Sedibeng WATER

"Sustaining the Source and flow of life forever"

ANNUAL REPORT 2009/2010

PRESENTATION TO THE PORTFOLIO COMMITTEE
(Water and Environmental Affairs)
24 MAY 2011

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Introduction

- The performance of the organisation is underpinned by its long term strategies.
- The Annual Report provides progress on all strategic imperatives.
- Ongoing strategic reviews are aligned to the performance management system
- Short interval business reviews are conducted to focus on key priorities.
- Presentation is based on strategic plan, performance reviews and audited financial statements.

Area of Supply and Operations

- Service Level Agreements signed with Water Services Authority (WSA)

  - Free State Region:

    Matjhabeng Local Municipality
    Nala Local Municipality
    Maquassi-Hills Local Municipality

  - North West Region:

    Dr Ruth Mompati District Municipality
    Ga-Segonyane Local Municipality

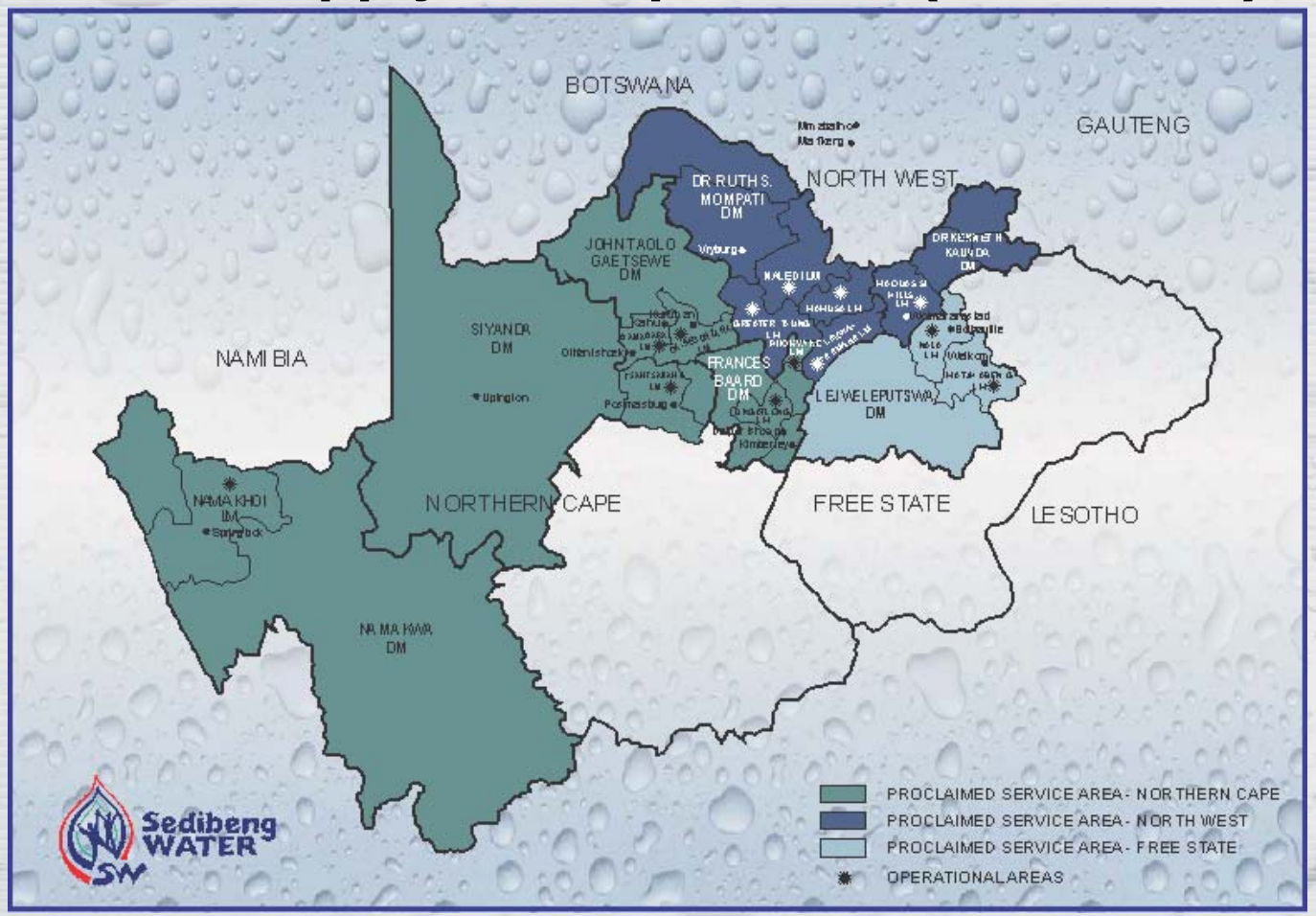
  - Northern Cape Region:

    Frances Baard District Municipality
    Tsantsabane Local Municipality
    Gamagara Local Municipality
    Dikgatlong Local Municipality

  -Under Negotiation:

    John Taolo Gaetsewe District Municipality
    Phokwane Local Municipality
    Nama Khoi Local Municipality

Area of Supply and Operation (continued)



Corporate Governance

Committees:

- Board:
  - Executive
  - Finance Committee,
  - Audit Committee
  - Human Capital Committee

Strategic plan for 2011/2012 financial year

Sedibeng Water's strategic plan is informed by the twelve (12) outcomes that are set out in the National Government MTSF (Medium Term Strategic Framework (2009-2014).

