



uthukela
water

Annual Performance Report of uThukela Water (Pty) Ltd for the financial year 2022/2023

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1. Introduction

Section 46(1) of the Municipal Systems Act 32 of 2000 requires municipalities to prepare annual reports consisting of performance reports.

This report serves to table the annual performance of the entity as at 30/06/2023 against its pre- determined objectives planned out in June 2022. This report is subject to change during and after the internal audit process, finalisation of the annual financial statements for 2022/2023 as well as the audit outcomes received from the Auditor General South Africa.

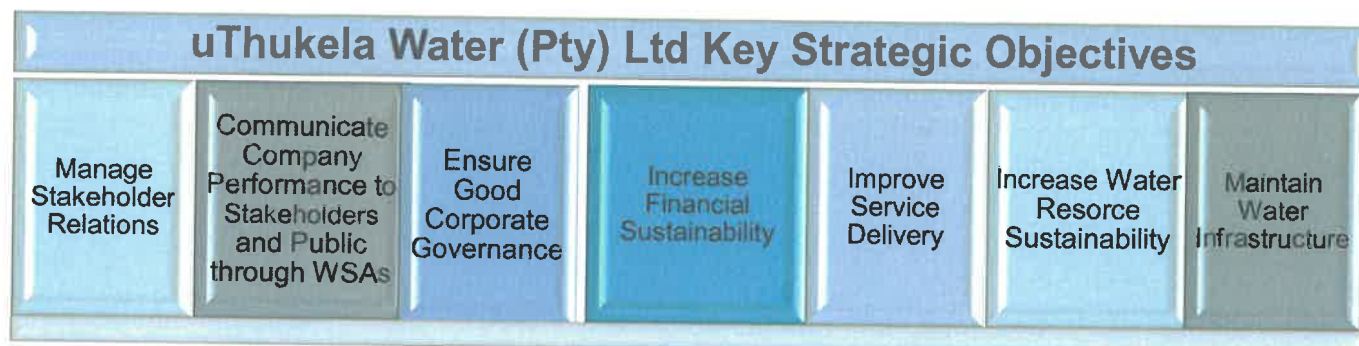
2. Performance analysis

uThukela Water (Pty) Ltd upholds its mission statement by ensuring excellent and consistent performance across all areas of expertise within the entity. The board approved a pre-determined strategic plan/performance plan in June 2022. The plan translates into measurable criteria on how, where and when the strategic objectives and normal business processes of the entity will be achieved and implemented.

2.1. Performance Setting

The performance plan of uThukela Water (Pty) Ltd for the FY 2022//2023 comprises of 7 key strategic objectives, that were filtered into key performance areas and key performance indicators.

2.1.1. The Key Strategic Objectives for the financial year 2022/2023



2.2. Monitoring Performance

The entity's institutional performance management reporting is guided by both the Municipal Finance Management Act 56 of 2003 (MFMA) as well as the Municipal Systems Act 32 of 2000 (MSA).

Section 88(1) of the MFMA requires municipal entities to assess their performance against pre-determined objectives at mid-year, ending 31 December of each year. The outcomes of the assessment must be submitted to the board of directors and parent municipalities by 20 January. Accordingly, the entity prepared a mid-year performance report and submitted it to the board of directors and its three parent municipalities on the 20th of January 2023.

Section 46(1)(a) of the MSA provides for the compilation of the annual performance report. Therefore, this draft annual performance report is compiled to satisfy and comply with this legislation. The report serves to document the annual performance outcomes of the entity, and highlight variances in performance outcomes from the prior financial year.

3. Performance Outcomes

Figure 1 below represents the performance outcomes of the entity at year end (30/06/2023). A detailed breakdown of performance outcomes is at the end of this report, presented through a detailed performance dashboard.

