

BUSINESS PLAN

ENTERED INTO BETWEEN

BLOEM WATER

and

**THE DEPARTMENT OF WATER AND
SANITATION**

FOR THE PERIOD

1 JULY 2021

TO

30 JUNE 2026

BUSINESS PLAN

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1. FOREWORD

The Business Plan 2021-2026 has been prepared by Management and the Board (Accounting Authority) of Bloem Water, taking into account the environment/ context (both internal and external) within which it operates, the performance of the Entity, the applicable statutory mandates, the relevant section of the National Development Plan (NDP), the Medium Term Strategic Framework priorities as well as the Strategic Risks identified.

As directed by the National Development Plan which aims to achieve the Vision 2030, the Entity has taken in cognizance the resilience and fast growing economy as part of its economic transformation agenda which is also supported by the Department of Human Settlement, Water and Sanitation Master Plan which was launched in November 2019.

Taking into account the environment/context (both external and internal) within which it operates as well as the goals and objectives of the Department of Water and Sanitation (DWS), including the Ministerial Budget Vote, the Bloem Water Business Plan 2021-2026 was developed.

The Bloem Water's Vision is *"Assuring sustainable, reliable quality water services, for life."*

The Mission is *"To create a leading, value driven, effective and responsive water services institution adapting best practice methods in anticipating tomorrow's challenges today."*

The Values that Bloem Water subscribes to are: *i) Corporate Social Responsibility, ii) Governance, iii) Equality and iv) Responsiveness*

Over the five-year Business Planning period, 2021-2026, the Entity strives make the following strategic shift to achieve Sustainable performance and excellence in all the units and positively touching the lives of many in our area of mandate by taking into account the applicable statutory obligations, the relevant sections of the National Development Plan (NDP) as well the strategic risks.

The relevant priorities in the NDP that have been included in this Business Plan 2020-2025 include those focusing on expanding access to water all along the supply chain.

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The investments were directed to the dams and bulk water supply schemes that focus on achieving adequate water infrastructure.

The Board, through this Business Plan, commits itself to certain Key Performance Indicators that the Minister of Human Settlements, Water and Sanitation may utilise to monitor the performance of the Organisation in line with its strategic intent as well as the NDP.

In exercising its strategic oversight and Executive Authority's objectives, the Board of Directors of Bloem Water, has adopted a set of priorities underpinned by a set of strategic objectives for the period 2021 to 2026, reviewable annually.

The rainfall improved during the past year although not having a sufficient impact to abolish the restrictions.

The COVID 19 Pandemic had a serious impact on the Country, Province, Business, Breadwinners and the Entities. The payment environment deteriorates so much as the Municipalities did not honour any payments for a long time during the lockdown period. The financial status of the Entity is seriously affected by not settling accounts, ranging from taking court action and disputes to not pay accounts. The Municipalities also claimed financial distress and hence an inability to pay accounts. The Entity was forced to consider and implement cost reduction processes to cope with the financial constraints. It also continued with cost containment measures in accordance with the National Treasury circular, 2016/17. The financial position deteriorated to such a stage where it was threatening the sustainability of the Entity.

The strategic priorities and goals set to ensure the realization of the strategic intent are summarized as follows:

- (i) Plan, develop, operate and maintain infrastructure to ensure sustainable water service delivery;
- (ii) Manage and optimise financial affairs to meet current and future obligations;
- (iii) Securing the supply and quality of raw water resources;
- (iv) Achieving an aligned, effective and efficient institution through optimization of all business processes and systems;
- (v) Engage and strengthen strategic partnerships with all relevant stakeholders.

The strategic priorities and goals mentioned above have been translated into objectives and Key Performance Indicators which have been aligned to legislative

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requirements and quarterly reporting indicators. The financial Key Performance Indicators are set out in this Business Plan, as well as in the Shareholder Compact. The Operational and Human Resource Performance Indicators are set out comprehensively in the Quarterly Report submitted to the Executive Authority as per legislative prescript.

The financial status of Bloem Water remains pressure, the same as recent years due the impact of the drought, the restrictions associated to it, Covid lockdown and the non-payment by Municipalities.

The Department of Water and Sanitation issued Water Restriction Notices and is still maintained in terms of the drought and the Municipalities were required to implement water demand and restriction measures. the factors mentioned is still impacting the budgets of the Entity and the Board and Management continues to review budgets. It impacts the financial targets. The capital projects as well as operational projects had to be reprioritized and, in some instances, postponed due to the financial impact.

The restrictions of water are continuing and is also impacting all considerations for the future with specific reference to the Business Plan period. The engagements with the Municipal clients have worsened on the basis of the payment environment. Several processes were followed, following legislative prescripts in accordance with the outstanding accounts of the Municipalities. It was followed in line with Section 44 of the Municipal Finance Management Act (MFMA) and Section 4(5) of the Water Services Act. The most recent reducing of level of services were prompted by the inability to function due to financial constraints. This resulted in legal challenges embarked upon by the Mangaung Metropolitan Municipality (MMM) and Kopanong Local Municipality (KLM).

MMM and Bloem Water was embroiled in a legal battle on the restriction of water and payment of accounts. Payment plans were provided by MMM on several occasions to ensure that water supply was restored. There was a dispute related to the arbitration case was concluded as the parties reached an agreement. The ruling by the Arbiter will be made an Order of the Court. It was for full and final settlement at 7 December 2020.

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KLM approached the Court when the Entity had to reduce services. An agreement was reached which was made an Order of the Court. The water supply is still restricted to 50 %.

Mantsopa Local Municipality defaulted on payment and processes have been embarked upon to enforce payment.

The limited generation of revenue and cash flow as a result of the declined revenue and non-payment of accounts has a serious impact on the sustainability of the Entity and even as a going concern for the future. Several processes and attempts to DWS and National Treasury were made for financial support but has been unsuccessful.

The continuation of effective service delivery is dependent on an effective water supply system, corrective and preventative measures and operational controls necessary to ensure a safe and reliable water supply. In order to ensure an effective and reliable water supply system, Bloem Water has divided its operations into three regions, namely Modder River, Caledon River and Orange River Regions.

The sustainable treatment and provision of bulk water to customers remain the primary priority of Bloem Water. Water is treated at seven (7) treatment works and its quality meets the required standard of SANS 241:2015. This is despite the challenges in meeting future growth and capacity in some areas of operation due to the ongoing drought situation in the Province and the siltation problem at one of the Organisation's biggest Water Treatment Works (Welbedacht Dam).

Bloem Water will invest in expansion and refurbishment of infrastructure, to ensure sustainable water services provision in the areas of service as the funding allows or where grants are provided.

Water sector partnerships and collaborations will be leveraged to respond to the challenges facing the Organisation. These challenges are water security, demand management measures, drought and the impact of climate change. Support and partnership efforts with Municipalities are being continued. Water Service Authorities are at various stages of implementing water conservation/water demand management measures within their systems. However, significant quantities of treated water are being lost in the reticulation system and threaten the sustainability of the water value chain. Water loss management has therefore been identified as a strategic focus. Programmes will be developed and implemented in addressing water

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losses. Bloem Water will further continue with water awareness and education, focusing on water use and conservation targeting schools and communities through its water Ambassadors. The extension plans of the Hydropower to the Regions remains key. Plans to continue with electricity conservation and green environmental management are already in place.

The five (5) year Infrastructure Programme to address the water supply in line with the growing water demand, improved sanitation and the creation of employment is continuing. The limited financial resources have been managed through prioritization of the projects. The directives from the Department Water and Sanitation have also assisted in the implementation of the Infrastructure Plan. The Infrastructure Programme is aligned to the Greater Bloemfontein Reconciliation Strategy that had a planning scenario of up to 2035 and the continuous alignment to integrated Development Plans and the National Water Resources Strategy. The drought, reduced storage capacities of the water resources, ageing infrastructure are key challenges to be addressed through future planned projects such as the Xhariep pipeline, the Knellpoort/Welbedacht pipeline, Caledon/Bloemfontein pipeline and the upgrading of Tienfontein and Novo raw water transfer schemes. The alternative options considered with the re-use project and the Xhariep pipeline will have an impact on the Reconciliation Strategy and the planning for future requirements. There should be scope for review to ensure that the appropriate commitments are considered.

The Organisation has continued to play a critical role in the service delivery at Municipalities by implementing projects on behalf of the Department of Human Settlements, Water and Sanitation for various Programmes such as the Accelerated Community Infrastructure Programme (ACIP) and Municipal Infrastructure Grant (MWIG).

Staff skills development is essential to enable staff to excel in their individual and Organisational roles and functions and deliver on the organization's strategy. The purpose of skills development in general is to ensure that staff is consistently developed to a competent level and keeps abreast with changing environment.

To ensure implementation of the said purpose, training needs assessments are conducted annually for all employees to determine their individual development programmes that feeds into the Workplace Skills Plan. In response to collated training needs a strategy will be used to create a skills pool that would address future

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skills demands in the organization, which will focus on core, scarce and critical skills. This will be achieved through Learnerships, Generic training interventions and Recognition of Prior Learning.

The Entity is compliant with Employment Equity statutory requirements. Good progress was made to improve gender representivity. Female representivity continues to increase marginally through natural staff attrition whilst the representivity of people living with disabilities also reflected a marginal increase. These groups are targeted during recruitment processes.

Board strategic objectives are measured and reported monthly and quarterly to the Department of Water and Sanitation and National Treasury. Technical indicator descriptions were developed for all performance objectives and there was an improvement on the performance against predetermined objectives, as verified by the Auditor-General. The Board approved a policy on the management of performance information in September 2019.

The Employee Wellness Programme continued to promote health practices through awareness sessions, health screenings and counselling services. During 2020, support was enhanced through conducting virtual sessions where it was practically possible. Furthermore, additional support was rendered to Essential Services staff who were required to work during Alert Level 5 of the Pandemic. Food parcels and other means of support was provided to employees staying in remote areas, in doing so limiting exposure due to travelling.

The Board has established an effective and efficient Health and Safety Management System to ensure compliance to the Occupational Health and Safety Act and create a safe environment for employees and those in contact with the entity.

Security Management Units is well established with appointment of additional staff. The unit has the responsibility to protect and secure Bloem Water assets and employees. Various security measures have been implemented in line with Minimum Information Security Standards (MISS).

The filling of critical technical positions is prioritized and good progress was made. In addition, optimizing of resources were considered prior seeking external resources to perform particular functions.

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The annual climate survey measuring the staff engagement index, could not materialize during the year due to the COVID-19 social distancing protocol and will be pursued when conditions allow.

The employer liability associated with a Defined Benefit Pension Fund is duly acknowledged and the Board of Trustees resolved to explore options to reduce the liability on the principal employer. A scoping process is underway.

The Board is honored to register that it is fully functional and implemented sound governance practices and processes. It continues to provide strategic direction to the Organisation through its performance monitoring system. In providing necessary leadership, the Board ensures that the Organisation delivers on its financial mandate by observing cost containment measures in compliance with the National Treasury Regulations. The Board committed their efforts at a political level with the Municipal Political bearers and with the Parliamentary requirements.

The Board of Directors and Executive Management Team at Bloem Water look forward to successfully meeting future challenges. In order to give effect to various water delivery mandates and objectives of the Executive Authority and National Development Plan priorities, the Board shall continue to build the financial base of the Organisation, supported by its workforce and strategic stakeholders.



Dr L Moorosi
Chief Executive

30 April 2021
Date



Mr TB Phitsane
Chairperson of the Board of Bloem Water

30 April 2021
Date

2. INTRODUCTION AND STRATEGY

Bloem Water is an autonomous statutory body which was established in 1991 in line with Section 108(2) of the Water Services Act, 1997. The primary reason for establishing the Water Board was to provide bulk water within the service areas of mandate.

Bloem Water is, in terms of the Public Finance Management Act (PFMA), Act 1 of 1999, Schedule 3B, a National Government business Entity, which is accountable to the Minister of Human Settlements, Water and Sanitation as its Executive Authority as well as to Parliament. This accountability relate to the overall strategy and policy matters as well as finances.

On operational matters, Bloem Water operates autonomously reporting to its Board of Directors whose responsibility is to provide strategic direction and leadership, ensuring good corporate governance ethics, managing risks and materiality limits, financial sustainability and determining policy. The day-to-day management of Bloem Water is delegated to a Management Team consisting of the Chief Executive and the Managers. This governance framework ensures independence of Bloem Water as well as its accountability.

Bloem Water is a performing Entity which has delivered more than 83,7% of its Business Plan annually. The Entity has been receiving unqualified audits for a number of years in a row. The Entity provides water related assistance where required beyond its area of mandate.

The performance is underpinned by the strong vision, mission and strategic planning which is translated to the Business Plan that links to the individual performance contracts and incentives. This performance is also due to the contribution and dedication of all Bloem Water staff.

In this Bloem Water Business Plan 2021-2026 document, the first section deals with introduction of the Entity and strategy. The legislative and other mandates are listed followed by the situational analysis which details the context or environment within which the Entity operates.

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Other than the vision and objectives sections of the Business Plan, the key performance indicators and five-year targets including the baseline level of performance has to be submitted to the Executive Authority by the end of January prior to the start of the financial year covered in the Business Plan. The Business Plan has been prepared in compliance with the guidelines set by the Department.

2.1 Bloem Water Strategies, Vision, Mission and Values

The Board and the Senior Management held Strategic Session in October 2019 and the following strategies, vision, mission and values were agreed upon:

Strategies:

1. Plan, develop, operate and maintain infrastructure to ensure sustainable water service delivery.
2. Manage and optimise financial affairs to meet current and future obligations
3. Securing the supply and quality of raw water resources.
4. Achieving an aligned, effective, and efficient institution through optimisation of all business processes and systems.
5. Engage and strengthen strategic partnerships with all relevant stakeholders.

Vision:

Assuring sustainable, reliable quality water services, for life.

Mission:

To create a leading, value driven, effective and responsive water services institution adapting best practice methods in anticipating tomorrow's challenges today.

