OVERBERG WATER BOARD
CORPORATE PLAN

2019/20 TO 2023/24

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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.

The following programmes 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.

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 plays 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 receives an unqualified audit including improving its supportive systems such as policies.

The OW 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 schemes are 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. It is, however, worth noting that due to challenges experienced by OW from June 2015/16 this Corporate Plan is being prepared without the completed audited financial statements for 2016/17 financial years.

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ACCOUNTING AUTHORITY

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 ready to respond to the challenges and claim its space in the business landscape.

OW being the State's entity under the Department of Water and Sanitation (DWS) and it 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. 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 priorities that are reflected on the Shareholder Compact and these are:

- Customer and stakeholder engagement strategic goal
- Financial resources strategic goal
- Process strategic goal
- Organizational effectiveness strategic goal

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 staffs that are highly committed to the business of the entity. In line with the Corporate Plan which was developed over a period of two days mainly by the Chief Executive Officer, Unit Heads, supervisors and strategic personnel – 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, February 2018,
- The fourteen strategic outcomes of Government and pertinent outputs,
- The five key focus areas pronounced by the Minister of Water and Sanitation in March 2018, and
- Plans of 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 so as to grow the business and for skills enhancement while pursuing the growth path.

CHIEF EXECUTIVE OFFICER

DATE: 27/05/2019

Official sign off

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 relevant policies, legislation and other mandates for which the Department is responsible and accurately reflects the strategic outcome oriented goals and objectives which it will endeavour to achieve over the 2019/20 financial year and beyond.

Chief Executive Office	
Chairperson of the Board	

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
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

Strategic Map of Overberg Water

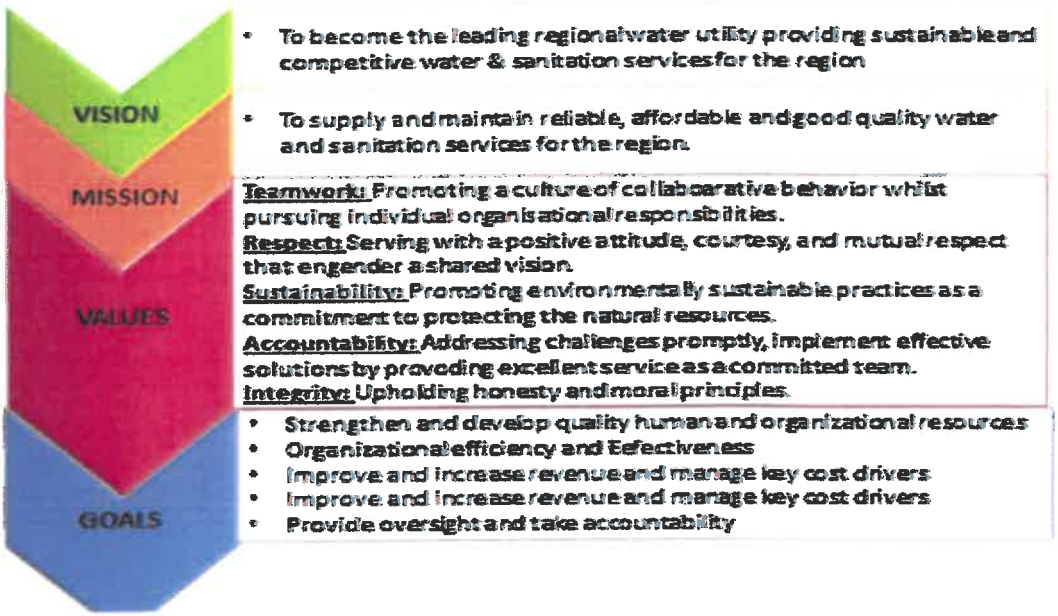


Figure 1: Strategic Map of the Overberg Water Boardof Overberg Water Board

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 CDB 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.

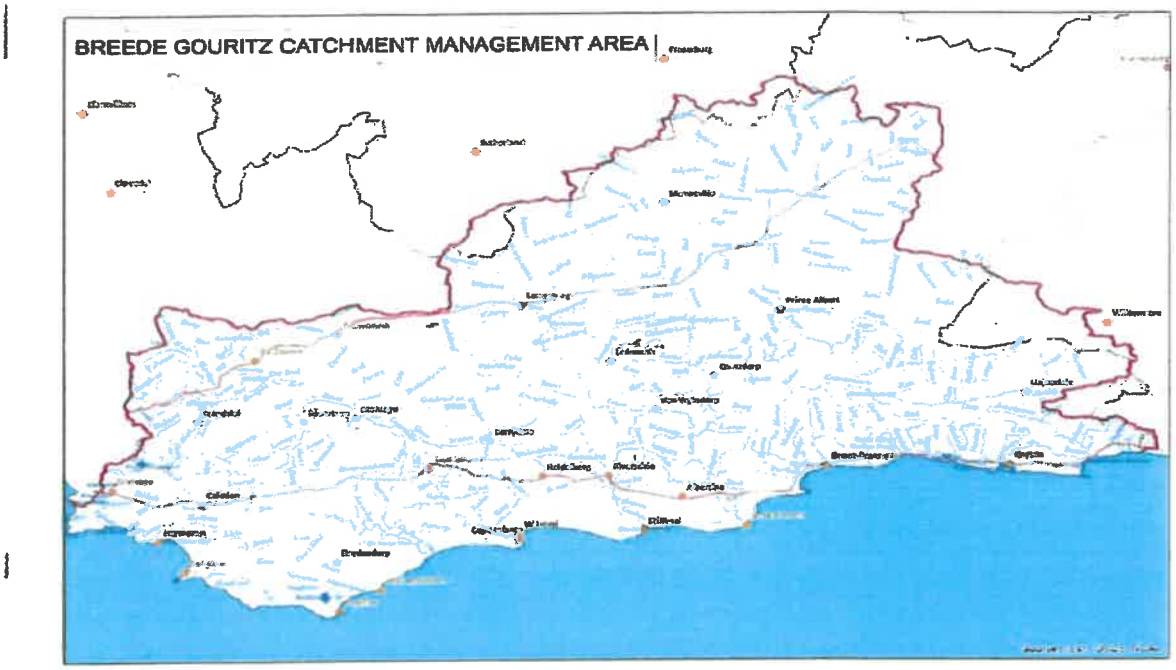


Figure 2: Map of Overberg Catchment Management Area

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 Hottentos Holland with Franschoek 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 2 and 3)

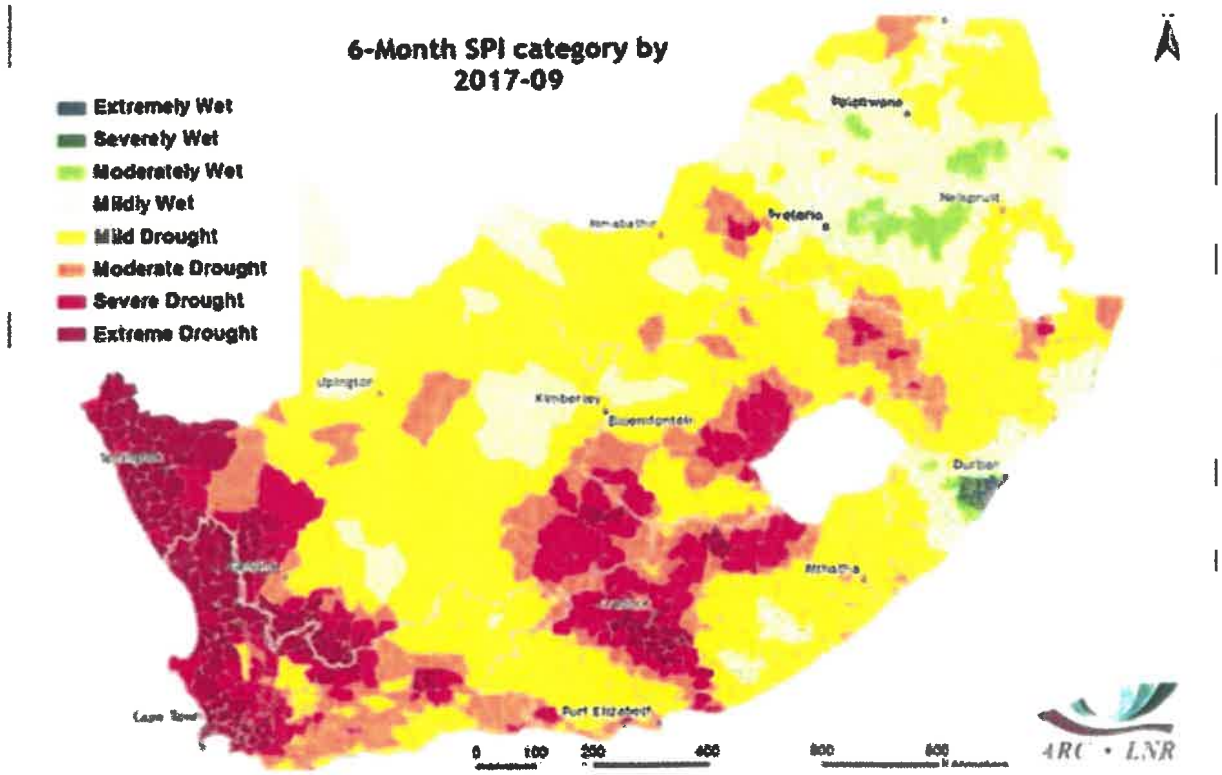


Figure 3: 6-month precipitation index map

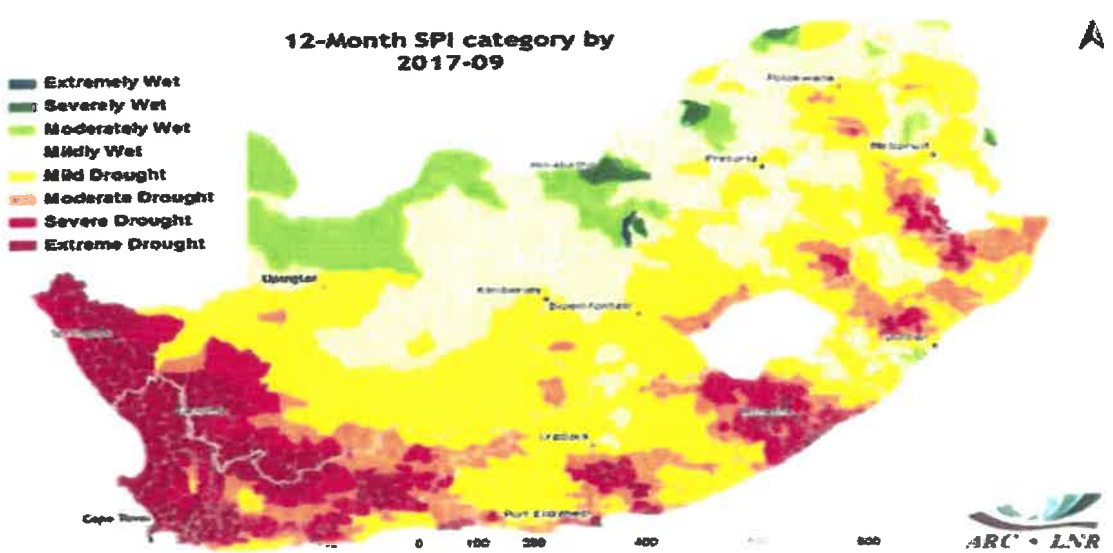


Figure 4: 12-month precipitation index map

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:

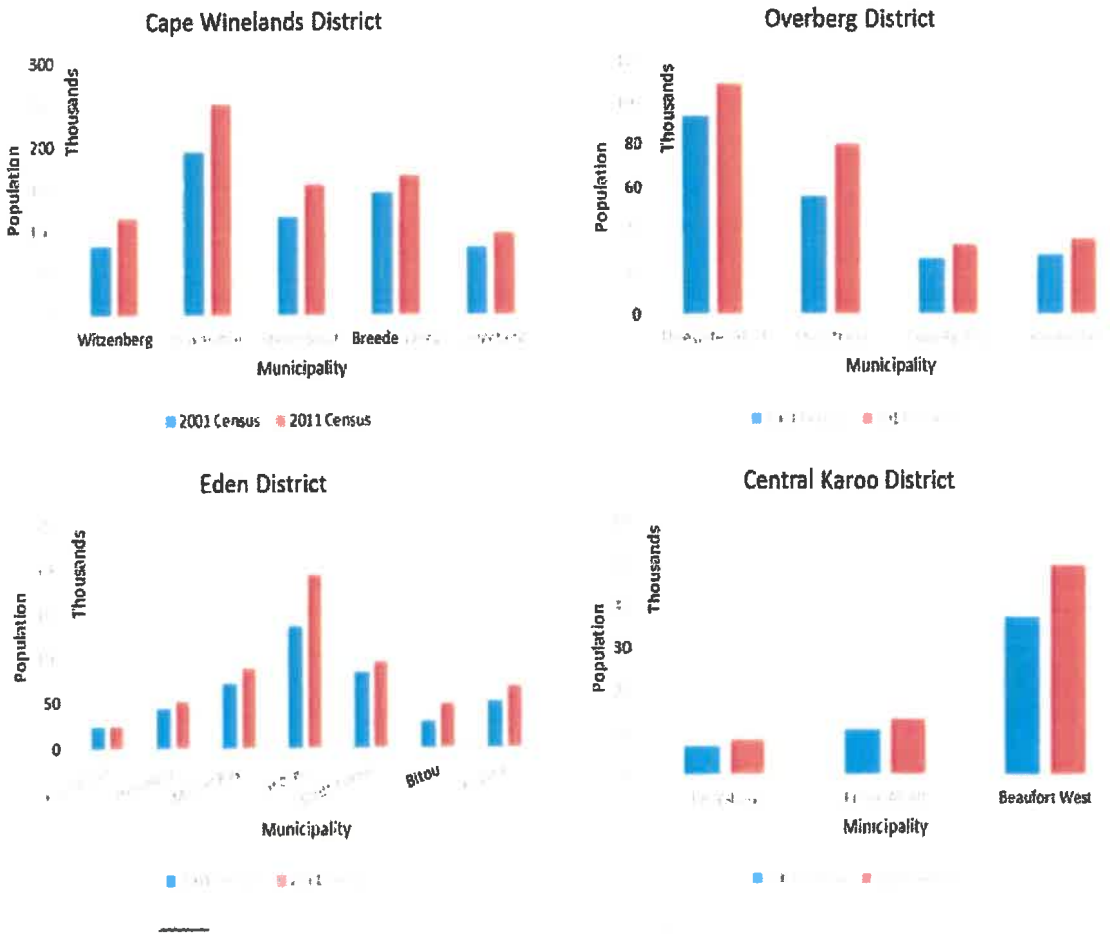


Figure 5: Population indicative growth in districts of OW

Source: StatsSA cited in BGCMA (2018)

It is therefore strategic for OW to focus in the above-mentioned districts in its endeavor 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.