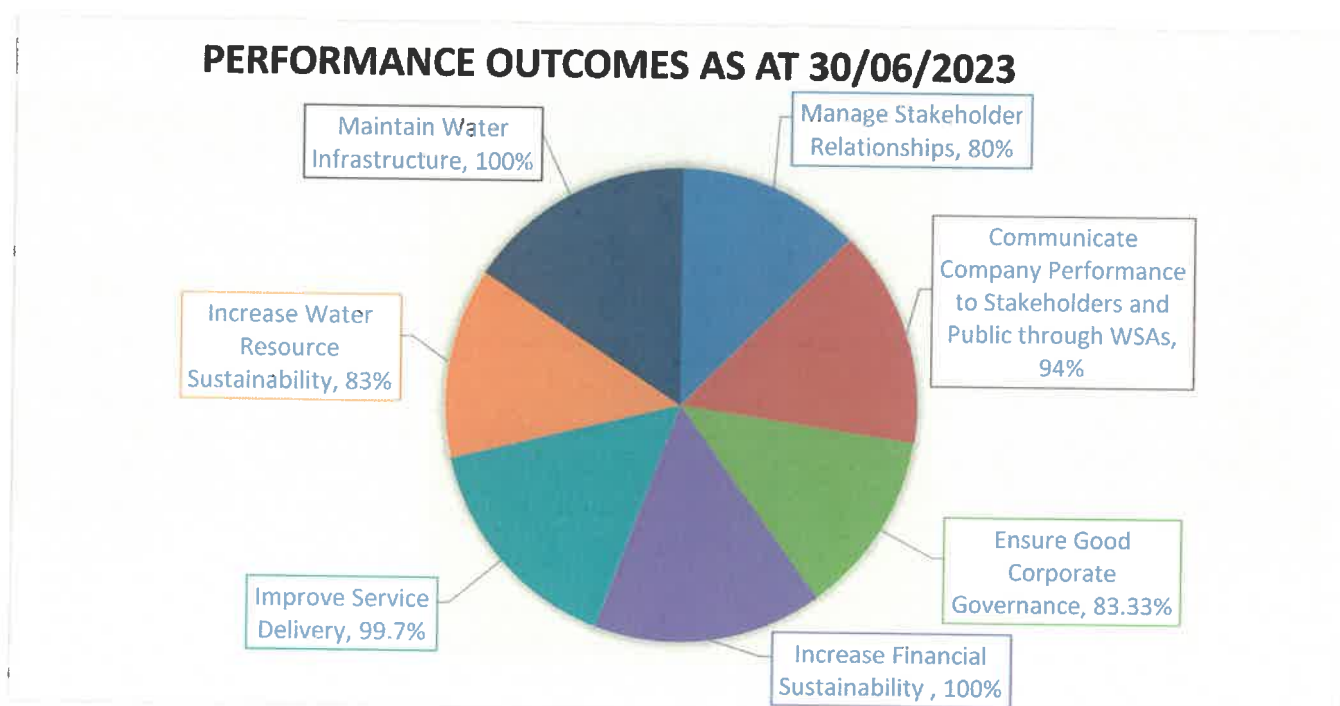


Figure 1: The performance outcomes of the entity against its pre-determined strategic objectives for the FY 2022/2023.

As depicted in figure 1, the entity met all its agreed targets as per the performance plan of the entity for the FY2022/2023 in the key performance areas of the following strategic objectives:

- Increase Financial Sustainability, and
- Maintain Water Infrastructure.

Notably, the entity did not meet its performance objectives in the following strategic objectives:

- Manage Stakeholder Relations,

- Communicate company performance to stakeholders and public through WSAs,
- Ensure Good Corporate Governance,
- Improve Service Delivery, and
- Increase Water Resource Sustainability.

3.1. Reasons for not meeting performance targets.

The reasons for not meeting the targets in the above objectives are summarised below herein:

3.1.1. Manage Stakeholder Relations

The entity did not schedule an Operations, Admin, and Finance meeting between itself and its WSAs in the months of December 2022 and April 2023 due to other competing operational commitments.

The entity was unable to schedule and convene for an Audit Committee Meeting in Quarter 2. However, all quarterly institutional reports have subsequently been presented to the Audit Committee as two meetings took place in the first quarter of FY 2023/2024.

3.1.2. Communicate Company Performance to Stakeholders and Public through WSAs

The entity did not compile and submit April and May 2023 Section 71 reports to parent municipalities. The June 2023 Section 71 report was however compiled and submitted to

the parent municipalities, with information on the April and May 2023 months.

3.1.3. Ensure Good Corporate Governance

The entity received four (4) material external audit findings from the Auditor General which is above the maximum of three (3) as pre-determined. The findings were mostly of non-compliance with prescribed legislation, an example of which is the entity failed to pay its creditors within the prescribed 30-day cycle, and due to this on some creditor accounts the entity incurred fruitless and wasteful expenditure during the financial year. The entity has drawn up and prioritised the implementation of an action plan to address the Auditor General's audit findings. The Managing Director monitors the implementation of the plan monthly and is presented to the Audit Committee quarterly.

