



Overberg Water Board

Corporate Plan
2023/24 to 2027/28



AUTHORISATION

This five-year strategic plan was developed by the senior management of the Overberg Water Board under the guidance of the Chief Executive Officer and Accounting Authority. It takes into account relevant policies, legislation and other mandates for which the Entity is responsible for. It further reflects the strategic outcome-oriented goals which the Entity will endeavour to achieve over the 2023/24 financial year and beyond.

	Chief Executive Officer		Chairperson of the Board	
--	-------------------------	--	--------------------------	--

Approved on	Approved by	Signature/date	Approved by	Signature/date
-------------	-------------	----------------	-------------	----------------

--	--	--	--

Amended on	Amended by	Approved by	Signature
------------	------------	-------------	-----------



TABLE OF CONTENTS

FOREWORD BY THE ACCOUNTING AUTHORITY.....	9
OVERVIEW BY THE CHIEF EXECUTIVE OFFICER.....	11
ABBREVIATIONS AND ACRONYMS	13
PART A: STRATEGIC OVERVIEW	15
1. Situational analysis	16
2. Overberg water legislative mandate and performance	21
3. Business activities of Overberg	21
4. Corporate governance	21
4.1 Employment Equity strategies.....	22
PART B: KEY PRIORITIES FOR OVERBERG WATER.....	32
1. Strategic programmes.....	32
2. Alignment with Government.....	32
PART C: SELF APPRAISAL	35
PART D: PERFORMANCE PLAN.....	62
PART E: MARKETING AND BRANDING PLAN	69
1. Approach marketing and branding plan	69
2. Overberg Water Board brand building.....	69
PART F: WATER RESOURCES.....	71
1. Water availability – Catchment areas.....	71
2. Water availability – Drought implications.....	71
3. Raw water quality	73
4. Water resource assurance and supply security per water services authority.....	73
5. Overstrand Municipality	74
6. Hessequa Municipality	76
7. Duivenhoks Canal.....	76
8. Kannaland Municipality	77
9. Cape Agulhas Municipality.....	77
10. Theewaterskloof Municipality	78
11. Langeberg Municipality	78
12. Swellendam Municipality	78
13. Existing water use rights, licences by resource	79
14. Future water use rights, licences by resource required.....	79
15. Water demand of major consumers by resource	79
16. Water demand, planned developments and shortfalls	80
17. Bulk water supply	81
17.1 Water availability – existing schemes.....	81
17.2 Water availability – future schemes.....	82
17.3 Condition of Water Treatment Works	82

17.4	Water quality produced (relative to SANS 241).....	83
17.5	Demand of major consumers by scheme.....	83
17.5.1	Potable water quantity demand.....	83
17.5.2	Potable water shortfalls and projections.....	84
17.6	New consumers or areas to be supplied.....	84
17.7	Bulk water supply infrastructure projects per municipality.....	85
17.8	Status of bulk supply agreements with major customers	86
17.9	Refurbishment of ageing infrastructure.....	87
17.9.1	Pipelines and infrastructure upgrades – Existing schemes	87
17.10	Upgrades of current infrastructure	88
17.10.1	(Rûensveld East Rising main upgrade	88
17.10.2	Rûensveld West WTW upgrade	88
17.10.3	Duivenhoks WTW upgrade	88
17.11	Water infrastructure development.....	88
17.11.1	Rûensveld West – Overstrand Pipeline	88
17.11.2	New Schemes: Overberg, West Coast and Klein Karoo Regions	88
17.11.3	Klein Karoo Bulk pipeline	89
17.11.4	Duivehoks Canal upgrade	89
17.11.5	Bulk wastewater treatment.....	89
18.	Retail supply.....	90
18.1	Contractual obligations with WSAs	90
19.	Other activities	91
19.1	Implementing agent for installation of rainwater harvesting tanks in Western Cape 91	
19.2	Implementing agent for DWS: War on leaks	91
19.3	Laboratory services	92
PART G: ORGANIZATIONAL CAPACITY		93
1.	Human resource policy	93
1.1.1	Performance management	94
1.1.2	Training and development	95
1.1.3	Health and HIV/Aids	95
1.1.4	Recruitment and selection	96
1.1.5	Employment Equity.....	96
1.1.6	Labour Relations	97
2.	Human Resource Development Plan.....	97
2.1	Functional areas of current staff.....	97
2.2	Future staff projections	99
2.3	Employment equity targets	99
2.4	Training programmes.....	99
2.5	Current training.....	100

2.6	Employee health programmes	100
2.7	Skills gap and service delivery	100
2.8	Committees and forums.....	101
2.8.1	Local labour forum.....	101
2.8.2	Training forum	101
2.9	Governance structures.....	101
2.9.1	The Board of Directors.....	101
2.9.2	The Executive Management	101
PART H: ENVIRONMENTAL MANAGEMENT.....		102
1.	Environmental policy.....	102
1.1	External Social Policies and programmes.....	104
1.1.1	Corporate Social Responsibility	104
2.	Environmental management programmes and plans	105
3.	Energy	105
4.	Water	105
5.	Chemical usage	106
6.	Biodiversity, land degradation and reducing ecosystem stress	106
7.	Water quality deterioration	106
8.	Environmental health and governance.....	106
9.	Environmental impact assessments.....	106
10.	Water Conservation and Demand Management.....	107
PART I: FINANCIAL POLICIES		110
1.	Tariff policy	110
2.	Customer care policy	111
3.	Credit control and disconnection policy	112
4.	Accounting principles.....	113
4.1	Separate accounting for primary and other activities.....	113
4.2	Compliance with GRAP	113
4.3	Accounting for reserves, assets, depreciation, and bad debts.....	113
4.3.1	Overberg Water Board capital and grant funding (Reserves).....	113
4.3.2	Property, plant and equipment (Assets and depreciation).....	114
4.3.3	Trade and other receivables	114
4.3.4	Quantitative aspects: Materiality level.....	114
4.4	Auditing and internal control policy	115
PART J: FINANCIAL PLAN (5 YEAR PROJECTIONS).....		116
1.	Tariff projections	116
1.1	Bulk and retail water tariff 2018: Consultation process.....	116
1.1.1	Bulk water customers	116
1.1.2	Bulk water tariff 2019: approval by DWS.....	127

2. Financial planning assumptions	128
3. Production costs	130
4. Water sales projections.....	130
5. Materiality and significance framework	141
PART K: COMPLIANCE MANAGEMENT	144
1. Compliance management.....	144
2. Contingent liabilities	144
2.1 Guarantees.....	144
3. Integrated fraud management framework, fraud policy and fraud prevention plan	144
3.1 Fraud policy	145
3.2 Fraud prevention plan.....	146



TABLE OF TABLES

Table 1: Alignment of OW strategic outcomes with those of National Government....	33
Table 2: Variance explanation.....	36
Table 3: Performance plan	63
Table 4: Major dams feeding two schemes of OW	71
Table 5: Capacity of water resources	73
Table 6: Raw water quality	73
Table 7: Water use rights, licenses by resources.....	79
Table 8: Future water use rights by resources required	79
Table 9: Water dams of major consumers by resource	80
Table 10: Water demand, planned developments and shortfall	81
Table 11: Existing treatment design capacity	82
Table 12: Future treatment design capacity.....	82
Table 13: Potable water quality compliance with SANS241-2015 per WTW (2019/20 FY)	83
Table 14: Key classification of drinking water supply systems according to SANA 241-2011	83
Table 15: Water demand of major consumers by resource	83
Table 16: Bulk water supply infrastructure projects per municipality	85
Table 17: Status of bulk supply agreements.....	86
Table 18: Infrastructure development plan	87
Table 19: Functional areas of staff	97
Table 20: Overberg Water age profile.....	98
Table 21: Future staff projections.....	99
Table 22: Risk profile.....	107
Table 23: Main issues raised by the customers	116
Table 24: Macro-economic assumptions	128
Table 25: Employee costs planning assumptions.....	128
Table 26: Staff number planning assumptions.....	129
Table 27: Production cost planning assumptions.....	130
Table 28: Water sales projections	131
Table 29: Water license vs water sales 2020.....	132
Table 30: Water tariff projections	133
Table 31: Water tariff cost components	134
Table 32: Statement of comprehensive income.....	135
Table 33: Statement of financial position.....	136
Table 34: Statement of cash flow.....	137
Table 35: Infrastructure and capital plan	138
Table 36: Detailed staff costs.....	139
Table 37: Detailed electricity costs.....	140
Table 38: Detailed raw water costs.....	140
Table 39: Detailed chemical costs.....	140
Table 40: Financial ratio projections	142
Table 41: Financial performance indicators.....	143

TABLE OF FIGURES

Figure 1: Strategic Map of the Overberg Water Board of Overberg Water Board	15
Figure 2: Map of Overberg Catchment Management Area.....	17
Figure 3: 6-month precipitation index map.....	18
Figure 4: 12-month precipitation index map.....	18
Figure 5: Population indicative growth in districts of OW	19
Figure 6: Structure showing the environment of the OW	20
Figure 7: Ten (10) Strategic Priorities of Overberg Water Board.....	26
Figure 8: SWOT Analysis	26
Figure 9: Overall performance	35
Figure 10: Overall performance per strategic goal.....	36
Figure 11: Rainfall and storage percentage trend since 1980	72
Figure 12: Theewaterkloof Dam.....	72
Figure 13: Greater Hermanus bulk water provision proposal.....	75
Figure 14: Total 5-year estimated volumes across all schemes.....	84
Figure 15: Overberg Water supply areas and possible future expansion.....	84
Figure 16: Regional map indicating Green Drop scores (2013) for wastewater schemes	90
Figure 17: Retail customer allocation across three schemes.....	91
Figure 18: Total Water Sold	131
Figure 19: Analysis of Overberg Water's water licenses compared to water sales 2021/22	132

FOREWORD BY THE ACCOUNTING AUTHORITY

It brings me great pleasure to acknowledge the submission of this Five-Year Corporate Plan by the Overberg Water Board (OW). Overberg Water is one of the water public institutions falling under the Ministry of Water and Sanitation. It has gone through a wide range of challenges which are now being addressed by the management team led by the Chief Executive Officer. I am confident that Overberg Water is fully operational and geared towards meeting the expectations contained in the Shareholders' Compact and the relevant pieces of legislation. I am comfortable with the internal controls which have been worked upon in the last five financial years. This has led to 4 unqualified audit reports as pronounced by the Office of the Auditor-General. The main challenge is still consistence water supply within the prescribed SANS 241 standards. Overall, the performance is satisfactory.

The following strategic goals of Overberg Water are developed as part of the commitment to *Batho Pele* principles which ensure that the people are always put first in the delivery of services:

- Institutional and Stakeholder Relations
- Water Services Planning and Management
- Support Services
- Financial Services
- Governance and Management

There is no doubt that water is central to human existence and crucial for socio-economic development. OW is mindful to that centrality and plays its part in rising to the human, ecological and socio-economic needs by following methods that maximize both the human rights and economic value of water whilst protecting the environment. This is important considering that the business operations rely on surface water. Thus, the river system supports the existence of OW and without the rivers it is impossible to provide quality drinking water to our customers. The provision of bulk water and sanitation services is largely dependent on other systems such as the water resources management. Hence, the business of OW is intrinsically linked to water resources management. Equally so, it is linked to the municipal systems being the sole bulk water providers to Hessequa and Theewaterskloof municipalities. OW further provides treated water to agriculture / industrial customers.

The Plan is aligned and supportive of the Minister's strategic areas, Annual Performance Plan of the Department of Water and Sanitation (DWS), the National Development Plan (NDP), and it is integrated to government objectives including local municipalities.

In line with the philosophy and the principles of *Ubuntu* focusing on the notion that a person is a person through other people – loosely translated as meaning a person is inter-dependent and interconnected to others; OW shall vigorously engage its stakeholders in the realisation of its Corporate Plan and continually work with the Department of Water and Sanitation and under the guidance of the Parliamentary Portfolio Committee on Water and Sanitation. Exploring innovative and new methods in the delivery of services to the customers is paramount to the business. Accordingly, every effort shall be made to find innovative and new ways of doing the business. Those will include investing in ICT and relevant water technology.

A good plan is only good only if the people driving it are fully committed to it and live by it. At OW every employee, staff member and colleague play a significant part in discharging the responsibility of implementing the Corporate Plan.



The rigorous internal controls and culture of accountability will be improved, enhanced and subsequently maintained to ensure that the OW continuously receives unqualified audits including improving its supportive systems such as policies.

Overberg Water Board is the operating arm of the Department of Water and Sanitation and its Head Office is in Somerset West. The OW is responsible for three water treatment schemes and these are - Duivenhoks, Ruensveld East and Ruensveld West.

The Corporate Plan remains the navigating compass that enables OW activities to be streamlined to sound water services' delivery.

Accounting Authority		
Approved by	Signature	Date



OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

A business without a strategy is like a ship travelling without a compass. It is important for strategic water boards like Overberg Water to continuously adapt their strategies to an ever-changing business environment. In this strategy the Overberg Water (OW) Corporate Strategy is presented firstly to show that OW is keen to increase its footprint in line with its growth path, secondly to demonstrate that OW is a going concern. OW is to ensure that all its infrastructure related challenges are addressed, and that adequate funding is available. OW is ready to respond to the challenges and claim its space in the water business landscape.

OW being the State's entity under the Department of Water and Sanitation (DWS) and exists to add value by implementing government policies. Naturally, the entity's Corporate Strategy is aligned to the overall agenda of government. It takes into account various government strategic plans such as the National Development Plan (NDP) and the Provincial Government Plan. The Minister's priority areas and the Board's vision are central to good performance. Moreover, the NDP remains the dominant source of inspiration in so far as the development of this Corporate Plan is concerned. Also, the Medium-Term Strategic Framework (MTSF) and the DWS's Strategy and Annual Performance Plan are not only essential for alignment purposes but there is also a need for alignment at implementation level. OW is strategically located to offer water and sanitation services covering the whole of the Western Cape Province and beyond. This is also dependent on the support from DWS as more water infrastructure funds are required not only to grow the business operations but to increase future water storage so that the effects of drought are reduced and that OW copes with Climate Change which is predicted to be accompanied by less rains and extreme weather conditions. Water has a social and economic value but creating that balance at times is not easy as more funds are required for meeting the social expectations while deriving economic value from water services. This calls for an organisation that is financially healthy and has improved its internal controls. Hence, this Corporate Plan is not just a mere desk document which is good for staying in the shelf. Instead, this Corporate Plan is realistically aimed at taking OW forward and will be achieved through key performance indicators and target which are largely informed by the strategic goals that are reflected on the Shareholder Compact and these are:

- Organisational efficiency and effectiveness;
- Improve and increase revenue and manage cost drivers;
- Effective stakeholder and customer engagement;
- Strengthen and develop quality human and organisations resources;
- Provide oversight and take accountability;


The above-mentioned priorities are crafted in such a way that they respond to the needs and priorities of government, placing the customer in the forefront of service delivery. They form part of the targets developed by OW's staff that are highly committed to the business of the entity. In line with the Corporate Plan this document is the main driver for performance. OW's strategy is further informed by the following:

- State of the Nation Address and National Budget Address, 10 February 2023,
- The fourteen strategic outcomes of Government and pertinent outputs,
- The five key focus areas pronounced by the Minister of Water and Sanitation for this financial year, and
- Plans of the Western Cape Provincial Government and Local Municipalities of the Overberg region.

As previously stated, that OW is one of the water public entities under DWS and therefore, alignment to government objectives is important including factoring the 14 priority outcomes of government. For ease of reference, these are as follows:

OUTCOME	DETAILS
Outcome 1	Education – “Quality of basic education”
Outcome 2	Health – “A long and healthy life for all South Africans”
Outcome 3	Security – “All people in South Africa are, and feel safe”
Outcome 4	Employment – “Decent employment through inclusive economic growth”
Outcome 5	Skills – “Skilled and capable workforce to support an inclusive growth plan”
Outcome 6	Infrastructure – “An efficient, competitive and responsive infrastructure network”
Outcome 7	Rural Development – “Vibrant, equitable, sustainable rural communities, contributing towards food security for all”
Outcome 8	Human Settlement – “Sustainable human settlement and improved quality of household life”
Outcome 9	Local Government – “Responsive, accountable, effective and efficient local government system”
Outcome 10	Environment – “Protect and enhance our environment assets and natural resources”
Outcome 11	International – “Create a better South Africa, a better Africa and a better world”
Outcome 12	Public Service – “An efficient, effective and development-oriented service and an empowered, fair and inclusive citizenship”
Outcome 13	Social Protection – “An inclusive and responsive social protection system”
Outcome 14	Social Cohesion – “Nation Building and Social Cohesion”

In pursuing the implementation of this Corporate Plan partnerships and collaborations will be encouraged for the mutual benefit of the parties involved. However, it will be to the advantage of OW to forge partnerships and collaborations with institutions of higher learning, research bodies, water boards, catchment management agencies and any other interested parties grow the business and for skills enhancement while pursuing the growth path.

Chief Executive Officer		31/05/23
Approved by	Signature	Date

ABBREVIATIONS AND ACRONYMS

AFS	Annual Financial Statements
AP	Annual Report
APP	Annual Performance Plan
BEE	Black Economic Empowerment
BBBEE	Broad-Based Black Economic Empowerment
BERG	Berg-Olifants Proto-CMA
BFI	Bulk Funding of Infrastructure
BG	Breede-Gouritz
BGCMA	Breede-Gouritz Catchment Management Agency
BOCMA	Breede-Overberg Catchment Management Agency
BCP	Business Continuity Plan
BP	Business Plan
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMA	Catchment Management Agency
CMF	Catchment Management Forum
CMS	Catchment Management Strategy
CP	Corporate Plan
DG	Director-General
DDG	Deputy Director-General
DPSA	Department of Public Service and Administration
DRDLR	Department of Rural Development and Land Reform
DWS	Department of Water and Sanitation
EDMS	Electronic Document Management Committee
EE	Employment Equity
ELU	Existing Lawful Use
EME	Emerging Market Enterprises
ENE	Estimates of National Expenditure
EXCO	Executive Committee of the Governing Board
FE	Financial Enterprise
FR	Financial Report
GIS	Geographical Information System
GRAP	Generally Recognized Accounting Practice
HDI	Historically Disadvantaged Individual
HR	Human Resources
IB	Irrigation Board
ICT	Information & Communication Technology
IT	Information Technology
KPI	Key Performance Indicator
MANCO	Management Committee
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NEMA	National Environmental Management Act
NEMP	National Eutrophication Monitoring Program
NMMP	National Microbial Monitoring Program
NRF	National Research Foundation
NSC	National Steering Committee

NWA	National Water Act
PDMS	Performance and Development Management System
NWRS	National Water Resources Strategy
OW	Overberg Water
QSE	Qualified Small Enterprises
RORs	Record of Recommendations
PFMA	Public Finance Management Act
RPF	Resource Poor Farmers
PSP	Professional Service Provider
R	Rand (unit of South African currency)
SG	Strategic Goal
SO	Strategic Objective
RSC	Regional Steering Committee
V&V	Validation and Verification
VAT	Value Added Tax
WUAAAC	Water Use Authorisation Assessment and Advisory Committee
WARMS	Water Authorization and Registration Management System
WRM	Water Resource Management
WMS	Water Management System
WSA	Water Services Act
WSA	Water Services Authority
WSP	Water Services Plan
WUA	Water User Association

PART A: STRATEGIC OVERVIEW

Figure 1: Strategic Map of Overberg Water

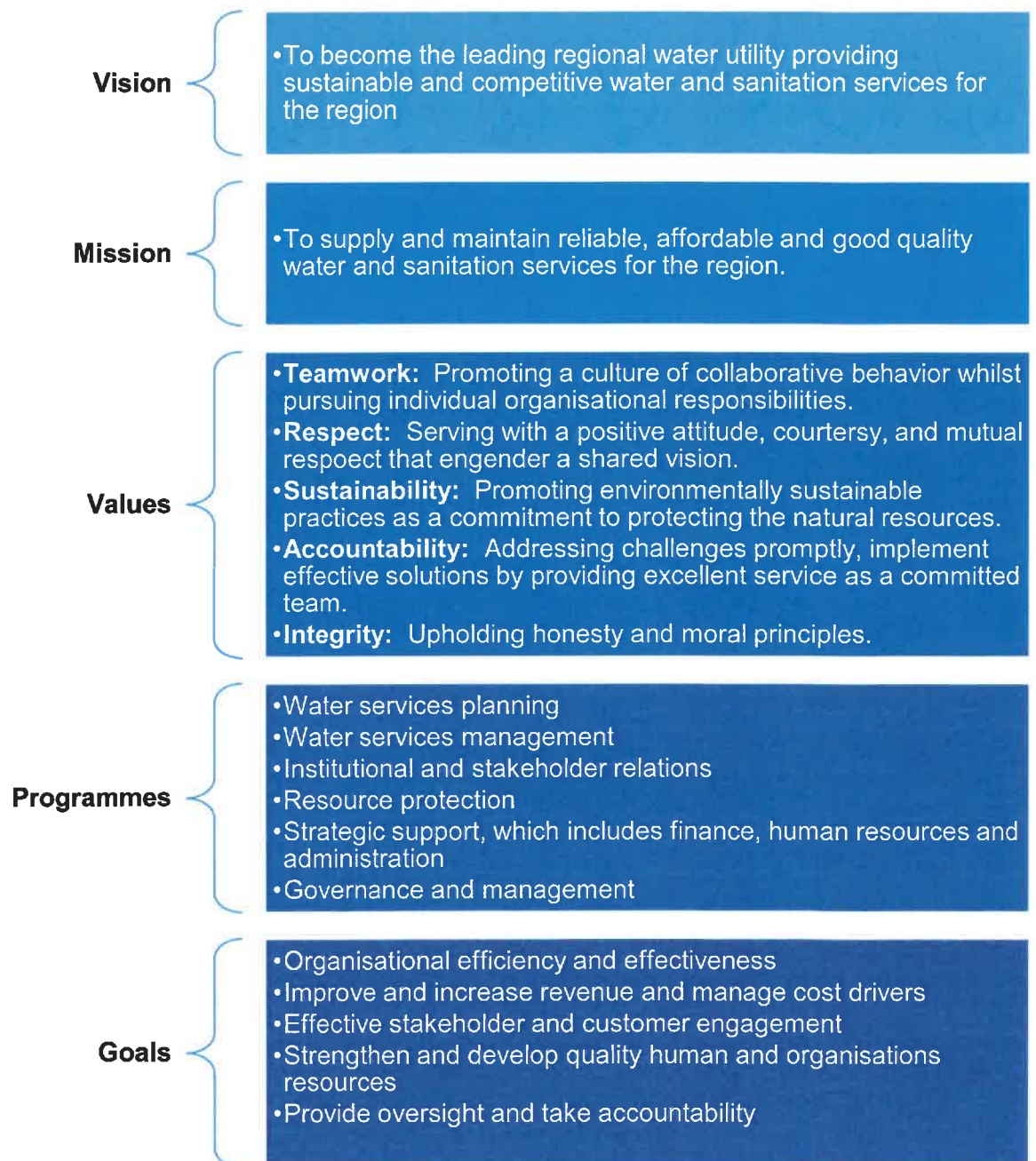


Figure 1: Strategic Map of the Overberg Water Board

1. Situational analysis

The Overberg Water Board was established in 1993 with the amalgamation of Duivenhoks and Ruensveld water boards. The Overberg Water Board is one of the national water public entities under the Department of Water and Sanitation (DWS). It exists to complement the work of the department and primarily supports the Minister as the shareholder. It is a water board providing bulk water services in terms of the Water Services Act 108 of 1997 and is subjected to a number of applicable laws such as the Constitution, the National Water Act 36 of 1998, Public Finance Management Act 1 of 1999. Overberg Water discharges its services by placing its customers ahead of the delivery menu. It has a long history of service delivery and placing customers in the forefront since its inception. Overberg Water has been a pillar of hope to its customers in terms of the quality of drinking water. The Head Office of OW is situated in Somerset West which is approximately 40 km from the Cape Town CBD and 30 km from Cape Town International Airport. It also has three water schemes functioning as satellite offices and these are Ruensveld West, Caledon; Reunesveld East Swellendam and Duivenhoks in Heildeberg.

The Overberg Water's area of jurisdiction is the south-western Cape in the west to the Heildeberg/ Riversdale districts in the east and bounded by the Langeberg Mountains in the north and by the Indian Ocean in the south. Its area includes the following towns: Caledon, Napier, Bredasdorp, Riviersonderend, Swellendam, Heildeberg, Riversdale and a number of other smaller areas. It is situated in one of the water management areas, namely, the Breede-Gouritz Water Management Area (BGCMA) which measures approximately 72 000 square kilometres. The BGCMA is the sole water resource authority in the catchment. The BGCMA "gives effect to its function to investigate and advise water users on the protection, conservation, management and control of water resources in a cooperative manner" (BGCMA, 2015).

The primary function of OW is mainly the provision of bulk drinking water to its customers. Viewing the location of OW schemes within the BGCMA area of jurisdiction naturally creates a symbiotic relation with the BGCMA in managing the water use. The following map shows and facilitates cooperative governance of water resources through the linking of National, Provincial and Local Government as well as a host of sector partners and stakeholders.

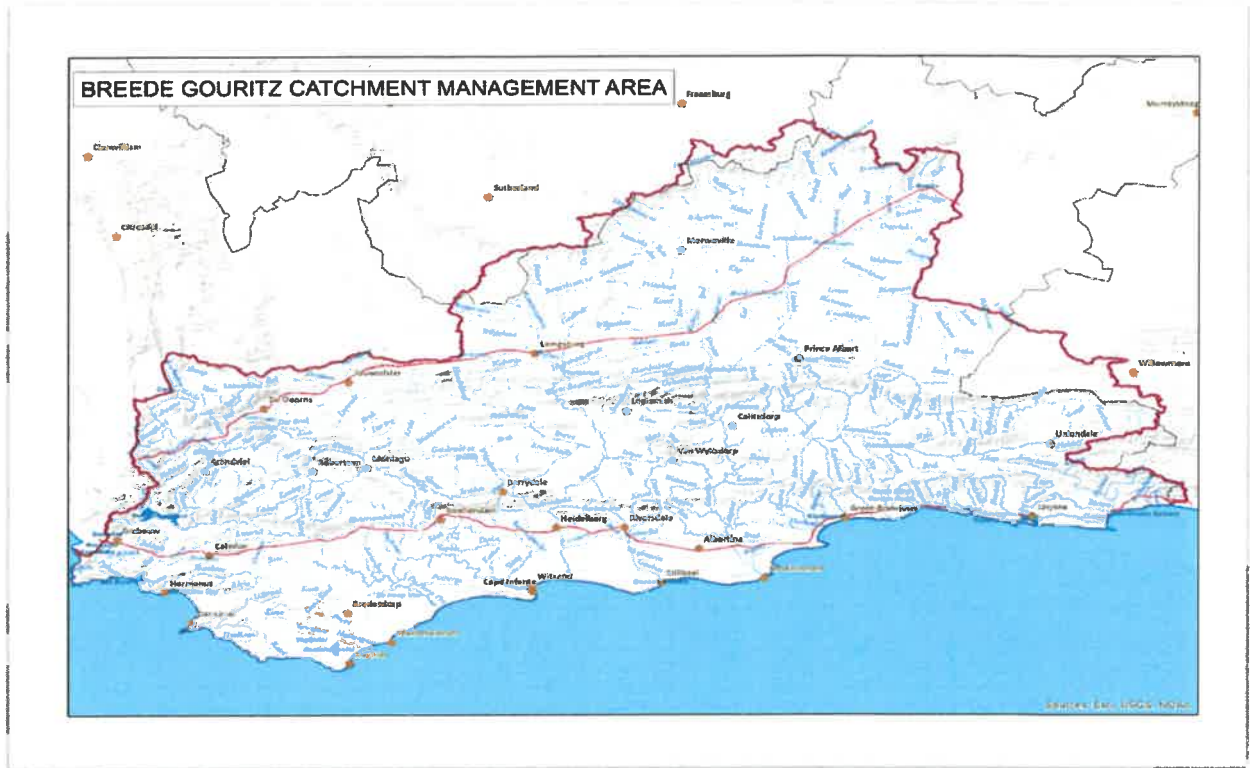


Figure 2: Map of Overberg Catchment Management Area

The Breede-Gouritz Water Management Area has widely varying precipitation levels which range from 160mm in the northern, more inland parts of the WMA to more than 3 000mm in the high mountainous regions of the Hottentots Holland with Franschhoek water dividing between the Berg and Breede water management areas (WMAs). The average rainfall over the Breede area is 200 mm, Overberg 400 mm, Gouritz Coastal 600mm and Klein Karoo / Great Karoo 150 mm. The Great Karoo and Olifants River catchment regions are classified as a very late summer rainfall region with a large proportion of annual precipitation falling between March and May as well as in October through storm events. Most of the rain in Breede Valley falls between the months of May and August. Parts of the Southern Coastal parts of the Gouritz WMA tends to experience all year-round rainfall.

Considering that OW intends developing its growth path and in line with its vision that states the following: “To become the leading regional water utility providing sustainable and competitive water & sanitation services”; it stands to reason that knowing the rainfall patterns of the WMA is relevant for planning purposes. This will support OW in increasing its footprint through the Western Cape region and beyond. According to the BGCMA (2015) the rainfall patterns have, however, changed in the last few years, with the continuation of a severe drought in the central Gouritz area and more recent within the Breede and Overberg areas. The rainfall patterns are depicted in the Seasonal Precipitation Index Maps supplied by the Agricultural Research Commission (Figures 3 and 4)

Figure 3: 6-month precipitation index map

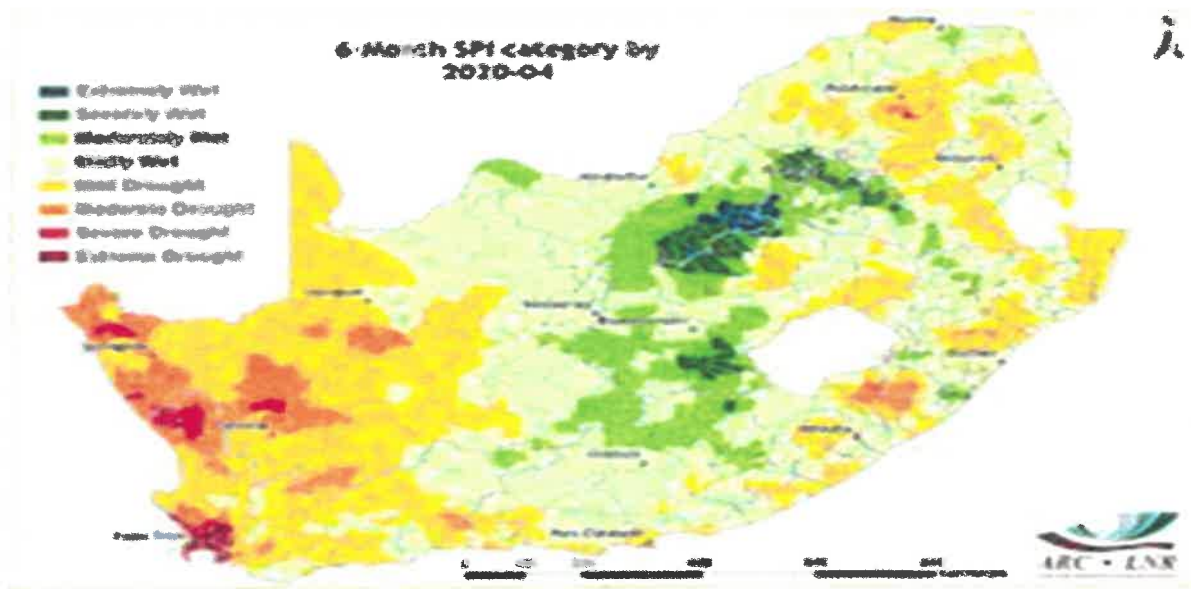
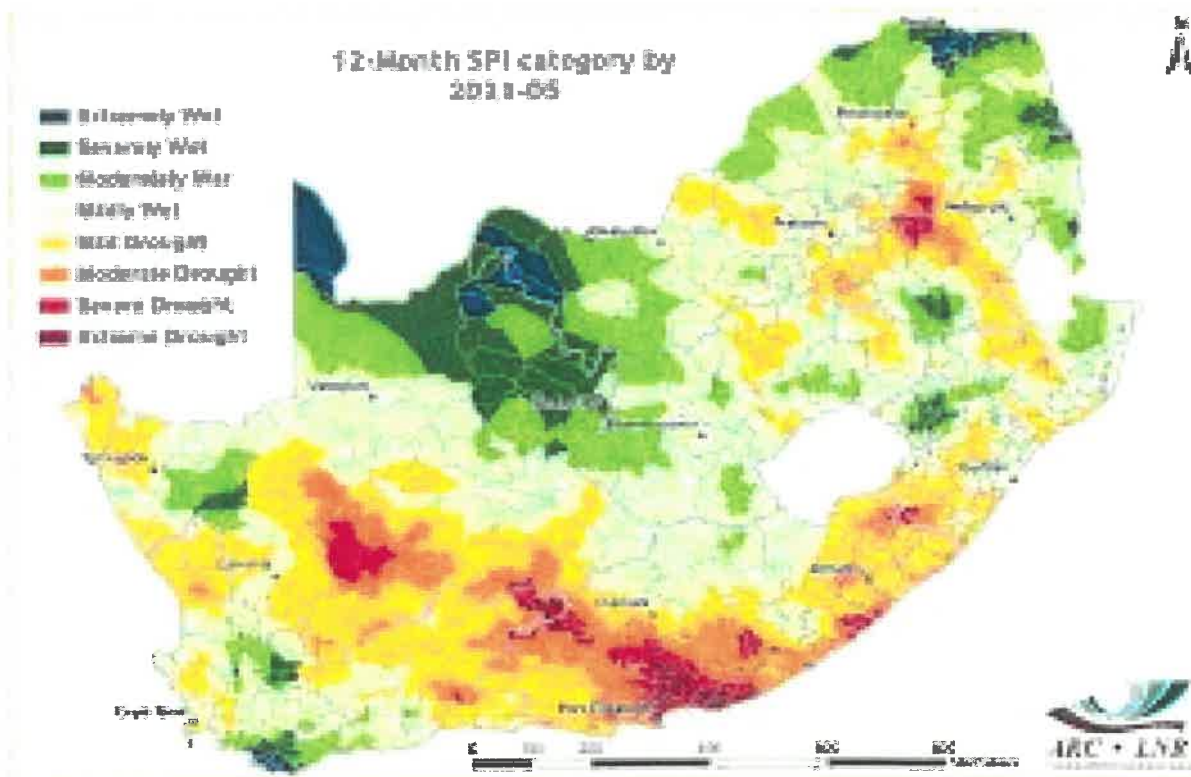


Figure 4: 12-month precipitation index map



The water scheme networks of OW are largely developed in the south-western parts of the Western Cape which is a region that has been experiencing population growth and increase. The demand for bulk quality water services is likely to increase and that is an added advantage

for OW's business growth in the municipalities situated in the following districts: Eden District, Central Karoo District, Overberg District, and Cape Winelands District.

Figure 5 below is a population indicative growth in the above-mentioned districts and shows that the population is increasing:

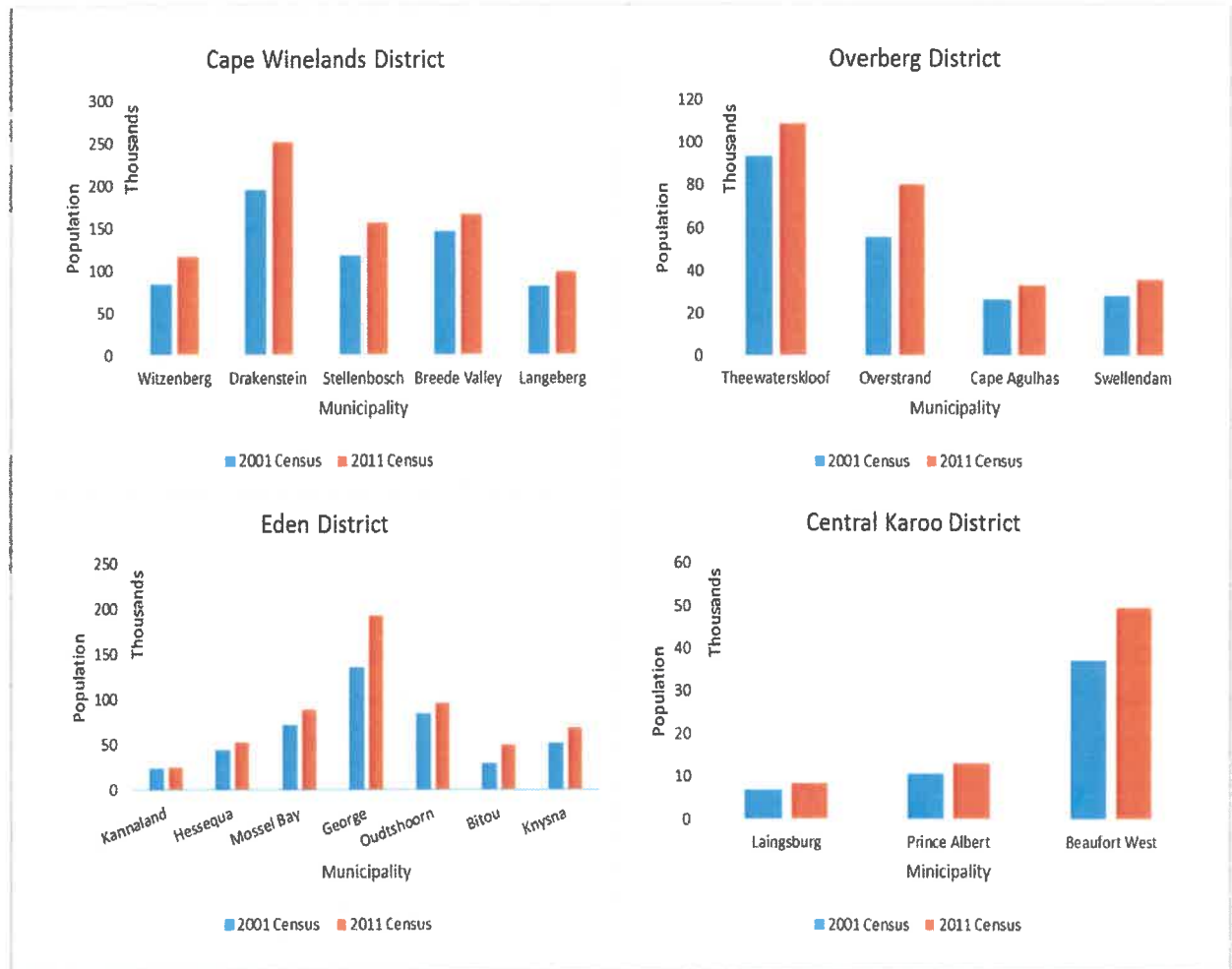
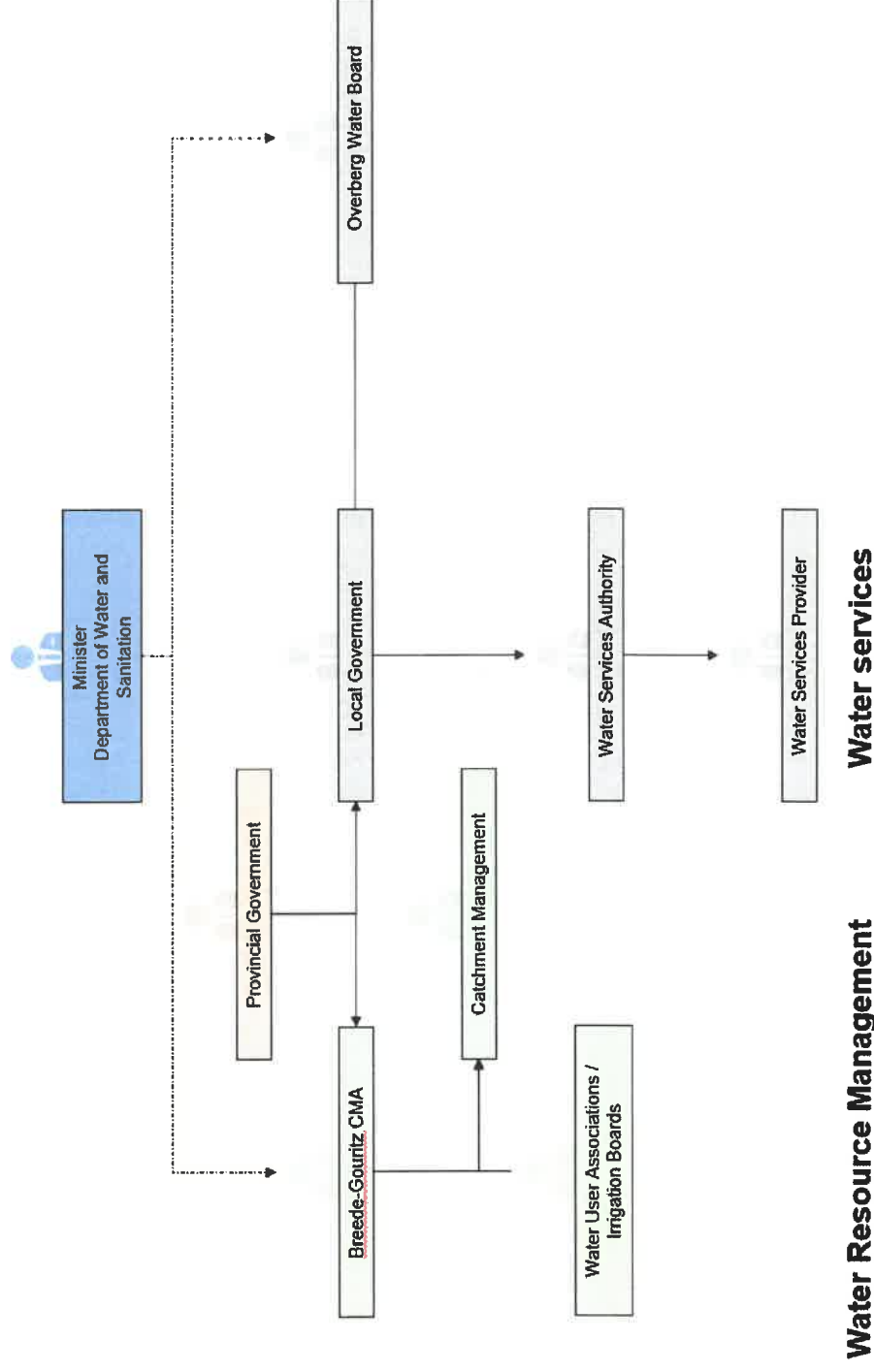


Figure 5: Population indicative growth in districts of OW

Source: StatsSA cited in BGCMA (2018)

It is therefore strategic for OW to focus in the above-mentioned districts in its endeavour to grow its business footprint. Growing the business requires a very close look and working with other institutions and government departments. The following diagram shows the institutional analysis what must be taken into account whilst expanding the business.