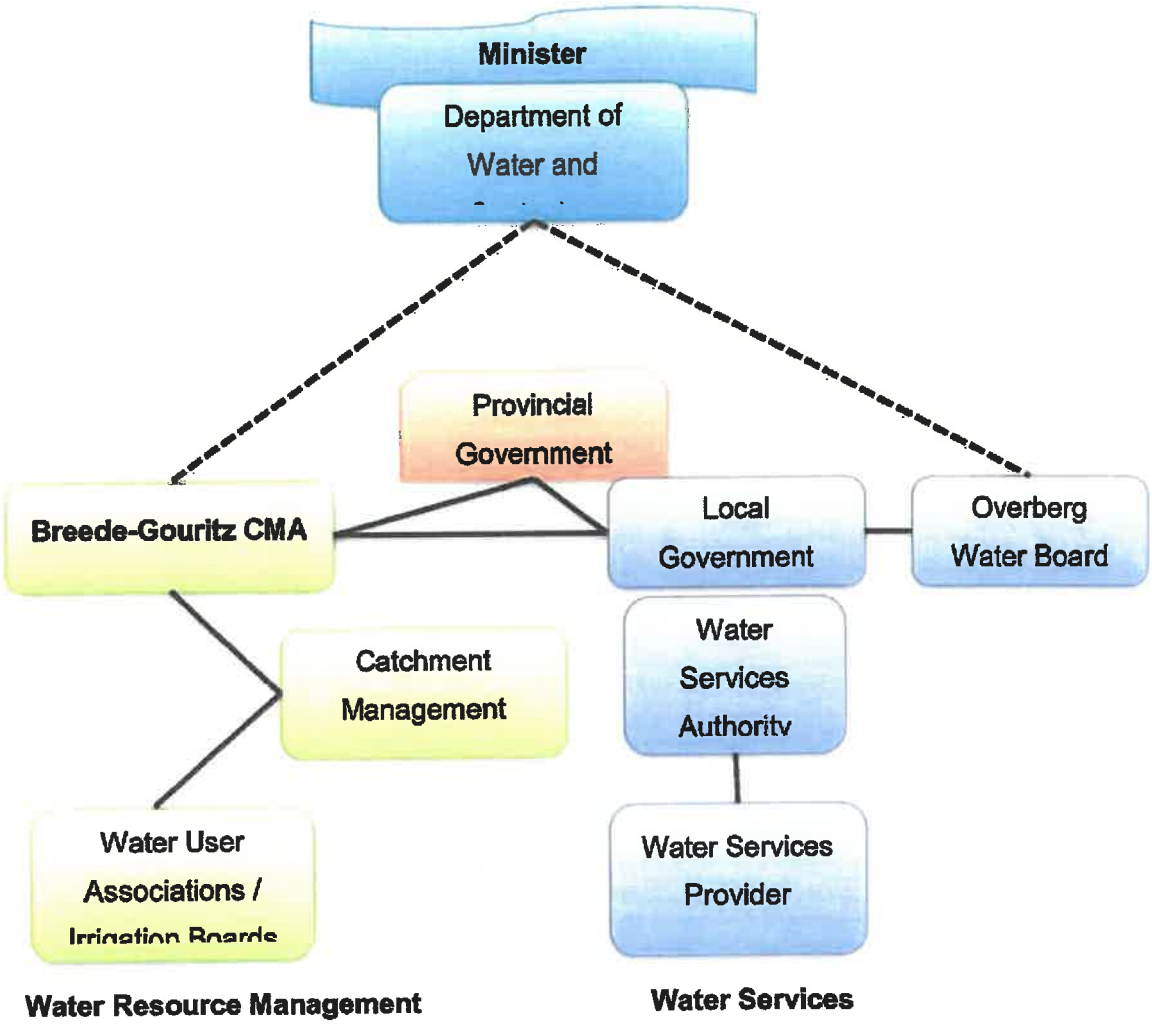


Figure 6: Structure showing the environment of the OW
Source: BGCMA (2018)

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 waste water 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 maybe be charges 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 seven (7) 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 III 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 May 2019.

The Board still has to 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 objectives.

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 provides 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

- The King Code of Governance Principles, 2009 (King III).

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.

5. Minister directives

Currently Overberg Water Board does not have any ministerial directives.

6. Overberg Water SWOT analysis

In line with goals which provide the foundations that will make the achievement of the vision and mission possible, the strategic objectives of Overberg Water are informed by our understanding and analyzing our strengths, weaknesses, opportunities and threats.(SWOT);.Table 1 below summarises OW's operating environment in terms of SWOT.

Table 1: SWOT Analysis

OPPORTUNITIES / ENABLERS	STRENGTHS / ENABLERS
Regional Growth Increase customer base and access to water services, both bulk drinking water & sanitation services. Increase revenue through becoming an implementing agent. Encourage innovation, development of regional laboratory, becoming the regional water utility and Implementing Agent for DWS and other entities / institutions. **National Development Plan** SMME development, reduce poverty, unemployment	**Financial Strength** Financially healthy organisation with a strong balance sheet and investments, with reliably paying customers, **Bulk water and wastewater treatment** Providing good quality drinking water to customers, potential for wastewater treatment **Bulk infrastructure** Well maintained bulk infrastructure
THREATS / CONSTRAINTS	**WEAKNESSES**
Climate change	**Internal Processes**

Western Cape drought, weather variability **Business competition** Loss of market share to private sector due to the development of boreholes **Organisational effectiveness** Financial management, ageing infrastructure, ageing telemetric system. Monitoring systems at the plants for immediate responses to potential problems. Out dated accounting software and information technology infrastructure	Lack of policies & procedures Weak change management abilities. Lack of consequence management. Weak financial management systems. **Governance** Limited governance structure **Communication, Marketing and Branding** Limited capacity including capability to meet internal & external needs **Stakeholder perception** Governance changes have attracted some negativity from stakeholders. Inability of reporting to stakeholders has also not occurred on time in the past financial years. **Information Systems** Lack of adequate information systems for sound organisational management **Communication/ Branding and marketing** No strategy in place for visibility and growth opportunities

PART B: KEY PRIORITIES FOR OVERBERG WATER

1. Strategic priorities

The following are strategic priorities 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 programs are translated into the following strategic goals:
Customer and stakeholder engagements strategic goal

- Financial resources strategic goal
- Process strategic goal
- Organizational effectiveness strategic goal

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 2 below shows the alignment.

Table 2: Alignment of OW strategic objectives with those of national government

Government outcomes	No.	DWS Strategic outcome-oriented goals	No.	DWS Strategic objectives	No.	OW Strategic objectives aligned with those of DWS
Outcome 12 (Public Service) Outcome 4 (Employment) Chapter 13 of NDP New Growth Path 2 (job creation)	4.	An efficient, effective and development oriented sector leader	4.4	Coordinated development of the skills pool across the sector	2.	Organisational effectiveness
			4.3	Effective and efficient internal control environment	3.	Organisational effectiveness
			3.4	Job opportunities created that expand economic opportunities for historically excluded and vulnerable groups	4.	Process
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	2.2	Targeted and aligned planning for adequate water availability and the enhanced provision of water supply and sanitation services	1.	Process
			2.5	Enhanced provision of sustainable	1.	Process

		and dignified basic sanitation		
	3.1	Equitable water allocation and availability for socio-economic development	4.	Process
	1.4	Enhanced water use efficiency and management of water quantity	2.	Process
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	2.	Process
	1.3	The integrity of freshwater ecosystems protected	5.	Process
	1.2	Enhanced management of water and sanitation information	2.	Process

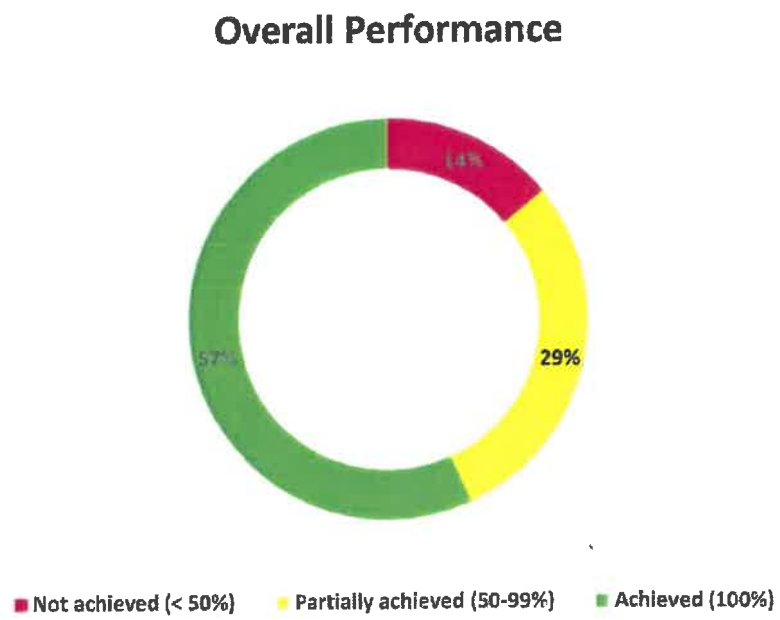
Table 2 illustrates that OW's Corporate Plan is informed by the operating business environment as reflected in State of the Nation Address and National Budget Address of February 2017, the fourteen Government Strategic Outcomes of Government and Pertinent

Outputs cascading to the Executive Authority, the National Development Plan (NDP) 2030, the Medium Term Strategic Framework (MTSF2014 – 2019) and the DWS's National Water Resources Strategy (NWRS II, 2013), key focus areas highlighted by the DWS Minister in March 2018 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 7 (a) and (b) respectively show Overall Performance and Performance by Strategic Perspective.

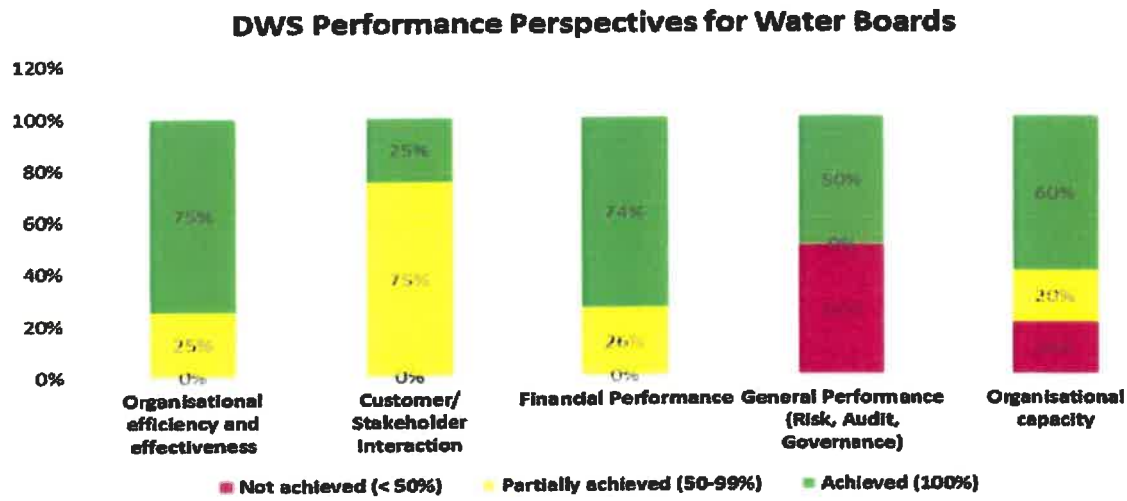
Figure 7 (a)



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

- 57% achieved (100%)
- 14% partially achieved (50-99%)
- 29% not achieved (<50%)

Figure 8 (b)



The below is the explanation of under achievements per strategic goal of OW. Figure 8(b) indicates the performance per strategic goal.

Table 3: Variance explanation

Strategic Goal	Reason for non-achievement
Organisational efficiency and effectiveness	Overberg Water under achieved by 25% on this target due the number of days of interrupted supply. The root cause is as a result of the aging infrastructure of the entity. The entity conducted a condition assessment of all of its assets and thus has identified priority areas with regard to the refurbishment of assets and has included these in its infrastructure plan for the medium term.
Customer stakeholders and interaction	Overberg Water under achieved by 75% on this target, although the entity had anticipated to secure new customers this did not materialise mostly due the governance issues that were affecting the entity. However the entity has since initiated the process of acquiring new customers and has had engagement with for example with one bulk water customer namely the Overstrand Municipality and also the Department of Public Works for the purpose of providing services relating to section 30 of the Water Services Act.
General performance	The entity under achieved on general performance by 75% on this target due to the entity not having an existing board in place. The entity has since finalised the appointment of the board and this will thus have a positive impact on the strategic goal in the upcoming financial years.
Financial performance	The entity under achieved on financial performance by 26% this is mainly due to adverse creditors days caused by late delivery of raw water invoices, the high level of impairment as a result of a dispute with one of the entity`s bulk water customers, the adverse impact of the entity failing to get an approved tariff for the 2016/17 financial year due to non-compliance with the MFMA. The entity has since ensured that a proper consultation process takes place with all our customers, it's in the process of finalising the dispute with the bulk water customer and will proactively engage the DWS on raw water invoices.
Organisational capacity	The entity under achieved on Organisational capacity by 26%as a result of not filling key vacancies as well as failure to conduct extensive training. This was mainly due to governance issues. The entity has since filled all key vacancies and has implemented training initiatives.