3.1.4. Improve Service Delivery

The entity supplied 85% of its predetermined budgeted bulk water volumes to the Amajuba District Municipality. The Amajuba District Municipality does not have a dedicated reservoir. Currently, it shares a reservoir with the Newcastle Local Municipality. Thus, if Newcastle Municipality uses more water, it is often to the disadvantage of the Amajuba District Municipality. The ideal solution for this would be the completion of construction and commission of the Amajuba District Municipality reservoir.

It must be noted that the entity produced more than its budgeted volumes for the financial year, supplying Newcastle

Local Municipality and uMzinyathi District Municipality over and above their budgeted supply volumes.

3.1.5. Increase Water Resource Sustainability

The entity only scheduled and convened one meeting to address business continuity planning in the financial year. This was due to operational commitments during the year. The entity will develop an annual meeting calendar to ensure that all important meetings are scheduled, aligned, and prioritised during the next financial year.

4. Previous Year Performance Analysis Versus Current Financial Year

Figure 2 below depicts the performance outcomes of the entity in its strategic objectives in the previous financial year (2021/2022) versus the performance outcomes of the entity for the current 2022/2023 financial year.

Performance Outcomes Comparison between 2021/2022 and 2022/2023

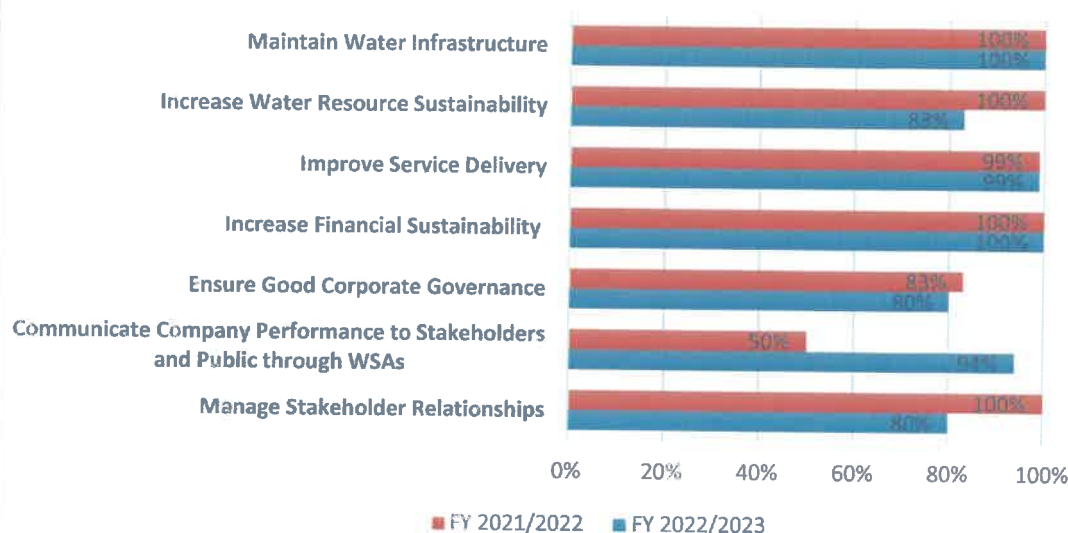


Figure 2: A comparison of performance outcomes of the entity for the current and previous financial year.

4.1 Variances in Performance Outcomes between the current and previous Financial Year

The performance outcomes variances between financial year 2021/2022 and 2022/2023 are summarised in table 1 below.

Table 1: Performance outcomes variances between 2021/2022 and 2022/2023

Strategic Objective	Variance
Manage Stakeholder Relationships	-20%
Communicate Company Performance to Stakeholders and Public through the WSA's	+44%
Ensure Good Cooperative Governance	-3%
Increase Financial Sustainability	0%
Improve Service Delivery	0%
Increase Water Resource Sustainability	-17%
Maintain Water Infrastructure	0%

4.2 Performance Scorecard of the entity for the FY 2022/2023

A full breakdown of the performance of the entity as at the 30th of June 2023 is detailed in the annual performance score card below. Reasons for the performance variances and recommended corrective actions for all areas where the entity failed to meet targets are also discussed in the scorecard.