Figure 6: Structure showing the environment of the OW



2. Overberg water legislative mandate and performance

Overberg Water derives its mandate from the Water Services Act 108 of 1997 and the Public Finance Management Act 1 of 1999, amongst others and it is defined by the PFMA as a Schedule 3B public institution and categorised as a National Government Business Enterprise. It was established in 1993 to provide water services to the customers whereby water services include both bulk drinking water and sanitation services. The focus of OW over the years has largely been on drinking water and is currently exploring wastewater treatment opportunities with the aim to cover a wider area within the region if not becoming the main player in the provision of water and sanitation services.

OW, like any other water board has to cope with the “new normal” which is about sustaining the business in a period of climate change and drought. The role played by OW during a period of drought was to ensure that quality drinking water is available by implementing the water restrictions and aligning itself with the conditions of DWS and other related drought governance initiatives. Such conditions included investing in temporal water storages such as constructing the beams in selected rivers and maintaining constant communication channels with its customers.

3. Business activities of Overberg

As previously stated, the primary activities of OW in terms of **section 29** of the Water Services Act, is ***to provide water services to other water services institutions in its service area***. In line with OW's growth intention, section 30 of the Water Services Act enables OW to undertake other activities on condition that these activities do not affect the entity's ability to perform its primary function. Such other activities in terms of **section 30** of the Water Services Act include the following:

- Providing management services, training and other support services to other water services institutions, in order to promote co-operation in the provision of water services,
- Supplying untreated or non-potable water to end-users who do not use water for household,
- Providing catchment management services to or on behalf of the responsible authority,
- With the approval of the water services authority having jurisdiction in the area, OW may be charged with supplying water directly for industrial use, accepting industrial effluent and acting as a water services provider to consumers,
- Providing water services in joint venture with water services authorities, and
- Performing water conservation functions.

4. Corporate governance

Overberg Water Board has a Board comprised of nine (9) non-executive board members and one (1) Executive Board member, the Chief Executive. The roles of the Chairman and that of the Chief Executive are separate as recommended in the King IV Report on Corporate Governance.

All Board members execute their legal duties in a professional manner, with integrity and enterprise. In terms of the Water Services Act (Act 108 of 1997), Board members are appointed by the Minister of Water and Sanitation as of April 2019.

The Board still must establish standing committees to assist it in discharging its responsibilities. Audit Committee.

The Board is accountable for the leadership and control of Overberg Water Board. Its responsibilities include the development, review and monitoring of strategic outcomes.

The Government of the Republic of South Africa, represented by the Minister, and the Department of Water and Sanitation, is the sole shareholder of Overberg Water Board.

The Board contracts with the Executive Authority, the Minister, through an annually approved shareholder compact. The Board will continue to actively engage with the shareholder through various forums during the year.

A Board Charter once established will provide a framework for fiduciary duties, responsibilities and overall functioning of the Board. The Board Charter will be read in conjunction with:

- The Public Finance Management Act (Act 1 of 1999), as amended by the Public Finance Management Amendment Act (Act 29 of 1999), hereinafter referred to as the PFMA,
- Treasury Regulations (GG 27338) as amended from time to time,
- The Water Services Act (Act 108 of 1997), as amended, and
- B-BBEE Act (Act 53 of 2003)
- The King Code of Governance Principles, 2016 (King IV).

Compliance with King IV is not a legislative requirement, but the Board endeavours to abide by the recommendations of King IV insofar as practically possible to ensure good corporate governance.

Non-executive Board members will receive remunerative benefits and fees as determined by the Minister on an annual basis and in line with their terms of appointment. Therefore, no Board member is involved in determining his/her own remuneration. Board members' remuneration will be fully disclosed in the Overberg Water Board's Annual Report.

4.1 Employment Equity strategies

There will be a co-ordinated approach to the implementation of Corporate Social Responsibility initiatives by Overberg Water Board. The suggested establishment of an inter-divisional Corporate Social Responsibility Task Team will ensure that Overberg Water Board has a co-ordinated and coherent approach to Corporate Social Responsibility, and it will also identify and recommend appropriate projects/initiatives for funding or other forms of support.

One of the key anticipated outcomes of Overberg Water Board's CSR activities would be a contribution to development – both in the social and economic spheres. This is in line with the organisation's strategic developmental role, amplified in the Shareholder Compact in which there are explicit references to the developmental role of water boards. In addition, the organisation's contribution to development is espoused in its Business Plan and organisational Values, therefore, its participation in CSR and consequential investment are a natural extension to these commitments.

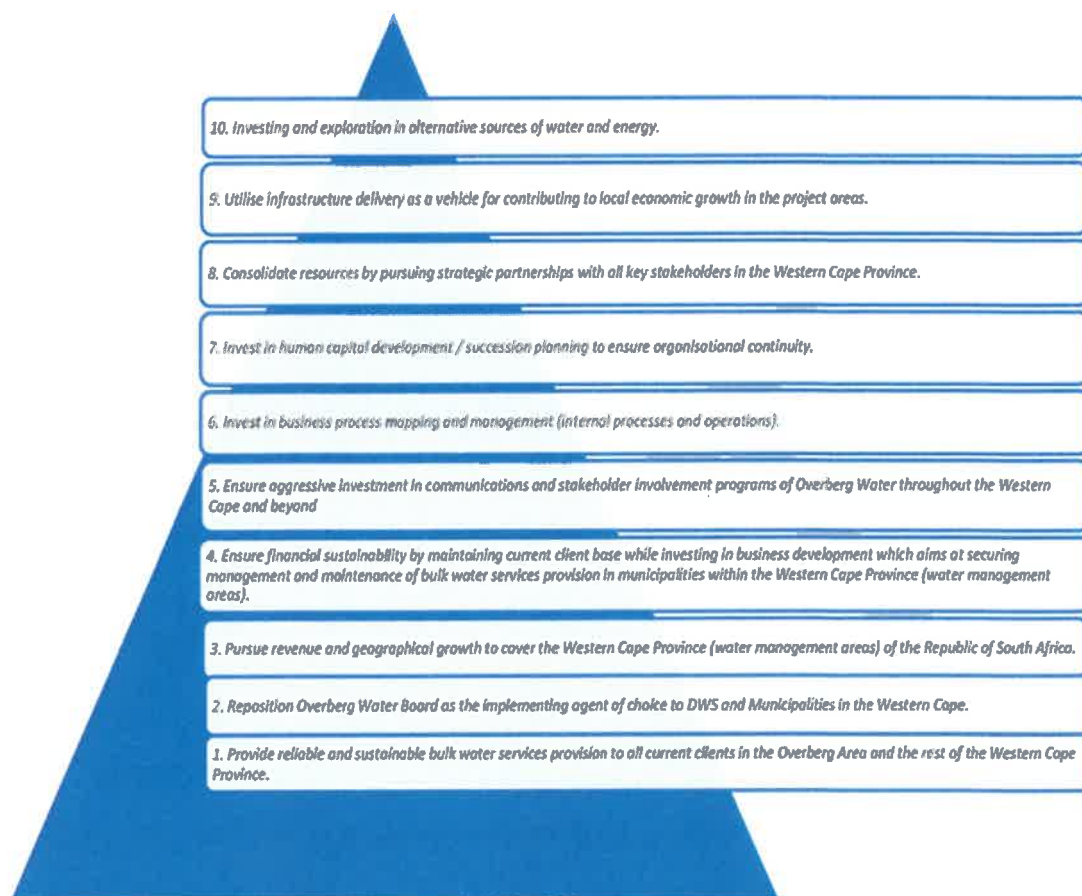
5. Historical Performance

In the past five years, OWB has gone through drastic changes due to the presence of the new leadership at executive and Board levels. From the governance perspective, the entity has a functional Board and sub-committees of the Board that provided strategic leadership to the organisation. The Board approved a turnaround strategy that executive management implemented successfully. The implementation of the turnaround strategy yielded positive results leading to the achievement of a Clean Audit, while improving on infrastructure delivery to its customers. Having strengthened internal controls, improved policies, processes and procedures, the leadership intends taking the organisation to another level of success by embarking on a growth path to cover the rest of the Western Cape Province.

6. Strategic Priorities of Overberg Water Board

As part of the strategy review, it is very important for the OWB to revisit its strategic priorities and reflect on its ability to implement them, determine human capital and financial resources required to implement the strategic priorities. These strategic priorities are summarised as follows:

Figure 7: Ten (10) Strategic Priorities of Overberg Water Board



Outcomes of analysis of the above strategic priorities and motivation for retaining them

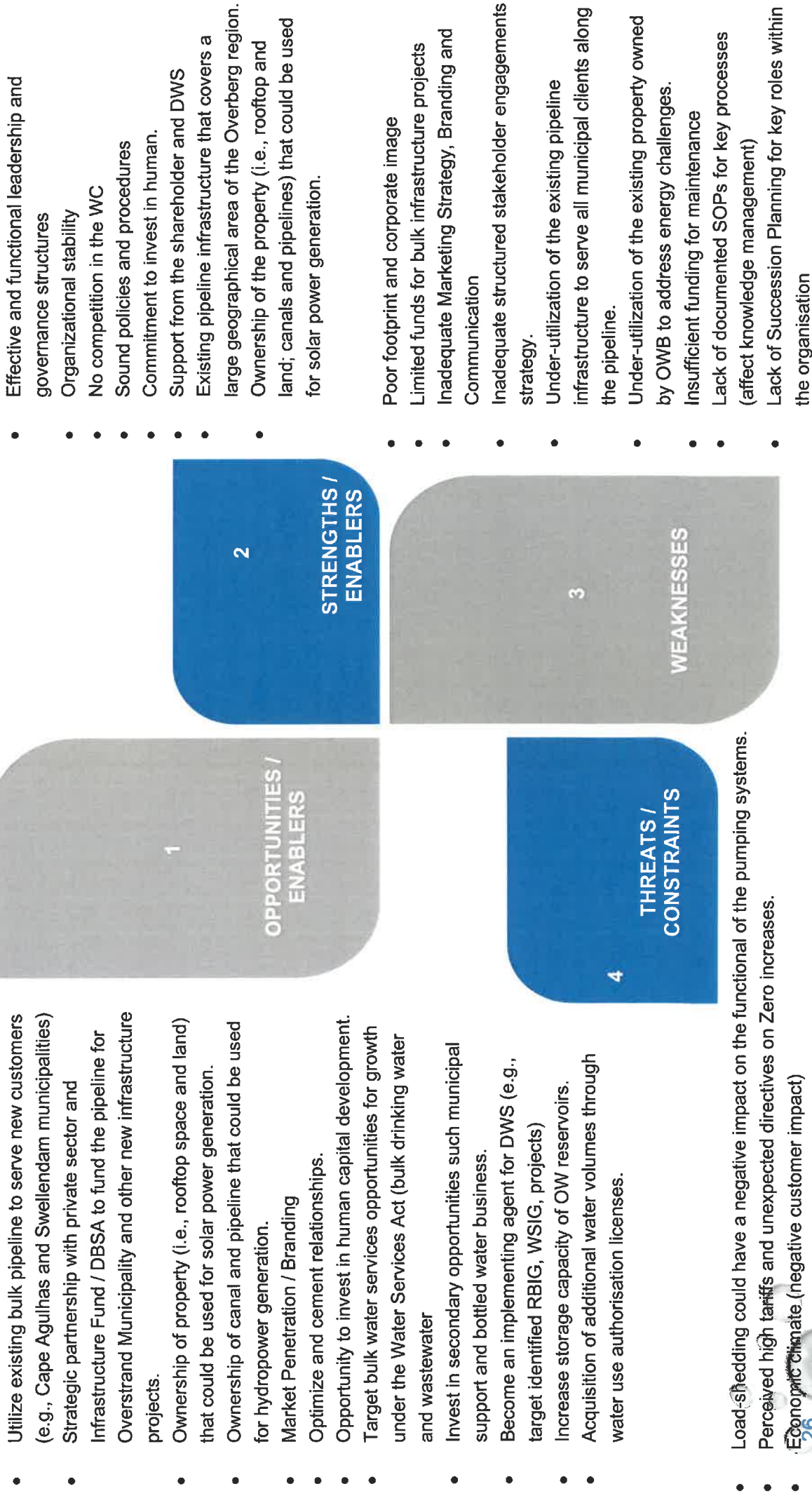
If one interprets the strategic priorities using the famous Maslow's hierarchy of needs, as indicated in **Figure 7**, it is quite clear that the strategic priorities have already considered the future of Overberg Water Board in line with the Minister of Water and Sanitation's intention institutional re-alignment. Secondly, all the strategic priorities are aligned to the key resolutions of the Board Strategy Session held on the **17th to 18th May 2023**. Thirdly, OWB has already developed the **implementation plan** of the strategic priorities (refer to **Pages 30 to 31 of the Corporate Plan 2023/24 to 2027/28**). This report will therefore not repeat what has been outlined in the Corporate Plan. A summary of the comments for each strategic priority is as follows:

- a. Strategy **Priority No.1**, which is the foundation in terms of Maslow's theory (**Figure 7**), draws its mandate from section 29 and 30 of the Water Services Act, Act No. 108 of 1997. In addition to this, the strategic priority directs OWB to provide water services to the rest of the Western Cape, which is in line with the Minister of Water and Sanitation's intent to broaden the mandate of the water utility.
- b. Strategic **Priority No.2** expects OWB to reposition itself in terms of both technical and financial capacity or even through strategic partnerships for the entity to be an implementation agent of choice for the Department of Water and Sanitation ("DWS") and municipalities in the Western Cape. The National and Regional Offices of the Department of Water and Sanitation echoed the same sentiments at the Board Strategy session. The proposal for OWB to be an implementing agent and a support structure (e.g., being a Water Services Provider of choice to municipalities) for municipalities was emphasized by South African Local Government Association ("SALGA"). SALGA's position was informed by challenges attributed to financial asset management, infrastructure asset management, technical staff capacity, and limited staff complement in some of the municipalities. In repositioning itself to be an implementing agent or Water Services Provider ("WSP") of choice, OWB needs to explore various options of supporting municipalities in the Western Cape, more especially municipalities in the West Coast and Central Karoo Districts. Such options must include partnerships in the short to medium term while building capacity for medium to long term support. In terms of regional bulk infrastructure projects, OWB has already identified projects that the entity can be part of (refer to **Table 16 of the Corporate Plan 2024**).
- c. The Strategic **Priority No. 3** expects OWB to expand its area of operation by creating a province wide revenue stream to ensure the entity's financial sustainability. This is also aligned to the Minister of Water and Sanitation strategic intent. Options of providing professional support services to municipalities through a service level agreement must be revisited. In addition to this, OWB should revisit securing the Department of Public Works and Infrastructure operations and maintenance of wastewater treatment works agreement. All these external initiatives must be considered once the entity can fulfil its legislative mandate of providing bulk water services.
- d. Strategic **Priority No.4** is aligned to the Board Strategy Resolution of expanding the revenue of OWB by targeting Municipal Clients along the existing infrastructure such as Cape Agulhas and Swellendam Municipalities. There was also a need to revisit Overstrand Municipality bulk water pipeline. To implement Overstrand bulk pipeline, OWB needs to explore strategic partnership with Infrastructure Fund, housed at the Development Bank of Southern Africa ("DBSA"). The strategic decision to focus on

these municipalities was backed up by the socio-economic statistics of the Western Cape that was presented at the strategy session.

- e. Strategic **Priority No.5** – During the strategy session, it emerged while there is an improved relationship with the Shareholder Department, SALGA, EWSETA and other agencies, there are pockets of stakeholders who have negative perceptions about OWB. The Board Strategy session resolved that a stakeholder mapping or matrix exercise must be conducted by management. Profiling of the stakeholders must be done and strategy for implementing aggressive stakeholder engagement developed.
- f. Strategic **Priority No.6** – As part of repositioning of OWB to be an implementing agent of choice to DWS, Department of Public Works and Infrastructure, municipalities in the Western Cape and any other state organ, OWB must implement **Strategic Priority No.6**.
- g. Strategic **Priority No.7** – requires OWB to conduct, amongst others, skills audit, identify the skills development gaps for medium to long term and then utilize a structured approach to investment in skills including succession planning. Of strategic importance is to ensure that the position for Executive Human Capital is filled because that is the key driver and custodian to implement **Strategic Priority No.7**. Without the dedicated executive, this strategic priority will suffer.
- h. Strategic **Priority No.8** – This priority is the pillar of success for OWB in terms of achieving strategic priorities **1, 2,3, 4, and 7 (e.g., Strategic Partnership with EWSETA, DWS, MISA and SALGA)**. To achieve growth strategy, geographical coverage, revenue growth, significant resources are required. To an implementing agent of choice could require partnerships with private sector in the targeted areas or those operating at a national level. Strategic partnership with DBSA and Infrastructure Fund ("IF"). A model for success in being an implementing agent of choice is informed by consolidation of resources through strategic partnerships. Some of the state-owned entities such as the DBSA, SANRAL, Rand Water, Johannesburg Water, Roads Agency Limpopo, the Council for Industrial and Scientific Research ("CSIR"), etc. implemented / or are implementing strategic partnerships to achieve their mandate and growth.
- i. Strategic **Priority No.9** – Implementation of this strategic priority is a direct contribution to the overall national programme of economic recovery. During the strategy session, officials from the DWS emphasized the department's priority of utilizing infrastructure implementation as a vehicle for stimulating economic growth and contributing to job creation. This strategic priority is aligned to the Minister of DWS and overall government priority.
- j. Strategic **Priority No. 10** – at the strategy session of 17th and 18th May 2023, the Board resolved that OWB must explore various water resources development options such as desalination, water recycling and reclamation, water re-use and groundwater. Given the energy challenges resulting in continuous load-shedding, it was resolved at the strategy session that OWB must explore alternative energy sources such as hydropower and solar power. This is because diesel for generators is very expensive. Secondly, generators are not designed to operate for a longer period.

Figure 8: SWOT Analysis



7. Alignment of Mandatory and Strategic Documents

Key strategy documents for OWB are Corporate Plan and Shareholder Compact. Alignment of these two documents with the DWS five Strategic Plan and Annual Performance Plan is very important. After reviewing the documents in terms of strategic priorities, outcomes, targets, and deliverables, we can confirm that at a high level, there is alignment amongst the documents. **Page 104 of the DWS APP 2023/24 to 2025/26** clearly states OWB legislative mandate and expected outcomes. These are aligned to both the Shareholder Compact (**section 5 of the Shareholder Compact report**) and Corporate Plan (**Page 16 of the Corporate Plan 2023/24 to 2027/28**) of OWB.

The mandate, vision, mission, strategic outcomes as outlined in the Shareholder Compact and Corporate Plan are aligned to the Resolutions of the Board Strategy Session held on the 17th to 18th May 2023. It might be helpful to highlight energy crisis as one of the key factors that would need attention in terms of the strategy for managing costs. The proposed strategic intervention is investment in renewable energy (solar / hydropower) in the next five years.

8. Human Capital Requirements

At the Board Strategy Session, it was resolved that Executive – Corporate Services position is key to future growth. The filling of the position will be dependent on budget availability, because Corporate Services, more specifically, Human Resources Department is the custodian and driver of human capital that plays a backbone of OWB in terms of revenue and geographical growth.

To avoid loss of human capital while pursuing revenue and geographical growth, OWB needs to consider a **targeted retention strategy**. The strategy should target human capital in both Infrastructure and Finance Departments of the organization.

9. Improvement Framework: Consolidation of the outcomes of the strategy session in terms of People, Process, Data & Technology (“PPDT”)

Strategy session resolutions were consolidated in terms of the PPDT improvement Framework. These resolutions considered when reviewing the ten strategic priorities of OWB.

Organisation Improvement Frame: PPTD Model

ITEM	SUMMARY OF DISCUSSIONS FROM BOARD STRATEGY SESSION – 17TH TO 18TH MAY 2023	HIGH LEVEL STRATEGY OPTIONS TO CONSIDER
PEOPLE	A. HUMAN CAPITAL <ul style="list-style-type: none"> Internal <ul style="list-style-type: none"> - Reposition internal capacity to execute the mandate - Deployment of engineers to partner with local interns - Skills audit of the technical department - Reorganize the skills External <ul style="list-style-type: none"> - All stakeholders <i>Perception of the Western Cape Municipalities about OWB</i> 	<ul style="list-style-type: none"> a. Strategic Priority No.7 Invest in human capital development / succession planning to ensure organisational continuity. b. Develop staff retention strategy targeting critical departments such as Finance and Infrastructure c. Explore strategic partnerships with EWSETA to develop human capital.

	(Change management and public relations)	
PROCESS	<p>A. FINANCIAL SUSTAINABILITY</p> <ul style="list-style-type: none"> - Revenue streams – Partnerships, subcontracting, own capacity - Cost optimization and Operational efficiency (Cost containment) - Client base – OWB: National Treasury (Circular 123) – Cost of supply of water, electricity, sewerage ((include tariffs that factor load shedding. <p>B. INFRASTRUCTURE – WATER SERVICES PROVISION</p> <ul style="list-style-type: none"> - New Infrastructure funding (R1 billion) - Funding – 10 projects for WC (Compare BFI projects currently implemented vs new ones) - Infrastructure fund – Blended Financing (Explore partnership – Lepelle Northern Water example) - Utilize infrastructure delivery to create jobs (Economic recovery strategy) - Existing Water Infrastructure - National Water Partnership programme (WC/WDM – Desalination, water re-use, water reclamation)) - Operations and maintenance - Preventative maintenance - Reactive maintenance - Infrastructure condition assessment (Annually) <p>C. STRATEGIC PARTNERSHIPS</p> <ul style="list-style-type: none"> • Implementing Agent for DWS – Grants (RBIG, MIG, WSIG, etc.) • EWSETA • MISA • SALGA • Private sector companies in the supplier area <p>D. STAKEHOLDER PARTICIPATION</p> <ul style="list-style-type: none"> • Participation in various sectors. • Stakeholder mapping • Stakeholder engagement plan <p>E. INSTITUTIONAL RE-ALIGNMENT</p> <ul style="list-style-type: none"> • 7 Water Boards to be reduced to 5 • Geographical area expanded • Completion of business case due diligence very urgent and required for making by the Minister. • Subsidiary of Overberg Water • OWB Consulting services?? Can we, do it? Does Human Capital allow? 	<ul style="list-style-type: none"> • <i>Develop financial turnaround strategy</i> • Strategic Priority 3. Pursue revenue and geographical growth to cover the Western Cape Province (water management areas) of the Republic of South Africa. • Strategic Priority No. 10. Investing and exploration in alternative sources of water and energy. • Strategic Priority No. 9: Utilise infrastructure delivery as a vehicle for contributing to local economic growth in the project areas. • Strategic Priority No. 8 Consolidate resources by pursuing strategic partnerships with all key stakeholders in the Western Cape Province. • Strategic Priority No.6. Invest in business process mapping and management (internal processes and operations). • Strategic Priority No.5. Ensure aggressive investment in communications and stakeholder involvement programs of Overberg Water throughout the Western Cape and beyond. • Strategic Priority No.4. Ensure financial sustainability by maintaining current client base while investing in business development which aims at securing management and maintenance of bulk water services provision in municipalities within the Western Cape Province (water management areas). • Strategic Priority No.2. Reposition Overberg Water Board as the implementing

	<p>F. WATER RESOURCES OPTIONS</p> <ul style="list-style-type: none"> • Desalination • Groundwater • Effluent reuse • Water recycling <p>G. ENERGY (R50 000/DAY ON DIESEL)</p> <ul style="list-style-type: none"> • Solar energy (Rooftop and Farm) • Hydropower – using water distribution network • Tax incentives for solar energy – how does Overberg Water Benefit? • Opportunity for OWB: DWS IPP Applications (17/04/2023) <p>H. WATER QUALITY</p> <ul style="list-style-type: none"> • Compliance with Green Drop • Compliance with Blue Drop <p>I. OWB GROWTH STRATEGY</p> <ul style="list-style-type: none"> • Extend Client base within the current water infrastructure network – typical example of growth is Swellendam and Cape Agulhas • Target Overstrand. • Potential geographical spread (Coverage informed by Business Opportunities) • Northern Cape • Eastern Cape • Western Cape (Central Karoo DM – Specifically Beaufort West) <p>J. ENTERPRISE-WIDE RISK MANAGEMENT PLAN</p> <ul style="list-style-type: none"> • Business Continuity Plan • Disaster Recovery Plan 	<ul style="list-style-type: none"> • Strategic Priority No.1. Provide reliable and sustainable bulk water services provision to all current clients in the Overberg Area and the rest of the Western Cape Province. • Stakeholder mapping / matrix and stakeholder engagement plan must be developed and implemented in the next three years. It is recommended that a Stakeholder Mapping and Profile be incorporated as a subsection in Part E (Page 67) of the Corporate Plan 2023/24 to 2027/28. • Stakeholder communications strategy, based on identified stakeholders, must be developed. Implementation plan for the strategy must also be prioritized. • Key stakeholders (e.g., EWSETA, IF, private sector, municipalities, SALGA, etc.) to enter strategic partnership with in the next five years must be identified. • Renewable energy strategy and plan, more especially rooftop solar, must be developed and implemented. Lease to buy or direct buy options can be considered depending on OWB affordability levels.
TECHNOLOGY	<p>A SYSTEMS TO SUPPORT INFRASTRUCTURE DELIVERY</p> <p>These are elements that should inform the overall Strategy</p> <ul style="list-style-type: none"> • Telemetry • Smart infrastructure components – smart meters, • Leak detection systems • System for enhancing Infrastructure condition assessment • GIS – “As-Built Drawings” • Infrastructure assets 	<ul style="list-style-type: none"> • Strategic Priority No.6. Invest in business process mapping and management (internal processes and operations).

DATA	DATA TO SUPPORT INFRASTRUCTURE DELIVERY (CAVR) <ul style="list-style-type: none"> Integrity and reliability of customer data Integrity and reliability of p personnel data Integrity water sources and infrastructure data GIS – Infrastructure assets 	<ul style="list-style-type: none"> Strategic Priority No.6. Invest in business process mapping and management (internal processes and operations). Develop Disaster Recovery Strategy and Plan
MUNICIPAL CHALLENGES BROUGHT FORWARD BY SALGA – BUSINESS OPPORTUNITY FOR OVERBERG WATER BOARD		
	<ul style="list-style-type: none"> Financial asset management Infrastructure asset management (Asset Register a Challenge) Staff skills level (Technical) Technical staff capacity (Numbers) Operations and maintenance of Assets Memorandum of Understanding (e.g. Umgeni & Rand Water) 	<ul style="list-style-type: none"> Strategic Priority No. 8 Consolidate resources by pursuing strategic partnerships with all key stakeholders in the Western Cape Province.

Strategic Position:

1. Provide reliable and sustainable bulk water services provision to all current clients in the Overberg Area and the rest of the Western Cape Province
2. Reposition Overberg Water Board as the implementing agent of choice to DWS and Municipalities in the Western Cape
3. Pursue revenue and geographical growth to cover the Western Cape Province (water management areas) of the Republic of South Africa
4. Ensure financial sustainability by maintaining current client base while investing in business development which aims at securing management and maintenance of bulk water services provision in municipalities within the Western Cape Province (water management areas).
5. Ensure aggressive investment in communications and stakeholder involvement programmes of Overberg Water throughout the Western Cape and beyond.
6. Invest in business process mapping and management (internal processes and operations)
7. Invest in human capital development / succession planning to ensure organisational continuity.
8. Consolidate resources by pursuing strategic partnerships with all key stakeholders in the Western Cape Province
9. Utilise infrastructure delivery as a vehicle for contributing to local economic growth in the project areas.
10. Investing and exploration in alternative sources of water and energy

Strategic Actions

The strategic positions forms part of some of the key performance indicators as per the set strategic goals. The strategic goals are informed by the Department of Water and Sanitation key strategic areas, the National Development Plan and the overall National and Provincial Priorities.

IMPLEMENTATION OF STRATEGIC POSITIONS	
SP 1	1.1 To develop, review and update annual repair maintenance plans as a means towards reliable water services provision.

	<p>1.2 Ensure development of the implementation plans as per the repair and maintenance plans.</p> <p>1.3 Forge strategic partnership with the following municipalities: Beaufort West, Swellendam, Cape Agulphus, Matzikama, Cederberg, Swartland.</p> <p>1.4 Enter into a memorandum of agreement with the Breede-Gouritz Catchment Management Agency as a means towards integrated water management approach with an intention to mobilise more water volumes through water use authorisation licenses.</p>
SP 2	<p>2.1 Secure RBIG and WRIG projects through working with the DWS Western Cape Regional Office.</p> <p>2.2 Develop a working relationship with the Department of Public Works and Infrastructure as part of keeping the existing and future water related projects at Correctional Services Centres, Defence Bases and Public Hospitals.</p>
SP 3	<p>3.1 Ensure the rollout of the growth path strategy throughout the water management area.</p> <p>3.2 Secure revenue generating secondary functions as per the Water Services Act.</p>
SP 4	<p>4.1 Review the current tariff model to ensure reasonable returns of water services.</p> <p>4.2 Investigate a long-term financial model linked with capex.</p>
SP 5	<p>5.1 Maintain regular communication channels with current and potential customers.</p> <p>5.2 Maintain the bi-annual production of the Overberg Water Board Newsletter.</p> <p>5.3 Issue two national advertisements showing the work and capability of Overberg Water Board.</p>
SP 6	<p>6.1 Ensure adherence to internal controls.</p> <p>6.2 Implement sound systems aimed at improving efficiency and effectiveness of business processes.</p>
SP 7	<p>7.1 Create relevant training opportunities to staff.</p> <p>7.2 Develop succession planning (sub) policies and strategies throughout the organisation.</p>
SP 8	<p>8.1 Forge strategic engagements with the Western Cape Provincial Government through the Departments of Local Government Planning & Environmental Affairs and Agriculture.</p> <p>8.2 Enter into cooperative agreements with relevant public entities / bodies based in the Western Cape.</p>
SP 9	<p>9.1 Secure funding to the implementation of the Infrastructure Master Plan.</p> <p>9.2 Invest in infrastructure activities such as gradual asbestos pipes replacement initiatives.</p>
SP 10	<p>10.1 Embark on alternative sources of water (such as groundwater, re-use and desalination) through scientific investigations.</p> <p>10.2 Embark on alternative sources of energy (such as solar and wind through scientific investigations.</p>

PART B: KEY PRIORITIES FOR OVERBERG WATER

1. Strategic programmes

The following are **strategic programmes** that will define the activities of OW over a five-year period:

- Water services planning
- Water services management
- Institutional and stakeholder relations
- Resource protection
- Strategic support, which includes finance, human resources and administration
- Governance and management

The above-mentioned programmes are translated into the following **strategic goals**:

- Organisational efficiency and effectiveness
- Improve and increase revenue and manage cost drivers
- Effective stakeholder and customer engagement
- Strengthen and develop quality human and organizations resources
- Provide oversight and take accountability

2. Alignment with Government

The OW's mandate and functional responsibilities are aligned to achieve and support the strategic priorities of the Department of Water and Sanitation that are aligned with the fourteen Outcomes of National Government. **Table 1 Alignment of OW strategic outcomes with those of National Government** below shows the alignment.



Table 1: Alignment of OW strategic outcomes with those of National Government

Government outcomes	No.	DWS Strategic outcome-oriented goals	No.	DWS Strategic outcomes	No.	OW Strategic programmes aligned with outcomes of DWS
Outcome 12 (Public service) Outcome 4 (Employment) Chapter 13 of NDP New growth path 2 (job creation)	4.	An efficient, effective and developed sector oriented leader	4.4	Coordinated development of the skills pool across the sector	6	Governance and management
			4.3	Effective and efficient internal control environment	6	Governance and management
			3.4	Job opportunities created that expand economic opportunities for historically excluded and vulnerable groups	6	Governance and management
			2.2	Targeted and aligned planning for adequate water availability and the enhanced provision of water supply and sanitation services	1	Water services planning
Outcome 6 (Infrastructure) New growth path 2 Chapter 4 of the NDP	2.	Equitable access to reliable, sustainable and acceptable water resources and water and sanitation services	2.5	Enhanced provision of sustainable and dignified basic sanitation	2	Water services management
			3.1	Equitable water allocation and availability for socio-economic development	2	Water services management
			1.4	Enhanced water use efficiency and management of water quantity	2	Water services management

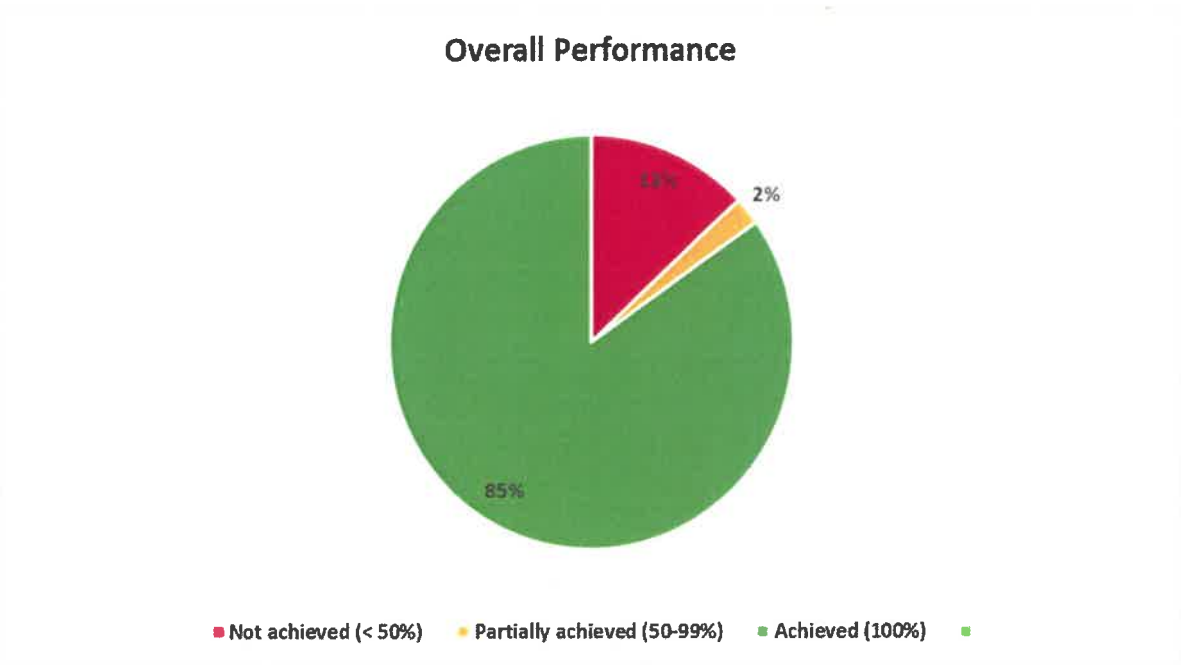
Government outcomes	No.	DWS Strategic outcome-oriented goals	No.	DWS Strategic outcomes	No.	OW Strategic programmes aligned with outcomes of DWS
Outcome 9 (Local Government) Outcome 10 (Environment) Chapter 5 of the NDP			1.1	Water resources protected through water supply and sanitation services regulation, compliance monitoring and enforcement	4	Resource protection
			1.3	The integrity of freshwater ecosystems protected	4	Resource protection
			1.2	Enhanced management of water and sanitation information	6	Governance and management

Table 1 illustrates that OW's Corporate Plan is informed by the operating business environment as reflected in State of the Nation Address and National Budget Address of February 2020, the fourteen Government Strategic Outcomes of Government and Pertinent Outputs cascading to the Executive Authority, the National Development Plan (NDP) 2030, the Medium Term Strategic Framework (MTSF2019 – 2025) and the DWS's National Water Resources Strategy (NWRS II, 2013), key focus areas highlighted by the DWS Minister in March 2020 and the DWS' five-year Strategy Plan and Annual Performance Plan and the Presidential Review Committee Report of 2013 on reshaping state-owned entities including DWS institutional realignment exercise.

PART C: SELF APPRAISAL

Figures 8 and 9 respectively show Overall Performance and Performance by Strategic Perspective for the 2021/22 financial year:

Figure 9 Overall performance

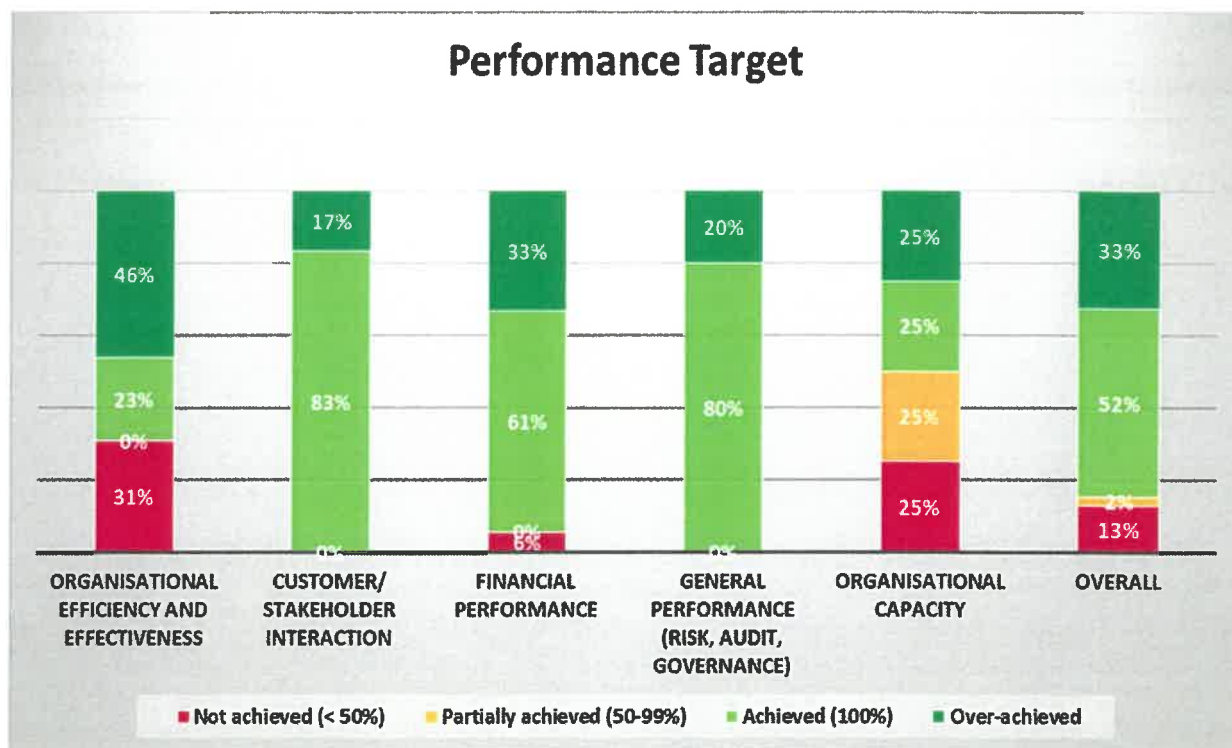


Overall, Overberg Water is projected to achieve the following performance against with SHC indicators:

- 85% achieved (100%)
- 2% partially achieved (50-99%)
- 13% not achieved (<50%)



Figure 10: Overall Performance Per Strategic Goal



The below is the explanation of under achievements per strategic goal of OW. Figure indicates the performance per strategic goal.