Values:

Bloem Water commits itself to the following values that guide and direct all interactions with internal and external stakeholders:

- Equality/Equitably,
- Ethical,
- Transparency,
- Integrity, People centred/Centric,
- Accountability,

- Respect,
- Professionalism

2.2 Bloem Water Objective linkages with Government Outcomes

The key strategic objectives of Bloem Water set out below are linked with priorities of Government:

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No.	Strategic outcome goals	DWS Strategic Objective (from 2017/18 to 2019/20 APP Plan)		Aligned Bloem Water strategic objective
Ministerial Outcome A	Environmental Assets and natural resources that are well protected and continually enhanced	Goal 1	Enhanced and protected water as a resource across the value chain	SO 1 Plan, develop, operate and maintain infrastructure to ensure sustainable water service delivery
Output 1	Enhanced quality and quantity of water resources	SO 1.1	Water resources protected through water supply and sanitation services regulation, compliance monitoring and enforcement	
		SO 1.2	Enhanced management of water and sanitation information	
		SO 1.3	The integrity of freshwater ecosystems protected	
		SO 1.4	Enhanced water uses efficiency and management of water quantity	
		SO 1.5	Freshwater ecosystems protected from mine water impacts	
Ministerial Outcome B	Contribution to an efficient, competitive and responsive economic infrastructure network	Goal 2	Equitable access to reliable, sustainable and acceptable water resources and water and sanitation services	SO, 2 Manage financial affairs to meet current and future obligations
Output 2	Ensuring the maintenance and supply availability of our bulk water infrastructure	SO 2.1	A coordinated approach to water and sanitation infrastructure planning and monitoring and evaluation	
		SO, 2.2	Targeted and aligned planning for adequate water availability and the enhanced provision of water supply and sanitation services	
		SO 2.3	Adequate water availability and enhanced provision of sustainable and reliable water supply and sanitation services	
		SO 2.4	Safe, reliable and sustainable water supply and water and sanitation services infrastructure	
		SO 2.	Enhanced provision of sustainable and dignified basic sanitation	
Ministerial Outcome C	Sustainable human settlements and improved quality of household life	Goal 3	An enhanced contribution to socio-economic development and transformation by the sector	SO, 3 Securing of supply and quality of raw water resources
		SO, 3.1	Equitable water allocation and availability for socio-economic development	

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No.	Strategic outcome goals	DWS Strategic Objective (from 2017/18 to 2019/20 APP Plan)		Aligned Bloem Water strategic objective	
		SO, 3.2	Targeted rural development initiatives that support smallholder farmers		
		SO, 3.3	Targeted procurement that supports black entrepreneurs in the sector		
		SO 3.4	Job opportunities created that expand economic opportunities for historically excluded and vulnerable groups		
Ministerial Outcome D	Responsive, accountable, effective and efficient Local Government System	Goal 4	An efficient, effective and development orientated water and sanitation sector	SO, 4	Achieving an aligned, effective and efficient Institution through optimization of all business processes and systems
		SO 4.1	An enabling environment for the management of water resources and the provision of basic water and sanitation services		
		SO 4.2	Sound governance and oversight of the DWS Public Entities		
		SO 4.3	An efficient, effective and high performing organization		
		SO 4.4	Coordinated development of the skills pool across the sector		
Ministerial Outcome E	Decent employment through inclusive economic growth	Goal 5	Sound cooperative governance and an active and engaged citizenry	SO 5	Engaging and strengthening strategic partnerships with all relevant stakeholders
		SO 5.1	Targeted and sustained African and global cooperation in support of the national water and sanitation agenda		
		SO 5.2	Informed and empowered communities and responsive government securing integrated and sustainable partnerships to support the W&S development agenda		
Ministerial Outcome F	Create a better South Africa and contribute to a better and safer Africa and world				
Ministerial Outcome G	Vibrant, equitable and sustainable rural communities with food security for al				

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2.3 Bloem Water Strategic Objectives, Goals and Key Performance Indicators

The following table shows the goals and key performance indicators to measure achievement of strategic objectives.

BLOEM WATER OBJECTIVES	PERFORMANCE OBJECTIVES	KEY PERFORMANCE INDICATORS
Strategic Objective 1: SO 1 Plan, develop, operate and maintain infrastructure to ensure sustainable water service delivery.	Manage avoidable losses	KPI 2: Avoidable water lost as a percentage of water produced
	Reliability of supply	KPI 3: Number of days' supply interrupted as a % of possible supply days
	Increased access to services	KPI 4: Actual CAPEX spend on expansion related projects (initiatives by the Minister) as % of budget
Strategic Objective 2: SO 2 Manage financial affairs to meet current and future obligations	Financial Reporting	KPI 5: Annual external audit
	Improve key financial ratios	KPI 6.1 Current Ratio
		KPI 6.2: Gross profit margin % (primary activity)
		KPI 6.3: Gross profit margin (secondary activity)
		KPI 6.4: Net profit margin (primary activity)
		KPI 6.5: Net profit margin (secondary activity)
		KPI 6.6: Debt equity
		KPI 6.7: Return on Assets
		KPI 6.8: Debtors days
		KPI 6.9: Repairs and maintenance as % of PPE and Investment Property (Carrying Value)
		KPI 6.10: Staff remuneration as % of total operating expenditure
	Increase BBBEE expenditure in relation to operational projects	KPI 7.1: % Spend
		KPI 7.2: New service providers awarded work
	Manage costs within the approved budget	KPI 8: Financial reports
	Capital Expenditure Programme	KPI 9.1: Overall project expenditure within R target
		KPI 9.2: Overall project completion dates within targets
	Engagement in secondary activities	KPI 10: % of total turnover

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BLOEM WATER OBJECTIVES	PERFORMANCE OBJECTIVES	KEY PERFORMANCE INDICATORS
Strategic Objective 3: SO 3 Securing of supply and quality of raw water resources	Bulk potable water quality compliance	KPI 1: Test results, SANS 241 Class 1: Class 2:
	Bulk supply agreements concluded with municipalities/ other customers	KPI 11: Municipalities/ Other Customers with bulk supply agreements
	Support Rural Development	KPI 13: Signed contracts, MOUs etc.
Strategic Objective 4: SO 4 Achieving an aligned, effective and efficient institution through optimisation of all business processes and systems	Implementation of Ministerial directives	KPI 12: Progress against implementation plan
	Achieve statutory reporting compliance	KPI 14: Submission dates met
	Staff levels	KPI 15: Staff turnover
	Training and Skills Development	KPI 16.1: Learnerships
		KPI 16.2: Bursaries employees
		KPI 16.3: Graduate/skills development Programmes
	Jobs Created	KPI 17.1: Total number permanent and contract (direct)
		KPI 17.2: Total number temporary contract (indirect)
	Board Effectiveness	KPI 18.1: Board Member attendance of all Board/ committee meetings
		KPI 18.2: Decision making: % number resolutions taken by the board vs number of resolutions required
	Effective Internal Controls and Risk Management	KPI 19:1 Internal audit reports (number of repeat findings) KPI 19:2 Internal audit reports (number of unresolved findings)
	Good Governance	KPI 20: Breaches of materiality and significance framework
Strategic Objective 5: SO 5 Engage and strengthen strategic partnerships with all relevant stakeholders	Corporate Social Responsibility Initiatives	KPI 21: Number of initiatives undertaken

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BLOEM WATER OBJECTIVES	PERFORMANCE OBJECTIVES	KEY PERFORMANCE INDICATORS
Optional Water Board Specific Performance Objective	Financial Management	KPI 22: Annual financial statements are prepared and submitted as per legislated requirements
	Financial Management	KPI 23: Tariff process compliance
	Financial Management	KPI 24: Board approval process for budget
	Effective functioning of internal audit	KPI 25: Approved Internal Audit Plan
	Planned maintenance	KPI 26: Approved Maintenance Plan
	Condition of key strategic assets	KPI 27: Assessment performed of key assets
	Newly Commissioned infrastructure	KPI 28: Assessment report on newly commissioned infrastructure projects in line with the CAPEX plan
	Registration of servitudes on new projects	KPI 29: Servitude register on new projects
	Fiduciary Duty	KPI 30: Monthly verification of Board remuneration and disbursements
	Improve customer/stakeholder relations	KPI 31: Number of stakeholder engagement
	Improved Communication	KPI 32: % Implementation of Communication Plan
	IT Governance and Compliance	KPI 33: ICT Plan % implementation
	Security services Management	KPI 34: % implementation of Security Plan
	Improved Occupational Health and Safety	KPI 35: % Implementation of medical screening protocol
	Improved Organizational Performance	KPI 36: Annual External audit of strategic performance contracts of Executives and Senior Managers
	Pension Fund Compliance	KPI 37: Pension Fund Annual Financial Statements are prepared and submitted as per legislative requirement
	Pension Fund Management	KPI 38: Statutory submission dates met
	Strategic Risk Management	KPI 39: Quarterly reports to the Board
	Risk Appetite Management	KPI 40: % Of strategic risks contained within the appetite levels

3. POLICIES

The Board approve and revise existing Policies on a regular basis, whereas the revision of SOPs (Standard Operating Procedures) as is attended to by the Management.

The more salient Policies are highlighted below in accordance with the guidelines provided:

3.1 Environmental Policy

Health & Environmental Legislation, Procedures & Guidelines

Compliance to the Occupational Health & Safety (OHS) Act 85 of 1993 is crucial to the health and safety of those entering our premises. A risk assessment is regularly effected by a service provider to identify gaps in our systems. These findings form the basis of Action Plans to address the shortcomings and implement a best practice approach. Health and Safety Committees are in place and meetings according to the guidelines laid down by the Act are effected. Training for Process Controllers, first-aid personnel and machine operators is also ongoing.

Integrated Environmental Management

The Entity subscribes to a vision that sees water resources as an integral component of the environment, a natural resource and a social and economic good that is particularly important in playing a role of reparation and change. In fulfilling its mandate, Bloem Water works in collaboration with strategic partners and Stakeholders to promote and enhance cooperation across all levels and sectors to ensure sustainable integrated management of water resources through the river health programme. The continued epidemic of urban waste disposal culminates in contamination of the water bodies in the sub catchments of Modder-Riet and Orange-Caledon.

Bloem Water has been participating in Stakeholder initiatives to manage several river clean-up and public education programs for the year. This included public education programs for river safety, water quality, water hygiene and sanitation.

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Projects

Bloem Water shall continue to participate in various programmes as mandated through the role of Implementing Agent to assist Water Services Authorities within the area of supply with technical capacity or project implementation or Ministerial directives that are issued by the Department of Human Settlements, Water and Sanitation as and when it is required.

Waste Water Standards

The final effluent from the waste water discharges at all WTW complies the SANS standard for waste water that is discharged back into the catchment. The Entity currently does not operate any Waste Water Treatment Plants but possesses the competencies and capacity to do so if and when required, be it in support of any Municipality or its own infrastructure.

The desludging process that is conducted at all WTW produces sludge from the purification processes at different stages in the plants. This sludge is then pumped to settle at sludge lagoons that have been refurbished to be able to meet the demand it is required by the Entity. The discharge at these lagoons meets the Department of Water and Sanitation's permit standards.

Water Conservation & Demand Management including the promotion of Public Awareness

Bloem Water continuously takes Water Conservation and Demand Management seriously in that the existing Raw Water that it is treating has to be conserved and managed by means of outstanding maintenance strategy to reduce any water losses at the plant and on the distribution pipelines that the Entity has in place.

The following are the Water Conservation/Water Demand Management strategies that the Entity focuses on to advocate the importance of Water conservation:

- Awareness campaigns that are conducted through different media spaces to communicate the importance of behaviour change and Water Conservation and to preserve the little water produced. Target groups are schools, industry, local district and Metropolitan Municipalities.

- Disconnecting/Curbing the illegal connections that are found on the Entity distribution pipelines and taking legal steps towards those found with these illegal connections. Furthermore, assisting Water Service Authorities to do the same.

3.2 External Social Policies and Programmes

(i.e. social Policies and Programmes in the fields of education, HIV awareness and water and sanitation health awareness)

Sanitation, Health and Hygiene Programmes

There is a total of 16 schools where Bloem Water is implementing toilet construction projects by effecting this project.

3.3 Human Resource Policy

The Entity reviews its policy annually at EXCO level and every 3 years at Board level to allow for legislative and best practice alignment. The Board reviewed policies extensively in September 2019.

All HR Policies were combined into a Human Resource Policy Manual which is readily available in electronic and hard copy formats. Standard Operating Procedures were developed and aligned with policy requirements. A COVID-19 Policy was approved by the Board.

Compliance with Legislation

The Entity values employee/employer relationships and strives to comply fully with the prescripts of all labour legislation such as the Employment Equity Act, Labour Relations Act, Basic Conditions of Employment Act and the Skills Development Act. All Human Resource compliance requirements are included in the compliance universe reporting tool.

Employment Equity and Recruitment

Recruitment and selection processes duly consider Employment Equity targets as approved by the Board. Preference is given to the occupational categories where designated groups are under-represented. These practices commit Bloem Water to recruitment systems and selection procedures which are effective, fair and comply with all relevant labour legislation whilst at the same time giving effect to the employment equity targets as approved.

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The Board adopted an Employment Equity Policy and the Employment Equity Plan with related numerical goals that are to be met and extensively reviewed every three years. The Employment Equity Plan represents a guide to the implementation of results-orientated practices in accordance to policy to ensure that all employment categories and levels are afforded preferential selection, training, development and promotional opportunities in the Organisation. Application of the Policy is focused particularly on addressing representation imbalances relating to racial, gender and people living with disabilities at all levels within the Organisation. The Employment Equity Programme is part of the organization's strategic plan of which Bloem Water is committed to its formulation, implementation and monitoring. Due to the challenges of the Sustainability of the Entity and the Covid-19 impact, the targets set in the 5-year Employment Equity Plan will be affected.

Labour Relations (including Agreements or recognition of organised Labour)

Bloem Water subscribes and promotes labour practices that recognise freedom of association and promotes inclusiveness and encourages fair, ethical and lawful interactions between Management and staff. The purpose of the Labour Relations Act, of which Bloem Water subscribes to, is meant to advance economic development, social justice, labour peace and the democratisation of the workplace.

The following agreements were signed and regulate the industrial relations environment:

Minimum Service Level Agreement

The Board was awarded Essential Services Status by the CCMA and the minimum Service Level Agreement was invoked during the COVID-19 lockdown period to ensure consistent and uninterrupted service delivery.

Organisational Rights Agreement (ORA)

The Amanzi Bargaining Council reviewed the Organisational Rights Agreement during the year in alignment with legislative changes as well as changes in the sector. The Organisational agreement continues to regulate activities of the Council and the Local Labour Forums in the water sector. The Local Labour Forum of Bloem Water is functional and promotes participation and co-operation among all Bloem Water's internal stakeholders. This forum has been in existence for several years and has yielded positive results in terms of resolving workplace issues.

Amanzi Bargaining Council

At a Statutory level the Entity is represented at the Amanzi Bargaining Council and attends quarterly Council, Exco and task team meetings. The task team is currently attending to harmonising conditions of employment within the sector. A wage settlement for 2020/21 was finalized in November 2020.

Performance Management

Performance Management in the Entity is well embedded with quarterly reviews at all levels. A Performance Enhancement System is applied for levels below senior management to measure and improve performance through quarterly assessments. The system provides a process to identify individual training and development needs thus building capacity on an ongoing basis.

The Entity's Strategic Objectives are reviewed by the Board annually. External Auditors perform an agreed upon procedure at year-end to measure the collective performance levels of senior staff, which in essence, represents the performance level of the Entity for the year under review. Action plans are developed for Performance Targets not achieved to address shortfalls and develop mitigating or corrective strategies. During 2020, a number of targets could not be achieved given the limitations imposed by the COVID-19 Pandemic.

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Training and Development

The Training & Development Policy regulates training decisions and interventions. Training needs are identified and prioritised of which programmes are implemented in line with the Entity's priority needs in terms of skills. Special emphasis is placed on developing technical skills to ensure a pool of appropriate skills to continuously build organisational performance. Financial support is provided to employees to encourage studies relevant to the Entity's core business. The Entity applies for discretionary grants from EWSETA and such programmes are implemented in line with EWSETA guidelines.

The Workplace Skills Plan is aligned with needs identified from the skills audit in response to operational alignment. All training and development activities are accordingly included in the Workplace Skills Plan and the Annual Training Programme.

Health & Wellness

Bloem Water recognizes and acknowledges that the employees may experience personal, work related and family problems which may affect their performance adversely and have a negative influence on productivity. Through the integrated Health and wellness programme, the employer shows commitment to creating an organisational climate that is conducive to employees to perform and thrive. The EHWP is a worksite-based programme that responds promptly and is accessible to all employees. The challenges being experienced by employees may manifest themselves in factors such as:

- Substance abuse
- Excessive absenteeism
- Poor work performance
- Conflict
- Lateness for work and inability to meet deadlines
- High staff turnover
- Accidents or injuries on duty
- Excessive fatigue
- Low employee morale

The Employee Wellness Programme is guided by an approved Employee Wellness Policy which includes the management of chronic illnesses and HIV/Aids.

