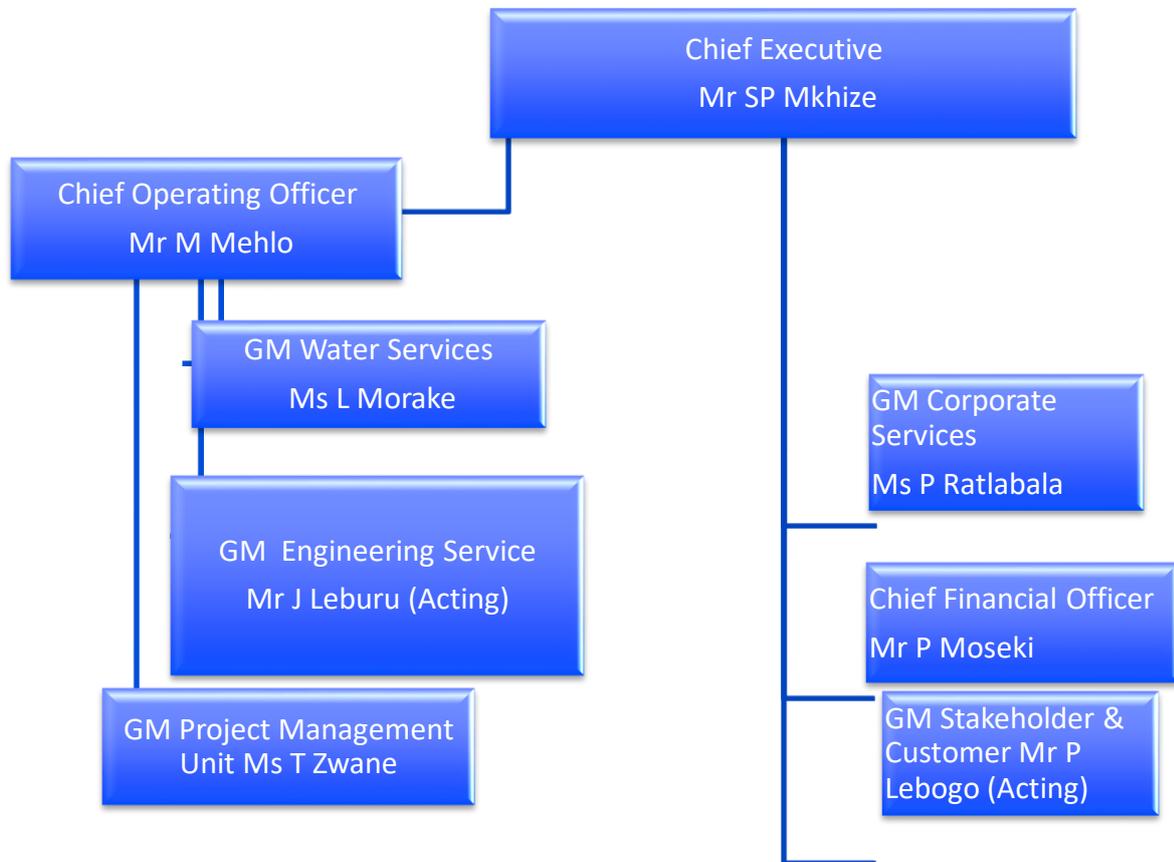
## 6.3. Organisational Structure and Human Resources

The primary human resources activities are documented in the Workforce Plan which drives the critical human resource related processes to recruit, deploy, train, develop, pay and reward employees.

Magalies Water will continue to pursue the implementation of its comprehensive human resources policies established across the following area:

1. Recruitment and Placement
2. Training and Development
3. Employee Relations
4. Health and Lifestyle Support
5. Workforce Planning

The high-level Organisational Structure is as shown below.



**Figure 4: Structure**

## 6.4 Information Communications and Technology

Magalies Water will entrench, exploit benefits from its major investments in Enterprise Resource Planning Systems, and pursue a Service Oriented Architecture. The overall

approach to Information and Communication Technology (ICT) is shown with aspects of the ICT value chain below:

**“Change Services”**

1. **Service Strategy:** Wherein ICT architecture and plans are aligned with the business priorities and ensure that ICT resources are deployed appropriately to fulfil the approved demand of ICT services.
2. **Service Development:** Development of ICT services that provide sustainable value to the business through continuous and ongoing service delivery.

**“Run services”**

3. **Service management:** Delivery of reliable ICT services to the business while improving the quality and efficiency through continuous improvements.
4. **Information service management:** Enable ICT to deliver its commitments to the business by driving performance, making critical decisions and coordination of internal and external functions

Based on an assessment of capabilities within the ICT value chain indicated above, the following objectives shall be pursued:

1. Align ICT appropriately with changes in business strategy and business requirements;
2. Enhance support for operations technology;
3. Deliver quality services in accordance with service level agreements
4. Safeguard and maintain accuracy of Magalies Water confidential information and data;
5. Deliver ICT projects to specification on time and on budget

In order to achieve the above ICT objectives and service strategy, system integration domains should mature as follows:

1. Total alignment of Information Technology and ICT Governance;
2. Optimisation of System Applications Product (SAP) for applications to be dynamically linked to each other;
3. The architecture is already service oriented in nature, and should be moved to a state of being dynamically reconfigurable; and
4. Configuration of ICT infrastructure to dynamically respond and support full implementation of the service oriented architecture.

## 6.5 Secured Resources

Magalies Water proposes to place management emphasis on securing necessary input resources for its operations.

The key resources to be secured include:

1. Financial and funding capacity aligned to Infrastructure Plans, as indicated in the Projected Financial Statements
2. Human Resource Expertise and Talent in Operations and Capital Projects management
3. Rapid access to external resources in the event of critical needs and emergencies
4. Appropriate determination of the Service Area/s
5. Security of power supply
6. Enhanced capability to provide analytical insight from accumulated data.

## 6.6 Compliance

Magalies Water will enhance compliance with regulations and its customer commitments. These include compliance with the following:-

1. Legislation including the Water Services Act and the PFMA
2. Bulk supply agreements, notably for potable water quality compliance, reliability of supply within the current capacity
3. Reportable safety, health and environmental incidents
4. Implementation of Ministerial directives
5. Employment equity and transformation
6. The spirit and rules of BBBEE and socio-economic development.

The Shareholder has a particular interest in the number of resolutions required and those approved by the Boards in alignment to the corporate compliance cycle.

The expected corporate compliance cycle milestones are as follows:

**Table 7: Compliance Reporting Schedule**

Compliance cycle activity	Stakeholder	Activity	Time
1. Tariff proposal	Board	Approval to seek mandate	Before end October
	Water Services Authorities	Consultation	Before end November
	National Treasury	Submission to seek written comments in accordance to legislation	01 December
	South African Local Government Association		01 December
	Board	Approval	January Board Meeting
	DWS	Submission for tabling in Parliament	End January
	National Assembly	Tabling	March
2. Budget	Board	Approval	May Board Meeting
3. Corporate Plan and Shareholders Compact	Board	Approval	May Board Meeting
	DWS and National Treasury	Submission	End May
4. Annual Financial Statements	Board	Approval	August Board Meeting
	Auditor-General and National Treasury	Submission for audit purposes	End August
5. Audit and Annual Report	Board	Approval	November Board Meeting
	DWS	Submission	End November
	National Treasury	Submission	End November
6. Corporate Plan review	DWS	Appraisal	May
7. Portfolio Committee	Water and Sanitation Portfolio Committee	Oversight	May and any other period required

## 6.7 Stakeholder Engagement, Communication and Marketing Plans

Magalies Water continuously engages with Stakeholders in order to provide appropriate water services support to public policy and stakeholder goals.

### 6.7.1 Stakeholder Engagement (Internal and External)

Stakeholder Engagements or Stakeholder and Customer Interactions are an integral imperative of Corporate Governance and Magalies Water appreciates that Stakeholder perception can affect its reputation and brand both negatively and positively, depending on the context. Stakeholder perceptions and legitimate interests should, at all times, be managed to enhance and protect the corporate image of Magalies Water.

The approach of Magalies Water to Stakeholder Engagement will include the following:

1. Identifying Stakeholders and Objectives for engagement purposes
2. Identify and facilitate development of critical relationships
3. Analysis of Stakeholder and Customer frames of reference, available information and assumptions
4. Develop relevant channels per influencer group
5. Develop a detailed systematic engagement programme
6. Analysis of feedback from engagement programmes

Stakeholders have been identified and grouped as follows:

1. Stakeholder who have regulatory oversight over Magalies Water
2. Stakeholders that Magalies Water provides services to
3. Stakeholders who provide services to Magalies Water

A Stakeholder Engagement Plan will therefore be implemented to address all the material issues and achieve the intended objectives of stakeholder engagement in accordance to the Stakeholder Value Proposition.

### 6.7.2 Stakeholder Value Propositions

The value proposition presented below indicates how Magalies Water effectively and efficiently segment in order to meet the needs of its various Stakeholders.

**Table 8: Stakeholder Segmentation and Service Design Strategy**

Stakeholder	Value Proposition	Outcomes
Stakeholders who provide Regulation and Oversight	Compliance with Government Policy on water services	<ul style="list-style-type: none"> <li>• Compliance with Legislation and Public Policies</li> <li>• Delivery of Government's key Mandate</li> </ul>
Stakeholders to whom services are provided (Customers)	Quality Water	<ul style="list-style-type: none"> <li>• Product quality</li> <li>• Product quantity</li> <li>• Reliability of supply</li> <li>• Affordable Tariffs</li> <li>• Good reputation</li> </ul>
Stakeholders who provide services and resources (customer services support)	Employer of Choice	<ul style="list-style-type: none"> <li>• Conducive working environment</li> <li>• Fair and transparent labour practice</li> <li>• Employment Equity</li> </ul>
	Ethical Business Partner	<ul style="list-style-type: none"> <li>• Reliable, credible organisation respected and valued by Community</li> <li>• Promote BBBEE Imperatives</li> </ul>
	Terms and Conditions of Trade	<ul style="list-style-type: none"> <li>• Reliable, credible, sustainable business partner for investors, employees, suppliers</li> </ul>
	Sound Environmental Practices	<ul style="list-style-type: none"> <li>• Compliance with Water and Waste Licences</li> <li>• Water Conservation Demand Management</li> </ul>

The Stakeholder Engagement Plan will, therefore, be implemented to address all the material issues and achieve the intended Objectives in accordance to the Stakeholder Value Propositions agreed to.

### 6.7.3 Marketing and Communication

Communication initiatives will seek to elevate the brand of Magalies Water to greater levels of visibility and accentuate messages that communicate the organisational vision to its Stakeholders, resulting in marketing of Magalies Water. An Integrated Marketing and Communication plan will therefore, be implemented as an instrument to directly work with the Water Services Authorities in determining and addressing water services delivery needs and drive the strategic growth of Magalies Water. Communication will be carried out utilising the following channels:

1. Internal and external publications through brochures, website, intranet and outdoor advertising tools for brand elevation
2. Events to include stakeholder engagements fora and exhibitions at key sector events
3. Interviews and programme features on local and community radio stations on topics relevant to water
4. Supporting Provincial and Local Government initiatives and programmes

## 7. Key Performance Areas

### 7.1 Bulk Potable Water Quality Compliance

Magalies Water's strategic goal is to meet SANS 241 2015 Drinking Water Standards at the "good" level

**Table 9: SANS 241:2015 Guide to Water Quality Standards**

Key Performance Indicator	Target	Comments/Justification
Bulk potable water quality compliance	Acute 1 $\geq 97\%$	This measures achievement of acute, chronic health, operational and aesthetic drinking water standards as defined in SANS 241:2015.
	Acute 2 $\geq 97\%$	
	Chronic $\geq 95\%$	
	Aesthetic $\geq 93\%$	
	Operational $\geq 93\%$	

The major planned activities to reduce risk of non-achievement of the target include:

1. Optimisation of treatment processes
2. Implementation of recommendations based on the outcomes of the technical process audit of each plant
3. Address identified process constraints
4. Research and development - implement recommended solutions

### 7.2 Management of Average Water Losses

Magalies Water's strategic goal is to maintain Water Losses to below 5% for the plants and below 7% for the bulk distribution.

**Table 10: Levels of Water Losses - Tolerance Limits**

Key Performance Indicator	Target	Comments/Justification
Average Water Lost as a % of water produced at plant	$\leq 5\%$	Quarterly as measured from across all Plants
Average Water Lost as a % of water produced at distribution	$\leq 7\%$	Quarterly as measured from across all Plants

The major activities to reduce risk of non-achievement of the targets include:

1. Improve monitoring of the distribution system
2. Pressure monitoring along pipelines (hydraulic modelling and smart metering)
3. Implementation of recommendations based on the outcomes of the technical process audit of each plant.

### 7.3 Reliability of Supply

Magalies Water's strategic goal is avoid loss of service to end consumers.

#### Continuous Disrupting Incidents Tolerance Limits (Number and Time)

**Table 11: Incidents Tolerance Levels**

Key Performance Indicator	Target	Comments/Justification
Number of incidents of continuous service interruption exceeding 48 hours	≤6 incidents	MW measures the number of incidents over 48hrs continuously; not by cumulative hours or days

The major planned activities to reduce risk of non-achievement of the target include:

1. Enhanced focus on full compliance to scheduled maintenance plans
2. Control plant and distribution losses as above
3. Increase storage capacity

### 7.4 Financial Sustainability

Magalies Water's strategic goal is to achieve growth and financial sustainability.