PART D: PERFORMANCE PLAN

The following performance plan provides a detailed description of the strategic objectives 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 4: Performance Plan

Strategic goal 1: Effective customer and stakeholder relations

OW	KPI	Initiatives / Plans	#	Result indicator	Actual 2016/17	Actual 2017/18	Estimated 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
Strategic objective 1: Develop strategic partnerships												
SO1	KP1: The extent that OW has improved strategic partnerships	Quarterly engagements with statutory stakeholders: DWS, PC NT, SALGA, BGCMA and Prov & National Departments of Agriculture	1.1	Number of engagements with selected statutory stakeholders	N/A	N/A	N/A	4 engagements with selected statutory stakeholders	4 engagements with selected statutory stakeholders	4 engagements with selected statutory stakeholders	4 engagements with selected statutory stakeholders	4 engagements with selected statutory stakeholders
		Sign contracts and partnerships for implementing new schemes and projects for OW and on behalf of other institutions	1.2	Number of engagements with selected statutory stakeholders				0	1	2	3	3

OW	KPI	Initiatives / Plans	#	Result indicator	Actual 2016/17	Actual 2017/18	Estimated 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
Strategic objective 2 Improve visibility												
SO2	KP 2The extent that OW has improved visibility	2.1 Develop a communication, marketing and strategy for visibility and growth opportunities	2.1	Number of newsletter developed to improve visibility and growth opportunities	N/A	N/A	1	4 newsletters	4 newsletters	4 news letters	4 news letters	4 news letters
		2.2 Improved stakeholder relations	2.2	Number of engagements meetings with selected strategic partnerships	N/A	N/A	N/A	2 meetings	3 meetings	4 meetings	4 meetings	4 meetings
			2.3	Number of meetings with customers	N/A	N/A	N/A	2 meetings	3 meetings	3 meetings	3 meetings	3 meetings

OW	KPI	Initiatives / Plans	#	Result indicator	Actual 2016/17	Actual 2017/18	Estimated 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
				Number of tariff consultation meetings with key stakeholders	0	2	2	3 meetings	3 meetings	3 meetings	3 meetings	3 meetings

Strategic goal 2: Organizational efficiency and effectiveness

OW	KPI	Initiatives / Plans	#	Result indicator	Actual 2016/17	Actual 2017/18	Estimated 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
Strategic objective 3 Improve access to reliable water services												
SO3	KP3: The extent that OW has improved access to reliability of water services.	3.1 A Regional leader in the provision of bulk water services	3.1	Number of Draft feasibility study / a business case to be a Regional leader in the provision of bulk water services finalised.	N/A	N/A	N/A	1 business case	Stakeholder consultation on the feasibility study/ business case conducted			
		3.2 Grow the entity's revenue and	3.2	Number of Pre-Feasibility Studies completed to manage				0	1	1	1	1

OW	KPI	Initiatives / Plans	#	Result indicator	Actual 2016/17	Actual 2017/18	Estimated 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
		operational areas		additional Schemes								
Strategic objective 4 Improve and increase maintenance of infrastructure												
SO4	KP4: The extent that OW has improved the aging of infrastructure.	4.1 Improve the ageing infrastructure	4.1	No. of maintenance plan(s) completed and/or updated	N/A	N/A	N/A	1	0	1	0	1
				No of Infrastructure Plan(s) completed and/or updated	0	0	0	1	0	1	0	1
		4.2 Develop and implement ICT Recovery Plan	4.2	Number of ICT developed	0	0	0	1	0	1	0	1
				% of ICT Plan implemented				60% implemented (Completion of DSRP document)	100% implemented	100% implemented	100% implemented	100% implemented

OW	KPI	Initiatives / Plans	#	Result indicator	Actual 2016/17	Actual 2017/18	Estimated 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
Strategic objectives 5: Improve sustainability of water resources												
SO5	KP5: The extent that OW has improved the sustainability of water resources.	5.1 Develop and implement resource protection plans	5.1	Number of Resource protection plans develop	0	0	0	1	1	1	1	1
		5.2 Environmental sustainability initiatives implemented	5.2	Number of Green Technology studies	0	0	0	1	1	1	1	1
				Number of Green Technology projects implemented	0	0	0	0	1	1	1	1
				Number of Water Conservation/Demand Management studies	0	0	0	1	1	1	1	1
				Number of Water Conservation/Demand Management projects implemented				0	1	1	1	1
		5.3 Water quality standards	5.3	% compliance with Test results SANS 241			98%	98%	98%	98%	98%	98%

OW	KPI	Initiatives / Plans	#	Result indicator	Actual 2016/17	Actual 2017/18	Estimated 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
				Avoidable water loss as a % of water produced			10%	15%	15%	15%	15%	15%
				Number of days with unplanned interrupted supply			2 days	2 days	2 days	1 days	1 days	1 days
				% of actual spending against total repairs and maintenance budget				80%	80%	80%	80%	80%
				% Actual Capex spend against the budget			0%	90%	90%	90%	98%	98%

Goal 3: Strengthen and develop quality human resources

OW	KPI	Initiatives / Plans	#	Result indicator	Actual 2016/17	Actual 2017/18	Estimated 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
Strategic objective 6: increase and improve on more efficient IT systems												
SO 6	KP6: The extent that OW improves its IT systems.	6.1 Procure efficient IT systems for finance, HR and CRM	6.1	Number of ERP systems implemented	N/A	N/A	1 Business case	1 ERP system go live	0	0	0	0
Strategic objective 7: Skills and competencies for efficient water services												
SO7	KP7: The extent that OW has developed competencies	7.1 Develop and implement capacity building strategies	7.1	Number of training programmes conducted				10	10	10	10	10
Strategic objectives 8: Improve and increase human capital												
SO8	KP8: The extent that OW has improved its human capital	8.1 Develop internal research and development capacity and encourage innovative initiatives	8.1	Number of learnerships created				5	5	5	5	5

OW	KPI	Initiatives / Plans	#	Result indicator	Actual 2016/17	Actual 2017/18	Estimated 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
		8.2 Optimal staff retention	8.2	Number of staff				10	10	10	10	10

Goal 4: Improve and increase revenue and manage key cost drivers.

OW	KPI	Initiatives / Plans	#	Result indicator	Actual 2016/17	Actual 2017/18	Estimated 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
Strategic objective 9: Increase financial sustainability												
SO9	KP9: The extent that OW has improved its financial sustainability.	9.1 Maintain and grow the entity's revenue	9.1	Number of the projects awarded to OB as implementing agent	N/A	N/A	N/A		0	1	1	1
		9.2 Increase the entity's capital funding	9.2	Number of approved borrowing limit by national treasury					1	1	1	1
				No. of projects funded from the capital market funding.					0	0	0	1
				% of implementation (40% baseline)					0	1	1	100% implemented

OW	KPI	Initiatives / Plans	#	Result indicator	Actual 2016/17	Actual 2017/18	Estimated 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
Strategic objective 10: Improve financial performance												
S010	KP10The extent that OW has improved its financial sustainability	10.1 Improve viability and sustainability	10.1	Current Ratio (times)	2:1	1.7:1	1.8:1	2:1	2:1	2.1:1	2.2:1	2.4:1
				Gross profit margin % (Primary activity)	35%	37%	38%	45%	45%	46%	48%	48%
				Net profit margin (Primary activity)	15%	1%	4%	10%	10%	10%	10%	10%
				Debt Equity				0.0	0.0	0.0	0.0	0.0
				Cashflow generated from operation(Amount)	R8 million	0,5 million	1.5 million	R3 million	R3.1 million	R3.2 million	R3.3 million	R3.4 million
				Interest cover (%)				0%	0%	0%	0%	0%
				Return on assets	3.4%	3.4%	4%	5%	5%	5%	5%	5%
				Debtors days	68 days	72 days	62 days	43 days	43 days	40 days	40 days	35 days
				Total revenue against budgeted revenue percentage (%)	96%	98%	98%	98%	98%	98%	98%	98%
				Staff remuneration as % of total operating expenses	37%	36%	37%	35%	35%	35%	34%	34%

OW	KPI	Initiatives / Plans	#	Result indicator	Actual 2016/17	Actual 2017/18	Estimated 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
	The extent that OW has empowered BBBEE companies	10.2 Increase B-BBEE expenditure in relation to operational expenditure	10.2	Expenditure spent % on Qualifying Small Enterprise (QSE)			5%	15%	15%	15%	15%	15%
				Expenditure spent % on Exempted Small Enterprise (EME)			5%	15%	15%	15%	15%	15%
				% of Expenditure spent on empowering suppliers that are at least 51% black owed.				40%	40%	40%	50%	50%
	The extent that OW improves cost efficiencies	10.3 Manage cost within approved budget	10.3	Actual Expenditure compared with approved budget (% variance)				5%	5%	5%	5%	5%
	The extent that OW improves financial compliance	10.4 Financial compliance	10.4	Unqualified audit report with emphasis of matter	Qualification	Unqualified report	Unqualified report	Unqualified report	Unqualified report	Unqualified report	Unqualified report	Unqualified report

Goal 5: Provide oversight and take responsibility

OW	KPI	Initiatives / Plans	#	Result indicator	Actual 2016/17	Actual 2017/18	Estimated 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
Strategic objective 11: Develop policies and internal controls to enhance service delivery												
SO.11	11.1 The extent that OW has improved its internal controls	11.1 Internal audit unit established through outsourcing	11.1	Number of service provider appointed to conduct internal audit			1 service provider	1 service provider	1 service provider	1 service provider	1 service provider	1 service provider
		11.2 Appoint a Board of Directors	11.2	Number of board members appointed			7 members	7 members	7 members	7 members	7 members	7 members
		11.3 Develop and review HR policies	11.3	Number of policies developed and updated			3	12	4	3	3	4
		11.4 Develop and maintain compliance register	11.4	Number of compliance register developed	0	0		6	6	6	6	6

OW	KPI	Initiatives / Plans	#	Result indicator	Actual 2016/17	Actual 2017/18	Estimated 2018/19	Projected 2019/20	Projected 2020/21	Projected 2021/22	Projected 2022/23	Projected 2023/24
Strategic objective 12: Efficient and effective and high performing organisations												
SO12	The extent that OW improves its governance	12.1Develop and maintain risk register	12.1	Number of risk registers				3	3	3	3	3
		Board effectiveness-improved performance of fiduciary duties and governance		Number of board meetings			1	4	4	4	4	4
				% of board resolutions		0%	0%	100%	100%	100%	100%	100%

PART E: MARKETING AND BRANDING PLAN

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.

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

3. 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 1 overleaf highlights the capacities of the water resources, including the owners and managers of the impoundments.

4. 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 5: Major dams feeding two schemes of OW

Dam	River	Current Level (%)	Last Year's Level (%)	Notes		
Duivenhoks	Duivenhoks River	94.0	98.9	Supplies to Heidelberg and surrounding agricultural users		
Theewaterskloof			Riviersonderend	26.6	40.0	Supplies to Caledon, Protem, Klipdale and surrounding agricultural users

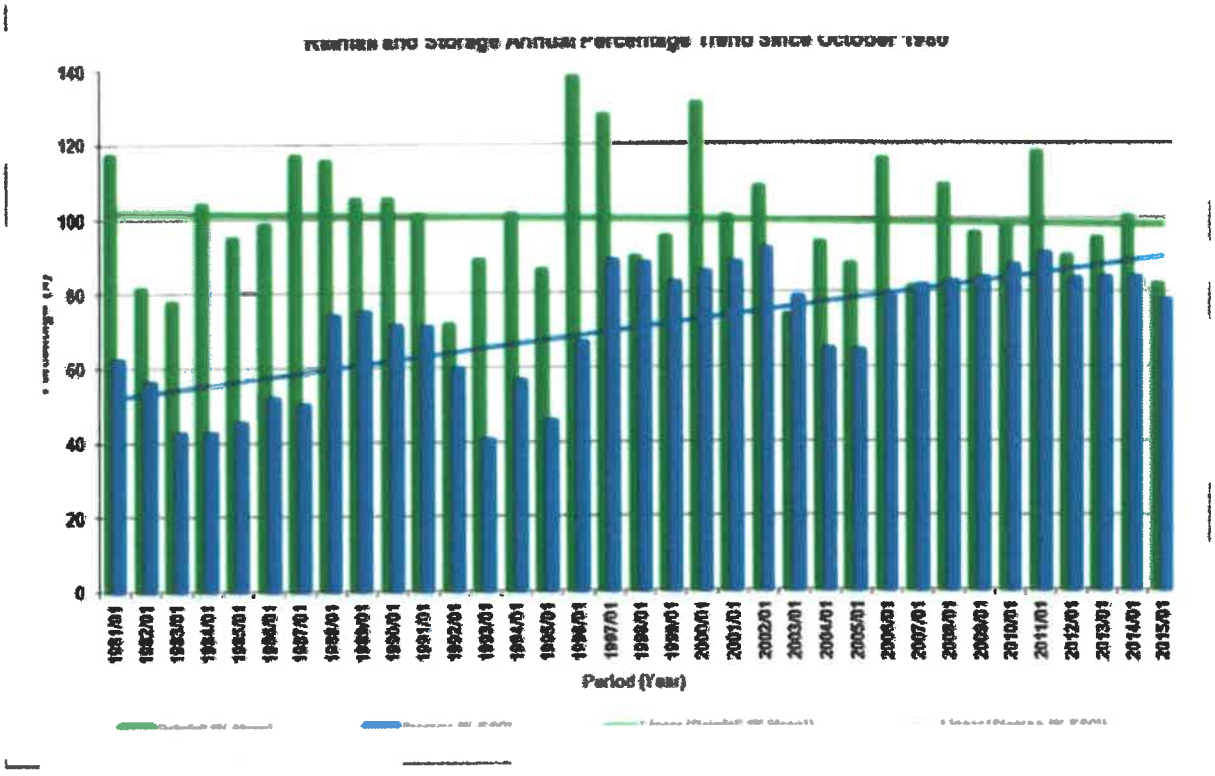


Figure 8: Rainfall and storage percentage trend since 1980

Source, DWS (2017)

Figure 9: Theewaterkloof Dam

5. 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 2 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 6: Capacity of water resources

Capacity of Water Resources							
Geographical Area	System	Catchment	Impoundment	River	Owner	Manager	Gross Capacity (million m^3)
Overberg Region	Rûensveld-Wes	Breede-Gouritz	Theewaterskloof Dam	Sonderend	DWA	BGCMA	479.3
	Rûensveld-Oos	Breede-Gouritz	Theewaterskloof Dam	Sonderend	DWA	BGCMA	479.3

	Duivenhoks	Breede-Gouritz	Duiwenhoks Dam	Duiwenhoks	DWA	BGCMA	6.2
Total for Water Systems							964.8

Table 7: Raw water quality

Water Quality of Raw Water							
Geographical Area	System	Catchment	Impoundment	Water Quality status			Description of Raw Water Quality Problem
				2015	2016	2017	
Overberg Region	Rûensveld-Wes	Breede-Gouritz	Theewaterskloof Dam	Good	Good	Good	*Eutrophication with occasional high turbidity*
	Rûensveld-Oos	Breede-Gouritz	Theewaterskloof Dam	Moderate	Moderate	Moderate	*Eutrophication with occasional high turbidity High conductivity. High organic matter, exacerbated by the rapid floods.*
	Duivenhoks	Breede-Gouritz	Duivenhoks Dam	Good	Good	Good	*Eutrophication with occasional high turbidity*

6. Water Resource Assurance and Supply Security per Water Services Authority

The El Nino and protracted drought period experienced over the last year has had a severe impact on the water security in the region. The TWK Dam has been at an all-time low over the last year, reaching levels below 30%. Overberg Water is cognisant of this decline and has reduced its volumes for financial year 2017/18 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 Ml/d and is projected to increase to a maximum of 197.9 Ml/d in accordance with the high growth scenario.