The six (6) MTSF outcomes that are specifically relevant to the Minister of Water and Environmental Affairs.

The five (5) Strategic Performance Outcomes that constitute the basic of agreement between the Minister and the President of South Africa.

The five (5) specific Ministerial Outcomes are set out below:

- Enhanced Quality and Quantity of water resources;
- Improve access to basic services;
- Maintenance and supply of bulk water infrastructure (to ensure water security);
- Effective institutions to address government outcomes; and
- Co-operative governance mechanisms designed to achieve government outcomes.

Strategic plan for 2011/2012 financial year (cont)

Sedibeng Water Strategic Objectives and priorities are as follows:

- Appropriate treatment of waste water and supply of potable water;
- Ensure viability and sustainability;
- Create an environment that is conducive to the growth and retention of skills;
- Effective and efficient communications; and
- Ensure compliance to all legislations, policies, standards and norms.

The extent of the alignment/linkage (either direct or indirect) with each of the 5 specific Ministerial Outcomes as indicated in the following tables and illustrated and summarised graphically in section 27 of the report.

Strategic Objective 1: Appropriate treatment of wastewater and supply of potable water.

Essential Goal (Outcome)	Key Activities (Outputs)	Alignment with MTF Outcomes affecting the Minister		Performance Indicator(s)	Annual Milestones					Action By
		Direct	Indirect		2011/2012	2012/13	2013/2014	2014/2015	2015/2016	
Ensure security of supply and reliability of services	Improve plant availability	2 & 3	4	Availability, A_V (%)	80%	85%	90%	95%	95%	
	Improve plant reliability	2 & 3	4	Mean time to failure, MTTF (hours)						
				Mean time to repair, MTTR (hours)						
				Mean time between failure, MTBF (hours)						
				Breakdown frequency						
	Improve maintenance productivity	2 & 3	4	Manpower utilisation						
				Manpower efficiency						
				Maintenance cost component						
	Comply to maintenance plan	2 & 3	4	% compliance to maintenance plan	100%	100%	100%	100%	100%	

Strategic Objective 1: Appropriate treatment of wastewater and supply of potable water.

Essential Goal (Outcome)	Key Activities (Outputs)	Alignment with MTF Outcomes affecting the Minister		Performance Indicator(s)	Annual Milestones					Action By
		Direct	Indirect		2011/2012	2012/13	2013/2014	2014/2015	2015/2016	
Treatment processes	Reduce chemical consump-tion	2,3 &4		% budget saving per annum	5%	5%	5%	5%	5%	
	Reduce water losses in production units	2 & 3	1	% allowable water losses in production units	5%	4%	4%	3%	3%	
Availability of resources	Budget meet expected level of delivery	2 & 3	4	% Budget available	100%	100%	100%	100%	100%	
	Fill all vacant positions	2 & 3	4	% positions filled	100%	100%	100%	100%	100%	
	Ensure sufficient raw water is available	1, 2 & 3	4	% raw water allocated	100%	100%	100%	100%	100%	

Strategic Objective 1: Appropriate treatment of wastewater and supply of potable water.

Essential Goal (Outcome)	Key Activities (Outputs)	Alignment with MTF Outcomes affecting the Minister		Performance Indicator(s)	Annual Milestones					Action By
		Direct	Indirect		2011/2012	2012/13	2013/2014	2014/2015	2015/2016	
	Ensure sufficient raw water is available	1, 2 & 3	4	% raw water budgeted for	100%	100%	100%	100%	100%	
	Budget for tools and equipment	2 & 3	4	% budget spent for tools and equipment	100%	100%	100%	100%	100%	
	Budget for vehicles and transport	2 & 3	4	% budget spent for vehicles and transport	100%	100%	100%	100%	100%	
	Budget for chemicals	2 & 3	4	% budget spent for chemicals	100%	100%	100%	100%	100%	
	Budget for electricity	2 & 3	4	% budget spent for electricity	95%	90%	90%	85%	85%	
Adequate infrastructure	Ensure adequate infrastructure capacity (in FS and NC Regions)	2 & 3	4	% spare capacity for potable water	25%	25%	25%	25%	25%	
				% spare capacity for wastewater	25%	25%	25%	25%	25%	

Strategic Objective 1: Appropriate treatment of wastewater and supply of potable water.

Essential Goal (Outcome)	Key Activities (Outputs)	Alignment with MTF Outcomes affecting the Minister		Performance Indicator(s)	Annual Milestones					Action By
		Direct	Indirect		2011/2012	2012/13	2013/2014	2014/2015	2015/2016	
Resource protection	Reduce water losses in the distribution systems	1, 2 & 3	4	% acceptable water losses	6%	6%	5%	5%	5%	
	Reduce disabling injury frequency rate (DIFR)	4	5	Disabling injury frequency rate (DIFR)	2	2	2	2	2	
	Manage incidents through incident reporting and investigation system	4	5	% incidents reported	100%	100%	100%	100%	100%	
		4	5	% incidents investigated	100%	100%	100%	100%	100%	
	Ensure raw water saving through recycling	1, 2 & 3	4	% raw water saving	1%	1.5%	2%	2.5%	2.5%	
	Reduce electricity consumption	4	5	% reduction in electricity consumption	5%	5%	5%	5%	5%	