uThukela Water (Pty) Ltd
Annual Performance Scorecard FY 2022/2023

Strategic Objectives	Key Performance Area	Key Performance Indicator	Annual Target	Responsibility	Annual Actual	Target Met/ Not Met	Reason for Variance	Recommended Corrective Action
Manage Stakeholder Relationships	Align Business Plans and Budgets with Municipal IDPs, Budgets & Plans.	Submit an annual business plan to WSA's as per MIFMA on the 31 st January 2023	1 Submission of Annual Business Plan per WSA by the 31 st January 2023	Managing Director	1 Business Plan submitted to WSAs on the 31 st of January 2023	Met		
		To submit an annual budget for 2023/2024 by the 31 st January 2023	1 Budget submission per WSA by the 31 st January 2023		1 Draft Budget submission per WSA on the 31 st of January 2023	Met		
		Schedule one meeting per WSA to align budgets and SDBIPs.	1 SDBIP Alignment Meeting per WSA to align the 2023/2024 SDBIP of the entity and WSAs		No SDBIP Alignment Meeting	Not met	SDBIP Alignment was done via email due to time constraints with one parent municipality.	The entity will schedule meetings to align to the SBIPs of uMzinyathi and Amajuba District Municipality in December 2023.
		To coordinate monthly operations, admin, and finance meetings with each WSA	To coordinate 12 Monthly Operations, Admin and Finance Meetings Scheduled with all WSAs		10 Monthly Meetings scheduled with all WSAs	Not met	Operational Commitment s did not allow the entity to schedule meetings in December 2022 and April 2023	The entity to commit to developing an annual meeting planner for meetings with parent municipalities.

	Coordinate Quarterly Board Meetings, Quarterly Audit Committee Meetings and One Annual Shareholder Meeting	To schedule quarterly Board Meetings, Quarterly Audit Committee Meetings and at least 1 Annual Shareholder Meeting	4 Board meetings scheduled. 1 Shareholder meetings scheduled. 4 Audit Committee meetings scheduled	Managing Director	13 Board Meetings 6 Shareholders Meetings 3 Audit Committee Meeting (Special Audit Committee Meeting)	Met Met Not met	Due to Operational Commitment s and Audit Committee Meeting was not scheduled in Quarter 2	The entity to develop an annual meeting calendar for the Audit Committee meeting for the next financial year, the entity has also had 2 meetings between July and August 2023 to ensure that issues are addressed timeously.
Communicate Company Performance to Stakeholders and Public through WSAs	Submission of Monthly Section 71 Oversight Reports and quarterly performance reports to Shareholders	Compile and submit Monthly Reports to Shareholders. Compile and submit quarterly Performance monitoring templates to all 3 WSA's.	12 Monthly Section 71 Reports 4 Quarterly Performance Monitoring Templates to each WSA	- Chief Financial Officer - Managing Director	10 Monthly Section 71 Reports submitted to WSAs (March and April reports not submitted). 4 Quarterly Performance Monitoring Templates submitted to all WSAs.	Not Met	Due to the resignation of the Acting Chief Financial Officer due to ill-health.	The Chief Financial Officer completed both April and May Reports, however only June reports were subsequently submitted to shareholder municipalities as June reports included April and May activities as the reports are cumulative in nature.
	Submission of Mid- Year Performance Report and Annual Performance Report of the entity as per MFMA	Submit a Mid-Year Performance Assessment Report to all WSA's by the 20th of January 2023. Submit an Annual Performance Report to all Municipalities by the 20th of August 2022.	Submit a Mid-Year Performance Assessment Report to all WSA's by the 20th of January 2023. Submit an Annual Performance Report to all Municipalities by the 20th of August 2022.	Managing Director	1 Annual Performance Report submitted to all municipalities on the 20 th of August 2022	Met		

	Compile Draft Annual Report with input from stakeholders.	Compile and submit Draft Annual Report to the stakeholders and public by the 31st of October 2022	1 Draft Annual Report Compiled and submitted to WSA's by the 31st of October 2022	Managing Director	1 Draft Annual Report compiled and submitted to WSAs by the 31st of October 2022	Met		The Final Annual Report was submitted to all WSAs on the 31st of December 2022, in line with MFMA requirements.
Ensure Good Corporate Governance	Material Audit Findings	Number of material audit findings in the annual audit report equal to 3 or less.	3 or less than 3 Material External Audit Findings	Managing Director	4 Material External Audit Findings	Not met	The entity did not comply with all prescribed legislation during the financial year.	The entity has drawn up an action plan to address the findings from the Auditor General and will prioritise the implementation of the action plan within the entity.
	Manage and Reduce Risks	Perform quarterly monitoring exercises of risk management within the entity Conduct an annual risk assessment for the entity by the 30th June 2023	4 Quarterly Risk Oversight Reports Completed 1 Risk Assessment update for FY 2023/2024	Managing Director	4 Quarterly Risk Oversight Reports Completed 1 Risk Assessment Update for FY 2023/2024 completed.	Met		
	Attract, Retain, and increase organisational skills and capacity	Capacitating staff and developing staff in line with the succession plan. With a total of 50% of all staff in training and development programmes from the staff highlighted to be developed in terms of the WSP and succession plan	Capacitating staff and developing staff in line with the succession plan. With a total of 50% of all staff in training and development programmes from the staff highlighted to be developed in terms of the WSP and succession plan	Managing Director	Training and Development Report submitted detailing 66% of all training was in line with the WSP and succession plan.	Met		