**Table 12: Sustainability Ratios**

Key Performance Indicator	Target	Comments/Justification
Current Ratio	1.7:1	These measures assume sustainability as reflected through profitable trading, effective working capital management, optimal capital structures, and growth of the business.
Gross Profit Margin – FY target	34%	
Net Profit Margin	15%	
Debt/Equity Ratio	≤22%	
Return on Assets	3%	
Percentage Working Capital to Revenue (Working Capital Ratio)	77%	
Staff Remuneration as % of Total Operating Expenditure	≤34%	

The major planned activities to reduce risk of non-achievement of the targets include:

1. Enhanced controls over expenditure
2. Enhance Supply Chain Management to effectively carry out “procure to pay” services
3. Continuing effective management of billing accuracy, client payment plans, cash management and credit control processes applied on a monthly basis
4. Monthly monitoring of key financial ratios
5. Manage capital expansion costs

### 7.5 Efficiency of Capital Expenditure

Magalies Water’s strategic goal is to complete capital projects on time on budget to required quality standard.

**Table 13: Capital Projects and Budgets**

Key Performance Indicator	Target	Comments/Justification
Actual Capital Expenditure as a Percentage of Total CAPEX Budget	≥90%	This measure monitors progress on project implementation to completion of Capital Expansion Programmes, compared to the allocated Budget, including the measurement of activities to grow the asset base of Magalies Water

The major planned activities to reduce risk of non-achievement of the targets include:

1. Enhance the Project Management Unit
2. Implementation of projects within the confines of a project implementation framework and available resources
3. Review of the existing bulk water infrastructure masterplan
4. Compile a sanitation infrastructure masterplan and combine it with the bulk potable water infrastructure masterplan

### 7.6 Avoidance of Reportable Safety, Health and Environmental Incidents

Magalies Water’s strategic goal is to avoid reportable safety, health and environmental incidents.

The major planned activities to reduce risk of reportable safety, health and environmental incidents include:

1. Application of the ISO 14001 standards and maintenance of ISO certification

2. Continue with implementation of OHSAS 18001 standard at the Vaalkop Water Treatment Plant.

**7.7 Appropriate Support for Public Policy: Rural Development, BBBEE, Skills Development and Job Creation.**

Magalies Water’s Strategic Goal is to provide appropriate support for transformation and socio economic development in accordance with the Public Policy.

In line with Outcome 4 on ‘decent employment through inclusive economic growth’ the Table below, indicates Magalies Water support to the state objectives.

**Table 14: Job Creation and Youth Accord - Decent Employment Capacitation**

Key Performance Indicator	Target	Comments/Justification
Number of Corporate Social Investment initiatives implemented.	3	Magalies Water targets 3 significant projects per year
Number of people appointed on the Internship Programme (per annum)	10	As per the KPIs for Organisational Capacity Perspective
Number of people appointed on the Learnership Programme (per annum)	25	As per the KPIs for Organisational Capacity Perspective
Number of people appointed on the Graduate Programme (per annum)	4	As per the KPIs for Organisational Capacity Perspective
Number of External Bursaries awarded (per annum and/or study cycle)	5	As per the KPIs for Organisational Capacity Perspective

The major planned activities to reduce risk of non-achievement of the targets include:

- Stakeholder engagement
- Implementation engagement
- Implementation of recruitment processes Implementation of skills development programmes

## 8. Outcomes by Major Programme with Accountability

This Section describes Major Programmes to implement strategy.

### 8.1 Enhanced Capabilities Programme

Objective: Plan, design and deliver enhanced water treatment facilities within funding constraints.

Outcome: To sustain delivery of our Mandate of primary activities (Section 29).

Scope: The enhanced water treatment facilities are described in the Capital Plan.

Accountability: Chief Operations Officer

### 8.2. Delivered Water Services to Required Standards

Objective: Deliver water services that at least comply with required standards of water quality, reliability and client satisfaction

Outcome: To achieve the strategic objectives of bulk potable water quality compliance and reliability of supply.

Scope: Management of plant and bulk distribution operations to practical design capacity for delivery of required quality and volumes.

Accountability: Chief Operations Officer

### 8.3. Enhance Section 30 Capabilities

Objective: Enhance capacity for delivery of Section 30 activities such that supply and demand for those services are aligned.

Outcome: Enable improved citizens' quality of life and economic growth through delivered water services.

Scope: Supply of Section 30 activities with delivery excellence.

Accountability: Chief Operation Officer

### 8.4. Financial Sustainability within Approved Tariffs

Objective: Maintain financial sustainability within approved Tariffs

Outcome: Long-term operational and capital sustainability without Tariff shocks

Scope: Balance sheet, income statement and cash flow management, Tariff setting, cost management and ability to fund capital expansions.

Accountability: Chief Financial Officer

## 8.5 Human Resource Development

Objective: Develop the human resources of Magalies Water, suppliers and communities through transformation, skills development, local employment and enterprise development

Outcome: Enhanced human resource capabilities for other strategic programmes and achievement of public policy targets.

Scope: Full scope talent management for Magalies Water employees, organisation development, learnerships and traineeships, employment of local people, procurement from local SMMEs, BBBEE procurement, and Corporate Social Investments.

Accountability: General Manager - Corporate Services

## 8.6 Business Support and Risk Management

Objective: Provide efficient and effective business support in Finance, Supply Chain Management, Information and Communications Technology, Governance and Risk Management.

Outcome: Mitigation of applicable constraints in operations

Scope: Business support areas, notably in funding, efficient procurement in emergencies, data custody, risk management and setting parameters for performance.

Accountability: Chief Executive Officer

## 8.7. Stakeholder Engagement

Objective: Engage shareholder, clients and stakeholders to incorporate their appropriate influence on operations and planning.

Outcome: Avoidance of reputational risk and increased stakeholder satisfaction.

Scope: Communication with all stakeholders using meetings, forums and media with involvement of Magalies Water executives and Board.

Accountability: General Manager - Stakeholder and Customer Service

## 9. Financial Plan

This section provides projected financial data; including assumptions used in determining the projections. Magalies Water is planning to borrow R350 million in 2019/2020 financial year to fund capital expansion to meet the increased demand.

### 9.1 Basic Planning Assumptions

The following basic financial planning assumptions are applicable:

**Table 15: Assumptions**

Item	Year 1 (2019/20)	Year 2 (2020/21)	Year 3 (2021/22)	Year 4 (2022/23)	Year 5 (2023/24)
Inflation (CPI)	5.0%	5.4%	5.5%	5.4%	5.6%
Salary Increases	8.0%	8.0%	8.0%	8.0%	8.0%
Increase in electricity prices	15%	15%	15%	15%	15%
Producer Inflation (linked to increase in chemicals prices)	5.2%	5.1%	5.2%	5.3%	5.4%
Increase in raw water prices (Cullinan)	6.1%	15.1%	15.2%	15.3%	15.4%
Increase in raw water prices (Vaalkop,)	0%	15.1%	15.2%	15.3%	15.4%
Increase in raw water prices (Klipdrift)	14.4%	15.1%	15.2%	15.3%	15.4%
Increase in raw water prices (Wallmannsthal)	9.5%	15.1%	15.2%	15.3%	15.4%

### Surplus Policy

Magalies Water invests surplus funds in an institution with a credit rating that has been obtained from reputable assessors. Surplus are invested for future capital needs. Surplus funds are invested with more than one institution, wherever practical, in order to limit the risk exposure of the entity

## 9.2 Statement of Profit or Loss and Other Comprehensive Income Projections

**Table 16: Projected Profit/ Loss and Other Income**

ITEM	BUDGET 2019/20	BUDGET 2020/21	BUDGET 2021/22	BUDGET 2022/23	BUDGET 2023/24
<b>INCOME</b>					
Water Sales	743 683 466	786 347 894	879 954 091	990 686 471	1 111 020 564
Management Fees	6 940 000	6 500 000	6 500 000	6 752 685	7 765 588
Secondary Activities Income	44 139 400	46 721 387	53 715 314	62 094 207	72 139 763
<b>Total Income</b>	<b>794 762 866</b>	<b>839 569 281</b>	<b>940 169 405</b>	<b>1 059 533 363</b>	<b>1 190 925 915</b>
<b>EXPENSES</b>					
Water Purchases	97 839 160	99 776 035	117 866 254	139 193 249	161 437 156
Chemicals	41 980 155	46 178 170	50 795 987	55 875 586	61 463 145
Electricity	114 591 287	127 885 294	146 188 850	167 176 936	190 485 949
Remuneration	208 274 420	227 984 290	247 362 955	268 388 806	292 543 799
Transport	8 311 045	8 892 819	9 515 316	10 181 388	10 894 085
Maintenance	37 022 432	39 984 227	43 182 965	46 637 602	50 368 610
Operating Expenses - Indirect	103 848 604	105 374 661	105 985 334	108 431 409	111 839 424
<b>Total Expenses</b>	<b>611 867 104</b>	<b>656 075 496</b>	<b>720 897 661</b>	<b>795 884 976</b>	<b>879 032 167</b>
<b>Operating Surplus Before Depreciation &amp; Finance Income</b>	<b>182 895 762</b>	<b>183 493 784</b>	<b>219 271 744</b>	<b>263 648 387</b>	<b>311 893 748</b>
Depreciation & Impairment	82 060 488	85 254 555	98 079 257	108 937 258	120 152 005
Finance Costs	-	14 000 000	38 057 093	37 001 038	35 818 256
<b>Operating Surplus After Depreciation &amp; Impairment</b>	<b>100 835 294</b>	<b>84 239 229</b>	<b>83 135 393</b>	<b>117 710 091</b>	<b>155 923 847</b>
Finance Income (Investments)	8 280 000	21,542,000	28 389 000	32 717 000	37 638 000
<b>Net Surplus</b>	<b>109 115 294</b>	<b>105 781 229</b>	<b>111 524 393</b>	<b>150 427 091</b>	<b>193 561 487</b>

1. Increase in water sales are based on a projected increase in demand of over the five-year period.
2. Magalies Water salary increases have averaged 7% to 8% per annum, linked to CPI. As a result, the projected increase is based on a rate of 8%.
3. **NB:** Although the cost of energy is significantly high, Magalies Water is currently researching alternative sources of energy to reduce its total expenditure.

### 9.3 Statement of Financial Position Projections

**Table 17: Financial Projections**

Item	2020	2021	2022	2023	2024
	R'000	R'000	R'000	R'000	R'000
<b>Assets</b>					
<b>Non-current assets</b>	<b>3 267 514</b>	<b>3 286 148</b>	<b>3 333 084</b>	<b>3 426 260</b>	<b>3 577 711</b>
Property plant and equipment	2 677 108	2 725 296	2 768 901	2 958 571	3 130 168
Intangible assets	26 124	33 640	29 156	24 672	20 188
Construction work in progress	564 282	527 212	535 027	443 018	427 355
<b>Current assets</b>	<b>389 033</b>	<b>427 198</b>	<b>440 969</b>	<b>467 353</b>	<b>482 414</b>
Investments	148 717	187 589	206 768	221 215	240 276
Inventory	27 235	21 598	22 678	23 811	25 002
Trade receivables (Water Sales)	102 230	107 341	108 048	113 450	107 614
Other receivables	41 080	33 398	34 066	34 747	33 010
Cash	69 771	77 272	69 410	74 129	76 512
<b>Total assets</b>	<b>3 656 547</b>	<b>3 713 346</b>	<b>3 774 053</b>	<b>3 893 614</b>	<b>4 060 125</b>
<b>Equity and Liabilities</b>					
<b>Equity</b>					
Retained income	1 625 339	1 731 120	1 842 645	1 993 072	2 186 633
<b>Long term liabilities</b>	<b>1 808 079</b>	<b>1 758 410</b>	<b>1 722 528</b>	<b>1 693 827</b>	<b>1 663 345</b>
Capital Contributions	63 315	61 750	60 186	58 621	57 057
Borrowings	350 000	317 142	298 485	287 446	275 082
Government Grant	841 833	833 541	824 834	815 692	806 094
Deferred Income	552 932	545 977	539 022	532 067	525 113
<b>Current liabilities</b>	<b>223 129</b>	<b>223 815</b>	<b>208 880</b>	<b>206 715</b>	<b>210 146</b>
Accounts payable	183 312	174 147	182 854	179 197	180 989
Capital Contributions	24 964	1 564	1 564	1 564	1 564
Borrowings	-	32 858	8 800	9 857	11 039
Government Grant	7 897	8 292	8 707	9 142	9 599
Deferred Income	6 955	6 955	6 955	6 955	6 955
<b>Total equity and liabilities</b>	<b>3 656 547</b>	<b>3 713 346</b>	<b>3 774 053</b>	<b>3 893 614</b>	<b>4 060 125</b>

1. A long-term loan of R350 million is required to fund capital projects. Magalies Water is in the process of applying for a borrowing limit for the identified capital projects.
2. Property plant and equipment will increase by 5% over the five-year period due to the capital expansion project.
3. Excess funds are transferred to an investment account to benefit from better returns.
4. Deferred income and government grant consist of amounts received from mines and Department of Water and Sanitation to fund capital project. The related liability reduces on an annual basis over the useful life of the assets.