Strategic Objective 1: Appropriate treatment of wastewater and supply of potable water.										
Essential Goal (Outcome)	Key Activities (Outputs)	Alignment with MTF Outcomes affecting the Minister		Performance Indicator(s)	Annual Milestones					Action By
		Direct	Indirect		2011/2012	2012/13	2013/2014	2014/2015	2015/2016	
Water Demand Management	Ensure infrastructure capacity utilization meets customer demands in terms of quality	1, 2 & 3	4	Class 1 for health Class 2 for other determinants	100%	100%	100%	100%	100%	
	Ensure infrastructure capacity utilization meets customer demands in terms of quantity	1, 2 & 3	4	Supply meets demand	100%	100%	100%	100%	100%	

Strategic Objective 2: Ensuring viability and sustainability

Strategic Goal (Outcome)	Key Activities (Outputs)	Alignment with MTF Outcomes affecting the Minister		Performance Indicator(s)	Annual Milestones / Performance Measurement					Action By
		Direct	Indirect		2011/12	2012/13	2013/14	2014/15	2015/16	
Debt Collection and Cost Recovery	Implement effective debt collection and cost recovery	2 & 3	4	Collect service delivery fees in the NW Region	100%	100%	100%	100%	100%	
				Household debt collection and cost recovery in the NW Region	70%	70%	75%	75%	75%	
				Collect bulk water revenue from municipalities in the FS and NC Regions	85%	85%	100%	100%	100%	
				Collect bulk water revenues from business accounts in the FS and NC Regions	100%	100%	100%	100%	100%	

Strategic Objective 2: Ensuring viability and sustainability

Strategic Goal (Outcome)	Key Activities (Outputs)	Alignment with MTF Outcomes affecting the Minister		Performance Indicator(s)	Annual Milestones / Performance Measurement					Action By
		Direct	Indirect		2011/12	2012/13	2013/14	2014/15	2015/16	
Budget Management and Cost Management	To ensure adherence to budgetary limits through prudent cost management control excluding water purchases, maintenance and energy costs	2 & 3	4	Expenditure to be kept at least 5% below allocated budget on monthly basis	< 95%	< 95%	< 95%	< 95%	< 95%	
	Realise budgeted annual revenue excluding miscellaneous income	2 & 3	4	Budgeted annual revenue excluding miscellaneous	100%	100%	100%	100%	100%	
Cash Flow Management	Realise positive cash flow	2 & 3	4	Positive budgeted cash flow	95%	95%	95%	95%	95%	
Internal Control	Develop and implement management systems	2 & 3	4	Develop, document and implement systems of Internal Control	100%	100%	100%	100%	100%	
Asset Register	Register all assets	2 & 3	4	Updated asset register	100%	100%	100%	100%	100%	

Strategic Objective 2: Ensuring viability and sustainability

Strategic Goal (Outcome)	Key Activities (Outputs)	Alignment with MTF Outcomes affecting the Minister		Performance Indicator(s)	Annual Milestones / Performance Measurement					Action By
		Direct	Indirect		2011/12	2012/13	2013/14	2014/15	2015/16	
Financial Management	Audit opinion	2 & 3	4	Obtain unqualified audit opinion	100%	100%	100%	100%	100%	

Strategic Objective 3: Creating an environment that is conducive to the growth and retention of skills

Strategic Goal (Outcome)	Key Activities (Outputs)	Alignment with MTF Outcomes affecting the Minister		Performance Indicator(s)	Annual Milestones / Performance Measurement					Action By
		Direct	Indirect		2011/12	2012/13	2013/14	2014/15	2015/16	
Equity	Improve the employment equity profile of Sedibeng Water focussing at gender, diversity, designated group and disability	4 &5		30% gender representatively at management level	30%	30%	30%	30%	30%	
				20% diversity at management level	20%	20%	20%	20%	20%	
				30% designated group at middle management level (superintendent level)	30%	30%	30%	30%	30%	
				0.2% of workforce is people with disability	0.2%	0.2%	0.2%	0.2%	0.2%	

Strategic Objective 3: Creating an environment that is conducive to the growth and retention of skills

Strategic Goal (Outcome)	Key Activities (Outputs)	Alignment with MTF Outcomes affecting the Minister		Performance Indicator(s)	Annual Milestones / Performance Measurement					Action By
		Direct	Indirect		2011/12	2012/13	2013/14	2014/15	2015/16	
Human Capital	Effective training and development of staff	4 &5		Spend training budget in full	100%	100%	100%	100%	100%	
				Successful pass rate for ABET and completion of learnership program	70%	75%	80%	80%	80%	
	Retention of technical staff	4 &5	1 &2	Turnover of technical staff kept below 5%	4%	4%	4%	4%	4%	
	Implement HIV/AIDS strategy	4 &5		4 annual HIV/AIDS campaigns	4	4	4	4	4	

Strategic Objective 3: Creating an environment that is conducive to the growth and retention of skills

Strategic Goal (Outcome)	Key Activities (Outputs)	Alignment with MTF Outcomes affecting the Minister		Performance Indicator(s)	Annual Milestones / Performance Measurement					Action By
		Direct	Indirect		2011/12	2012/13	2013/14	2014/15	2015/16	
	Promote wellbeing of employees	4 &5	1 &2	Employees participation in recreational programs	60%	60%	60%	60%	60%	
Remuneration	Offer competitive and market related remuneration	4 &5	1 &2	Competitive and market related remuneration at all levels	100%	100%	100%	100%	100%	
Conditions of Service	Enforce best practices on basic conditions of service	4 &5	1 &2	Compliance to BCEA	100%	100%	100%	100%	100%	