7. 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 Ml/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 Ml/day. AECOM (previously BKS) were appointed to carry out a feasibility study into the development of a new supply to the Greater Hermanus Area from the Mariasdal Water Treatment Works (WTW) (Rûensveld West Water Supply Scheme) situated downstream of Theewaterskloof Dam (TWKD) with a new pipeline to Hawsten or Fisherhaven and a new service reservoir or water treatment works.

Overberg Water abstracts water from the Sonderend River downstream of Theewaterkloof Dam from where it is treated at the Mariasdal WTW and distributed to Caledon and surrounding farms via the Rûensveld West Scheme. Although it was determined that very little spare capacity exists at the Mariasdal WTW and in the rising main from the WTW to the Noordekloof Reservoir, an increased abstraction from the Sonderend River and upgraded treatment capacity at Mariasdal WTW together with using the spare capacity in the existing rising main would provide a sensible scheme which could be expanded via a new pipeline. This option would require an agreement between Overberg Water and Overstrand Municipality for the possible joint development and operation of the scheme. The study concluded and recommended that the Overstrand Municipality and Overberg Water engage with the DWA to understand what costs other than licence fees would be associated with an immediate allocation from the Berg River / TWKD in terms of capital down payment.

The scheme presents an opportunity for Overberg Water to increase its presence as a bulk water provider to a major municipality in the Overberg Region and would allow Overberg

Water to engage with the DWS in terms of the future management of the Berg River / TWKD source.

Preliminary discussions between Overberg Water and Overstrand Municipality have indicated a preference for Overberg Water to develop the additional abstraction and treatment capacity as well as the bulk pipeline and associated reservoir and pump stations. Overstrand Water would construct a new receiving reservoir near Fisherhaven/ Hawston and Overstrand Municipality would purchase the water at an agreed tariff at the inflow to the new reservoir and distribute to their network to service the Greater Hermanus Area. The layout of the proposed scheme is reflected in Figure 7 below.

Figure 10: Greater Hermanus bulk water provision proposal

8. 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.

9. 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 m^3/a (30%) and 2, 55 million m^3/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 m^3 / annum to 9,815million m^3/ annum. While the total irrigation water allocation from the Duivenhoks water system is only 7,638million m^3/ annum – a shortfall of at least 0.680 million m^3/ 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.

10. 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.

11. 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 Protem, Klipdale, and the town of Arniston. Protem 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 Protem; 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 Ml/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 Ml/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 Ml/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.

12. 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 Ml/d.

Currently the Rûensveld West WTW has spare capacity available of around 3.9 Ml/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.

13. 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.

14. 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.

15. Existing Water Use Rights, Licences by Resource

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

Table 8: Water use rights, licenses by resources

Water Use Rights, Licences by Resource		
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.

16. 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 9: Future water use rights by resources required

Water Use Rights, Licences by Resource			
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

17. 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 5 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 10: Water dams of major consumers by resource

Water Demand of major consumers by resource				
		Existing: Major Consumers		
System	**Catchment**	**Impoundment**	**Major Consumers**	**Total Allocation - m³/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	Duiwenhoks 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

18. 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 6 overleaf provides the details of what is needed.

Table 11: Water demand, planned developments and shortfall

Scheme	Region	Potential Demand Required (m^3/day)	Project Detail	Estimated Cost	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	R 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.	R 53 500 000	OW
Dulv	Overberg region	5 000	Negotiate an increase in the supply volumes to bulk & retail customers	R 7 000 000	OW
New Scheme	Overberg region	5 000	Negotiate, Operate and Maintain existing WTW	R 23 785 800	OW
New Scheme	West Coast	5 000	Negotiate, Operate and	R 23 785 800	OW

			Maintain existing WTW			
New Scheme	Klein Karoo	5 000	Kannaland Dam	LM	R 23 785 800	OW

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

19. Bulk Water Supply

22.1 Water availability – existing schemes

The existing WTW 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 12: Existing treatment design capacity

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

22.2 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 13: Future treatment design capacity

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

* *Subject to water licence approvals*

22.3 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.

All of 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.

22.4 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 214. 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 8, while Table 9 provides an explanation of the results.

Table 14: Potable water quality compliance with SANS241-2015 per WTW (2019/20 FY)

	Compliance (%) with SANS 241:2011			
Water Works	Acute Health: Microbiological	Chronic Health	Aesthetic	Operational
Rûensveld West	100.00%	100.00%	97.87%	97.46%
Rûensveld East	100.00%	99.82%	100.00%	97.46%
Duivenhoks	100.00%	100%	99.85%	96.61%
Overall	100.00%	99.95%	99.29%	96.06%

Table 3: 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
Microbiological Health	≥97%	≥95%	<95%	≥99%	≥97%	<97%
Chronic Health	≥95%	≥93%	<93%	≥97%	≥95%	<95%
Operational	≥93%	≥90%	<90%	≥95%	≥93%	<93%
Aesthetic	≥93%	≥90%	<90%	≥95%	≥93%	<93%

22.5 Demand of major consumers by scheme

(i). Potable Water Quantity Demand

Overberg Water has three major municipalities (consumers) by scheme as shown in Table 11 below.

Table 16: Water demand of major consumers by resource

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	Cape Agulhas LM	91 250
Duivenhoks	Breede-Gouritz	Duivenhoks Dam	Hessequa LM	8 925

(ii) Potable Water Shortfalls and Projections

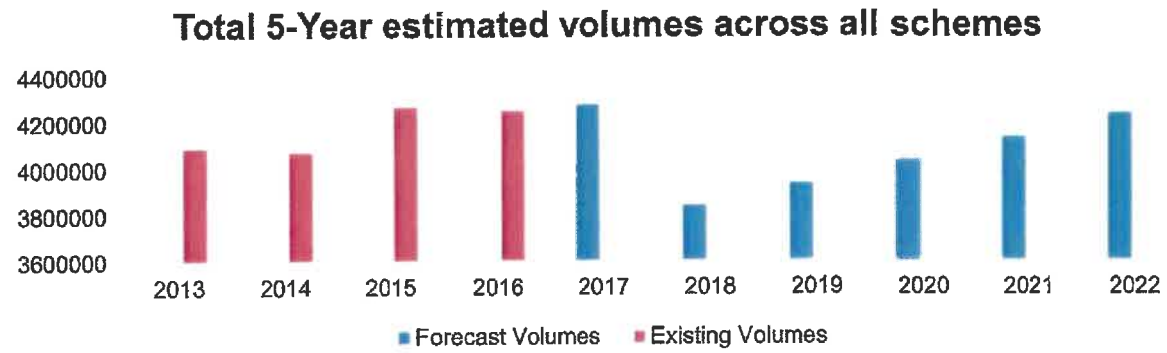


Figure 7: Total 5-year estimated volumes across all schemes

22.6 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 indicates the current serviced areas of Overberg Water as well as future areas to which it could possibly supply potable water.

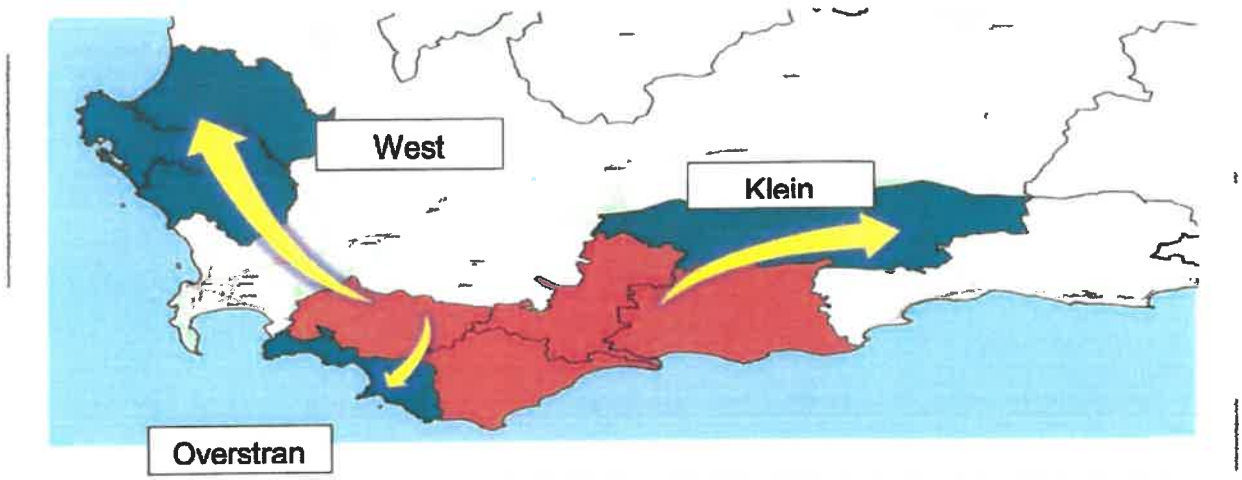


Figure 8: Overberg Water supply areas and possible future expansion

The southern coastal areas of the Western Cape are particularly water stressed because of the weak surface water yields, salinity and other pollutants/minerals found in the groundwater. The treatment of these waters remains challenging and alternate ways are often sought to alleviate the water demand of the area, especially during holiday seasons. This called for engagement between Overstrand Municipality and Overberg Water to investigate the construction of a bulk water pipeline between one of its schemes and the Hawston area. The preliminary design and environmental scoping phases of the project will commence within the next financial year.

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 has to explore the institutional and intergovernmental challenges that will develop from the proposal.

22.7 Bulk Water Supply Infrastructure Projects per Municipality

Overberg Water has identified several municipalities in which it anticipates to grow its footprint. The Bulk Water Supply Infrastructure Projects per Municipality as shown in Table 21 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 17: 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

Municipality	Place Name	Service	Total Project Value R
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
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	R 9,135,760.50

22.8 Status of bulk supply agreements with major customers

Overberg Water has several bulk supply agreements with the following major customers as shown in Table 22 below:

Table 18: Status of bulk supply agreements

Status of bulk supply agreements with major customers		
System	**Major Consumers**	**Agreement Status**
Rûensveld-Wes	TWK LM	Existing agreement in place. Revised agreement pending review.
Rûensveld-Oos	Cape Agulhas LM	Existing agreement in place. Revised agreement pending review.
Duivenhoks	Hessequa LM	Existing agreement in place. Revised agreement pending review.

Table 4: Infrastructure development plan

	Audited	Audited	Actual	Forecast	Projections				
	2016	2017	2018	2019	2020	2021	2022	2023	2024
Infrastructure	1 985	2 193	-	750	9 708	12 000	19 400	21 000	21 840
Rüensveld East - WTW upgrade	955	2 193	-	500	-	-	-	-	-
Duivenhoks Canal Upgrade				250			5 000	5 000	5 200
Luiperdsberg Access Road Upgrade to Reservoir									-
Plant and Equipment - Pumps	1 030			-	8 000	12 000	14 400	16 000	16 640
Telemetric Systems upgrade [1]	-	-	-		1 708				
Capital expenditure	475	244	-	3 930	5 403	7 958	6 300	9 340	9 340
Motor vehicles	475	244	-	1 050	1 103	1 158	1 800	2 140	2 226
Refurbishments [1]	-	-	-	2 880	4 300	6 800	4 500	7 200	7 488
Administrative	115	608	17	6 000	-	650	-	-	-
Information technology upgrade	-	-	-	4 500	-	650			
Office furniture	115	79	-	1 500	-	-			
Office refurbishment	-	-	-	-	-	-			
Other	-	529	17	-	-	-	-	-	-
Total infrastructure and Capital Expenditure	2 575	3 044	17	10 680	15 110	20 808	25 700	30 340	31 180
Escalated cash flows (R' 000)	2 016	2 017	2 018	2 019	2 020	2 021	2 022	2 023	2 024
Infrastructure	1 985	2 193	-	832	11 399	14 809	25 019	28 382	29 517
Capital expenditure	475	244	-	4 362	6 344	9 820	8 125	12 623	13 128
Administrative	115	608	18	6 659	-	802	-	-	-
	2 575	3 044	18	11 853	17 742	25 432	33 143	41 005	42 645
Cumulative escalation % (CPI)			4,80%	10,98%	17,42%	23,41%	28,96%	35,15%	39,15%

22.9 Refurbishment of Ageing Infrastructure

(i). 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 report also highlights that several of the infrastructure and equipment will be reaching its useful life.

22.10 Upgrades of Current Infrastructure

(i). 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 Ml/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 Ml/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.

(ii). Rûensveld West WTW upgrade

The scope of project will include the upgrading of the 9.5Ml/d water treatment works to meet the additional design capacity of 20Ml/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.

(iii) Duivenhoks WTW upgrade

The Duivenhoks water treatment works has a design capacity of 5.5Ml/d. To meet future demand and industry requirements, the works will be upgraded to a 7.5Ml/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.

22.11 Water Infrastructure Development

(i). 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.

(ii). 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 – 5000m^3/d
- West Coast – 5000m^3/d
- Klein Karoo – 5000m^3/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.

(iii). Klein Karoo Bulk pipeline

Within the Klein Karoo and in particular 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.

(iv). 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.

(v). Bulk Waste Water 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 10.

Figure 9: 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 **Error! Reference source not found.**, 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.

20.7. 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.

22.12 Contractual obligations with WSAs

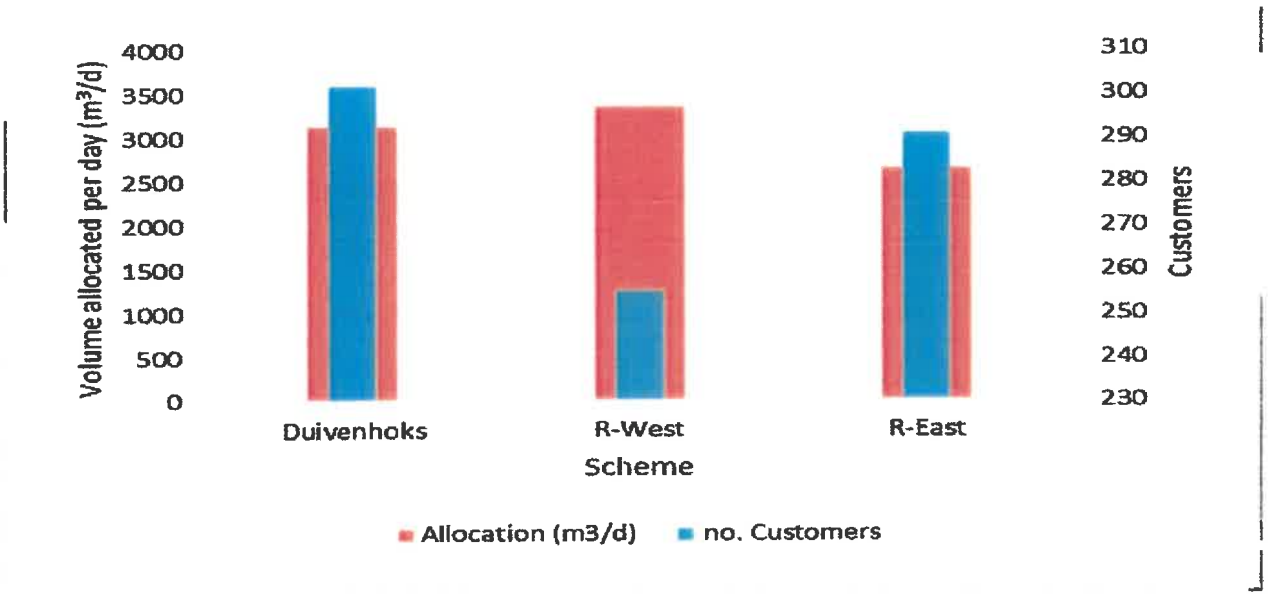
Overberg Water has standard but comprehensive service level agreements with all its retail customers. So far, all its contractual obligations regarding provision of potable water to its retail customers have been met and the potable water supply has been consistent in both volume and water quality. On 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.