3.4 Tariff Policy

The Municipal Finance Management Act, 56, 2003 requires Bloem Water to comply with set conditions and timeframes as stipulated in Circular No. 23, as issued by National Treasury. The Water Services Act, in accordance with Section 40 further requires that tariffs need to be set. The Department of Water and Sanitation and National Treasury also issues regulations and norms and standards on the determination of a tariff and its structure.

The consultation process is followed on an annual basis to support the submission of the tariff approval process. The Entity considers the budget under normal forecasted conditions in accordance with the Guidelines issued by the DWS.

The Bulk Water Supply Agreements between the Entity and Municipalities are considered to incorporate the regulated sections and also be in line with the mentioned legislation.

Different recovery methods are considered during a drought period where restrictions are implemented as to ensure that overhead costs are recovered.

Cross subsidization through tariffs

The Entity practise cross subsidisation throughout its area of supply in its budget, tariff structure and business model. It is recognised that the actual cost of provision of water to remote rural areas is higher than to densely populated urban areas. A differentiated tariff structure was implemented where a business case is required for a geographical area with separate water sources. Cross subsidisation is applied within such areas.

Tariff Structure

Tariffs and it associated structure are set to achieve a level of revenue that can be sustained in the prevailing market conditions in covering all costs incurred in order to provide a sustainable supply of water to clients. The required consultation process is followed with stakeholders as to ensure compliance with SLA requirements and an understanding and acceptance of the budget structure and tariffs. Future capital development that the Entity is able to fund is incorporated in the budget.

Tariff Setting & Approval

Tariffs are normally set annually via the budgeting process followed. The information is provided to all stakeholders in the consultation process, submitted to and adjudicated by the Regulator and Approved by the Minister of HSWS. The financial information is in in the required formats and includes tariffs which is incorporated in the Business Plan and Shareholder Compact, which is approved by the Minister.

3.5 Communications Policy

The Entity Has established a comprehensive Communication Policy to ensure implementation of a well co-ordinated communication strategy that will improve communication with its internal and external stakeholders. This will enable the Entity to strengthen stakeholder relations and responsive to their diverse information needs. The Policy maps out communication channels to stakeholders in relation to effective and efficient communication.

3.6 Credit Control & Disconnection Policy

Credit Control Procedures

The Entity has adopted a Credit Control Policy which ensures that all services rendered are billed and become payable to Bloem Water. The Policy allows for the recovery of accounts issued and take the necessary steps in accordance with the status of a specific client. Where water supply services are rendered, consideration is provided for the limitation of services in accordance with Section 4(5) of the Water Services Act of 1997. Where Bloem Water is responsible for the operation and maintenance of services as an agent on behalf of a Water Services Authority (WSA), the services are implemented in terms of the Credit Control Policy of the relevant WSA. In instances where Bloem Water supplies direct to a customer who is not a WSA, there are specific By-Laws that govern the credit control and limitation of services.

Inter-Governmental processes are also considered and followed where it is needed. The Entity will also follow Section 44 of this Municipal Finance Management Act in instances where it is required. Legal action will also be considered in events where it is required.

3.7 Accounting Policy

Separate Accounting for Primary and other Activities

The separation of primary activities and other secondary activities will be achieved by the following measures:

- Secondary activities will be administered in separately identified cost centres which record both revenue and expenditure related to each of these activities.
- Where applicable, all organisational and overhead costs incurred in relation to secondary activities be charged to the activity.
- An appropriate external audit will be implemented to ensure effective separation of every secondary activity.

Due processes are followed in accordance with legislation and regulations by DWS and NT where secondary activities are identified. Independent Business case, plans and budgets will be developed for each of the secondary activities that Bloem Water becomes involved in.

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Compliance with Generally Recognised Accounting Practice (GRAP)

The Entity has adopted an Accounting Policy and financial reporting framework that fully complies with the requirements of GRAP (Generally Recognised Accounting Practice).

Accounting for Reserves

The Board has established different reserve funds for different activities, which range from Capital Development and Replacement, Discretionary and Insurance Funds. These funds are utilized in terms of the stipulations and conditions of the fund. The Board endeavours to achieve a position where a portion of reserve funds are backed by cash in the long term.

Depreciation

The Entity's Depreciation Policy is aligned to GRAP requirements. The Policy entails calculating depreciation via the "straight-line" method at rates sufficient to write off the cost of the assets over the expected useful lifespan.

Bad Debts (Impairments of Receivables)

The Board, on a continuous basis, makes provision for impairment of receivables and considers writing off. Further consideration is given to specific cases in accordance with legislative prescripts and processes followed

Materiality & Significance Framework

The Entity is a Service Organisation whereby the water sales is the most appropriate in determining materiality and it is aligned with the methodology of the Auditor General of South Africa. Significance is based on the size of the variances as well as the level of tolerable error. The individual significant accounts are determined on this basis.

Auditing & Internal Control Policy

The Entity has a co-sourced internal audit function, with one internal auditor appointed internally. The internal audit function provides an independent, objective assurance and consulting activity which is designed to add value and improve an organisation's operations. The internal audit function is represented

at the Audit Committee. The statutory external audit is performed by the Auditor-General South Africa (AGSA).

The Entity receives reasonable assurance from both internal and external Auditors whether controls implemented are adequately designed and operating effectively. This included whether assets are safeguarded and whether the working capital as well as liabilities are efficiently managed. The Delegations of Authority Framework has been developed in accordance with the appropriate segregation of duties. Internal Audit follows a risk-based approach. Both Internal and External Audit Plans are responsive to changes in the Bloem Water Risk Profile which ultimately caters for accountability.

3.8 Fraud Prevention

The Anti-Fraud and Corruption Policy has been continually implemented in support of good governance in an endeavour to emphasise zero tolerance to fraud and corruption.

The Fraud Prevention Plan was developed and approved to outline a structured approach on how the Entity will respond to fraud, corruption and any unethical conduct. Furthermore, an independent hotline is functional which allows for anonymous reporting by all relevant stakeholders.

3.9 Financial Policy

Business Plans and Budgets

The budgets are submitted and approved by the Board on an annual basis. These budgets are used to inform the financial information in standard templates for the Business Plan and Shareholder Compact for the financial year in question and forecast for the years thereafter.

Revenue Estimation and Tariff Setting

The Board has adopted a structure and tariffs during normal conditions and when a drought period prevails alternative tariffs are approved to cater for it. The tariffs include an operational and a capital component in the total tariff. Consideration is given for the possibility of operational income to cover the operational and capital expenditure. It is anticipated that the capital component of the tariff income should be utilized to cover the costs of capital expenditure and loan obligations. The cash reserves and in instances where it is required, the depreciated resources are utilized to support expenditure required.

Reporting

The Entity will report to the Minister of Human Settlements, Water and Sanitation on its activities and financial affairs and associated matters as required in terms of the Water Services Act as well as the Public Finance Management Act, Act 1/1999. This reporting is mainly contained in the Quarterly Reports, Shareholders Compact, Business Plan and Annual Report, respectively. The report is also extended to the Parliament Portfolio Committee of Water and Sanitation and other committees on an annual basis via the Executive Authority. Annual appraisals are conducted by the Department of Human Settlements, Water and Sanitation on the activities of the Board.

Reliance on Subsidies

It is the responsibility of the Board to oversee the Organisation as a self-sustaining unit for its primary and secondary activities. The Entity does not receive any subsidies and cannot rely on any possible funding.

Borrowing Limits and Procedures

The Board has established limits for borrowing funds in accordance with the Business Plan and CAPEX requirements. The Entity will apply for the borrowing limits as budgeted for and included in the statutory documents when the current operational environment and cash generation stabilises. It will be done in accordance with the prescripts and requirements of the Public Finance Management Act and borrowing requirements set by National Treasury.

Reserve Policy and Targets

The reserves are managed in accordance with the Policy of the Board. It is established to replace assets and to finance the development of capital infrastructure. An Insurance Fund has been established for a selection of categories to be managed internally as part of the short-term insurance profile in future.

3.10 Liability Policy

Selection of Debt Instruments

The Board considers the most appropriate debt instrument available and in line with supply chain requirements where and when it is required in accordance with the Business Plan and approved borrowing limits.

3.11 Investment Policy

Investments are made in accordance with respective policies and the Delegations of Authority as mandated by the Board. A portfolio of investments is compiled to optimise the rate of return with spreading and minimising risk. The investment policies of the Board of Bloem Water are in line with the directives of National Treasury and requirements as set out in the Water Services Act, 1997.

Review of Investment

The Board revises the Investment Policy on a continuous basis, and in accordance with the following:

i. Selection of counterparties through credit risk analyses

The Investment Policy ensures that investments are spread across a range of different investments and institutions and limited in accordance with specified rate established Risk Agencies.

ii. Establishment of investment limits per Institution

The Investment Policy indicates limits of investments at an institution to ensure an appropriate spread of investments and mitigate investment risks.

iii. Monitoring of investments against Limits

The Policy is applied consistently to ensure that the investments are aligned to the limits stipulated in the Policy.

iv. Reassessment of Investment Policies on a regular basis

The Entity reassesses its Policies on an annual basis, or as and when required.

v. Reassessment of counter-party credit risk based on credit ratings

Bloem Water utilises approved rating agencies services and receives regular updates on investments to the ratings applicable at the time. The current assessment by rating agencies did not negatively impact on the Organisation.

vi. Assessment of investment instruments based on liquidity requirements

Investments are often made to enhance and manage the cash flow that is needed for operational and infrastructure requirements.

3.12 Asset Management

Asset Inventory

Fleet Management Policy

The policy establishes guidelines and regulates the use of the Bloem Water Vehicles and machinery efficiently, effective and economically in order to achieve the company's strategic objectives. This policy applies to any employee/driver authorized to use the Entity vehicles to perform the duties that the employee/driver was employed for by Bloem Water.

Asset Management Policy

the Asset Management Policy promotes efficient and effective management, monitoring and control of assets. It ensures that all assets are properly recorded, managed and accounted for in accordance with GRAP standards.

All assets are bar coded and regular audits are conducted to ensure that assets are accounted for, and movement of assets are controlled.

Maintenance

The continued ageing of infrastructure remains a challenge and a risk for the Entity, thus conservation of sustainable water supply is important. This is achieved through different modes of maintenance strategies that the Entity continues to implement, this includes the Preventative Maintenance which helps to mitigate this ongoing challenge. Planning in line with future supply and demand requirements is in place therefore availability of funds will enable the Entity to achieve its mandate of securing the uninterrupted water supply to its customers. The Entity shall continue to invest in business continuity mechanisms in reaction to challenges of the infrastructure.

3.13 Procurement Policy

Supply Chain Management Policy

The Supply Chain Management Policy has been approved by the Board. It has been aligned with National Treasury Policies, the relevant legislation, directives and regulations. The Central Data Base of NT is key in the provision of companies that provide services.

3.14 Planning Policy

Corporate Planning Cycle

The corporate planning cycle of Bloem water is based on a 5-year rolling plan that incorporates the Business Plan, Shareholder Compact, the Capital Infrastructure Investment Plan and the Budget. The Plan is reviewed on an annual basis.

Approach to the planning of capital works

Capital Projects

CAPEX Policy

In order to address the planning scenario for the immediate, short-term and long-term in line with population growth, water demand requirements, ageing infrastructure, resource planning to ensure sustainable provision of water services, Management develops a 5-year Infrastructure Programme and refers it to the Capital Projects & Fixed Assets Committee to consider and recommend to the Board for approval. The Capital Infrastructure Programme is revised on an annual basis to ensure alignment and prioritisation of the projects in terms of the resource availability and funding.

The Capital Programme complies with the Water Service Authorities, their Integrated Development Plans (IDPs), the Bulk Water Reconciliation Strategies and any related stakeholder inputs and considerations.

Co-ordination with Municipal WSDP's (Water Service Development Plans)

Service Level Agreements with various Municipalities have been finalised. The Entity also assists Municipalities with training and technical support in areas of concern.

Bloem Water also participates in the Provincial Committees to provide inputs on IDP's (Integrated Development Plans) and WSDP's.

3.15 Information and Communications Technology (ICT) Policies

Rapid change and advances in technology has necessitated development and review of ICT Policies which included the ICT Master Policy, Information Security and related standards as well as guidelines. These policies together with the Board's Governance Framework on ICT sets tone and the direction for the use of technology

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and information assets to achieve the Entity's goals and objectives. ICT Policies enable effective, efficient and consistent deployment of technology and information across the Entity. The Board is committed to best practices on ICT Governance and has ensured that the structure, policies and related procedures enables oversight on ICT risk Management, Resource Management, Value Delivery and Performance Management.

4. SELF-APPRAISAL

4.1 Business Achievements and Under-Achievements

Achievements

During the 2019/20 financial year, Bloem Water's performance was underpinned by a number of key achievements. The following milestones were achieved:

The Entity supported Municipalities in building 220 stands and installation of 319 JoJo tanks as part of COVID-19 intervention plan initiated by the Minister of Human Settlement, Water and Sanitation.

Water losses were managed efficiently within 8% which was way below the 10% target as agreed with the Shareholder. The water quality continued to meet the SANS 241:2015 requirements and no unresolved water failures were experienced. The Entity continued to meet its mandate of uninterrupted water supply.

The Entity's pipeline reaction workshop continues to support all Regions by manufacturing maintenance components and any other steel components needed in the Entity. Energy efficiency is achieved by the continuation of Hydro Power usage for Head Office and the installation of LED bulbs and solar geysers in some of the facilities of the Entity. light emitting diodes (LED bulbs) are continuously being implemented in line with the Green Space Programme. Strategic negotiations between the Entity and Umsobomvu Local Municipality resulted in the acquisition and transfer of the raw water infrastructure that will enhance abstraction capacity.

The capital Infrastructure Programme for the 5-year planning has been approved looking at the infrastructure expansion and refurbishment projects that will address the water demand and ensuring the future security of supply as aligned to the reconciliation strategy. Despite financial challenges experienced, the Entity still managed to prioritise 17 projects of which 3 were completed and the remainder are multi-year projects. The projects that were completed enhanced the sustainability of water supply to meet the current and future demands.

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Recommissioning of Groothoek Plant after 3 years of being non-operational, thereby securing supply to the Thaba Nchu rural areas.

The AGSA (Auditor-General South Africa) expressed an opinion that the Financial Statements represents the financial position of Bloem Water. An unqualified Audit Report with findings was issued accordingly for the 2019/20 period.

Following the lifting of the moratorium on recruitment, critical, prioritized vacancies were recruited and filled with suitable and fit for purpose candidates.

Wage negotiations were successfully concluded at Bargaining Council level whilst allied demands were referred to the task team for further exploration and seeking consistency in the sector.

Organisational performance is audited annually by external Auditors. Executives and senior staff on Strategic Performance Contracts report quarterly progress against agreed performance targets. Corrective Action Plans developed and implemented for targets not achieved during the financial year.

The Entity complied with EWSETA submissions including the Workplace Skills Plan and Annual Training Plan following extensive engagement with Labour. Levy payments are up to date and discretionary grants were accordingly paid.