## 9.4 Cash Flow Statement

**Table 18: Cash Flow**

Item	2020	2021	2022	2023	2024
<b>CASH GENERATED FROM OPERATIONS</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Cash applied in operations	181 203	182 536	225 525	252 774	320 068
Add: Interest received	8 280	21 542	28 389	32 717	37 638
Less: Interest paid	-	14 000	38 057	37 001	35 818
<b>Net operating activities</b>	<b>189 483</b>	<b>190 078</b>	<b>215 857</b>	<b>248 490</b>	<b>321 888</b>
<b>INVESTING ACTIVITIES</b>					
Additions to assets	(435 791)	(103 889)	(145 014)	(202 114)	(271 602)
Decrease/(increase) in investments	(55 720)	(38 872)	(19 179)	(14 447)	(19 061)
<b>Net investing activities</b>	<b>(491 511)</b>	<b>(142 761)</b>	<b>(164 194)</b>	<b>(216 561)</b>	<b>(290 663)</b>
<b>FINANCING ACTIVITIES</b>					
Capital Contributions	(1 564)	(24 964)	(1 564)	(1 564)	(1 564)
Redemption of borrowings	350 000	-	(42 714)	(9 983)	(11 181)
Deferred Income	(6 955)	(6 955)	(6 955)	(6 955)	(6 955)
Government Grant	(7 521)	(7 897)	(8 292)	(8 707)	(9 142)
<b>Net financing activities</b>	<b>333 960</b>	<b>(39 816)</b>	<b>(59 525)</b>	<b>(27 209)</b>	<b>(28 842)</b>
<b>CASH AND CASH EQUIVALENTS</b>					
Net cash movements	31 932	7 501	(7 862)	4 720	2 383
Cash at the beginning	37 839	69 771	77 272	69 410	74 129
<b>Cash at the end</b>	<b>69 771</b>	<b>77 272</b>	<b>69 410</b>	<b>74 129</b>	<b>76 512</b>

## 9.5 Five Year Capital Expenditure Plan

**Table 19: Capital Expenditure 5 - Year Projections**

#	Project Name	Major / Minor	Total Estimated Budget R'000	Expenditure To Date Budget R'000	Capital Required For:	FUNDING SOURCE	2019/20 R'000	2020/21 R'000	2021/22 R'000	2022/23 R'000	2023/24 R'000
<b>Major Capex</b>											
1	Pilanesberg BWSS Phase 3	Major	R 1 058 600	R 14 081	IRS Study	DWS		348,173	696,346		
2	Mafenya to Evergreen	Major	R 30 000	R 0	Cathodic protection	MW		30,000			
3	Sondela Booster Pump-station	Major	R 95 200	R 78 091	Construction	MW					
4	Wallmannsthal Plant Upgrade	Major	R 147 848	R 10 846	Detailed design	MW		137,002			
5	Wallmannsthal Reservoir (25 MI)	Major	R 60 000	R 1 339	Construction	MW				20,000	38,661
6	Wallmannsthal Highlift pumpstation	Major	R 20 000	R 8 754	Construction	MW	10,000				
7	Moretele South Scheme	Major	R 427 982	R 103 934	Construction	MW&DWS	100,000	150,000	74,048		
8	Klipvoor Scheme	Major	R 3 816 417	R 74 467	IRS Study	DWS			50,000	50,000	50,000
9	Smart Metering	Major	R 10 000	R 0	Construction	MW		10,000			
10	PMU Tender	Major	R 15 000	R 0	Assignment based	MW		5,000	5,000	5,000	
11	IMQS Planning Tool	Major	R 2 800	R 0	Upgrade	MW		2,800			

12	250DN Bethanie/Modikwe pipeline upgrade	Major	R 50 000	R 0	Construction	MW		25,000	25,000			
13	350DN x2 Spitskop bulk supply lines replacement	Major	R 60 000	R 0	Construction	MW		15,000	15,000	30,000		
14	Leeufontein line upgrade	Major	R 50 000	R 0	Construction	MW		R10,000	R15,000	R25,000		
<b>Projects with IRS Documented completed</b>												
19	Goewermentsplaas - Thabazimbi Pipeline & PS	Major	R 513 410	R 19 769	Construction	MW & DWS			200,000	293,641		
20	Padda to Swartklip Pipeline	Major	R 110 477	R 3 188	Construction	MW & DWS			107,289			
21	La Patrie to Sandfontein Pipeline	Major	R 115 337	R 3 195	Construction	MW & DWS			112,142			
22	La Patrie – Moruleng Pipeline	Major	R 326 671	R 5 783	Construction	MW & DWS			150,00	170,888		
23	Mafenya to Phokeng/Tlhabane Pipeline	Major	R 721 809	R 57 306	Construction	MW & DWS			221,501	221,501	221,501	
24	Phokeng & Tlhabane Reservoirs	Major	R 310 849	R 14 817	Construction	MW & DWS			100,000	100,000	96,032	
25	Bakubung Reservoir/pump sump (Ledig)	Major	R 68 969	R 1 174	Construction	MW & DWS			67,795			
26	Vaalkop additional 60 Ml/day upgrade	Major	R 300 000	R 0	Construction	MW & DWS			100,000	100,000	100,000	
<b>Totals R'000</b>								<b>110,00</b>	<b>732,975</b>	<b>1,590,948</b>	<b>1,691,376</b>	<b>506,194</b>

1. The total capital expenditure required for 2019/20 and 2020/21 amounts to R726.9 million (excluding projects funded by DWS). Based on available resources; expenditure will be funded by: (1) Borrowings – R350 million; (2) Own reserves – (R122 million as at 31 March 2018) and (3) the rest from net surplus.

## 9.6 Financial Ratio Projections

**Table 20: Financial Ratios' Projections**

Item	2020	2021	2022	2023	2024
Gross Profit Ratio	34%	33%	34%	36%	37%
EBITDA Margin	23%	22%	23%	25%	26%
Effective Interest Rate		4%	12%	12%	13%
Net Profit Ratio	15%	13%	13%	15%	17%
Working Ratio	77%	78%	77%	75%	74%
Capital Gearing Ratio	0.18	0.17	0.14	0.13	0.12
Interest-Bearing Debt: Equity Ratio	0.22	0.20	0.17	0.15	0.13
Total Debt Ratio (Debt/Asset Ratio)	10%	9%	8%	8%	7%
Total Debt Ratio (Debt/Equity Ratio)	22%	20%	17%	15%	13%
Interest Cover Times	0	13.11	5.76	7.13	8.71
Current Ratio	1.7	1.9	2.1	2.3	2.3
Acid-Test Ratio	1.6	1.8	2.0	2.1	2.2
Return on Equity Ratio	7%	6%	6%	8%	9%
Return on Capital Employed	6%	5%	5%	7%	8%
Return on Total Assets	3%	3%	3%	4%	5%
Asset Turnover	0.20	0.21	0.23	0.25	0.27
Debtors Collection Days	50	50	45	42	35

## 9.7 Financial Risk Management

Using the Materiality and Significance Framework, the following trends emerge:

1. Implementation of the Klipvoor Scheme and Pilanesberg Bulk Water Supply Scheme will require huge capital investments and this may have an impact on the capital structures of Magalies Water.
2. Engagements with the DWS are essential for grant funding since the schemes will also cater for domestic demand. Engagements will take place with the economic users of the Scheme for capital contributions or payment of capital Tariffs as a measure to mitigate financial risks. Borrowings may be required to implement some components of the Scheme and that will require Ministerial approval. In principle, however, these Strategic Schemes will rely primarily on Grant Funding because, currently, the Business Cases and Payback Mechanisms are weak.

## 9.8 Borrowing Limits and Maturity Profile of Debt

Magalies Water has not yet utilised gearing to fund its Capital Expansion Implementation Programmes. The credit rating process to enable Magalies Water to utilise and / or increase its borrowing limits is one of the steps that started during 2017/18 financial year. One finalised, an application to obtain the approval of the Honourable Minister of Water and Sanitation and subsequently the National Treasury will follow the provisions of Section 54 of the Public Finance Management Act, 1999 (Act 1 of 1999).

## 10. Tariff Management and Consultation

Tariffs management is in accordance with the Magalies Water's Tariff Methodology, which provides the most appropriate set of guidelines to, consistently, determine water prices to achieve social equity, water conservation and sustainability. Furthermore, the Policy aims to achieve consistency, accuracy and transparency in how the Tariffs are set.

The Tariffs Policy incorporates the following principles:

1. Independent Tariffs are set for each bulk water scheme due to differing structures, geographic locations and resource circumstances.
2. Tariffs should be underpinned by efficiency of operations such that prices do not lead to an increase in inflation.
3. Tariffs should be set in a manner to promote economic development
4. Tariffs should be set in a manner that takes cognisance of inequalities and attempts to bridge such gaps
5. Customers will be consulted and adequately informed on the cost components of a Tariff to inform customer budget processes.
6. Tariffs should be reflective of the costs incurred in providing the water services including costs incurred to augment supply and other capital investment costs in such a manner that Magalies Water is able to:
  - a. Repay and service its current debts
  - b. Recover its capital and maintenance costs
  - c. Make reasonable provision for the depreciation of assets
  - d. Recover the costs associated with capital expenditure from revenue over a period
  - e. Make reasonable provision for future capital requirements, expansion and renewals.

Extensive consultation processes were, as legislated, undertaken with affected Customers and at the Inter-Governmental level with the National Treasury and SALGA to comply with provisions of the Local Government: Municipal Finance Management Act, (Act 52 of 2008).

The National Treasury engagement / consultation processes for 2019/20 tariff determination has been documented / recorded. The information is available upon request, if sharing it is required.

The Bulk Water Tariff Projections are as follows:

**Table 21: Tariffs' Projections**

Plant	2020 (R/KL)	2021 (R/KL)	2022 (R/KL)	2023 (R/KL)	2024 (R/KL)
Vaalkop	7.17	8.03	9.01	10.11	11.36
Wallmannsthal	11.16	11.16	11.16	11.27	11.36
Klipdrift	8.50	9.21	9.95	10.69	11.36
Cullinan	8.01	8.75	9.58	10.48	11.36
<b>Indicative Average Uniform Tariff</b>	8.71	9.29	9.92	10.64	11.36
<b>Average % increase</b>	<b>10%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>

The Table above indicates the current Tariff per Scheme and the average Tariff that will be paid when a uniform Tariff is implemented. This is in line with the Magalies Water's strategic decision to move away from a Scheme-based-Tariff to a Uniform Tariff to be charged for all the Schemes. With the new approach, all Water Schemes will be priced the same independent of the use, and Consumers will pay proportionally for their water consumption.

## 11. Risk Management Plan

The Board is accountable for Magalies Water overall governance of risk and this is advocated by its responsibilities of setting an appropriate risk management tone, approving risk management policies and other strategies. This include leveraging the applicable governance and assurance structures for combined assurance on the effectiveness of risk management within Magalies Water. Risks management is carried out through the internal Risk Management Committee wherein the output of Committee discussions is escalated to the Risk Committee of the Board on a quarterly basis.

The Table below contains the strategic risks that were identified for the next five planning year period.

**Table 22: Risk Management (Including Treasury Risks), Audit & Governance**

No.	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
			Impact	Likelihood	Rating		
1.	Raw Water resource	Insufficient raw water quantity	Major (4)	Likely (4)	High (16)	<ol style="list-style-type: none"> <li>1. Low Dam Levels</li> <li>2. Infrastructure failure</li> <li>3. Augmentation system</li> <li>4. Restriction or failure.</li> <li>5. Dependency on infrastructure owned by external parties.</li> <li>6. Raw water dam leaks.</li> <li>7. Over abstraction of raw water.</li> <li>8. Droughts and floods.</li> <li>9. Water Pollution</li> <li>10. Inadequate maintenance of raw water infrastructure</li> </ol>	<p><b>VAALKOP RAW WATER SYSTEM</b></p> <ol style="list-style-type: none"> <li>1. Engage DWS to take over Operations and Maintenance of Canal.</li> <li>2. Engage DWS to maintain flow into the canal by controlling algae growth.</li> <li>3. Budget be allocated to controlling and manage the algae growth.</li> </ol> <p><b>CULLINAN RAW WATER SYSTEM</b></p> <ol style="list-style-type: none"> <li>1. Engage the Cullinan Diamond Mine to take over raw water supply system.</li> <li>2. Repair raw water dam leaks at Cullinan WTP</li> <li>3. Monitor and report on raw water quality as per the extended scope - catchment area.</li> </ol>
2.		Deterioration of raw water quality.	Major (4)	Likely (4)	High (16)	<ol style="list-style-type: none"> <li>1. Inability to treat raw water to drinking water standards</li> <li>2. High Operational costs</li> <li>3. Reduction in production rates</li> <li>4. Inability to meet demands.</li> <li>5. Implementation of advanced treatment processes</li> </ol>	<ol style="list-style-type: none"> <li>1. Continue engaging the DWS and stakeholders</li> <li>2. Continuous engagement with DWS on quality challenges affecting the raw water.</li> <li>3. Implement advance treatment chemicals</li> <li>4. Continuous monitoring and control of dam and abstraction levels.</li> </ol>

3.	Profitability and liquidity	Insufficient financial resources to sustain the business.	Major (4)	Likely (4)	High (16)	<ol style="list-style-type: none"> <li>1. Increased capex cost</li> <li>2. lack of payment by customers (current &amp; old accounts)</li> <li>3. Non adherence to cost containment measures</li> <li>4. Increased operational cost.</li> </ol>	<ol style="list-style-type: none"> <li>1. Application of borrowing limits</li> <li>2. Implementation of the debt collection policy/strategy - issuing of restriction letters, analysing and reconciliation of debts and reporting. Robust of cash flow management and reporting.</li> <li>3. Investigate new revenue generation streams.</li> <li>4. Develop the Magalies Water cost containment Strategy as per National Treasury Framework.</li> </ol>
4.	Reputation	Erosion of reputation	Moderate (3)	Possible (3)	Moderate (9)	<ol style="list-style-type: none"> <li>1. Inadequate Stakeholder Engagements.</li> <li>2. Poor handling of confidential information.</li> <li>3. Ineffective internal and external communication</li> <li>4. Impact of external events in the business.</li> </ol>	<ol style="list-style-type: none"> <li>1. Ensure effective implementation of the Customer/ Stakeholder engagement Plan</li> <li>2. Effective implementation of the IMC plan</li> <li>3. Implement the POPI Act.</li> <li>4. Conduct the Quarterly and Monthly Stakeholder engagement meetings as per the Stakeholder Management Plan</li> </ol>
5.	Bulk water infrastructure constraints	Failure of critical infrastructure.	Moderate (3)	Possible (3)	Moderate (9)	<ol style="list-style-type: none"> <li>1. Ageing Infrastructure</li> <li>2. Dependency on infrastructure owned by external parties <ol style="list-style-type: none"> <li>a. Leaking dams</li> </ol> </li> <li>3. Unreliable electricity supply</li> <li>4. Inadequate assets management</li> <li>5. Delays in finalising procurement processes</li> <li>6. Inadequate financial resources</li> </ol>	<ol style="list-style-type: none"> <li>1. Conclude the borrowing process with the National Treasury.</li> <li>2. Improving on the procurement turnaround times and measure performance.</li> <li>3. Update Bulk Water Master Plan</li> <li>4. Develop Bulk Sanitation Master Plan.</li> <li>5. Continue to implementation the minor capex projects.</li> <li>6. Implementation of Bulk Water Infrastructure Master Plan</li> </ol>