Improve Service Delivery	To supply agreed bulk water volumes to WSAs	To supply bulk water volumes in terms of WSP / WSA Agreements and budgeted volumes.	- Newcastle 33215000KL - uMzinyathi 5500000KL - Amajuba 5263200KL	Executive Director: Operations and Engineering	Newcastle 35976127 KL uMzinyathi 5639698 KL Amajuba 4466858 KL	Met Met Not met	The Amajuba DM shares a reservoir with the Newcastle LM. If Newcastle exceeds its budgeted volumes, it directly impacts the volumes supplied to the Amajuba DM	A designated reservoir for the Amajuba District Municipality is in the process of construction, once the reservoir is commissioned and in use, the entity will be able to supply the budgeted volumes to the Amajuba District Municipality.
	To supply quality bulk water in terms of SANS 241:2015	95% compliance across; Acute health, chemical and microbiological, Aesthetic and operational, and Chronic health chemical standards.	95% Water Quality Across all determinants in terms of SANS 241:2015	Executive Director: Operations and Engineering	Newcastle: Acute Health Chemical Compliance 100% Acute Microbiological Compliance 100% Aesthetic Compliance 100% Chronic Health Compliance 100% Operational Compliance 99.42% Biggarsberg: Acute Health Chemical Compliance 100% Acute Microbiological Compliance 100%	Met		

Increase Water Resource Sustainability	Reliability of Bulk Water Supply	To minimise unavoidable or planned maintenance interruptions of bulk water supply should not be greater than 24 hours in any one instance.	All planned and unplanned maintenance disruptions of bulk water should not be greater than 24 hours per disruption.	Executive Director: Operations and Engineering	107 Maintenance Disruptions July 2021-December 2022 < 24 hours per disruption.	Met	Aesthetic Compliance 99.34% Chronic Health Compliance 100% Operational Compliance 99.81%		
	Water Conservation Management	To restrict bulk water losses on raw and potable bulk pipelines to an average of 15% per annum	To restrict water loss on total bulk water system raw and potable pipelines to an average of 15% per annum.	Executive Director: Operations and Engineering	Total Water Loss 3,45 %	Met			
	To coordinate the regional bulk water master plan	To coordinate bi-annual meetings of the regional bulk water master plan	• Schedule 2 Meetings	Executive Director: Operations and Engineering	2 Meetings Scheduled	Met			
	Increasing the resiliency of the institution	To coordinate at least 2 business continuity meetings to facilitate the	2 Meetings to develop an Institutional	Managing Director	1 meeting held on the 19 th of October 2022 with COGTA: Provincial	Target Not Met			The entity needs to develop an annual calendar for all meetings of the entity to

Maintain Water Infrastructure		development of entity wide business continuity plans	Business Continuity Plan		Disaster Management Centre		ensure that all meetings are prioritised.
	Regular asset conditional assessments	To annually assess the overall condition of all assets	1 Annual asset conditional assessment	Chief Financial Officer	1 Annual Asset Conditional Assessment Completed	Target Met	
	Maintenance Planning	To update the Annual Maintenance Plan.	1 updated Annual Maintenance Plan	Manager: Engineering	1 Updated Maintenance Plan Jan-Dec 2022 Jan-Dec 2023	Target Met	

5. Report sign-off-

I, Wiseman Bonginkosi Nkosi, in my capacity as Managing Director of uThukela Water (Pty) Ltd hereby declare that the content contained in this report is complete and accurate to the best of my knowledge. I also confirm that this is a true reflection of the performance of uThukela Water (Pty) Ltd at year end of the 2022/2023 financial year, ending 30 June 2023.

Signature: _____



Date: _____