Table 2: Variance explanation

Strategic Goal	Reason for non-achievement
Organisational efficiency and effectiveness	<p>The Water Board underachieved on this goal due to the number of days of interrupted supply, percentage of unavoidable water losses and the impact of load shedding.</p> <p>The root cause is because of the aging infrastructure of the entity. The entity has developed a comprehensive turnaround plan to address these issues and has already implemented and completed some of these plans and will continue throughout the MTEF period. Financial constraints remain a concern as it limits the extent to which the Water Board can refurbish, augment and replace the aging infrastructure.</p>
Customer stakeholders and interaction	<p>The Overberg Water achieved only 100% of its target against this goal due to intensified efforts in engaging both its customers and stakeholders and will continue manage these important stakeholder engagements.</p>
General performance	<p>The entity achieved only 100% on general performance because the duly Board remains committed to good governance, providing leadership and support to management.</p>
Financial performance	<p>The entity achieved 94% of its targets against this goal this mainly managing costs whilst focusing on the key cost drivers and financial ratios and running the Department of Public Works and Infrastructure Project (DPWI) for the nine months of the 2021/22 financial year. The remaining targets non</p>

Strategic Goal	Reason for non-achievement
	achieved can be attributed to the non-approval of tariffs for the 2020/21 financial year which negatively affected revenue.
Organizational capacity	The entity achieved 50% of its targets against this goal, the non-achievement is a result of a decrease in learnerships due to on resignations, The DPWI project coming to an end leading termination contract staff. t

POLICY STATEMENT

1. Environmental Policy

Overberg Water Board's Environmental Sustainability policy is integrated into its Corporate Sustainability Policy. Where sustainability refers to the long-term maintenance of economic, social and environmental systems in an evolving human context, Overberg Water Board is committed to a water services business that is sustainable.



The organisation sets targets and measures and has implementation plans to achieve its corporate environmental commitments. Several components embrace Overberg Water Board's Environmental Management Programme, including: an overarching environmental sustainability framework; a sustainability policy; environmental strategies; implementation plans; and a robust management review system from its board room to shop floor.

Overberg Water Board interacts with the water value chain from source-to-sea. Importantly, the organisation must ensure sustainable bulk water infrastructure is developed and maintained in support of its core water services activities as well as engage sustainable suppliers and contractors. At a project level, Overberg Water Board strives to apply integrated environmental management (IEM) principles to its projects to ensure it undertakes environmentally responsible planning, design, construction, operation, decommissioning and maintenance of its assets and activities.

This process follows a project life cycle approach including:

Consideration of potential impacts and environmental mitigation measures at the planning stage;

Undertaking environmental impact assessment (EIA) and required mitigation during project design and

Construction; development and implementation of sound management plans; and

Undertaking environmental monitoring and auditing.

Key Environmental Indicators have been adopted for Overberg Water Board based on current best practise for environmental sustainability indicators, namely: Environmental Systems and Reducing Environmental Stresses; Reducing Human Vulnerability to Environmental Stresses; Institutional Capacity to Respond to Environmental Challenges; and Environmental Stewardship. South Africa is also in the process of developing environmental sustainability indicators and Overberg Water Board will maintain a watching brief on this process and accordingly realign its indicators and other elements of environmental sustainability.

The key indicators are elaborated on through thirteen key variables, namely, Air Quality and Reducing Air Pollution and Energy Impacts; Biodiversity and Reducing Ecosystem Stress; Land and Reducing Population Pressure; Reducing Waste and Consumption Pressures; Reducing Water Stress; Water Quality Management; Environmental Health; Reducing Environmental Related Natural Disaster Vulnerability; Environmental Governance; Eco-Efficiency; Science and Technology; Participation in Collaborative Efforts; and Greenhouse Gas Emissions.

In respect of Air Quality, Energy and Reducing Air Pollution several potential areas for air pollution risk and opportunity could arise for Overberg Water Board in the course of its water services business. Overberg Water Board's targets to address potential impacts include: Assessing and addressing the negative environmental and health effects of air pollution arising from its operational sites; Assessing and addressing the negative environmental and health effects of emissions arising from transportation; and establishing firm energy efficiency strategies for operational sites, buildings and offices.

Overberg Water Board will respond to Biodiversity and Reducing Ecosystem Stress through assessing the biodiversity value of its operational sites and managing significant biodiversity impacts.

In carrying out its water services business Overberg Water Board needs to ensure it does not contribute to Land Degradation and Desertification (including soil erosion) at its sites and land holdings. Where water scarcity is a problem, Overberg Water Board will assist with programmes for alternative water sources such as rainwater harvesting.

In response to Reducing Waste and Consumption Pressures Overberg Water Board is mindful that it will generate waste in various aspects of its water services business. In carrying out its business, Overberg Water Board will adopt a hierarchical approach to resource efficiency and waste management.

The survival of Overberg Water Board in undertaking its water services business is dependent on the availability of a sustainable source of raw water. Risks of Water Stress for Overberg Water Board include decreased supply, higher raw water costs, increased treatment costs and increased costs to customers; and water restrictions imposed on customers. Overberg Water Board will respond by improving efficiency through water demand management and identifying and reducing wasteful processes, as well as respond to opportunities afforded by water management mechanisms.

Overberg Water Board is reliant on the sustainability of the water ecosystem for abstraction for potable water treatment and for discharge of waste. Risks associated with Water Quality Deterioration relate to limits on water availability and higher treatment costs arising from polluted freshwater ecosystems. In response, Overberg Water Board will set resource quality objectives for all abstractions for water treatment; Incorporate resource quality requirements into raw water supply contracts and agreements; Improve quality of waste discharges from its own sites and operations and investigate opportunities for recycling and trading.

Overberg Water Board's core business is provision of bulk water and wastewater services. At the same time, Overberg Water Board recognises the important link between Environmental Health and sustainable water services and will support water services with water, health, and hygiene education.

In Reducing Environmental Related Natural Disaster Vulnerability, Overberg Water Board has routine programmes in place to safeguard public health as well as protect the natural environment, namely in respect of disaster management planning for floods, drought and water quality and environmental response.

Overberg Water Board will ensure sound Environmental Governance through ensuring that an appropriate environmental sustainability policy is in place for the organisation and institutional capacity, knowledge and technology is built to respond to environmental sustainability challenges.

Various natural resources are used by Overberg Water Board in undertaking its water services business. Eco- efficiency for Overberg Water Board can be related to water, energy and materials used per kilolitre of treated water produced and the changes/reduction thereof over time.

Overberg Water Board will continue to develop its Research and Innovation framework which includes environmental sustainability and identification of any environmental sustainability research needs.

Overberg Water Board shows Participation in Collaborative Efforts by supporting and aligning itself directly and indirectly to the United National Millennium Development goals through its government mandate to provide water services and related institutional collaboration. Furthermore, Overberg Water Board keeps a watching brief and is involved in environmental resource sustainability programmes that pertain to its water services business.

Pertaining to the risks of Climate Change to the organisation; Overberg Water Board will respond by disaster management planning for floods, drought, water quality and environmental threats; investigating energy efficiency improvements; Investigating switching to alternative energy sources; and setting emission reduction targets.

This environmental sustainability framework also incorporates elements of Overberg Water Board's approach to guide Environmental Impact Assessments. Some of Overberg Water Board's new/proposed infrastructure requires environmental authorisations before the commencement of construction. Environmental Management Plans will be prepared for construction, operational and decommissioning phase activities. Whichever the case, the purpose of the environmental management plan is to identify the possible environmental impacts of the activity or proposed activity and develop measures to prevent, minimize, mitigate and manage these impacts. Overberg Water Board elaborates on its approach to Environmental Auditing and provides a framework to guide environmental audits. An environmental audit is a management tool used to assess environmental performance for an activity and identify potential for improvement.

2. External Social Policies and programmes

Corporate Social Responsibility

Overberg Water Board has developed a Corporate Social Responsibility (CSR) and Corporate Social Investment (CSI) for the purpose of adoption and usage by Overberg Water Board. This policy hopes to provide guidance to Overberg Water Board on the nature of CSR and CSI activities in which it should participate and guide Overberg Water Board on the expenditure/budget/investment required for the implementation of the organisation's CSR programme.

There will be a co-ordinated approach to the implementation of Corporate Social Responsibility initiatives by Overberg Water Board. The suggested establishment of an inter-divisional Corporate Social Responsibility Task Team will ensure that Overberg Water Board has a co-ordinated and coherent approach to Corporate Social Responsibility, and it will also identify and recommend appropriate projects/initiatives for funding or other forms of support.

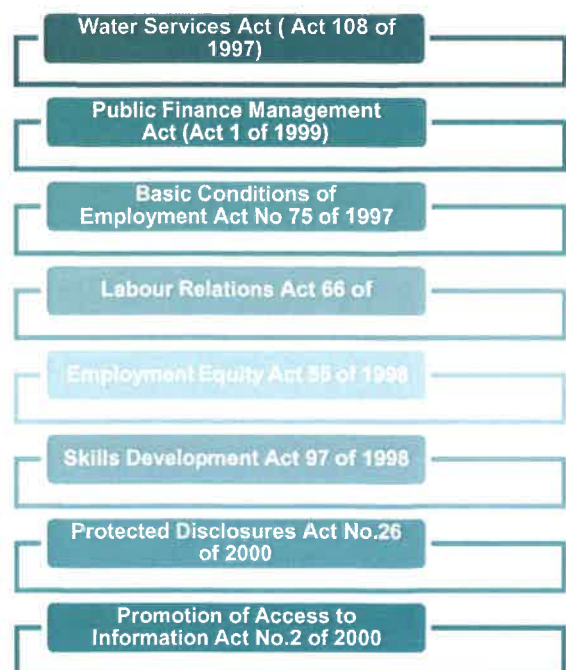
One of the key anticipated outcomes of Overberg Water Board's CSR activities would be a contribution to development – both in the social and economic spheres. This is in line with the organisation's strategic developmental role, amplified in the Shareholder Compact in which there are explicit references to the developmental role of water boards. In addition, the organisation's contribution to development is espoused in its Business Plan and organisational Values, therefore, its participation in CSR and consequential investment are a natural extension to these commitments.

3. Human Resource Policy

Our human resources are the pulse of our business. Overberg Water Board has embraced the principle that its organisational goals and human resource needs are mutual, compatible, and strongly inter-dependent. Human resources strategy is to direct the organisation to respond to its people needs to deliver on its business strategies and plans, amid the critical skills challenges in the water sector and country. This strategy identified the seven human resources focus areas indicated below and has developed specific outcomes for each. These outcomes would be further translated into action plans on an annual basis with a five-year view.

- Workforce Planning
- Recruitment, Retention and Engagement of staff
- Reward and Recognition
- Employment Practices and Systems
- Work/Life Balance
- Staff Skills Development
- Communication and Consultation

Overberg Water Board recognises that its employees are the organization's most valuable-asset and therefore commits itself to unlocking the full potential of its employees by providing systems, resources, and a climate conducive for productive performance and competence. The potential of all employees will be enhanced to the extent that they make maximum contribution towards Overberg Water Board becoming the Number 1 water utility in the developing world as a provider of water services



3.1 Performance management

Overberg Water Board aims at developing and applying a performance-driven culture in employee performance management. Striving to continue to be an employer of choice requires that the organisation pursue fair and consistent employment practices whilst providing competitive market related salaries and benefits. Innovative incentive schemes to encourage high performance will be further developed. In these ways, the attraction, management, and retention of staff are promoted.

Overberg Water Board will comply with the relevant parts of the Basic Conditions of Employment Act as well as the Labour Relations Act and their relevant Codes of Good Practice.

Performance management is an on-going function integral to the overall management function. It will enable all managers to reinforce good performance by giving due recognition and to develop the full potential of personnel by devising and implementing effective development plans. The Performance Review, which is used for the annual salary reviews, is purely a summary of this overall performance.

Performance Management System was re-designed, submitted for consideration by EXCO, the Human Resources, Remuneration & Ethics Committee of the Board and ultimately for the Board. On approval by the Board the new system becomes a pillar for good performance. This system reinforces the performance-driven culture by institutionalising the following phases:

- a) Performance planning;
- b) Performance contracting;
- c) Performance management;
- d) Performance reviewing; and
- e) Performance rewarding

To ensure the achievement of Overberg Water Board strategic goals through skilled, competent, motivated; and committed employees and to recognize and reward good performance, Overberg Water Board has in place a Performance Management Policy. The main objectives of the policy are as follows.

- a) Performance agreement, contracts and evaluations shall be the shared responsibility of line managers, supervisors, and employees
- b) Overberg Water Board's performance management system shall be used to provide feedback and coaching to individual employees concerning their job performance.
- c) In the event of poor or non-performers (scoring below 3), line managers and supervisors shall provide evidence of performance improvement interventions together with the performance appraisal scores to the Talent & OD Manager
- d) Divisional performance reviews shall be undertaken twice a year to evaluate divisional performance
- e) Individual performance reviews shall be undertaken twice a year to evaluate individual performance
- f) Performance bonus will be paid subject to all of the following requirements being met:
- g) If the organizational balanced scorecard targets have been substantially met as set out in the shareholders compact
- h) If the divisional balance scorecard targets have been met as per divisional business plans
- i) If the individual key performance area targets have been met as per individual performance contracts
- j) The organization can afford to pay the performance bonuses.

- k) Bonus may be paid (depending on the availability and Board Resolution) at the end of each financial year after the audit subject to affordability.

Overberg Water recognizes that employees perform most effectively when they have clear expectations of their job role and purpose, their own targets, and objectives, and of the wider goals of Overberg Water Board. Therefore, performance management at Overberg Water Board shall be development orientated and aimed at cultivating effective human resources management and career development.

3.2 Training and development;

Training and development are central to skills development. This is aimed to develop staff to excel in their individual and organisational roles and functions. The ultimate purpose is to deliver on the strategy and support the business plan, a training and development initiatives. The main policy elements are as follows:

- (a) The Organisation would provide training and development opportunities to enable staff to excel in their individual and organisational roles and functions in order to deliver on the strategy and in support of the business plan.
- (b) The Organisation shall allocate financial resources up to 3% of Payroll Costs (excluding the Retirement benefits shortfalls) towards training and development.
- (c) The Organisation shall give preference to learning programmes that are based on unit standards and that lead to credits on the National Qualifications Framework or are a requirement to maintain professional registration such as the Continuing Professional Development points (CPD)
- (d) Training programs except seminars, conferences and workshops, will be limited to accredited institutions
- (e) The attendance of any training programme, seminar, conference and workshops is subject to operational requirements as determined by the supervisor/manager.
- (f) Approval of overseas seminars, conferences and workshops will be dealt with in terms of the delegations of authority subject to concurrence of the Senior Manager.

3.3 Health and HIV/Aids

Overberg Water is mindful to the overall health and well -being of its workforce. As part of the process, the Entity will provide a safe, healthy, supportive, and comprehensive care which meets our duty of care towards our staff by ensuring a uniform and fair approach to the management of HIV/AIDS in the workplace. In line with the approach, the following shall be pursued:

- (a) Overberg Water Board shall promote equality and will not discriminate between individuals with HIV infection and those without, and between HIV/AIDS and other comparable health/medical conditions.
- (b) Overberg Water Board shall create a supportive environment so that HIV infected employees are able to continue working under normal conditions in their current employment for as long as they meet the current job requirements.
- (c) Overberg Water Board shall protect human rights and dignity of people living with HIV/AIDS as an essential prevention and control of HIV/AIDS.
- (d) Prospective and current employees will not be required to test for HIV/AIDS and employment and promotion criterion on the basis of their HIV/AIDS status.
- (e) Employees living with HIV/AIDS are under no obligation to disclose their status.

- (f) Information concerning diagnosis of HIV/AIDS may not be divulged and will be dealt with in strictest confidentiality.
- (g) Overberg Water Board shall not tolerate any form of harassment and discrimination towards employees with HIV/AIDS.
- (h) Employees who become incapacitated because of HIV/AIDS shall be treated in accordance with the incapacity provision of the Labour Relations Act and Overberg Water Board Incapacity Procedure.
- (i) Access to information and education programmes on HIV/AIDS will be promoted to ensure that all employees are aware of and understand the risks associated with HIV/AIDS.
- (j) Overberg Water Board shall promote and facilitate access to voluntary counselling and testing (VCT) for all employees who wish to be tested.
- (k) Overberg Water Board will enter into partnerships with other organizations aimed at seeking to minimize the spread of the HIV/AIDS within the employee's base.

3.4 Recruitment and Selection

In pursuance of the goals and objectives of the organisation and in compliance with the Labour Relations Act (Act No. 66 of 1995), the Employment Equity Act (Act No. 55 of 1998) and the Skills Development Act (Act No. 97 of 1998), Overberg Water Board commits itself to a fair and effective recruitment and selection policy which will ensure that suitably qualified, competent, and motivated people are employed. The organization's Employment Equity Policy, Employment Equity Plan and the Skills Development Plan will significantly influence this recruitment and selection policy.

All vacancies where appropriate will be advertised initially internally on the notice boards and the intranet. Where no suitable internal candidates are identified following internal advertising, positions will be advertised externally. Overberg Water Board will select people, based on selection criteria reflecting actual job requirements and objective competencies, both technical and behavioural, for the job; and appoint people to positions, where they have the capability or potential to make a meaningful contribution to the objectives of the organization. The organization has accepted as policy that the selection method to be applied will be that of Targeted Selection. The Probation policy provides a period for the employer to assess the employee's suitability for permanent employment. The policy includes the situation of employees being appointed to higher level positions. This process helps to establish whether there is an appropriate match between employee and the Organisation / position and vice versa and indicates the manner of reaching decisions for validating the employment decision.

Employment Equity

Overberg Water Board commits itself to the basic principles of the Employment Equity Act (Act No. 55 of 1998). To this end it has developed the Overberg Water Board Employment Equity Policy together with other internal stakeholders, as well as the Employment Equity Plan / Target Levels. Thus, Overberg Water Board, as a Designated Employer, commits itself to the identification, analysis, and elimination of all aspects / forms of discrimination, direct or indirect, in its employment policies, procedures and practices. Furthermore, its Employment Equity Vision is to have a fully diverse and representative workforce at all occupational categories and levels in terms of the of the economically active population demographic profile / matrix of its Employment Equity Plan. The philosophy is that Employment Equity and valuing diversity in an equitable working environment represent an essential foundation for sustainable growth and the competitive advantage of world-class organisations. Overberg Water Board

agrees to undertake specific measures to create equity in employment and to employ and develop designated employees. This will be achieved by recruiting, training, developing, and accelerating the promotional opportunities of the designated groups. The implementation of the Employment Equity Plan will be in accordance with the agreed divisional targets and the Affirmative Action measures. All stakeholders (Management, Unions, employees, others) will be expected to honour their obligations in terms of achieving the set divisional targets. The organisation is also committed to creating a physical environment that is user friendly to all employees.

The Employment Equity Plan will have Corporate and Divisional targets for Affirmative Action by both job category and levels for designated groups. To further this objective the Employment Equity mechanism has been created. It has the responsibility for, identifying Employment Equity and Affirmative Action issues, co-ordinating the establishment of goals and setting up mechanisms for monitoring and reporting of Affirmative Action progress, assisting business units with the implementation of the Affirmative Action programmes and resolving related problems. The Designated Employment Equity Official reports to the Human Resources, Remuneration & Ethics Committee, and the Board itself.

3.5 Labour Relations

Overberg Water Board will strive to create a healthy environment where positive employee relationships are engendered. The employment practices approach, therefore, encapsulates the following principles:

- (a) Freedom of association;
- (b) Recognition of representative trade union/s with the objective of developing an atmosphere of trust and co-operation;
- (c) Collective bargaining with representative trade union/s on substantive issues;
- (d) Establishment of formal communication channels and consultation between management and employees;
- (e) Speedy resolution of disputes; and
- (f) Establishment of formal grievance and discipline procedures

Overberg Water Board will comply with the relevant parts of the Labour Relations Act and the relevant Codes of Good Practice.

4. Tariff Policy

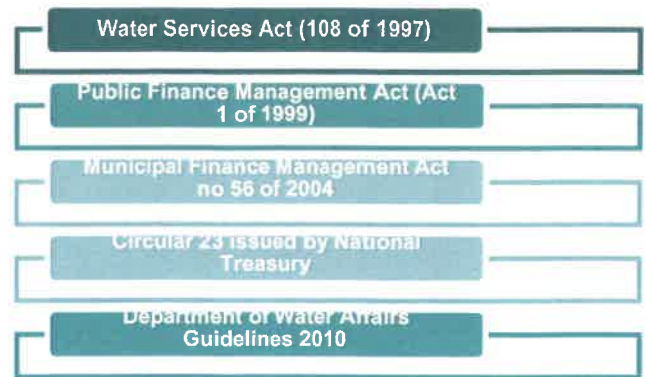
In accordance with the Water Services Act 108 of 1997 as amended by Water Service Amendment Act 30 of 2004, the Municipal Finance Management Act no 56 of 2004 and the MFMA Circular 23 issued by National Treasury, Overberg Water Board's Tariff Policy is to set the lowest possible constant tariff in real terms, and which has as the underlying principles:

The promotion of the efficient and sustainable use of water

The equitable access to water supply services, whereby the basic level of service should be affordable; and

The solvency and sound financial management of Overberg Water Board

The tariff policy encompasses the principle of consultation and transparency to customers and to assist its stakeholders with its longer-term planning. The tariff policy is since revenue generated through the tariffs should recover operating and maintenance costs, as well as the costs associated with developing water supply infrastructure.



The model is for a 30-year period and uses the cash flow methodology based on a financially viable tariff. This implies that the tariff increase allows for the following:

- (a) Repayment and servicing of debt;
- (b) Recovery of capital, operational and maintenance costs;
- (c) Reasonable provision for depreciation of assets;
- (d) Recovery of costs associated with the repayment of capital from revenues (including subsidies) over time; and
- (e) Reasonable provision for future capital requirements and expansion

As a result of this cash flow methodology the organisation can manage its debt curve/levels which are the ultimate output of this model.

As a rule the cash flow model should comply with the following constraints:

- a) Loans to be raised for funding Plant and Equipment should generally be assumed to be repaid over a period of less than 20 years.
- b) Assets must always exceed liabilities.
- c) A facility must be available to raise funds to meet short-term obligations.
- d) The water board should make a positive accounting surplus.
- e) The water board should in all years make a positive operating cash flow surplus after interest charges.
- f) Treasury imposed borrowing limits should not be exceeded.

The tariff determination procedure is preceded by sound planning. The following process must be followed:

- a) Determine the macro-economic factors and internal factors required as an input factor into the model,
- b) Confirm the operating costs, capital expenditure and sales volume demand.
- c) Compile financial model and determine funding requirements,
- d) Prepare a pro-forma tariff table for a 3-year tariff increase; and
- e) Follow the approval process for tariff increases as laid out in the Municipal Finance Management Act (MFMA) section 42 and Circular 23 issued by National Treasury

The tariff for potable water charged by Overberg Water Board to its consumers is made up of the following cost elements:

- 1) The raw water charges as charged by the Department of Water & Sanitation

- 2) The direct operating costs as incurred by Overberg Water Board in treating and delivering bulk water services,
- 3) The administration costs as incurred by Overberg Water Board in support of its bulk water services.
- 4) The net finance costs relating to the cost of borrowings raised to finance the infrastructure of waterworks, reticulation schemes and working capital requirements.

Income and costs from other activities are ring fenced and are not factored into the bulk water tariff.

Cost components of the bulk potable water tariff must be reflected in a standardised pro-forma tariff table so that the components of a break-even tariff and the anticipated surplus are transparent and can be compared with the previous year's tariff. The tariff structure is linked to the Tariff Methodology as detailed above. Refer to annexure (b) for an example of the tariff table.

Key outputs from the financial model are net debt curve, tariff table, key ratios, funding requirements, income Statement, balance Sheet and cash flow statement.

5. Customer Care Policy

Overberg Water Board recognizes that the Water Services Authorities are its main customers in line with the provisions of the Water Services Act and Municipal Systems Act (Act 32 of 2000) which provides for a water services authority to appoint an independent water service provider. The customers through Overberg Water Board/WSA liaison meetings determine both stated and implied customer water services requirements (Monitoring Framework). The Operations Division commits to providing water services of the best possible quality within its limits and recognises and conforms but not limited to quality requirements of potable water quality. Improvement plans for Blue Drop Certification assist to address these issues and support water services authorities.

Overberg Water Board has signed Bulk Supply Agreements with its two primary municipal customers and individual agriculture customers. These agreements cover obligations of both Overberg Water Board and its customers for the management of bulk water in respect of planning and implementation of the quality and quantity of treated water, asset management and metering. Overberg Water Board's levels of service will continue to be regulated and monitored at a micro level at the water works where the final treated water is distributed, as well as at a macro level where regional systems are integrated for water supply. Monitoring frameworks have been formulated in response to the formal agreement and are incorporated into operating rules, schedules, and plans.

Regular operational liaison meetings with the municipalities will continue to ensure that customer requirements are continuously met and responses to new requirements are provided.

Overberg Water Board will continue to operate and maintain the three water schemes within the Overberg District as an interim annexure agreement to the existing Bulk Water Supply Agreement. The objective is to operate these small stand-alone local water schemes, whilst the regional schemes are being developed and phased in. In the interim, the small schemes are subject to the same water quality and quantity standards, and this requires on-going rehabilitation of the existing infrastructure.

6. Credit Control and Disconnection Policy

In term of section 51, General responsibilities of accounting authorities, of the Public Finance Management Act (PFMA), an accounting authority for a public entity:

S51 (b)(ii), must take effective and appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with operational policies of the public entity.

S51 (c), is responsible for the management, including the safeguarding, of the assets and for the management of the revenue, expenditure, and liabilities of the public entity.

Overberg Water Board has in turn developed Credit Policies and procedures to be followed to ensure effective accountability over the acquiring and recording for payment of goods and services.

The acquisition of goods and services on credit gives rise to a liability to the organisation. The importance of the correct processes, procedures, treatment and recording of this liability is critical for any organisation, as it must be in terms of the General Recognised Accounting standards (GRAP). GRAP requires that a liability must only be raised when the risks and rewards of ownership of the goods purchased have passed to the buyer. This creates an obligation on the buyer to settle this debt as it is enjoying the benefits of the goods purchased or services received.

Overberg Water Board is required where deem necessary and appropriate to report to the National Treasury and Provincial & Local Government Department on:

- 1) the amount to be paid by the municipality or municipal entity for such bulk resources for that month, and for the financial year up to the end of the month;
- 2) the arrears owing and the age profile of such arrears;
- 3) any action taken by the organ of state to recover arrears; and disputes between organs of state.

In term of section 38 of the PFMA the accounting officer of an organ of state must take effective and appropriate steps to collect all revenue due to the public entity concerned; and manage available working capital efficiently and economically; and safeguard and manage the Entity's assets.

7. Accounting Policies

Separate accounting for primary and other activities.

Overberg Water Boards accounting systems are geared into two reportable segments:

The primary segment as defined by section 29 of the Water Services Act (Act 108 of 1997) which is made up of bulk water and wastewater treatment; and

Other activities as defined by Section 30 of the Water Services Act (Act 108 of 1997). This business segment consists of non-regulated activities which are mainly defined as services that complement bulk water service provision such as laboratory services, water quality monitoring and environmental management and where Overberg Water Board acts as an implementing agent for any sphere of government for projects related to water service delivery.

Compliance with GRAP;

The annual financial statements are prepared in accordance with GRAP and interpretations of those standards, as issued by the Accounting Standards Board, the Public Finance Management Act (Act 1 of 1999), as amended (PFMA) and the Companies Act (Act 71 of 2008). In terms of section 79 of the PFMA.

Accounting for Reserves, Assets, Depreciation, and Bad debts.

Property, plant & equipment (Assets and depreciation)

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Land is not depreciated. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is Recognised in the statement of comprehensive income. Works under construction are stated at cost less accumulated impairment losses. Cost includes the cost of materials, direct labour, allocated portion of direct project overheads and any costs incurred in bringing it to its present location and condition. Work in progress is commissioned on date of significant completion. Servitudes are considered an integral part of the asset and are essential to the operation of the asset and therefore forms part of the cost of relevant tangible asset.

Borrowing costs are capitalised on qualifying assets in accordance with the relevant accounting policy on finance costs. When property, plant and equipment comprise major components with different useful lives, these components are accounted for as separate items. Expenditure incurred to replace or modify a significant component of plant is capitalised and any remaining book value of the component replaced is written off in the statement of comprehensive income. All other expenditure is charged to the statement of comprehensive income. Property, plant and equipment is depreciated to its estimated residual value on a straight-line basis over its expected useful life. The depreciation methods estimated remaining useful lives and residual values are reviewed at least annually.

Trade and other receivables

Short duration receivables with no stated interest rate are measured at original invoice amount less allowance for doubtful debts.

Significance and Materiality Framework

The framework is applied under two main categories, being quantitative and qualitative aspects.

Quantitative aspects: Materiality level

Overberg Water Board assesses the level of a materiality as being ½ % of Overberg Water Board's gross revenue. It is Recognised that different levels of materiality can be set for different classes of transactions. Overberg Water Board has, however, taken the approach of setting a more conservative materiality level that will be used for all classes of transactions.

Factors considered:

Nature of Overberg Water Board's business: Revenue for Overberg Water Board primarily comprises sales of water, fees for management of waterworks and wastewater works and revenue from S30 activities.

Statutory requirements applicable to Overberg Water Board:

Overberg Water Board is listed as a PFMA Schedule 3B public entity.

The Board of Overberg Water Board is required to execute their mandate in terms of the PFMA.

Overberg Water Board accordingly elects to give preference to a lower level of materiality due to it being so closely governed by various acts and the public accountability responsibility it has to stakeholders.

The control and inherent risks associated with Overberg Water Board: In assessing the control risk of Overberg Water Board, management concluded that level of materiality being ½% - 1% of total revenue and 1%-2% of total assets is appropriate and prudent. This assessment is since a sound control environment is being maintained. In this regard cognisance was given to amongst other matters:

Proper and appropriate governance structures are established which include a Board of Directors (Accounting Authority), CE and Executive Management.

A Risk Management Committee with specific risk management responsibilities.

An audit committee that closely monitors the control environment of Overberg Water Board.

The function of internal audit is outsourced to professional independent internal auditors; and

A three-year Internal Audit Coverage Plan, based on annual risk assessments.

Qualitative Aspects

Materiality is not confined to the size of the entity and the elements of its financial statements.

Overberg Water Board recognises that misstatements that are large either individually or in the aggregate may affect a "reasonable" user's judgement. Further, misstatements may also be material on qualitative grounds. These qualitative grounds include amongst other:

- (a) New ventures that Overberg Water Board may enter.
- (b) Unusual transactions entered that are not of a repetitive nature and are disclosable purely due to the nature thereof due to knowledge thereof affecting the decision making of the user of the financial statements.
- (c) Transactions entered into that could result in reputational risk to Overberg Water Board.
- (d) Any fraudulent or dishonest behaviour of an officer or staff of Overberg Water Board.
- (e) Any suspected corruption, irregularities, or fraud.
- (f) Any infringement of Overberg Water Board's agreed performance levels.
- (g) Procedures/processes required by legislation or regulation (e.g. PFMA and the Treasury Regulations).
- (h) Unauthorized, irregular, or fruitless and wasteful expenditure.
- (i) Items of a non-financial nature, which would impact on the continued operation and deliverables of Overberg Water Board.

The policy contained in this framework will be appropriately presented in the Annual Report of Overberg Water Board as required.

8. Auditing and Internal Control Policy

The organisation outsources its Internal Audit function. The approach followed is a risk-based approach which takes into consideration Overberg Water Boards Integrated Risk management Framework.

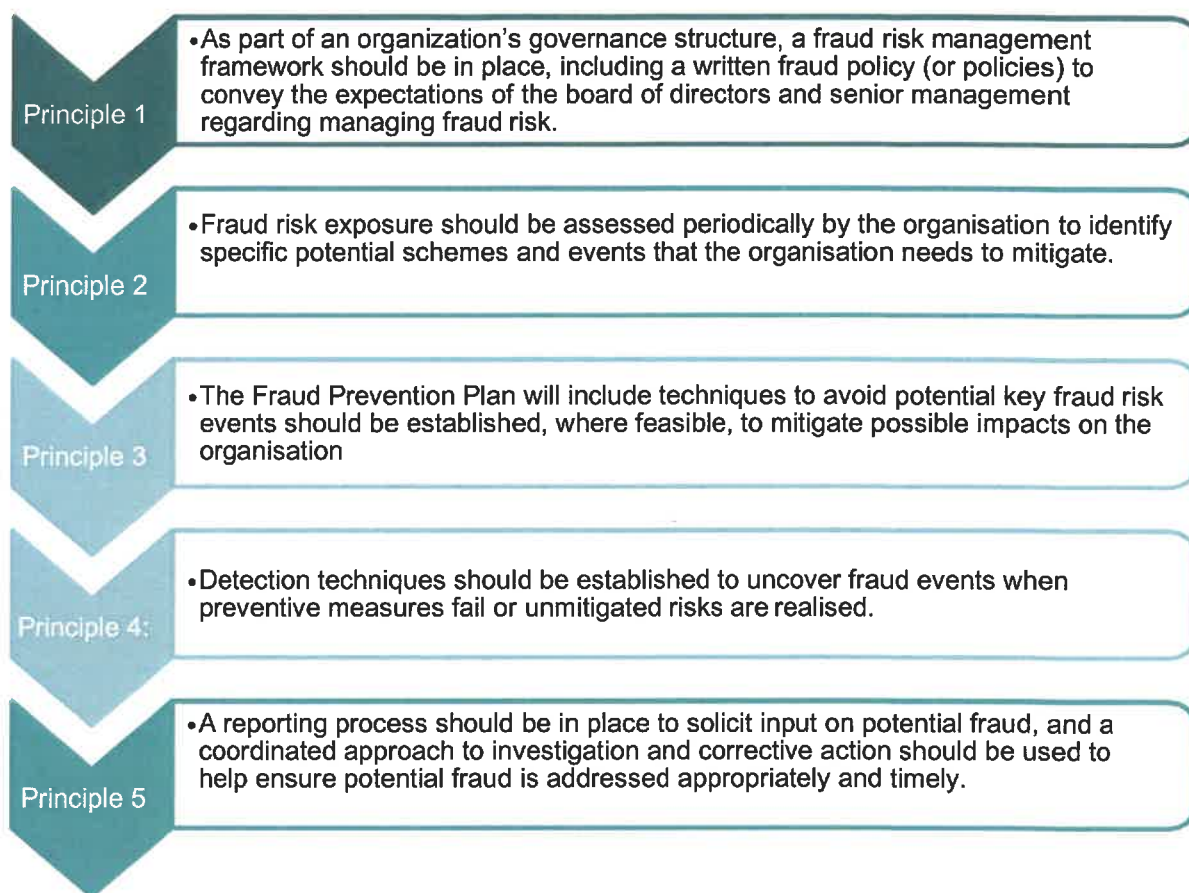
The approach and main areas of coverage in the internal audit function is:

- (a) To conduct reviews of Treasury's practices and procedures, at appropriate intervals, to determine whether these are carried out in accordance with the laid down policy and control framework, and that these practices and procedures limit exposure to business and security risks.
- (b) To report promptly the results of Compliance Audit reviews, resultant opinions and recommendations to the relevant management personnel to ensure that appropriate action is taken with respect to any concerns arising.
- (c) To participate in the planning, design, development, implementation, and operation of Treasury computer-based systems to ensure a secure and controlled computing environment.
- (d) To identify and implement appropriate tools and techniques for effective execution of Compliance Audit activities.
- (e) To co-ordinate Audit activities with those of the internal and external auditors.

Further, Overberg Water Board has in place a Combined Assurance framework to assure the Audit Committee that Overberg Water Board sites, business units / departments and systems have been audited in order to assure that there is sufficient monitoring of the internal control environment and that it has been undertaken in a coordinated manner, as well as to support Internal Audit's disclosure of the effectiveness of the organization's system of internal control and risk management.

Integrated Fraud Management Framework, Fraud Policy and Fraud Prevention Plan

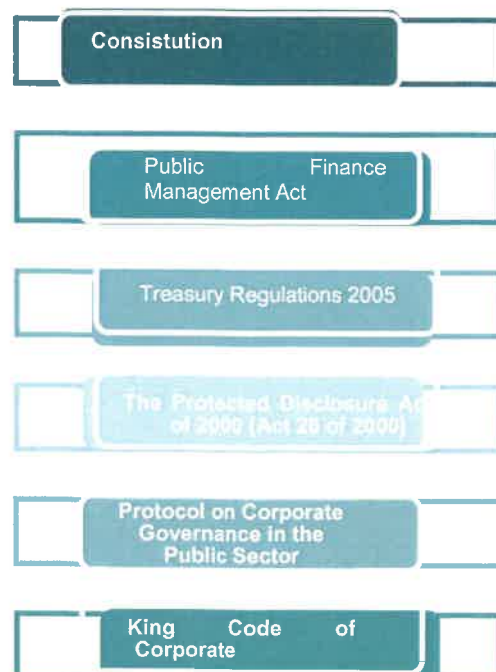
Overberg Water Board subscribes to the principles of good corporate governance, which requires the conducting of business in an honest and transparent manner. Overberg Water Board supports a culture of zero tolerance to fraud and corrupt activities. Overberg Water Boards' strategy to address fraud in an integrated approach and reduced potential risk to the organization's assets, service delivery efficiency and reputation is pronounced in an Integrated Fraud Management Framework (IFMF) which is aligned to best practice. The key guiding principles for proactively establishing an environment to effectively manage fraud is:



9. Fraud policy

Aligned to its IFMF, Overberg Water Board has in place a Fraud Policy with the main objectives as follows:

- Promote standards of honest and fair conduct;
- Prevent fraud and corruption;
- Detect and investigate fraud and corruption;
- Take appropriate action against offenders, e.g. refer to authorities for prosecution, disciplinary action, etc.;
- Recover any losses; and
- Maintain strong systems of internal control.



Fraud Prevention Plan

The Fraud Prevention Plan is a key principle within the Integrated Fraud management framework which assists Overberg Water Board with mechanisms designed to prevent, deter, and detect fraud. The plan has and includes techniques to avoid potential key fraud risk events and establishes to mitigate possible impacts on the organisation. This Fraud prevention is embedded in internal controls which is part of Overberg Water Board's policies and procedures and includes elements of Code of Conduct, Code of Ethics, Disclosure of Interests, delegation of authority, proper recruitment vetting and checks, etc.

A fraud implementation plan will be used to monitor compliance to the plan. Of significance to the Fraud Prevention Plan is the existence of the Fraud Prevention Committee who continues to provide assurance to the board that there is effective institutional-wide prevention of fraud and corruption and that where there are complaints, those are effectively managed and appropriately followed-up and efficiently investigated.

Overberg Water Board has a Fraud Hotline linked with the one for the Department of Water & Sanitation and the Presidency managed by an external independent service provider who manages all calls, faxes, and emails on the Fraud Hotline and issues information to the appropriate recipients as per mandate. All calls brought to the attention of the Overberg Water are investigated for validity and the prevention efforts focus on identifying controls to better manage the fraud risk.

10. Financial Policy

Reliance on subsidies.

Overberg Water Board is a government business enterprise that does not receive subsidies; however, Overberg Water Board's investments in support of rural development have a significant social component that requires that additional funds be sourced from National government (e.g. Department of Water & Sanitation and National Treasury) so as to maintain an affordable and equitable tariff. These funds will be sourced as Bulk Infrastructure grants.

Optimal Capital Structure

As a government business enterprise, Overberg Water Board strives towards a target optimal capital structure, which is made up of a combination of financial liabilities and capital and reserves. This structure is agreed annually between Overberg Water Board and its Executive Authority in the shareholders compact and is managed in terms of the targeted debt to equity ratio and Overberg Water Board's tariff policy.

In terms of the optimal capital structure, the Debt-to-equity ratio should not exceed 0.7 times. Thus, retained surpluses should contribute toward achievement of this target ratio and the optimal level of equity. Amounts retained more than the optimal accumulated surplus should be in terms of the Surplus policy.

11. Reserve policy and targets

Overberg Water Board's objective for managing capital is to enhance shareholder (The Executive Authority) value by providing efficient and reliable water services to customers at the lowest economic cost while reducing debt, remaining financially self-sufficient and generating sufficient surplus to meet

the required capital expenditure programme. This objective has remained consistent with the prior years.

12. Surplus Policy

Overberg Water Board has a Surplus Policy to guide the accrual and application of surplus's earned in any one year. Surpluses are accrued for the following:

- (a) Maintain optimal capital structure.
- (b) Repayment of debt during the current financial year.
- (c) Provision for repaying debt during a future year (for example, provision for a bullet payment).
- (d) Cash contribution toward the purchase of Plant and equipment during the current year.
- (e) Provision of cash contribution toward the purchase of Plant and equipment during the future.
- (f) Refurbishment of plant and equipment during the current year.
- (g) Provision towards refurbishment of plant and equipment during a future year.
- (h) Provision for contingencies which could materialise in the form of either a reduction in revenue or increased unexpected costs or both.

Debt Management strategies

Overberg Water Board's treasury strategy focuses on solvency and debt management through the cash flow tariff model, after taking into account the long-term business plans, water demand curves, and future capital expenditure.

The liability curve and debt redemption is then actively managed:

- By targeting an optimal debt level.

Asset liability matching, through a redemption strategy framework which pro-actively manages liquidity and refinancing risk associated with large debt maturities such as bonds.

Within approved borrowing limits.

- By maintaining an external credit rating.

This is further explained as below:

Optimal debt level

Overberg Water Board strives to be within an optimal debt level by not exceeding a gearing ratio of 0.67 and maintain a target debt interest rate structure of 70% fixed and 30% floating which aims to minimise volatility of both the tariff and statement of comprehensive income.

Asset liability management

Asset and liability matching focuses on two components:

The first being the matching of maturity dates of financial assets and liabilities whereby financial assets will be used to repay debt on its maturity. This will typically be applied in a redemption strategy.

The second component is whereby surplus cash (cash after operating expenditure and interest cost) is matched to debt redemption or specific funding requirements.

Taking the business environment and market conditions into account, the following framework is used in managing the redemption portfolio build-up over a 3-year period prior to the settlement of a bond:

10% of the capital redemption value provided for 3 years before maturity.