6.	Potable Water Quality (SANS Compliance)	Low quality of potable water. (Non -compliance to SANS Standards)	Moderate (3)	Unlikely (2)	Low (6)	<ol style="list-style-type: none"> <li>1. Droughts and floods</li> <li>2. Increase natural resource consumption.</li> <li>3. Deteriorating quality of raw water</li> <li>4. Inadequate distribution system management</li> <li>5. Over abstraction of natural water resource</li> <li>6. Pollution</li> <li>7. Inappropriate plant treatment processes and technologies</li> <li>8. Inadequate maintenance of Canal</li> </ol>	<ol style="list-style-type: none"> <li>1. Conduct annual technical process audit for each plant and implement recommendations thereof.</li> </ol>
7	Critical Skills and knowledge	Inability to retain and develop critical skills	Moderate (3)	Unlikely (2)	Low (6)	<ol style="list-style-type: none"> <li>1. Lack of identification of critical and core skills.</li> <li>2. .Competition for skills.</li> <li>3. New technological advancement</li> </ol>	<ol style="list-style-type: none"> <li>1. Ensure approval and implementation of Policies;</li> <li>2. Succession Planning Policy</li> <li>3. Recruitment Policy.</li> <li>4. Ensure that all HR Polices are published on the intranet and communicated through inductions.</li> <li>5. Develop a Retention Policy.</li> <li>6. Finalise the categorisation of critical and core skills.</li> </ol>

No	Risk Category	Risk Description	Residual Risk			Root Causes	Mitigation	
			Treasury Risks	Likelihood	Impact			Rating
	Operational	Risk that operations may be delayed as a result of the normal procurement processes waiting period .For example the execution of tender is 90 days & quotations is 7 - 14 days.	Critical-(5)	Likely (4)	20	<ol style="list-style-type: none"> <li>1. High volume of Purchase requisitions received daily in the procurement division.</li> <li>2. Incomplete descriptions /information from users on purchase requisitions.</li> <li>3. Delays of delivery by suppliers.</li> <li>4. Non- response to request for quotation from suppliers.</li> <li>5. Incorrect valuation price</li> </ol>	<ol style="list-style-type: none"> <li>1. To finalise the remaining position in Supply Chain to be filled to ensure that there are no delays</li> <li>2. Regular follow-up with end-user to resolve on purchase requisition.</li> <li>3. Request of deviation where it is impractical to obtain suppliers.</li> <li>4. Regular follow-up with suppliers to resolve possible delivery delays</li> </ol>	
	Liquidity	Inability to effectively manage cash inflows and outflows due to failure to collect debt due timeously.	Critical (5)	Likely (4)	20	<ol style="list-style-type: none"> <li>1. Customers not paying on time</li> <li>2. Lack of adequate debtors collection strategy</li> </ol>	<ol style="list-style-type: none"> <li>1. Restriction of water quantity for non-paying water- service authorities.</li> <li>2. Monthly reconciliation and follow-up on outstanding debt</li> <li>3. Debtors Collection Policy to be approved and implemented</li> </ol>	

	Interest rate	Changes in the economic market result in fluctuation in interest rate which could have an impact on the investment income	Moderate (3)	Unlikely (2)	6	Reduction in interest rate	<ol style="list-style-type: none"> <li>1. Diversify the investment and limit the risk exposure to 25% for each financial institution.</li> <li>2. Reduction in interest rate</li> </ol>
	Counterparty	Loss of capital invested, if counterparties are unable to repay the original investment.	Moderate (3)	Unlikely (2)	6	Deteriorating share price in the counter party.	Diversify the investment and limit the risk exposure to 25% for each financial institution.
	Foreign Currency	Not applicable, Magalies Water does not have transactions with foreign suppliers.	N/A	N/A	N/A	N/A	N/A
	Borrowing Limits	Failure to take advantage or implement new capital opportunities due to lack of funding.	Critical-(5)	Likely (4)	20	<ol style="list-style-type: none"> <li>1. Capital expenditure budget not sufficient to ensure all planned projects are executed timeously</li> <li>2. Inadequate debt collection</li> <li>3. Operational inefficiencies, ineffectiveness</li> </ol>	<ol style="list-style-type: none"> <li>1. Application of borrowing limits</li> <li>2. Monthly transfer of 2.5% of water sales to investment</li> <li>3. Transfer of 100% of monthly depreciation charge</li> </ol>

## 12. Materiality and Significance Framework

Magalies Water has adopted a Materiality and Significance Framework, within its Risk Management Plan, as described in this section

### 12.1 Materiality

A material issue is an error or omission in information with a value impact that would cause a user of such information to change an Enterprise decision based upon such information. In Magalies Water, an issue is considered to be material if the associated value impact would exceed 5% of turnover, 5% of total expenditure, or 2% of total assets.

Other issues which are considered material regardless of value are:

Any issue that may, due to its nature, pose a threat to the going concern assumption applied to the business of Magalies Water.

Overall, Magalies Water takes it as non-performance to have even one breach of materiality that exceeds any of the above mentioned instances.

### 12.2 Significance

Significance is defined as the condition that a specific item or trend may adversely impact on the evaluation of the performance delivery by a key stakeholder. In Magalies Water, an item is considered significant if it would noticeably compromise delivery within a Key Performance Area.

Items, which are considered significant, include:

1. An interruption of supply of bulk water services to customers exceeding 48 hours
2. An incident involving communicable disease transmitted through potable water supplied by Magalies Water
3. A wide-spread work stoppage arising from industrial action
4. A gain of new Water Services business
5. A loss of existing Water Services business
6. A change in the legal structure of Magalies Water
7. Investments in capital expansions that may significantly alter the capital structure

### 12.3 Use of the Framework

The above Framework will be used for all material operational and financial risk reporting to the Board and externally to the Shareholder for significant transactions. Funding Magalies Water intends to raise for Capital Projects may present interest rate risks to the entity due to finance cost that will need to be paid.

## 13. Fraud Prevention Plan

The Board explicitly supports and fosters a culture of zero tolerance for the commission or concealment of fraudulent, corruption and illegal acts. Magalies Water investigates allegations of fraudulent acts and behaviours in a fair and transparent manner prior to taking appropriate actions. The process followed is in line with the approved existing Fraud, Corruption and Prevention Policy and it is based on the following key elements:

### 13.1 Prevention Controls

1. Promotion of ethical culture
2. Implementation of physical and information security controls
3. Management of conflict of interest
4. Vetting of employees and suppliers
5. Fraud and corruption risk assessments
6. Encouraging the reporting of any corrupt activities, and
7. Strengthening internal control systems

### 13.2 Detection Controls

1. Whistle-blowing mechanisms
2. Application of internal controls aimed at detecting fraud incidents, and
3. Internal audits

### 13.3 Response to Fraud and Corruption

1. Investigations
2. Disciplinary action
3. Resolutions
4. Improved internal controls
5. Monitoring, and
6. Reporting

## 14. Business Continuity Management

Magalies Water Board is committed to ensure the continuity of its business operations and to minimise the impact of all forms of disruptions. We have adopted the principles that are internationally developed (the Business Continuity Institute's Good Practice Guidelines 2018 relating to the ISO 22301: 2012 (Societal Security: Business Continuity Management Systems - Requirements). The Board has approved a Business Continuity Management (BCM) Policy and Plan.

The BCM Policy aims to meet the following objectives:

1. Ensure the safety of staff, staff welfare and confidence;
2. Minimise the financial, operational and business impact to Magalies Water in the event of a disaster;
3. Safeguard the facilities, purification plants, business information and assets of all the divisions;
4. Provide timely availability of all key resources necessary to operate the critical business processes at a level of operation that is acceptable to management; and
5. Maintain stakeholder confidence in Magalies Water

Magalies Water acknowledges the Business Continuity Management System and emphasizes the importance of:

1. Understanding continuity and preparedness needs, necessity for review of the existing BCM Policy, establishment of business continuity management plan and objectives
2. Implementation of operating controls and measures for management of overall continuity risks
3. Monitoring and review of performance and effectiveness of the BCM system
4. Continuous improvements based on objective measurements of BCM

The underpinning components of the BCM Plan are as follows:

1. Business Continuity Programme and Strategy
2. Business Impact Analysis / Risk Assessment
3. Business Continuity Plan
4. Crisis Communication Plan
5. Emergency Response Plan
6. Disaster Recovery Plan
7. BCM awareness, training, testing and exercise

## 15. Supply Chain Management Plan

SCM plays an integral part in the organisation's success and is a capability that seeks to enable the business to ensure seamless operation of the value chain and the ability to build and maintain long-term relationships.

The purpose of Supply Chain Management (SCM) is to have order – synchronizing the activities of the organisation. All SCM processes are created to manage an organization's demand and supply forces in the market

The following are the main effective objectives of SCM activities:

1. Achievement of sustainable financial returns through cost reductions
2. Achievement of value for money through service delivery improvements
3. Maintaining relations with stakeholders by performance management of procurement
4. Establishing a link between the SCM plan and the organisational strategy
5. Continuous process improvements and
6. Continual cost reduction
  - More collaborative and integrated relationships with suppliers
  - Minimised risk related to changes in competitive markets
  - Keeping pace with rapidly changing customer requirements or expectations.
  - Environmental/sustainable solutions.
  - To prevent irregularities in the acquisition of goods and services
  - To ensure that the best product/service are delivered at the right time, at the right place , at the right price, at the right quality & at the right quantity
  - To apply five (5) pillars of procurement - value for money , open & effective competition , Ethics & fair dealings ,accountability & reporting and Equity

The basic purpose of the supply chain is to fulfill demand, drive customer value, improve responsiveness, facilitate financial success and build a good system.

SCM is important because it increases competitiveness and customer satisfaction. Efficient supply chains allow the business to deliver goods and services to the end-user in a cost effective manner.

The SCM provide support to meet the current and future needs of the Magalies Water in a cost effective and timely manner through implementing a system that is fair, equitable, transparent, competitive & cost effective in accordance with the policies, procedures and relative Regulations.

Positioning of Magalies Water towards its supplier base to have SCM as a capability that support implementation of the overall strategy. Magalies Water shall source in consideration of the strategic importance connected to a commodity and the impact of the core mandate of the organisation. Therefore, it shall assist as the basis of SCM performance and sourcing of goods and services.

## 16. Records Management Plan

The National Archives and Record Service Act (No. 43 of 1996) provides the terms and conditions under which public records must be managed. Magalies Water can therefore not afford exposure to risks of poor management of public records. This could lead to loss or misplacement of records resulting in qualified audit reports, damages, fines and possible litigation.

The business imperative of effective records management is within the ambits of good governance, accountability and transparency. A Five (5) Year Records Management Implementation Plan has been developed to ensure systematic implementation of effective records management. This Plan, which is aligned to the strategic objectives and operational requirements of Magalies Water

The Five (5) Year Records Management Implementation Plan covers the following key components of Magalies Water's value chain:

### 16.1 Regulatory Compliance

1. Retention of records
2. Classification of records
3. Custody and preservation
4. Management of electronic records
5. Central registry

### 16.2 Risk Management

1. Business continuity
2. Utilisation during the audit process
3. Evidential value

### 16.3 Value for Money

1. Space saving
2. Improved service delivery
3. Cost reduction

The Key Outcomes of implementation of the Records Management Plan are as follows:

1. improved controls in legal compliance with regards to information management legislations;
2. Easy retrieval of official records;
3. Reduced records management related risks;
4. Efficient systematic approach to management of records from 'creation to disposal; and
5. Safe custody of Magalies Water's vital records.

## 17 Human Resources Plan

### 17.1 Implementation of a Human Resources Plan

Magalies Water will continue to deepen implementation of Human Resources plans within the context of Board-approved policies covering the following areas:

#### 1. Remuneration

To implement a rewards system that is consistent with the objectives, strategic value drivers and sustainability of the organisation whilst attracting and retaining employees;

#### 2. Succession Plan & career Path

To ensure effective performance of the organisation through development of specific employees to take up key position by maintenance of a database of employees with specific competencies;

#### 3. Recruitment & Selection

To ensure effective and efficient recruitment, development and retention of staff with relevant expertise, experience and the requisite skills. Recruitment processes to embrace diversity;

#### 4. Incentives Performance Management

To continuously instil a high performance culture and recognise and reward performance that is geared towards achievement of the strategic objectives and targets of Magalies Water; and

#### 5. Employment Equity

Creation of an environment free of discrimination and removal of barriers to actively appoint and develop individuals with potential from previously disadvantaged groups.

### 17.2 Workforce Profile

Employees of Magalies Water are key inputs to the strategic management process and will continually deploy the key process to ensure that the organisation delivers sustainably on its service delivery mandate. To substantiate this the current workforce profile is shown

**Table 23: Personnel Profile by Levels, Gender and Race**

Occupational Category	Male				Female				Total	%Actual / Category	%age 5-Yr Target
	A	C	I	W	A	C	I	W			
Top Management	4	0	0	0	3	0	0	0	7	2,49%	2.62%
Senior Management	2	0	1	0	0	0	0	0	3	1.06%	1.63%
Professionally qualified and experienced Specialists <sup>^^</sup>	27	1	1	3	17	0	0	3	52	18.5%	17.3%
Skilled Technical & academically qualified Workers, Junior Management, Supervisors, Foremen & Superintendents	25	0	0	7	32	1	0	3	68	24%	24.5%
Semi-Skilled and Discretionary Decision Making	57	1	0	7	38	0	0	1	99	35.2%	32.5%
Unskilled and defined decision making	33	0	0	0	19	0	0	0	52	18.5%	16%
<b>Total Permanent</b>	<b>148</b>	<b>2</b>	<b>2</b>	<b>12</b>	<b>109</b>	<b>1</b>	<b>0</b>	<b>7</b>	<b>281</b>	<b>100%</b>	
<b>Total By Gender (Actuals)</b>	<b>164</b>				<b>117</b>						
<b>Actuals: % Male to Female #^#</b>	<b>58,36</b>				<b>41.64%</b>				<b>100%</b>		
<b>Target Vacancies to be filled</b>	<b>305<sup>#</sup></b>										
<b>%Target: Differentially Abled*##</b>	<b>2%</b>								<b>3/281</b>	<b>1.07%</b>	<b>2%</b>

Legend/ Key: **A**-African, **C**-Coloured, **I**-Indian, **W**-White

## All the above Actual Targets achieved are calculated on the basis of filled positions, as at 31 Mar 2019

# The number of staff (305) is anticipated to increase over the next 5 years with; 46 new positions, depending on affordability, will be filled as per the approved Organisation Structure.