Figure 10: Retail customer allocation across three scheme

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



21. Other Activities

21.1 Implementing Agent for Installation of Rainwater Harvesting Tanks in Western Cape

Over the past 5 years, Overberg Water, on behalf of DWS, installed rainwater harvesting tanks throughout the Western Cape. The Masibambane project identified low cost housing areas in water scarce regions as part of a water conservation and demand management campaign. Several challenges have arisen on the project due to poor project management, workmanship and financial control. Overberg Water has addressed this problem through internal processes and has given its Shareholder the confidence to provide them further projects in the future.

More recently Overberg Water was appointed as the Implementing Agent for the Poor Farmers: Rainwater Harvesting Tanks Project. The project includes several areas, such as Khayelitsha and the West Coast (Graafwater, Elandsbaai and Citrusdal). The project is in the commencement stages and should be gaining traction in the next quarter.

21.2 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.

21.3 Laboratory Services

Funding and resourcing remains 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 remains 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.

PART G: ORGANIZATIONAL CAPACITY

22. Human Resource Development Plan

22.13 Functional areas of current staff

Table 5: Functional areas of staff

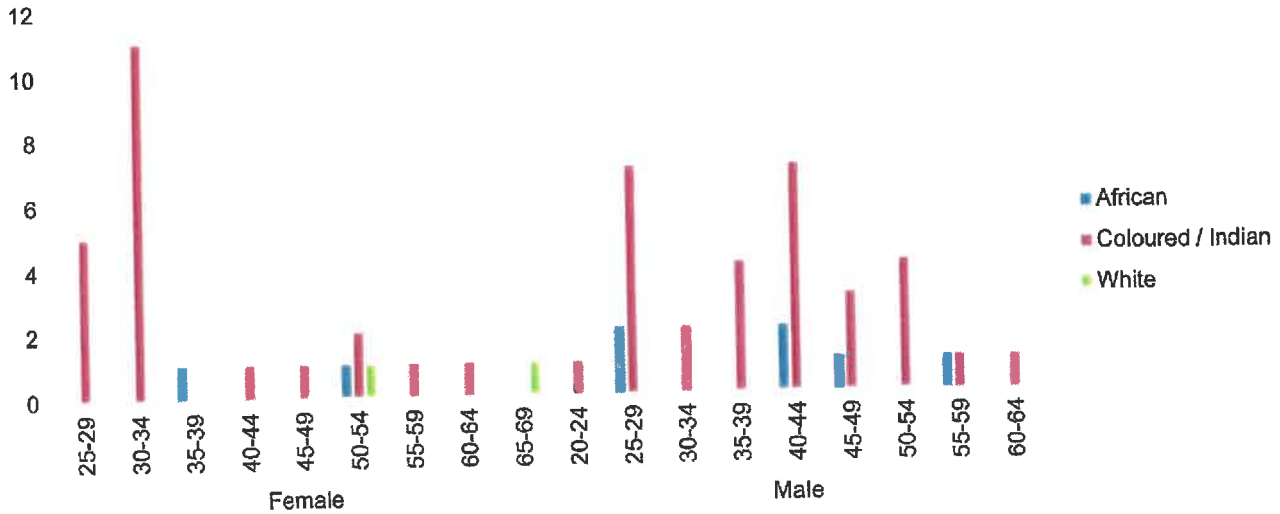
Descriptions	Africans		Coloured		White		Total
	F	M	F	M	F	M	
Executive (Top) Management		2	0	1	0		3
Senior Management	1	2					3
Professionally Qualified and Experienced Specialists and Mid-Management		0		4			4
Semi-skilled and Discretionary Decision Making		3	14	14	1		31
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foremen and Superintendents		1		5			6
Unskilled and Defined Decision Making	1	1	3	6			11
Total Permanent	2	8	19	27	0		57
Grand Total	**2**	**9**	**19**	**27**	**0**		**58**

Number of funded posts	68
number of qualified and registered engineers	02
number of disabled employees	01

Table 21: Overberg Water age profile

Details	African	Coloured	White	Grand Total
Female	2	22	2	26
25-29		5		5
30-34		11		11
35-39	1			1
40-44		1		1
45-49		1		1
50-54	1	2	1	4
55-59		1		1
60-64		1		1

65-69			1	1
Male	6	30		36
20-24		1		1
25-29	2	7		9
30-34		2		2
35-39		4		4
40-44	2	7		9
45-49	1	3		4
50-54		4		4
55-59	1	1		2
60-64		1		1



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

22.1 Future staff projections

Table 22: Future staff projections

Staff Complement (No.)	Actual 2016	Forecast 2017	Projections				
			2018	2019	2020	2021	2022
Cost of production	50	52	54	54	54	54	54
Professional staff	1	1	3	3	3	3	3
Management	2	2	2	2	2	2	2
Supervisors	2	2	2	2	2	2	2
Technical	30	34	34	34	34	34	34
General workers & other	13	13	13	13	13	13	13
Contract Workers	2	-	-	-	-	-	-
General & administrative	14	13	16	16	16	16	16
Professional staff	-	-	2	2	2	2	2
Executive management	2	2	3	3	3	3	3
Senior management	-	-	-	-	-	-	-
Management	2	3	3	3	3	3	3
Supervisors	1	1	1	1	1	1	1
Administrative & Clerks	6	6	7	7	7	7	7
Contract Workers	3	1	-	-	-	-	-
Total establishment	64	65	70	70	70	70	70

22.2 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 selected 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 2021 are as follows:

- To increase black employees from 10% to 20%.
- To decrease coloured & Indian employees from 84% to 75%.
- To decrease white employees from 6% to 5%.
- Overberg Water will also endeavour to ensure that at least 2% of its workforce comprises disabled people.

22.3 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.

22.4 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 learner ship in Water and Waste Water,
- 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.

22.5 Training planned to take place in the near future:

- NQF5 learnership in Water and Waste Water;
- NQF6 Management learnership;
- ABET;
- Plumbing, welding and computer studies;
- Mentorship and coaching;
- Human Resource Management;
- Civil engineering;
- Telephone and Business etiquette;
- Management Assistant N5 and N6; and
- Board secretarial training.

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 & Waste Water and will for the coming year complete the NQF5 learnership in Water & Waste Water. Several employees have received training on the DWS blue-drop and green-drop system.

22.6 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.

22.7 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.

22.8 . Committees and Forums

22.8.1 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.

22.8.2 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.
- Take part in decision-making regarding training of all employees.

22.9 Governance Structures

22.10 The Board of Directors

The previous board of directors was terminated by the then Minister of Water & Sanitation, Ms Nomvula Monkonyane. The current Chief Executive Officer (CEO) of OW was appointed as the Accounting Authority in terms of the PFMA. Upon the approval of the Board of Directors, the sub committees of the Board will be as follows:

- Audit, Risk & Business Strategy Committee

- Operations and Infrastructure Committee
- Human Resources, Remuneration & Ethics Committee

22.11 The Executive Management

The Executive Management structure of Overberg Water is the Executive Committee (EXCO) which currently comprises of the CEO, COO, CFO and managers as required from time to time.

PART H: ENVIRONMENTAL MANAGEMENT

23. 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.

24. Energy

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

25. 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.

26. 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.

27. 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.

28. 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 objectives. 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.

29. Environmental health & 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.

30. 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.

31. 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 in an effort 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 actually 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 23: Risk profile

Risk Type	Detailed description of risk
Financial risks	Reduction of bulk water sales arising from the drought which could affect the liquidity of the organization
Financial risks	Only two major clients
Financial and operational risks	Qualified audit report - leading to negative reputation
Financial risks	out-dated tariff model – Resulting in loss of profit as revenue might not indicate the current economic conditions

Financial and operational risks	Threat to business operations due to data theft, Loss of information, insufficient management & Planning systems, Meter reading, Customer care, communication and billing
Financial risk	Overberg water may not be financially sustainable in the medium to long term, mainly due to: Increasing cost of portable water Increasing Bad debts, Under collection of revenue, Inaccurate billing Unsustainable tariffs that do not factor for cost recovery
Operational risk	Absence of an approved IT strategy – Not having the strategy in place will result in IT not being able to support the business
Operational risk	Ageing infrastructure – This can results 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.
Operational risk	Lack of funding – This can prevent the entity from building and constructing the strategic government priorities/projects in relation to supplying water to stakeholders.
Operational risk	Natural disasters – Drought 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.
Liquidity risk	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
Investment risk	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.
Credit risk	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.
Solvency risk	The risk the Overberg Water cannot meet maturing obligations as they come due for the full value even after the disposal of its assets.

Insured risk	The risk that the entity might not be adequately insured to against losses. Which might result in the entity not being able to continue as a going concern.

PART I: SURPLUS POLICY

32. Purpose

The purpose of the policy is to guide the accrual and application of surpluses earned in any one year.

Policy

Surpluses are accrued for the following:

a) Maintain optimal capital structure
b) Cash contribution toward the purchase of Plant and equipment during the current year.
c) Provision of cash contribution toward the purchase of plant and equipment during the future.
d) Refurbishment of plant and equipment during the current year.
e) Provision towards refurbishment of plant and equipment during a future year.
f) Provision for contingencies which could materialise in the form of either a reduction in revenue or increased unexpected costs or both.

PART J: FINANCIAL PLAN (5 YEAR PROJECTIONS)

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

33. Tariff Projections

Bulk and retail water tariff 2018: Consultation process

Bulk Water Customers

A customer Tariff consultation meeting was held with the Theewaterskloof Municipality and the Hessequa Municipality on the 23 and 30 November 2018 respectively. This was in compliance with S42 of the Municipal Finance Management Act. Representatives of Department and Sanitation (DWS), SALGA and National Treasury also attended the tariff consultation session. A further meeting was held with the industrial and agricultural customers on the 23 January 2019, this done solely in the interest of maintaining positive relationship with our customers as Overberg Water is not legally required to consult with the industrial and agricultural customers.

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 to be funded from 2019 was also presented.

The presentation further highlighted the impact of the current 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.

Comment	Response
A comparison between 2018/2019 tariffs and proposed 2019/2020 tariff based on actual consumption for the preceding 12 months illustrates that our actual bulk purchases account will increase by 20.37%. This is above the increase proposed by National Treasury of between 4% to 6%	Overberg Water (OW) does note concur with the statement by the Municipality that the projected bulk purchases are to increase by an estimated 20.37%. Because when the municipality utilizes all of its daily allocation of 6 600 Kl per day the estimated bulk purchases will only increase by 8.4% as per the proposed tariff increase.

In previous financial years we have continuously absorbed increases significantly above inflation.	OW does note concur with an increase that is between 4% and 6% mainly because the tariff is calculated using the guidelines of the Norms & Standards issued by the Minister of Water and Sanitation that were gazette on the 13th November 2015. Which require that a bulk water service provider must set a tariff that ensures that its revenue is sufficient to. • Recover all reasonable costs directly and indirectly with associated with operations, maintenance, refurbishments and development of bulk water services and all costs associated therewith; • Generate sufficient cash flows to redeem its bulk water services and related loans over a reasonable period • Achieve a targeted percentage return on capital per annum reasonably invested for the provision of bulk water services as set out in the shareholders compact; and • Achieve a targeted percentage net surplus per annum on revenue set out in the shareholders compact.
The availability levy (an extremely high price paid "just to have water available") has on average 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% form R1.66 in 2013/14- to R4.62 in 2019/2020.	OW disagrees the total average tariff charged to the municipality has never exceeded 20% **Historical Tariff** • 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%
We do not agree with the current costing methodology applied by OW (fixed vs. variable). It is our opinion that the fixed cost is being inflated so that high revenue levels are being maintained regardless of actual consumption. These high levels of revenue are placing unnecessary financial burdens on the municipality and its customers.	OW does not agree with the opinion of the municipality that the fixed cost is being inflated so that high revenue levels are being maintained regardless of actual consumption. The tariff was calculated in accordance to the guidelines of the Norms & Standards issued by the Minister of Water and Sanitation as well as section 34 (2) of the Water Services Act which both require that that the tariff should be sufficient to cover for:

	• Repaying and services of debt • Recovering of capital, operational and maintenance costs • Provision or the depreciation of assets • Cost associated with repayment of capital from revenues • Make provision for future capital requirements and expansion. • Therefore the current methodology applied by OW is compliant with the Water Services Act.
We would also like to know what past capital and availability levies was utilized for as the contract between OW and TWK clearly states that whatever the customer contributes to these levies, must be utilized for the customers benefit.	OW is unable to provide evidence on how the capital levy was spent due to the fact that the capital levy due by the TWK Municipality to date remains unpaid. Therefore OWs has not been able to implement its planned capital expenditure programme.
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 in order to accommodate its indigent population. Further to this the municipality sells some of the water supplied by OW at a mark greater than 100% and therefore does not agree that the tariff renders the municipality`s bill unaffordable
Employee Cost increase by 60% from 2014/15 till 2016/17 (R6, 025m to R9.656m). In terms of your presentation, the employee related costs increase by 9% for 2019 but consists 43% of the total revenue of OW. This is clearly not justifiable in the current economic climate.	OW notes the 9% increase in employee costs, however page 6 of the tariff consultation presentation which makes reference to the Macro-Economic Assumptions and has made a projection that employee cost will increase at an average of 7.8%. The access above this percentage is a result of filling of key vacancies as highlighted in page 10 of the presentation.
We are of the opinion that we are to a large extend subsidizing other consumers of OW, this is contradictory to what is currently contained in the contract.	OW does not agree with the opinion that the TWK municipality is subsidizing other customers.as the average tariff that is charged to the municipality is lower than the average tariff charged to the other bulk water customer as well as the industrial customers. Further to this it must be noted that the current total average tariff required to breakeven is approximately R21.72 which is significant below the tariff charged to the municipality. Therefore the municipality is currently not subsiding other customers of OW.