40% provided for 2 years before maturity.

75% provided for 1 year before maturity; and

the balance of 25% is funded during the year of maturity.

Managing debt within approved borrowing limits

The borrowing limits has to be approved by the Minister of Water and Sanitation with the concurrence of the National Treasury - Finance Minister

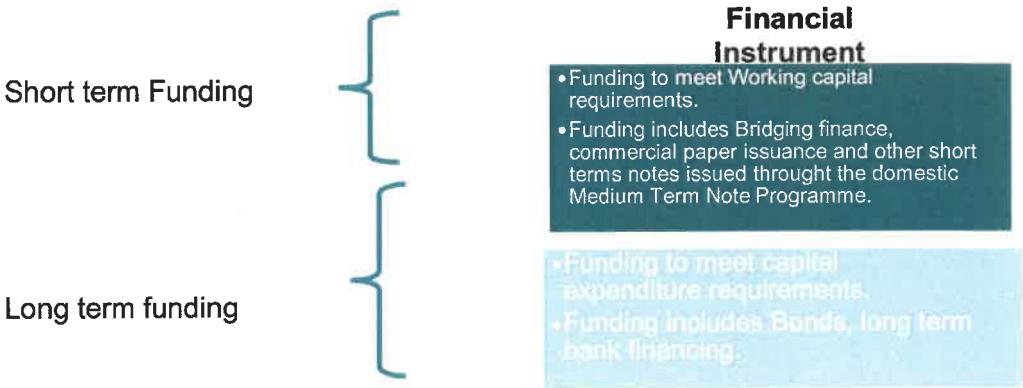
Maintaining an external credit rating

The ability of Overberg Water Board to raise debt at competitive interest rates is significantly dependent on the external credit rating by a Ratings Agency. The credit rating is maintained through protection of operating cash flows by anticipating adverse market and business conditions and continuous monitoring of strategies devised to counteract the adverse market conditions.

Liability policy

The issuance of debt is in terms of the approved short-, medium- and long-term funding strategy which is reviewed in a semi-annual basis and approved by the board.

Overberg Water Board uses the following debt instruments.



The terms and conditions on which money is borrowed differ according to loan agreements and bond issues. Bank committed facilities offered can be for a full twelve months or for a specified seasonal period. This committed facility would attract a facility fee on any unutilized balances during the agreed period only. Accessing the uncommitted facility will be subject to Overberg Water Board giving the relevant banks at least forty-eight hours' notice in order that the bank may obtain the necessary credit approval to make the funds available to Overberg Water Board.

Should debt be sourced via Structured Finance Deals, these deals must be:

Supportive of and adhere to the Short, Medium and Long-term Funding strategy, as approved by the Board.

Within the Borrowing Limit approved by the Ministers.

Matched to the free cash flows of Overberg Water Board or the underlying project or be subject to the redemption strategy approved by the Board.

13. Investment policy

Overberg Water Board has developed an investment policy to:

Manage its investments within its strategic objectives and to invest surplus cash in liquid and creditworthy institutions.

Ensure that cash resources are managed effectively and efficiently.

Ensure that investments are placed with reputable institutions, for the purpose of safety of capital investment, and diversification of the investment portfolio.

Ensure that adequate liquidity is always maintained, for management of cashflows.

Ensure that it receives optimal yield on its investments with financial institutions, at minimal risk.

Strive for reasonable growth on capital investments in addition to interest earned on investments.

Ensure that monies due to Overberg Water Board are collected and banked appropriately as soon as they are received.

Ensure that payments to creditors are made by the due dates.

In meeting the above objectives, Overberg Water Board, is above all, a risk averse entity and seeks to minimise risks within its financial management activities. Interest rate risk, liquidity risk and credit risks are risks that the Board needs to manage. Accordingly, any activity which may be construed as speculative in nature is expressly forbidden.

The purpose of this policy is to ensure that funds are safeguarded, and risk is reduced to an acceptable level within a regulatory framework and to ensure that prudent investment procedures are consistently applied and that an effective cash management is always established and adhered to.

This policy is a requirement of the Public Finance Management Act (Act 1 of 1999)– Sections 7(4) and 53(3) and Treasury Regulations issued in terms of the PFMA (March 2005) section 31.3. This policy must be read in conjunction with the Treasury Policy. Where this policy is in contravention to any legislation, the relevant legislation will override this policy. Any such contravention must immediately be brought to the attention of the CFO and the policy should be amended accordingly with approval from the Board.

Selection of counterparties

Transactions should only be conducted with counterparties, and issuers who satisfy soundly based, and acceptable, assessment processes and only after formal limits have been set.

Overberg Water Board will only make investments with approved institutions which have a national short-term rating of F1 and above and/or a national long-term credit rating of AA and above as

determined by Fitch Ratings Agency. The ratings are an indication of their capacity for timely repayment of principal and interest relative to other obligators in the same country.

Counterparty evaluation process

Identify range and extent of transactions to be carried out.

Identify the range of counterparties capable of handling those transaction types.

Eliminate counterparties that fail to meet criteria such as minimal capital base, track record in the marketplace for the required transaction type and minimum credit ratings.

The remaining pool of counterparties comprises the counterparty list.

Establish limits for risk to be taken for the relevant counterparties.

Establishment of investment limits per institutions

Credit limits will be set for individual legal entities in terms of the following credit limit guidelines:

Establishment of investment limits per investment instrument

Approval from the CFO must be obtained in order to initiate the evaluation of a new instrument.

The Audit Committee has to approve new instruments.

Establishing risk weighting for individual investment instruments

The weighting must cover the known risk as well as an estimate of potentially favourable movements.

The current weighting for different instruments, based on their nominal values, is as follows:

The real risk for each investment instrument should be calculated and compared to the balance used when ascertaining available counterparty limits.

Monitoring of investment against limits

All investment transactions must be accompanied by a credit limit status report. Monthly compilation of a Limit Utilization Report for each counterparty as well as exception reports if controls are breached is to be included in the Treasury Report and submitted to the Audit, Risk and Strategy Committee via the CFO and CEO. Exception reports should be forwarded directly and immediately to the CFO.

This report must be updated after each deal and provided to the dealer prior to any dealing. Based on this report the dealer can decide on how much business of a particular type can be conducted with any counterparty based on the available limits.

14. Asset Management

14.1 Service Delivery Plan

The Service Delivery Strategy is to address a strategic gap in the water supply chain, initially for the Breede-Gouritz & Berg-Olifants Water Management Areas largely based in the Western Cape Province and partly in the Northern Cape Province. The purpose of this Service Delivery Strategy is to integrate and coordinate water resource availability, inter-basin transfers, storage, infrastructure development, catchment management and regional distribution in order to arrive at the best solution for the end-user

of water services. Overberg Water Board proposes a regional model for water supply based on the following tenets:

Making Service Delivery customer centric with a view that all current and future investment plans must be for the benefit of the end-consumer.

Aligning the Asset Strategy, Asset Accommodation Strategy, Capital Investment Strategy, Asset Maintenance Strategy and Asset Disposal Strategy to the Service Delivery Strategy of the Organisation as indicated in the figure below:

Total Asset Management Model

Overberg Water Board aims to rationalize capacity utilization of its existing infrastructure based on total asset management principles, on demand projections of its customers, sustainability, economies of scale, financial aspects and water resource developments.

This will be followed by a phased development of the infrastructure master plan as the project scope progressively unravels at a regional level.

This phased approach will enable progressive development of the necessary infrastructure depending on the needs of the region.

Central to this strategy will be the plans of the Municipalities which include WSDP's and IDP's of municipalities; and

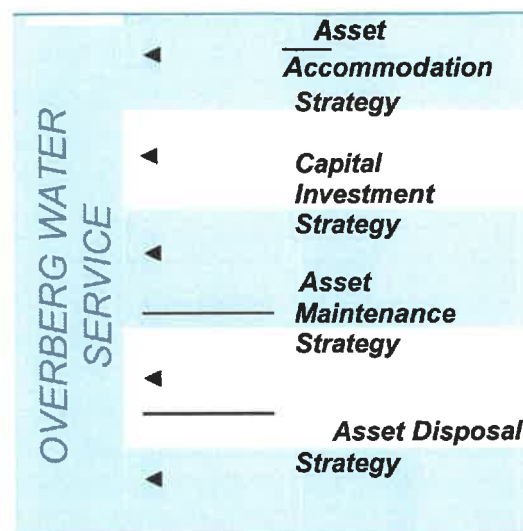
As the master planning process gathers momentum

and begins to look at detailed feasibilities, then the scope exists to broaden the boundaries of the master plan, where appropriate.

Some of the main benefits that may accrue because of Overberg Water Board's regional supply initiative include:

- (a) End consumer cost reduction due to regional economies-of-scale effects,
- (b) Customer-centric strategy that looks not only at customers own borders but beyond,
- (c) Expanded service provision with a concomitant reduction in backlogs,
- (d) Unified service delivery focus in the region due to coordination and an integration of efforts,
- (e) Improved assurance of supply levels (better drought and flood planning for the region),
- (f) Synergising capacities of municipalities and other water service providers through partnerships, and
- (g) Will provide a much-needed emphasis on conservation of scarce natural resources.

Overberg Water Board is committed to optimising its asset base and recognises that assets have a vital role to play in providing water service delivery that fulfils the social, economic and environmental needs of its customers. Overberg Water Board uses a Total Asset Management (TAM) Model for the



organization. The application of the TAM process takes Overberg Water Board from simply acquiring and maintaining assets to a more strategic planning approach through the development of our annual Asset Strategy followed by the Capital Investment, Asset Maintenance and Asset Disposal strategic plans. These strategic plans enable Overberg Water Board to focus on the service delivery requirements of the assets rather than on the assets themselves.

Optimal asset management is achieved by:

- (a) Defining desired levels of services in consultation with customers and matching these with assets that enable the services to be delivered.
- (b) Adopting a life cycle approach to planning asset investment and management decisions.
- (c) Balancing competing needs across all functions and selecting options which best meet desired outcomes.
- (d) Monitoring, evaluating and improving service delivery.
- (e) Managing the risks of asset ownership and operation to ensure continuity of service.
- (f) Providing for present needs while sustaining resources for future generations.
- (g) Adopting a continuous improvement approach to asset management policies and practices.

15. Procurement policy

Although Overberg Water Board is listed as a public entity under Schedule 3b in the PFMA and is therefore not obliged to comply with Public Sector SCM Framework, Overberg Water Board has adopted a policy that makes provision for a system of demand and acquisition of goods and services and Disposal of assets that:

Is fair, equitable, transparent, competitive and cost effective;

Promotes the objectives of the Broad-Based Black Economic Empowerment

Facilitate an efficient and cost-effective sourcing of the goods and services for delivery to UW customers thereby contributing to the national development agenda.

This Policy guides Overberg Water Board in properly administrating the various processes relating to the SCM function. Whilst ensuring the efficient, effective, and uniform procurement systems of assets, goods and services required for the proper functioning of Overberg Water Board's business.

16. Broad-Based Black Economic Empowerment Policy

Overberg Water Board's Black Economic Empowerment Policy aims to advance the Entity's vision of being "...the leading water utility that enhances value in water services provision". This policy serves as a guide that forms the basis for a programme that seeks to give preference in the procuring of goods and services and promote entrepreneurship in Black communities, to enable such groups to meaningfully participate in the mainstream of the South African economy.

Overberg Water Board recognises the historical disparity of previously disadvantaged communities and commits to promote BEE by making procurement accessible to Black Economic Enterprises, through processes which are competitive, fair, transparent, equitable and cost effective.

17. Planning Policy

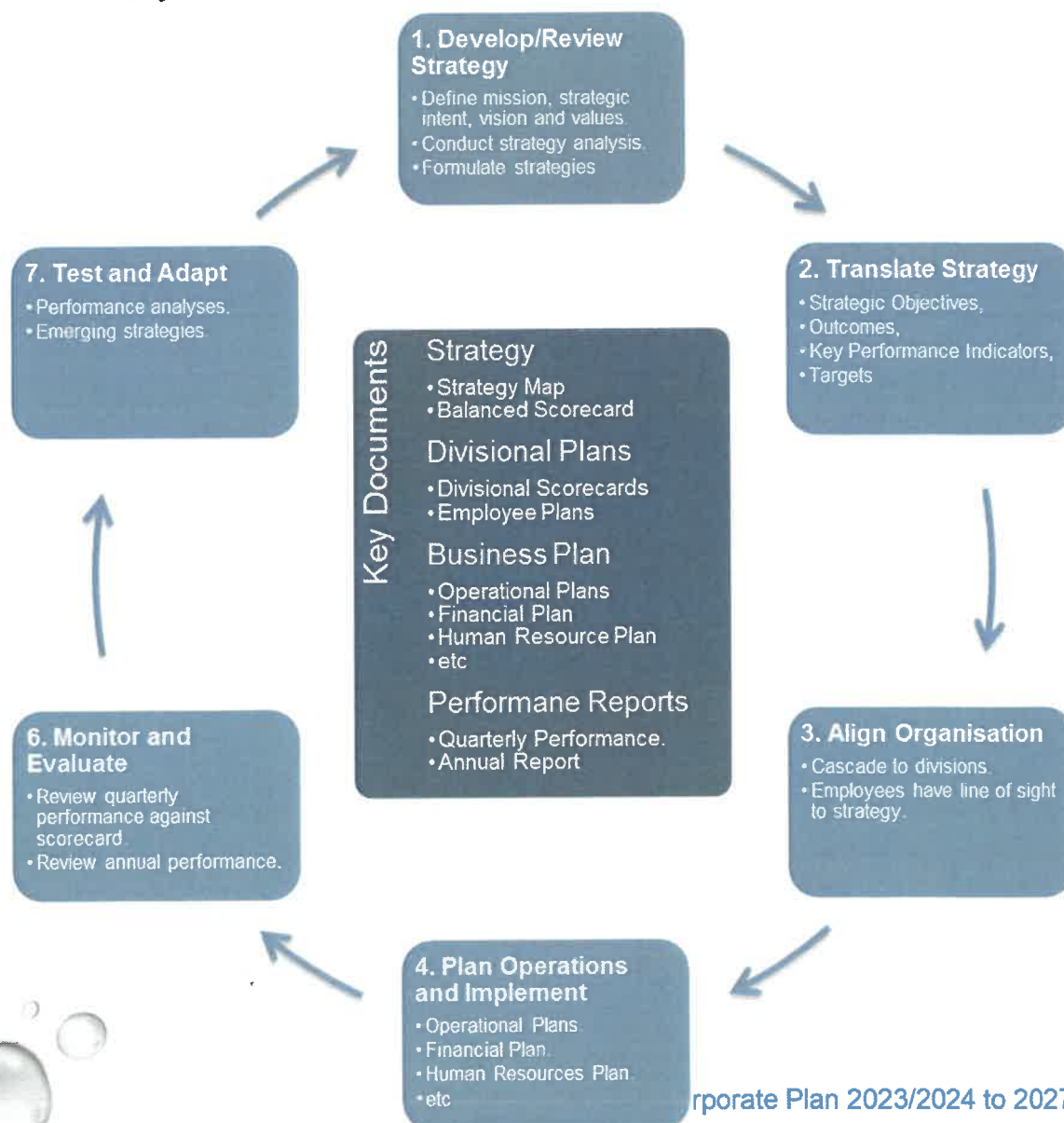
17.1 Corporate / Strategy Planning

Overberg Water Board's Strategy Integration System (Accountability Cycle and Reports) describes the relationship between all strategy and operational processes – strategy planning, strategy translation, operational planning and resourcing, implementation, and reporting – in a closed-loop cyclical process. As part of this process:

The Board directs the organization's strategy and monitors performance against the strategy, which necessitates institution of an effective and efficient (closed-loop) system for strategy execution in the organisation. Furthermore, the Board is accountable for the entity providing all accountability documents to the executive authority.

The Chief Executive is responsible for establishing and maintaining processes that enhance strategy execution, for embedding a formal system in the organisation that enables coherent preparation of accountability documents and for ensuring the system is functioning optimally.

The Chief Executive and EXCO review and submit statutory / accountability documents in accordance with the business cycle.



17.2 Capital Works Planning

An Overberg Water Board Infrastructure Master Plan is compiled on a regular basis, which documents the various components within the Planning Process and assists in highlighting any infrastructure supply constraints or limitations on future growth.

This Planning Process ensures that customer interaction is included at the appropriate junctures, and the steps can be summarized as follows:

- Water demands form the cornerstone for all assessments; thus, it is important that these are established upfront and are based on the best information available at the time. These demands are to be established separately for all demand nodes within the region, and short and long-term projections developed in conjunction with the relevant customers.
- Hydraulic network models have been developed for all the bulk water networks within the Overberg Water Board region. These models are also spatially corrected and hence the information can be linked to a Geographic Information System (GIS).
- By inputting the water demand projections into the hydraulic models, it is possible to ascertain not only where the future constraints in the supply system are, but also when they can be expected to occur.
- Possible development scenarios are then formulated to overcome the identified constraints. The hydraulic models are utilized to define and test these scenarios. Where sufficiently detailed information is lacking, an appropriate infrastructure feasibility study will be instituted to obtain this information. These feasibility studies are often quite extensive, requiring further interaction with the customer and containing a public participation component.
- In parallel to the determination of the possible water supply development scenarios, it is equally important to compare the water resource availability with the demand projections to determine if there are any limitations and when they are likely to occur.
- Possible development scenarios are then formulated to overcome the identified water resource limitations. These scenarios need to be integrated with the water supply scenarios to provide holistic solutions. Where there is insufficient information pertaining to possible water resource development options, then appropriate water resource feasibility studies will be instituted. These studies require interaction with relevant stakeholders, the customers and other interested and affected parties.
- Alternate options to reconcile supply and demand and alleviate potential infrastructure constraints are also considered.
- Once a set of possible development scenarios has been established, these will be costed, and a comparison made in terms of economics and other financial impacts to determine the optimal development scenario.
- This optimal scenario will then be discussed with the customer and the implications thereof highlighted. This scenario will also be reviewed internally in terms of its strategic implications. If this scenario is found to be unacceptable for either reason, the process will move back to either the demand projection step or to the pool of possible options.
- Once the development scenario has been accepted the Capital Expenditure (CAPEX) budget can be prepared, detailing the finance required and the estimated year in which it will be required.
- The entire process occurs annually with the programme aligned to the organizational requirements for the demand projections and CAPEX budget.

17.3 WATER QUALITY

Overberg Water's key performance area is to provide water that is safe for consumption and has acceptable health risk that meets SANS 241:2015 Drinking Water Standards.

The major planned activities to ensure achievement of this KPA includes:

- Optimisation of treatment processes.
- Implementation of recommendations based on the outcomes of the technical process audit of each plant.
- Address identified process constraints.
- Train and retrain process controllers.
- Installation of online monitoring analysers.
- Research and development – implement recommended solutions.
- Implementation of the risk base monitoring program at catchments.
- Engage DWS on maintenance of the canal and catchment management to negotiate a possible operation and maintenance contract.

17.4 ADOPTION BY THE BOARD

This Policy Statement was adopted by the Board of Overberg Water Board on 16 May 2023

Dr. P Buthelezi
Chief Executive Officer

Date

Mr R Benjamin
Chairperson of the Board

Date

PART D: PERFORMANCE PLAN

The following performance plan provides a detailed description of the strategic outcomes that will be used to measure the OW performance information and as a benchmark for measuring progress that is being made during five-year implementation period.

Table 3: Performance plan

Performance Perspective	Performance Outcomes			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets		
	Ministerial Outcomes	DWS Strategic Outcomes	WB Strategic Outcomes				Actual- Prior year	Estimated Actual - Current Year	Projected Target
Organisational Efficiency and Effectiveness	1 Bulk potable water quality compliance	Enhanced water use efficiency and management of water quality	Improve access to and reliability of water services	Water quality standards met	Test results, SANS 241 in terms of: 1. Acute health microbiological compliance 2. Acute health chemical compliance 3. Chronic health chemical compliance 4. Operational compliance 5. Aesthetic Compliance.	% compliance	1. Health: Acute 99% 2. Health: Chronic 100% 3. Operational Quality 90% 4. Aesthetic quality 99%	1. Health: Acute 98% 2. Health: Chronic 100% 3. Operational Quality 95% 4. Aesthetic quality 97%	Test results, SANS 241 in terms of: 1. Acute health microbiological compliance 97% 2. Acute health chemical compliance 97% 3. Chronic health chemical compliance 97% 4. Operational compliance 95% 5. Aesthetic compliance 95%
	2 Manage avoidable water losses	Water resources protected through water supply and sanitation services regulation, compliance monitoring and enforcement	Improve sustainability of water resources	Reduced avoidable water losses in treatment and distribution systems	Percentage unavoidable water losses of water purified	%	21.50%	23%	15%

Performance Perspective	Performance Outcomes			Alignment		Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets		
				Ministerial Outcomes	DWS Strategic Outcomes	WB Strategic Outcomes			Actual- Prior year	Estimated Actual - Current Year	Projected Target
	3	Reliability of supply	(MOA, OP1 Ta) (MOB, OP2, TA)	Targeted and aligned planning for adequate water availability and the enhanced provision of water supply and sanitation services.	Improve access to and reliability of water services	No unplanned interruptions to bulk supply exceeding 24 hours	Number of days with water supply interruptions exceeding 24 hours	Number of days	28 days	20 days	0 days
	4	Increased access to Services	(MOA, OP1 Ta) (MOB, OP2, TA)		Improve access to and reliability of water services	Contribution to national objectives of extending services	Actual CAPEX spends on expansion related projects (Initiatives by the Minister) as % of budget	%	0%	0%	0%
	5	Reliability of supply	(MOA, OP1 Ta) (MOB, OP2, TA)		Improve access to and reliability of water services	Improve sustainability of water resources	Number of maintenance plans completed and/or updated	Number	1	1	1
	6		(MOA, OP1 Ta) (MOB, OP2, TA)	Water resources protected through water supply and sanitation services regulation, compliance monitoring and enforcement	Improve sustainability of water resources	Increase financial sustainability	Repairs and maintenance as a % of PPE and investment property (Carrying Value)	%	10%	3%	3%
	7		(MOA, OP1 Ta) (MOB, OP2, TA)		Improve sustainability of water resources	Increase financial sustainability	Percentage of repairs and maintenance budget actually spent.	%	139%	95%	95%
	8	Financial compliance reporting	(MOA, OP1 Ta) (MOB, OP2, TA)	Effective and efficient internal control environment	Increase financial sustainability	Unqualified audit report	Annual external audit	Unqualified report	Unqualified report with findings	Unqualified report	Unqualified report
	9						Current ratio	Ratio	2.7	2	1.2
Financial Performance											

Performance Perspective	Performance Outcomes	Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets		
		Ministerial Outcomes	DWS Strategic Outcomes	WB Strategic Outcomes				Actual- Prior year	Estimated Actual - Current Year	Projected Target
	Improve key financial ratios	(MOA, OP1 Ta) (MOB, OP2, TA)	Effective and efficient internal control environment	Improve financial ratios	Improved viability and sustainability	Gross profit margin % (Primary activity)	%	44%	47%	42%
						Gross profit margin % (Secondary activity)	%	0%	0%	0%
						Net profit margin % (Primary activity)	%	0%	0%	0%
						Net profit margin % (Secondary activity)	%	0%	0%	0%
						Debt equity ratio	Ratio	0,00	0,00	0,00
						Return on assets	%	0%	0%	0%
						Debtor days	Number of days	98 Days	90 Days	80 DAYS
						staff remuneration as a percentage of total operating expenditure	%	47%	49%	47%
						Total revenue as a percentage of budgeted revenue	%	106%	99%	98%
						Return on turnover	%	5%	0%	0%
						Growth in turnover from secondary activities	%	0%	0%	0%
10	Manage costs within the approved budget				Actual expenditure compared to budgeted expenditure for the quarter.	Financial reports.	% Increase	N/A	N/A	95%
11	Capital Expenditure Programme.				Infrastructure available to meet demands.	Overall project expenditure within R target.	% Variance	N/A	N/A	60%
						Overall completion dates within targets.	% Variance	N/A	N/A	60%

Performance Perspective	Performance Outcomes			Alignment		Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets		
				Ministerial Outcomes	DWS Strategic Outcomes	WB Strategic Outcomes			Actual- Prior year	Estimated Actual - Current Year	Projected Target
Effective Customer/ Stakeholder Interaction	12	Increase BBBEE expenditure relative to operational projects					Spend	%	0%	0%	15%
	13	Bulk supply agreements concluded with municipalities/other customers	(MOA, OP1 Ta) (MOB, OP2, TA)	Enhanced management of water and sanitation information	Increase support to customers.	Statutory service level agreements in place	Municipalities and other customers with bulk agreements	%	100%	100%	100%
	14	Implementation of Ministerial Directives.				Increase support to customers	Progress against Implementation plan	% (List of projects as an Annexure)	0%	0%	0%
	15	Number of engagements with selected statutory stakeholders				Increase support to customers	Percentage of engagements with selected statutory stakeholders	% submission dates	6 Engagement	6 Engagement	3 Engagement
	16	Number of newsletters developed to improve visibility and growth opportunities				Improve visibility	Number of newsletters developed.	Number	2 Newsletters	2 Newsletters	2 Newsletters
	17	Number of meetings with customers				Increase support to customers	Number of meetings with customers	Number	6	3	3
	18	Number of tariff consultation meetings with key stakeholders				Consult on tariffs	Number of tariff consultation meetings with key stakeholders	Number	3	3	3
	19	Support Development Rural				Total Number of identified Municipalities supported.	Signed contracts, MOU's etc	Number	0	0	0
	20	Achieve statutory reporting compliance				All statutory reports submitted on time	Submission dates met	%	100%	100%	100%
	21	Staff levels	(MOA, OP1 Ta) (MOB, OP2, TA)	An efficient, effective, and development-	Improve and increase human capital	Optimal staff retention	% Staff Turnover	%	2.94%	8%	10%
Organisational Capacity	22					Learnerships		Number	5	4	3

Performance Perspective	Performance Outcomes			Alignment		Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets		
				Ministerial Outcomes	DWS Strategic Outcomes	WB Strategic Outcomes			Actual- Prior year	Estimated Actual - Current Year	Projected Target
General Performance		Training and skills development			oriented sector leader	Increase skills and competencies for efficient water services	Skills and capacity building	Bursaries employees	0	0	0
							Graduate Programmes	Number	0	0	0
	23	Corporate Social Responsibility Initiatives					Number of initiatives undertaken	Number	0	0	1
	24	Jobs created				Improve and increase capital	Permanent and contract (direct)	Number	0	0	0
							Temporary (indirect)	Number	0	0	0
	25	Board Effectiveness	(MOA, OP1, TA)	(MOB, OP2, TA)	Effective and efficient internal control environment	Improved performance of fiduciary duties/governance	Board attendance of all Board/committee meetings	%	98.15%	88%	80%
	26						Number of Board meetings held	Number	6 meetings	4 meetings	4 meetings
	27						Decision making %: number resolutions taken by the board vs number resolutions required.	%	N/A	N/A	80%
	28	Effective Internal Controls and Risk Management				Internal audit findings dealt with	Internal audit reports	Number of repeat internal audit findings within the annual audit cycle.	0	0	0
	29	Good Governance				Improved controls and risk mitigation	Number of compliance registers developed and maintained for HR, Finance, SCM and Water Services.	Number of unresolved findings	0	0	0
							Number of compliance registers developed and maintained for HR, Finance, SCM and Water Services.	number of compliance registers developed and updated.	2	1	1

Performance Perspective	Performance Outcomes	Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets		
		Ministerial Outcomes	DWS Strategic Outcomes	WB Strategic Outcomes				Actual- Prior year	Estimated Actual - Current Year	Projected Target
	30				Improved controls and risk mitigation	Number of risk registers updated	Number of risk registers updated	3	3	3
	31				Improved controls and risk mitigation	Number of policies developed and updated	Number of policies updated	6	6	6
	32				Improved controls and risk mitigation	Breaches of materiality and significance framework	Number of breaches in materiality and significance framework	Number	0,00	0,00

PART E: MARKETING AND BRANDING PLAN

1. Approach marketing and branding plan

Overberg Water Board marketing approach responds to its operating environment requirements and mandates. The overall value proposition is premised on securing mutually beneficial relationships. Building its brand identity involves Overberg Water Board positioning itself relative to its customers and stakeholders in such a way that they choose to purchase or acquire services and associated products from Overberg Water Board in preference to others.

The water board consolidation strategy led by the Minister of Water and Sanitation has provided an enabling environment for expansion of services into the Western Cape region. Mindful of the expanded mandate and target market Overberg Water Board will strive to ensure that:

- There is coherent linkage between the reputation of the entity and its services and products,
- All brand activity has a common aim and is supported by clear and relevant communication,
- All activity is guided, directed and delivered by the brand's benefits/reasons to buy, and
- All activity focuses on all points of contact with the customer.

The Branding of Overberg Water Board provides the foundation for the delivery of the strategy of Overberg Water Board, the provision of water services, stakeholder interaction and communication, all business systems and processes and new business development.

A key element of Branding activities and initiatives is the need Overberg Water Board to demonstrate that it has a holistic and fully integrated approach to effective, efficient and reliable service delivery, a positive reputation for building of strong and enduring relationships with all customers and stakeholders and is recognised as a strategically relevant entity that adds value to its customers and ultimately communities through its services and products.

2. Overberg Water Board brand building

Overberg Water Board will build its brand by the entity and its staff “walking the talk” and demonstrating, in the context of the customers and stakeholders, that the entity is indeed a reliable, capable, competent, efficient and effective service provider. This will be underpinned by a clear and deliverable Value Proposition for all Market Development and Market Penetration activities, services and products.

Overberg Water Board will build its brand by incorporating the following key elements:

- Delivering on mandate. Building on and reinforcing the track record / reputation and capability of Overberg Water Board will be seen as irrelevant if the customer does not believe that the entity can deliver what it says it can.
- Matching the strengths of the entity to the products and services offered – through leveraging the technical, managerial and financial capability and public status of an entity of state.
- Identifying and understanding key customer needs, expectations, priorities and passions. This requires knowledge and information regarding the status of water the Western Cape region, the target areas and target customers. Overberg Water Board will succeed by progressive implementation - focusing on high priorities in the first instance.

- Designing and offering services and products that will give the customer the optimal result and experience. Overberg Water Board needs to ensure that there is a clear and mutual Value Proposition for the service provided.
- Ensuring there is enterprise-wide alignment of the entity to consistently deliver on the strategy and provide an optimal customer experience.

PART F: WATER RESOURCES

1. Water availability – Catchment areas

Overberg Water has two main primary sources of water impoundments, namely, the Theewaterskloof Dam and Duivenhoks Dam. Each impoundment feeds two separate river systems, the Riviersonderend and Duivenhoks River, respectively. **Table 4** overleaf highlights the capacities of the water resources, including the owners and managers of the impoundments.

2. Water availability – Drought implications

Rainfall patterns within South Africa are one of great variability. South Africa's mean annual precipitation is estimated at 450mm compared to the global average of 860mm. Seasonal rainfall percentage deviations since 1960 has shown that the wide fluctuations about the long-term average and it is in this context that large rainfall deficits must be assessed. As an example, between July of 1960 and June of 2004, there have been 8 summer-rainfall seasons where rainfall for the entire summer-rainfall area has been less than 80% of normal. It can be safely assumed that a shortfall of 20% from normal rainfall will cause crop and water shortfalls in many regions accompanied by social and economic hardship.

Current observations still show the persistence of a strong El-Niño. However, most models are confidently showing a gradual decay of El-Niño and the development of a neutral ENSO (El-Niño Southern Oscillation) state towards the winter season (SAWS, 2016). The forecast shows a huge disparity in the rainfall and temperature forecast for the coming seasons, therefore the likelihood of climate conditions for the coming winter season is overshadowed by the growing uncertainty in the forecast. It is very difficult to look at the entire summer-rainfall region and deduce that drought affected all of these areas equally. On the contrary, some of the provinces in South Africa appear to suffer more harshly than others at times of rainfall deficit.

In the Overberg Region the impact of the drought has been particularly harsh, and the Department of Water and Sanitation is considering declaring the area a national disaster. Water Conservation and Demand Management must be a priority during this time especially looking at the state of the major dam that feeds two of Overberg Water's schemes:

Table 4: Major dams feeding two schemes of OW

Dam	River	Current Level (%)	Last Year's Level (%)	Notes
Duivenhoks	Duivenhoks River	100.4	100.2	Supplies to Heidelberg and surrounding agricultural users
Theewaterskloof	Riviersonderend	55.5	69.5	Supplies to Caledon, Proteem, Klipdale and surrounding agricultural users



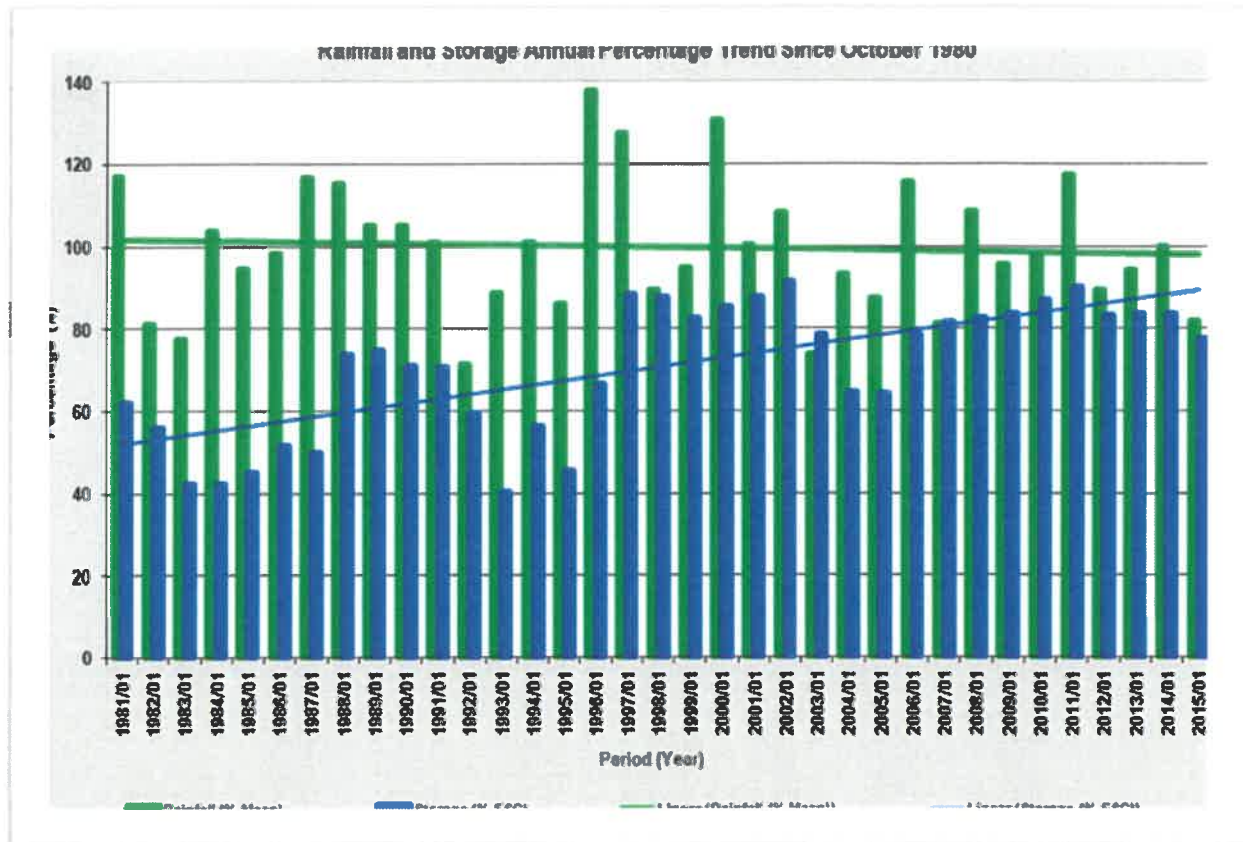


Figure 8: Rainfall and storage percentage trend since 1980

Source, DWS (2017)



Figure 9: Theewaterkloof Dam

3. Raw water quality

The quality of raw water remains a challenge throughout the region, particularly at the source and catchment. The raw water quality status of each source/catchment is determined by comparing key determinants against Overberg Water's quality criteria for each water supply catchment. **Table 6** overleaf provides an overview of the water quality of raw water over the years.

Further discussions with the Catchment Management Agencies (CMAs) will be explored to improve the quality of water sources.

Table 5: Capacity of water resources

Geographic Area	System	Catchment	Impoundment	River	Owner	Manager	Gross Capacity (million m ³)
Overberg Region	Rûensveld-Wes	Breede-Gouritz	Theewaters-kloof Dam	Sonderend	DWA	BGCMA	479.3
	Rûensveld-Oos	Breede-Gouritz	Theewaters-kloof Dam	Sonderend	DWA	BGCMA	479.3
	Duivenhoks	Breede-Gouritz	Duivenhoks Dam	Duivenhoks	DWA	BGCMA	6.2
Total for Water Systems							964.8

Table 6: Raw water quality

Geographical Area	System	Catchment	Impoundment	Water Quality status			Description of Raw Water Quality Problem
				2019	2020	2021	
Overberg Region	Rûensveld-Wes	Breede-Gouritz	Theewaters-kloof Dam	Good	Good	Good	<i>Eutrophication with occasional high turbidity</i>
	Rûensveld-Oos	Breede-Gouritz	Theewaters-kloof Dam	Moderate	Moderate	Moderate	<i>Eutrophication with occasional high turbidity. High conductivity. High organic matter, exacerbated by the rapid floods.</i>
	Duivenhoks	Breede-Gouritz	Duivenhoks Dam	Good	Good	Good	<i>Eutrophication with occasional high turbidity</i>

4. Water resource assurance and supply security per water services authority

The El Nino and protracted drought period experienced over the last few years have had a severe impact on the water security in the region. The TWK Dam had been at an all-time low over the last few years, reaching levels below 30%. Overberg Water is cognisant of this decline and has reduced its volumes for financial year 2021/22 and predicting an increase thereafter.

Direct abstractions from the Sonderend River, Berg and Breede River as well as many smaller streams and rivers form an important source supplying many smaller towns and villages. Many municipal and rural water supply schemes are reliant on groundwater for potable water supply and groundwater also forms an important supplementary source to many surface water abstractions. Farms within the region make use of groundwater to a great extent, mainly through private boreholes and wells.

The Overberg region is characterised by east-west mountain ranges and valleys. The area is characterised by large, relatively flat, coastal plains with undulating hills reaching up to the Riviersonderend, Langeberg and Outeniqua mountain ranges to the north. Historically, surface water has been the most important resource for water supply to towns in the Overberg

region and, in many cases, settlements in the region developed near accessible surface water sources such as rivers and dams.

The Breede, Gouritz and Sonderend Rivers are the prominent rivers in the Overberg region and many of the larger towns are situated close to these river systems. The Overberg region is situated in the coastal rainfall region of the Western Cape which has a mean annual rainfall of 324 mm. Evaporation is high and exceeds rainfall in most areas; consequently, runoff is mostly restricted to the larger rivers with many smaller streams and rivers drying up partially or completely in summer. The Overberg region is generally classified as a water-scarce region with varying rainfall.

The lower reaches of the Breede River are significantly impacted by return flows from agricultural areas, leading to high salinity. Large volumes of water are transferred from the Breede River catchment to the Berg River catchment from Theewaterskloof Dam, which form a significant portion of the potable water supply to the Cape Town Metropolitan area and irrigation along the Berg River. The coastal plains between Botrivier and Witsand are characterised by large wetlands and lakes. Several commercial forests are located in the western parts of the Overberg and impact significantly on runoff. Alien species invasion is particularly evident in the Overberg, especially in riparian areas.

Municipalities are generally responsible for their own bulk water supplies for towns while Overberg Water supplies some towns and mostly retail customers including farms and industries. Several smaller retail and private water schemes also exist in the region.

Potable water needs are mostly concentrated in larger towns and specifically coastal towns impacted by tourism and seasonal high-water demand during the drier summer months. The coastal towns in the Overberg region such as Roo Els, Bettiesbay, Kleinmond, Hermanus, Gansbaai, Franskraal, Pearly Beach, Struisbaai, Arniston, Infanta, and Witsand experience a high influx of holiday makers during summer and particularly over December and Easter holidays. This impacts significantly on the peak water demands for these towns and requires special measures to be taken by municipalities to ensure adequate potable water supply as the peak demand coincides with the peak summer and driest period.

According to the All Towns Study, the combined water demand in 2007 for the towns and villages in the Overstrand, Hessequa, Cape Agulhas, Theewaterskloof, and Swellendam Municipalities was 52.7 MI/d and is projected to increase to a maximum of 197.9 MI/d in accordance with the high growth scenario.

5. Overstrand Municipality

The current raw water sources for the Greater Hermanus Area consist of the De Bos Dam (licenced 2.8 mcm/a) and the Gateway Well field (licenced 1.6 mcm/a – note sustainable abstraction rate is only 1.2 mcm/a).

Two new well field developments are underway in the Hemel and Aarde Valley, i.e. the Camp hill and Welmoedwellfields, which will provide a further 1.6 mcm/a raw water source capacity bringing the total safe yield for the Greater Hermanus area sources to 5.6 million mcm/a.

The Overstrand Municipality has identified that the Greater Hermanus Area is projected to experience an annual average daily demand of 9.25 mcm/a by 2032 and a shortfall of 3.65 mcm/a (10 MI/day average day demand). The Greater Hermanus Area experiences a significant influx of holiday makers during the peak summer months and the Municipality has therefore indicated that investigations into an alternative water source must be based on the estimated peak week demand with a peak week factor of 1.75; i.e. 17.5 MI/day. AECOM

6. Hessequa Municipality

Hessequa Municipality already has an agreement with Overberg Water for bulk water supply from the Duivenhoks WSS to the towns of Heidelberg, Witsand, and Slangrivier with a combined import of nearly 2.0 Ml/d. Except for a small groundwater supply for Witsand, these towns are entirely dependent on the bulk water supply from the Duivenhoks WSS. Rainwater harvesting and water reuse is being implemented by the Municipality for these towns but on a small scale, and it is reasonable to expect that future water demands for these towns would be supplied by Overberg Water, provided that capacity exists in the Duivenhoks WSS. The Duivenhoks WSS is currently has spare capacity at the source and treatment works. The All Towns Study indicates a possible high scenario shortfall of 4.5 Ml/d for Heidelberg, Witsand, and Slangrivier combined. A more detailed investigation into the projected future water demand for these towns must be carried out to inform Overberg Water and Hessequa Municipality and aid in the discussions on future water supply infrastructure planning.

Expansion of Overberg Water's supply toward Riversdale could also be considered if spare capacity is available in the Duivenhoks WSS although this would require new pipelines and increased treatment capacity. Riversdale is currently supplied from the Korentepoort Dam (Korente-Vette Government Water Scheme).

The 2035 high scenario projection indicates a possible shortfall of 3.59 Ml/d for Riversdale which presents an opportunity for the developed of a new pipeline between Heidelberg and Riversdale which could be jointly developed by Overberg Water and Hessequa Municipality. Stilbaai is currently supplied by groundwater and the Olive Grove Dam while Jongensfontein is supplied from springs. Although Stilbaai and Jongensfontein have substantial water demand and are especially influenced by seasonal increased water demand, these towns are far away from the existing Duivenhoks WSS network and it would be advisable to investigate the feasibility of developing an off-channel winter runoff scheme from the Goukou River system to ensure water is available for the peak holiday periods.

The opportunity also exists to link the Duivenhoks and Rûensveld East Schemes between Swellendam and Suurbraak. This could improve security of supply to both schemes and also presents an opportunity to link in a possible potable water supply from the Buffeljags Dam which is currently utilised for irrigation only. This opportunity requires a detailed assessment and feasibility study to be completed in the future.

Expansion of the scheme east of Riversdale is not considered feasible due to the distances to Gouritzmond and Albertinia; however, the feasibility to construct a new water treatment works will be explored in the long term.

Overberg Water has also been approached to consider being a role-player in the upgrade of the Duivenhoks Canal.

7. Duivenhoks Canal

Overberg Water provides water to the town of Heidelberg, Slangrivier and Witsand as well as the rural areas (household and stock water). Raw water is abstracted via a pump station from the Duivenhoks River which is fed primarily by the Duivenhoks Dam. The dam was constructed by the Department of Water and Sanitation between 1962 and 1965 and the water abstraction weir and the irrigation canal were built by the farmers around 1910.

Forty to fifty percent of the water stored in the Duivenhoks dam is lost due to the leakage in the canal when water is conveyed in the old canal system to the irrigation fields. The amount of leakage is estimated at between 1, 53 million m³/a (30%) and 2, 55 million m³/a (50%) of

the canal flow. Water is the economic driver in the agrarian community of Heidelberg and these water losses are the cause that the agricultural potential of the 1270ha of irrigation lands is not farmed to its full potential. The combined future water needs for irrigation and domestic (towns and rural) use in 2030, according to the Reconciliation Strategy for the area, ranges from 8,315million m³ / annum to 9,815million m³/ annum. While the total irrigation water allocation from the Duivenhoks water system is only 7,638million m³/ annum – a shortfall of at least 0.680 million m³/ annum which cannot be increased given the constraints on the dam.

A feasibility study was conducted in 2016, recommending a gravity pipeline be constructed from the Duivenhoks dam to the town of Heidelberg. Overberg Water, situated between these two points, will be able to draw water from this pipeline that is much cleaner than the current form. This should save significant purification costs and lead to less water being wasted through natural river flow. The study recommends the construction of a pipeline made up of various pipe sizes ranging between 800mm ductile iron and 50mm uPVC. The total cost of the project is estimated at R195 million (incl VAT) of which Overberg Water intends being a funding partner. While the funding model is still being finalised, Overberg Water believes the realisation of this project should bring about much more sustainable water use practices along the Duivenhoks Water Supply System, especially considering current water supply challenges. Long term benefits include less water wasted, increased crop production, lower purification costs and better water management overall.

8. Kannaland Municipality

Kannaland Municipality is considered as an expansion opportunity of the existing Overberg Water infrastructure and resources; however, further discussion with the Kannaland Municipality is required to identify possibilities for the development of new bulk water supplies where Overberg Water could play a role in the development, operational and maintenance of the infrastructure or through the provision of institutional support.

9. Cape Agulhas Municipality

Cape Agulhas Municipality already has an agreement with Overberg Water for bulk water supply from the Rûensveld East WSS to the settlements of Proteem, Klipdale, and the town of Arniston. Proteem and Klipdale are totally reliant on Overberg Water's supply while Arniston's water is supplemented from a local borehole. No significant water demand growth is expected in Klipdale and Proteem; however, it can be expected that a reasonable growth in demand in Arniston can be expected due to tourism and the development of low cost housing which is underway at present, and it would make sense to increase Overberg Water's capacity to supply this demand.

Bredasdorp is currently supplied from Klein Sandrif Dam and groundwater. According to the high growth scenario, the All Towns Study identified a possible shortfall of 2.46 MI/d for Bredasdorp by 2035.

The Municipality plans to implement measures for the optimisation of the aquifer and wellfield management that could meet the water demand of the town until 2035. It should, however, be noted that Overberg Water's pipelines supplying water to Arniston run very close to Bredasdorp and the Rûensveld East WSS has 2.7 MI/d spare capacity that could be utilised to supplement the supply to Bredasdorp.

Napier is also a substantial town located to the west of Bredasdorp and the town is supplied from groundwater. According to the high growth scenario, the All Towns Study identified a possible shortfall of 0.83 MI/d for Napier by 2035. Incremental groundwater development and possible import from the Rûensveld West WSS/East WSS are being considered.

Struisbaai, located to the south, has six (6) existing boreholes and further groundwater development is proposed to cater for future demands and no shortfall is envisaged by 2035. Agulhas, on the other hand, has limited groundwater supplies and high unaccounted-for water use. The Municipality plans to implement water conservation and demand management measures and develop additional groundwater capacity to cater for future demand. Surplus groundwater from Struisbaai could also be directed to Agulhas. Suiderstrand has adequate groundwater supplies.

Strategic links between the Rûensveld West and East Schemes will be needed to be considering in the future between Napier and Bredasdorp. This will both provide capacity to supply water to Napier and Bredasdorp without adding significant capacity to the existing schemes and provide security of supply.

10. Theewaterskloof Municipality

The Theewaterskloof Municipality already has an agreement with Overberg Water for bulk water supply from the Rûensveld West WSS to Caledon. Caledon is also reliant on groundwater supplies but it can reasonably be expected that an increased supply from the Rûensveld West WSS will be required to cater for future demand growth.

As discussed under the Overstrand Municipality section, Overberg Water and the Overstrand Municipality are planning to jointly develop a new bulk water supply for the Greater Hermanus Area based on increased abstraction from the Sonderend River downstream of Theewaterskloof Dam and an upgrade of the existing Rûensveld West WTW. The scheme will provide a capacity of 20 MI/d.

Currently the Rûensveld West WTW has spare capacity available of around 3.9 MI/d (subject to water licences being approved) which should be sufficient to supply in the future water requirements of Caledon and the retail customers in the Rûensveld West WSS.

11. Langeberg Municipality

Langeberg Municipality is considered too far away for expansion of the existing Overberg Water infrastructure; however, further discussion with the Langeberg Municipality will be required to identify possibilities for the development of new bulk water scheme where Overberg Water could play a role in the development of the infrastructure or through the provision of institutional support.

12. Swellendam Municipality

The towns of Swellendam and Barrydale are the only significant urban centres in the Swellendam Municipal area. Swellendam town has sufficient raw water sources in the form of the existing abstraction from the Klip River even beyond 2035 for the high growth scenario. The town of Barrydale, however, does require interventions to accommodate future demand growth. One of the intervention strategies is to implement water conservation and demand management programme and to increase abstraction from the Huis River. The Buffeljags Dam is, however, currently utilised only for irrigation.

13. Existing water use rights, licences by resource

Overberg Water's registered abstractions and licence applications are shown in **Table 7**.

Table 7: Water use rights, licenses by resources

System	Abstraction Point	Registered Abstraction (m ³ /year)
Rûensveld-Wes	Sonderend River	1 914 000
Rûensveld-Oos	Sonderend River	897 000
Duivenhoks	Duivenhoks River	1 232 000

Overberg Water submitted a water licence application for the Duivenhoks system in 2002 in Afrikaans. The application was rejected, and a request was made to submit in English. Overberg made application in 2007 (English) for the initial application to abstract more water from system at their current authorised intake point. DWS is still evaluating the licence application. Further discussions with DWS are to take place on this matter.

14. Future water use rights, licences by resource required

With Overberg Water's trajectory, having changed toward growing its footprint strategically, several new opportunities or potential growth areas have been identified. Firstly, for the schemes operated and owned by Overberg Water will require the future abstraction and licence requirements based on the future expansion and growth scenarios (see Table below). For the future schemes or opportunities, it is envisaged that strategic stakeholder engagements need to be complete with the Municipalities and DWS. The future abstraction and licence requirements will need to be determined as and when such needs or schemes are required. **Table 8** below indicates the future licence and abstraction requirements that need approval by DWS and the respective CMAs.

Table 8: Future water use rights by resources required

System	Abstraction Point	Registered Abstraction (m ³ /annum)	Future Abstraction & Licence requirements and approvals by DWS (m ³ /annum) *
Rûensveld-Wes	Sonderend River	1 914 000	3 680 568
	Sonderend River		
Rûensveld-Oos	Sonderend River	897 000	1 745 424
Duivenhoks	Duivenhoks River	1 232 000	2 086 920

* All of the future volumes have not been allowed for in the financial model as licences need to be approved

15. Water demand of major consumers by resource

With the view to growing its footprint, Overberg Water has identified several major potential consumers based on the growth and allocation requirements. **Table 9** gives a breakdown of Overberg Water's existing major consumers and the future major consumers where the additional potable water will be distributed. Overberg Water will therefore engage the major consumers and when the necessary water licenses are approved, so that new Service Level Agreements are established to provide the revised or new allocations.

Table 9: Water dams of major consumers by resource

Existing: Major Consumers				
System	Catchment	Impoundment	Major Consumers	Total Allocation - m ³ /annum
Rûensveld-Wes	Breede-Gouritz	Theewaterskloof Dam	TWK	2 409 000
Rûensveld-Oos	Breede-Gouritz	Theewaterskloof Dam	Cape Agulhas	91 250
Duivenhoks	Breede-Gouritz	Duivenhoks Dam	Hessequa	892 425

Future: Major Consumers				
Rûensveld-Wes	Breede-Gouritz	Theewaterskloof Dam	TWK	3 381 953
		Theewaterskloof Dam (Berg River Scheme)	Overstrand	7 300 000
Rûensveld-Oos	Breede-Gouritz	Theewaterskloof Dam	Cape Agulhas	139 582
Duivenhoks	Breede-Gouritz	Duivenhoks Dam	Hessequa	1 249 098

Future: Major Consumers - Dependent on engagements with Municipalities and DWS				
New Scheme - West Coast	Breede-Olifants	Groundwater Sources / Clanwilliam Dam	WDC LM	930 000
New Scheme - Klein Karoo	Breede-Gouritz	Groundwater Sources	Oudtshoorn LM & Kannaland	1 860 000

16. Water demand, planned developments and shortfalls

Overberg Water has experienced a slow but steady increase in bulk purchases over the last 10 years. As part of its water safety plan and risk assessment processes, the board has to continually monitor water demands and its raw water supply points. The water demand is such that it does not require short term augmentation but, due to the long-time frames involved with licence applications to the Department of Water and Sanitation, designing and commissioning of major water projects, lead times need to be taken into consideration so sufficient time is given to planning and detailed investigations. **Table 10** overleaf provides the details of what is needed.



Table 10: Water demand, planned developments and shortfall

Scheme	Region	Potential Demand Required (m ³ /day)	Project Detail	Estimated cost (Value in R)	Responsibility
R-Wes	Overberg region	9 500	Negotiate an increase in the supply volumes to bulk customers	--	OW
R-Wes: Upgrade-Overstrand Project	Overberg region	20 000	Negotiate with potential funders. Appoint professional team. Negotiate the tariff with Overstrand LM Bulk Supply Pipeline & upgrade of WTW	1 100 000 000	OW
R-Oos	Overberg region	4 600	Upgrade of WTW and construct new rising main. Negotiate an increase in the supply volumes to bulk and retail customers.	53 500 000	OW
Duiv	Overberg region	5 000	Negotiate an increase in the supply volumes to bulk & retail customers	7 000 000	OW
New Scheme	Overberg region	5 000	Negotiate, Operate and Maintain existing WTW	23 785 800	OW
New Scheme	West Coast	5 000	Negotiate, Operate and Maintain existing WTW	23 785 800	OW
New Scheme	Klein Karoo	5 000	Kannaland LM Dam	23 785 800	OW

* All future schemes, upgrades and allocations subject to water license approvals

17. Bulk water supply

17.1 Water availability – existing schemes

The existing Water treatment Plants are currently operating below its theoretical design capacity, this is shown by the current utilisation. Overberg Water will therefore endeavour to exceed the current utilisation of the schemes and aim to operate the existing WTW at its maximum operating capacity.



Table 11: Existing treatment design capacity

Scheme	Theoretical Design	Operating Max	Max Daily Capacity	Month output	Max. Annual Output (m ³)
R-Wes	9.5MI/day	9.7MI/day	9 700	300 700	3 608 400
R-Oos	4.6MI/day	4.6MI/day	4 600	142 600	1 711 200
Duiv	5MI/day	5.5MI/day	5 500	170 500	2 046 000
Total Maximum Output Volume (subject to licence approval)					7 365 600

17.2 Water availability – future schemes

Looking ahead, Overberg Water has identified several key strategic areas to expand its footprint, these areas will include:

- The Overberg Water Region;
- West Coast Region and;
- The Klein Karoo.

Table 12: Future treatment design capacity

Scheme	Locations	Theoretical Design	Operating Max	Max Daily Capacity	Month output	Max. Annual Output (m ³)
R-Wes	Overberg region	9.5MI/day	9.7MI/day	9 700	300 700	3 608 400
R-Wes: Upgrade-Overstrand Project	Overberg region	20 MI/day	20 MI/day	20 000	620 000	7 440 000
R-Oos	Overberg region	4.6MI/day	4.6MI/day	4 600	142 600	1 711 200
Duiv	Overberg region	5MI/day	5.5MI/day	5 500	170 500	2 046 000

* Subject to water licence approvals

17.3 Condition of Water Treatment Works

Overberg Water's existing WTWs are aged and therefore require refurbishment and upgrading. Several projects have been identified through its Infrastructure Development Plan to be implemented over the next five years. Funding remains a constraint for the water board and therefore subsidies, levies or external funding instruments will need to be sourced from its Shareholder. The government guarantee will also be requested so that OW can source money from the markets.

All the new WTW will need to be investigated in detail, feasibilities need to be completed to meet national standards and to achieve the Blue and Green Drop accreditation. Once all of the above requirements have been fulfilled, set timeframes need to be determined to complete the detail design and construction, where applicable.

17.4 Water quality produced (relative to SANS 241)

Overberg Water Board has continually maintained good water quality results over the years. As a bulk provider of water, all Overberg Water's schemes are to comply with standards set out in SANS 241 of 2011. Water quality is managed rigorously, and stringent systems are in place to make sure these are met. Overberg water has set KPIs that are in line with Blue Drop certification requirements and its monitoring and testing processes far outweigh the minimum required by SANS 241. Sampling and analyses are carried out using accredited laboratory techniques (ISO 9001) as far as possible. Overberg Water strives for continued increase in water quality compliance as evident in the increased microbiological compliance trends shown in **Table 13**, while **Table 14** provides an explanation of the results.

Table 13: Potable water quality compliance with SANS241-2015 per WTW (2021/22 FY)

Water Works	Compliance (%) with SANS 241:2012			
	Acute Health: Microbiological	Chronic Health	Aesthetic	Operational
Rûensveld West	96.30%	100.00%	99.51%	97.11%
Rûensveld East	98.90%	99.87%	98.97%	97.34%
Duivenhoks	100.00%	100%	99.69%	75.85%
Overall	98.51%	99.95%	99.35%	89.74%

Table 14: Key classification of drinking water supply systems according to SANA 241-2011

	Population up to 100 000			Population > 100 000		
	Proportion of samples compliant			Proportion of samples compliant		
	Excellent	Good	Unacceptable	Excellent	Good	Unacceptable
Acute Health Microbiological Compliance	≥97%	≥95%	<95%	≥99%	≥97%	<97%
Acute Health Chemical Compliance	≥97%	≥95%	<95%	≥97%	≥95%	<95%
Chronic Health	≥95%	≥93%	<93%	≥97%	≥95%	<95%
Operational	≥93%	≥90%	<90%	≥95%	≥93%	<93%
Aesthetic	≥93%	≥90%	<90%	≥95%	≥93%	<93%

17.5 Demand of major consumers by scheme

17.5.1 Potable water quantity demand

Overberg Water has three major municipalities (consumers) by scheme as shown in **Table 15** below.

Table 15: Water demand of major consumers by resource

System	Catchment	Impoundment	Major Consumers	Total Allocation - m3/annum
Rûensveld-Wes	Breede-Gouritz	Theewaterskloof Dam	TWK LM	2 409 000

Rûensveld-Oos	Breede-Gouritz	Theewaterskloof Dam	Industrial Customers	91 250
Duivenhoks	Breede-Gouritz	Duivenhoks Dam	Hessequa LM	8 925

17.5.2 Potable water shortfalls and projections

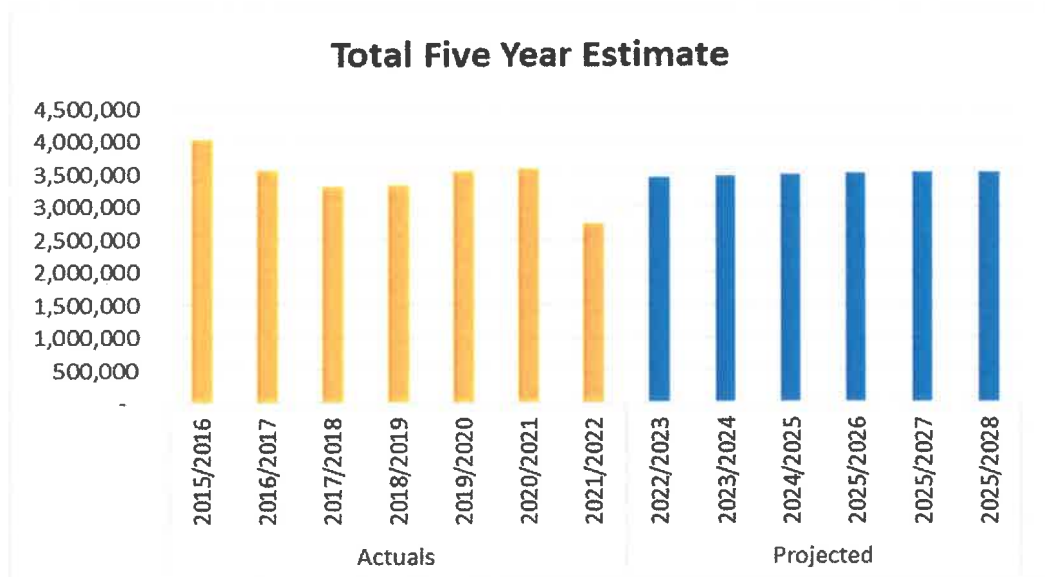


Figure 11: Total 5-year estimated volumes across all schemes

17.6 New consumers or areas to be supplied

As part of Overberg Water's goals to grow the footprint of the business, a study was completed in 2014 indicating which directions are most suitable for growth in terms of bulk (and retail) potable water supply, both from a financial and operation viewpoint. Specific emphasis was placed on eradication of water services backlogs as well as water demand and population projections indicate the current serviced areas of Overberg Water as well as future areas to which it could possibly supply potable water.

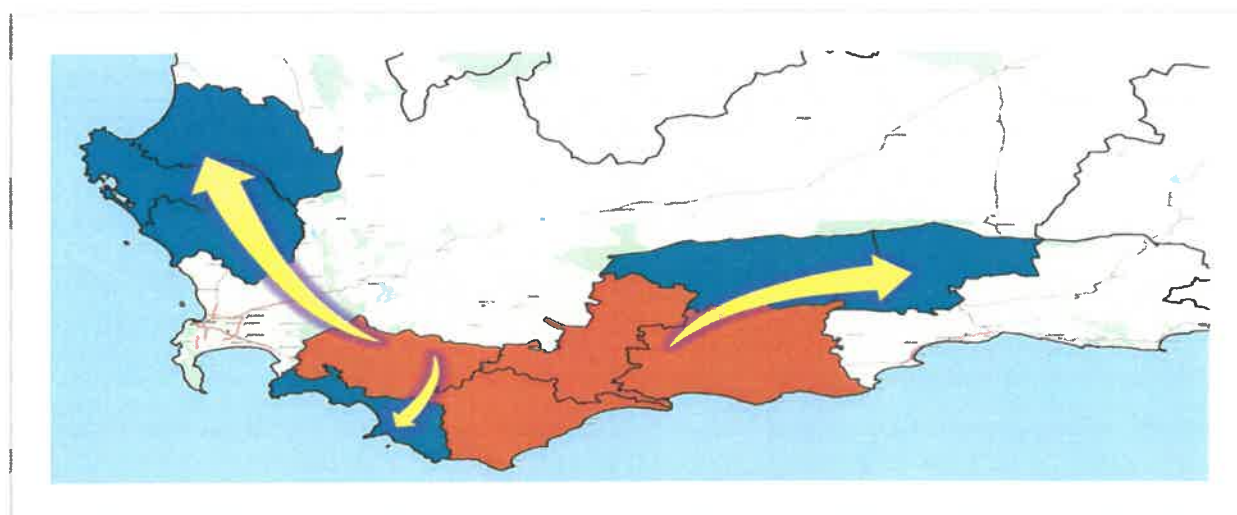


Figure 12: Overberg Water supply areas and possible future expansion

Overberg Water has already made an impact with respect to water services support within the Klein Karoo area of the Western Cape. Apart from its institutional challenges, the area experiences low rainfall and vast unfavourable ground conditions take a toll on capital infrastructure investment. Overberg Water has had on going engagements with the WSAs in the area regarding groundwater development and the construction of a bulk pipeline to supply water to communities between Calitzdorp and De Rust. Although still in its early stages, Overberg Water will look to secure a future contract with the WSA and DWS.

The West Coast District Municipality currently operates the Withoogte Water Supply scheme that provides potable water to three (3) municipalities within that region. This scheme is under strain to provide water for current and future populations as well as big industrial users. No feasible solution exists that can cater for urbanisation following advancement of the Industrial Development Zone within the Saldanha region. Overberg Water has identified this as a possible opportunity to develop water resources and construct and manage Water Treatment facilities, in addition to maintaining the current infrastructure. This is a long-term strategic goal and the board must explore the institutional and intergovernmental challenges that will develop from the proposal.

17.7 Bulk water supply infrastructure projects per municipality

Overberg Water has identified several municipalities in which it anticipates growing its footprint. The Bulk Water Supply Infrastructure Projects per Municipality as shown in **Table 16** overleaf are specific projects where municipalities have been identified to increase its bulk footprint. Overberg Water will be engaging the municipalities to provide assistance as an Implementing Agent.

Table 16: Bulk water supply infrastructure projects per municipality

Municipality	Place name	Service	Total project (Value R)
Theewaterskloof	Grabouw	Upgrade Bulk Water Supply Ph5	16,125,992.18
Theewaterskloof	Riviersonderend	New 2Ml Reservoir	7,605,510.00
Theewaterskloof	Villiersdorp	New Reservoir & Bulk Water Supply Pipeline	7,353,000.00
Theewaterskloof	Villiersdorp: Destiny Farm Informal Area	New Bulk Water Supply	2,275,505.00
Overstrand	Gansbaai: Pearly Beach	Upgrade Bulk Water Supply	537,883.04
Overstrand	Gansbaai: Pearly Beach Housing	New 160mm dia Water Pipe	556,440.10
Overstrand	Hawston	New 10Ml Reservoir	18,376,344.00
Overstrand	Hermanus: Mount Pleasant	New 1Ml Reservoir	2,200,000.00
Overstrand	Hermanus: Mount Pleasant: Housing projects	New Bulk Water Supply Lines	520,000.00
Overstrand	Zwelihe & Mount Pleasant: Housing projects	New Link Water Supply Lines	974,015.00
Cape Agulhas	Struisbaai	New Water Storage Reservoir	4,394,586.00
Cape Agulhas	Struisbaai, L'Agulhas	Rehabilitate Bulk Water Supply	8,487,813.00
Swellendam	Barrydale	Rehabilitate Bulk Water Infrastructure	11,644,304.85
Swellendam	Buffeljags River	New Water Reservoir	3,710,004.60

Municipality	Place name	Service	Total project (Value R)
Swellendam	Railton	Rehabilitate Water Treatment Works	1,254,000.00
Swellendam	Suurbraak	New Reservoir	1,197,000.00
Kannaland	Calitzdorp	New Water Availability Study	1,649,010.00
Kannaland	Calitzdorp: Housing for Farm Workers	New Bulk Water Infrastructure	470,286.71
Kannaland	Van Wyksdorp	Rehabilitate Water Reticulation: Investigation	381,900.00
Kannaland	Zoar	Rehabilitate Water Reticulation: Investigation	471,802.00
Kannaland	Zoar	Upgrade Water Reticulation	12,401,260.00
Hessequa	Melkhoutfontein 550 Low Cost Housing Erven	New Bulk Water	9,135,760.50

17.8 Status of bulk supply agreements with major customers

Overberg Water has several bulk supply agreements with the following major customers as shown in Table 17 below:

Table 17: Status of bulk supply agreements

System	Major Consumers	Agreement Status
Rûensveld-Wes	TWK LM	Existing agreement in place.
Duivenhoks	Hessequa LM	Existing agreement in place.

Table 18: Infrastructure development plan

Overberg Water Board	Forecast	Projections				
Infrastructure and Capital Expenditure Plan	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28
	(R '000)	(R '000)	(R '000)	(R '000)	(R '000)	(R '000)
Infrastructure Assets	23,446	6,070	13,848	9,850	13,500	12,543
Witsand Pipeline Phase 1	4,208	-	-	-	-	-
Witsand Pipeline Phase 2	4,129	-	-	-	-	-
Witsand Pipeline Phase 3	-	4,700	-	-	-	-
Witsand Pipeline Phase 4 & 5	-	-	6,700	-	-	-
Professional engineering fees witsand pipeline	834	470	670	-	-	-
Booster pump low let and high let pumps (R-East	-	400	478	-	-	-
Booster pump Duiv R2, R8 and low let pump	-	500	-	-	-	-
Swellendam Pipeline upgrade	-	-	-	-	3,500	8,500
Water Storage Dam Swellendam and Duivenoks	-	-	-	-	4,000	4,000
Diesel Pump for East	-	-	-	-	-	-
Booster pumpstation R- East incl feasibility study	-	-	6,000	-	-	-
Sandfilters Duivenhoks	1,800	-	-	4,500	3,500	-
Sandfilters Swelledam	-	-	-	-	-	-
Generator East (plant)	-	-	-	650	-	-
6 Generators	11,065	-	-	1,350	-	-
Electrical panel for vsd pump	1,410	-	-	150	-	-
Alternative energy sources feasibility	-	-	-	200	-	-
Upgrade telemetry	-	-	-	-	2,500	-
Sludge Pump	-	-	-	-	-	43
Digger Loader	-	-	-	3,000	-	-
Asbestos removal	-	-	-	-	-	-
Capital expenditure	-	5,500	2,000	3,500	-	-
Motor vehicles	-	2,000	2,000	3,500	-	-
Digger Loader	-	3,500	-	-	-	-
Equipment	-	-	-	-	-	-
Administrative	-	2,600	-	-	-	-
Information technology upgrade Phase	-	2,600	-	-	-	-
Office furniture	-	-	-	-	-	-

17.9 Refurbishment of ageing infrastructure

17.9.1 Pipelines and infrastructure upgrades – Existing schemes

Overberg Water Board has ageing infrastructure which is stressed and has reached the end of its useful life. It is therefore on this basis that specific projects have been identified to be refurbished and maintained to mitigate any potential or future failures in the network. Refurbishment, operations and maintenance are key for maintenance of longevity and sustainability of the pipe networks within the schemes.

The Infrastructure Valuation report completed by an independent consultant confirms using the current replacement value approach, the infrastructure is valued at R1,357,549,535. The valuation of infrastructure was done in 2018/19. The report also highlights that several of the infrastructure and equipment will be reaching its useful life. The review of useful life is updated on the annual basis.

17.10 Upgrades of current infrastructure

17.10.1 (Rûensveld East Rising main upgrade)

The Rûensveld East Rising main upgrade will include the replacement of the existing rising main, so that a new 300 mm diameter rising main be constructed which will deliver 4.6 MI/d, at design flow of 65 l/s with 20 hours pumping per day. The new 300 mm diameter rising main will deliver 5.6 MI/d, at design flow of 65 l/s with 24 hours pumping per day.

The installation of this rising main is pivotal as the existing pipeline has reached its useful life and has deteriorated rapidly due to the corrosive nature of the groundwater. The tender for this project will be advertised as soon as Overberg Water has secured the funding for the project.

17.10.2 Rûensveld West WTW upgrade

The scope of project will include the upgrading of the 9.5MI/d water treatment works to meet the additional design capacity of 20MI/d required by the Overstrand Pipeline to the Greater Hermanus area. This project is reliant on funding and the approval of the abstraction licence by the Department of Water and Sanitation. Once all the above-mentioned items have been fulfilled, the project team will be appointed, detail design and the construction to commence.

17.10.3 Duivenhoks WTW upgrade

The Duivenhoks water treatment works has a design capacity of 5.5MI/d. To meet future demand and industry requirements, the works will be upgraded to a 7.5MI/d water treatment works. The project is reliant on funding and the approval of the abstraction licence by the Department of Water and Sanitation. Once all the above-mentioned items have been fulfilled, the project team will be appointed, detail design and the construction to commence.

17.11 Water infrastructure development

17.11.1 Rûensveld West – Overstrand Pipeline

With Overstrand being a water scarce area and this municipality having identified the Greater Hermanus Area to experience the shortfall in water by 2032, the augmentation of water resources is therefore important. The Municipality has therefore identified the Overstrand Pipeline as a strategic project to fulfil the current and future needs and requirements.

The project includes the development of additional abstraction, treatment capacity as well as the bulk pipeline and associated reservoir and pump stations to service the Greater Hermanus Area.

17.11.2 New Schemes: Overberg, West Coast and Klein Karoo Regions

With Overberg Water extending its footprint, several new schemes have been identified within the Overberg, West Coast and Klein Karoo Regions. These schemes are:

- Overberg – 5000m³/d
- West Coast – 5000m³/d
- Klein Karoo – 5000m³/d

The aim of developing or acquiring new schemes within the regions is to provide support to ailing municipalities so that communities can receive high quality water and that agriculture and industry can grow sustainably. The development of new schemes will however be

dependent on engagement with the local municipalities and funding arrangements. The provision for water licences will be required.

17.11.3 Klein Karoo Bulk pipeline

Within the Klein Karoo and the Oudtshoorn area, Overberg Water has identified an opportunity to act as implementation agent. The project will include the construction of a new bulk pipeline that will link the groundwater source to the town. The project will yield a significant volume of water which will ultimately help economic growth. The project will require engagements with the various stakeholders and commitment by the Municipality. Funding will be crucial to have this project commence in the future.

17.11.4 Duivehoks Canal upgrade

A feasibility study was conducted in 2016, recommending a gravity pipeline be constructed from the Duivenhoks dam to the town of Heidelberg. Overberg Water, situated between these two points, will be able to draw water from this pipeline that is much cleaner than the current form. This should save significant purification costs and lead to less water being wasted through natural river flow. The study recommends the construction of a pipeline made up of various pipe sizes ranging between 800mm ductile iron and 50mm uPVC. The total cost of the project is estimated at R195 million (including VAT) of which Overberg Water intends being a funding partner. While the funding model is still being finalised, Overberg Water believes the realisation of this project should bring about much more sustainable water use practices along the Duivenhoks Water Supply System, especially considering current water supply challenges. Long term benefits include less water wasted, increased crop production, lower purification costs and better water management overall.

17.11.5 Bulk Wastewater Treatment

Overberg Water does not own nor operate any wastewater treatment plants within its region but as part of its mandate to support WSAs with water services, the board continues to assist under-staffed municipalities with training of Process Controllers in Water and Wastewater, when applicable. The board also has the institutional capacity to design, build and operate wastewater treatment plants and will look to implement strategic plans and agreements with local WSAs within the next three (3) years.

A desktop study of the state of wastewater treatment within the region gave a perspective on the need for intervention or capacity building of WSAs. The latest Green Drop results, focussing on all the relevant aspects used to determine sound practices across the entire wastewater value chain, are presented in .

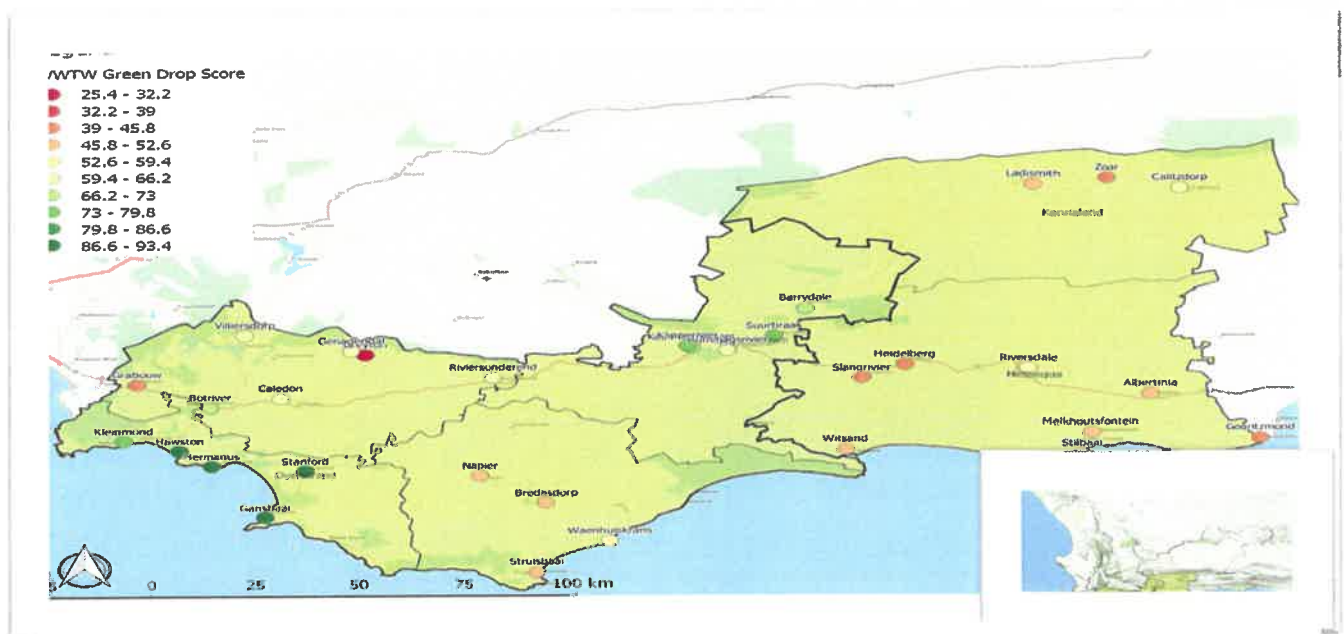


Figure 13: Regional map indicating Green Drop scores (2013) for wastewater schemes

From the study, the results are for the most part a matter of concern, with only one municipality in the region attaining Green Drop certification status. From **Figure 13**, Kannaland, Hessequa and Cape Agulhas Municipalities all need improvement in their wastewater services but, for the short term, focus is placed on Theewaterskloof Municipality which is currently under regulatory surveillance of its wastewater treatment plants, in accordance with the Water Services Act (108 of 1997) Sections 62 and 63. This dictated the decision for possible intervention and dialogue with all relevant stakeholders on wastewater treatment services going forward, in line with Overberg Water's strategic goals.

18. Retail supply

Overberg Water provides potable water to end users (other than bulk), and has the operational responsibility, according to the Water Services Act, to provide water and/or sanitation services to one or more end consumers. This is termed *retail supply* and serves as an important revenue stream of the business.

18.1 Contractual obligations with WSAs

Overberg Water has standard but comprehensive service level agreements with all its retail customers. So far, all its contractual obligations regarding provision of potable water to its retail customers have been met and the potable water supply has been consistent in both volume and water quality. On expansion, Overberg Water will look to continue its functions mandated by DWS and those set out in its contracts/agreements with end consumers.

Overberg Water has approximately 850 retail customers along its pipeline network, consisting mostly of agricultural and industry farmers. These customers are allocated a specific volume of water per day, which is available all-year round. In the last 10 years, the annual water requirements by retail customers have never exceeded 80% of the total allocated by any given scheme. However, because the agricultural sector experiences seasonal variances, regular

requests for increased quotas or allocations are met with an increased supply from Overberg Water.

With an increased customer base over the next 5 years, Overberg Water will continue to provide, through its expansion of pipe networks, good quality and reliable water supply.

Indication of the current customer base per scheme with the respective allocations.

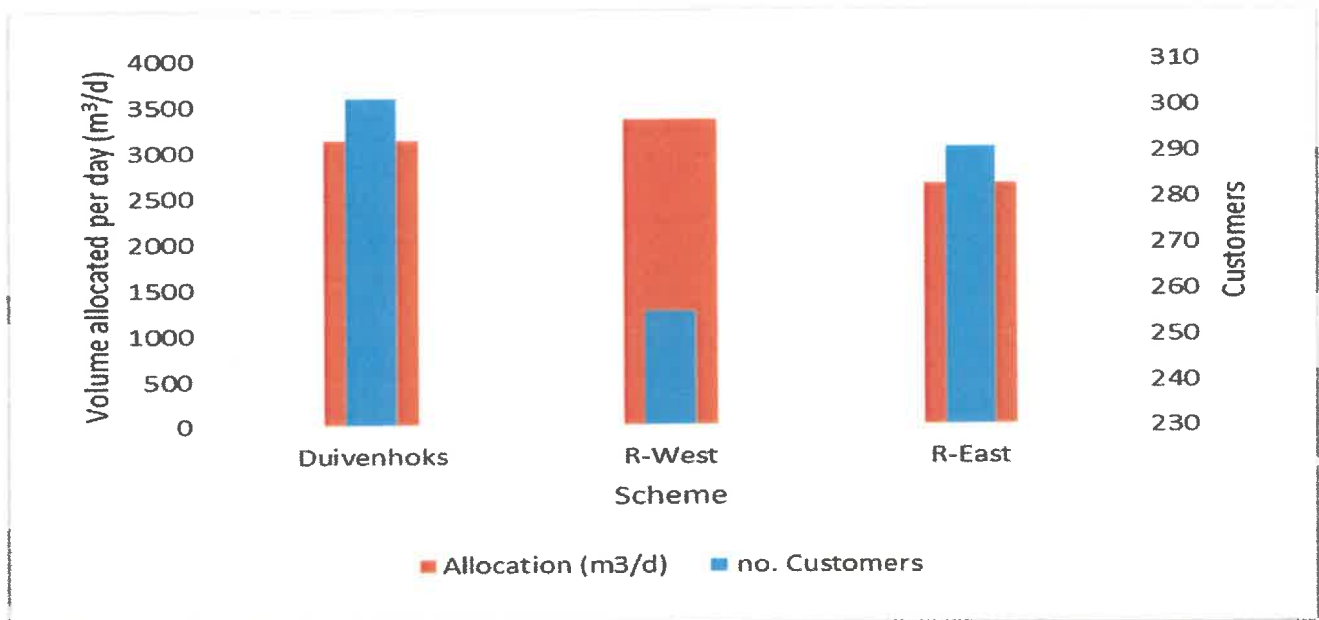


Figure 14: Retail customer allocation across three schemes

19. Other activities

19.1 Implementing agent for installation of Covid-19 tanks in Western Cape

Overberg Water, on behalf of DWS, installed Covid-19 tanks throughout the Western Cape. The project was to ensure that water is available to the poor community in order to deal with the COVID-19 pandemic. The project was initiated by the DWS as a response mechanism to deal with the said pandemic. OW executed the project successfully and ensure that quality standards are met.

19.2 Implementing agent for DWS: War on leaks

As previously stated, Overberg Water was appointed as the Implementing Agent for the War on Leaks Project in Laingsburg, Western Cape. The project entails the training of youth through a programme to become skilled artisans (plumbers) and in so doing, works toward the 'No Drop' principles being implemented by DWS. Outputs of the project are to reduce water leaks within the households, improve community education and awareness, and conduct water audits and balances within specific towns.

To date the Entity has completed two phases and has trained 32 youths who received accredited certificates of competency. To date, the municipality has reported a 15% reduction in non-revenue water use since the commencement of the project. Further analysis is underway whereby the municipality intends installing bulk meters to investigate the losses in

more detail. The project is complete; however, Overberg Water will continue to support its Shareholder in the future should such a project arise.

Overberg Water has been approached by Rand Water to sign a Memorandum of Understanding to assist with the Presidential National War on Leaks project. Overberg Water's role to date has been more of a support role to its regional Co-ordinators. Further engagements are underway to see how the entity can play more of strategic role in implementing the projects in the Western Cape.

19.3 Laboratory services

Funding and resourcing remain a challenge to establish a business plan for a regional laboratory. The vision is that the laboratory will extend services to municipalities throughout the Overberg, Eden and West Coast districts. This service is necessitated by legislative guidelines and DWS programmes aimed at regulating water/effluent quality that are currently undertaken by consultants.

Funding and attracting the required resources remain the major challenge to have laboratory established. It is envisaged that a detailed feasibility study will be completed in the next three years once the entity has overcome several internal hurdles. The concentration will then be focused to understand the financial feasibility, legislative and funding requirements to establish such a laboratory.

19.4 Management of Wastewater Treatment Plans.

Funding Overberg Wat was awarded a project to manage the wastewater treatment plants for the Department of Correctional Services as well as the Department of Defence on behalf of the department of Public Works and Infrastructure. The contract was for a 2 year period and ended on the 31 March 2022.



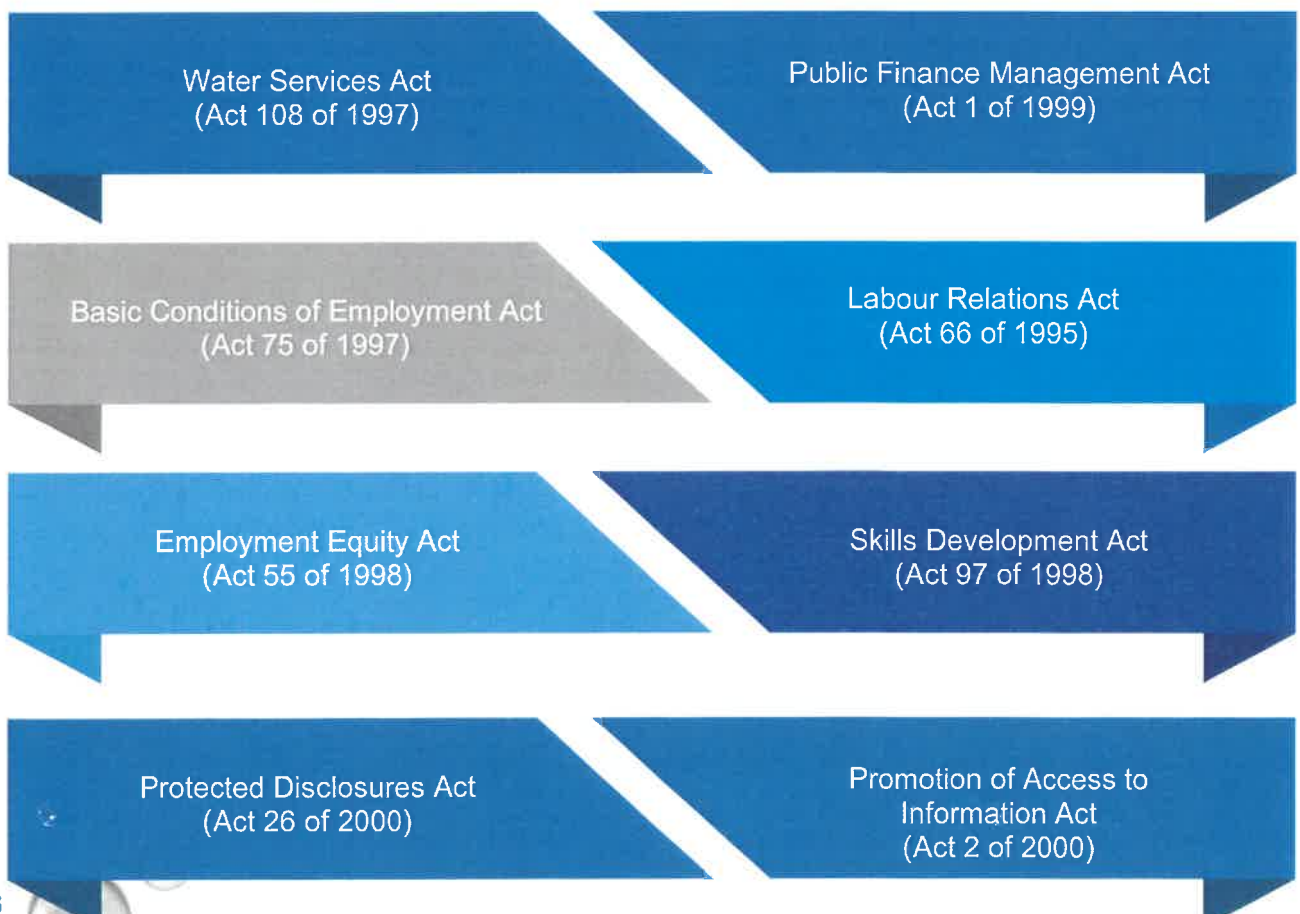
PART G: ORGANIZATIONAL CAPACITY

1. Human resource policy

Our human resources are the pulse of our business. Overberg Water Board has embraced the principle that its organisational goals and human resource needs are mutual, compatible and strongly inter-dependent. Human resources strategy is to direct the organisation to respond to its people needs to deliver on its business strategies and plans, amid the critical skills challenges in the water sector and country as a whole. This strategy identified the seven human resources focus areas indicated below and has developed specific objectives for each. These objectives would be further translated into action plans on an annual basis with a five-year view:

- Workforce planning
- Recruitment, Retention and Engagement of staff
- Reward and Recognition
- Employment Practices and Systems
- Work/Life Balance
- Staff Skills Development
- Communication and Consultation

Overberg Water Board recognises that its employees are the organization's most valuable asset and therefore commits itself to unlocking the full potential of its employees by providing systems, resources, and a climate conducive for productive performance and competence. The potential of all employees will be enhanced to the extent that they make maximum contribution towards Overberg Water Board becoming the No. 1 water utility in the developing world as a provider of water services.



1.1.1 Performance management

Overberg Water Board aims at developing and applying a performance-driven culture in the area of employee performance management. Striving to continue to be an employer of choice requires that the organisation pursue fair and consistent employment practices whilst providing competitive market related salaries and benefits. Innovative incentive schemes to encourage high performance will be further developed. In these ways, the attraction, management and retention of staff are promoted.

Overberg Water Board will comply with the relevant parts of the Basic Conditions of Employment Act as well as the Labour Relations Act and their relevant Codes of Good Practice.

Performance management is an on-going function integral to the overall management function. It will enable all managers to reinforce good performance by giving due recognition and to develop the full potential of personnel by devising and implementing effective development plans. The Performance Review, which is used for the annual salary reviews, is purely a summary of this overall performance.

Performance Management System was re-designed and is in the process of submission and consideration by EXCO, the HR sub-committee of the Board and ultimately for the Board. On approval by the Board the new system will be implemented from July 2019. This system will reinforce the performance-driven culture by institutionalising the following phases:

- Performance planning;
- Performance contracting;
- Performance management;
- Performance reviewing; and
- Performance rewarding

To ensure the achievement of Overberg Water Board strategic goals through skilled, competent, motivated and committed employees and to recognize and reward good performance, Overberg Water Board has in place a Performance Management Policy. The main objectives of the policy are as follows.

Overberg Water Board recognizes that employees perform most effectively when they have clear expectations of their job role and purpose, their own targets and objectives, and of the wider goals of Overberg Water Board.

Performance management at Overberg Water Board shall be development orientated and aimed at cultivating effective human resources management and career development.

Performance agreement, contracts and evaluations shall be the shared responsibility of line managers, supervisors and employees.

Overberg Water Board's performance management system shall be used to provide feedback and coaching to individual employees concerning their job performance.

In the event of poor or non-performers (scoring below 3), line managers and supervisors shall provide evidence of performance improvement interventions together with the performance appraisal scores to the Talent & OD Manager.

Divisional performance reviews shall be undertaken twice a year to evaluate divisional performance

Individual performance reviews shall be undertaken twice a year to evaluate individual performance.

Performance bonus will be paid subject to all of the following requirements being met:

- If the organizational balanced scorecard targets have been substantially met as set out in the shareholders compact.
- If the divisional balance scorecard targets have been met as per divisional business plans.
- If the individual key performance area targets have been met as per individual performance contracts.
- The organization can afford to pay the performance bonuses.

Bonus will be paid at the end of September of each year subject to affordability.

1.1.2 Training and development

To develop staff to excel in their individual and organisational roles and functions in order to deliver on the strategy and in support of the business plan, a training and development policy exists. The main policy elements are as follows:

- The Organisation would provide training and development opportunities to enable staff to excel in their individual and organisational roles and functions in order to deliver on the strategy and in support of the business plan.
- The Organisation shall allocate financial resources up to 3% of Payroll Costs (excluding the Retirement benefits shortfalls) towards training and development.
- The Organisation shall give preference to learning programmes that are based on unit standards and that lead to credits on the National Qualifications Framework or are a requirement to maintain professional registration such as the Continuing Professional Development points (CPD)
- Training programs except seminars, conferences and workshops, will be limited to accredited institutions
- The attendance of any training programme, seminar, conference and workshops is subject to operational requirements as determined by the supervisor/manager.
- Approval of overseas seminars, conferences and workshops will be dealt with in terms of the delegations of authority subject to concurrence of the General Manager.

1.1.3 Health and HIV/Aids

To provide a safe, healthy, supportive and comprehensive care which meets our duty of care towards our staff by ensuring a uniform and fair approach to the management of HIV/AIDS in the workplace.

Overberg Water Board shall promote equality and will not discriminate between individuals with HIV infection and those without, and between HIV/AIDS and other comparable health/medical conditions.

Overberg Water Board shall create a supportive environment so that HIV infected employees are able to continue working under normal conditions in their current employment for as long as they meet the current job requirements.

Overberg Water Board shall protect human rights and dignity of people living with HIV/AIDS as an essential prevention and control of HIV/AIDS.

Prospective and current employees will not be required to test for HIV/AIDS and employment and promotion criterion on the basis of their HIV/AIDS status.

Employees living with HIV/AIDS are under no obligation to disclose their status.

Information concerning diagnosis of HIV/AIDS may not be divulged and will be dealt with in strictest confidentiality.

Overberg Water Board shall not tolerate any form of harassment and discrimination towards employees with HIV/AIDS.

Employees who become incapacitated as a result of HIV/AIDS shall be treated in accordance with the incapacity provision of the Labour Relations Act and Overberg Water Board Incapacity Procedure.

Access to information and education programmes on HIV/AIDS will be promoted to ensure that all employees are aware of and understand the risks associated with HIV/AIDS.

Overberg Water Board shall promote and facilitate access to voluntary counselling and testing (VCT) for all employees who wish to be tested.

Overberg Water Board will enter into partnerships with other organizations aimed at seeking to minimize the spread of the HIV/AIDS within the employee's base.

1.1.4 Recruitment and selection

In pursuance of the goals and objectives of the organization and in compliance with the Labour Relations Act (Act No. 66 of 1995), the Employment Equity Act (Act No. 55 of 1998) and the Skills Development Act (Act No. 97 of 1998), Overberg Water Board commits itself to a fair and effective recruitment and selection policy which will ensure that suitably qualified, competent and motivated people are employed. The organization's Employment Equity Policy, Employment Equity Plan and the Skills Development Plan will significantly influence this recruitment and selection policy.

All vacancies will be advertised initially internally on the notice boards and the intranet. Where no suitable internal candidates are identified following internal advertising, positions will be advertised externally. Overberg Water Board will select people, based on selection criteria reflecting actual job requirements and objective competencies, both technical and behavioural, for the job; and appoint people to positions, where they have the capability or potential to make a meaningful contribution to the objectives of the organization. The organization has accepted as policy that the selection method to be applied will be that of Targeted Selection. The Probation policy provides a period for the employer to assess the employee's suitability for permanent employment. The policy includes the situation of employees being appointed to higher level positions. This process helps to establish whether there is an appropriate match between employee and the Organisation / position and vice versa and indicates the manner of reaching decisions for validating the employment decision.

1.1.5 Employment Equity

Overberg Water Board commits itself to the basic principles of the Employment Equity Act (Act No. 55 of 1998). To this end it has developed the Overberg Water Board Employment Equity Policy together with other internal stakeholders, as well as the Employment Equity Plan / Target Levels. Thus, Overberg Water Board, as a Designated Employer, commits itself to the identification, analysis and elimination of all aspects / forms of discrimination, direct or indirect,

in its employment policies, procedures and practices. Furthermore, its Employment Equity Vision is to have a fully diverse and representative workforce at all occupational categories and levels in terms of the of the economically active population demographic profile / matrix of the province of Western Cape. The philosophy is that Employment Equity and valuing diversity in an equitable working environment represent an essential foundation for sustainable growth and the competitive advantage of world-class organisations. Overberg Water Board agrees to undertake specific measures to create equity in employment and to employ and develop designated employees. This will be achieved by recruiting, training, developing and accelerating the promotional opportunities of the designated groups. The implementation of the Employment Equity Plan will be in accordance with the agreed divisional targets and the Affirmative Action measures. All stakeholders (Management, Unions, employees, others) will be expected to honour their obligations in terms of achieving the set divisional targets. The organisation is also committed to creating a physical environment that is user friendly to all employees.

The Employment Equity Plan will have Corporate and Divisional targets for Affirmative Action by both job category and levels for designated groups. To further this objective the Employment Equity Steering Committee has been created. It has the responsibility for, identifying Employment Equity and Affirmative Action issues, co-ordinating the establishment of goals and setting up mechanisms for monitoring and reporting of Affirmative Action progress, assisting departments with the implementation of the Affirmative Action programmes and resolving related problems. The Designated Employment Equity Official reports to EXCO and the Board every six months. In the policy under review, this senior official is recommended to be the CFO.

1.1.6 Labour Relations

Overberg Water Board will strive to create a healthy environment where positive employee relationships are engendered. The industrial relations policy, therefore, encapsulates the following principles:

- Freedom of association;
- Recognition of representative trade union/s with the objective of developing an atmosphere of trust and co-operation;
- Collective bargaining with representative trade union/s on substantive issues;
- Establishment of formal communication channels and consultation between management and employees;
- Speedy resolution of disputes; and
- Establishment of formal grievance and discipline procedures
- Overberg Water Board will comply with the relevant parts of the Labour Relations Act and the relevant Codes of Good Practice.

2. Human Resource Development Plan

2.1 Functional areas of current staff

Table 19: Functional areas of staff

Descriptions	Africans		Coloured		White		Total
	F	M	F	M	F	M	
Executive (Top) management		1	1	1	0		3
Senior management	1	2					3
Professionally qualified and experienced specialists and mid-management		2		2			4

Descriptions	Africans		Coloured		White		Total
	F	M	F	M	F	M	
Semi-skilled and discretionary decision making	1	3	12	13	1		29
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	2	3	2	1			8
Unskilled and defined decision making	3	1	3	5			12
Total permanent	7	12	17	22	0		59
Temporary Employees	5	1					6
Grand total	12	13	17	22	0		65

Number of funded posts	65
------------------------	----

Number of qualified and registered engineers	02
--	----

Number of disabled employees	00
------------------------------	----

Table 20: Overberg Water age profile

Details	African	Coloured	White	Grand Total
Female	12	17		29
25-29	2			2
30-34	2	5	0	7
35-39	4	5	0	9
40-44	2	5	0	7
45-49	1	1	0	2
50-54	0	0	0	0
55-59	1	0	0	1
60-64	0	1	0	1
65-69	0		0	0
Male	13	22	0	35
20-24	0	0	0	0
25-29	2	0	0	2
30-34	5	4	0	9
35-39	2	5	0	7
40-44	1	4	0	5
45-49	1	3	0	4
50-54	2	4	0	6
55-59	0	2	0	2
60-64	0	0	0	0

During this business plan period, 1.62% of the workforce is anticipated to retire normally from the organisation.



2.2 Future staff projections

Table 21: Future staff projections

Staff Complement (No.)	Audited	Audited	Forecast	Projections					
	2021	2022	2023	2024	2025	2025	2026	2027	2028
Cost of production	82	46	47	47	47	47	47	47	47
Technical manager	0	1	1	1	1	1	1	1	1
System area managers	3	1	2	2	2	2	2	2	2
Engineers	1	1	1	1	1	1	1	1	1
Maintenance Officers	9	9	9	9	9	9	9	9	9
Senior Process Controllers	3	3	3	3	3	3	3	3	3
Process Controllers	14	14	14	14	14	14	14	14	14
Maintenance Workers	8	8	8	8	8	8	8	8	8
General Workers	12	9	9	9	9	9	9	9	9
Project Coordinators	2	0	0	0	0	0	0	0	0
Project Managers	2	0	0	0	0	0	0	0	0
Contract Workers (Project staff)	28	0	0	0	0	0	0	0	0
General & administrative	19	16	17	18	18	18	18	18	18
Executive management	3	2	2	3	3	3	3	3	3
Senior Managers	3	3	3	3	3	3	3	3	3
Professional staff	2	1	2	2	2	2	2	2	2
Supervisors	5	3	2	2	2	2	2	2	2
Administrative & clerks	3	4	5	5	5	5	5	5	5
Graduates	2	2	2	2	2	2	2	2	2
Cleaner	1	1	1	1	1	1	1	1	1
Total establishment	101	62	64	65	65	65	65	65	65

2.3 Employment equity targets

Overberg Water has recently established an Employment Equity Committee to address the transformation issues with the Entity. Nomination forms have been sent out to all employees to select several candidates to be represented on the committee. This process has been finalised and the entity trust that this committee will be up and running as soon as possible. The targets remain consistent from the previous years and will be reviewed and update by the committee.

Employment Equity Targets set for 2022 are as follows:

- To increase black employees from 10% to 20%.
- To decrease coloured & Indian employees from 84% to 75%.
- Overberg Water will also endeavor to ensure that at least 2% of its workforce comprises disabled people.

2.4 Training programmes

Overberg Water's Employment Equity and Skills Development Forum will commence shortly to discuss the training programmes undertaken and planned for the organisation. The plan will focus on improving the full spectrum of service delivery and the organisational structure. A training needs analysis has been completed by the Human Resources Department. Several training plans will be discussed at the forum for implementation.

2.5 Current training

Overberg Water's primary function is purification of water the training is aligned to achieve that objective.

The training which has taken place over the last few years to empower our employees included:

- NQF4 learnership in water and wastewater,
- Water sampling,
- Membrane technology,
- Chlorine handling and safety training,
- Pump training, ABET, VIP payroll,
- Management courses,
- Drivers' licenses,
- Human resource management;
- Management assistant N4; and
- Secretarial training N5.

In meeting the requirements of Regulation 17 of the Water Services Act No 108 of 1997 (the blue-drop and green-drop accreditation) an assessment has been conducted to determine the skills and competencies of Water Process Controllers. As a result of this, Overberg Water has developed a plan to close the gaps that will ensure Blue drop certifications for all. We already completed the NQF4 learnership in water and wastewater and will for the coming year complete the NQF5 learnership in water and wastewater. Several employees have received training on the DWS blue-drop and green-drop system.

2.6 Employee health programmes

Overberg Water is committed to create an environment for its employees that put their health and safety first. Overberg Water has implemented the OHSA 18001, a safety management plan, in order to better equip workers in terms of health and safety in the workplace and environment. The safety plan is reviewed annually.

Overberg Water also runs an employee wellness programme. The goals of the employee wellness programmes are to:

- Improve general health and well-being;
- Improve productivity;
- Improve the sense of being a team;
- Improve morale and attitude;
- Decrease absenteeism; and
- Reduce turn-over rate.

Educational programmes such as HIV Awareness forms part of the HR Department's plan to educate and support the staff on a frequent basis. Team building exercises will be incorporated in the years to come.

2.7 Skills gap and service delivery

Overberg Water spends time and resources to train staff to required levels in an environment that requires fulltime attendance to achieve prescribed water standards. Employees with scarce skills such as Water Process Controllers and Engineers, however, are often lured away

by other institutions with major financial and other resources. This creates a costly skills gap that impacts negatively and seriously hampers service delivery. It is also very expensive to train a newcomer up to that level again, only to run the risk of that employee also being lured away and having to start all over again. Staff retention strategies will be included in the Human Resources Plan.

2.8 Committees and forums

2.8.1 Local labour forum

The Labour forum was established in 2002. Meetings are scheduled on a bi-monthly basis to address labour requirements and issues from employees. The functions of the Local Labour forum are to:

- Promote the interests of all workers.
- Enhance workplace efficiency.
- Consult and communicate with the employer on labour matters and issues.
- Take part in decision-making regarding labour matters, issues and unrest.

2.8.2 Training forum

The Training forum was established in 2002. Meetings are scheduled on a bi-monthly basis to address training requirements and issues from employees. The functions of the Training forum are to:

- Promote the skills development and training of all workers.
- Identify skills courses and training that will aid in the enhancement of workplace efficiency;
- Consult and communicate with the employer on training related matters and issues.

2.9 Governance structures

2.9.1 The Board of Directors

The board of directors was duly appointed by Minister of Water & Sanitation. The Board is the Accounting Authority in terms of the PFMA. Upon the approval of the Board of Directors, the subcommittees of the Board are as follows:

- Audit, Risk & Business Strategy Committee
- Operations and Infrastructure Committee
- Human Resources, Remuneration & Ethics Committee

2.9.2 The Executive Management

The Executive Management structure of Overberg Water is the Executive Committee (EXCO) which currently comprises of the CEO, COO and CFO.

PART H: ENVIRONMENTAL MANAGEMENT

1. Environmental policy

Overberg Water Board's Environmental Sustainability policy is integrated into its Corporate Sustainability Policy. Where sustainability refers to the long-term maintenance of economic, social and environmental systems in an evolving human context, Overberg Water Board is committed to a water services business that is sustainable.



The organisation sets targets and measures and has implementation plans to achieve its corporate environmental commitments. Several components embrace Overberg Water Board's Environmental Management Programme, including: an overarching environmental sustainability framework; a sustainability policy; environmental strategies; implementation plans; and a robust management review system from its board room to shop floor.

Overberg Water Board interacts with the water value chain from source-to-sea. Importantly, the organisation must ensure sustainable bulk water infrastructure is developed and maintained in support of its core water services activities as well as engage sustainable suppliers and contractors. At a project level, Overberg Water Board strives to apply integrated environmental management (IEM) principles to its projects to ensure it undertakes environmentally responsible planning, design, construction, operation, decommissioning and maintenance of its assets and activities.

This process follows a project life cycle approach including:

- Consideration of potential impacts and environmental mitigation measures at the planning stage;
- Undertaking environmental impact assessment (EIA) and required mitigation during project design and
- Construction; development and implementation of sound management plans; and
- Undertaking environmental monitoring and auditing.

Key Environmental Indicators have been adopted for Overberg Water Board based on current best practise for environmental sustainability indicators, namely: Environmental Systems and Reducing Environmental Stresses; Reducing Human Vulnerability to Environmental Stresses; Institutional Capacity to Respond to Environmental Challenges; and Environmental Stewardship. South Africa is also in the process of developing environmental sustainability indicators and Overberg Water Board will maintain a watching brief on this process and accordingly realign its indicators and other elements of environmental sustainability.

The key indicators are elaborated on through thirteen key variables, namely, Air Quality and Reducing Air Pollution and Energy Impacts; Biodiversity and Reducing Ecosystem Stress; Land and Reducing Population Pressure; Reducing Waste and Consumption Pressures; Reducing Water Stress; Water Quality Management; Environmental Health; Reducing Environmental Related Natural Disaster Vulnerability; Environmental Governance; Eco-Efficiency; Science and Technology; Participation in Collaborative Efforts; and Greenhouse Gas Emissions.

In respect of Air Quality, Energy and Reducing Air Pollution several potential areas for air pollution risk and opportunity could arise for Overberg Water Board in the course of its water services business. Overberg Water Board's targets to address potential impacts include: Assessing and addressing the negative environmental and health effects of air pollution arising from its operational sites; Assessing and addressing the negative environmental and health effects of emissions arising from transportation; and establishing firm energy efficiency strategies for operational sites, buildings and offices.

Overberg Water Board will respond to Biodiversity and Reducing Ecosystem Stress through assessing the biodiversity value of its operational sites and managing significant biodiversity impacts.

In carrying out its water services business Overberg Water Board needs to ensure it does not contribute to Land Degradation and Desertification (including soil erosion) at its sites and land holdings. Where water scarcity is a problem, Overberg Water Board will assist with programmes for alternative water sources such as rainwater harvesting.

In response to Reducing Waste and Consumption Pressures Overberg Water Board is mindful that it will generate waste in various aspects of its water services business. In carrying out its business, Overberg Water Board will adopt a hierarchical approach to resource efficiency and waste management.

The survival of Overberg Water Board in undertaking its water services business is dependent on the availability of a sustainable source of raw water. Risks of Water Stress for Overberg Water Board include decreased supply, higher raw water costs, increased treatment costs and increased cost to customers; and water restrictions imposed on customers. Overberg Water Board will respond by improving efficiency through water demand management and identifying and reducing wasteful processes, as well as, respond to opportunities afforded by water management mechanisms.

Overberg Water Board is reliant on the sustainability of the water ecosystem for abstraction for potable water treatment and for discharge of waste. Risks associated with Water Quality Deterioration relate to limits on water availability and higher treatment costs arising from polluted freshwater ecosystems. In response, Overberg Water Board will set resource quality objectives for all abstractions for water treatment; Incorporate resource quality requirements into raw water supply contracts and agreements; Improve quality of waste discharges from its own sites and operations and investigate opportunities for recycling and trading.

Overberg Water Board's core business is provision of bulk water and wastewater services. At the same time, Overberg Water Board recognises the important link between Environmental Health and sustainable water services and will support water services with water, health and hygiene education

In Reducing Environmental Related Natural Disaster Vulnerability, Overberg Water Board has routine programmes in place to safeguard public health as well as protect the natural environment, namely in respect of disaster management planning for floods, drought and water quality and environmental response.

Overberg Water Board will ensure sound Environmental Governance through ensuring that an appropriate environmental sustainability policy is in place for the organisation and institutional capacity, knowledge and technology is built to respond to environmental sustainability challenges.

Various natural resources are used by Overberg Water Board in undertaking its water services business. Eco- efficiency for Overberg Water Board can be related to water, energy and materials used per kilolitre of treated water produced and the changes/reduction thereof over time.

Overberg Water Board will continue to develop its Research and Innovation framework which includes environmental sustainability and identification of any environmental sustainability research needs.

Overberg Water Board shows Participation in Collaborative Efforts by supporting and aligning itself directly and indirectly to the United National Millennium Development goals through its government mandate to provide water services and related institutional collaboration. Furthermore, Overberg Water Board keeps a watching brief and is involved in environmental resource sustainability programmes that pertain to its water services business.

Pertaining to the risks of Climate Change to the organisation; Overberg Water Board will respond by disaster management planning for floods, drought, water quality and environmental threats; investigating energy efficiency improvements; Investigating switching to alternative energy sources; and setting emission reduction targets.

This environmental sustainability framework also incorporates elements of Overberg Water Board's approach to guide Environmental Impact Assessments. Some of Overberg Water Board's new/proposed infrastructure requires environmental authorisations before the commencement of construction. Environmental Management Plans will be prepared for construction, operational and decommissioning phase activities. Whichever the case, the purpose of the environmental management plan is to identify the possible environmental impacts of the activity or proposed activity and develop measures to prevent, minimize, mitigate and manage these impacts. Overberg Water Board elaborates on its approach to Environmental Auditing and provides a framework to guide environmental audits. An environmental audit is a management tool used to assess environmental performance for an activity and identify potential for improvement.

1.1 External Social Policies and programmes

1.1.1 Corporate Social Responsibility

Overberg Water Board has developed a Corporate Social Responsibility (CSR) and Corporate Social Investment (CSI) for the purpose of adoption and usage by Overberg Water Board. This policy hopes to provide guidance to Overberg Water Board on the nature of CSR and CSI activities in which it should participate and guide Overberg Water Board on the expenditure/budget/investment required for the implementation of the organisation's CSR programme.

There will be a co-ordinated approach to the implementation of Corporate Social Responsibility initiatives by Overberg Water Board. The suggested establishment of an inter-divisional Corporate Social Responsibility Task Team will ensure that Overberg Water Board has a co-ordinated and coherent approach to Corporate Social Responsibility, and it will also identify and recommend appropriate projects/initiatives for funding or other forms of support.

One of the key anticipated outcomes of Overberg Water Board's CSR activities would be a contribution to development – both in the social and economic spheres. This is in line with the organisation's strategic developmental role, amplified in the Shareholder Compact in which there are explicit references to the developmental role of water boards. In addition, the organisation's contribution to development is espoused in its Business Plan and organisational Values, therefore, its participation in CSR and consequential investment are a natural extension to these commitments.

2. Environmental management programmes and plans

Overberg Water has throughout the past 5 years placed strong focus on reducing environmental stresses through:

- Water quality management
- Environmental health & governance
- Reducing waste & consumption pressures
- Use of technology

Although the Water Board has not yet formulated an Environmental Sustainability policy, continued sustainable principles and practices are part of daily operations, new interventions and legislative requirements. As part of the bi-annual Blue Drop assessments, sustainability indicators such as environmental health and unaccounted-for water use are inclusive of the evaluation. These also give substance to the fact that the business invests in improved environmental management practices.

3. Energy

Overberg Water looks to incorporate an energy efficiency strategy that would reduce resource consumption through investigations into renewable energy alternatives.

4. Water

On-going measures are currently being implemented to improve water use efficiency. Although unaccounted-for water use remains low, Overberg Water will further:

- Refine water balances of raw and potable water conveyance and distribution systems.
- Reduce measures with regards to unaccounted-for water use through conveyance system audits to identify leaks and illegal connections in the system, repairs and adequate maintenance of the pipelines in the system.

Overberg Water is dependent on surface water for supply to all its Water Care Works. DWS has undertaken research into sustainable river management which focuses on providing adequate surface water quotas to all water users within each catchment of the Western Cape. The report indicates that water-stressed areas can benefit largely from WC/WDM (Water Conservation Water Demand Management) without having to invest in alternative water resource exploration. Over the years, Overberg Water has continued to be part of various Catchment Management forums to further influence resource quality and quantity objectives in order to safeguard consumer water quality.

5. Chemical usage

Overberg Water has recently put in place measures to control and manage chemical usage at each of its Water Care works. Although this exercise stems from potential financial positives, the practice is also good from an environmental viewpoint. New dosing techniques and technology that will improve the use of chemicals operationally are also being investigated. To date Overberg Water has introduced new liquid dosing methods to increase efficiency in the water treatment process.

6. Biodiversity, land degradation and reducing ecosystem stress

Overberg Water continues to apply Integrated Environmental Management (IEM) principles in the entire life cycle of all infrastructure projects in order to ensure environmental sustainability. Environmental Impact Assessments form an integral part of any proposed project. Continuous monitoring and development of Water Safety and Environmental Management Plans to minimise impacts on the environment are also key elements of the business especially from a risk management perspective.

7. Water quality deterioration

As part of Overberg Water's key goals to safeguard against public health risks, continued monitoring of raw water takes place to try and assess trends in eutrophication, chemical contaminants and pathogens. This forms part of the business's key performance areas focussing on raw water quality outcomes. Continued engagements take place between the Board and Catchment Management stakeholders to influence resource quality and quantity objectives to ensure above standard potable water quality. To guard against potential ground water contamination from its sludge lagoons, Overberg Water maintains and monitors each lagoon and regular soil and water samples are taken to assess ground water seepage and its effects.

8. Environmental health and governance

Overberg Water will continue to protect the natural environment, through its water awareness programmes and the implementation of its risk management protocols for prevention of disasters. To promote environmental responsibility, it will continue to collaborate with DWS, municipalities, DEA&DP (Department of Environmental Affairs and Development Planning) and other organisations and stakeholders on key events like Water Week, Sanitation Week, Earth Day, etc. The Board prides itself in its Safety, Risk and Quality Management Plans that speak to environmental management, quality management and health and safety management as specified by international standards and practices like ISO 9001, OHSAS 18001, and SANS 241.

9. Environmental impact assessments

Overberg Water will continue to ensure sustainable development and maintenance of its bulk infrastructure. Integrated environmental management principles will be used whenever undertaking new projects and the associated Environmental Impact Reports highlight environmentally responsible planning, design, construction, operation, and maintenance of the activities related to project development. As part of the construction industry's strict guidelines and policies surrounding the engineering and built environment, environmental monitoring and auditing is key at all phases of a projects life cycle. Implementation of the Environmental Management Plans is aligned with Overberg Water's capital and operational expenditure on infrastructure.

10. Water Conservation and Demand Management

Because Overberg Water comprehends the nature of its locale, that it lies within a water-stressed catchment area, and that the river it depends on for raw water abstraction experiences severe seasonal fluctuations, it has adopted the mind-set that WC/WDM is not a legislative requirement, but a business need.

Apart from the regular WC/WDM reports that form part of a Municipality's mandate, Overberg Water is also obligated to continue to implement its WC/WDM strategy in order to promote water demand management practices within its regions. All 3 Municipalities that are within those boundaries are, through its Integrated Development Planning process, making good progress towards implementation of its WC/WDM Plans.

Overberg water has throughout the years had several education and public awareness campaigns aimed at promoting water conservation at household level. Specific emphasis is placed on learners and educators in order to make WC/WDM a part of their teaching curriculum and everyday activities. Overberg Water has also embarked, through section 30 activities, on fixing and retrofitting leaks at household level in poor communities of Laingsburg Municipality. This is part of a country-wide initiative to reduce unaccounted-for water use and phase 2 of this initiative will commence soon.

Work is underway to appoint a dedicated team to fix and reduce leaks throughout Overberg Water's reticulation system. New technology will be employed for detection and preventing leaks and the transmission of leaks data. Pressure reduction measures within the next few years will also form part of its investigation into curbing its water losses, as well as ensuring greater lifespan of its infrastructure.

Scope exists for Overberg Water and its customers to collaborate in a joint effort to implement WC/WDM throughout the region. For this to be successful would mean a significant decrease in water purchases but, in turn, would alleviate the need to embark on capital projects or infrastructure upgrades sooner than required. Continuous engagements are also necessary to assess household-level water use activities such that the resource can be used optimally and sustainably. Skills transfer between the different government entities within the region is also key in relaying WC/WDM techniques, advancements and solutions.

Table 22: Risk profile

Risk Type	Strategic Goals	Detailed description of risk	Response
Financial risks	Goal 2	Reduction of bulk water sales arising from the drought which could affect the liquidity of the organization	
Financial risks	Goal 1	Viability and sustainable of growth and expansion initiative- The current customer base is not sufficient to sustain future operations of OW.	Implement the growth path strategy which looks into 2nd activities that includes project management activities, establishment of a lab for provide testing services and implementing agent activities.

Risk Type	Strategic Goals	Detailed description of risk	Response
Financial and operational risks	Goal 2	Qualified audit report - leading to negative reputation	Enforce internal control and implement audit action plans to prevent repeat audit findings
Financial risks	Goal 2	Tariff model not recovering full costs – Resulting in capital levy not being recovered.	Consult on the capital levy with all customers and further obtain buy in of from the National Treasury, Western Cape Provincial Department, SALGA and the Department of Water and Sanitation.
Financial and operational risks	Goal 2	Threat to business operations due to data theft, Loss of information, insufficient management & Planning systems, Meter reading, Customer care, communication, and billing	Implementation of the ERP system
Financial risk	Goal 2	Overberg water may not be financially sustainable in the medium to long term, mainly due to:	
		The cost of load shedding	move to solar and green energy
		Aging infrastructure which negatively affects sales volumes.	Use a mixture of land covenants and investment withdrawal to finance the refurbishment of aging infrastructure.
		Impairment of debtors	Intensify debt collection, where applicable restrict the supply of water for non-paying customers.
		Unsustainable tariffs that do not factor for cost of capital expenditure for the refurbishment, augmentation and replacement of aging infrastructure and movable assets	Consult on the capital levy with all customers and further obtain buy in of from the National Treasury, Western Cape Provincial Department, SALGA and the Department of Water and Sanitation.
Operational risk	Goal 1	Absence of an approved disaster recovery plan (DSRP) – Not having the plan in place will result in OW not able to respond to emergency.	Disaster recovery plan developed, and site identified
Operational risk	Goal 1	Ageing infrastructure – This can result in significant pipe failures, high unsustainable maintenance costs, decrease in the water quality, increase in water losses and can also hamper service delivery of our key customers.	Consult on the capital levy with all customers and further obtain buy in of from the National Treasury, Western Cape Provincial Department, SALGA and the Department of Water and Sanitation.
Operational risk	Goal 2	Lack of funding – This can prevent the entity from building and constructing the strategic government priorities/projects in relation to supplying water to stakeholders.	Submit proposal for allocation of Regional Bulk Infrastructure Grant annually
Operational risk	Goal 1	Natural disasters – Drought/pandemic has a detrimental impact on the sustainability of the business. Overberg Water depends on the revenue from the sale of portable to finance its operations.	Source alternative sources of water supply such as the drilling of boreholes in order augment supply

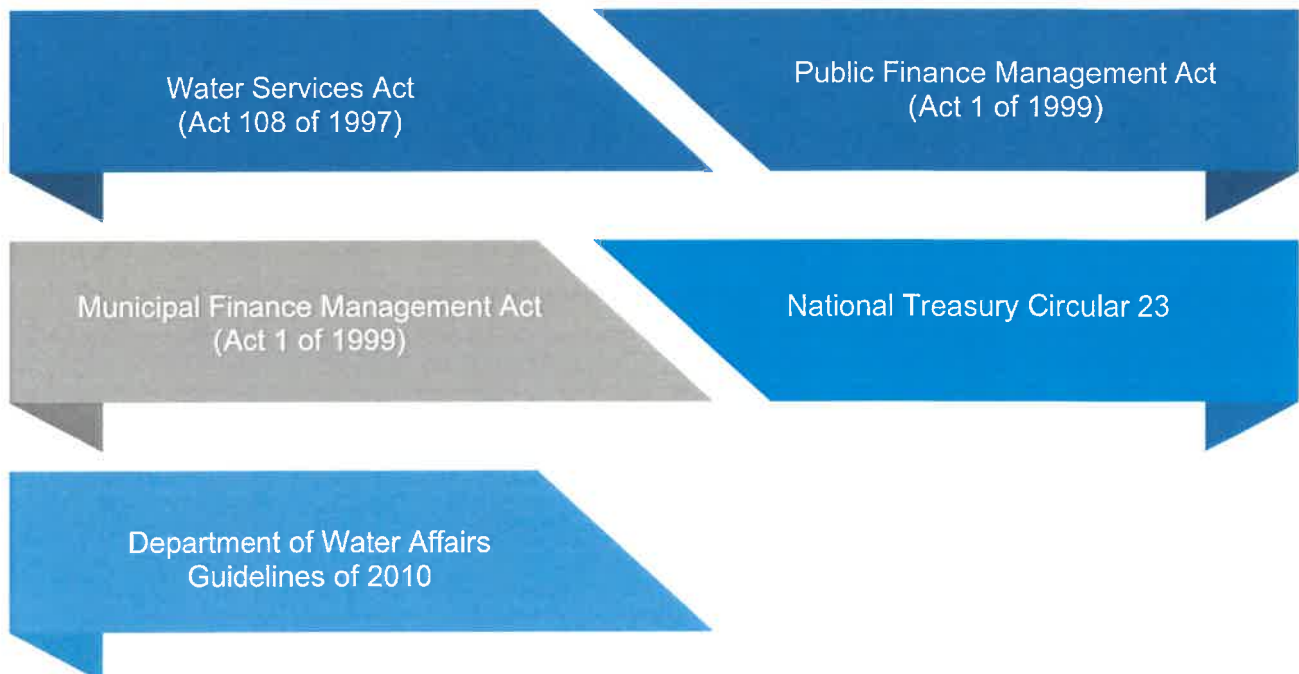
Risk Type	Strategic Goals	Detailed description of risk	Response
Liquidity risk	Goal 2	In ability to pay short term debt- Liquidity risk will result in the Overberg Water not being able to generate sufficient revenue required to meet financial obligation. This will impact the organisations' ability to achieve fulfil its financial strategy of financial viability to being able to meet its financial	Manage cash flow, cut costs and prioritise critical expenses.
Investment risk	Goal 2	Investment not yielding good returns - Credit investment risk will result in Overberg Water being exposed to counter party failure. This has a potential impact on the organisations ability to maintain financial health and improve financial ratios.	Constantly review the investment policy to ensure that investments are made with credible institutions within risk appetite acceptable by the National Treasury.
Credit risk	Goal 2	Poor debt collection- Credit risk will result in the Overberg Water not being able to effectively collect debt which will result in the entity to having sufficient cash flow to meeting its operational requirements.	Intensify debt collection, where applicable restrict the supply of water for non-paying customers.
Operational risk	Goal 1	Poor quality of water supplied: Capacity to supply sufficient quality and quantity of portable water to customers.	Refurbishment sand filters and implement controls to ensure compliance with SANS 241.
Human Capital Development	Goal 4	Strengthen and Develop quality Human Resources: Lack of the right organizational structure to support the business strategy. Lack of the right skills to support the business strategy.	Develop a competitive remuneration model and health work environment and provide growth opportunities.