\*#The actual of 3 of the 6 targeted differentially abled people will be recruited within the 3 year EE Plan provisions.

### 17.3 Staff Development, Advancement of Women and of All People with Disabilities

The current Gender Profile of Magalies Water comprises 41.64% of females and 58.36% of males. With regards to workforce age profile, more than 90% of the staff is less than 55 years. This means that the organisational memory resides largely with people who are not close to retirement.

As per the Workforce Profile above, Magalies Water target with regards to occupational categories are as follow:

1. Top Management: Increase appointments to 2.62% of the entire workforce
2. Senior Management: Increase appointments to 1.63% of the entire workforce
3. Professional qualified and experienced specialists: Decrease appointments to 17.3% of the entire workforce
4. Unskilled and defined decision-making: Decrease appointment by 2.5 % of the entire workforce
5. Skilled technical and academically qualified: Maintain the target and slightly increase by 0.5 of the entire workforce.
6. Semi-skilled and discretionary decision making: Decrease appointment to 32.5% of the entire workforce.
7. Differentially abled employees: increase appointment to 2% of the entire workforce

Throughout the previous 5-years' planning period, the targets achieved for women and differentially abled people, respectively, 41% and 1.15%, of the total workforce.

Projection on total number of staff.

**Table 24: Numbers on the Approved Structure**

Item	Year 1 2019/20	Year 2 2020/21	Year 3 2021/22	Year 4 2022/23	Year 5 2023/24
<b>Permanent</b>	281	281	281	281	281
<b>Vacant</b>	24	24	24	24	24
<b>Total</b>	<b>305<sup>#</sup></b>	<b>305</b>	<b>305</b>	<b>305</b>	<b>305</b>

Note: # The number of staff (305) is anticipated to increase over the next 5 years; 46 new positions, depending on affordability, will be filled as per the approved Organisation Structure.

## 17.4 Training Programmes

Magalies Water recognises that employees are a fundamental for the achievement of its strategic objectives. Employees are continuously developed in line with their Individual Development Plans and their key responsibilities. Magalies Water further implements other skills development programmes to create a pipeline for future human capital needs through the implementation of the following programmes.

During the Business Plan period, Magalies Water will continue with implementation of:

1. An externally focussed Learnership Programme intended to benefit one hundred and twenty five (125) Learners in the field of Bulk Potable Water Treatment; this is twenty five (25) per annum over the 5-Year period. The programme will recruit learners from the areas to which Magalies Water supplies the bulk water.
2. An Internship Programme aimed at benefitting fifty (50) qualifying Graduates selected from the areas to which Magalies Water supplies the bulk water over the 5-Years,.
3. An External bursary programme will benefit forty five (45 subject to annual review) over the next five (45) years. For other financial years, Magalies Water will still target 5 new bursars unlike it had been the case in the past years up to 2018/19 financial year.
4. Another category of bursary programme that will benefit forty employees from 2019/20 has been added to the Key Performance Indicators. Although Magalies Water always had these bursaries, we never contracted the numbers with the Shareholder before.
5. A graduate programme that will benefit 20 graduate trainees aimed at providing workplace experience to newly qualified students who have skills relevant to Magalies Water
6. Permanent Staff training and development to enhance the skills and competencies pool to the organisational requirements for effective rollout of the Business Plan. The Individual Development Plans will continue to be used to monitor uptake and progress and the actual numbers will be reported on in relation to the demand.
7. Temporary (Indirect) appointments) is linked to ad hoc programmes and / or projects, and in 2019/2020, Magalies Water anticipates to field 40 temporal people.
8. Staff re-allocation, rotation and/or conversion human development strategies through which Staff with core business operational capabilities are converted into performing functions that are related to the support functions.

All the training programmes mentioned above are considered as mechanisms for addressing core and critical skills required by the organisation.

## 17.5 Wellness and HIV/AIDS Programmes

Magalies Water recognises that employees may experience health, personal, social and other problems which may adversely affect performance and that Employee Wellness is essential in relieving stress and illness in the workplace, increasing employee productivity and ensuring improved organisational performance. A comprehensive and integrated Employee Wellness Programme (EWP) consisting but not limited to the following will be implemented through an external service provider.

Chronic Illness management which includes, among others; awareness, counselling, testing and support for employees and their immediate family members. Assistance with the potential impact of HIV/ AIDS, Cancer, etc., through interventions and programmes that are appropriate, cost effective and sustainable.

1. Executive Wellness
2. Awareness and Education interventions
3. Psychological and clinical counselling.
4. Stress and Trauma management.
5. Substance abuse and addiction.
6. Support for chronic illness.
7. Advisory services to Magalies Water on Employee Assistance Programmes (EAP) relating to performance and disability management.
8. Case management and monitoring

## 18 Bulk Potable Water Services Plan

### 18.1 Capacity of Supply

The total average capacity utilisation has been set at a maximum benchmark of 85% of the total plant capacity. This is to measure plant performance and efficiencies at a production level so that imminent plant upgrades can be identified at an early stage. Progress is being made to address capacity constraints of treatment plants with plant upgrades, particularly at the Klipdrift water treatment plant. Upgrades to a capacity of 270ML/day and 40ML/d have been made at the Vaalkop Water Treatment Plant and Klipdrift Water Treatment Plant respectively. This will allow assets to have an improved redundancy and provides for consistent supply with less disruption.

Wallmannsthal Water Treatment Plant has reached its design capacity and plans are being put in place to upgrade it. Cullinan Water Treatment Plant has been operating below capacity and the set utilisation benchmark due to low demand in the Cullinan area.

The following table presents the capacity utilisation per plant and current raw water abstraction limits.

**Table 25: Capacity Per Water Treatment Plant**

Parameter	Vaalkop	Wallmannsthal	Cullinan	Klipdrift
<b>Design Capacity</b>	270000	12000	16000	42000
<b>Current Withdrawal License KI/D</b>	248000	12000	22000	42000
<b>Raw Water Abstracted KI/D</b>	223566	11667	10796	29919
<b>Average Capacity Utilisation</b>	205153	12880	10080	28465
<b>% Utilisation To Design</b>	75.98%	107.33%	63.00%	67.77%
<b>% Utilisation to Withdrawal License</b>	<b>82.72%</b>	<b>107.33%</b>	<b>45.82%</b>	<b>67.77%</b>
<b>Comments</b>				

**NB:** All the Magalies Water's Water Licences are in place and valid. We are, however, applying for addition water abstraction licences for Wallmannsthal Water Treatment Plant and Vaalkop Water Treatment Plant at the moment

## 18.2 Water Resources and Raw Water Quality

The water quality in all the dams in the Crocodile River Catchment, are low due to the upstream urban development. Eutrophication due to increased nitrates and phosphate loadings of the return flows from the waste waterworks has stimulated the growth of algae and other flora, which negatively affects the aesthetic and operational risk categories and makes the water more difficult to treat.

Mining activities can also have a negative impact on water quality although the Magalies Water area of supply covers part of the mineral-rich Bushveld Complex; most of the mining activities are on the fringes of the area thus affecting the downstream regions more than Magalies Water's area itself. The exception is the Rustenburg/Bafokeng area where mining negatively affects water quality of the Hex River.

The Raw Water Quality issues facing Magalies Water are summarised as follows:

**Table 26: Raw Water related Challenges**

Water Source	Constituent of Concern	Status
<b>Cullinan Dam</b>	Total organic carbon, Iron and Manganese	Magalies Water has retrofitted chlorine dioxide for removal of iron and Manganese
<b>Roodeplaat Dam</b>	Iron, Manganese, Algae nitrate and nitrite	Nutrient loading from Waste Water Treatment Works. Engagement among City of Tshwane, Magalies Water are ongoing. .
<b>Wallmannsthal Raw</b>	Nitrate, nitrite phosphates, and Mycrocystin	High Algae infestation and nutrient loading remain a problem and will be continuously monitored.
<b>Klipdrift Raw</b>	Nitrite, Algae	Algae still remain a problem, DWS and Magalies Water to continuously monitor
<b>Klipdrift Canal</b>	Algae (Mycrocystin)	Plant upgraded to include pre oxidation by ozone.
<b>Vaalkop Raw</b>	Manganese, Chlorides and algae and Geosmin, 2-Methylisoborneol and algae	Chlorine and Manganese are due to natural resources. Geosmin and 2-Methylisoborneol are due to increased algae concentration. Monitoring of quality through dam levels still in progress. Chlorine dioxide pre-oxidation implemented at the raw water pump station
<b>Vaalkop supernatant</b>	High organic content	Treatment processes adequate to treat supernatant..
<b>Roodekopjies Dam</b>	Algae, nitrates, ammonia and phosphates	Engagements with DWS in progress

## 18.3 Bulk Potable Water Quality

Quality of potable water produced, offsite reservoirs and the reticulation system will be assessed against SANS 241:2015, the National standard which specifies the highest quality standard for drinking water. SANS 241:2015 stipulates compliance targets per the defined risk and non-conformities to SANS 241:2015 will be communicated as per incident management protocol. Water safety planning processes and procedures for all Magalies Water plants are in place.

The following, are thus the Targets for the planning period to be applied to all the Treatment Plants always.

**Table 27: Compliance Limits**

Parameter	Targeted Compliance to SANS 241:2015
Acute health-1	>97%
Acute health-2	>97%
Chronic health	>95%
Operational	>93%
Aesthetic	>93%

## 18.4 Projected Potable Water Quantity Demand

The projected potable water quantity demands are undertaken in collaboration with clients to enable Magalies Water to project future revenues and to be able to plan for capital expansions. The long-term potable water quantity demand is projected over a long period of up to 2040 and that is a fundamental input to the infrastructure master planning. The demand is expected to grow by 40% from 2020 to 2040.

The projected demand in the Magalies Water's area of supply is provided below.

**Table 28: Description of Projected Demand**

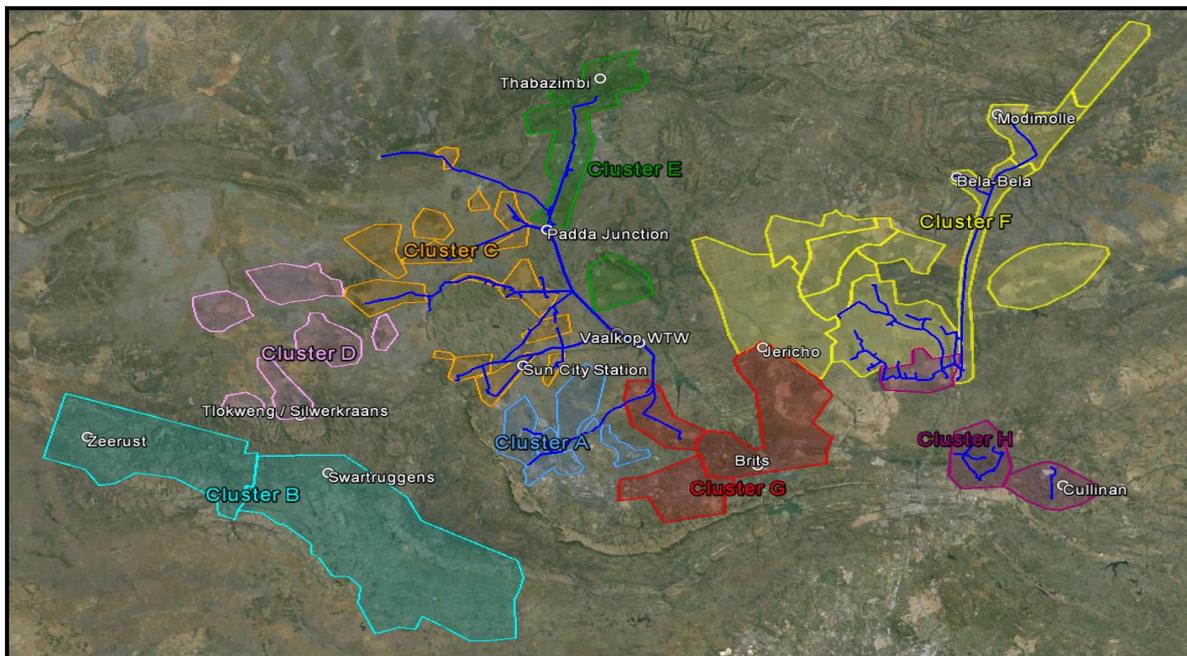
Local Municipality	Demand (Kilolitres/day)	
	2019/20	2040
Bela-Bela Local Municipality	14 277	23 258
Kgetlengrivier Local Municipality	13 700	26 843
Madibeng Local Municipality	84 916	126 085
Modimole-Mookgophong Municipality	17 956	18 201
Moretele Local Municipality	24 861	26 501
Moses Kotane Local Municipality	33 456	34 959
Rustenburg Local Municipality	139 212	202 123
Thabazimbi Local Municipality	15 332	25 920

## 18.5 Planned Expansions to address Demand

Magalies Water implements the Growth Plan initiatives from the list of 40 documented during 2017/18 financial year. Year-on-year, the plan is to increase the capacity and footprint of bulk infrastructure with an intention to enhance service delivery in the areas of supply and to expand the customer base in areas / customers never serviced in the past. This is a direct response to the strategic challenges of water shortages and an increasing population; and to contribute to the target population numbers by our government. The scope of the projects or impact of interventions in providing solutions for water service delivery through infrastructure expansions. This will grow our asset base, revenues and profitability within the confines of the triple bottom line.