Staff turnover:

Staff turnover was well within the set targets and reflects that the retention strategies of the Entity are effective.

The Employment Equity Committee is functional and assisted with the development of a narrative report on employment equity goals and barriers. The Entity remains an equal opportunity employer and its focus on increased female representation registered a steady improvement over the last 5 financial years.

Bloem Water, through its Health and Safety processes, was able to positively respond to COVID-19 pandemic, ensuring protection of staff and those in doing business with Entity. A COVID-19 Response Committee was established to monitor compliance and implementation of the Regulations issued by Government. Measures were put in place to prevent the spread of the virus within the Entity. The

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Entity implement its Health and Safety Policy ensured required appointments in compliance with the Occupational Health and Safety Act.

Bloem Water, as part of its Corporate Social Responsibility, has developed and implemented initiatives and programmes aimed at creating an Organisation that is responsive to the needs of the communities in its area of supply. The Board has adopted a holistic approach in line with the best practices of corporate governance principles, to ensure that economic, social and environmental matters are communicated through the Corporate Social Investment initiatives.

The School Hygiene Programme has been ongoing since its inception in 2010. The Programme is aimed at promoting water conservation and hygiene in schools in rural and under-developed communities *within Bloem Water's* supply area. The Programme assisted 54 (Fifty-four) schools that were identified for deep cleaning of toilets (ablution block), water related renovations, such as plumbing, installation of new pipes, taps, storm water drainage and manholes. The supply of health and hygiene material is meant to promote health and hygiene to the schools.

Bloem Water has entered into strategic partnerships with various Entities as well as the Institutions of Higher Learning to promote bilateral strategic partnerships in the water sector which includes the following:

- Lepelle Northern Water, Limpopo.
- Northern Region Water Board, Malawi.
- Department of Health, Free State.
- University of the Free State, Institute of Ground Water Studies, for borehole exploration and installation.
- Water and Energy SETA.
- Central University of Technology, Free State, for training.
- Motheo TVET.

Under-Achievements

Debtors:

The debtor's profile of the Entity became more unstable as the Municipalities did not settle current accounts or installments on payment plans. the lockdown on the COVID 19 pandemic also seriously influenced the Municipalities not to pay their accounts for a number of months from March 2020. There have been legal challenges against the Entity where action was taken in accordance with legislative

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frameworks on non-payment. National Treasury mediated on the dispute between MMM and Bloem Water. An arbitration process was followed as well and a ruling by the Arbiter was made. In both instances was the Municipality compelled to provide a settlement plan and Bloem Water had to write off large amounts.

The non-payment by Municipalities has an adverse impact on the cash position and on daily operations, infrastructure and operational projects. The Entity had to reprioritize its CAPEX and Operational Plans accordingly.

The status as at 31 August 2020 is:

	Name of Municipality	Current	30 days	60 days	90 days	120 days+	Total
1	Mangaung Metro Municipality	82,148,667	7,451,567	105,843,794	74,457,338	835,441,626	1,105,342,992
2	Kopanong Local Municipality	7,662,728	5,942,675	8,908,701	7,597,128	374,994,597	405,105,830
3	Mantsopa (Excelsior)	197,322	79,999	280,414	157,124	994,419	1,709,279
	TOTAL	90,008,717	13,474,241	115,032,910	82,211,591	1,211,430,643	1,512,158,101

Some of the financial ratios were affected by the climatic conditions in terms of the revenue generated and the demand declined due to water restrictions implemented.

Training:

Training targets could not be achieved as planned training from March to June 2020 were delayed due to lockdown challenges.

Board attendance:

Board attendance measured below the target. However, the Board still managed to perform oversight and ensure good governance.

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4.2 SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none">• Highly qualified board and executive members• Good governance and organisational stability• Innovative technology• Water quality beyond 96% target• Experienced and knowledgeable staff• Most efficient in terms of bucket eradication compared to other water boards• One of the widest access to RDP water supply• Strong asset base• Good relationship with stakeholders such as labour unions• Good system against water theft	<ul style="list-style-type: none">• Unsecured funding delays in implementation of CAPEX• Gaps in technical capacity• Insufficient engineering/technical skills• Ageing infrastructure• Financial constraints• Over reliance on one major customer• Service area limitations• Delayed maintenance due to postponements as requested by Municipalities• Information and Communication technology governance• Security• Limitations of services• Policy uncertainty (Interaction between different Ministries related to water services)• Instability of services rendered. (Eskom)• Legal approach on actions to be taken• Condition monitoring systems

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Opportunities	Threats
<ul style="list-style-type: none"> • New/extended services: Engage in partnerships/SLAs with Municipalities to perform operations and maintenance on their behalf. • Twinning opportunities • Extend implementing agent projects • Memorandum of Understandings signed with tertiary and TVET institutions provides customised and accredited training opportunities at all levels within the organisation • Alternative energy sources • Negotiable revised contracts with major clients • Strategic partnerships • Indirect benefit: Assisting in water loss management (to be able to pay BW) • Explore expansion of internal capacity to manufacture parts: expand to other sectors beyond water boards/municipalities (retail) • Strengthen capability statement to be ready to manage bigger implementing agent projects • Build relationships with researchers in the sector (e.g. Water harvesting, etc) • Create budgetary provision for a study chair to engage UFS on challenges in catchment management areas • Opportunity to commission: research studies with minimal budgetary impact such research on behalf of the entity. • Public/Private/Partnership: Ability to go to the market. Explore PPP going forward. • Readiness to take over reticulation services in municipalities when opportunity presents. (Pilot project to be researched. • Further explore underground water sources. 	<ul style="list-style-type: none"> • Climate change effects • Non-payment risk by Municipalities • Siltation and loss of capacity at Welbedacht dam and impacts on water treatment plants • Uncontrollable increase in costs • Security of supply of energy • Deteriorating/pollution, quality of raw water • Lack of reservoir capacity at Municipalities • DWS investment in infrastructure to sustain supply capacity • DWS – insufficient maintenance of water supply systems • Uncertainties around institutional reform processes. • Encroachment on servitudes • Ageing of infrastructure (BW) • Recognition of the need for fully integrated planning for water supply (DWS and Municipalities) • Cyber security

Weaknesses

Ageing infrastructure

- Preventative Maintenance Plans are developed and implemented.
- Condition of assets assessment are undertaken to determine the remaining useful life and corrective actions taken to remedy any deficiencies identified.
- Budget allocations and plans developed to maintain and refurbish assets (See section on Project).
- Adoption of a risk/proactive based management approach.
- Establishment of a Pipe Reaction Team unit.

Delays to implement CAPEX

- Regular CAPEX meetings are held to monitor progress in line with the Implementation Plan. Identified projects are selected and prioritised accordingly.
- Revised CAPEX Procurement Cycle and Implementation Plans.
- Sufficient finance to implement projects.

Threats

Quality of raw water sources

- There has been development and implementation of Water Safety Plans.
- Loss of Dam capacity at Welbedacht Plant due to siltation is being addressed in consultation with the National Department of Water and Sanitation.

Adverse climate conditions/Drought

- Emergency Preparedness Plans are in place.
- Water restriction measures enforced.
- Water Conservation/Demand Management strategy implemented
- Business continuity management plans are reviewed

Financial sustainability risk (Non-Payment by major clients)

Mangaung Metropolitan Municipality is the major client and their legal challenges and non-payment for services has increased the risk. Payment by the other Municipalities remains a risk as non-payment by some of the Municipalities is experienced and continuing. Municipalities does not adhere to regulated approved tariff structures and challenge the conditions in the Bulk Water Supply Agreements to gain a benefit to themselves, instead of considering the holistic requirements and the cost associated with water supply systems.

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Executive Authority directives might impact on financial sustainability – Directives should follow process to accommodate financial input as well.

One major client

- Mogaung Metropolitan Municipality is the major client and their legal challenges and non-payment for services has increased the risk.
- Investigation of secondary activities and footprint expansion is being discussed in conjunction with the Department of Water and Sanitation.
- Inadequate DWS process and funding for investing in infrastructure, such as Welbedacht siltation.

Public protest and Labour unrest

Protests, strikes and shutdowns are symptoms of social unrest and a reality that can be particularly devastating for Entities facing constraints that may impact on employment security, A Minimum Service Level Agreement negotiated with Labour and ratified by the Essential Services committee of the CCMA mitigates the risk of unrest and regulates workforce arrangements during such events. To effectively mitigate costly unforeseen risks and proactively address emerging concerns in communities and the workforce, the Entity is mindful of the value of proactive stakeholder engagement.

Servitudes & Encroachment

Illegal encroachment of Bloem Water servitudes along the pipeline is experienced. There are regular pipeline inspections conducted to monitor the pipeline and Task Team for proper recording, updating and maintenance of servitudes.

Security of strategic assets

The security of strategic assets is a risk that has a potential to have dire impact on the operations of the Entity if it is left unattended, that is why it is at the forefront of the Board's agenda to an extent that "national key point" status is being explored.

PESTLE Situation Analysis

An analysis of political, economic, social, technological, legal and environmental factors is necessary to secure the sustainability of the institution. Strategic risk and performance management forms the cornerstone of its sustainability and is duly imbedded in the governance, risk, compliance and monitoring practices at Bloem Water.

Political factors

South Africa's political environment has become unstable and uncertain impacting negatively on policy development and implementation. The Board considers the political environment when taking decisions involving Organisational priorities and governance. The Shareholder Compact informs the relationship between Bloem Water and the shareholder and a healthy relationship exists between the parties. The Provincial Government and Bloem Water continue to nurture the well-established working relationships.

Economic factors

Bloem Water is striving to be self-sustainable and viable as there is no dependency on subsidies. However, this sustainability should improve as it is under threat as there has been a decline in water demand due to restrictions and the increased non-payment by Municipalities, which has soared recently. The cost of managing the Entity should be reduced as to improve the viability. The further drive in challenging operational requirements and the cost structure continues to influence the way in which the Municipalities honor payment of accounts. The impact of financial and macro-economic conditions on the institution is observed and managed within required parameters.

Social factors

Population growth, urbanisation, increasing unemployment, poverty and age distribution of communities in the service areas impact on water demand and is recognised accordingly in CAPEX planning. Bloem Water is involved in community projects in its area of supply. A number of schools are beneficiaries in sanitation, health and hygiene projects. An annual event which commemorates the World Toilet Day is hosted where Learners promote hygiene and health. The top three schools that have maintained cleanliness and adhered to hygiene standards are awarded prizes. Continuous education on water conservation is a priority.

Technological factors

Technology is central to Organisational effectiveness and efficiency and overall optimization of processes. Bloem Water keeps abreast of changes in technology with regards to ICT and Plant Optimisation opportunities in the water industry which covers Plant Automation, smart metering and telemetry. Newly introduced water treatment technology is improving performance, efficiency and convenience, reducing expenses and dependence on Labour in operating water treatment plants.

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Advances in information and communication technology has given rise to cyber security risks, requiring institutions to strengthen its security measures in line with best practices to prevent interception of the Entity's information systems to theft, modification and leakage of information. Focus will be placed on people, processes and technology to complement one another to create an effective defense from cyber-attacks. User education and training on information system security will be increased to establish a security conscious culture. The Entity managed to conduct virtual meetings seamlessly during the pandemic.

Legal

The Entity established a legal unit which is fully established, and which assists the Entity in reducing the cost of outsourcing. The Company Secretary renders legal advice to the Board and ensures regulatory requirements are complied with. Regulatory requirements, accountability and compliance are increasingly onerous in the sector.

Environmental

Environmental stewardship is watched through Bloem Water honours and strategies. Contamination control, involvement in catchment management, River Health Programme and environmental impact assessments are where natural affect is overseen. To make strides the center and dynamic administration of environmental matters, the Environmentalist is overlooking these matters, and moreover, are straightforwardly detailed to the Social & Ethics Committee.

5. DIRECTIVES BY MINISTER

1. Ministerial Directive – Construction of the 33.7 km long, 1 000 mm diameter Welbedacht Steel Pipeline

The Welbedacht Pre-stressed Concrete pipeline which supplies water from Welbedacht Dam to Bloemfontein and the surrounding Towns up to Kopanong Local Municipality which stretches 105km long, with a diameter of 1170mm has been in operation for more than 48 years and has surpassed its design life span. The latter trajectory of the 33.7km that stretches from Leeuberg to Bloemfontein has experienced a number of pipes burst and failures, which results in water disruptions.

Phase 1: Construction of the Welbedacht – Bloemfontein 33.7km long Steel Pipeline

The Minister issued a directive for the implementation of Phase 1 of the construction of the 33.7 km long pipeline from Leeuberg to Brandkop Reservoir which is currently under implementation as planned. The initial duration of the project was 24 months, which will be extended because of the National Lockdown imposed due to COVID-19 pandemic. The project will ensure the security of supply to Mangaung Metropolitan and other Municipalities.

Phase 2: The Construction of the Welbedacht – Bloemfontein 71.3km Long

The planning for the designs and the construction will be commence as planned within the Capex Programme for the next 5-year period.

2. Ministerial Directive – Mangaung Water Augmentation Project – Pipeline - Xhariep

The Greater Bloemfontein Reconciliation Strategy Study recommended amongst other interventions the investigation of the Raw Water augmentation to increase the yield in the sub-Caledon Catchment. The challenge of siltation and the diminishing yield in the Caledon catchment required that the long term 2035 Xhariep Augmentation project, to be brought forward and the investigation to be conducted for the best options to supply water from Xhariep Dam. The entity conducted a pre- Feasibility study in 2015 that detailed the various possible options of supplying water from Xhariep Dam into the existing Infrastructure

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Subsequently in 2017 the directive was issued for the implementation of a detailed feasibility study up to the Design phase, to be undertaken for water augmentation from Xhariep Dam into the existing Bloem Water infrastructure.

Directives on International Trips

The directive is observed, and Ministerial approval is sought for all international Conferences.

6. PARTICIPATION IN COMPANIES, TRUSTS OR JOINT VENTURES AND TRANSACTIONS

Bloem Water does not participate in any subsidiary or any Company shareholding and therefore does not anticipate or foresee engaging in any significant changes in the nature of current business activities. However, the Organisation shall consider diversification of its activities to seek additional revenue streams.

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7. WATER RESOURCES

7.1 Water Availability (Volume)

According to the Greater Bloemfontein Reconciliation Study, a yield analysis of the Caledon system has shown that there is minimal water available in the Caledon River to reconcile water supply requirements for the area.

The yield of the existing system is currently being negatively impacted by the problems associated with the ongoing drought and high siltation experienced at Welbedacht Dam.

The Xhariep Dam, which is the largest dam in the Country, serves a purpose of irrigation, domestic, industrial and power generation. Studies from the Orange Development Project Re-planning (ORP) have indicated that surplus water is available from the Dam. The study further indicated that this water can be abstracted and pumped to Knellpoort Dam where it can be made available for Greater Bloemfontein areas and the surrounding towns of other Municipalities. Feasibility studies to obtain water from this Dam are underway.

Bloem Water is dependent on seven rivers and six Dams which are owned by the Department of Water and Sanitation but operated by Bloem Water. Water resource systems and capacities are shown in the table below.