SALGA

SALGA's main concern was the projected percentage increase of 19.40% electricity that to be included in the tariff. Overberg Water highlighted that the increase is in line with the 15% projected tariff increase of Eskom which is over and above the 4.41% already granted by NERSA.

SALGA also raised concern about the lack of gearing by Overberg Water and how this will impact the funding of the infrastructure plan.

National Treasury

National Treasury main concern the financial sustainability due to the low projected infrastructure plan. It also raised concerned about the impact of the drought on the sustainability of the Water Board

Bulk water tariff 2019: 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 8.4% bulk water customers and 12% for agricultural customers for 2019/20

34. Financial Planning Assumptions

Table 6: Macro-economic assumptions

Tabe 23: MACRO-ECONOMIC ASSUMPTIONS							
	Actual	Forecast	Projections				
	2018	2019	2020	2021	2022	2023	2024
Consumer price index (CPI)	6,30%	4,80%	5,90%	5,80%	5,10%	4,50%	4,80%
Producer price index (PPI)	7,20%	4,70%	6,80%	6,80%	6,10%	5,10%	4,30%
Prime overdraft rate	10,75%	10,00%	10,00%	10,00%	9,50%	9,50%	10,25%

Table 7: Employee costs planning assumptions

Tabe 24: EMPLOYEE COST PLANNING ASSUMPTIONS							
	Actual	Forecast	Projections				
	2018	2019	2020	2021	2022	2023	2024
Basic pay (% Increase)	7,80%	7,80%	7,30%	7,30%	7,30%	7,30%	7,50%

Table 26: Staff number planning assumptions

Tabe 25: STAFF NUMBERS PLANNING ASSUMPTIONS							
Staff Complement (No.)	**Actual**	**Forecast**	**Projections**				
	2018	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Cost of production	**43**	**44**	**52**	**52**	**52**	**52**	**52**
Professional staff	-	-	-	-	-	-	-
Management	3	3	3	3	3	3	3
Supervisors	2	3	3	3	3	3	3
Technical	28	28	36	36	36	36	36
General workers & other	10	10	10	10	10	10	10
Maintainance officer	-	-	-	-	-	-	-
Contract Workers	-	-	-	-	-	-	-
General & administrative	**12**	**14**	**25**	**25**	**25**	**25**	**25**
Executive management	3	2	3	3	3	3	3
Professional staff	1	1	6	6	6	6	6
Management	2	3	3	3	3	3	3
Supervisors	2	3	3	3	3	3	3
Administrative & clerks	4	4	4	4	4	4	4
Graduates	-	-	5	5	5	5	5
Cleaner	-	1	1	1	1	1	1
	55	**58**	**77**	**77**	**77**	**77**	**77**

The figures set out in the table above assume that all key vacancies at Overberg Water are filled by the end of 2019. Staff expansion for 2019 includes an IT Manager, Internal Auditor, Board Secretary and Chief Financial Officer.

35. Production costs

Table 8: Production cost planning assumptions

Tabe 26: PRODUCTION PLANNING ASSUMPTIONS							
	Actual	Forecast	Projections				
	2018	2019	2020	2021	2022	2023	2024
Chemicals price increase	8,70%	9,80%	9,80%	9,10%	8,10%	7,30%	10,30%
Electricity tariff	9,40%	19,80%	19,80%	19,10%	18,10%	17,30%	20,30%
Raw water tariff	13,00%	11,90%	11,80%	11,10%	10,50%	10,80%	13,80%
Weighted average variable cost increase	10,35%	16,54%	16,02%	15,22%	14,66%	17,82%	20,82%
Non-revenue water	10,00%	10,00%	10,00%	10,00%	10,00%	10,00%	10,00%

Most chemicals are imported therefore the projected chemical price increase is PPI+3%. The chemicals price increase is based on PPI + 3% (as most chemicals are imported). The electricity price increase is expected to be PPI + 13%. Rebates or increases will be considered where the electricity price assumption varies significantly from the financial planning assumptions.

Raw water price increase for 2019 is based on the Department of Water and Sanitation tariff increase and projections from 2019 onwards equal CPI + 6%.

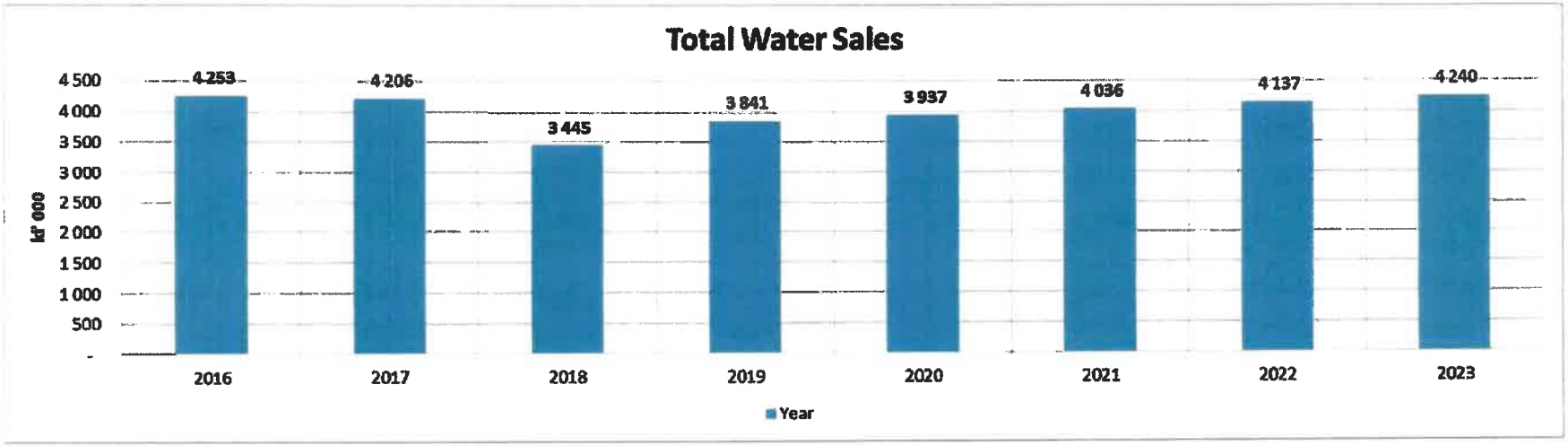
The percentage non-revenue water expected within Overberg Water's pipeline network and is based on the historical average achieved.

36. Water sales projections

Table 28: Water sales projections

Tabe 27: WATER SALES PROJECTIONS							
	Actual	Forecast	Projections				
	2018	2019	2020	2021	2022	2023	2024
Bulk water (kl '000)	1 580	1 988	2 038	2 089	2 141	2 195	2 250
% increase	-24,87%	25,83%	2,51%	2,50%	2,50%	2,50%	2,50%
Other customers (kl '000)	1 865	1 853	1 900	1 947	1 996	2 046	2 098
% increase	-11,29%	-0,64%	2,49%	2,50%	2,50%	2,50%	102,50%
Total (kl '000)	**3 445**	**3 841**	**3 937**	**4 036**	**4 137**	**4 240**	**4 241**
% increase	**-18,08%**	**11,50%**	**2,50%**	**2,50%**	**2,50%**	**2,50%**	**2,50%**

Below shows the water sales growth taking into account the water restriction. It is assumed that water sales will decrease by less than 1 percent in 2019 from thereon water sales will increase at a rate of 2.5%, see below figure 14.



Current water sales growth is limited by water available from water licenses. Table 28 and Figure 2 sets an analysis of Overberg Water's water licenses compared to the projected water sales for 2020.

Table 29: Water License vs Water Sales 2020

TABLE 28: WATER LICENSES vs WATER SALES 2020					
Scheme	**Water licences**	**Water purchases**	**Maximum output (capacity)**	**Allocations**	**Projected water sales**
	kl	**kl**	**kl**	**kl**	**kl**
Duivenhoks (Heidelberg)	1,232,000	1 290 161	2,046,000	1,872,384	1 202 367
Ruensveld East (Swellendam)	897	797 445	1,711,200	1,218,625	743 180
Ruensveld West (Caledon)	1,914,000	2 243 094	3,608,400	3,375,717	2 090 453
Total	**4,043,000**	**4 330 700**	**7,365,600**	**6,466,727**	**4 036 000**

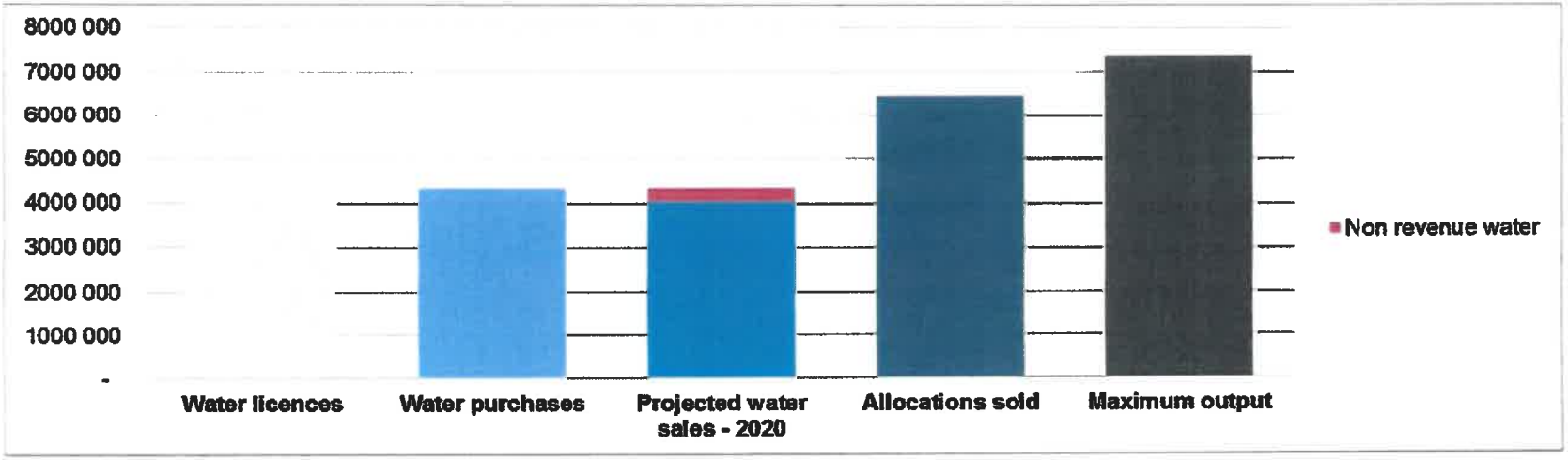

8000 000
7000 000
6000 000
5000 000
4000 000
3000 000
2000 000
1000 000
-
Water licences
Water purchases
Projected water sales - 2020
Allocations sold
Maximum output
Non revenue water

Table 30 Water tariff projections

Tabe 29: WATER TARIFF PROJECTIONS							
	Audited	Actual	Forecast	PROJECTIONS			
	2017	2018	2019	2020	2021	2022	2023
Bulk tariff (R/kl)							
Basic levy 2	R 3,43	R 3,43	R 3,68	R 4,32	R 4,82	R 5,38	R 6,01
Basic levy		R 3,43	R 3,26	R 3,86	R 4,33	R 4,85	R 5,43
Capital Levy		R 0,25	R 0,42	R 0,46	R 0,49	R 0,53	R 0,58
Variable charge 4	R 2,75	R 2,75	R 3,08	R 3,34	R 3,74	R 4,19	R 4,69
Capital levy 6							
Drought Tariff 7							
Customer Average tariff	R 6,18	R 6,18	R 6,76	R 7,66	R 8,56	R 9,57	R 10,70
% Increase to customer [1]	1,81%		9,30%	13,35%	11,79%	11,79%	11,80%
Subsidy			4,00	4,00	4,00	4,00	4,00
Total Average tariff	6,18	6,18	10,76	11,66	12,56	13,57	14,70
% increase total	1,81%		74,03%	8,39%	7,74%	8,04%	8,32%
Contract tariff (R/kl) 3							
Basic levy 2	R 7,67	R 7,92	R 9,01	10,09	R 11,30	R 12,66	R 14,18
Basic Levy		R 7,67	R 8,59	R 9,62	R 10,78	R 12,07	R 13,52
Capital Levy		R 0,25	R 0,42	R 0,47	R 0,53	R 0,59	R 0,66
Variable charge 4	R 2,75	R 2,75	R 3,08	R 3,45	R 3,86	R 4,33	R 4,85
Capital levy 6	R 0,25						
Drought Tariff 7							
Customer Average tariff	R 10,67	R 10,67	R 12,09	R 13,54	R 15,17	R 16,99	R 19,02
% Increase to customer [1]	(19,77%)		13,31%	12,00%	12,00%	12,00%	12,00%
Subsidy			4,00	4,00	4,00	4,00	4,00
Total Average tariff	10,67	10,67	16,09	17,54	19,17	20,99	23,02
% increase total	(19,77%)		50,80%	9,02%	9,26%	9,50%	9,71%
Total average tariff (R/kl) 5	R 8,42	R 8,61	R 13,33	R 14,50	R 15,75	R 17,15	R 18,71