A future and long term Masterplan for infrastructure expansions is in place and it serves as the Blueprint to effect envisaged capital expansions related growth.

The map below provides the demarcation of the future and long term Masterplan of infrastructure expansions cluster layout:



**Figure 5: Infrastructure Expansions Cluster Layout - Future & Long Term Master Plan**

Outlined below is the breakdown of the key developments in terms of the Capital Expansions Master Plan.

**Klipvoor Bulk Water Scheme (Cluster F and Cluster G)**

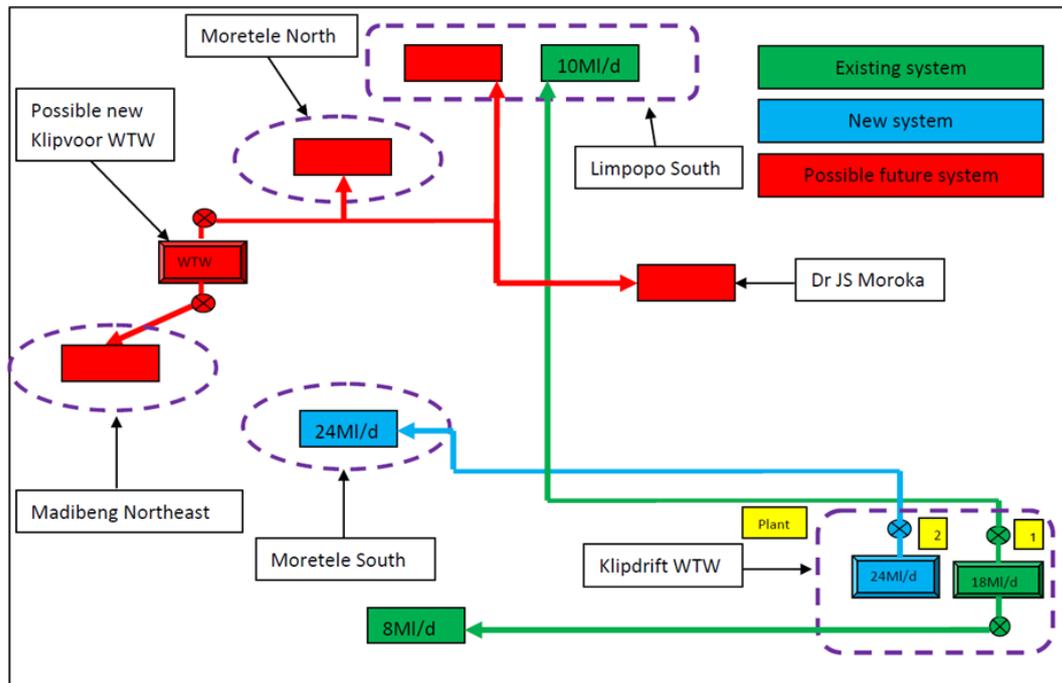
This project will augment bulk water supply to the Bela-Bela and Modimolle Local Municipalities and it is envisaged that there will be supply the Mokgoophong area. The project will also extend to the Western Dr JS Moroka Local Municipality (near Rust de Winter) and supply the Moretele Local Municipality currently dependent on groundwater. Concept design and viability assessments of the project have been completed and final project design is in progress.

**Pilanesberg Bulk Water Supply Scheme (Cluster A to E)**

The Pilanesberg South scheme will benefit the growing demand for sustainable bulk water supply of the Moses Kotane and Rustenburg Local Municipalities, including the new mining developments in the Pilanesberg and Bakubung areas. The Northern and Southern parts of the scheme, including upgrades at the Vaalkop Water Treatment Plant have been concluded. Phase 3 of the scheme that links Mafenya reservoir to Kgetleng Rivier Local Municipality will be implemented once resources have been mobilised.

**Moretele South Scheme (Cluster F and Cluster G)**

The Moretele South Scheme comprise a 24ML/day plant, a dedicated pipeline and reservoir to cater for the needs of Moretele Local Municipality and the City of Tshwane. It is independent of the Klipvoor Scheme and is represented in the following schematic presentation:



**Figure 6: Moretele South Schematic Representation**

### Upgrades at the Klipdrift Water Treatment Plant (Cluster F and Cluster G)

Klipdrift Water Treatment Plant has been being upgraded with an additional treatment capacity of 18ML/d to meet the current demand of Moretele, Bela-Bela, Modimolle- Mookgophong Local Municipalities to a total capacity of 42ML/d. This development includes, an improved raw water abstraction system, clear water balancing storage, Pump Station and Pipeline.

## 18.6 Asset Management to Maintain Condition of Assets

The scope of asset management within Magalies Water extends from the raw water intakes in the water catchments to the point of sale at the individual customer's property boundaries. It excludes dams, intake structures and canals, which belong to the DWS.

Included to our assets are the raw water abstraction pump stations, water treatment works, and bulk water supply mains with associated equipment, reservoirs, and water meters.

The Asset Management System is given effect through the Asset Care Plan, which is compiled annually and is an equivalent of the Asset Maintenance Plan.

Various assets care tactics are employed to achieve to achieve management maintenance objectives, operational excellence and sustainability of equipment as follows:

### 1. Preventive maintenance

This maintenance type is carried out at predetermined intervals, or corresponding to prescribed criteria, and intended to reduce the probability of failure or the performance degradation of an asset.

### 2. Predictive Maintenance

This type of maintenance also referred to as "condition monitoring" is a maintenance technique that involves monitoring the condition of an asset and using that information to predict its failure.

### 3. Corrective Maintenance

This is maintenance carried out to restore an asset to good working condition.

### 4. Breakdown Maintenance

This type of maintenance is also referred to as "run to failure". This entails the maintenance technique wherein assets are allowed to run-to-failure if it is more cost effective not to maintain them.

From these tactics, information is collated and used to make informed management decisions on whether assets should be, either replaced or refurbished or reconditioned or decommissioned.

The asset maintenance strategy is being further enhanced to implement all the aspects for compliance with ISO 55000 which will be carried out during the planning period.

## 18.7 Status of Agreements with Key Customers

The status of Bulk Supply Agreement Contracts (BSAs) with the Magalies Water's Customers is as follows:

**Table 29: BSA Expiry Timelines**

Name of Customer	Agreement Expiry
Bela Bela Local Municipality	2023 (5years)
City of Tshwane Metropolitan Municipality	2027 (10 years)
Modimolle-Mookgophong Municipality	2021 (3 years)
Moses Kotane Local Municipality	2023 (10years)
Rand Water (Vaalkop Southern Water Supply Scheme)	Open ended contract
Royal Bafokeng Administration	2021
Rustenburg Local Municipality	2018 (under negotiation)
Thabazimbi Local Municipality	2019 (under negotiation)

## 19 Environmental Management Plan

Environmental sustainability is incorporated into the operations of Magalies Water to ensure that the impact on natural resources is minimised and that key environmental risks are managed. The National Development Plan proposes a strategic imperative of a transition towards low-carbon resilient economy to build a competitive resource-efficient and inclusive future. The environmental management framework of Magalies Water will therefore be aligned to that strategic imperative.

Environmental management will therefore be based on implementation of the following initiatives:

1. To ensure that an impact on the environment is minimised, monitoring and auditing of environmental performance will be conducted. This will include annual environmental audits at all the operational sites and an environmental legal compliance audit for the entire organisation.
2. The principles of Integrated Environmental Management will continue to be applied in the entire life cycle of infrastructure implementation. This will include Environmental Impact Assessments for the proposed projects in accordance to the applicable legislation in the capital expansions plan.
3. Resource quality objectives will be set for abstraction of raw water to identify triggers for mitigation against any risks. Monitoring of resources quality will continue and engagement with affected Stakeholders in the catchment to ensure that resource quality objectives are met to safeguard raw water quality.
4. Wastewater initiatives, which will include among others, waste management plans for bulk potable water residues for implementation during the planning period.
5. Implementation of a bio-diversity management plan to eliminate and dispose of alien and invasive plant species in alignment to the national bio-diversity norms and standards.

### 19.1 Greenhouse Gas Emissions and Carbon Footprint Assessments

The United Nations Framework Convention on Climate Change provided objectives to achieve stabilisation of greenhouse gas concentrations in the atmosphere, at a level that would prevent dangerous pollution caused by humans to interfere with the climate system.

The Kyoto protocol specifies principles for both the developed and the developing world to reduce emissions of greenhouse gases. The principles includes among others, design, adaptation and implementation of measures to mitigate climate change.

South Africa is a signatory to the above International conventions and is thus obligated to comply with any rules and conditions of those conventions.

Magalies Water has embarked on the initiative to compute, record and reduce its carbon footprint. This initiative is geared towards a low carbon economy and improvement in the long-term effects of climate change in order to support the Government’s mitigation and adaptation strategies.

A baseline for the Greenhouse Gas emissions is thus as follows:

**Table 30: Greenhouse Effect Management Guide**

<b>Aspect</b>	<b>Total Kg Co<sub>2</sub>e</b>
<b>Water</b>	24 528 070
<b>Energy consumption</b>	82 802 911
<b>Travel</b>	1 522 408
<b>Total</b>	<b>108 853 390</b>

The above guidelines will be utilised for comparability with respect to Magalies Water related activities that give rise to similar emission. Magalies Water is monitoring and measuring such activities, currently.

## 20 Water Conservation and Demand Management

Advocate for the implementation of comprehensive Water Conservation and Demand Management (WCDM) interventions in the supply area.

## 21 Corporate Social Investment

Responsible Corporate Citizenry is one of the focus areas of the Board and Magalies Water has adopted a Policy to that effect. The organisation operates within communities and Magalies Water activities impact on the societies within which it operates. It is for this reason that this company seeks to play its role of responsible corporate citizenry in the latter areas.

A Corporate Social Investment (CSI) resource mobilization plan has been developed in order to align the CSI initiatives with the Government objectives and plans of various Municipalities within the service areas. The approach to CSI is that Magalies Water obtains water and sanitation or any other related community initiatives the implementation of which it supports, per identified Municipalities' needs in the service areas.

## 22 Key Performance Indicators and Targets

For the exact version of the DWS Template and Format, refer to:

### **Annexure A: SHAREHOLDER COMPACT: APPENDIX 1 (PERFORMANCE OBJECTIVES AND TARGETS) - MAGALIES WATER**

Below is the Magalies Water's attempt to revise the DWS's format such that it talks to the five (5-Year) Planning Horizon

**Table 31: Key Performance Indicators and Targets-Magalies Water's Adapted Version**

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2019/20	2020/21	2021/22	2022/23	2023/24
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives								
Organisational Efficiency and Effectiveness	1	Bulk potable water quality compliance	Outcome 10: Environmental assets and natural resources that are well protected and continually enhanced	Protection of water across the value chain	To provide quality potable water	Water Quality Standards met	Test results, SANS 241	% compliance	Compliance to SANS 241: 2015	Compliance to SANS 241: 2016	Compliance to SANS 241: 2017	Compliance to SANS 241: 2018	Compliance to SANS 241: 2019
							Acute health 1 ≥97%	% compliance	Acute health 1 ≥97%				
							Acute health 2 ≥97%	% compliance	Acute health 2 ≥97%				
							Chronic health ≥95%	% compliance	Chronic health ≥95%				
							Operational ≥93%	% compliance	Operational ≥93%				
							Aesthetic ≥93%	% compliance	Aesthetic ≥93%				
	2	Manage avoidable water losses	Outcome 6: An efficient, competitive and responsive	Equitable and sustainable water and sanitation services	To provide reliable and sustainable water	Reduced avoidable water losses in treatment systems	Avoidable water lost as a percentage of water produced at plants	Plants: %	≤5%	≤5%	≤5%	≤5%	≤5%

		Manage avoidable water losses	infrastructure network		services to customers	Reduced avoidable water losses in distribution systems	Avoidable water lost as a percentage of water produced at distributions	Distribution: %	≤7%	≤7%	≤7%	≤7%	≤7%
	3	Reliability of supply				No unplanned interruptions to bulk supply exceeding 48hours continuously, per event	Number of incidents of continuous service interruption exceeding 48 hours	Number	≤6 Incidents				
	4	Increased access to Services				Contribution to national objectives of extending services	Actual CAPEX spend on expansion related projects (initiatives by the Minister) as % of budget	%	100%	100%	100%	100%	100%
Financial Performance	5	Finance reporting compliance	Outcome 6: An efficient, competitive and responsive economic infrastructure network	Equitable and sustainable water and sanitation services	To manage financial and business risks	Unqualified Audit Report	Annual External Audit	Unqualified report with no matters of emphasis	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
	6	Improve key financial ratios			To achieve growth and sustainable financial returns	Improved viability and sustainability	Current Ratio	Ratio	1.7:1	1.9:1	2.1:1	2.3:1	2.3:1
						Gross Profit Margin % (Primary Activity)	%	34%	33%	34%	36%	37%	