Strategic Objective 3: Creating an environment that is conducive to the growth and retention of skills

Strategic Goal (Outcome)	Key Activities (Outputs)	Alignment with MTF Outcomes affecting the Minister		Performance Indicator(s)	Annual Milestones					Action By
		Direct	Indirect		2011/12	2012/13	2013/14	2014/15	2015/16	
Providing Safe and Healthy working Environment and ensuring Environmental protection	Prevent, reduce and control Occupational injuries, diseases and environmental degradation through implementation of SHE programmes and enforcement of internal procedures and best practices.	4 &5	1 &2	Compliance to all relevant SHE legislations and NOSA CMB 253 system; Prevention and reduction of Disabling injuries and Occupational diseases; ISO 14001 and OHSAS 18001 Certification; NOSA 5 Star rating	Reduce disabling injuries and occupational diseases by 30% Prevent Environmental degradation by 50%					

Strategic Objective 3: Creating an environment that is conducive to the growth and retention of skills

Strategic Goal (Outcome)	Key Activities (Outputs)	Alignment with MTF Outcomes affecting the Minister		Performance Indicator(s)	Annual Milestones					Action By
		Direct	Indirect		2011/12	2012/13	2013/14	2014/15	2015/16	
Ensuring Employee Wellness	Prevent, reduce, control and manage HIV/AIDS in the workplace including life-style diseases through implementation of HIV/AIDS and wellness programmes	4 &5	1 &2	Increased number of employees testing for HIV and other chronic illnesses. Reduce number of incidents (new infections) Increased number of employees enrolled for disease management 100% HIV/AIDS awareness coverage.	Reduce new infection rate by 30% Increase disease management enrolment by 40% Increase HIV/AIDS and other chronic disease information, education and communication by 100%					

Strategic Objective 3: Creating an environment that is conducive to the growth and retention of skills

Strategic Goal (Outcome)	Key Activities (Outputs)	Alignment with MTF Outcomes affecting the Minister		Performance Indicator(s)	Annual Milestones					Action By
		Direct	Indirect		2011/12	2012/13	2013/14	2014/15	2015/16	
Guidelines	Operate within guidelines	4 &5	1 &2	Compliance to legal requirements (Acts)	100%	100%	100%	100%	100%	
				Compliance to internal and external policies	100%	100%	100%	100%	100%	
				Compliance to operating plans/strategies	80%	80%	80%	80%	80%	
				Compliance to procedures	80%	80%	80%	80%	80%	

Strategic Objective 4: Providing effective and efficient communications

Strategic Goal (Outcome)	Key Activities (Outputs)	Alignment with MTF Outcomes affecting the Minister		Performance Indicator(s)	Annual Milestones					Action By
		Direct	Indirect		2011/12	2012/13	2013/14	2014/15	2015/16	
Corporate Social Responsibility	**Ensure that SW plays a pivotal role in making a difference in the quality of life of the communities it serves**	**5**	**1 &2**	**Implement corporate social responsibility as per budget**	**100%**	**100%**	**100%**	**100%**	**100%**	
Water Value Chain Awareness through Public Engagement	**Ensure improvement of level of customer satisfaction through customer interaction**	**1 & 5**	**2&3**	**Weekly customer interaction with ward councillors in the NW Region**	**60% of scheduled meetings**	**60% of schedule meetings**	**60% of schedule d meetings**	**60% of scheduled meetings**	**60% of scheduled meetings**	
				Monthly coordinating meeting with municipalities	10 meetings or 83% of meetings as per SLA	10 meetings or 83% of meetings as per SLA	10 meetings or 83% of meetings as per SLA	10 meetings or 83% of meetings as per SLA	*10* meetings or 83% of meetings as per SLA	
				Bi-monthly meetings with private customers (mines) in the FS and NC Regions	**5 meetings per year or 83% of meetings as per SLA**	**5 meetings per year or 83% of meetings as per SLA**	**5 meetings per year or 83% of meetings as per SLA**	**5 meetings per year or 83% of meetings as per SLA**	**5 meetings per year or 83% of meetings as per SLA**	

Strategic Objective 4: Providing effective and efficient communications

Strategic Goal (Outcome)	Key Activities (Outputs)	Alignment with MTF Outcomes affecting the Minister		Performance Indicator(s)	Annual Milestones					Action By
		Direct	Indirect		2011/12	2012/13	2013/14	2014/15	2015/16	
Water Value Chain	Respond to breakdown reports from customers as per SLA	2,3&4	5	Adherence to breakdown response time as per SLA	4 hours	4 hours	4 hours			
Awareness through Public Engagement	Maintain the level of customer satisfaction through the reduction of interruptions to water supply	1 &5	2&3	Maintain weekly interruptions to 10% in the NW (Communicate all interruptions and quality problems)	10% (100%)	10% (100%)	10% (100%)	10% (100%)	10% (100%)	

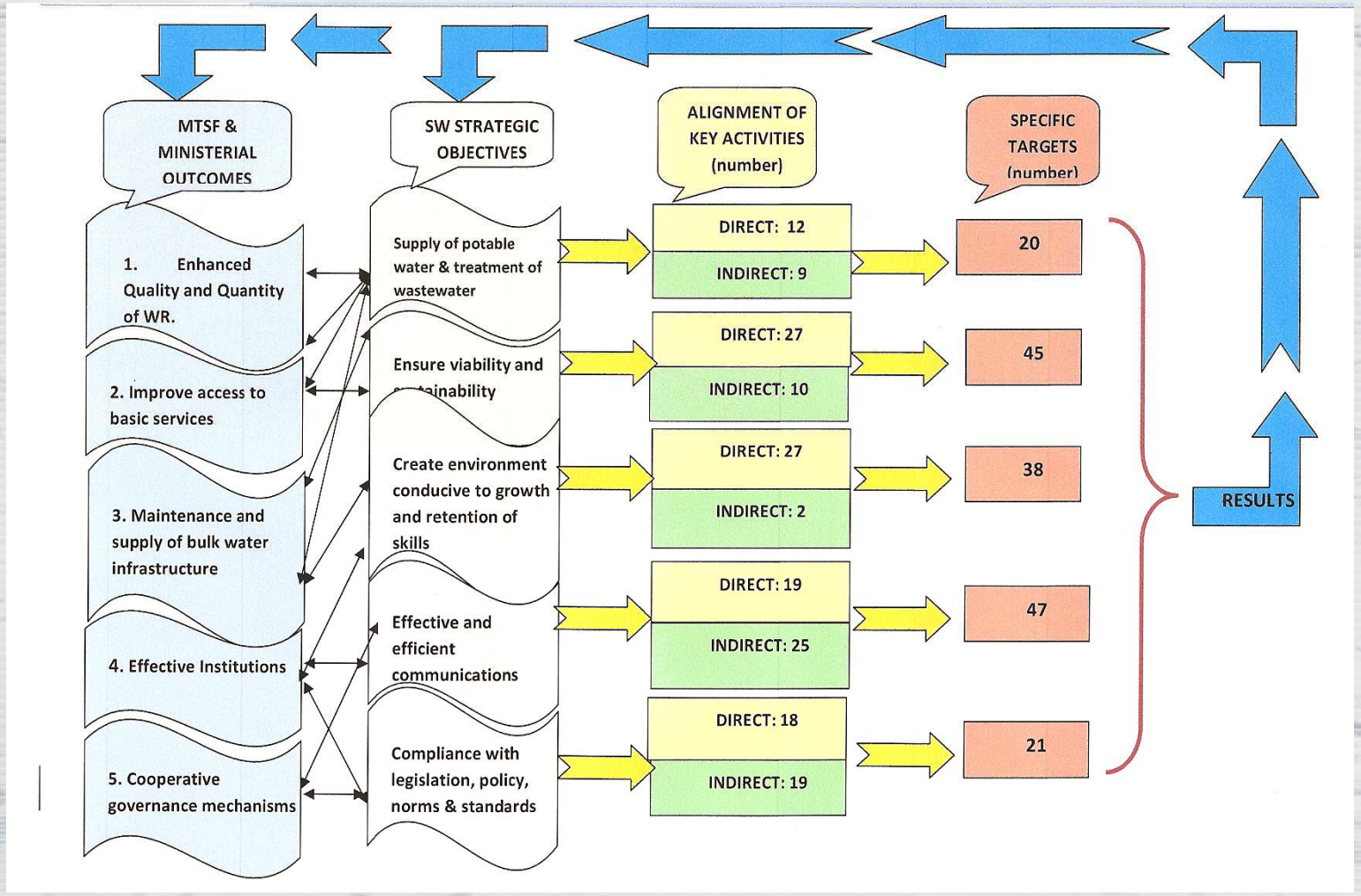
Strategic Objective 4: Providing effective and efficient communications

Strategic Goal (Outcome)	Key Activities (Outputs)	Alignment with MTF Outcomes affecting the Minister		Performance Indicator(s)	Annual Milestones					Action By
		Direct	Indirect		2011/12	2012/13	2013/14	2014/15	2015/16	
Encourage Partnership Initiatives	Partnership with 3 spheres of Government to effectively participate in growth and development initiatives	1, 4 &5	2&3	Involvement and participation to initiatives	100%	100%	100%	100%	100%	
Foster Sound Relationships with all Stakeholders	Participate in all stakeholders forums and functions	1, 4 &5	2&3	Attendance of stakeholders forums and functions	100%	100%	100%	100%	100%	
Institutionalised Internal Participation	Ensure participation of all internal structures and stakeholders forums.	4 &5	2&3	Attendance and involvement in internal forums.	100%	100%	100%	100%	100%	

Strategic Objective 5: Ensuring compliance

Strategic Goal (Outcome)	Key Activities (Outputs)	Alignment with MTF Outcomes affecting the Minister		Performance Indicator(s)	Annual Milestones					Action By
		Direct	Indirect		2011/12	2012/13	2013/14	2014/15	2015/16	
Foster the Integrated management of water to protect and conserve the resource for future generation	Develop and implement water conservation and demand management program	1,4 &5	2&3	Program in place and implemented	60%	70%	80%	90%	90%	
	Recycle water where operational systems make it is possible	1,4 &5	2&3	% water recycled in the FS and NC Regions	3%	3%	3%	3%	3%	

Section 8	OVERVIEW OF ALIGNMENT WITH GOVERNMENT MTSF AND MINISTERIAL PERFORMANCE OUTCOMES



Budget for 2011/12 Financial Year

Comparison of 2011 forecast and 2012 budgets					
Financial Performance ('000)	2011 Latest forecast R'000	2012 Budget R'000	Variance	% Variance	Comment
Revenue	506,675	561,760	55,085	9.81%	Revenue increase is in line with our tariff increase of 8.5%
Cost of Sales	155,166	184,063	28,897	15.70%	More water is expected to be abstracted from the Sand River system at a cheaper tariff in 2011 due to rains in this financial year. The 2012 budget is based on quaranteed water from the Sand and Vaal river systems.
Other income	56,384	30,897	(25,487)	(82.49%)	The decrease in other income is due to interest on overdue accounts. Which is expected to decrease in 2012
Operating Costs	368,748	392,761	24,013	6.11%	Operating costs will increase in line with the expected 6% inflation rate in 2012.
Maintenance	23,280	27,265	3,985	14.62%	The organisation will continue to carry out planned and reactive maintenance throughout the financial year.
Government Grants	9,800	7,000	(2,800)	(40.00%)	Operaional grants are budgeted for Namakwa Water operations.

Capital Projects for 2012 to 2016 financial years

Northern Cape Region

DESCRIPTION	2011/2012 Year 1	2012/2013 Year 2	2013/2014 Year 3	2014/2015 Year 4	2015/2016 Year 5	Total
						2,600,000
Upgrade Acess Road	3,500,000					**3,500,000**
SCADA/Upgrade of control room	700,000	500,000				**700,000**
Metsi- mantle road (re-tar)	2,500,000					**2,500,000**
Cathodic Protection	-	4,000,000	-	-		**4,000,000**
Upgrade Telemetry and control velves	1,000,000	1,000,000	1,000,000	1,000,000		**4,000,000**
Refurbish Pumpstations	-	4,650,000	2,000,000	2,000,000	2,000,000	**10,650,000**
Flow Meters		150,000	150,000	150,000		**450,000**
Refurbishment - Pipeline	1,400,000	7,000,000	11,000,000	11,000,000	11,000,000	**41,400,000**
Regional Laboratory	2,000,000					**2,000,000**
Vehicles	550,000					**550,000**
Furniture / Computers/ Other	500,000	600,000	600,000	600,000	700,000	**3,000,000**
Total	**12,150,000**	**17,900,000**	**14,750,000**	**14,750,000**	**13,700,000**	**73,250,000**

North West Region

DESCRIPTION	2011/2012 Year 1	2012/2013 Year 2	2013/2014 Year 3	2014/2015 Year 4	2015/2016 Year 5	Total
Vehicles	1,000,000	**450,000**	450,000	450,000	450,000	**2,800,000**
Installation of telemetry system	450,000	500,000	500,000	500,000	500,000	**2,450,000**
Furniture and IT equipment	300,000	70,000	140,000	50,000	50,000	**610,000**
Replacement of meters	700,000	500,000	2,500,000	2,500,000	2,500,000	**8,700,000**
TOTAL	**2,450,000**	**1,520,000**	**3,590,000**	**3,500,000**	**3,500,000**	**14,560,000**

Capital Projects for 2012 to 2016 financial years (Cont.)

Free State Region

DESCRIPTION	2011/2012 Year 1	2012/2013 Year 2	2013/2014 Year 3	2014/2015 Year 4	2015/2016 Year 5	Total
Additional Pipe Line Erfdeel	12,000,000					12,000,000
Airvalves - Pipelines	1,200,000					1,200,000
Paving at housing units	250,000					250,000
Electric Fence - Pumpstations	500,000					500,000
Replace Rotork Actuators				1,000,000		1,000,000
Replace Roof De Erf Pump station/Balkfontein			2,000,000			2,000,000
Replace PLC Equipment	900,000		2,000,000	2,000,000		4,900,000
Replace Lawnmowers					200,000	200,000
Replace LDV's and Vehicles	1,000,000	750,000	500,000	500,000	600,000	3,350,000
New electrical store	300,000					300,000
Replace Magnetic Flowmeters	200,000	300,000				500,000
Refurbish and/or replace Pipelines		12,000,000	2,000,000	2,000,000	3,000,000	19,000,000
Replace Heavy Machinery and Equipment					2,000,000	2,000,000
Mobile Crane	2,200,000					2,000,000
Refurbish pumpstations	3,000,000	2,000,000			2,000,000	7,000,000
Refurbish Telemetry System	1,000,000	500,000	500,000	500,000	200,000	2,700,000
Replace Technical equipment	200,000	250,000	300,000		200,000	950,000
Refurbish Electrical switchgear			1,000,000			1,000,000
Civil refurbishment projects			2,500,000	2,500,000	2,500,000	7,500,000
Mechanical Refurbishment Projects				2,500,000	1,000,000	3,500,000
Furniture / Computers/ IT projects / other	1,950,000	2,000,000	2,000,000	2,000,000	2,040,000	9,990,000
Total	**24,700,000**	**17,800,000**	**12,800,000**	**13,000,000**	**13,740,000**	**82,040,000**

Namakwa Region

DESCRIPTION	2011/2012 Year 1	2012/2013 Year 2	2013/2014 Year 3	2014/2015 Year 4	2015/2016 Year 5	Total
Replace Pipeline	17,000,000	**43,000,000**	106,000,000	-	-	**166,000,000**
Furniture / Vehicles and IT equipment	1,800,000	**2,000,000**	2,120,000	2,247,200	2,382,032	**10,549,232**
TOTAL	**18,800,000**	**45,000,000**	**108,120,000**	**2,247,200**	**2,382,032**	**176,549,232**

Total capital expenditure for Sedibeng Water	**58,100,000**	**82,220,000**	**139,260,000**	**33,497,200**	**33,322,032**	**346,399,232**

The 2011/12 Tariff Increase

Sedibeng Water's tariff increase is 8.5%.

All stakeholders were consulted as required by Section 42 of the MFMA (Act 56 of 2003).

The Minister of Water and Environmental Affairs has approved the abovementioned tariff.

Major Strategic Achievements 2009/2010

Financial Viability and Sustainability

- Costs were prudently managed within budgetary limits
- Organisation is financially sound and viable at consolidated level
- Revenue and surplus targets were exceeded in the Free State and Northern Cape regions

Operational Process Efficiency

- Total production and distribution water losses of 6.1 % in the Free Sate and Northern Cape regions
- Water quality met Class 1 and or 2 requirements
- Average expenditure on BEE of over 80%

Major Achievements 2009/2010 (Cont.)

Market Development, Diversification and Revenue Growth

- Implementing Agent Contracts – Interventions in Local Municipalities
  - o Water Conservation and Demand Management (Free State Province)
  - o Water Support and Capacity Building (Free State Province)
  - o Monitoring and Evaluation of Sanitation Projects (Free State Province)
  - o Drinking Water Audit Programme (Free State Province)
  - o Implementation of the eWQMS (Northern Cape Province)
- Scientific support on Water and Waste Water Treatment Plants
- National Turn-Around Strategy Programme
- Drought Relief Project (Free State Province)

Major Achievements 2009/2010 (Cont.)

Market Development, Diversification and Revenue Growth

Implementing Agent Contracts – Interventions in Local Municipalities

- Working towards meeting quality standards;
- Devising maintenance plans;
- Providing spares;
- Optimisation of plant processes;
- Drafting business plans;
- Refurbishment plans;
- Equipment modification procedures;
- Implementing agent for capital projects;
- Contract management;
- Maintenance of systems; and
- Staff training .

Major Achievements 2009/2010 (Cont).

Recruitment and development of employees

- Financial assistance (17 bursary holders + 16 MDP).
- ABET (33 employees).
- Water and Wastewater Process Operation Learnership NQF 3 with the ESETA (40 people enrolled).

  - 20 are unemployed learners and the other 20 are our own employees.
- Experiential training (9 students).
- Training was conducted according to the Works Skills Development Plan.
- Staff turnover was kept at 4.18%.

Major Achievements 2009/2010 (Cont).

Safety Health and Environment

- Free State region achieved a zero disabling injury rate for three consecutive years

HIV/AIDS Programme

- Awareness campaigns were undertook throughout the whole organisation
- Voluntary counseling and testing was made available for employees

QUALITY CONTROL LABORATORY

- The laboratory maintained its accredited status after being audited by SANAS (South African National Accreditation Standards) and an international auditor from ILAC (International Laboratory Accreditation Co- operation)

Challenges

Financial Viability and Sustainability

Cost Recovery

- The organisation continues to experience challenges in cost recovery from the WSAs (most Municipalities are not paying for services rendered!).

Contractual agreement

- Lack of willingness by WSA to enter into long term contractual obligations with WSP

Inadequate budget allocation in the North West Region

- Insufficient funding hampering service delivery

Challenges (Cont)

Operational Process Efficiency

Electricity

- High electricity tariff impacted on the high expenditure of the organisation.

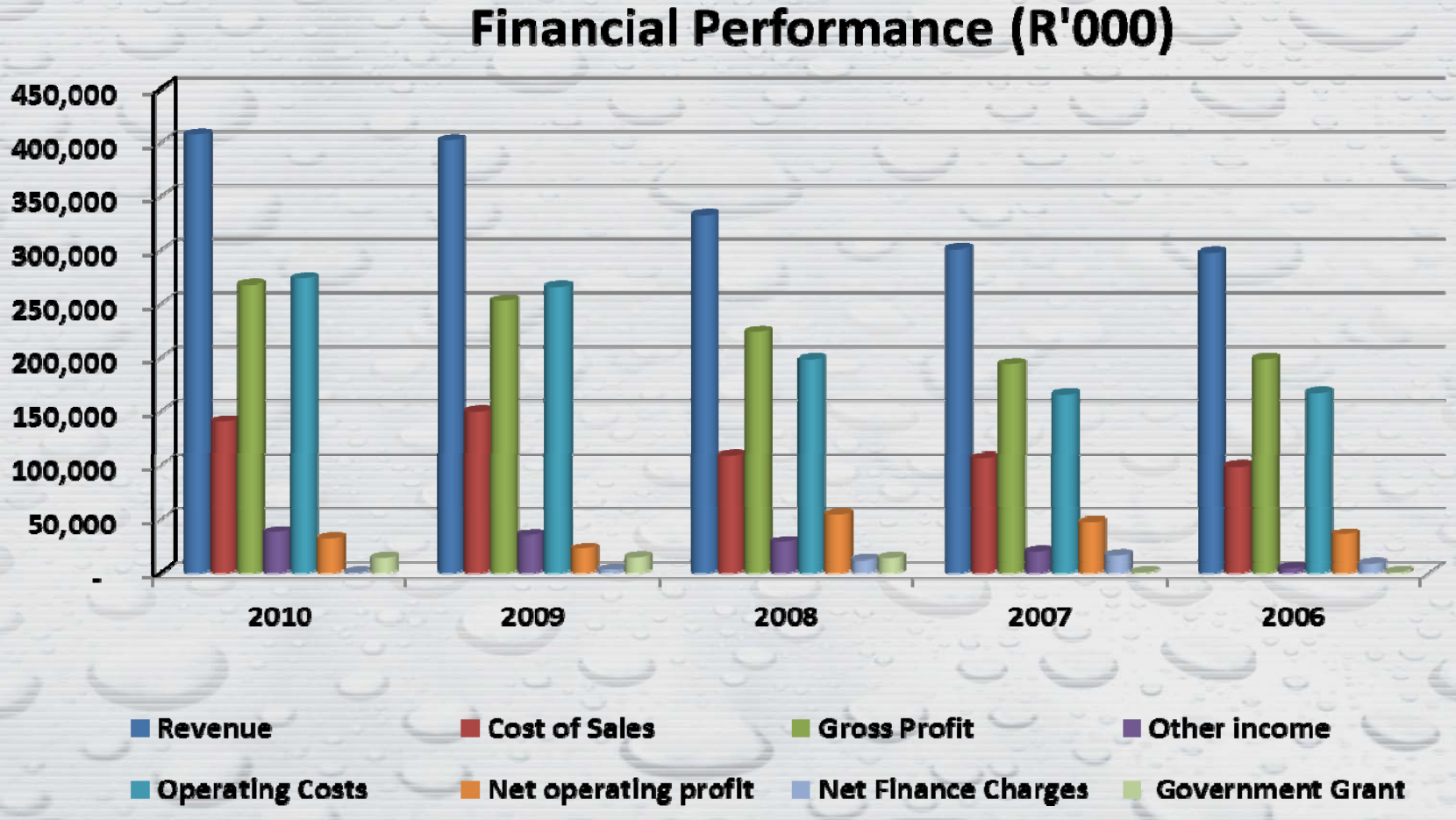
Raw Water Quality

- The quality of raw water from the Vaal River is very poor, resulting in high purification cost.

FINANCIAL PERFORMANCE 2009/2010

- **Another unqualified Audit Report**

Financial overview for the previous five years Abridged Consolidated Income Statement0					
Description	2010	2009	2008	2007	2006
	(R'000)	(R'000)	(R'000)	(R'000)	(R'000)
Revenue	407,079	401,330	331,985	300,290	296,913
Cost of Sales	139,940	149,241	108,592	106,829	98,840
Gross Profit	267,139	252,089	223,393	193,461	198,073
Other Income	37,457	34,998	28,753	18,797	4,131
Operating Costs	273,150	265,232	197,707	165,010	166,661
Net operating profit	31,446	21,855	54,439	47,248	35,543
Net Finance Charges	474	2,522	11,419	15,491	8,056
Net Surplus Before Government Grants	30,972	19,333	43,020	31,757	27,487
Government Grants	13,293	13,731	13,257	626	780
Net Surplus After Government Grants	44,265	33,064	56,277	32,383	28,267


Financial Performance (R'000)
450,000
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000
-
2010
2009
2008
2007
2006
Revenue
Cost of Sales
Gross Profit
Other income
Operating Costs
Net operating profit
Net Finance Charges
Government Grant

Abridged Consolidated Balance Sheet			
Description	2010 (R'000)	2009 (R'000)	Percentage (%) Variance (R%)
Non-Current Assets	879,443	779,980	13%
Current Assets	455,435	268,920	69%
Total Assets	1,334,878	1,048,900	27%
Equity	874,920	611,582	43%
Non-Current Liabilities	87,057	265,202	-67%
Current Liabilities	372,901	172,116	117%
Total Equity & Liabilities	1,334,878	1,048,900	27%

Financial Ratio Analysis

Profitability	2010	2009	2008	2007	2006
Gross profit margin	65.62%	62.81%	67.29%	64.42%	66.71%
Rate of return on assets	0.03	0.03	0.06	0.04	0.05
Assets turnover ratio	0.30	0.38	0.35	0.35	0.52
Debtors collection period in days	269.9	201.68	134.51	111.89	108.46
Short-Term Liquidity					
Current ratio	1.22	1.56	1.72	1.66	1.62
Long Term Solvency					
Long term debt ratio	0.07	0.25	0.26	0.29	0.44
Debt Equity ratio	0.10	0.43	0.44	0.47	1.03

Loan Register

Institution	2010 (R'000)	2009 (R'000)
DWAF	2 167	4 331
DBSA	50 327	53 507
PIC	43 250	43 250
INCA	99 310	99 310
ABSA BANK	32 327	32 327
TOTAL	227 381	232 725

Investments

Institution	2010 (R'000)	2009 (R'000)
Sanlam	65 982	57 325
Investec	157 814	135 043
ABSA Bank	76 976	71 978
First Corp Investment	7 326	6 565
Total	308 098	270 911

THANK YOU

Rtt/jk
17 May 2011
Annual Report 2009/2010