PART I: FINANCIAL POLICIES

1. Tariff policy

In accordance with the Water Services Act 108 of 1997 as amended by Water Service Amendment Act 30 of 2004, the Municipal Finance Management Act no 56 of 2004 and the MFMA Circular 23 issued by National Treasury, Overberg Water Board's Tariff Policy is to set the lowest possible constant tariff in real terms and which has as the underlying principles:

- The promotion of the efficient and sustainable use of water;
- The equitable access to water supply services, whereby the basic level of service should be affordable; and
- The solvency and sound financial management of Overberg Water Board.
- The tariff policy encompasses the principle of consultation and transparency to customers and to assist its stakeholders with its longer-term planning;
- The tariff policy is based on the fact that revenue generated through the tariffs should recover operating and maintenance costs, as well as the costs associated with developing water supply infrastructure.



A new cash flow model was developed by Overberg Water Board with the assistance of TCTA and approved by the board of Overberg Water Board for use with effect from the financial year beginning 1 July 2002. The model was revised in 2019 to accommodate capital levy.

The model is for a 30-year period and uses the cash flow methodology based on a financially viable tariff. This implies that the tariff increase allows for the following:

- Repayment and servicing of debt;
- Recovery of capital, operational and maintenance costs;
- Reasonable provision for depreciation of assets;
- Recovery of costs associated with the repayment of capital from revenues (including subsidies) over time; and
- Reasonable provision for future capital requirements and expansion.

As a result of this cash flow methodology the organisation is able to manage its debt curve/levels which are the ultimate output of this model.

As a general rule the cash flow model should comply with the following constraints:

- Loans to be raised for funding Plant and Equipment should generally be assumed to be repaid over a period of less than 20 years.
- Assets must at all times exceed liabilities.
- A facility must be available to raise funds to meet short-term obligations.
- The water board should make a positive accounting surplus.
- The water board should in all years make a positive operating cash flow surplus after interest charges.
- Treasury imposed borrowing limits should not be exceeded.

The tariff determination procedure is preceded by sound planning. The following process must be followed:

- Determine the macro-economic factors and internal factors required as an input factor into the model,
- Confirm the operating costs, capital expenditure and sales volume demand.
- Compile financial model and determine funding requirements,
- Prepare a pro-forma tariff table for a 3-year tariff increase; and
- Follow the approval process for tariff increases as laid out in the Municipal Finance Management Act (MFMA) section 42 and Circular 23 issued by National Treasury.

The tariff for potable water charged by Overberg Water Board to its consumers is made up of the following cost elements:

- The raw water charges as charged by the Department of Water Affairs
- The direct operating costs as incurred by Overberg Water Board in treating and delivering bulk water services,
- The administration costs as incurred by Overberg Water Board in support of its bulk water services.
- The net finance costs relating to the cost of borrowings raised to finance the infrastructure of waterworks, reticulation schemes and working capital requirements.

Income and costs from other activities are ring fenced and are not factored into the bulk water tariff.

Cost components of the bulk potable water tariff must be reflected in a standardised pro-forma tariff table so that the components of a break-even tariff and the anticipated surplus are transparent and can be compared with the previous year's tariff. The tariff structure is linked to the Tariff Methodology as detailed above. Refer to annexure (b) for an example of the tariff table.

Key outputs from the financial model are net debt curve, tariff table, key ratios, funding requirements, income Statement, balance Sheet and cash flow statement.

2. Customer care policy

Overberg Water Board recognizes that the Water Services Authorities are its main customers in line with the provisions of the Water Services Act and Municipal Systems Act (Act 32 of 2000) which provides for a water services authority to appoint an independent water service

provider. The customers through Overberg Water Board/WSA liaison meetings determine both stated and implied customer water services requirements (Monitoring Framework). The Operations Division commits to providing water services of the best possible quality within its limits and recognises and conforms but not limited to quality requirements of potable water quality. Improvement plans for Blue Drop Certification assist to address these issues and support water services authorities.

Overberg Water Board has signed Bulk Supply Agreements with five of the six Water Service Authorities it supplies. These agreements cover obligations of both Overberg Water Board and its customers for the management of bulk water in respect of planning and implementation of the quality and quantity of treated water, asset management and metering. Overberg Water Board's levels of service will continue to be regulated and monitored at a micro level at the water works where the final treated water is distributed, as well as at a macro level where regional systems are integrated for water supply. Monitoring frameworks have been formulated in response to the formal agreement and are incorporated into operating rules, schedules and plans.

Quarterly operational liaison meetings with the municipalities will continue to ensure that customer requirements are continuously met and responses to new requirements are provided.

Overberg Water Board will continue to operate and maintain the three water schemes within the Overberg District as an interim annexure agreement to the existing Bulk Water Supply Agreement. The objective is to operate these small stand-alone local water schemes, whilst the regional schemes are being developed and phased in. In the interim, the small schemes are subject to the same water quality and quantity standards and this requires on-going rehabilitation of the existing infrastructure.

3. Credit control and disconnection policy

In term of section 51, General responsibilities of accounting authorities, of the Public Finance Management Act (PFMA), an accounting authority for a public entity:

- S51 (b)(ii), must take effective and appropriate steps to prevent irregular expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with operational policies of the public entity.
- S51 (c), is responsible for the management, including the safeguarding, of the assets and for the management of the revenue, expenditure and liabilities of the public entity.

Overberg Water Board has in turn developed Credit Policies and procedures to be followed to ensure effective accountability over the acquiring and recording for payment of goods and services.

The acquisition of goods and services on credit gives rise to a liability to the organisation. The importance of the correct processes, procedures, treatment and recording of this liability is critical for any organisation, as it has to be in terms of General Recognised Accounting Standards (GRAP).

To ensure effective risk management and control over debtors deriving from both primary and other activities and to ensure all reasonable measures are taken during the debt collection process, a Debtor Policy and procedures exist within the organisation. Debt collection is regulated in terms of the local government Municipal Finance Management Act (MFMA), the Public Finance Management Act (PFMA) and the Intergovernmental Relation Framework Act

13 of 2005. In terms of section 41(2) of the MFMA, Overberg Water Board is required to report to the National Treasury and Provincial & Local Government Department on:

- The amount to be paid by the municipality or municipal entity for such bulk resources for that month, and for the financial year up to the end of the month;
- The arrears owing and the age profile of such arrears;
- Any action taken by the organ of state to recover arrears; and disputes between organs of state.

In term of section 44 of the MFMA, should a dispute of a financial nature arise between organs of state, the parties concerned must take all reasonable steps that may be necessary to resolve the matter out of court. Further an organ of state must take effective and appropriate steps to collect all revenue due to the public entity concerned; and manage available working capital efficiently and economically; is responsible for the submission by the public entity of all reports, returns notices and other information to Parliament or the relevant provincial legislature and to the relevant executive authority or Treasury, as may be required by this Act.

4. Accounting principles

4.1 Separate accounting for primary and other activities

Overberg Water Boards accounting systems are geared into two reportable segments:

- The primary segment as defined by section 29 of the Water Services Act (Act 108 of 1997) which is made up of bulk water and wastewater treatment; and
- Other activities as defined by Section 30 of the Water Services Act (Act 108 of 1997). This business segment consists of non-regulated activities which are mainly defined as services that complement bulk water service provision such as laboratory services, water quality monitoring and environmental management and where Overberg Water Board acts as an implementing agent for any sphere of government for projects related to water service delivery.

4.2 Compliance with GRAP

The consolidated financial statements are prepared in accordance with GRAP, the Public Finance Management Act (Act 1 of 1999), as amended (PFMA) and the Companies Act (Act 71 of 2008). In terms of section 79 of the PFMA, National Treasury has issued an approval authorising the use of GRAP as the accounting reporting framework.

4.3 Accounting for reserves, assets, depreciation, and bad debts

4.3.1 Overberg Water Board capital and grant funding (Reserves)

Capital grants for infrastructure received by Overberg Water Board after 1 July 2000 are reflected against property, plant and equipment. The grant is recognised in profit or loss over the remaining useful life of the depreciable asset as a reduced depreciation expense. Capital grants received prior to 1 July 2000 are shown on the statement of financial position as Overberg Water Board capital and included under capital. Government grants towards staff re-training are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

4.3.2 Property, plant and equipment (Assets and depreciation)

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Land is not depreciated. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income. Works under construction are stated at cost less accumulated impairment losses. Cost includes the cost of materials, direct labour, allocated portion of direct project overheads and any costs incurred in bringing it to its present location and condition. Work in progress is commissioned on date of significant completion. Servitudes are considered an integral part of the asset and are essential to the operation of the asset and therefore forms part of the cost of relevant tangible asset.

Borrowing costs are capitalised on qualifying assets in accordance with the relevant accounting policy on finance costs. When property, plant and equipment comprise major components with different useful lives, these components are accounted for as separate items. Expenditure incurred to replace or modify a significant component of plant is capitalised and any remaining book value of the component replaced is written off in the statement of comprehensive income. All other expenditure is charged to the statement of comprehensive income. Property, plant and equipment is depreciated to its estimated residual value on a straight-line basis over its expected useful life. The depreciation methods estimated remaining useful lives and residual values are reviewed at least annually.

4.3.3 Trade and other receivables

Short duration receivables with no stated interest rate are measured at original invoice amount less allowance for doubtful debts.

4.3.4 Quantitative aspects: Materiality level

Overberg Water Board assesses the level of a materiality as being 1% of Overberg Water Board's gross revenue. It is recognised that different levels of materiality can be set for different classes of transactions. Overberg Water Board has, however, taken the approach of setting a more conservative materiality level that will be used for all classes of transactions. Factors considered:

Nature of Overberg Water Board's business: Revenue for Overberg Water Board primarily comprises sales of water, fees for management of waterworks and waste water works and revenue from S30 activities.

Statutory requirements applicable to Overberg Water Board:

- Overberg Water Board is listed as a PFMA Schedule 3B public entity.
- The Board of Overberg Water Board is required to execute their mandate in terms of the PFMA.

Overberg Water Board accordingly elects to give preference to a lower level of materiality due to it being so closely governed by various acts and the public accountability responsibility it has to stakeholders.

The control and inherent risks associated with Overberg Water Board:

- In assessing the control risk of Overberg Water Board, management concluded that level of materiality being 1% of gross revenue is appropriate and prudent. This assessment is based on the fact that a sound control environment is being maintained.

In this regard cognisance was given to amongst other matters:

- Proper and appropriate governance structures are established which include a Board of Directors (Accounting Authority), Chief Executive Officer and Executive Management.
- A Risk Management Committee with specific risk management responsibilities;
- An audit committee that closely monitors the control environment of Overberg Water Board;
- The function of internal audit is outsourced to professional independent internal auditors; and
- A three-year Internal Audit Coverage Plan based on annual risk assessments.

4.4 Auditing and internal control policy

The organisation outsources its Internal Audit function. The approach followed is a risk-based approach which takes into consideration Overberg Water Boards Integrated Risk Management Framework.

The approach and main areas of coverage in the internal audit function is:

- To conduct reviews of Treasury's practices and procedures, at appropriate intervals, to determine whether these are carried out in accordance with the laid down policy and control framework, and that these practices and procedures limit exposure to business and security risks.
- To report promptly the results of Compliance Audit reviews, resultant opinions and recommendations to the relevant management personnel to ensure that appropriate action is taken with respect to any concerns arising.
- To participate in the planning, design, development, implementation and operation of Treasury computer-based systems to ensure a secure and controlled computing environment.
- To identify and implement appropriate tools and techniques for effective execution of Compliance Audit activities.
- To co-ordinate Audit activities with those of the internal and external auditors.
- To report to the Audit Committee on:
 - Significant findings arising
 - Whether appropriate action have been taken

Further, Overberg Water Board has in place a Combined Assurance framework to assure the Audit Committee that Overberg Water Board sites, departments and systems have been audited in order to assure that there is sufficient monitoring of the internal control environment and that it has been undertaken in a coordinated manner, as well as to support Internal Audit's disclosure of the effectiveness of the organisation's system of internal control and risk management.

PART J: FINANCIAL PLAN (5 YEAR PROJECTIONS)

(See detailed five-year financial projections – separate document)

1. Tariff projections

1.1 Bulk and retail water tariff 2023: Consultation process

1.1.1 Bulk water customers

A customer Tariff consultation meeting was held with the Theewaterskloof Municipality and the Hessequa Municipality on the 10 and 15 November 2022 respectively. This followed S42 of the Municipal Finance Management Act.

Industrial and agricultural customers were consulted on the 17 November 2022 as they remain a vital customer group. Beyond this the Water Board remains committed to engaging all of its customers in order to respond to their needs.

The contents of the tariff presentation highlighted the operational risks facing Overberg Water and the financial impact thereof. The legislative framework governing the tariff computation was highlighted and discussed with the customers and the infrastructure plan and the lack of funding to finance it over the short to the medium term.

The presentation further highlighted the impact of any potential drought and the effect this could have on the tariff. The Department of Water and Sanitation proposed that a drought levy be introduced to offset costs during times of drought.

Overall, there was good interaction between the customers and Overberg Water. The main issues raised by the customers are tabulated below.

Table 23: Main issues raised by the customers

Hessequa Municipality

Comment	Response
Current bulk water tariff is not supported due the following reasons:	The Water Board notes the current CPI of approximately 6.2% and the council resolution to approve a 5.5% increase in water for the 2023/24 financial year.
1. The present CPI +-6.2%	
2. Council has approved a tariff of 5.5% for the 2023/24 financial year.	The present economic environment and slow recovery from the impact of COVID 19 including the increase in unemployment is also noted.
3. The impact of COVID 19 resulted in poor economic growth and job losses.	However, the Municipality must note the following:
4. Due to the current economic environment experienced in the country resulting in an increase in the indigent households in Hessequa region thus the tariff increase is unaffordable.	a) Overberg Water has a revenue back log/ loss of revenue resulting from the non-approval of tariffs for the 2020/21 financial year that might never be recovered.
5. In terms of the proposed capital levy as indicated in the outer years it would be appreciated if Overberg Water can provide a cost breakdown of the breakdown of the capital levy. The levy must be in accordance with the SLA, which determines that the parties shall agree on the method of	b) The Water Board, is already absorbing costs above inflation costs associated with its key cost drivers as detailed below <ul style="list-style-type: none"> • Raw Water 13.1%; and Energy 15% (actual approved by NERSA 18.65%)

Comment	Response
<p>addressing the recovery of a capital contribution charge.</p> <p>6. OWB must ensure that their maintenance the are updated and promptly executed.</p> <p>7. The proposed drought levy and penalty charge is based on allocation and not consumption.</p> <p>8. Proposed tariff is unaffordable, will lead to debt collection crises, the municipalities indigent has increased by 80% which must receive 6kl of water per month.</p>	<p>c) The current tariff assumes a net loss of R10.5 Million after taking the 8% increase for the 2023/24 financial year.</p> <p>d) The abovementioned loss will further be increased by load shedding which has an impact water sales volume and increase in the fuel expenditure due to utilization of generators to prevent interruptions in supply.</p> <p>e) The capital levy proposed for the outer financial years is subject to discussion and consensus with the municipality, however it must be emphasized that a failure to implement capital levy will have a negative impact on the sustainability of water supply in future due to lack of funds to refurbish, maintain and augment water infrastructure.\</p> <p>f) The maintenance plan is updated and implemented.</p> <p>g) A drought levy can only be implemented upon the Minister of Water and Sanitation declaring a drought. The purpose of this levy is to finance water intervention projects during the drought. The water board is willing to relook at the drought levy and penalty charge.</p> <p>h) Regarding the increase in indigent households that are now eligible to 6kl of free water, the municipality received an equitable share to cater for indigent household. However, Overberg Water as a Schedule 3B public entity is required in terms of the Water Services Act to sustain its self and therefore cannot charge a tariff that is align to inflation as this would result in a non-recovery of cost which would compromise the sustainability of the Entity.</p>

Theewaterskloof Municipality

Comment	Response
<p>A comparison between 2020/21. 2021/22 and the 2022/23 proposed tariffs based on actual consumption for the preceding 12 months illustrate that our actual bulk purchases account will increase by 8%. This is above the increase proposed by National Treasury of between 4% to 6%.</p>	<p>OW cannot charge a tariff that is between 4% to 6%, because such a tariff is neither a cost reflective nor is it a sustainable tariff.</p> <p>Overberg Water demonstrated during the consultation with the Municipality that the 8% tariff will result in a operating loss of >R10.5 Million. A 4-6% tariff is not sustainable because the entity is already absorbing costs that are above inflation on the Key Cost Drivers:</p> <ul style="list-style-type: none"> • Labour 4.4% • Chemicals 4.4% • Raw Water 13.1%; and • Energy 15% (actual approved by NERSA 18.65%)

Comment	Response
	<p>OW computed the tariff in accordance to the Norms and Standards issued by the Minister of Human Settlements, Water and Sanitation although these were not fully complied e.g. the standards require the entity to charge a tariff that will enable it to achieve a certain net surplus % and return assets.</p> <p>The current proposed tariff does not include a capital levy charge, which is necessary for the refurbishment of aging infrastructure that currently, requires immediate attention to ensure uninterrupted supply of water to the municipality.</p> <p>The current tariff also does not cater for the increase in fuel expenditure to mitigate the impact of load shedding on water supply.</p>
<p>In previous financial years we have continuously absorbed increases significantly above inflation, and we are still recovering from the devastation of the COVID 19 pandemic which is a huge factor which must be considered when tabling our budget to the rate payers.</p>	<p>The current proposed tariff is compiled in line with sub regulation 07 of the Norms and Standards for the setting of water tariffs. In terms of these standards a Water Board is required to recover the direct and indirect cost of running a water board, including the associated cost of maintenance, refurbishment of infrastructure, future infrastructure developments, net return on assets and net profit.</p> <p>The proposed tariff does not cater the refurbishment and maintenance of infrastructure due to the absence of the capital levy and as mentioned above this tariff assumes a loss for the 2023/24 financial and the medium term.</p> <p>The entity is also suffering a loss of revenue due to a tariff back log of 8% that was not implemented due to COVID 19.</p>
<p>The availability levy (an extremely high price paid “just to have water available”) has on avg. increased by more than 20% year on year over the last four years. The total increase in this tariff from 2013/2014-2019/2020 amounts to 178%, from R1.66 in 2013/14 to R4.62 in 2019/2020.</p>	<p>OW disagrees with the Municipality’s comment as the total average tariff increases over the 8 years has never has never been more or equal 178%.</p> <p>Overberg Water Historical Tariff</p> <ul style="list-style-type: none"> • 2012/13 Actual 12.04% • 2013/14 Actual 16.20% • 2014/15 Actual 15.82% • 2015/16 Actual 0.46% • 2016/17 Actual 13.83% • 2017/18 Actual 0.00 • 2018/19 Actual 10.24% • 2019/20 Actual 8.4% • 2020/21 Actual 0% • 2021/22 Actual 8% • 2021/22 Actual 8% •
<p>We would also like be bringing to your attention that despite numerous requests for Overberg Water to provide us with the audited financial statements as well as the annual reports, this has not been</p>	<p>Overberg Water Board disagrees with the Municipality’s statement as the Annual Reports relating the 3 previous financial years have been given</p>

Comment	Response
forthcoming. In the absence of the audited AFS and Annual Reports we are not able to assess and evaluate the performance of the Water board against the planned targets. We are also not sure whether there has been any fruitless and wasteful expenditure and/or irregular expenditure.	to the Municipality on numerous occasions and the AFS are also available on the Water Board's website.
The TWK Municipality consists of an indigent population of 53% and as such the consistent above inflation double digit increases over multiple financial years are not sustainable and it renders the bulk water supply unaffordable.	OW would like to put emphasis on the fact that the TWK Municipality receives equitable shares from the provincial treasury to accommodate the indigent population. Further to this, the municipality sells some of the water supplied by OW at a markup greater than 100% which should make it possible to provide water.
We are of the opinion that we are to a large extended subsidizing other consumer of Overberg Water, this is contradictory to what is currently contained in the contract. We trust that our objections to such a high tariff increase is well justified and humbly and sincerely request that you seriously reconsider your proposed tariff increase. We further request that you, in writing, respond to our objection as soon as possible.	Overberg Water Board disagrees with the statement by the Municipality on the subsidization of other customers. The tariff charged to the TWK Municipality is a scheme-based tariff and reflects the direct and indirect costs of running the Caledon Scheme with costs being apportioned in line with the registered allocation, The Municipality must also note that tariff paid by the Industrial and Agricultural Customers is substantially higher than the tariff levied to the TWK Municipality.

1.1.1.1 SALGA

Comment	Response
Water sales forecast Overberg Water saw a significant decline in water sales in 2021/22, with sales declining by almost 18% in this year compared to 2020/21. The water board is forecasting that sales will rebound in 2022, growing by almost 41% and then grow by a further 2.5% in 2023/24. The submission notes that sales growth is limited by water license limitations.	Based on the SALGA comment the other costs are costs that remain after deducting the key cost drivers of Raw Water, Chemicals, repairs & maintenance Labour, and Energy. The main reason why the Overberg Water Board's (OWB) Other Costs are proportionally higher in terms of percentage in comparison to other water boards, is the limited water license. OWB has demonstrated during the tariff consultations that the huge variation between the entity's water license and the capacity of the water treatment plants results in an under-utilization of the scheme by approximately 43%. This has a direct impact on the allocation of fixed overhead hence the high percentage other costs. Further to this most of the Repairs and Maintenance (R&M) expenditure is absorbed through the payroll as the entity does not outsource most of its R&M activities. The OWB does has the highest positive net interest income. The Water Board earns interest through the investment of its Emergency Fund in the short term in order to generate additional income to cover the cost of running the water board. The OWB did demonstrated during the current tariff cycle including the tariff for the 3 previous financial

Comment	Response
	<p>years that currently the entity is not charging a cost reflective tariff as this would result in a water tariff that is not affordable to our customers. The volumes sold are limited to the approved water license and therefore the lower the volumes the higher the average costs.</p>
<p>Revenue Forecast</p> <p>Overberg Water is forecasting a 2% decline in revenue from water sales in 2022/23, despite the anticipated 41% rebound in sales volumes in this year. Revenue from bulk water sales and sales to agricultural and industrial customers are projected to increase by 20% and 23% respectively, but the 'waste and potable water fixed revenue' item disappears from the financial projections, resulting in the net 2% revenue decline. There is no discussion in the tariff proposal of what this 'waste and potable water fixed revenue' item is and why it is being withdrawn. All tariffs continue to include a 'basic' and 'variable' portion, with the 'basic' portion assumed to effectively be a fixed revenue stream that does not vary based on volumes sold. The capital levy appears as a separate revenue stream only from 2024/25 despite its proposed introduction in 2023/24. The overall 7% increase in revenue shown in the projections for 2023/24 does not seem to reconcile with the 2.5% sales volume increase anticipated in that year and the 12.7% tariff increase requested.</p> <p>Overberg Water is projecting revenue increases of 12% per annum on average between 2024/25 and 2026/27. This relies on tariff increases of approximately this magnitude over this period rather than sales volume growth.</p>	<p>The OWB costs increases are for 2022/23 financial year are aligned to the following:</p> <p>Raw Water 6.7% is aligned to the raw water tariff proposed by the Water Trading Entity of the Department of Water and Sanitation</p> <p>Staff costs are strictly aligned to the projected average CPI for the 2023 financial year as published by the Industrial Development Corporation's Macro Economic Assumptions.</p> <p>Energy is aligned to the approved ESKOM tariff.</p> <p>Chemicals are aligned to the annual escalation clause of the entity's chemicals suppliers.</p> <p>Repairs and maintenance is aligned to the demands of the maintenance plan approved by the Board's Infrastructure Committee.</p> <p>The assumptions used in the financial plan included in our business plan were considered however, the entity had to take cognizance of the latest macro-economic factors.</p>
<p>Raw water (2% of direct expenditure)</p> <p>Raw water costs for Overberg Water are very low and are the lowest share of total expenditure of any water board by a large margin. Overberg Water indicates that these costs have increased by about 6% per annum historically but that a cost increase of 13.1% has been indicated by the water trading entity for 2023/24. SALGA accepts this increase and notes that it has only a small impact on the overall tariff.</p>	<p>Raw Water</p> <p>The raw water figure for Overberg Water is relatively low in comparison to other water board and this mainly because Overberg Water is the smallest water in the South Africa.</p> <p>The 13.1% increase in raw water is aligned to the proposed raw water tariff increase for the 2023/24 financial year.</p>

Comment	Response
<p>Staff (48% of expenditure)</p> <p>In contrast, staff costs make up 48% of total expenditure at Overberg Water, a notably high amount. Staff costs per kl of water sold in Overberg Water are almost double the cost of the next highest water board, Amatola Water (see Figure 2 earlier in this report). SALGA notes that Overberg Water is a very different organisation to the other water boards, with a large retail business. SALGA requests, however, that Overberg Water continues to try to reduce its salary cost by relooking its overhead's structure to improve efficiency and reduce its costs per kl.</p> <p>Overberg Water is assuming a relatively modest increase in remuneration in 2023/24 of 4.4%, equivalent to its assumptions regarding CPI. SALGA accepts this increase and notes that in fact may be on the low side, given that collective bargaining agreements often result in salary increases that are above inflation. Overberg Water indicates that it is planning for a 3.6%</p>	<p>Staff expenses</p> <p>The assumption that Overberg Water's staff expenses are too not a true reflection as it includes repairs and maintenance expenditure absorbed through the payroll which in consequence makes the % staff costs high. The entity will endeavour to split this figure in future tariffs proposals in order to reflect a true figure for staffing costs.</p> <p>The proposed increase in wages is considering affordability concerns. The approved wage increases for the 2022/23 financial year was 5% which is below what the Amanzi Bargaining Council members obtained. Overberg is not a member of this bargaining council.</p> <p>The forecasted expenditure for the 2022/23 financial year which has not yet ended includes the filling of vacancies that became vacant between the beginning of the financial year and the timing of the tariff proposal.</p>
<p>Overberg Water Bulk Tariff Review 2023/24</p> <p>increase in staff numbers in 2023/24 but does not appear to have factored this into the projected increase in expenditure on staff.</p> <p>Energy (18% of expenditure)</p> <p>Energy costs per kl are also very high in Overberg Water, with energy making up 18% of total expenditure and costing 60% more per kl than the water board with the next highest energy cost (Bloem Water). It is not clear why the energy cost per kl is so high, although it is assumed that this may be related to the dispersed nature of Overberg Water's business and large pumping distances.</p> <p>Overberg Water is assuming a 15% increase in expenditure on electricity in 2023/24. This is modest, given that Eskom has requested a 32% increase, yet to be adjudicated by NERSA. SALGA does not believe that the 32% increase will be awarded and has largely been working on an assumption of a 16% increase, slightly higher than the 15% assumed by Overberg Water.</p>	<p>Energy (18% of expenditure)</p> <p>The energy cost of the entity are high due to the geographical location of the Overberg Region which is largely mountainous and therefore, results in gravitational abstraction which requires higher usage of electricity than flat surface. The 15% projections were assumed in light of the previous tariff increases by ESKOM as a 32% hike was assumed unacceptable.</p>

Comment	Response
<p>Chemicals (4% of direct expenditure)</p> <p>Overberg Water is assuming that chemicals costs will increase by its CPI assumption of 4.4%.</p> <p>Repairs and maintenance (8% of direct expenditure)</p> <p>Overberg Water assumes that other cost of sales items will increase by PPI growth, which it assumes to be 5.8%.</p> <p>Admin and overheads (19% of direct expenditure)</p> <p>Admin and overheads are another area of notably high expenditure for Overberg Water, with the cost per kl of this item 46% higher than the water board with the next highest cost, Amatola Water (see Figure 2). In their response to SALGA's comments on the 2022/23 tariff proposal, Overberg Water indicated that this is due to the 43% underutilization of their water supply scheme. This is a major inefficiency in the Overberg system.</p> <p>Overberg Water is assuming that admin and overheads will increase by CPI in 2023/24, which it is assuming to be 4.4%.</p> <p>Other expenditures</p> <p>Overberg Water is assuming that depreciation will increase by 5.5% in 2023/24. No explanation for this increase is provided but it is not unreasonable, and SALGA accepts it.</p> <p>Overberg Water does not allow for expenditure on the impairment of debt. Its financial projections show a steady decline in the level of accounts receivable, and it is assumed that the water board has measures in place to collect outstanding debt rather than impair it. In its response to SALGA's comments on the 2022/23 tariff application, Overberg Water indicated that it had maintained a collection rate of 95% to 98% for the previous three financial years.</p> <p>Overberg Water is assuming that its net revenue from financing activities (finance income less finance expenditure) will decline significantly in 2023/24 due to the investment withdrawals and finance costs</p>	<p>Chemicals</p> <p>The projected increase in the cost of chemicals is aligned to the annual escalation clause of our chemicals contract which based purely on CPI.</p> <p>Repairs and maintenance (8% of direct expenditure)</p> <p>Repairs and maintenance are a reflection of day to day maintenance of water infrastructure assets and does not include the refurbishment of aging infrastructure. Such expenditure for the 2023/24 financial year shall be finance through a combination of loans and available reserves.</p> <p>Admin and overheads (19% of direct expenditure)</p> <p>The 43% underutilization of the schemes is a direct result of the water license limitations. Overberg Water applied for additional water licenses in the past without any positive feedback from the Department of Water and Sanitation. However, the entity has resolved to implement a plan to identify alternative water sources such as desalination and ground water sourcing, to augment the current water supply and water sales volumes.</p> <p>Admin costs are to increase in line with CPI as the entity endeavours to keep cutting costs so that more money can be concentrated on the infrastructure refurbishments.</p> <p>Other expenditures</p> <p>Overberg notes comment on depreciations</p> <p>The reason why impairment is not provided is because the water has an excellent collection rate which is between 95% to 98%.</p>

Comment	Response
<p>associated with planned borrowings required to finance the refurbishment of aging infrastructure.</p>	<p>Noted</p>
<p>Capital expenditure and capital finance.</p> <p>Overberg Water has the largest planned capital programme of any water board, relative to volumes sold (see Table 1 earlier in this report). Little explanation for this capital programme is provided in the tariff submission but it does not appear to be related to expansion. The presentation refers to a commitment to 'address the ageing infrastructure crisis' and it is assumed that the planned capital expenditure is thus related to asset renewal.</p> <p>Given that the introduction of the capital levy is a key driver of the 12.7% tariff increase requested, it is important that SALGA is provided with sufficient information to allow for an assessment of the need for capital expenditure of this magnitude and the approach to financing it. This is not well justified in the tariff proposal, which focusses on the 8% increase requested in the base and variable tariff portions and provides very limited discussion of the capital levy.</p> <p>It currently appears that Overberg Water intends to finance capital expenditure exclusively through the capital levy. The cash expenditure on additions to property, plant and equipment in the financial projections from 2024/25 onward is substantially lower than the capital programme indicated in Table 8, and still results in a steady decline in cash position over time. The capital levy does appear to have been incorporated in the financial projections (it appears in the statement of financial performance). Overberg Water states in its submission that 'failure to introduce a capital levy will negatively affect cashflow by the end of the medium term'. It appears that even with the capital levy and a substantially smaller capital programme, cash balances will decline. There are several assumptions in the financial projections,</p>	<p>Capital expenditure and capital finance.</p> <p>Overberg Water's capital programme is outlined in its infrastructure plan that details all assets to be refurbished in the current year (2022/23) up to the MTEF period.</p> <p>The entity agree that none of the actual and projected CAPEX includes expansion but rather caters for addressing the aging infrastructure.</p> <p>The entity in its strategic planning has resolved to focus more on addressing the aging infrastructure in order to reduce non-revenue water, interruptions in supply and any water quality related issues as all these things mentioned are critical to keeping its mandate which is the sale of bulk potable water.</p> <p>The entity did not include the capital levy in the 2023/24 financial year. However, the levy is projected to kick in the year 2024/25. Currently all CAPEX is to be financed with available cashflows and a combination of loans and investment withdrawals. This will result in gradual decrease in investments and available cashflow.</p> <p>However, it must be stated to SALGA and other stakeholders that a failure to charge a capital levy on the medium term will result Overberg Water not being able to guarantee sustainable water supply to its customers. The capital levy to be charged is not charged with intention to increase revenue and the net surplus but rather to refurbish the ageing infrastructure.</p> <p>The capital levy is to be introduced in 2024/25 and going forward and not the financial year under review (2023/24)</p>

Comment	Response
<p>however, that do not make sense to SALGA (notably the assumed 2% reduction in revenue in 2022/23 despite the stated assumption that sales volumes will increase by 40%). SALGA would require more information to interpret the financial projections and therefore the need for a tariff increase to finance capital expenditure.</p> <p>SALGA notes further that the impact of the current levies proposed on tariff increases are significant and likely to have affordability implications for municipal customers. SALGA requires more information on the planned capital programme to be able to comment on the magnitude of tariff increase required to finance capital expenditure. It also believes that the introduction of such an increase should be accompanied by efficiency improvements elsewhere in the operations of Overberg Water to limit the impact on the overall tariff and therefore improve affordability to municipalities. Without clarity on cost containment or efficiency efforts, SALGA is not willing to support any additional tariff increase to finance capital expenditure.</p>	
<p>Cash flow and liquidity</p> <p>Overberg Water currently has strong liquidity, with current and quick ratios of 2.4 and 2.3 respectively, and a cash ratio of higher than 1. The financial projections show these ratios declining steadily over time.</p> <p>The financial issues result largely from the overall financial performance. After generating profits in 2019/20 and 2020/21, Overberg Water generated an operating deficit of 3% of revenue in 2021/22. It expects these deficits to increase in 2022/23 and 2023/24 before declining, with a surplus generated again only in 2026/27. It is not clear from the tariff submission what is driving this decline in performance. There was a significant reduction in sales in 2020/21, but sales projections show that this will be recovered in 2022/23. As already noted in Section 3.2.2, this does not appear to be reflected in the revenue projections, which show a decline in revenue of 2% despite an anticipated 40% increase in sales volumes. SALGA would need further information to understand the financial projections</p>	<p>Cash flow and liquidity</p> <p>Overberg Water had a significant decline in the water sales revenue in the 2021/22 financial year as a result of significant water losses during the 3rd quarter of that financial year. It is expected that revenue is to recover in the current financial year due to the turnaround strategy implemented after that revenue is expected to normalize over the medium term due to limitations of the water license.</p> <p>The decline in financial performance is a result of the losing water related revenue earned from a 2-year project management contract with the Department of Public Works and Infrastructure.</p> <p>Revenue for the 2023/24 shows increase of 7% this directly linked to an increase a tariff minus a decrease in the registered allocations.</p> <p>The increase over the medium term are linked to a decrease in the non-revenue water and interruptions in supply which will have a positive impact on the water sales volume.</p>

Comment	Response
	Cashflow will decrease as result of the additions/acquisition of assets starting from the current year (2022/23) up to the end of 2027/28
<p><u>Tariff increases</u></p> <p>Overberg Water structures its tariffs as a basic and variable component and a capital levy. This levy was zero in 2022/23 but Overberg Water proposes increasing it to R0.60 per kl in 2023/24. Overberg Water is proposing an 8% increase in the base and variable portions of its tariff. With the capital levy included, however, the overall weighted increase is 12.7%.</p> <p>SALGA believes that the 8% increase requested by Overberg Water is fair and in fact may be on the low side. In particular, the assumptions of a 4.4% increase in remuneration and 15% increase in the electricity price may be a little low. Overberg Water has also assumed a 4.4% CPI increase, while the National Treasury Medium Term Budget Policy Statement indicates 4.7%. Given the above assumptions and Overberg Water's cost structure, SALGA believes that a 9.5% tariff increase for Overberg Water can be justified.</p> <p>Regarding capital financing, SALGA does not support separate capital levies. Current capital expenditure plans and financial projections suggest that some additional increase may be required to finance the capital programme but there are several elements of the financial projections that do not seem to make sense, notably the revenue decline assumed for 2022/23 and the low increase assumed for 2023/24. SALGA would also like more information on the capital expenditure programme.</p> <p>Finally, SALGA believes that, if an additional tariff increase to finance capital expenditure is to be allowed, it must be accompanied by efficiency improvements elsewhere in the Overberg Water business, notably on staff and overheads costs, to reduce the impact of the capital programme on the tariff and therefore on affordability to municipal customers. Overberg Water received a high tariff increase in 2022/23 (13%). SALGA therefore does not believe that Overberg Water can justify an increase more than 9.5%. The National Energy Regulator of South Africa (NERSA) issued a statement on January 12, approving a 18.65% tariff increase to ESKOM.</p>	<p><u>Tariff increases</u></p> <p>Overberg Water notes SALGA's recommended tariff increases of 9.5% driven by the recent approved Eskom tariff. However, the entity would like to emphasise that the capital levy will start in 2024/25 and not the year under review and that its essential that the capital levy be charged to allow Overberg Water to guarantee sustainable water supply through addressing the issues of aging infrastructure.</p> <p>In conclusion the proposed capital levy is 8% on both the basic and variable charges.</p>

Comment	Response
This increase does have a direct impact on bulk water tariffs for the 2023–24 financial year.	

1.1.1.2 National Treasury

National Treasury Comment	Overberg Water Response
NT notes and supports, in principle, the introduction of a capital levy for funding the capital expenditure. This will assist the water board in the implementation of critical infrastructure plans. However, it will be helpful if the water board provides details of the capital investments that will be funded by the capital levy to assist NT in assessing the infrastructure funding gaps, if any.	Overberg Water notes the support of the capital levy to be introduced in the 2024/25 financial year and going forward as its required to address challenges relating to aging infrastructure.
NT has noted some discrepancies in the water sales figures provided in the tariff submission. In addition, there is a substantial increase in the projected water sales for 2023. It is unclear from the submission what informs the significant increase. Therefore, the water board is requested to provide detailed figures on the historic and projected water sales.	The Entity suffered significant water losses during the 2021/22 financial year which had adverse impact on revenue. The Entity anticipates a revenue clawback on these losses in the 2022/23 financial year as it has developed and implemented a turnaround strategy to prevent and minimise interruptions in water supply and reduce the percentage non-revenue water.
The water board is urged to ensure the accuracy of the information provided. The tariff proposal reflects the actual tariff for 2021/22 and states that there was no tariff increase. However, the water boards were unable to increase the 2020/21 tariffs in line with the decision by the former Minister of Water and Sanitation. In addition, the 2022/23 tariffs are still reflected as projected tariffs whereas these would have been implemented in the current tariff cycle.	The Entity apologises for the incorrect headings. However, the information in terms of historical, current, and projected tariffs is accurate.

National Treasury Comment	Overberg Water Response
<p>Lastly, the water board is urged to ensure that future submissions to NT and SALGA fully comply with the requirements of the MFMA Circular 23 and the DWS</p> <p>Guideline for bulk potable water tariffs determination. The current submission does not provide sufficient information for NT to do a thorough analysis of the proposed tariff. The water board is urged to include the following to ensure comprehensive analysis of the tariff proposal:</p> <ul style="list-style-type: none"> • benchmark the proposed increases to historical and actual performance against budget, • provide discussion regarding full cost recovery, cost reflectivity and challenges faced by the water boards, as well as responses to these challenges, • provide detail regarding Overberg's plan to address the operational challenges. • facing the water board and how this plan is funded from tariffs, if at all, • provide detail on cost cutting measures implemented by the water board including in the area of direct and indirect salary increases and consultant fees, discuss and motivate the principles informing tariff setting. 	<p>The Water notes this comment from the National Treasury.</p>

1.1.2 Bulk water tariff 2024: approval by DWS

Overberg Water Board submitted all tariff documentation to the Department of Water and Sanitation. Despite the difficult operating environment facing OWB, DWS has approved a tariff increase of 8% bulk water customers and 8% for agricultural customers for 2023/24 financial year.

2. Financial planning assumptions

Table 24: Macro-economic assumptions

Macro-economic assumptions	Audited		Forecast		Projections			
	2021	2022	2023		2024	2025	2026	2027
Consumer price index (CPI)	5.30%	4.70%	7.10%		7.10%	4.80%	4.50%	4.30%
Producer price index (PPI)	4.30%	5.30%	10.60%		10.60%	5.20%	5.40%	5.00%
Prime overdraft rate	9.75%	7.00%	11.25%		10.50%	10.25%	10.00%	9.75%
								5.18%
								6.55%
								10.13%

The assumptions used were taken from the macro-economic assumptions published by the Industrial Development Corporation for the period end 28 February 2022 as StatsSA CPI and PPI reports for the period ended March 2023.

Table 25: Employee costs planning assumptions

Employee costs planning assumptions	Audited		Forecast		Projections			
	2021	2022	2023		2024	2025	2026	2027
Basic pay (% Increase)	6.50%	4.10%	5.00%		7.10%	4.80%	4.50%	4.30%
								5.18%

Proposed increase is driven only by the Consumer Price Index (CPI), Forecast was based on the outcome of the wage negotiations concluded with the Unions.