Table 7.1: Capacity of Water Resource Systems

System	Catchment	Impoundment	Owner	Manager	Capacity
Welbedacht	Caledon River	Welbedacht Dam	DHSWS	BW	5,7 x 10 ⁶ m ³
		Knellpoort Dam		BW	136 151 x 10 ⁶ m ³
Bethulie	Orange River	N/A	DHSWS	DHSWS	136 151 000 m ³ N/A
	Orange River	Xhariep Dam	DHSWS	DHSWS	5 340 x 10 ⁶ m ³
Phillippolis	Orange River	N/A	DHSWS	DHSWS	114 x 10 ⁶ m ³
Jagersfontein	Riet River	Kalkfontein Dam	DHSWS	Water User Association	114 x 10 ⁶ m ³
Rustfontein	Modder River	Rustfontein Dam	DHSWS	BW	71,32 x 10 ⁶ m ³
Groothoek	Kgabanyane River	Groothoek Dam	DHSWS	BW	11,9 x 10 ⁶ m ³

Welbedacht System

The Welbedacht Dam is situated on the Caledon River and supplies water to urban users in Bloemfontein, Botshabelo, Dewetsdorp, as well as irrigators downstream of Welbedacht Dam along Caledon River. The Dam has lost 95.3% of its storage capacity due to the high siltation rate. The decreasing yield of this dam and the increasing demand on the Caledon/Bloemfontein Regional Water Supply Scheme has resulted in the DWS supplementing by constructing the Knellpoort off-channel storage Dam.

The siltation in the Dam basin extends upstream and impacts negatively on the intake conditions at the Tienfontein Pump Station. During high flows in the Caledon River, the Welbedacht Dam is scoured to restore some additional capacity. Bloem Water has been limiting the scouring to approximately 8 hours per flood event since the Welbedacht WTW (Water Treatment Works) cannot be supplied with raw water during scouring operations.

Bethulie System

The Bethulie system receives its raw water from the Orange River. Treated water from the Bethulie WTW is distributed to nine towns of Kopanong Local Municipality and boreholes are also used to assist with the demand.

Xhariep System

The system comprises the Xhariep Dam on the Orange River. This Dam provides water for both potable and energy generation (Eskom Hydropower). The Dam provides potable water to the town of Gariep on behalf of Kopanong Local Municipality.

Philippolis System

The Philippolis WTW is supplied with water from the Orange River; the water is then treated and distributed for consumption for Philippolis town on behalf of Kopanong Local Municipality.

Jagersfontein System

The Jagersfontein system comprises the Kalkfontein Dam on the Riet River and is supplied with water from the Kalkfontein Dam. The water is then treated and distributed for consumption to both Jagersfontein and Fauriesmith on behalf of Kopanong Local Municipality.

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Rustfontein System

The Rustfontein Dam receives the bulk of its water from the Knellpoort/Novo Transfer Scheme, and also acts as a buffer for the Mockes Dam. Rustfontein WTW abstracts raw water from the Rustfontein Dam on the Modder River. The Dam also supplies raw water to Mangaung Metropolitan's Maselspoort WTW for purification and supply to the northern part of Bloemfontein.

Groothoek System

The Groothoek Dam supplies water to the greater Thaba Nchu area and Excelsior, including the rural areas in the southern and northern parts of Thaba Nchu with a total of 36 villages.

7.2 Raw Water Quality

Catchment management remains key to the Entity vision of assuring sustainable provision of water service for life. Thus, the quality of Raw water remains an important and integral part of operations and therefore is prioritised in all the purification plants. The quality of Raw water varies seasonally, with high level of turbidity experienced during rainy seasons at different catchments and are continuously monitored and mitigated accordingly.

Table 7.2: Raw Water Quality

System	Catchment	Impoundment	Raw Water Quality	Description of Water Quality challenges
Welbedacht	Caledon River	Welbedacht Dam	Average turbidity: 2500 NTU	Winter Season: water appears yellowish-brown in colour and high algae content. Summer Season: too much silt in the water (NTU).
		Knellpoort Dam	No sampling on the dam	The water appears greenish, high algal content.
Bethulie	Orange River	N/A	Good	The quality is good. During the rainy season the NTU rises.
Xhariep	Orange River	Xhariep Dam	Average Turbidity: 44.74NTU	The water appears slightly green & murky
Philippolis	Orange River	N/A	Good	The quality is good. During the rainy season the NTU rises.
Jagersfontein	Riet River	Kalkfontein dam	Average Turbidity: 25.57NTU	The water appears light greenish in colour and at times milky with very low turbidity.
Rustfontein	Modder River	Rustfontein Dam	Average Turbidity: 98.8 NTU	Traces of Faecal Coliforms and high Algae in the water in both summer and winter seasons
Groothoek	Kgabanyane River	Groothoek	Average Turbidity: 110 NTU	No water quality challenges

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Resource usage and efficiencies

The Entity continuously manages the algae challenges through Chlorine Dioxide Generators in Bethulie and Rustfontein WTW respectively.

7.3 Water Use Rights and Licenses

The Entity has been authorised to abstract water by the DWS in line with the approved limits that are shown in the table below:

Table 7.3: Water Use Licenses

Water Treatment Works	Current Plant Design	Approved Water Use Licence
	Ml/day	x10 ⁶ m ³
Welbedacht WTW	160	52.5
Tienfontein	242	72
Novo	144.3	48
Rustfontein WTW	100	31
Groothoek WTW	18	5
Xhariep WTW	2.4	0.8
Bethulie WTW	12	2
Philippolis WTW	1.2	0.35

7.4 Water Demand by Major Consumers by Resource

Mangaung Metropolitan Municipality

The Welbedacht and Knellpoort Dams on the Caledon River are the major sources of raw water for this Municipality. Boreholes are used to supply water to small towns such as Thaba Nchu rural villages, Dewetsdorp, Wepener and Van Stadensrus.

Kopanong Local Municipality

The Orange River, Xhariep and Kalkfontein Dams are the major sources of raw water for this Municipality. Small towns such as Edenburg, Reddersburg depend on boreholes and surface water from the Welbedacht pipeline.

Mantsopa Local Municipality

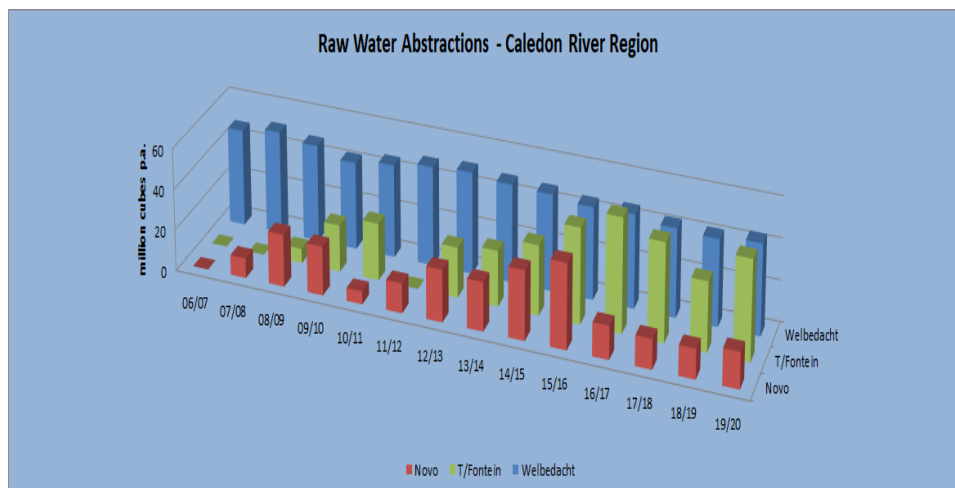
The Entity only provides treated water to the town of Excelsior through the two schemes, Groothoek and Rustfontein Water Treatment Works. A booster Pump Station at Houtneck is used to improve supply pressure to Excelsior.

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Water Abstractions

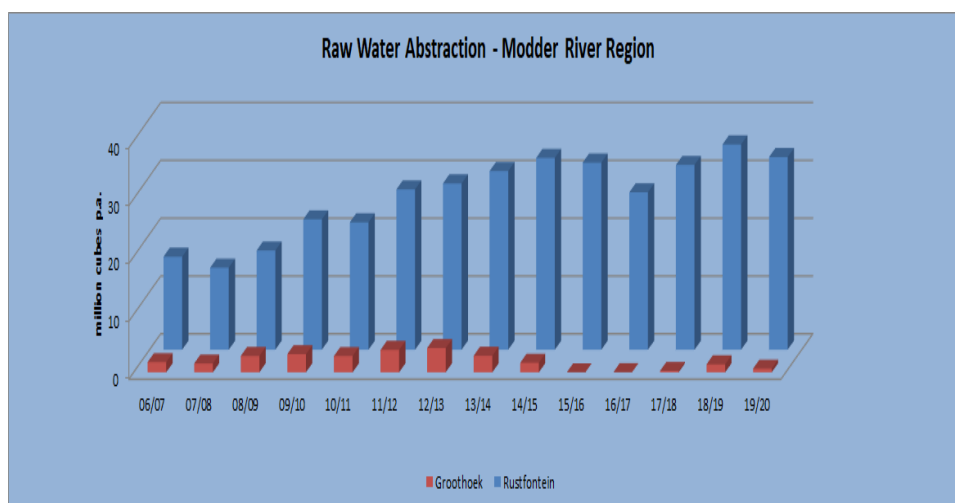
The historical water abstractions are indicated in the figures below:

Figure 7.1: Raw Water Abstraction: Caledon River Region



The increase in abstraction rates at Novo Pump Station is due to the augmentation of Rustfontein Dam as it did not receive good rainfall in the 19/20 financial year.

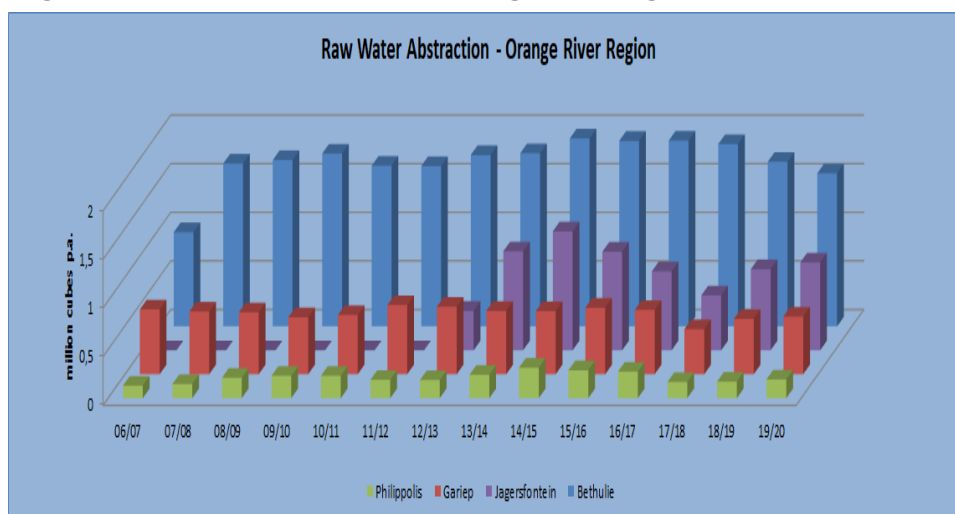
Figure 7.2: Raw Water Abstraction: Modder River Region



The decrease in abstraction rates at Rustfontein is due to the increased abstraction at Welbedacht Treatment Works for supply to greater Bloemfontein.

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Figure 7.3: Raw Water Abstraction: Orange River Region



Abstraction rates at the Orange River Region have remained constant; however, the Bethulie abstraction rates have decreased due to the water restrictions imposed on Kopanong Local Municipality for the better part of the 2019/20 financial year.

7.5 New Consumers or Areas to be Supplied

Bloem Water received a directive from the previous Minister informing the Board of her intention to possibly amalgamate with Sedibeng and Magalies Water Boards. The process is still on hold as the Boards are awaiting the Terms of Reference from the Department. Mangaung Metropolitan Municipality is growing rapidly, and Bloem Water is ready to meet the demand of new areas that are emerging. This is done through the ongoing infrastructure development by the Entity.

7.6 Shortfalls and Projected Shortfalls

The Groothoek Dam has been recommissioned and its water volumes have been reduced from 18 Ml to 6 Ml per day. This was done to secure sustainability of the catchment. The operating rule for Novo Raw Water Transfer Scheme has been limiting the capacity to transfer raw water to Rustfontein and the Department of Water and Sanitation have agreed to amend the operating rule to allow more pumping at Novo to Rustfontein.

The reduced capacity of Welbedacht Dam due to siltation is currently under investigation by the Department of, Water and Sanitation. The delay in finalizing this matter is impacting on the future water demands.

7.7 Planned Resource Development by Resource

The current planned resource development is the feasibility study of Mangaung Water Augmentation Project. This will augment water supply to Mangaung and surrounding Municipalities.

7.8 Planned Acquisition of Water Use Rights, Licenses

Once the feasibility study has been completed, the planned Water Use Licenses will be obtained.

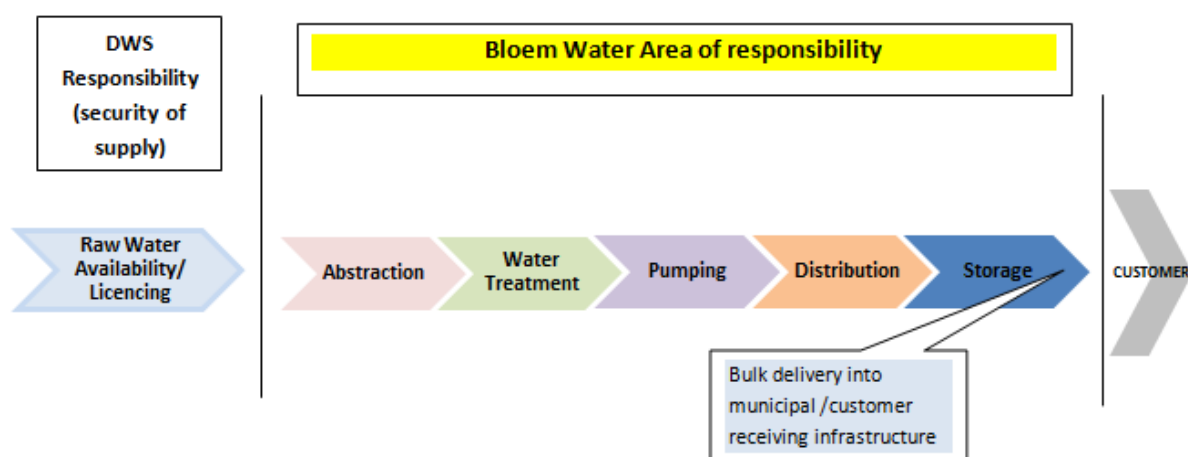
7.9 Management Arrangements

The Entity operates seven water resources (dams and rivers) on behalf of the Department of, Water and Sanitation.