Table 31 Water tariff cost components

TABLE 30: WATER TARIFF COST COMPONENT	Actual 2015	Audited 2016		Audited 2017		Audited 2018		Projected 2019		Projected 2020		Projected 2021		Projected 2022	
	R/kl	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)	4 253	4 206	(1,12%)	3 445	-18,08%	3 841	11,50%	3 937	2,50%	4 036	2,50%	4 137	2,50%	4 240	2,50%
Labour	2,49	2,77	11,36%	3,55	27,99%	3,47	(2,33%)	3,68	6,15%	3,88	5,46%	3,97	2,24%	4,20	5,85%
Repairs & Maintenance	0,09	0,32	269,13%	0,33	3,74%	0,31	(5,02%)	0,32	3,22%	0,33	1,95%	0,33	2,24%	0,35	3,22%
UF Plant	0,24	0,00	(100,00%)	0,00		0,00	0,00%	0,00	0,00%	0,00	0,00%	0,00	0,00%	-	0,00%
Wear & Tear / Depreciation	5,61	5,71	1,86%	7,00	22,48%	0,95	(86,43%)	0,93	-2,44%	0,90	-2,44%	0,88	-2,44%	1	-2,44%
Other	0,30	0,32	7,37%	0,31	-2,80%	0,30	(5,02%)	0,31	3,22%	0,31	1,95%	0,32	2,24%	0,33	3,22%
Finance & administrative expenses	3,29	4,14	25,81%	6,65	60,59%	6,30	(5,21%)	6,33	0,53%	6,56	3,52%	6,59	0,44%	6,96	5,68%
Chemicals	0,60	0,66	9,01%	0,74	12,71%	0,81	9,80%	0,88	9,10%	0,96	8,10%	1,03	7,30%	1,13	10,30%
Energy	1,61	1,69	5,17%	1,83	8,51%	2,20	19,80%	2,62	19,10%	3,09	18,10%	3,62	17,30%	4,36	20,30%
Raw Water	0,17	0,18	1,31%	0,21	19,24%	0,24	11,80%	0,26	11,10%	0,29	10,50%	0,32	10,80%	0,36	13,80%
Total operating costs per kl sold	14,40	15,78	9,64%	20,62	30,61%	14,57	(29,34%)	15,33	5,23%	16,32	6,43%	17,06	4,56%	18,55	8,74%
Capital levy 5	0,38	0,25	(34,21%)	0,00	-100,00%	0,42		0,46	8,40%	0,49	8,40%	0,53	8,40%	0,58	8,40%
Total costs per kl sold	14,78	16,03	8,51%	20,62	28,58%	14,99	(27,30%)	15,79	5,32%	16,81	6,49%	17,60	4,67%	19,13	8,73%
Surplus / (Loss) per kl sold	(4,91)	(7,61)		(12,01)		(1,66)		(1,29)		(1,06)		(0,45)		(0,42)	
Total average tariff (R/kl)	9,87	8,42	(14,65%)	8,61	2,21%	13,33	54,79%	14,50	8,75%	15,75	8,63%	17,15	8,89%	18,71	9,14%

TABLE 32: STATEMENT OF COMPREHENSIVE INCOME

TABLE 31: STATEMENT OF COMPREHENSIVE INCOME									
Overberg Water Statement of comprehensive income (R'000)	Audited 2016 (R'000)	Audited 2017 (R'000)	Audited 2018 (R'000)	Forecast 2019 (R'000)	2020 (R'000)	2021 (R'000)	Projections 2022 (R'000)	2023 (R'000)	2024 (R'000)
Revenue	42 267	48 133	46 277	51 204	57 077	63 553	70 935	79 355	82 529
Bulk	14 287	16 702	15 152	21 381	23 756	26 235	29 052	32 256	33 546
Other customers	27 980	31 431	31 125	29 823	33 321	37 317	41 882	47 099	48 983
Cost of production	(47 242)	(28 125)	(27 181)	(31 301)	(35 029)	(39 061)	(43 077)	(48 983)	(50 942)
Chemicals	(2 556)	(2 765)	(2 544)	(3 114)	(3 482)	(3 859)	(4 244)	(4 798)	(4 990)
Energy	(6 835)	(7 108)	(8 318)	(8 440)	(10 303)	(12 472)	(14 996)	(18 491)	(19 230)
Labour	(10 568)	(11 660)	(12 225)	(13 313)	(14 484)	(15 658)	(16 409)	(17 804)	(18 516)
Raw water	(741)	(742)	(725)	(904)	(1 029)	(1 166)	(1 324)	(1 545)	(1 606)
Repairs & maintenance	(364)	(1 328)	(1 128)	(1 195)	(1 264)	(1 321)	(1 385)	(1 465)	(1 523)
UF Plant	(1 022)	-	-	-	-	-	-	-	-
Wear & Tear	(23 856)	(3 173)	(3 158)	(3 190)	(3 254)	(3 319)	(3 392)	(3 477)	(3 616)
Other	(1 289)	(1 369)	(1 082)	(1 148)	(1 212)	(1 287)	(1 327)	(1 404)	(1 461)
Fuel	(569)	(576)	(477)	(505)	(534)	(556)	(585)	(610)	(644)
Insurance	(238)	(362)	(225)	(238)	(252)	(264)	(276)	(292)	(304)
Laboratory costs	(253)	(161)	(194)	(205)	(217)	(227)	(238)	(252)	(262)
Movement in water inventory	9	8	101	107	114	119	124	132	137
Machinery/tool hire	(127)	(210)	(287)	(304)	(321)	(338)	(352)	(372)	(387)
Protective clothing	(105)	(65)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Gross profit	(4 975)	20 008	19 096	19 902	22 047	24 491	27 858	30 372	31 587
Finance & administrative expenses <4>	(13 993)	(17 407)	(22 387)	(21 997)	(23 664)	(25 130)	(25 912)	(28 035)	(29 156)
Audit fees	(327)	44	-	(1 757)	(1 858)	(1 942)	(2 035)	(2 153)	(2 240)
Board costs	(977)	(1 016)	(22)	(1 076)	(1 138)	(1 189)	(1 189)	(1 319)	(1 371)
Consulting & Professional fees	(2 130)	(2 932)	(8 088)	(4 622)	(4 890)	(5 110)	(5 110)	(5 686)	(5 893)
Employee costs	(5 390)	(6 827)	(8 447)	(9 103)	(9 907)	(10 701)	(11 215)	(12 152)	(12 649)
Equipment Rentals	(499)	(516)	(510)	(540)	(571)	(597)	(597)	(682)	(688)
Impairment of trade receivables	(1 444)	(823)	(1 137)	-	-	-	-	-	-
Bad debts	-	-	-	-	-	-	-	-	-
IT Expenses	(181)	(171)	(321)	(470)	(740)	(779)	(818)	(858)	(892)
Training	(27)	(33)	-	(566)	(500)	(587)	(545)	(591)	(614)
Travel	(249)	(163)	(761)	(618)	(654)	(687)	(718)	(759)	(783)
Depreciation	(565)	(411)	(409)	(396)	(389)	(384)	(380)	(377)	(392)
Other	(2 213)	(4 559)	(2 692)	(2 851)	(3 016)	(3 152)	(3 303)	(3 496)	(3 635)
Advertising & Marketing	(1)	-	(155)	(165)	(174)	(182)	(191)	(202)	(210)
Bank charges	(47)	(50)	(86)	(91)	(98)	(100)	(105)	(111)	(116)
Corporate social responsibility	(51)	(17)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Entertainment	(109)	(112)	(43)	(46)	(49)	(51)	(53)	(56)	(59)
admin insurance	(55)	(377)	(311)	(330)	(349)	(364)	(382)	(404)	(420)
Learnerships and bursaries	-	-	-	-	-	-	-	-	-
Office rent	(372)	(514)	(534)	(566)	(599)	(628)	(656)	(694)	(721)
Municipal services	(202)	(242)	(282)	(299)	(316)	(330)	(346)	(366)	(381)
Other administrative expenses	(177)	(168)	(103)	(109)	(116)	(120)	(126)	(133)	(139)
Postage and Courier	(37)	(20)	(49)	(52)	(55)	(57)	(60)	(63)	(66)
Printing & Stationary	(140)	(183)	(361)	(382)	(404)	(422)	(443)	(468)	(487)
Profit / (Loss) with sale of assets	(349)	(2 008)	(23)	(24)	(26)	(27)	(28)	(30)	(31)
Recruitment	(454)	(296)	(264)	(279)	(295)	(309)	(323)	(342)	(356)
Subscriptions & Literature	(20)	(54)	(2)	(2)	(2)	(2)	(2)	(3)	(3)
Telecommunications	(391)	(533)	(479)	(507)	(537)	(561)	(588)	(622)	(647)
Operating profit / (loss)	(18 968)	2 601	(3 291)	(2 095)	(1 617)	(638)	1 946	2 337	2 431
Other income	696	718	516	547	579	608	635	668	693
Emergency Fund	-	-	-	-	-	-	-	-	-
Reserves	-	-	-	-	-	-	-	-	-
Dividend income	16	7	16	-	-	-	-	-	-
Investment income	2 384	2 870	3 134	3 448	3 793	4 172	4 589	5 048	5 553
Finance costs	(63)	(113)	(53)	-	-	-	-	-	-
Net profit	(15 733)	6 083	324	1 900	2 754	4 142	7 170	8 051	8 676
Extraordinary item									
Refurbishment of rainwater harvesting tanks		-	-						

TABLE 33: STATEMENT OF FINANCIAL POSITION

TABLE 32: STATEMENT OF FINANCIAL POSITION								
Overberg Water Statement of Cash Flows (R'000)	Audited 2017 (R'000)	Audited 2018 (R'000)	Projections 2019 (R'000)	2020 (R'000)	2021 (R'000)	2022 (R'000)	2023 (R'000)	2024 (R'000)
ASSETS								
Non-current assets	**71 822**	**70 955**	**75 708**	**77 631**	**82 248**	**91 782**	**101 467**	**111 480**
Property, plant and equipment	41 016	37 894	40 185	41 753	47 088	53 878	63 185	72 815
Investments	30 806	33 061	35 522	35 877	35 160	37 903	38 282	38 665
Current assets	**21 384**	**23 967**	**17 861**	**20 389**	**21 421**	**17 451**	**15 431**	**13 295**
Cash and cash equivalents	12 683	13 846	10 004	12 683	13 846	10 004	8 011	6 141
Inventory	2 431	2 921	2 220	2 351	2 487	2 614	2 732	2 841
Trade receivables 1	6 269	7 200	5 637	5 355	5 087	4 833	4 688	4 313
Other receivables								
Total assets	**93 206**	**94 922**	**93 569**	**98 020**	**103 668**	**109 233**	**116 898**	**124 775**
RESERVES AND LIABILITIES								
Reserves	**82 931**	**82 931**	**84 657**	**87 411**	**91 552**	**98 723**	**106 775**	**115 451**
Accumulated surplus	57 758	57 758	59 657	62 411	66 552	73 723	81 775	90 451
Capital expenditure fund	20 000	20 000	20 000	20 000	20 000	20 000	20 000	20 000
Emergency fund	5 000	5 000	5 000	5 000	5 000	5 000	5 000	5 000
Revaluation Reserve	173	173						
Non-current liabilities	**-**	**224**	**124**	**25**	**-**	**-**	**-**	**-**
Long-term borrowings	-	224	124	25				
Current liabilities	**10 275**	**11 767**	**8 787**	**10 584**	**12 116**	**10 509**	**10 124**	**9 325**
Current portion of long-term borrowings	100	100	100	100	25			
Trade payables	7 535	8 204	6 731	7 342	7 622	7 145	6 646	6 827
Salary related payables	-							
Other payables	-							
Provisions	2 640	3 464	1 956	3 142	4 469	3 364	3 478	2 498
Total reserves and liabilities	**93205**	**94922**	**93568**	**98020**	**103669**	**109233**	**116898**	**124775**

TABLE 34: STATEMENT OF CASH FLOW

TABLE 33: STATEMENT OF CASH FLOW									
Overberg Water Statement of Cash Flows (R'000)	Audited 2016 (R'000)	Audited 2017 (R'000)	Audited 2018 (R'000)	Projections 2019 (R'000)	2020 (R'000)	2021 (R'000)	2022 (R'000)	2023 (R'000)	2024 (R'000)
OPERATING ACTIVITIES									
Cash receipts from customers	40 566	48 484	47 208	51 409	58 057	63 574	70 415	78 366	81 501
Cash paid to suppliers and employees	(31 664)	(42 804)	(49 085)	(52 739)	(56 309)	(60 751)	(68 151)	(74 806)	(77 885)
Cash generated from operations	8 902	5 680	(1 878)	(1 330)	1 748	2 823	2 264	3 560	3 615
Net interest income	583	748	902	2 103	2 125	1 981	2 001	2 273	2 364
Net cash from operating activities	**9 485**	**6 429**	**(976)**	**773**	**3 873**	**4 803**	**4 265**	**5 833**	**5 979**
INVESTING ACTIVITIES									
Additions to property, plant and equipment	(5 877)	(5 050)	(41)	(5 877)	(5 211)	(9 038)	(10 563)	(13 160)	(13 638)
Interest Paid	(63)	(113)	(53)	(172)	-	-	-	-	-
Interest on investments	1 801	2 122	2 233						
Disposal/scrapping of property, plant and equipment		-	-	-	-	-	-	-	-
Investments (made)/withdrawn during the year					-	-	-	-	-
Net cash from investing activities	**(4 139)**	**(3 041)**	**2 139**	**(6 049)**	**(5 211)**	**(9 038)**	**(10 563)**	**(13 160)**	**(13 638)**
FINANCING ACTIVITIES									
Proceeds from long-term borrowings	-	-	-	-	-	-	-	-	-
Repayment of long-term borrowings	-	-	-	-100	1	-100	-25	0	-75
Movement in investments				-2 461	-355	718	-2 743	-379	-383
Finance costs	-	-	-	-	-	-	-	-	-
Interest received	-	-	-	3 995	4 371	4 780	5 224	5 714	6 246
Net cash from financing activities	**-**	**-**	**-**	**1 434**	**4 017**	**5 397**	**2 456**	**5 335**	**5 788**
CASH AND CASH EQUIVALENTS									
Total cash movement for the period	5 346	3 388	1 163	(3 842)	2 679	1 163	(3 842)	(1 992)	(1 871)
Cash at beginning of the period	1 301	9 295	12 683	13 846	10 004	12 683	13 846	10 004	8 011
Total cash at end of year	**6 647**	**12 683**	**13 846**	**10 004**	**12 683**	**13 846**	**10 004**	**8 012**	**6 140**

TABLE 35: INFRASTRUCTURE AND CAPITAL PLAN

TABLE 34: INFRASTRUCTURE AND CAPITAL PLAN									
	Audited	Audited	Forcast	Projections					
	2016	2017	2018	2019	2020	2021	2022	2023	2024
Infrastructure	**1 985**	**2 193**	**-**	**750**	**9 708**	**12 000**	**19 400**	**21 000**	**21 840**
Rûensveld East - WTW upgrade	955	2 193	-	500	-	-	-	-	-
Duivenhoks Canal Upgrade				250			5 000	5 000,00	5 200
Luiperdsberg Access Road Upgrade to Reservoir									-
Plant and Equipment - Pumps	1 030			-	8 000	12 000	14 400	16 000,00	16 640
Telemetric Systems upgrade [1]	-	-	-		1 708				
Capital expenditure	**475**	**244**	**-**	**3 930**	**5 403**	**7 958**	**6 300**	**9 340**	**9 340**
Motor vehicles	475	244	-	1 050	1 103	1 158	1 800	2 140	2 226
Refurbishments [1]	-	-	-	2 880	4 300	6 800	4 500	7 200	7 488
Administrative	**115**	**608**	**17**	**6 000**	**-**	**650**	**-**	**-**	**-**
Information technology upgrade	-	-	-	4 500	-	650			
Office furniture	115	79	-	1 500	-	-			
Office refurbishment	-	-	-	-	-	-			
Other	-	529	17	-	-	-	-	-	-
Total Infrastructure and Capital Expenditure	**2 575**	**3 044**	**17**	**10 680**	**15 110**	**20 608**	**25 700**	**30 340**	**31 180**
Escalated cash flows (R' 000)	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Infrastructure	1 985	2 193	-	832	11 399	14 809	25 019	28 382	29 517
Capital expenditure	475	244	-	4 362	6 344	9 820	8 125	12 623	13 128
Administrative	115	608	18	6 659	-	802	-	-	-
	2 575	**3 044**	**18**	**11 853**	**17 742**	**25 432**	**33 143**	**41 005**	**42 645**
Cumulative escalation % (CPI)			4,80%	10,98%	17,42%	23,41%	28,96%	35,15%	39,15%