Table 26: Staff number planning assumptions

Staff Complement (No.)	Audited	Audited	Forecast	Projections					
	2021	2022	2023	2024	2025	2025	2026	2027	2028
Cost of production	82	46	47	47	47	47	47	47	47
Technical manager	0	1	1	1	1	1	1	1	1
System area managers	3	1	2	2	2	2	2	2	2
Engineers	1	1	1	1	1	1	1	1	1
Maintenance Officers	9	9	9	9	9	9	9	9	9
Senior Process Controllers	3	3	3	3	3	3	3	3	3
Process Controllers	14	14	14	14	14	14	14	14	14
Maintenance Workers	8	8	8	8	8	8	8	8	8
General Workers	12	9	9	9	9	9	9	9	9
Project Coordinators	2	0	0	0	0	0	0	0	0
Project Managers	2	0	0	0	0	0	0	0	0
Contract Workers (Project staff)	28	0	0	0	0	0	0	0	0
General & administrative	19	16	17	17	17	17	17	17	17
Executive management	3	2	2	2	2	2	2	2	2
Senior Managers	3	3	3	3	3	3	3	3	3
Professional staff	2	1	2	2	2	2	2	2	2
Supervisors	5	3	2	2	2	2	2	2	2
Administrative & clerks	3	4	5	5	5	5	5	5	5
Graduates	2	2	2	2	2	2	2	2	2
Cleaner	1	1	1	1	1	1	1	1	1
Total establishment	101	62	64	64	64	64	64	64	64

Staff complement assumes a moratorium on the filling vacancies to curb rising employee costs as part of the entity's cost saving initiatives.

3. Production costs

Table 27: Production cost planning assumptions

Production planning assumptions	Audited	Audited	Forecast	Projections				
	2021	2022	2023	2024	2025	2026	2027	2028
Chemicals price increase	4.90%	5.20%	6.20%	10.00%	10.00%	10.00%	10.00%	10.00%
Electricity tariff	6.30%	15.06%	18.65%	12.74%	12.74%	12.74%	12.74%	12.74%
Raw water tariff	6.00%	6.00%	6.20%	13.10%	13.10%	13.10%	13.10%	13.10%
Non-revenue water	14.00%	21.50%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%

- It's assumed that chemicals will increase by 10% due to both usages as well the prices of chemicals in the markets which are largely influenced by the global economy due to the nature of input cost in chemicals.
- Raw water tariff is a combination of the infrastructure levy paid to the Breede-Gouritz Catchment Management Agency, Duivenhoks Water Users Association and the Water Trading Entity of the Department of Water & Sanitation.
- Non-Revenue water is capped at 15% due to the aging infrastructure it will be kept at this level for the medium-term expenditure period. During this period an infrastructure plan will be implemented to address the related aging infrastructure bottlenecks.



4. Water sales projections

Table 28: Water sales projections

	Audited	Actual	Forecast	Projections				
	2021	2022	2023	2024	2025	2026	2027	2028
Bulk water (kl '000)	1,470	1,471	1,630	2,225	2,229	2,235	2,242	2,248
% increase	-13.42%	0.07%	10.82%	36.50%	0.20%	0.25%	0.30%	0.30%
Other customers (kl '000)	1,767	1,280	2,239	2,199	2,204	2,209	2,216	2,222
% increase	12.75%	-27.56%	74.96%	-1.79%	0.20%	0.25%	0.30%	0.30%
Total (kl '000)	3,237	2,751	3,869	4,424	4,433	4,444	4,457	4,471
% increase	-0.85%	-15.01%	40.66%	14.34%	0.20%	0.25%	0.30%	0.30%

Below shows the water sales growth. It is assumed that water sales will clawback from the losses of 2022 financial year thereafter it will normalise, see below figure 18.

Water Sales Projections

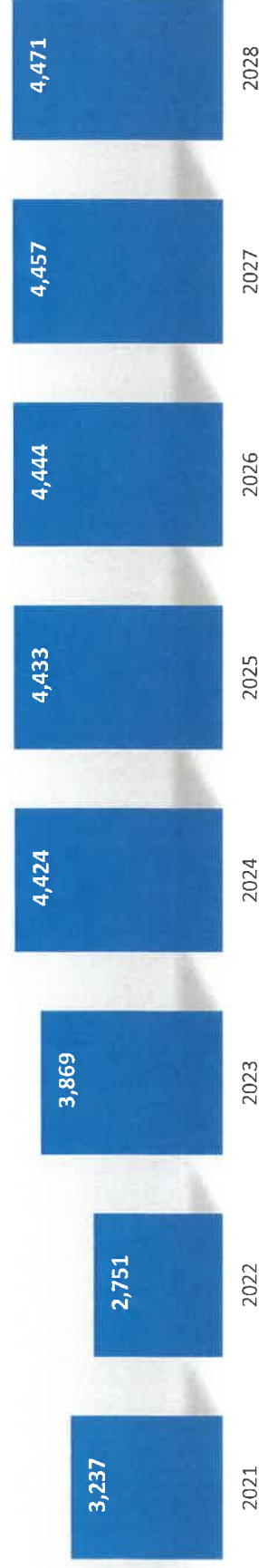


Table 29: Water license vs water sales 2023/24

Scheme	Water Licences	Raw Water Purchases	Maximum output (capacity)	Allocations	Projected Water Sales
	kl	kl	kl	kl	kl
Duivenhoks (Heidelberg)	1,232,000	2,307,000	2,046,000	1,847,775	1,753,098
Ruensveld East (Swellendam)	897,000	924,313	1,711,200	1,100,152	876,714
Ruensveld West (Caledon)	1,914,000	1,568,000	3,608,400	3,302,328	1,794,382
Total	4,043,000	4,799,313	7,365,600	6,250,255	4,424,194

Figure 19: Analysis of Overberg Water's water licenses compared to water sales 2023/24

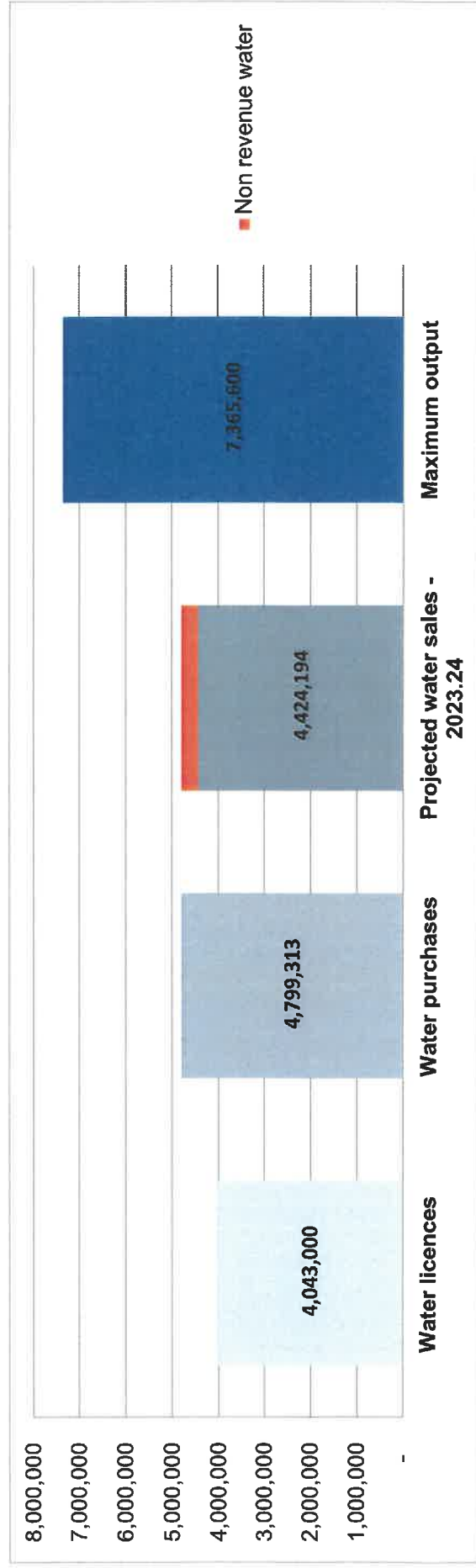


Table 30: Water tariff projections

Theewaterskyl Unit of Municipality	Actual Tariff 17/18	Actual Tariff 18/19	Actual Tariff 19/20	Actual Tariff 20/21	% Tariff increase 20/21	Actual Tariff 21/22	% Tariff increase 21/22	Actual Tariff 22/23	% Tariff increase 22/23	Actual Tariff 23/24	% Tariff increase 23/24	Actual Tariff 2024/25 to 2027/28	Projected Tariff 24/25	Projected Tariff 25/26	Projected Tariff 26/27	Projected Tariff 26/28	Projected Tariff 27/28
Basic Levy P/kl	3.17	3.71	4.02	4.02	0%	4.34	8%	4.69	8%	5.06	8%	10%	6.02	6.50	7.02	7.58	8.18
Variable Levy P/kl	2.75	3.08	3.34	3.34	0%	3.61	8%	3.90	8%	4.21	8%	10%	5.00	5.40	5.83	6.30	6.80
Capital Levy P/kl	0.25									0.61							
Total Tariff	6.17	6.79	7.36	7.36	0%	7.95	8%	8.58	8%	9.27	8%	10%	12.12	13.09	14.13	15.26	16.48
Drought Levy P/kl																	
Penalty Charge																	
Hessequa Municipality																	
Basic Levy P/kl	3.98	4.26	4.62	4.62	0%	4.99	8%	5.39	8%	5.82	8%	10%	6.91	7.47	8.06	8.71	9.41
Variable Levy P/kl	2.75	3.08	3.34	3.34	0%	3.61	8%	3.90	8%	4.21	8%	10%	5.00	5.40	5.83	6.30	6.80
Capital Levy P/kl	0.25	0	0	0						0.61							
Total Tariff	6.98	7.34	7.96	7.96	0%	8.60	8%	9.28	8%	10.03	8%	10%	13.10	12.87	13.89	15.01	16.21
Drought Levy P/kl																	
Penalty Charge																	
Industrial																	
Basic Levy P/kl	7.92	9.01	10.09	10.09	0%	10.90	8%	11.77	8%	12.71	8%	10%	15.10	16.31	17.61	19.02	20.54
Variable Levy P/kl	2.75	3.08	3.45	3.45	0%	3.73	8%	4.02	8%	4.35	8%	10%	5.16	5.58	6.02	6.50	7.02
Capital Levy P/kl	0.25	0	0	0			0	0.61									
Total Tariff	10.92	12.09	13.54	13.54	0%	14.62	8%	15.79	8%	17.06	8%	10%	20.26	21.88	23.63	25.52	27.57
Drought Levy P/kl																	
Penalty Charge																	

Table 31: Water tariff cost components

Tariff Cost Component	Actual 2022		Projected 2023		Projected 2024		Projected 2025		Projected 2026		Projected 2027		Projected 2028	
	R/kl	% change	R/kl	% change	R/kl	% change	R/kl	% change	R/kl	% change	R/kl	% change	R/kl	% change
Projected volume of treated water sold (in kl '000)	2.751	-15.01%	3.869	40.66%	4.869	25.84%	4.433	(8.96%)	4.444	0.25%	4.457	0.30%	4.471	0.30%
Fixed costs	16.42	-17.79%	16.45	0.20%	15.93	-3.15%	17.33	8.74%	18.10	4.46%	18.87	4.25%	19.83	5.12%
Labour	4.73	-12.65%	3.60	(23.86%)	2.94	-18.32%	3.53	19.94%	3.67	4.24%	3.82	3.99%	4.01	4.86%
Repairs & Maintenance	0.82	4.24%	0.24	(70.65%)	0.47	94.88%	0.54	15.11%	0.56	4.24%	0.58	3.99%	0.61	4.86%
UF Plant	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%
Wear & Tear / Depreciation	0.54	(21.00%)	0.61	12.44%	2.53	314.41%	2.65	4.80%	2.77	4.50%	2.89	4.30%	3.04	5.18%
Other	1.08	-0.99%	2.09	94.18%	1.07	-48.67%	1.26	17.12%	1.31	4.50%	1.37	4.30%	1.44	5.18%
Finance & administrative expenses	9.26	-22.88%	9.91	7.10%	8.93	-9.96%	9.36	4.83%	9.78	4.53%	10.20	4.33%	10.73	5.20%
Variable costs	4.14	-8.11%	4.34	4.73%	4.85	11.71%	5.41	11.56%	6.04	11.58%	6.74	11.62%	7.53	11.72%
Chemicals	0.83	-18.05%	0.92	11.03%	1.01	10.00%	1.12	10.00%	1.23	10.00%	1.35	10.00%	1.49	10.00%
Energy	3.00	-5.59%	3.07	2.34%	3.46	12.74%	3.91	12.74%	4.40	12.74%	4.96	12.74%	5.60	12.74%
Raw Water	0.31	-1.68%	0.35	10.98%	0.37	7.10%	0.39	4.80%	0.40	4.50%	0.42	4.30%	0.44	5.18%
Total operating costs per kl sold	20.56	(16.00%)	20.79	1.11%	20.78	(0.05%)	22.74	9.40%	24.13	6.15%	25.60	6.09%	27.36	6.85%
Capital levy³	0.00	-100.00%	0.00				1.62		1.96	20.99%	2.16	10.20%	2.33	8.00%
Total costs per kl sold	20.56	(16.85%)	20.79	1.11%	20.78	(0.05%)	24.36	17.19%	26.09	7.14%	27.76	6.40%	29.69	6.94%
Surplus / (Loss) per kl sold	(10.17)		(9.57)		(5.62)		(10.32)		(8.87)		(9.17)		(9.61)	
Total average tariff (R/kl)	10.39	8.00%	11.22	8.00%	15.16	35.11%	14.04	10.00%	17.22	10.00%	18.60	10.00%	20.09	10.00%

Table 32: Statement of comprehensive income

Revenue	74,539	71,549	74,966	82,462	90,709	99,779	109,757
Bulk Water Sales	19,933	25,755	25,787	28,366	31,203	34,323	37,755
Industrial and agricultural water sales	40,151	45,794	49,178	54,096	59,506	65,456	72,002
Waste and portable water fixed revenue	14,454	-	-	-	-	-	-
Cost of production	(44,743)	(42,940)	(42,508)	(46,957)	(50,553)	(54,435)	(58,957)
CS-Chemicals	(3,214)	(3,569)	(3,926)	(4,319)	(4,751)	(5,226)	(5,748)
CS-Energy	(11,617)	(11,888)	(13,403)	(15,111)	(17,036)	(19,206)	(21,653)
CS-Labour	(18,286)	(13,922)	(14,311)	(15,626)	(16,330)	(17,032)	(17,913)
CS-Raw Water	(1,203)	(1,336)	(1,430)	(1,499)	(1,567)	(1,634)	(1,718)
CS-Repairs and maintenance	(3,170)	(930)	(2,282)	(2,391)	(2,499)	(2,606)	(2,741)
CS-Cylinder rental	(351)	(407)	(222)	(232)	(243)	(253)	(266)
CS-Other vehicle cost	(143)	(15)	(16)	(16)	(17)	(18)	(19)
CS-Depreciation	(2,099)	(2,360)	(2,528)	(2,649)	(2,769)	(2,888)	(3,037)
Other	(4,660)	(8,511)	(4,390)	(5,113)	(5,343)	(5,572)	(5,861)
Gross profit	29,796	28,610	32,458	35,505	40,156	45,344	50,800
Finance & administrative expenses	(35,812)	(38,355)	(34,535)	(36,202)	(37,843)	(39,483)	(41,537)
Audit fees	(2,264)	(4,579)	(3,604)	(3,777)	(3,947)	(4,117)	(4,330)
Board costs	(1,153)	(1,015)	(1,087)	(1,139)	(1,191)	(1,242)	(1,306)
Consulting & Professional fees	(2,749)	(5,192)	(3,861)	(4,046)	(4,229)	(4,410)	(4,639)
Employee costs	(19,211)	(21,178)	(20,846)	(21,637)	(22,611)	(23,583)	(24,804)
Equipment Rentals	(249)	(294)	(315)	(330)	(345)	(360)	(378)
Impairment of trade receivables	(351)	(1,403)	(561)	(588)	(615)	(641)	(674)
Bad debts	(1,106)	-	-	-	-	-	-
IT Expenses	(756)	(339)	(363)	(381)	(398)	(415)	(436)
Training	(16)	(39)	(42)	(44)	(46)	(48)	(50)
Travel	(1,320)	(909)	(389)	(408)	(426)	(445)	(468)
OX-Depreciation	(682)	(415)	(445)	(466)	(487)	(508)	(534)
Other	(5,954)	(2,992)	(3,222)	(3,385)	(3,550)	(3,715)	(3,919)
Operating profit / (loss)	(6,016)	(9,745)	(2,077)	(697)	2,313	5,861	9,263
Other income	2,302	117	126	135	144	154	165
Interest receivable-Trade receivables	-	1,301	1,406	1,498	1,597	1,701	1,820
Profit on sale of asset	-	-	-	-	-	-	-
Interest on loans	-	-	(1,344)	(1,329)	(1,311)	(1,291)	(1,269)
Interest on investments	3,171	1,811	2,001	2,206	2,427	2,663	2,933
Finance costs	(10)	-	-	-	-	-	-
Net profit	(553)	(6,516)	112	1,814	5,170	9,088	12,911

Table 33: Statement of financial position

Overberg Water Board		Audited	Unaudited	Forecast		Projections			
Statement of financial position (R '000)		2021	2022	2023	2024	2025	2026	2027	2028
		(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Property, plant and equipment		75,605	76,280	74,374	85,434	93,234	98,369	102,659	111,185
Intangible Assets		33,871	31,764	54,033	64,243	71,482	76,059	79,781	86,596
Investments		2,329	3,456	4,906	4,661	4,428	4,206	3,996	3,796
		39,405	41,060	15,434	16,530	17,324	18,103	18,881	20,793
		35,338	30,399	19,128	21,294	14,035	13,189	13,824	12,982
Inventory		2,444	1,177	2,216	1,195	1,255	903	813	740
Receivable from exchange transactions		21,158	15,927	14,599	13,616	10,893	10,348	9,314	9,127
Cash and cash Equivalents		11,736	13,294	2,313	7,074	2,178	2,806	4,311	4,466
		-	-	-	-	-	-	-	-
		110,943	106,678	93,502	106,728	107,269	111,557	116,482	124,167
Net assets		96,493	93,878	81,025	88,840	86,139	94,010	95,227	106,922
		96,493	93,878	81,025	88,840	86,139	94,010	95,227	106,922
		99	1,830	-	10,000	9,764	9,612	9,437	9,362
Long term loan				-	10,000	9,764	9,612	9,437	9,362
Finance Lease Liability		99	1,830	-	-	-	-	-	-
		14,350	12,801	12,477	7,888	11,366	7,935	11,818	7,883
Payables from exchange transactions		6,580	4,504	7,950	3,589	5,834	2,628	6,705	2,954
Short term portion of loan		-	-	-	-	1,449	1,427	1,427	1,427
Employee Benefits		7,598	8,173	4,525	4,299	4,084	3,880	3,686	3,501
Finance lease Liability		172	123	2	-	-	-	-	-
			-						
		110,943	106,678	93,502	106,728	107,269	111,557	116,482	124,167

Table 34: Statement of cash flow

Overberg Water Board Statement of Cash Flows (R' 000)	Projections						
	Actual	Unaudited	Forecast	2024	2025	2026	2027
	2021 (R'000)	2022 (R'000)	2023 (R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Cash receipts from customers	71,341	79,903	67,993	71,217	78,339	86,173	94,790
Cash paid to suppliers and employees	(66,903)	(78,185)	(84,047)	(65,486)	(74,843)	(79,556)	(82,648)
Cash generated from operations	4,439	1,717	(16,053)	5,731	3,496	6,617	12,142
Net Interest Income	1,244	1,409	1,345	656	426	277	180
Cash Flow From Operating Activities	5,683	3,126	(14,708)	6,387	3,922	6,894	12,322
Additions to property, plant and equipment	(4,705)	(2,137)	(24,405)	(11,521)	(8,698)	(6,129)	(10,660)
Withdrawal of investment	45	995	26,120	-	-	-	-
Interest on investment	-	(238)	2,012	-	-	-	-
Cash Flow From Investing Activities	(4,660)	(1,380)	3,727	(11,521)	(8,698)	(6,129)	(10,660)
Proceeds from long-term borrowings	-	-	-	10,000	-	-	-
Repayment of long-term borrowings	-	-	-	(105)	(120)	(138)	(157)
Finance lease liability	(332)	(188)	-	-	-	-	-
Cash Flow From Financing Activities	(332)	(188)	-	9,895	(120)	(138)	(157)
Total cash movement for the period	691	1,558	(10,981)	4,761	(4,896)	628	1,506
Cash at beginning of the period	11,046	11,736	13,294	2,313	7,074	2,178	2,806
	11,736	13,294	2,313	7,074	2,178	2,806	4,311
							4,466

Table 35: Infrastructure and capital plan

Infrastructure and Capital Expenditure Plan	Actual 2022.23 (R '000)	Projections				
		2023.24 (R '000)	2024.25 (R '000)	2025.26 (R '000)	2026.27 (R '000)	2027.28 (R '000)
Infrastructure	23,525	11,080	13,848	6,200	7,000	3,543
Witsand Pipeline Phase 1	4,208					
Witsand Pipeline Phase 2	5,112					
Witsand Pipeline Phase 3		4,700				
Witsand Pipeline Phase 4 & 5			6,700			
Professional engineering fees witsand pipeline	557	470	670			
Booster pump low let and high let pumps (R-East)		400	478			
Booster pump Duiv R2, R8 and low let pump		500				
High pressure water jet and water pumps RW						
Booster pumpstation R- East incl feasibility study			6,000			
Sandfilters Duivenhoks	1,800			4,500	4,500	
Sandfilters RW		800				
Generators	10,056			1,350		
Electrical panel for vsd pump	670			150		
Alternative energy sources feasibility	-			200		
Upgrade telemetry	1,122	1,000			2,500	43
Pumps west		1,000				3,500
Blower west		660				
Access road		1,050				
Refurbishment of Reservoirs		350				
Diesel Tanker		150				
Capital expenditure	-	1,870	-	3,500	-	-
Motor vehicles		1,700		3,500		
Digger Loader		170				
Equipment						
Administrative	883	-	-	-	-	-
Information technology upgrade Phase	883					
Office furniture						
Total infrastructure Capital Expenditure	24,408	12,950	13,848	9,700	7,000	3,543

Table 36: Detailed staff costs

	Audited 2022	Forecast 2023	2024	2025	2026	2027	2028
Cost of production (R' 000)	14,464	20,254	21,672	23,189	24,812	26,549	28,407
Senior Management	641	1,800	1,926	2,061	2,205	2,359	2,525
Management	1,605	1,718	1,838	1,967	2,104	2,252	2,409
Supervisors	758	1,090	1,166	1,248	1,335	1,429	1,529
Maintenance Officers	9,748	13,816	14,783	15,818	16,925	18,110	19,378
Process Controllers	1,711	1,830	1,958	2,095	2,242	2,399	2,567
General Workers	-	-	-	-	-	-	-
Receptionist	-	-	-	-	-	-	-
General & administrative (R' 000)	18,286	20,941	22,407	23,975	25,654	27,449	29,371
Executive management	7,096	8,593	9,195	9,838	10,527	11,264	12,052
Senior Management	3,885	4,157	4,448	4,760	5,093	5,450	5,831
Management	2,202	2,356	2,521	2,697	2,886	3,088	3,304
Supervisors	2,103	2,208	2,363	2,528	2,705	2,894	3,097
Administrative & clerks	1,437	2,118	2,266	2,425	2,595	2,776	2,971
Contract Workers	1,151	1,209	1,293	1,384	1,481	1,584	1,695
Graduates	412	300	321	343	368	393	421
Total staff costs (R'000)	32,750	41,195	44,078	47,164	50,465	53,998	57,778

Table 37: Detailed electricity costs

Detailed electricity costs	Audited 2021	Actual 2022	Forecast 2023	PROJECTION				
				2024	2025	2026	2027	2028
Total electricity costs (R'000)	(10,292)	(11,617)	(13,485)	(15,508)	(17,834)	(20,509)	(23,585)	(27,123)
% increase in costs	16.88%	12.87%	16.08%	15.00%	15.00%	15.00%	15.00%	15.00%
Cost per kl sold	(3.15)	(3.59)	(4.90)	(4.01)	(4.50)	(5.02)	(5.76)	(6.43)
% increase in cost per kl sold	20.31%	13.84%	36.59%	-18.24%	12.22%	11.66%	14.66%	11.65%

Table 38: Detailed raw water costs

Detailed raw water costs	Audited 2021	Actual 2022	Forecast 2023	PROJECTION				
				2024	2025	2026	2027	2028
Raw water volumes (kl '000)	4,566,023	4,635,664	4,744,161	4,869,313	4,996,557	5,126,893	5,280,179	5,003,421
Raw water charges (c/kl)	0.22	0.26	0.27	0.30	0.33	0.36	0.40	0.47
Total raw water cost (R'000)	1,023,817	1,203,421	1,278,033	1,445,455	1,634,810	1,848,970	2,091,185	2,365,130
% increase in costs	13.48%	17.54%	6.20%	13.10%	13.10%	13.10%	13.10%	13.10%
Cost per kl sold (c/kl)	0.30	0.37	0.39	0.53	0.42	0.47	0.51	0.58
% increase in cost per kl sold	7.53%	24.04%	7.11%	33.08%	-19.59%	10.37%	9.82%	12.76%

Table 39: Detailed chemical costs

Detailed chemicals costs	Audited 2021	Actual 2022	Forecast 2023	PROJECTION				
				2024	2025	2026	2027	2028
Total chemical costs (R'000)	(3,002)	(3,214)	(3,339)	(3,486)	(3,636)	(3,792)	(3,947)	(4,123)
% increase in costs	16.32%	7.05%	3.88%	4.40%	4.30%	4.30%	4.10%	4.46%
Cost per kl sold	(0.92)	(0.99)	(1.21)	(0.90)	(0.92)	(0.93)	(0.96)	(0.98)
% increase in cost per kl sold	-215.01%	7.97%	22.23%	-25.78%	1.78%	1.27%	3.79%	1.42%

5. Materiality and significance framework

Materiality for Overberg Water is set out below.

Transactions are deemed material where the value of the transaction exceeds the following:

- 1%–2% of total assets.
- 0.5%–1% of total revenue; and
- 2%–5% of profit after tax.

Applied to the 2023 forecast, the value of materiality is therefore:

Indicator	2023	2024
1% - 2% of total assets	R520 193 - R1 040 385	R541 093 - R1 082 185
0.5% - 1% of total revenue	R733 000 - R1 465 440	R783 940 - R1 567 880

Transactions over R733 000 would therefore be material for transactions affecting the Statement of Comprehensive.

Transactions over R520 193 would be material for the Statement of Financial Position.

The materiality level of the balance sheet is higher than the income statement as the organization is capital intensive with a low return (tariff) on these assets.

Before concluding any of the following transactions, Overberg Water will inform National Treasury and seek approval from the DWS as required by the PFMA for:

Establishment or participation in the establishment of a company:

- Participation in a significant partnership, trust, unincorporated joint venture, or similar arrangement
- Acquisition or disposal of a significant shareholding in a company.
- Acquisition or disposal of a significant asset
- Commencement or cessation of a significant business activity; and
- A significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture, or similar arrangement.

The following items are deemed to be material according to the qualitative nature thereof:

- Fraudulent transactions.
- Fruitless, irregular, or unauthorized expenditure; and
- Transactions outside the normal course of business

Table 40: Financial ratio projections

	Audited	Forecast	Projections				
	2022	2023	2024	2025	2026	2027	2028
Financial Performance (R'000)							
Revenue	74,539	71,549	74,966	82,462	90,709	99,779	109,757
Cost of production	(44,743)	(42,940)	(42,508)	(46,957)	(50,553)	(54,435)	(58,957)
Gross profit	29,796	28,610	32,458	35,505	40,156	45,344	50,800
General and administration expenses	(35,812)	(38,355)	(34,535)	(36,202)	(37,843)	(39,483)	(41,537)
Operating profit / (loss)	(6,017)	(9,745)	(2,077)	(697)	2,313	5,861	9,263
Other sundry revenue	2,302	1,418	1,532	1,633	1,741	1,855	1,985
Net interest income	3,161	1,811	657	878	1,116	1,372	1,664
Profit for the year / (loss)	(554)	(6,516)	112	1,814	5,170	9,088	12,911
Performance Indicators							
Cost of production percentage	-60%	-60%	-57%	-57%	-56%	-55%	-54%
Gross profit margin percentage	40%	40%	43%	43%	44%	45%	46%
General & administration expenses percentage	-48%	-54%	-46%	-44%	-42%	-40%	-38%
Operating profit / (loss) percentage	-8%	-14%	-3%	-1%	3%	6%	8%
Water Indicators							
Treated water volume (kl)	4,636	4,744	4,869	4,997	4,997	5,127	5,003
Average water tariff (R/kl) - excluding capital levy	R 16.08	R 15.08	R 15.40	R 16.50	R 18.15	R 19.46	R 21.94
Cost of production (R'000)	44,743	42,940	42,508	46,957	50,553	54,435	58,957
Average cost of production / volume sold	R 9.65	R 9.05	R 8.73	R 9.40	R 10.12	R 10.62	R 11.78
Number of employees	55	64	64	64	64	64	64
Kilolitres sold per employee 129	84	74	76	78	78	80	78
Operating Risk Indicators							
Operating costs (R'000)	(80,556)	(81,294)	(77,043)	(83,159)	(88,396)	(93,918)	(100,495)
Depreciation (R'000)	(2,853)	(2,775)	(2,973)	(3,115)	(3,255)	(3,395)	(3,571)
Working ratio	-104%	-110%	-99%	-97%	-94%	-91%	-88%
Gross profit margin percentage	40%	40%	43%	43%	44%	45%	46%

Table 41: Financial performance indicators

	Actual 2021	Audited 2022	Forecast 2023	Projections				
				2024	2025	2026	2027	2028
Financial Position (R'000)								
Reserves	93,878	93,878	86,566	79,069	77,779	74,566	77,234	77,878
Long term debt	366	53	-	-	-	-	-	-
Short term debt	14,350	12,801	17,472	18,558	20,461	22,412	23,195	20,515
Total assets	110,943	106,678	104,039	80,857	78,817	74,846	75,340	70,088
Assets excluding investments	71,538	65,618	73,903	61,846	61,704	59,009	63,547	61,704
Investments	39,405	41,060	27,016	26,770	29,179	31,732	34,509	37,649
Current assets	35,338	30,399	25,884	21,920	16,159	10,973	8,418	8,418
Current liabilities	14,350	12,801	17,472	18,558	20,461	22,412	23,195	20,515
Inventory	2,444	1,177	1,260	1,196	1,255	903	813	813
Cash and cash equivalents	11,736	13,294	13,707	11,943	7,697	4,565	3,056	3,056
Trade debtors	21,158	15,927	10,917	9,373	7,499	6,374	5,163	5,163
Trade creditors	6,580	4,504	9,999	9,911	10,221	11,556	12,280	12,280
Financial Risk Indicators								
Current ratio	2.46	2.37	1.48	1.18	0.79	0.49	0.36	0.41
Asset test ratio	2.29	2.28	1.41	1.12	0.73	0.45	0.33	0.37
Interest cover	-	-	-	-	-	-	-	-
Net debt: equity ratio	-	-	-	-	-	-	-	-
Debt: equity ratio	0.00	0.00	-	-	-	-	-	-
Debt: asset ratio	0.15	0.12	0.17	0.02	0.01	0.00	-0.03	-0.11
Operating Risk Indicators (R'000)								
Revenue	74,671	79,415	73,272	78,394	84,666	95,189	105,504	116,780
Operating costs	(78,750)	(80,555)	(83,638)	(88,987)	(94,606)	(100,813)	(107,429)	(114,995)
Depreciation	(2,899)	(2,910)	(2,943)	(3,104)	(3,257)	(3,404)	(3,541)	(3,717)
Operating profit / (loss)	(4,079)	(6,016)	(10,366)	(10,593)	(9,940)	(5,624)	(1,925)	1,785
Bad debts provision	-	-	-	-	-	-	-	-
Rate of return on assets 136	-6%	-9%	-13%	-20%	-20%	-13%	-5%	6%
Return on turnover	-5%	-8%	-14%	-14%	-12%	-6%	-2%	2%
Debtors collection period (days) - assumed	91	64	48	38	28	21	16	14
Creditors days	53	32	71	65	62	65	64	59



PART K: COMPLIANCE MANAGEMENT

OW is currently reviewing its policies while using all policies approved and where necessary the relevant legislation and directive take precedent.

1. Compliance management

In the previous period Overberg Water Board developed a Compliance Framework and determined its Compliance Universe. In addition, a formal organisation-wide compliance register has been developed together with individual divisional compliance registers. These registers will be consistently used as the basis for reporting compliance in a structured manner for this Corporate Plan period.

2. Contingent liabilities

2.1 Guarantees

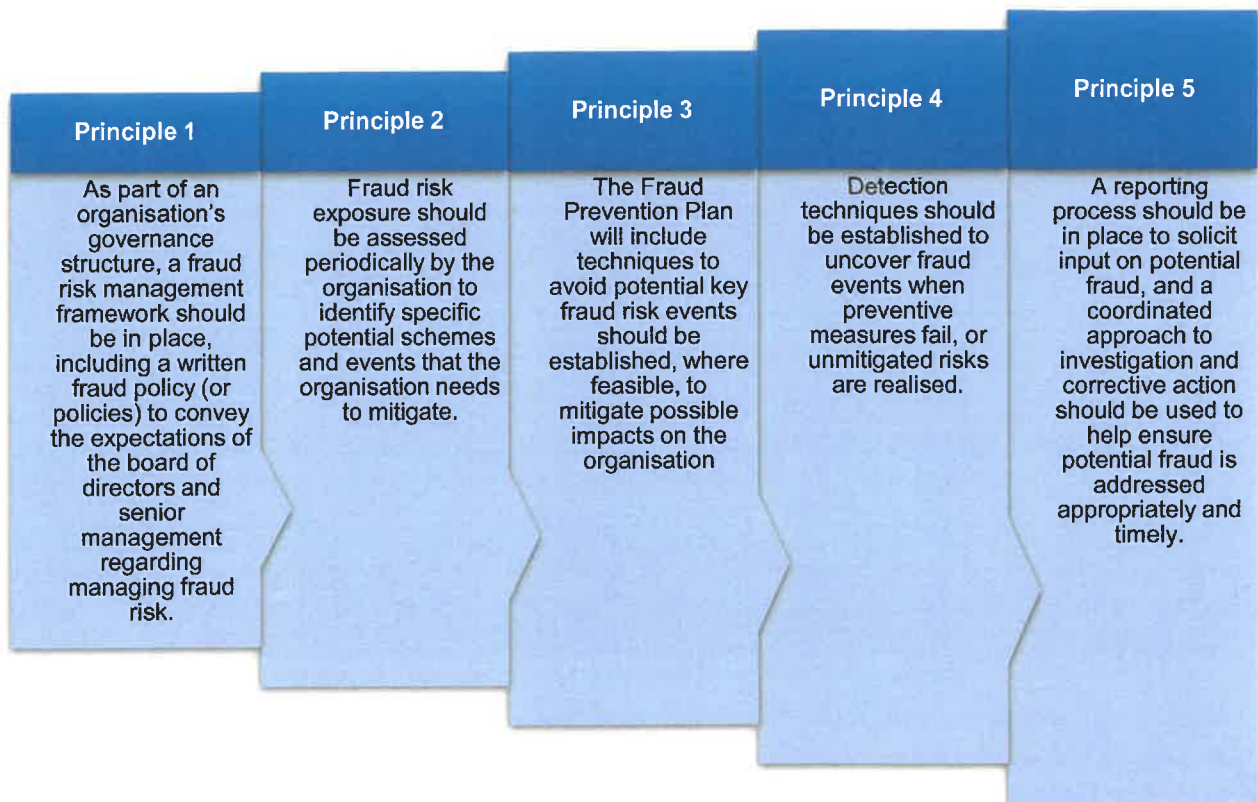
Guarantees are given by certain financial institutions in respect to payments to utility service providers. This amount is R101 000 for 2022/23 financial year.

2.2 2.2 Guarantees and Contingent liabilities

Currently the Entity does not have any contingent liabilities as there are no pending litigations as at the date of approval of the corporate plan.

3. Integrated fraud management framework, fraud policy and fraud prevention plan

Overberg Water Board subscribes to the principles of good corporate governance, which requires the conducting of business in an honest and transparent manner. Overberg Water Board supports a culture of zero tolerance to fraud and corrupt activities. Overberg Water Boards' strategy to address fraud in an integrated approach and reduced potential risk to the organisation's assets, service delivery efficiency and reputation is pronounced in an Integrated Fraud Management Framework (IFMF) which is aligned to best practice. The key guiding principles for proactively establishing an environment to effectively manage fraud is:



3.1 Fraud policy

Aligned Overberg Water Board has in place a Fraud Policy with the main objectives as follows:

- Promote standards of honest and fair conduct;
- Prevent fraud and corruption;
- Detect and investigate fraud and corruption;
- Take appropriate action against offenders, e.g. refer to authorities for prosecution, disciplinary action, etc.;
- Recover any losses; and
- Maintain strong systems of internal control.

3.2 Fraud prevention plan

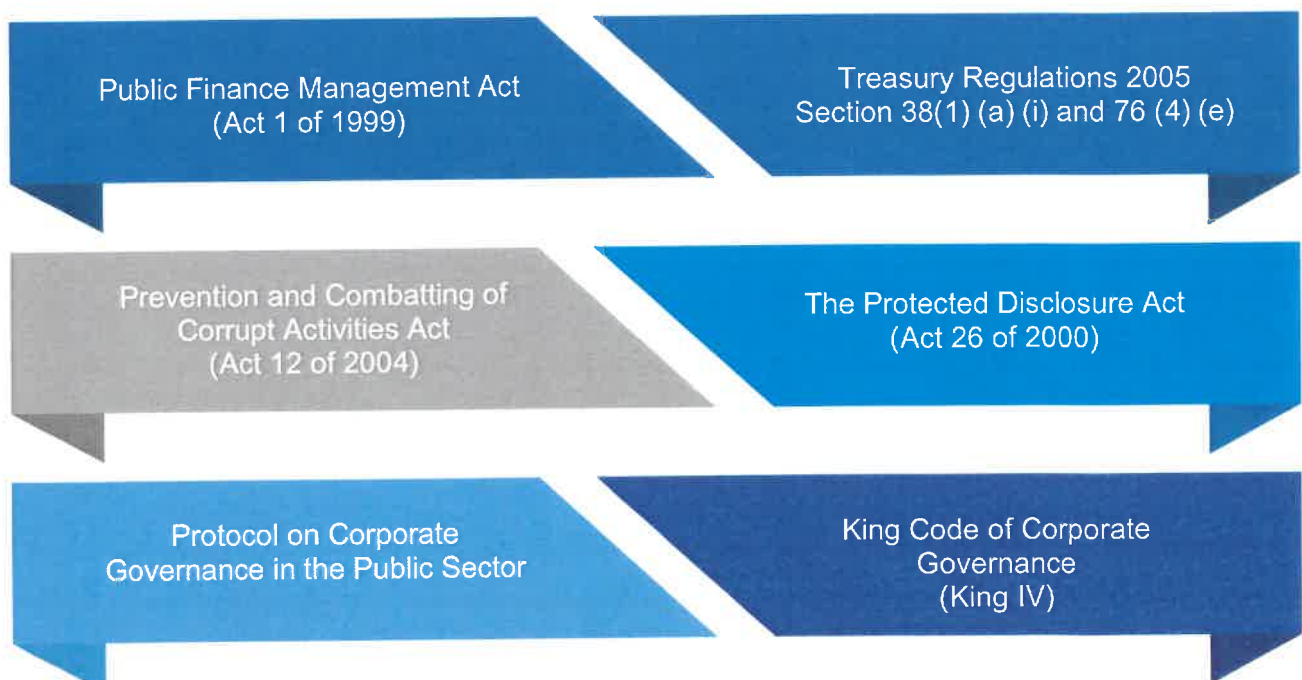
The Fraud Prevention Plan is a key principle within the Integrated Fraud management framework which assists Overberg Water Board with mechanisms designed to prevent, deter and detect fraud. The plan has and includes techniques to avoid potential key fraud risk events and establishes to mitigate possible impacts on the organisation. This fraud prevention is embedded in internal controls which is part of Overberg Water Board's policies and procedures and includes elements of Code of Conduct, Code of Ethics, Disclosure of Interests, delegation of authority, proper recruitment vetting and checks, etc. A fraud implementation plan will be used to monitor compliance to the plan. Of significance to the Fraud Prevention Plan is the existence of the Fraud Prevention Committee who continues to provide assurance to the board that there is effective institutional-wide prevention of fraud and corruption and that where there are complaints, those are effectively managed and appropriately followed-up and efficiently investigated. Overberg Water Board has a Fraud Hotline managed by an external independent service provider who manages all calls, faxes, and emails on the Fraud Hotline and issues information to the appropriate recipients as per mandate. All calls are investigated for validity and the prevention efforts focus on identifying controls to better manage the fraud risk.

3.3 Ministerial Directives

There are no new ministerial directives planned for the 2022/23 financial year. The directives will be implemented as and when they are received from the Minister of Water and Sanitation.

3.4 Participation in Companies, Trusts, Joint Ventures & Transactions


Currently the Entity is not involved in any transactions involving companies, trusts and joint ventures except in instances where these are our Creditors for goods and services supplied.



Overberg Water has aligned its fraud implementation plan, which also has well-established systems of delegation of authority, procurement and recruitment processes.

Accounting Authority		
----------------------	--	--

Approved by	Signature	Date
-------------	-----------	------

Chief Executive Officer		31/05/2023
-------------------------	--	------------

Approved by	Signature	Date
-------------	-----------	------