						Gross profit margin (secondary activity)	%	Not contracted (MW)				
						Net Profit Margin (Primary Activity)	%	15%	13%	13%	15%	17%
						Net Profit Margin (Secondary Activity)	%	Not contracted (MW)				
						Debt/Equity	Ratio	22%	25%	23%	21%	19%
						Return on Assets	%	3%	3%	3%	4%	5%
						Average Debtors Days	Number	50 Days	50 Days	45 Days	42 Days	35 Days
						Repairs and maintenance as % of Property, Plant & Equipment & Investment Property (Carrying Value)	%	1%	1%	1%	1%	1%
						Staff Remuneration as % of Total Operating Expenditure	%	≤34%	≤35%	≤34%	≤34%	≤33%
7	Increase BBEE expenditure relative to			To contribute towards transformation and	Spend increased and increased new entrants awarded	Spend	% achieved	≥30%	≥30%	≥30%	≥30%	≥30%

	operational projects			developmental agenda	contracts in the financial year	New Entrants (BBBEE)	% achieved	8	8	8	8	8
8	Manage costs within the approved budget				Actual expenditure compared with budgeted expenditure for the quarter	Financial reports	% increase	Not contracted (MW)				
9	Capital expenditure programme	Outcome 6: An efficient, competitive and responsive economic infrastructure network	Equitable and sustainable water and sanitation services	To contribute towards transformation and developmental agenda	Infrastructure available to meet demands	Actual CAPEX spend on expansion related projects as % of Total CAPEX budget	%	≥90%	≥90%	≥90%	≥90%	≥90%
						Overall project completion dates within targets	%	Not contracted (MW)				
						Overall project expenditure within R target	% variance	Not contracted (MW)				
10	Engagement in secondary activities			To achieve growth and sustainable financial returns	Growth in turnover from secondary (other activities)	Percentage of total turnover	%	Not contracted (MW)				

Customer/ Stakeholder Interaction	11	Bulk supply agreements concluded with municipalities/ other customers	Outcome 9: A responsive, accountable, effective and efficient Local Government system	An efficient, effective and development oriented water and sanitation sector	To manage customer and stakeholder relations	Statutory and Service Level Agreements in place	Municipalities/ Other Customers with bulk supply agreements	%	80%	80%	80%	80%	80%
	12	Implementation of Ministerial Directives	Outcome 12: An efficient, effective and development oriented public service and an empowered and inclusive citizenship	An efficient, effective and development oriented water and sanitation sector	To manage customer and stakeholder relations	New Ministerial directives issued are implemented on time	Progress against Implementation Plan	%	100%	100%	100%	100%	100%
	13	Support Rural Development				Total Number of identified Municipalities supported	Signed Contracts, MOUs, etc	Number	1	1	1	1	1
	14	Achieve statutory reporting compliance	Outcome 9: A responsive, accountable, effective and efficient Local Government system		To manage customer and stakeholder relations	All Statutory Reports submitted on time	% Submission dates met	%	100%	100%	100%	100%	100%
Organisational Capacity	15	Staff levels	Outcome 5: A skilled and capable workforce to support an inclusive growth path	An enhanced contribution to socio-economic development and transformation by the sector	To maintain and retain skills of all employees	Optimal staff retention	Staff turnover	%	≤3%	≤3%	≤3%	≤3%	≤3%
	16	Training and Skills Development	Outcome 4 Decent employment		To contribute towards	Skills and capacity building	Learnerships	Number	25	25	25	25	25

			through inclusive economic growth		transformation and developmental agenda		Internships	Number	10	10	10	10	10
							Number of external Bursaries awarded (annual cycle)	Number	5	10	10	10	10
							Bursaries employees	Number	40	40	40	40	40
							Graduate Programmes	Number	4	4	4	4	4
	17	Jobs Created	Outcome 5: A skilled and capable workforce to support an inclusive growth path			Permanent and contract (direct)	Total Number (Direct)	Number	5	5	5	5	5
						Temporary (indirect)	Total Number (Indirect)	Number	40	40	40	40	40
General Performance	18	Board Effectiveness	Outcome 12: An efficient, effective and development oriented public service and an empowered and inclusive citizenship	An efficient, effective and development oriented water and sanitation sector	To manage customer and stakeholder relations	Improved performance of fiduciary duties/governance	Board Member attendance of all Board / Committee meetings	%	85%	85%	85%	85%	85%
							Board and Committee meetings held	Number	32	32	32	32	32
							Decision making: % number resolutions taken by the board vs number of	%	100%	100%	100%	100%	100%

							resolutions required						
19	Effective Internal Controls and Risk Management	Outcome 12: An efficient, effective and development oriented public service and an empowered and inclusive citizenship	Equitable and sustainable water and sanitation services	To manage financial and business risks	Internal audit findings dealt with	Number of repeat and unresolved Internal Audit findings	Number of Repeat Findings	≤2	≤2	≤2	≤2	≤2	≤2
							Number of Unresolved Findings	≤5	≤5	≤5	≤5	≤5	≤5
20	Good Governance	Outcome 12: An efficient, effective and development oriented public service and an empowered and inclusive citizenship	Equitable and sustainable water and sanitation services	To manage financial and business risks	Improved controls and risk mitigation	Breaches of materiality and significance framework	Number	0	0	0	0	0	0
				To manage customer and stakeholder relations	Improved stakeholder relations management	% Compliance with Stakeholder Engagement plan	%	80%	80%	80%	80%	80%	80%
21	Corporate Social Responsibility Initiatives	Outcome 12: An efficient, effective and development oriented public service and an empowered and inclusive citizenship	An enhanced contribution to socio-economic development and transformation by the sector	To contribute towards transformation and developmental Agenda	Good corporate citizenship	Number of initiatives undertaken	Number	3	3	3	3	3	3
22		Optional WB Specific Performance objectives											



## Ministerial Directives

There are no new Ministerial Directives planned for the 2019/20 financial year.

## 23 Self - Appraisal of Performance

Magalies Water has a history of success in capital infrastructure delivery and socio-economic development. To sustain efficiencies, the recently upgraded and commissioned infrastructure enables us to meet the progressive increase in water volumes (demand). The quality of produced water continues to comply with all the risk based quality compliance requirements as set out in the SANS 214:2015.

The organisation is trading profitably; it generates positive cash flows from operations even though water sales volumes are adversely affected due to End User affordability and Debtors' related challenges.

In terms of the Key Performance Areas and Indicators contracted for the current financial year, both financial and non-financial measures reported as achieved were at ninety (90%) percent, i.e., 28 of 31 measurable Key Performance Indicators as at the end of Quarter 3 (31 Mar 2019). Year-To-Date is at 90% achieved level as well. See the Table below

**Table 32: Self-Appraisal as at Q3**

Target	Q1	Q2	Q3	YTD
Achieved Targets	26	26	28	28
Not Achieved Targets	3	4	3	3
<b>Total KPIs measured - for the Quarter</b>	<b>29</b>	<b>30</b>	<b>31</b>	<b>31</b>
Achieved Percentage	90%	87%	90%	90%
Not Achieved Percentage	10%	13%	10%	10%

The three (3) unachieved Key Performance Indicators that constitute the remaining 10% are listed in the recovery measures below, that is,

- i. **Performance target not achieved: Organisational capacity**
  - ***Number of people appointed on the Internships programme (0 Actual vs 10 Target):*** Not achieved because the recruitment process for Internships was finalised end

March 2019. Approval for appointment of interns was in 1<sup>st</sup> week of April and the newly placed Interns will resume duty with effect from 15 April 2019.

**Corrective Action:**

- ***Number of people appointed on the Internships programme (0 Actual vs 10 Target):*** The Internship recruitment process will be carried out and implemented a quarter prior to the expiry period in the future years.

**ii. Performance target not achieved: Finance Perspective**

- ***Staff Remuneration as a % of Total OPEX (36% Actual vs ≤35% Target):*** Not achieved due to lower operational expenditure year to date, against budgeted/planned activities year to date; in relation to fixed staff costs.

**Corrective Action: Performance Not Achieved - Finance Perspective**

- ***Staff Remuneration as a % of Total OPEX (36% Actual vs ≤35% Target):*** Expenditure is below budget year to date - some due to delays in actual spend (e.g. from procurement); and some from improved efficiencies. Essential expenditure is expected to increase in the next quarters (e.g. maintenance).

**iii. Performance target not achieved: Finance Perspective**

- ***Actual CAPEX spend on expansion related projects as % of total CAPEX budget (21% Actual versus ≥25% Targeted Budget):*** Not achieved due to delays in project execution for the following projects:
  - Sondela Booster pump station due to variation orders; and
  - Wallmannsthal Highlift Pump Station due to finalisation of the operation and control philosophy and developing a solution to keep the Plant running while installations are in progress.

**Corrective Action: Performance Not Achieved - Finance Perspective**

- ***Actual CAPEX spend on expansion related projects as % of total CAPEX budget (21% Actual versus ≥25% Targeted Budget):*** To monitor the revised project schedules going forward.

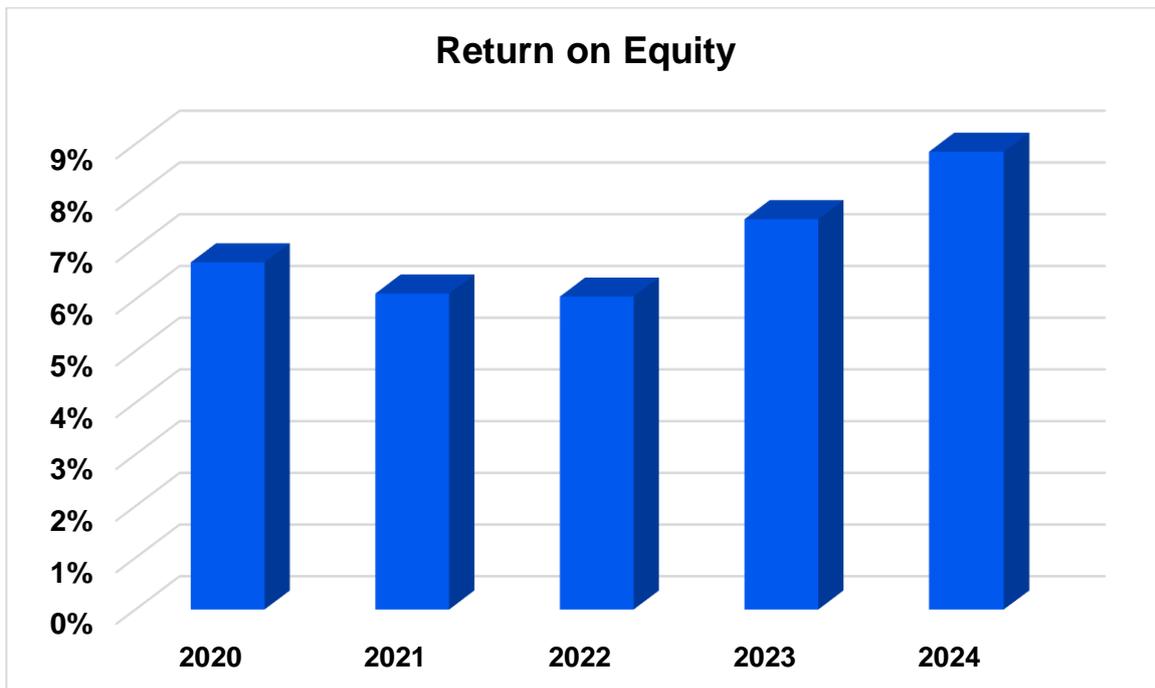
During the course of the financial year and the subsequent years, monitoring will continue and the Corrective Action Plans to deal with the deviations will be set up accordingly. We are confident that the annual results will continue to be on the positive trajectory.

## 24 Statement of Financial Viability

Magalies Water will measure the financial viability performance in terms of the following key Ratios:

The Return on Equity will remain solid over the planning period due to increasing profitability.

### Return on Equity

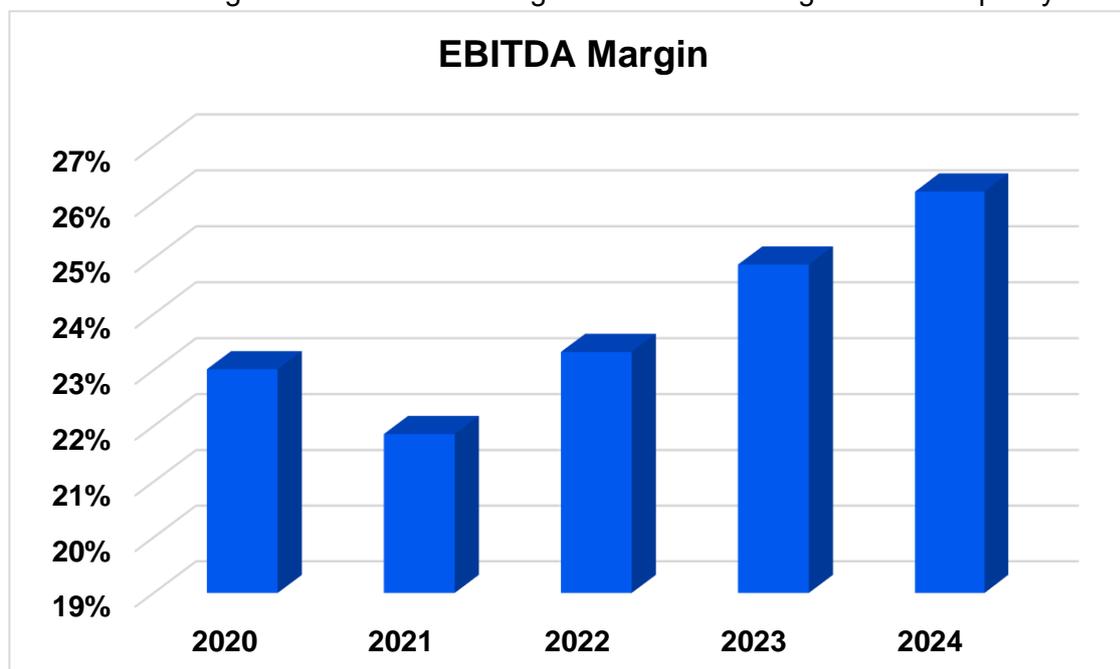


The detailed targets below informed the above graphic representation of this measurement.

Ratio/Year	2020	2021	2022	2023	2024
Return on Equity Ratio	7%	6%	6%	8%	9%

## EBITDA Margin

The EBITDA Margin will progressively increase over the five (5) years of the planning period, and as such reflecting the robustness of Magalies Water's cash generation capacity from operations.

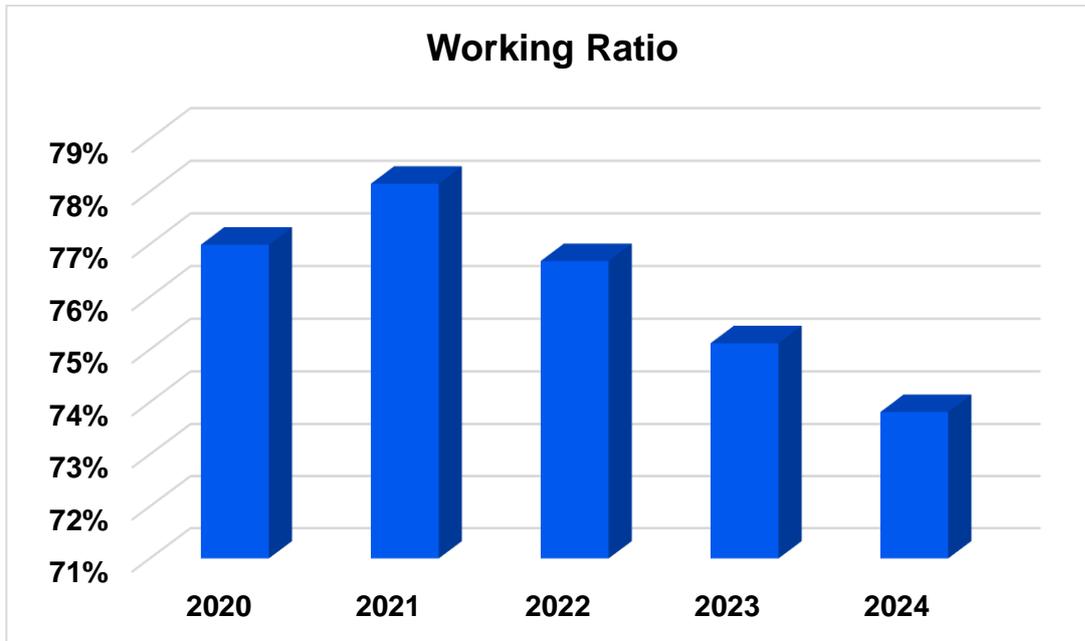


The detailed targets below informed the above graphic representation of this measurement.

– Ratio/Year	– 2020	– 2021	– 2022	– 2023	– 2024
– EBITDA Margin	– 23%	– 22%	– 23%	– 25%	– 26%

## Working Ratio

The Working Ratio will progressively decrease over the five (5) years of the planning period and as such reflecting the implementation of the existing cost control measures and improved efficiencies at the operations level.

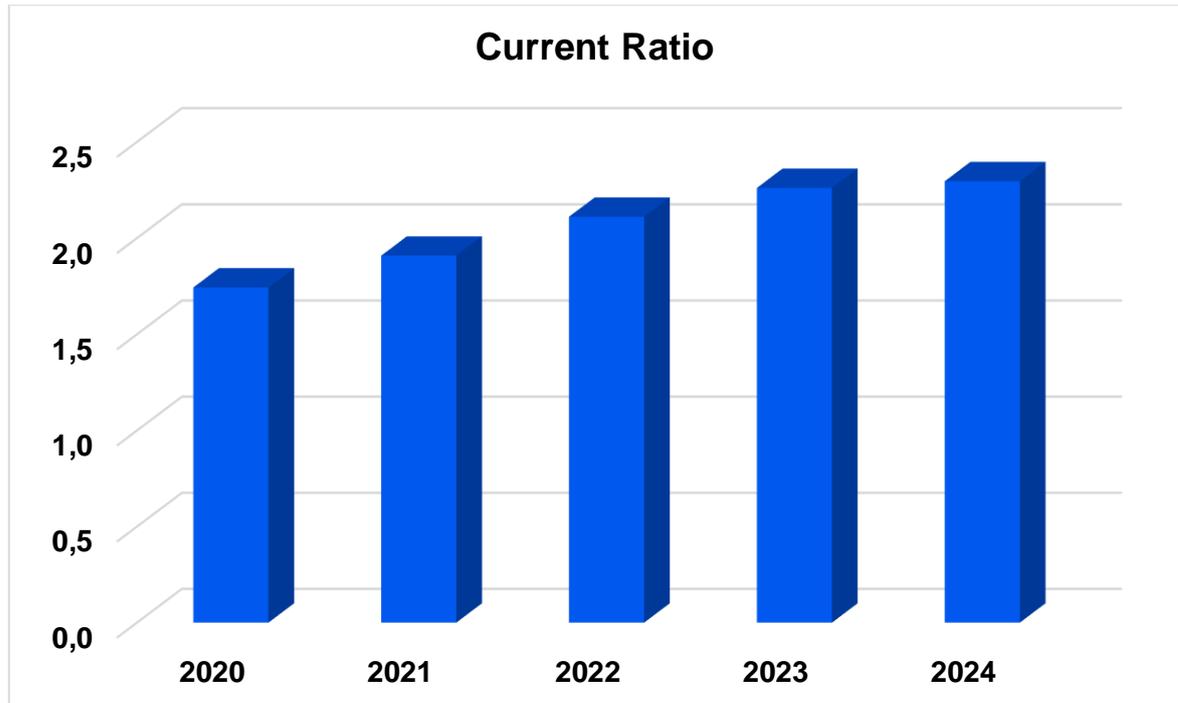


The detailed targets below informed the above graphic representation of this measurement.

Ratio/Year	2020	2021	2022	2023	2024
Working Ratio	77%	78%	77%	75%	74%

## Current Ratio

Magalies Water will be in a position to meet its short-term obligations over the planning period. Investments will also be brought to their optimum levels as efficiencies continue to be harvested from investments in fixed assets.

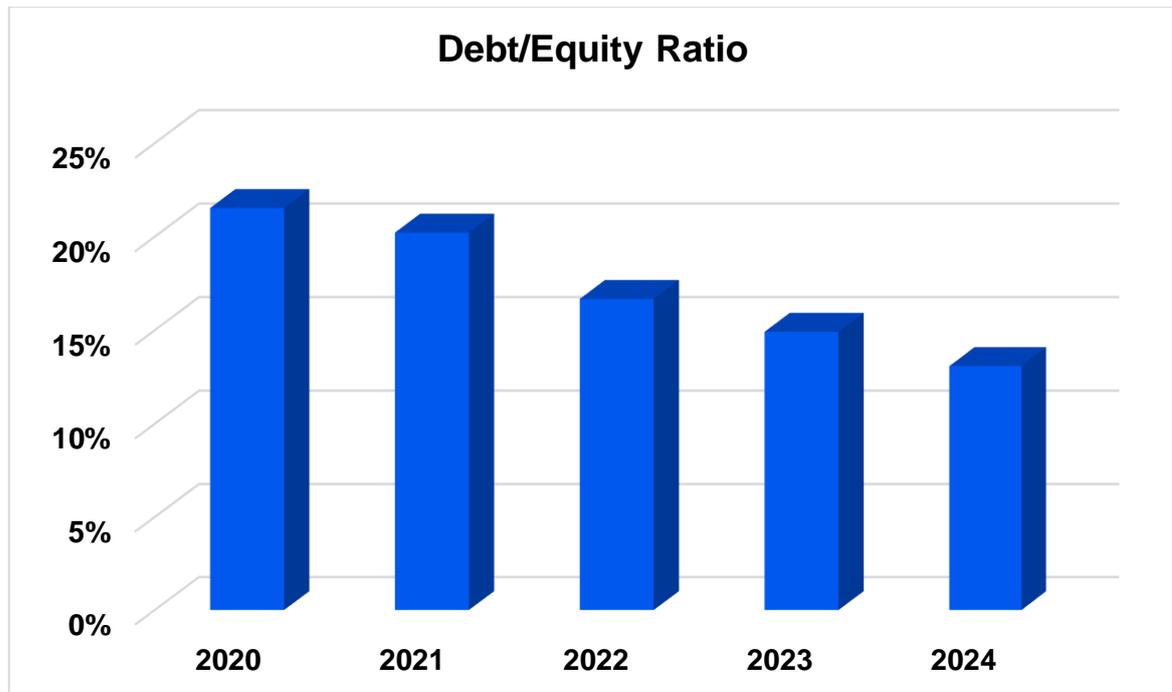


The detailed targets below informed the above graphic representation of this measurement.

Ratio/Year	2020	2021	2022	2023	2024
Current Ratio	1.7:1	1.9:1	2.1:1	2.3:1	2.3:1

## Debt to Equity Ratio

The capital structure will be stable over the first two (2) years and then progressively reduce in line with the reduction in debt levels over the planning period and as assets are utilised.

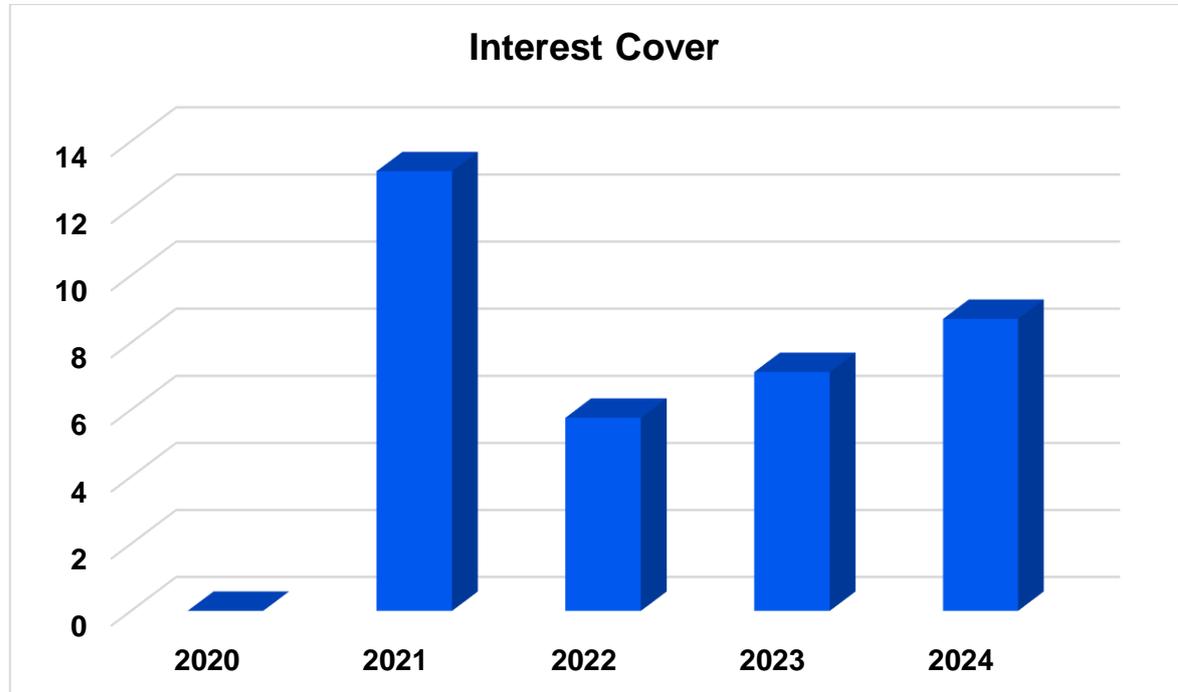


The detailed targets below informed the above graphic representation of this measurement.

Ratio/Year	2020	2021	2022	2023	2024
Debt/Equity Ratio	22%	20%	17%	15%	13%

## Interest Cover Ratio

Sufficient profits and cash flows will be generated to cover costs of servicing debt.



The detailed targets below informed the above graphic representation of this measurement.

– Ratio/Year	– 2020	– 2021	– 2022	– 2023	– 2024
– Interest Cover Times	– 0	– 13.11	– 5.76	– 7.13	– 8.71

## 25 Bank Accounts

Magalies Water operates on the following current accounts with the Standard Bank of South Africa.

1. 03 313 9539
2. 03 309 6937
3. 03 311 8213

Magalies Water operates on the following investment accounts with the Standard Bank of South Africa.

1. 03 844 1241
2. 03 844 3325

Magalies Water operates on the following investment accounts.

- |                                    |  |
|------------------------------------|--|
| 1. 3774408-ZAR-2201-0              | : ABSA                                   |
| 2. 03/7881108916                   | : Nedbank                                |
| 3. SMT-DC14A00194                  | : FirstRand Bank                         |
| 4. 9538 (deal confirmation number) | : Land and Agricultural Development Bank |
| 5. 1101 3701 0015                  | : Nedbank                                |
| 6. 202 683 966                     | : Standard Bank                          |

## 26 Declaration

Magalies Water hereby declares that all information that the organisation is aware of and which is significant to functioning and delivery of its mandate is disclosed in this Business Corporate Plan, as required in terms of the Water Services Act (Act 108 of 1997), the Public Finance Management Act (Act 1 of 1999), and other relevant legislation and associated regulations, prescribed guidelines and practice notes issued by the DWS and the National Treasury.

## 27 List of Abbreviations

<b>BBEE</b>	<b>Broad Based Black Economic Empowerment</b>
<b>BCM</b>	Business Continuity Management
<b>Co<sub>2</sub>e</b>	Carbon Dioxide equivalent
<b>CSI</b>	Corporate Social Investment
<b>DWS</b>	Department of Water and Sanitation
<b>EBITDA</b>	Earnings Before Interest Tax Depreciation and Amortisation
<b>ICT</b>	Information and Communications Technology
<b>ISO</b>	International Organisation for Standards
<b>ML/day</b>	Megalitre per day
<b>MTSF</b>	Medium Term Strategic Framework
<b>NDP</b>	National Development Plan
<b>NQF</b>	National Qualifications Framework
<b>OHSAS</b>	Occupational Health and Safety Assessment Series
<b>SALGA</b>	South African Local Government Association
<b>SANAS</b>	South African National Accreditation System
<b>SANS</b>	South African National Standard
<b>SCM</b>	Supply Chain Management
<b>SDG</b>	Sustainable Development Goals
<b>SMME</b>	Small Medium and Micro Enterprises
<b>WCDM</b>	Water Conservation and Demand Management