8. BULK WATER SUPPLY

8.1 Supply Capacity

Water Boards are infrastructure intensive organisations and central to this is the need to plan, provide, operate, maintain, replace and refurbish the bulk water supply infrastructure in a manner that ensures availability and integrity of the infrastructure is not compromised. This will minimise disruptions or failure to provide water. Bulk water supply delivery/infrastructure arrangements are typically made up of the primary system components illustrated in the following process diagram:



The table below outlines the source, pumping systems, storage and areas serviced per region:

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Table 8.1 Bloem Water Regions and Systems

Region	Source	Pumping System	Treatment	Storage	Area of Service
Orange River	<ul style="list-style-type: none"> Orange River Boreholes 	<ul style="list-style-type: none"> Driefontein Volgfontein Tolhuis 	<ul style="list-style-type: none"> Philippolis x 1.2 Ml/d 	<ul style="list-style-type: none"> Reservoirs x 2 	<ul style="list-style-type: none"> Philippolis
	<ul style="list-style-type: none"> Xhariep Dam 	<ul style="list-style-type: none"> Xhariep 	<ul style="list-style-type: none"> Xhariep x 2.8 Ml/d 	<ul style="list-style-type: none"> Reservoirs x 2 	<ul style="list-style-type: none"> Xhariep
	<ul style="list-style-type: none"> Orange River Boreholes 	<ul style="list-style-type: none"> SAR Kleinzuurfontein Hennie Steyn Brandewijnskuil 	<ul style="list-style-type: none"> Bethulie x 12 Ml/d 	<ul style="list-style-type: none"> Reservoirs x 5 	<ul style="list-style-type: none"> Trompsburg Springfontein
	<ul style="list-style-type: none"> Jagersfontein Mine Boreholes Kalkfontein 	<ul style="list-style-type: none"> Lemoenkloof 	<ul style="list-style-type: none"> Jagersfontein x 2 Ml/d 	<ul style="list-style-type: none"> Reservoirs x 1 	<ul style="list-style-type: none"> Jagersfontein Fauriesmith
Caledon River	<ul style="list-style-type: none"> Welbedacht Dam Caledon River Knellpoort Dam Boreholes 	<ul style="list-style-type: none"> Tienfontein Novo Reddersburg Edenburg Dewetsdorp Raw and Clear water 	<ul style="list-style-type: none"> Welbedacht x 145 Ml/d 	<ul style="list-style-type: none"> Reservoirs x 7 	<ul style="list-style-type: none"> Bloemfontein Dewetsdorp Wepener Reddersburg Edenburg
Modder River	<ul style="list-style-type: none"> Groothoek Dam Rustfontein Dam Boreholes 	<ul style="list-style-type: none"> OK Groothoek Lesaka Raw and Clear Water 	<ul style="list-style-type: none"> Rustfontein x 100 Ml/d Groothoek x 18 Ml/d 	<ul style="list-style-type: none"> Reservoirs x 6 	<ul style="list-style-type: none"> Thaba Nchu Botshabelo Villages

Modder and Caledon River Regions

The Modder and Caledon River Regions water supply schemes are located within the greater Bloemfontein supply system. The schemes provide the majority of potable water required to the greater Bloemfontein, Thaba Nchu and Botshabelo, as well as the smaller towns of Wepener, Dewetsdorp, Reddersburg, Edenburg and Excelsior. Rural villages, approximately 36, in the vicinity of this scheme are supplied through boreholes maintained and operated by Bloem Water.

The Modder River Region is a medium size scheme and comprises of two Water Treatment Works, namely:

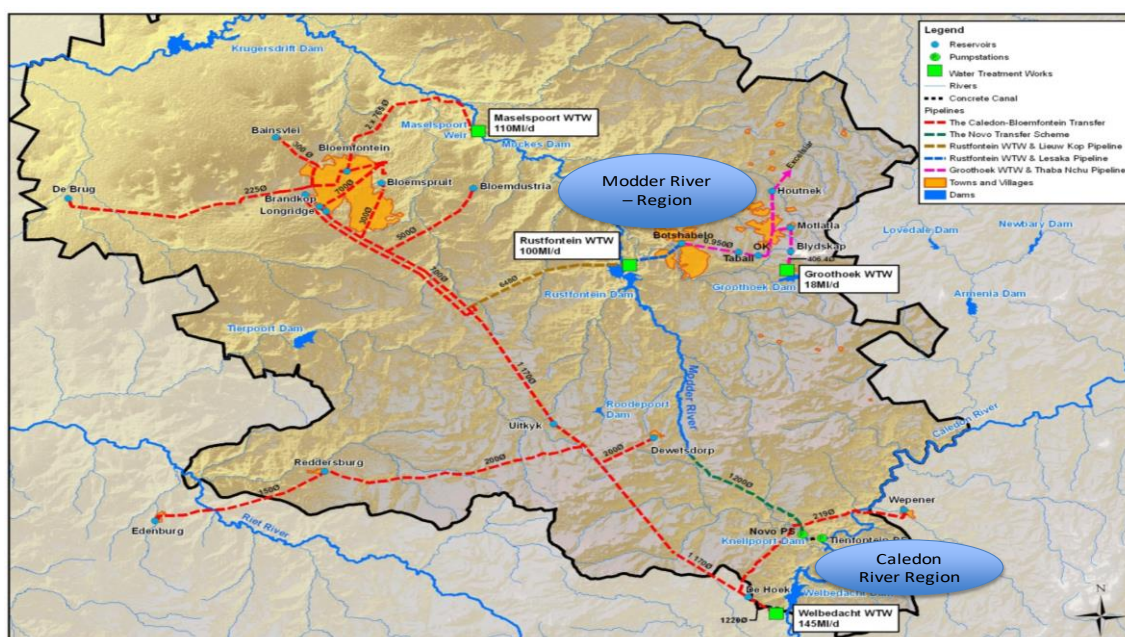
- Rustfontein: 100 Ml/day; and
- Groothoek: 18 Ml/day

The Rustfontein WTW is situated at the Rustfontein Dam, 12 km west of Botshabelo and 25 km south of Bloemfontein. Water is released from the Rustfontein Dam into

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the Mockes Dam which is released to the Maselspoort WTW which is owned and operated by Mangaung Metro.

Figure 8.1: Greater Bloemfontein Water Supply System



The Groothoek WTW is situated 17 km from Thaba Nchu near the Maria Moroka Game Reserve. Besides supplying water to the villages south of Thaba Nchu, the system acts as an augmentation scheme for the Rustfontein water supply. The Groothoek Dam's average daily production rates are 12 Ml/day. This WTW is however not operational due to drought.

The Caledon River Region is Bloem Water's largest scheme with the Welbedacht WTW at 145 Ml/day. The scheme supplies the bulk of its water to Bloemfontein with takeoff to Wepener, Dewetsdorp, Edenburg, Reddersburg and surrounding farmers. The WTW is situated 110 km south of Bloemfontein.

Due to siltation at the Welbedacht Dam, the Novo Transfer Scheme was established. The scheme comprises of the Tienfontein and Novo Pump Station and the Knellpoort Dam. Water from the Caledon River is abstracted through the Tienfontein Pump Station, and pumped into the Knellpoort Dam through a channel, enabling year-round abstraction from Welbedacht. The Novo Transfer Pump Station at Knellpoort Dam enables the transfer of water into the Modder River, which supplies the Rustfontein and Mockes Dams, respectively.

The electricity upgrade by Eskom (Drie Dorp Project) has been completed and in operation which guarantees electricity supply for Tienfontein, Novo and Welbedacht Treatment Works. This will enhance the operation of Tienfontein and Novo Pump Stations to pump water without interruptions.

Orange River Region

The Orange River Region is Bloem Water's small size scheme and comprises of 4 Water Treatment Works, namely:

- Bethulie: 6 Ml/day (currently being increased to 12 Ml/day)
- Xhariep: 2.8 Ml/day
- Philippolis: 1.2 Ml/day; and
- Jagersfontein: 2 Ml/day.

Bloem Water owns the Bethulie WTW and performs operations and maintenance at the other above-mentioned WTW on behalf of Kopanong Local Municipality. The Bethulie WTW supplies water to the towns of Bethulie, Springfontein and Trompsburg. The Xhariep WTW supplies water to the surrounding towns. The Philippolis WTW is situated 50 km from the Orange River (Tolhuis) and supplies water to this town. The Jagersfontein WTW supplies water to this town and Fauriesmith.

In Wepener, upgrading of the infrastructure has been completed and the booster pump station is operational. Furthermore, there are boreholes owned and operated by the Mangaung Metropolitan Municipality to augment supply of water. The operations and maintenance of these boreholes are inadequate, and Bloem Water is often requested by the Municipality to assist.

In Dewetsdorp, there are no major challenges. However, the maintenance of the Municipal boreholes is inadequate, and Bloem Water is often requested by the Municipality to assist. Furthermore, the Entity is currently finalizing the parallel pipeline in Dewetsdorp to augment the supply to this town.

8.2 Condition of Water Treatment Works

Regulation 2834 of the DHSWS states that Bloem Water shall operate within 90 days of registration. Bloem Water maintains the following registered water works:

Table 8.2: Registered Water Care Works

No.	Name of Water Treatment Works	Classification	Capacity	Average Monthly Flow (m ³ /month)
1.	Welbedacht	A	160 Ml/day	4.3 million
2.	Rustfontein	B	100 Ml/day	2.80million
3.	Groothoek	C	18 Ml/day	0.00million
4.	Bethulie	B	12 Ml/day	0.07 million
5.	Jagersfontein	C	4.7 Ml/day	0.08 million
6.	Xhariep	C	2.7 Ml/day	0.05 million
7.	Philippolis	C	1.2 Ml/day	0.023 million
8.	Total		298 Ml/day	7.32 million

Welbedacht Water Treatment Plant

The 160 Ml/day Welbedacht Water Treatment Works (WTW) is supplied with raw water from the Welbedacht Dam, into the Caledon River. The Welbedacht Water Treatment Works (WTW) was commissioned in 1975. The original design capacity of the Plant was 145 Ml/day and was later upgraded in 1995 to 160 Ml/day. This Water Treatment Plant is currently operating at 90% of its design capacity however due to siltation there is 5% capacity available for raw water storage.

Rustfontein Water Treatment Plant

The Rustfontein Water Treatment Works has a design capacity of 100 Ml/day. The works was built in 1997 and commissioned in 1998. This treatment works is currently operating at 90% of its design capacity. A feasibility study to upgrade the water treatment works to a capacity of 150 Ml/d due to the high-water demand in Bloemfontein has been completed. The Project has also featured in the Presidential Investment Infrastructure office key Projects in the country.

Groothoek Water Treatment Plant

The Groothoek Water Treatment Works has a design capacity of 18 Ml/day and was recommissioned after having been non-operational for three years. This treatment works is operating at a maximum of 6 Ml per day to ensure sustainability of the raw water resource. The Groothoek Dam receives its water primarily from the Kgabanyane River and gravitates from the dam into the Groothoek Water Treatment Works for treatment.

Bethulie Water Treatment Plant

The Bethulie Water Treatment Works was commissioned in 1991. The original design capacity of the Plant was 6 Ml/day and was increased to 12 Ml/day in 2013. The Bethulie Water Treatment works supplies potable water to Bethulie, Trompsburg and Springfontein, via a 2 Ml storage reservoir. The treatment works is currently operating at 60% of its design capacity.

Xhariep Water Treatment Plant

The Xhariep Water Treatment Works was commissioned in 1989. The original capacity is 2.7 Ml per day. The Xhariep WTW supplies potable water to Xhariep Town. The treatment works is currently operating at 50% of its design capacity.

Philippolis Water Treatment Plant

The Phillippolis Water Treatment Works was commissioned in 1990. The original capacity is 1.2 Ml per day. The Philippolis WTW supplies potable water to Phillippolis and Poding-Tse-Rolo. The treatment works is currently operating at 70% of its design capacity.

Jagersfontein Water Treatment Plant

Jagersfontein Water Treatment Works is situated in the southern Free State currently managed and operated by Bloem Water through a Service Level Agreement entered into with Kopanong Local Municipality in October 2010. The first phase of project was the construction of 2 Ml/day Water Treatment Works and the works were commissioned in July 2012. The second phase of the project entails the extension of the treatment capacity to 4.726 Ml/day and construction of additional clarifier, sand filter basin and clear water sump together with an additional pump station building are underway.

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8.3 Water Quality Produced (Relative to SANS 241:2015)

Access to safe drinking water is a basic human right and essential to good health. South Africa enshrines this right to sufficient water in its Constitution, stating that "Everyone has the right to have access to sufficient food and water".

The supplied water complies with SANS (South African National Standard) 241:2015. The table below stipulates the water quality produced:

Table 8.3: Water Quality Compliance SANS 241:2015

Water Treatment Works	Percent Compliance with SANS 241:2015		
	Microbiology	Operational	Chemical
Rustfontein	99.9 %	96.9 %	99.9 %
Groothoek	99.9 %	96.9 %	99.9 %
Welbedacht	99.2 %	95.7 %	99.9 %
Bethulie	99.9 %	97.8 %	99.9 %
Xhariep	99.9 %	97.8 %	99.9 %
Philippolis	99.9 %	97.8 %	99.9 %
Jagersfontein	99.9 %	96.1%	99.9 %

Generally, Bloem Water produces and distributes excellent quality water beyond the target of 98% compliance. Any incidents of non-compliance are immediately identified through operational testing and monitoring, timeously resolving to ensure compliance to SANS 241. Water quality results are reported on a monthly basis to the Department of Water and Sanitation through the Blue Drop System/IRIS. These results are verified by the external laboratory at the University of the Free State.

8.4 Demand of major Consumers by Schemes

Reconciliation Strategy developed in consultation with all stakeholders is aimed at developing a sustainable balance between future water availability and water requirements in the area serviced by the Greater Bloemfontein Water Supply System. Interventions as illustrated in the figure below have been proposed and implementation is underway.

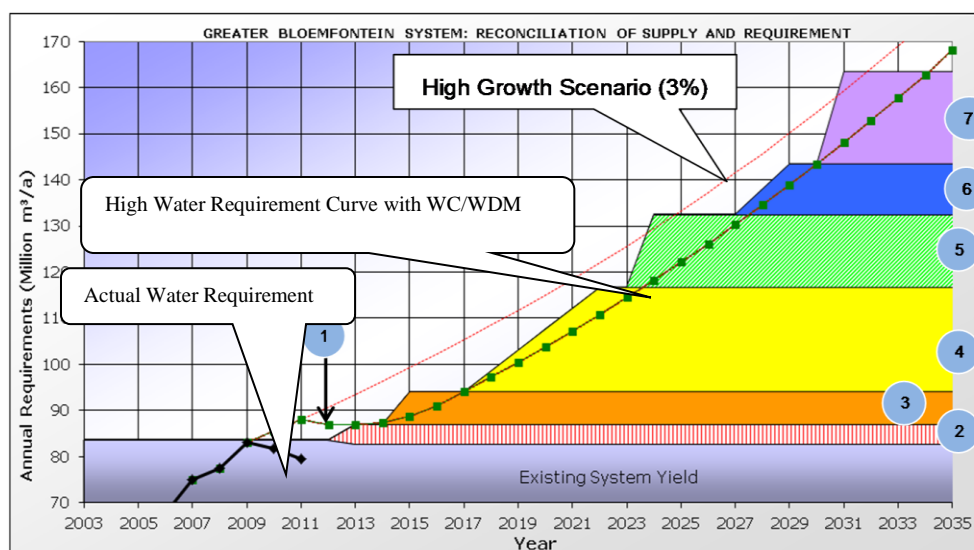


Figure 8.2: Greater Bloemfontein short to long-term intervention
(Source: Greater Bloemfontein Reconciliation Study)

Mangaung Water Augmentation Project (MWAP) Xhariep pipeline

This intervention, though initially planned for the 2030 period, had to be revisited and brought forward due to water supply challenges and demand in the catchment areas. The directive has been issued by the Minister to proceed with the detailed feasibility study to determine the cost-effective scheme for the augmentation of water into the existing infrastructure.