TABLE 36: DETAILED STAFF COSTS

TABLE 35: DETAILED STAFF COSTS									
	Audited	Audited	Projections						
	2016	2017	2018	2019	2020	2021	2022	2023	2024
Cost of production (R' 000)	**10 558**	**11 660**	**13 215**	**13 313**	**14 484**	**15 658**	**16 409**	**17 804**	**18 516**
Professional staff	573	616	1 192	1 201	1 310	1 412	1 480	1 623	1 688
Management	1 187	1 284	1 363	1 373	1 493	1 615	1 692	1 855	1 930
Supervisors	565	607	649	654	711	769	806	883	918
Technical	6 789	7 785	8 547	8 611	9 366	10 127	10 613	11 449	11 907
General workers & other	1 257	1 369	1 464	1 475	1 604	1 735	1 818	1 993	2 073
Contract Workers	188	-	-	-	-	-	-	-	-
General & administrative (R' 000)	**5 390**	**6 827**	**8 447**	**9 103**	**9 907**	**10 702**	**11 215**	**12 162**	**12 649**
Executive management	1 920	2 062	2 670	3 709	4 060	4 370	4 587	4 975	5 174
Professional staff	-	-	-	640	684	749	782	848	882
Management	993	2 263	2 928	2 413	2 590	2 843	2 985	3 237	3 366
Supervisors	53	357	389	320	342	375	391	424	441
Administrative & clerks	1 897	2 031	2 460	2 021	2 231	2 365	2 470	2 679	2 786
Contract Workers	526	114	-	-	-	-	-	-	-
Total staff costs (R'000)	**15 948**	**18 488**	**21 662**	**22 416**	**24 391**	**26 359**	**27 624**	**29 966**	**31 165**
% increase		15,92%	17,17%	3,48%	8,81%	8,07%	4,80%	8,48%	3,85%
Average costs per employee (R'000)	261	336	373	291	317	342	359	389	406
% increase/(decrease) average costs per employee		28,57%	11,11%	(22,05%)	8,81%	8,07%	4,80%	8,48%	4,09%
Productivity - kl'000 per employee	70	76	59	50	51	52	54	55	56

TABEL 37: DETAILED ELECTRICTY COSTS

TABLE 36: DETAILED ELECTRICTY COSTS									
	Actual	Actual	Actual	Projections					
	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total electricity costs (R'000)	**6 835**	**7 108**	**6 318**	**8 440**	**10 303**	**12 472**	**14 996**	**18 491**	**22 115**
% increase in costs		3,99%	(11,11%)	33,58%	22,08%	21,05%	20,23%	23,31%	16,39%
Cost per kl sold	1,61	1,69	1,83	2,20	2,62	3,09	3,62	4,36	5,36
% increase in cost per kl sold		5,17%	8,51%	19,80%	19,10%	18,10%	17,30%	20,30%	18,65%

TABLE 38: DETAILED RAW WATER COSTS

TABLE 37: DETAILED RAW WATER COSTS									
	Actual	Actual	Actual	Projections					
	2016	2017	2018	2019	2020	2021	2022	2023	2024
Raw water volumes (kl '000)	4 734	4 626	3 790	4 226	4 331	4 440	4 551	4 664	4 944
Raw water charges (c/kl)	0,16	0,16	0,19	0,21	0,24	0,26	0,29	0,33	0,35
Total raw water cost (R'000)	**741**	**742**	**725**	**904**	**1 029**	**1 166**	**1 324**	**1 545**	**1 735**
% increase in costs		0,17%	(2,32%)	24,66%	13,88%	13,26%	13,57%	16,65%	11,00%
Cost per kl sold (c/kl)	0,17	0,18	0,21	0,24	0,26	0,29	0,32	0,36	0,00
% increase in cost per kl sold		1,31%	19,24%	11,80%	11,10%	10,50%	10,80%	13,80%	10,60%

TABLE 39: DETAILED CHEMICALS COSTS

TABLE 38: DETAILED CHEMICALS COSTS									
	Actual	Actual	Actual	Projections					
	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total chemical costs (R'000)	2 556	2 755	2 544	3 114	3 482	3 859	4 244	4 798	5 239
% increase in costs	8,27%	7,79%	(7,67%)	22,43%	11,83%	10,80%	9,98%	13,06%	8,26%
Cost per kl sold	0,60	0,66	0,74	0,81	0,88	0,96	1,03	1,13	1,17
% increase in cost per kl sold		9,01%	12,71%	9,80%	9,10%	8,10%	7,30%	10,30%	9,66%

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 2019 forecast, the value of materiality is therefore:

Indicator	2019	2020
1% - 2% of total assets	R907,295 – R1,814,589	R903,828 - R1,807,656
0.5% - 1% of total revenue	R512,037 – R1024,074	R570,767– R1,141,533
2% - 5% of profit after tax	-	-

Transactions over R512 037 would therefore be material for transactions affecting the Statement of Comprehensive.
Transactions over R903 828 would be considered to 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

Financial Ratios Projections

TABLE 39: KEY FINANCIAL PERFORMANCE INDICATORS									
Overberg Water Statement of Cash Flows (R'000)	Audited 2016 (R'000)	Audited 2017 (R'000)	Audited 2018 (R'000)	Projections 2019 (R'000)	2020 (R'000)	2021 (R'000)	2022 (R'000)	2023 (R'000)	2024 (R'000)
Financial Performance (R'000)									
Revenue	42 267	48 133	46 277	51 204	57 077	63 553	70 935	79 355	82 529
Cost of production	47 242	(28 125)	(27 181)	(31 301)	(35 029)	(39 061)	(43 077)	(48 983)	(50 942)
Gross profit	(4 975)	20 008	19 096	19 902	22 047	24 491	27 858	30 372	31 587
General and administration expenses	13 993	(17 407)	(22 387)	(23 202)	(24 938)	(26 461)	(27 243)	(29 511)	(30 692)
Operating profit / (loss)	(18 988)	2 601	(3 291)	(3 299)	(2 891)	(1 970)	615	861	895
Other sundry revenue	898	718	516	547	579	608	635	666	693
Net interest income	2 321	2 764	3 098	3 448	3 793	4 172	4 589	5 048	5 553
Profit for the year / (loss)	(15 749)	6 083	324	695	1 480	2 810	5 839	6 575	7 141
Performance Indicators									
Cost of production percentage	112%	-58%	-59%	-61%	-61%	-61%	-61%	-62%	-62%
Gross profit margin percentage	-12%	42%	41%	39%	39%	39%	39%	38%	38%
General & administration expenses percentage	33%	-36%	-48%	-45%	-44%	-42%	-38%	-37%	-37%
Operating profit / (loss) percentage [1]	-45%	5%	(7%)	(6%)	-5%	-3%	1%	1%	9%
Water Indicators									
Treated water volume (kl)	4 253 445	4 205 822	3 445 231	3 841 458	3 937 495	4 035 932	4 136 830	4 240 251	4 409 862
Average water tariff (R/kl) - excluding capital levy	10	11	13	13	14	16	17	19	20
Cost of production (R'000)	47 242	(28 125)	(27 181)	(31 301)	(35 029)	(39 061)	(43 077)	(48 983)	(50 942)
Average cost of production / volume sold	11	(7)	(8)	(8)	(9)	(10)	(10)	(12)	(12)
Number of employees	0	61	55	58	77	77	77	77	77
Kilolitres sold per employee [2]	-	68 948	62 641	66 232	51 136	52 415	53 725	55 068	57 822
Operating Risk Indicators									
Operating costs (R'000)	61 236	(45 532)	(49 568)	(54 503)	(59 968)	(65 522)	(70 320)	(78 494)	(82 419)
Depreciation (R'000)	24 411	3 584	3 567	3 586	3 643	3 703	3 772	3 854	4 047
Working ratio	87%	-102%	-115%	-113%	-111%	-109%	-104%	-104%	-104%
Gross profit margin percentage	-12%	42%	41%	39%	39%	39%	39%	38%	38%

TABLE 41: FINANCIAL PERFORMANCE KEY INDICATORS

TABLE 40: FINANCIAL PERFORMANCE KEY INDICATORS	Audited	Projections					
	2018	2019	2020	2021	2022	2023	2024
Financial Performance (R'000)							
Reserves	82 931	84 657	87 411	91 552	98 723	106 775	115 451
Long term debt	-	-	-	-	-	-	-
Short term debt	-	-	-	-	-	-	-
Total assets	94 922	93 569	96 047	100 610	105 618	112 941	121 193
Assets excluding Investments	61 861	58 047	60 169	65 451	67 714	74 658	82 528
Investments	33 061	35 522	35 877	35 160	37 903	38 282	38 665
Current assets	23 967	17 861	18 416	18 363	13 836	11 473	9 713
Current liabilities	11 767	8 787	8 610	9 058	6 894	6 166	5 742
Inventory	2 921	2 220	2 351	2 487	2 614	2 732	2 841
Cash and cash equivalents	13 846	10 004	12 683	13 846	10 004	8 011	6 141
Trade debtors	7 200	5 637	3 382	2 029	1 218	731	731
Trade creditors	8 204	6 731	6 456	6 876	4 630	3 789	3 269
Financial Risk Indicators							
Current ratio	2,04	2,03	2,14	2,03	2,01	1,86	1,69
Asset test ratio	0,88	0,88	0,87	0,86	0,81	0,76	0,71
Interest cover	-	-	-	-	-	-	-
Net debt: equity ratio	-	-	-	-	-	-	-
Debt: equity ratio	1,00	1,00	1,00	1,00	1,00	1,00	1,00
Debt: asset ratio	0,87	0,90	0,91	0,91	0,93	0,95	0,95
Operating Risk Indicators (R'000)							
Revenue	46 277	51 204	57 077	63 553	70 935	79 355	82 529
Operating costs	(49 568)	(53 299)	(58 694)	(64 191)	(68 989)	(77 018)	(80 099)
Depreciation	(3 567)	(3 586)	(3 643)	(3 703)	(3 772)	(3 854)	(4 008)
Operating profit / (loss)	(3 291)	(2 095)	(1 617)	(638)	1 946	2 337	2 431
Bad debts provision	(1 137)	-	-	-	-	-	-
Rate of return on assets [1]	-5%	-4%	-2%	-1%	3%	3%	3%
Return on turnover	-7%	-4%	-3%	-1%	3%	3%	3%
Debtors collection period (days) - assumed	49	35	19	10	5	3	3
Creditors days	53	40	35	34	21	16	13

POLICY STATEMENT

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

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.

Contingent Liabilities

37. Guarantees

Guarantees are given by certain financial institutions in respect to payments to utility service providers. This amount is R101000 for 2019/20.

FRAUD PREVENTON

Background

The King III Code on Corporate Governance for South Africa ("King III") and the Companies Act No. 71 of 2008 obliges all state-owned enterprises to establish a Social and Ethics Committee, the functions of which includes:

- Monitoring the organisation's activities regarding prevailing codes of best practice,
- Promotion of equality,
- Prevention of unfair discrimination, and
- Eliminating corruption.

In line with this, Overberg Water has in place a fully functional Ethics Committee. The Committee has a broad mandate to promote ethical behaviour, which includes preventing incidences of fraud, bribery and other corrupt activities. The committee further looks at all

aspects of the ethics relating to the triple bottom line, i.e. Environmental, Financial and Social Ethics.

Overberg Water addresses fraud specifically through an Integrated Fraud Management Framework managed by five guiding principles.

Fraud Governance Structure

The fraud governance structure is the Ethics Committee, composed of:

Executive Management (prescribed officers),
A Non-Executive Director – who is not involved in the day to day running of the business,
An Independent Chairperson - who is neither a member of management nor a member of the Board, and

Members, including a Board member, Managers and Organised Labour.

The Ethics Committee accounts to the Board, through the **Audit Committee**. The Audit Committee is mandated to achieve the highest level of financial management, accounting and reporting to the shareholder. The Audit Committee guided by its charter, sets out its responsibilities regarding risk management and specifically has oversight of financial reporting risks and internal financial controls as well as fraud and IT risks as they relate to financial reporting.

Matters that fall within its competence are subjected to both **Internal** and **External Audit** as part of the organisation's combined assurance framework.

The Board of Overberg Water is committed to sound governance and manages fraud risks by ensuring that written policies and procedures are in place to manage fraud risk. A fraud risk management framework is in place to convey the expectations of the Board and senior management regarding managing fraud risk. The approved fraud prevention policy has the following objectives:

- Promote standards of honest and fair conduct,
- Prevent fraud and corruption,
- Detect and investigate fraud and corruption,
- Take appropriate action against offenders,
- Recover any losses, and
- Maintain strong systems of internal control.

Expectations of the Board and senior management regarding managing fraud risk are communicated.

Fraud risk assessment

The Board has developed and approved a comprehensive risk management framework that articulates the risk management mandate of the Board, its committees and management to formally conduct and review risk assessments, including any fraud risks faced by the organisation. High fraud risks are managed with appropriate mitigation to increase the control strengths.

Fraud risk exposure will continue to be assessed as part of the implementation plan

Fraud Prevention Plan and Implementation Plan

Overberg Water's Code of Ethics establishes a set of principles to promote and encourage ethical behaviour and decision making by all employees, board members and stakeholders. This regulates, inter alia

- Integrity in the workplace,
- Conflicts of interest,
- Bribery and Corruption,
- Information and use of Overberg Water property,
- Gifts and entertainment,
- Human Rights and Dignity,
- Corporate Governance,
- Suppliers and Business Partners,
- Customers and other stakeholders,
- Corporate Social Investment, and
- Integrity with regard to the environment.

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

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Signed Declaration

Overberg Water herby declares that all information is disclosed, is correctly disclosed and included in this Five-Year Corporate Plan document, as required in terms of the Water Services Act (Act 108 of 1997), Public Finance Management Act (Act 1 of 1999), and associated regulations and prescribed guidelines issued by the Department of Water and Sanitation and National Treasury.

Accounting Authority

Chief Executive Officer

Date: