

ANNUAL PERFORMANCE REPORT

AS AT 30 JUNE 2019

INTRODUCTION

Sedibeng Water is a Water Board established as an organ of state in terms of the Water Services Act No. 108 of 1997. The Minister of Water and Sanitation is the executive authority, and as an organ of the state the organisation is categorised as a public entity, subject to regulations by the Minister of Finance in terms of the Public Finance Management (PFMA) (Act No. 129 of 1999). Sedibeng Water is a Schedule 3B public entity and its core function is to provide water services to its clients, mainly in the form of bulk water, waste water treatment, retail water services, operate and maintenance of water infrastructure; and as an implementing agent in respect of capital infrastructure projects. The board's area of operations is in three provinces, namely, Free State, North West and Northern Cape provinces, and was extended by the incorporation of the Former Botshelo Water which provides water services in the Ngaka Modiri Molema and Dr. Ruth Segomotsi Mompati District Municipalities. Major customers are the municipalities and mines. Due to the nature of business, external and internal factors (business drivers) set the direction for the organisational strategic planning.

The vision of Sedibeng Water is "excellence in water services provision". In other words, the organisation wants to take a leading position in providing potable water services. In order to achieve this vision, the following strategic performance objectives and priorities, further supported by goals or outcomes, have been developed and implemented for the year 2018/2019 to set the strategic direction for the entity's performance in the upcoming 5 to 10 years:

- **Strategic Objective No.1:** Appropriate treatment of wastewater and supply of potable water by focusing on effective infrastructure maintenance, efficient treatment processes, availability or sufficient provision of resources, adequate infrastructure capacity, water demand management and resource protection through efficient and safe use of natural resources, loss control and efficient use of energy;
- **Strategic Objective No. 2:** Ensure viability and sustainability through effective internal management processes to address critical areas of debt collection and cost recovery, budget/cost control and management, cash flow management, internal control and asset management;
- **Strategic Objective No. 3:** Creating an environment that is conducive to the growth and retention of skills by focusing on employment equity profile, human capital development, and competitive remuneration, conditions of services, effective safety, health and environment programs, and compliance to internal and external guidelines;
- **Strategic Objective No. 4:** Provide effective and efficient communications by implementing programs that bring our business closer to our customers through corporate social responsibility, water value chain awareness and public engagement, partnership with 3 spheres of government in the growth and development initiatives, and fostering sound relationships with all stakeholders; and
- **Strategic Objective No. 5:** Ensure Compliance to foster integrated management systems and statutory reporting and promote best practices.

REPORTING AGAINST THE SHAREHOLDER COMPACT

Table 1: Performance Against the Shareholder Compact for July 2018 – June 2019

Performance Objectives	Performance Area/Projects	Performance Indicator	Actual Prior Year 30 June 2018	Performance Target for the Year 30 June 2019	Results	Variations	Reasons for Variances and Recovery Plans
1 Bulk potable water quality compliance	Water quality standards met	Test results, SANS 241 % compliance	98.2%	98%	Overall: 98.1% -Bacteriological: 99.3% -Chemical: 99.7% -Aesthetic: 97.9% -Operational: 97.7%	1.8% 1.3% -0.9% -1.5%	Target achieved. Results are also in line with SANS 241:2015 reporting requirements.
2 Manage avoidable water losses	Reduced levels of unaccounted for water (UAW)	Water lost as a % of total water produced	7.7%	8%	8%	0	Target achieved. Lower water losses were experienced during the year under review.
3 Reliability of supply	No unplanned interruptions to supply exceeding 24 hours	Number of days' supply interrupted exceeding 24 hours	0	0	Vaal Gamagara (VGG): 1 event (24 hours) Free State: 1 event (36 hours)	0	Target partly achieved. A pipeline leak occurred between Hennenman and Ventersburg, and was consequently repaired. There was a planned interruption at Vaal Gamagara (VGG) in the Northern Cape Province which did not exceed 24 hours. This interruption was to allow for the tie-in of the new pipeline on the VGG supply pipeline at the Roscoe-Olifantshoek Cross. A notice in this regard was sent to all the customers.
4 Increased access to services	Contribution to national objectives of extending services	CAPEX spend/projects	80%	90%	81%	-9%	Target not achieved. There was a delay in the receipt of funds in respect of the VGG and Namakwa Projects.
5 Comply to maintenance plan	Comply to maintenance plan	% compliance to maintenance plan	None	90%	Overall: 98%	8	Target achieved. Most of the maintenance activities were carried out as per the maintenance plan.
6 Financial reporting compliance	Annual external audit	Qualified / Unqualified	Qualified Audit Opinion	Unqualified Audit Opinion	Qualified Audit Opinion	N/A	Target not achieved. An action plan to address qualifying audit findings will be compiled and followed-up in the 2019/2020 financial year.
7 Improve key financial ratios	Current ratio	Ratio	1.5	1.7	1.6	0.1	Target not achieved. Cash flow challenges were experienced.
	Gross profit margin (primary activity)	%	66%	65.3%	68%	2.7	Target achieved.
	Gross profit margin (secondary activity)	%	95%	66.7%	91%	24.3	Target achieved.
	Net profit margin (primary activity)	%	7%	6.6%	7%	0.4	Target achieved.
Net profit margin (secondary activity)	%	8%	40.3%	36%	-4.3	Target not achieved. Year-end adjustments affected secondary activity income.	

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Performance Objectives	Performance Area/Projects	Performance Indicator		Performance Target for the Year 30 June 2019	Results	Variances	Reasons for Variances and Recovery Plans
		Actual Prior Year 30 June 2018	Ratio				
		Debt/ Equity	Ratio	0.013	0.008	0.005	Target achieved.
		Return on assets %	%	1.0%	6	5	Target achieved.
		Debtors days #	Number	550	935	-385	Target not achieved. Sedibeng Water is implementing water supply restrictions to non-paying municipalities. The organisation has also written to the Minister of Human Settlements, Water and Sanitation to solicit intervention by National Treasury.
		Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	%	1.7%	2%	0.3	Target achieved.
		Staff remuneration as % of total operating expenditure	%	24.2%	24%	0.2%	Target achieved.
8	Increase BBBEE expenditure in relation to operational projects	Spending	% achieved	95%	95%	0	Target achieved.
9	Manage costs within	Financial reports	# New entrants	100	176	76	Target achieved.
			% savings	5%	-17%	-22%	Target not achieved. An increase in costs has been experienced.
10	Capital expenditure programme	Overall project expenditure within R target	R' achieved	500.5m	394.2m	-106.3m	Target not achieved. There was a delay in the receipt of funds in respect of the VGG and Namakwa Projects.
11	Engagements in secondary activities	% of total turnover	%	15	22%	7	Target achieved.
12	Bulk supply agreements concluded with municipalities/other customers	Municipalities/ other customers with bulk supply agreements	%	100%	Overall: 95% Municipalities: 100% Other: 91%	5%	Target partially achieved. All fifteen (15) contracts with the municipalities signed at year-end are still valid. Three (3) contracts out of 25 contracts with mines and others are still under consideration by the Legal Departments of the mines.
13	Foster sound relationships with all stakeholders	% of attendance by stakeholder forums and functions	%	2	6	4	Target exceeded. Six (6) stakeholder forum meetings were held during the year under review.
14	Implementation of Ministerial directives	Progress against implementation plan	%	100%	100%	0%	Part of the directive on the Maluti-a-Phofung Local Municipality will be finalised in the new financial year. Sedibeng Water awaits approval for the funding.

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Performance Objectives	Performance Area/Projects	Performance Indicator	Actual Prior Year 30 June 2018	Performance Target for the Year 30 June 2019	Results	Variations	Reasons for Variances and Recovery Plans
15 Support rural Development	Total number of identified rural municipalities supported	Signed contracts, MOUs etc. Number	10	6	6	0	Target achieved. Six (6) rural municipalities were supported.
16 Achieve statutory reporting compliance	All statutory reports submitted on time	Submission dates met %	64%	100%	91%	9	Target not achieved. Non-achievement occurred in Quarters 1 and 2, while achievement improved to 100% in Quarters 3 and 4.
17 Water value chain awareness through public management	Ensure improvement of level of customer satisfaction	Monthly coordinating meetings with municipalities Number	None	10	38	28	Target exceeded. Most of the meetings were conducted with municipalities as scheduled.
18 Staff levels	Optimal staff retention	Staff turnover %	4.44%	2	2.61	-0.61	Target not achieved. The employment of 27 employees terminated during the year under review as a result of resignations, dismissals, etc.
19 Training and skills development	Skills and capacity building	Learnerships Number	0	60	17	43	Target not achieved. Sedibeng Water relies mainly on the approval of SETA Discretionary Grant applications to fund this programme. Applications have been submitted, but were unsuccessful. In the absence of funds from the Discretionary Grant, the organisation applied alternative interventions by collaborating with external stakeholders to implement learnerships. As a result, 14 unemployed individuals and 3 employees were accommodated in the learnership programme.
20 Jobs created	Permanent and contract (direct) Temporary (indirect)	Bursaries: employees Number	81	30	65	35	Target exceeded. The Financial Assistance for Graduates and Postgraduates Policy allows for the allocation of bursaries twice a year (per semester). A total of 65 bursaries (for internal staff) amounting to R675,991.00 were allocated during the year under review.
		Graduate Programmes Number	22	20	23	3	Target achieved. The recruitment and appointment of Trainees/Interns for the Graduate Programme is dependent on needs raised and the available capacity of the line functions concerned.
		Total number Number	86	53	41	-12	Target not achieved. Sedibeng Water has embarked on a process of Organisational Design. Upon finalisation, the appointment of permanent employees will resume.
		Total number Number	234	200	420	220	Target exceeded. The Department of Human Settlements, Water and Sanitation appointed Sedibeng Water as an Implementing Agent for capital projects on its behalf. These capital projects are funded by the Department.

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Performance Objectives	Performance Area/Projects	Performance Indicator	Actual Prior Year 30 June 2018	Performance Target for the Year 30 June 2019	Results	Variances	Reasons for Variances and Recovery Plans
	Employment equity	Number of people with disabilities expressed as a percentage over the total number of employees	None	2%	1.61	-0.39	Target not achieved. The advancement of employment equity will be intensified upon the finalisation of the Organisational Design process at Sedibeng Water.
21	Board effectiveness	Board Member attendance of all Board/committee meetings	90%	100%	95.5%	-4.5%	Target achieved. Board Members attended all the scheduled meetings.
22	Board effectiveness	Decision making: % number resolutions taken by the Board vs number of resolutions implemented	100%	100%	95%	-5%	Target not achieved. One of the resolutions of the Board is still in the process of being implemented by the organisation.
23	Effective internal controls and risk	Internal audit reports	0	0	1	-1	Internal Audit is in the process of finalising the report.
		Number of unresolved findings	7	0	2	-2	Internal Audit is in the process of finalising the report.
24	Good governance	Breaches of materiality and significance framework	0	0	0	0	Target achieved. No breaches of materiality occurred during the year under review.
25	Corporate social responsibility initiatives	Number of initiatives undertaken	13 initiatives with NGOs & 33 once-off sponsorships	45	14 initiatives with NGOs & 39 once-off sponsorships	8	Target achieved. Sedibeng Water has a defined Corporate Social Investment Programme which is aimed at improving the lives of the people in its areas of operation.
26	Resource protection	Maximum number of injuries at the workplace	None	2	0.35	1.65	Target achieved. The rate of disabling injuries is acceptably low for the year under review.
27	Employee retention	Annual HIV/AIDS campaigns (1 per region)	None	4	20	16	Target exceeded. HCT and General Health assessments were conducted in conjunction with HIV/AIDS roadshows.

CONCLUSION AND RECOMMENDATIONS

The overall performance for Sedibeng Water is 52% where 18% of the KPIs are partly achieved for the year. The area of concern is high outstanding debt and non-payments of accounts by some municipalities, namely the Matjhabeng Local Municipality, the Nama-Koi Local Municipality and

the Ngaka Modiri District Municipality. This has affected our financial performance (financial ratios) and the debt recovery targets. The Board and Executive Management are working with the stakeholders to ensure that all performance targets are achieved.