Increase capacity of Novo Transfer Scheme/Tienfontein Pump Station

Tienfontein Pump Station is seen as one of the critical components of the existing water supply infrastructure supplying Bloem Water with raw water, as it forms part of the Novo Inter-transfer Scheme. Currently, there are six pumps in place at Tienfontein Pump Station, and only three may run at a time. When the three runs simultaneously, they give an average output rate of 2 800 l/sec. Given that the projected water requirements are currently in excess of the system historical firm yield, one additional (1 m³/s) pump set at Tienfontein Pump Station is planned. All seven pump sets will be utilised to increase the design capacity of the Pump Station to 7 m³/s in total.

The progress on this intervention is as follows:

- The fourth pump has been refurbished and has been installed. A second pump has been removed and refurbishment is in progress.
- Procurement process for the purchase of two additional pumps has been completed in 2016.

- An Additional seventh pump has been budget for in the financial year 2020/21 of DWS

Novo Pump Station

The Novo Transfer Scheme includes Tienfontein Pump Station, a pipeline and canal from Tienfontein Pump Station to the Knellpoort Dam, and the Novo Pump Station and pipeline. The Knellpoort Dam acts as a buffer for both the Rustfontein and Welbedacht WTW. The Novo Pump Station transfers water from Knellpoort Dam to the Modder River, via a 20 km pipeline and then via the Modder River to Rustfontein Dam. A new pump set with a capacity 1 500 l/s has been installed at Novo Pump Station. The combined output is currently 2 940 l/s. An additional pump (fourth pump set) will be required at Novo Pump Station to keep up with the demand at Rustfontein Treatment Plant.

Siltation challenges at Welbedacht WTP

The management of dams in South Africa falls within the Department of Water and Sanitation's (DWS) jurisdiction. The Department has yet to undertake as planned the investigation of the siltation in the Welbedacht Dam.

As part of remedial measures, the designs for a bi- Knellpoort – Welbedacht pipeline to facilitate for prolonged dam scouring during flood periods. The detailed designs were completed in April 2015, and construction will commence on receipt of the Record of Decision and once all the required funding is secured.

Bloemfontein/Welbedacht Pre-Stressed Concrete Pipeline Condition

The Welbedacht/Bloemfontein pre-stressed concrete pipeline was constructed in the early 1970's (commissioned in 1974) and consists of a 115 km long DN1200 pipeline. Together with Tienfontein Pump Station, the Welbedacht pipeline is also regarded as a critical component of the raw water/bulk water supply infrastructure. The pipeline is a pre-stressed concrete pipeline which is subject to numerous bursts due to the deterioration of the pre-stressed windings which impacts on the structural integrity of the pipeline. This is the main supply line from Welbedacht to Mangaung and any unplanned failure poses the risk of water supply interruptions and unavailability of water to the consumers. The following interventions are currently underway:

- A leak detection assessment of the pre-stressed concrete pipeline has been concluded and recommendations following the assessment were implemented and completed during the 2014/15 financial year winter maintenance window period. A dedicated unit has also been established to constantly repair and monitor this pipeline. All leaks identified during the pipeline assessment have been repaired.
- The second leak detection took place in the 2016/2017 financial year and its recommendations will be addressed during the Annual Winter Maintenance of 2018.
- The third leak detection will take place during the 2019/20 financial year.

Maselspoort Water Treatment Works (WTW)

The Maselspoort Water Treatment Works was constructed very early in the 1900s and, although refurbishment has periodically been undertaken, huge operational challenges are now being experienced and bottlenecks have been identified which are limiting the available treatment capacity to meet the current Bloemfontein demands. Most of the raw water abstraction and high lift pumps currently in use were commissioned between 1955 and 1966, with two abstraction pumps replaced in 1998 and a high lift pump added in 1983. Noting that the expected lifespan of a pump casing is in the order of 20 years, rotating assembly (impeller and bearings) only 5 years and motor as long as 40 years, these pumps and even motors have generally reached the end of their lifespan, resulting in frequent pump and motor failures and associated high maintenance and operational costs. Procurement and commissioning process of the new pumps have been completed in 2015.

8.5 New Consumers or Areas to be Supplied

The Entity will support the direction taken by the Department of Water and Sanitation on institutional realignment. Such realignment might lead to new business opportunities.

8.6 Status of Bulk Supply Agreements with major Customers

Bulk Water Agreements are in place with all major customers and regularly reviewed through engagements.

8.7 Shortfalls and Projected Shortfalls

The Greater Bloemfontein Reconciliation Study has identified future water demands that will exceed the current capacity if the Water Treatment Plant capacities are not extended or the Water Conservation and Water Demand Management Programmes are not implemented. This includes the extension of Rustfontein, Mangaung Water Augmentation Project and rehabilitation of Caledon catchment (siltation). The diminishing raw water capacity affecting the yield due to climate conditions is a serious projected shortfall.

CAPEX Programme 2020-2025

The Capex Programme had been reviewed in line with the challenges with regards the Water Resources availability, the current impact of drought, climate change and the ageing infrastructure. The financial position of the entity to secure the funding which has been negatively affected by the Non- payment of the Municipalities and thus impact negatively for infrastructure development.

The Capex Programme for the 2021-2025 had been compiled and the projects had to be prioritized due to the ongoing unsecured funding investment. The Infrastructure Programme is required mainly to address amongst others:

- the water supply in line with the growing water demand (estimated at 3% growth per annum) based on the short term, medium to long term planning aligned to Greater Reconciliation Strategy Interventions dated 2012 to ensure adequate provision of water. However, the Greater Reconciliation Strategy Study under the stewardship of the Department had not been convening on regular basis to update the studies.
- The planning around the improved sanitation system (Bucket Eradication Programme), more demand on water use due to eradication of buckets and the ventilated improved pits (VIPs) putting more demand on water supply.
- Urbanization and migration of people into the City seeking better economic and the employment opportunities which have a direct bearing on the water services.
- The limited financial resources have been managed through prioritization of the projects. The changing conditions required the Board to reconsider the budgets over the previous and current years resulting in reducing most of the numbers, reprioritizing projects, and postponing CAPEX projects.

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The Infrastructure Programme is aligned to the Greater Bloemfontein Reconciliation Strategy that had a planning scenario of up to 2035 and the continuous alignment to integrated development plans and the National Water Resources Strategy.

The drought, reduced storage capacities of the water resources, ageing infrastructure are key challenges to be addressed through future planned projects such as the Xhariep pipeline, the Knellpoort/Welbedacht Pipeline, Caledon/Bloemfontein Pipeline and the upgrading of Tienfontein and Novo raw water transfer schemes.

The CAPEX requirements financed by external funding are progressing slower than anticipated due to the financial constraint as a result of the declined revenue and the increase in the Non-payment by Municipalities. Future borrowings will be required to finance part of the CAPEX requirements within allowed borrowing limits. The entity had approached the Presidential Infrastructure Investment Office (PIIO) to secure the funding for the infrastructure development. The PIIO had been of great assistance in terms of the project preparation for bankability and had resulted in the one of the projects: Extension of Rustfontein Water Treatment Works capacity from 100ML/d to 150ML/d being Gazetted as part of the Strategic Infrastructure Projects (SIP19). This culminated in the round table pitching of the two projects i.e.: Extension of Rustfontein Water Treatment Works capacity from 100ML/d to 150 ML/d and the Mangaung Water Augmentation Project (MWAP): Xhariep Pipeline to the potential investors with the objective to secure project funding.

The Five-Year CAPEX Borrowing Programme according to National Treasury Requirements

Borrowing program and CAPEX	Revised Business Plan 2020/2021	Forecast 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026
CAPEX included in forecast						
CAPEX prior to be completed		0	0	0	0	0
CAPEX - Extensions, replacements & refurbishment with borrowed funds	0	100,000,000	100,000,000	150,000,000	200,000,000	100,000,000
CAPEX - Refurbishment and other replacements with surplus reserve funds/grant funding	50,000,000	20,000,000	0	30,000,000	20,000,000	40,000,000
CAPEX - Moveable assets/OPEX projects	47,328,125	40,400,000	44,000,000	49,000,000	55,000,000	55,000,000

The proposed CAPEX budget is subject to availability of the funds.

BUSINESS PLAN

The current CAPEX Programme in forecast will require investment to the tune of more than R1.5 Billion. The challenge is to secure the required funding in terms of the National Treasury borrowing ratios and limits in the midst of non-payment by Municipalities. This had resulted in major projects for expansion being deferred and only Refurbishment being implemented.

Key Infrastructure Projects that require funding:

The Greater Reconciliation Stagey Study for Bloemfontein and the smaller Towns conducted 2012 refers. The Capex Programme as compiled aligns to the growth forecast, water demand vs supply, the Sanitation Programme of bucket eradication and other spatial planning and development from the Municipalities Integrated Development Plans. In terms of order of priority, the below are categorised as critical projects that, that are prioritised from the Infrastructure Programme.

Description	Required Funding: Estimate	Beneficiaries
Modder River: Construction of 10 km long, 600 mm diameter pipeline from Tabali to OK Reservoir	R80 million	Increase water supply to Thaba Nchu, rural and urban areas within the Mangaung Metro & Mantsopa Local Municipalities.
Phase 1 Detailed Feasibility Study: Mangaung Water Augmentation Project (MWAP) Pipeline from Xhariep to Knellpoort Dam (180 km long, 600 mm diameter)	*R8 billion Construction (estimate)	Augmentation of raw water to supply areas in Naledi LM, (Dewetsdorp & Wepener Towns) Kopanong LM (Bethulie, Xhariep, Trompsburg and Mangaung Metro (Bloemfontein, Thaba Nchu & Botshabelo)
Construction of pipeline between Knellpoort and Welbedacht Dams	R400 million	To ensure adequate supply of raw water to Welbedacht WTW for optimum operation of the works in relation to siltation problem in Welbedacht Dam. For the supply to Mangaung Metro (Bloemfontein), Naledi LM (Wepener & Dewetsdorp), Kopanong LM (Reddersburg & Edenburg)
Extend treatment capacity of Rustfontein Water Treatment Plant from 100 Mega litre (Ml/d) with additional 50 Ml/day	R500 million	Increase the water supply to Mangaung Metro (Botshabelo, Thaba Nchu, Bloemfontein) and Mantsopa LM (Excelsior Town)
	R980 million	*The estimate for Xhariep/Knellpoort Pipeline not included in this figure.

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1. Extend Treatment Capacity of Rustfontein Water Treatment Plant from 100 Megalitre (Mℓ/d) with additional 50Mℓ/day

- The extension of Rustfontein Water Treatment Works (WTW) is critical as recommended by the Greater Reconciliation Strategy Study for Bloemfontein as indicated in 2012. The WTW is centrally and strategically located to Supply treated and Raw Water to Mangaung Metropolitan Municipality and Treated Water to Mantsopa Local Municipality (Excelsior Town).
- In terms of the Water demand the WTW is operating closer to its design capacity above 90% and seeing that amongst the three (3) WTW supply the Metro , thus Welbedacht 145Mℓ/d, Maselspoort 110 Mℓ/d and Rustfontein 100Mℓ/d there is urgent need to upgrade this WTW as there is no plans to increase the capacity of the other two WTWs to ensure the security of supply to meet the current and future Water demand.

2. Mangaung Water Augmentation Project (MWAP): Pipeline from Xhariep to Knellpoort Dam (180km long, 600mm diameter)

- Studies regarding the potential augmentation of the Bloemfontein Bulk Water Supply Scheme have been undertaken to date by Department of Water and Sanitation (DWS), Bloem Water (BW), and the Mangaung Metro Municipality (MMM).
- Amongst the recommendations made by the Greater Reconciliation Strategy Study, the potential to supply water via a pipeline from the Xhariep Dam, and integrate into the existing Bloemfontein Water Supply System.
- The project will assist with the increasing the system yield as Welbedacht dam has silted up and lost 95% of storage capacity and mitigate against the Caledon River diminishing yield.

3. Construction of a pipeline between Knellpoort and Welbedacht Dam

- The Greater Reconciliation Strategy Study for Bloemfontein recommended in 2012 that due to siltation of Welbedacht Dam (the dam has lost 95% storage capacity due to siltation) and Welbedacht WTW not able to operate at maximum capacity during period of rainfall because of deteriorating Raw Water quality. The pipeline between Welbedacht WTW and Knellpoort dam had to be constructed as the remedial measures for the transfer of Raw water from the Storage Dam – Knellpoort Dam.
- The pipeline will assist with the hydraulic sluicing or scouring of Welbedacht dam according to the operating rule to ensure that the Dam could be scoured (for maximum 8 hours) during flood period and recover the storage capacity.
- The project will assist with reduction of operational cost and reduction of hydraulic overload on the WTW as prolong equipment life cycle.

4. Modder River: Construction of 10 km, 600mm parallel Tabali-Ok Pipeline

- The project is aligned to the Lesaka, Excelsior, OK Pump station, Hydraulic modelling Study conducted in June 2010 for the Water demand and supply option in the Modder River Region.
- As part of the study project to augment the Reservoir storage in Thaba Nchu for 48 hours has been completed at Motlatla Reservoir capacity increased from 5.6MI/d with additional 4MI/d, Ok Reservoir increase capacity from 1.5MI/d with additional 2MI/d, and Houtnek Reservoir capacity increased with construction of Booster Pump station of 2MI/d;
- The supply constraints in the Lesaka to Excelsior bulk supply system especially during peak demand times. These constraints are manifested by reservoirs levels falling beyond minimum levels at the OK, Houtnek and Excelsior reservoirs. These low levels subsequently result in depressed demands and supply shortages.

BUSINESS PLAN

- The failure of Groothoek Dam in June 2014 created a challenge as more treated water had to be supplied from Rustfontein WTW to Thaba Nchu via the Lesaka – Tabali to Ok Reservoir.
- And it became apparent that the existing 450mm AC pipeline from Tabali Reservoir to Ok Reservoir in Thaba Nchu has many limitations as it has a number of take-off and thus rendering the storage levels of Water at Ok Reservoir to the minimum below 50% and reduction of pressure to the Northern Villages and shortage of Water in Excelsior during peak times.

Key infrastructure expansion projects planned and under implementation: 2020-2025

No.	Project Name	Project Description	Status
1.	Pipeline from Lesaka reservoir to OK/Motlatla reservoirs	10 km pipeline	Phase 1: Planning stage completed Phase 2: Construction funding to be secured
2.	Mangaung Water Augmentation Project (MWAP) pipeline Xhariep	180 km 600 mm diameter pipeline	Phase 1: To commence with conduct detailed feasibility up to Preliminary design
3.	Construction of 17km long pipeline from Welbedacht WTW to Knellpoort Dam	Pipeline between Knellpoort Dam and Welbedacht WTW	Planning Stage completed. Phase 2: Construction funding not secured
4.	Additional Boreholes in Thaba Nchu	Underground water exploration in Thaba Nchu	Equipping of boreholes completed
5.	Extend treatment capacity at Rustfontein 100 to 150 Ml/d	Increase WTW capacity from 100 Ml/day to 150 Ml/day	Phase 1: Planning Detail design completed Phase 2: Construction, funding to be secured
6.	Parallel Pipeline, 33.7 km long, 1 000 mm diameter to PCP (Welbedacht to Bloemfontein Pipeline)	Phase 1: 33.7 km Steel 1 000 mm diameter pipeline from Leeuberg Junction Brandkop Reservoir Phase 2: The remainder of the 71,3 km of the total length of 105km pipeline to construct a parallel pipeline to the existing Pre-Stressed Concrete	Phase 1: Construction in Progress Phase 2: At planning stage
8.	Extend Brandkop reservoir capacity	Construction of additional 50 Ml/d to existing 136 Ml/d	Phase 1: Planning stage
9.	Construction of additional pipeline to Dewetsdorp	13 km parallel pipeline	Construction completed

Greater Bloemfontein Reconciliation Study Interventions Update

The Greater Reconciliation Strategy Report dated 2012 recommended a number of interventions for the current, medium and long-term scenario planning for water supply and there has been progress since 2013 to date as follows:

Summary of interventions implemented

➤ **Upgrading of Tienfontein Pump Station**

Project to increase the pumping capacity at Tienfontein for abstraction of maximum Raw Water during the flow conditions and to store the water in Knellpoort Dam for the transfer from Novo Pump Stations to Rustfontein Dam and Maselspoort Dam and augmentation of Welbedacht dam during the drought or low Dam levels. The project is implemented by the Department of Water and Sanitation to increase the Tienfontein pump's yield from 4 m³/s to 6 m³/s had been completed

➤ **Optimize Welbedacht Water Treatment Plant Capacity**

Feasibility study and designs for the construction of a pipeline between Knellpoort and Welbedacht Water Treatment Plant to ensure effective scouring of Welbedacht Dam during floods situations to recover the minimum storage capacity has been completed. Designs of the pipeline are completed, and funding required for the construction of the pipeline.

➤ **Siltation of Welbedacht Dam**

The Dam has lost 95% of its storage capacity due to siltation since its operation in the Caledon River Catchment The investigation into the feasibility of the rehabilitation of the Welbedacht dam to reduce or the dredging of the -siltation by the Department had not been undertaken.

➤ **Ground Water Exploration**

The ground water exploration with the drilling of the 63 targets and equipping of the 26 high yielding boreholes been completed in Mangaung metro in Thaba Nchu for the Northern and the Southern villages of Thaba Nchu to augment the existing borehole supply. The use of the ground water resources will supplement the surface water from Groothoek Dam, which has a small catchment area and mainly relies on the surface runoff or rainfall.

MODDER RIVER REGION

➤ **Extension of Rustfontein WTW Capacity**

The proposed extension of Rustfontein WTW from 100 Ml/day with additional 50 Ml/day. The extension is critical as the Rustfontein WTW is centrally located and supplies Water to Mangaung Metro, part of Mantsopa Local Municipality and its amongst the main three WTW i.e. Welbedacht and Maselpoort that supplies the Metro. The designs have been completed and the construction will proceed subject to funding.

CALEDON RIVER REGION

Sustain supply to Mangaung/Bloemfontein

➤ **In Progress: Phase 1: Construction of Welbedacht – Bloemfontein 33.7 km, long 1000mm Steel Pipeline**

The project for the construction of a new parallel pipeline next to the Caledon/Bloemfontein pre-stressed concrete pipeline 33.7 km long, 1000 mm diameter Steel Gravity main pipeline with connections to existing infrastructure from Leeuberg junction to Brandkop Reservoir.

➤ **Construction of the 17km long, Knellpoort/Welbedacht Pipeline**

The designs for the pipeline between Knellpoort and Welbedacht had been completed. The project will alleviate the siltation challenge at Welbedacht Dam where water can be pumped directly from either Knellpoort Dam or Welbedacht Treatment Works and afford the proper scouring of the Welbedacht Dam during the flood period.

➤ **Extend supply to Dewetsdorp**

The construction is completed for the 13 km pipeline in Dewetsdorp. The project will assist with the increased supply to alleviate water shortages during the peak period and the challenge of pressure at high-lying areas in Morojaneng and riverside locations and Dewetsdorp.

ORANGE RIVER REGION

The Mangaung Water Augmentation Project (MWAP) pipeline Xhariep has been recommended in the Greater Bloemfontein Reconciliation Steering Committee for the supply in 2035 but had to be brought forward to be implemented in order to address the challenges of Welbedacht siltation, and Raw water transfer to Rustfontein Dam and Mangaung Metropolitan Municipality's Maselspoort Dam.

8.8 Planned Bulk Water Supply Development

It appears from an analysis that the current situation demands additional infrastructure in terms of the growing water demand. Investigations on population, demand, previous and historical tendencies, water loss control and demand management are taken into account when considering the extension of infrastructure. The projects below address bulk water supply developments:

BUSINESS PLAN

No.	Project Name	Project Description	Status
1.	Pipeline from Rustfontein WTW to Lesaka reservoir	15 km, 700 mm diameter ductile iron	Completed
2.	Pipeline from Lesaka reservoir to OK/Motlatla reservoirs	10 km pipeline	Phase 1: Planning stage completed Phase2: Construction funding to be secured
3.	Mangaung Water Augmentation Project (MWAP) pipeline Xhariep	180 km 600 mm diameter pipeline	Phase 1: Planning stage conduct detailed feasibility up to Preliminary design, EIA and WULA
4.	Welbedacht WTW to Knellpoort Dam	Pipeline between Knellpoort Dam and Welbedacht WTW	Planning Completed
5.	Additional Boreholes in Thaba Nchu	Underground water exploration in Thaba Nchu	Completed
6.	Extend treatment capacity at Rustfontein 100 to 150 Ml/d	Increase WTW capacity from 100 Ml/day to 150 Ml/day	Phase 1: Planning Detail design completed Phase2: Construction, funding to be secured
7.	Parallel Pipeline, 33.7 km long, 1 000 mm diameter to PCP (Welbedacht to Bloemfontein Pipeline)	Phase 1: 33.7 km Steel 1 000 mm diameter pipeline from Leeuberg Junction Brandkop Reservoir Phase 2: The remainder of the 71,3 km of the total length of 105km pipeline to construct a parallel pipeline to the existing Pre-Stressed Concrete	Phase 1: Construction in Progress Phase 2: At planning stage
8.	Extend Brandkop reservoir capacity	Construction of additional 50 Ml/d to existing 136 Ml/d	Phase 1: Planning stage
9.	Construction of additional pipeline to Dewetsdorp	13 km parallel pipeline	Completed

8.9 Management and Operations Arrangements

The Entity operates three regions and Head Office where Brandkop reservoir is situated. The three regions comprise seven water treatment works, through several reservoirs and bulk water pipelines. To deal with issues of ageing infrastructure and other challenges, the Entity has adopted a risk-based management approach and has implemented an Assets Management Programme/framework as well as information management systems including automation.

9. BULK WASTE WATER TREATMENT

Currently Bloem Water does not operate any Waste Water Treatment Plant. However, in-house capacity has been created to offer this service in future.

10. RETAIL SUPPLY

10.1 Contractual Obligations with WSAs

Bloem Water currently does not render retail water services to (WSAs) Water Services Authorities.

The Entity provides retail services from its own infrastructure to specific categories of individual consumers where the infrastructure is situated and whom the Municipality is unable to supply. A number of consumers, e.g. farmers and institutions such as schools and hospitals have been provided through individual metered water connections to the bulk pipeline.

Retail services and water supply is also provided in instances where it is required in urban/rural areas through metered connections. An Agreement with Municipalities needs to be entered into as to regulate any consumer supply.

Normal legal processes to recover revenue are followed in the event that non-payment occurs.

10.2 Status of Retail Infrastructure and Quality/Reliability of Supply

The Department of Human Settlements, Water and Sanitation has tasked Bloem Water to support Water Services Authorities (WSA's) in line with the water infrastructure needs.

10.3 Planned Retail Infrastructure

Bloem Water is currently not involved with reticulation; however in-house capacity has been created to assist WSA's with repairs of leaks in the reticulation network.

10.4 Management and Operations Arrangements

The Entity operates three regions and Head Office where Brandkop reservoir is situated. The three regions comprise seven water treatment works, through several reservoirs and bulk water pipelines. To deal with challenges of ageing infrastructure and other challenges, the Entity has adopted a risk-based management approach and has implemented an Assets Management Programme/Framework as well as information management systems including automation.

10.5 Challenges to collect retail debt

The Entity experienced challenges with payment by clients at intervals. Normal recovery processes are followed in line with debt collection management and legislative requirements.

11. OTHER ACTIVITIES

11.1 Key Activities

The Entity is involved in a number of active strategic partnership initiatives to support its strategic positioning and to ensure an appropriate benchmarking profile. Initiatives are funded separately to protect the interests of the customers which include the following:

- MOU with the Central University of Technology (CUT).
- MOU with the University of the Free State (UFS).
- MOU with Motheo TVET.
- International Water Association (IWA)
- South African Association of Water Utilities (SAAWU)
- Northern Region Water Board of Malawi
- Water Institute of Southern Africa (WISA)
- Lepelle Northern Water Board
- EWSETA MOU

MOA's (Memoranda of Agreements) are in place to assist in managing and operating these other activities. Further opportunities are explored in South Africa and the SADC region.

11.2 Management, Institutional and Operations Arrangements

Agreements are managed, whilst there are regular engagements and benchmarking exercises. At SADC level, the Entity is involved in wellness activities and an annual sporting event is hosted by respective entities on a rotational basis. Bloem Water will be hosting the 2019 SADC event.

11.3 Contractual Arrangements

The strategic partnerships are regulated in terms of signed Memoranda of Agreements.

11.4 Expansion or New Developments Planned

The Entity is envisaging to embark on “Cleaning the River” Campaigns in conjunction with WASCO specifically on the Caledon River to improve raw water sources. It also supports Corporate Social Investment initiatives such as school health and hygiene.

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12. HUMAN RESOURCE DEVELOPMENT PLANS

The Organisational structure is subject to review in alignment with organisational and sectoral changes. The intention is to achieve improved efficiencies through merging of functions, units or positions. Improvement of contract management, monitoring and compliance as well as the application of systems driven processes are being attended.

12.1 Staff Breakdown: Management and each Functional Area

Staff Breakdown

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	2	0	0-	1	3	0	0	1	0	0	7
Senior management	9	2	0	2	5	1	0	2	0	0	21
Professionally qualified and experienced specialists and mid-management	10	0	0	5	6	0	0	1	1	0	23
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	46	1	1	4	32	3	1	2	0	0	90
Semi-skilled and discretionary decision making	144	6	0	5	47	2	0	4	0	0	208
Unskilled and defined decision making	31	1	0	2	23	2	0	0	0	0	59
TOTAL PERMANENT	242	10	1	19	116	8	1	10	1	0	408
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
GRAND TOTAL	242	10	1	19	116	8	1	10	1	0	408

FILLED POSTS PER RACE AND GENDER				
RACE	GENDER	TOTAL	% per gender	% per race
AFRICAN	MALE	243	59.56	87.98
	FEMALE	116	28.43	
INDIAN	MALE	1	0.25	0.50
	FEMALE	1	0.25	
COLOURED	MALE	10	2.45	4.41
	FEMALE	8	1.96	
WHITE	MALE	19	4.66	7.11
	FEMALE	10	2.45	
TOTAL		408	100.00	100.00

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Engineering Capacity

The Entity houses the following engineering and technical* staff in operational, process and engineering units:

Discipline	African Male	Coloured Male	White Male	African Female	Coloured Female	White Female
Management	6	1	1		1	
Plant	4		4	1		
Civil	2					
Mechanical	14	1	3	1		
Electrical	5		1			
Electronic	3			1		
Scientific Services	3			2		
Project Management	3			2		

(*Engineers, technologists, technicians, scientists, artisans)

12.2 Employment Equity Targets 2021-2026

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	2	0	0	1	2	1	0	1	0	0	7
Senior management	5	1	0	2	4	1	0	1	0	0	14
Professionally qualified and experienced specialists and mid-management	4	1	0	1	3	3	1	0	1	0	14
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	63	9	3	9	29	3	2	7	0	0	125
Semi-skilled and discretionary decision making	78	5	1	4	44	8	1	9	0	0	150
Unskilled and defined decision making	110	8	2	4	48	5	1	2	0	0	180
TOTAL PERMANENT	262	24	6	21	130	21	5	20	1	0	490
Temporary employees											
GRAND TOTAL	262	24	6	21	130	21	5	20	1	0	490

These targets are projected for achievement over a period of the duration of the EE Plan (including vacancies), adding to the current representation that the Organisation comprises of.

BUSINESS PLAN

Currently 1.72% of the total staff complement represents people living with disabilities and 2.45% is targeted for the 2021-2026 Financial Years in line with National guidelines.

12.3 Training Programmes

Training Programmes per Band

Training Programme	AM	AF	CM	CF	IM	IF	WM	WF	Total Number	Occupational Levels
Water & Wastewater Treatment Level 2	5	3							8	Unskilled/Semi-Skilled
N2 Maths & Science	5	2							7	Skilled
B.Tech Project Management	6	3							9	Skilled
Higher Certificate: Renewable Energy Management	7	1							8	Skilled
Certificate: Basic Principles of Labour Law	1								1	Skilled
General Security Practice	31	17							48	Semi-Skilled
Ethernet IP & Profibus	1								1	Skilled
Certified PPP Professional Foundation Course	2	1							3	Top/ Snr Management
Certificate: Senior Paralegal Course	1								1	Skilled
Higher Certificate Management Development	2	1							3	Snr / Mid Management
Construction Site Management	1								1	Skilled
Unity Pro-Programming (Instrumentation)	1								1	Skilled
Reliability Engineering and maintenance improvement training	1								1	Skilled
High Performance Supervision Training	11	4	2	1			1	1	20	Snr/ Mid Management
Annual Top Women Conference		1							1	Top Management
Fraud Risk Assessment workshop	2	3							5	Snr/Mid Management/ Skilled
Legal Compliance of the Total Tendering Process workshop	1	1							2	Top/ Snr Management
Chlorine Handling	8	3	1						12	Skilled
Pressure Pipeline and Pump Design course	1								1	Skilled
Strategic Team Building and Masterclass for Administration Professional		2							2	Snr Management/ Skilled
2019 Mid-year Payroll Tax Update Seminar		1							1	Mid Management
The OSHAFRICA Conference 2019	2								2	Mid Management/ Skilled
EAPA-SA EDU Week 2019	1								1	Mid Management
Laboratory Quality Management Systems	1	1							2	Skilled
Deputy Minister's Breakfast Dialogue with Professional Women		2						1	3	Top Management/ Skilled
Laboratory Safety, Productivity & Quality Management	1								1	Skilled
Supervisory Management course	19	4	1			1	5		30	Snr/ Mid Management/ Skilled
Finance for Non-Financial Managers	13	6	2	1			2	1	25	Snr/ Mid Management/ Skilled
SCM, Bid Committee & Irregular Expenditure Framework Workshop	21	13	1	2			4	5	46	Top/Snr/Mid Management/ Skilled
Water & Wastewater Process Control NQF Level 3	7	3							10	Skilled

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Water & Wastewater Treatment Process Control Supervision NQF Level 4	6	1							7	Skilled
Post Graduate Diploma: Integrated Water Management Programme	1								1	Skilled
Master of Public Administration	1								1	Snr Management
Certificate: Labour Relations								1	1	Skilled
ITIL Foundation training		1							1	Skilled
Effective Records, Information and Data Management Standards training	6	10						1	17	Skilled/ Semi- Skilled
2 nd Annual Smart Procurement World, Conference	1	4							5	Skilled
CCMA Rules –Amendments workshop	6	5							11	Skilled / Semi-Skilled
Joint Employment Equity and Skills Development Training workshop	11	2		1					14	Snr/Mid Management/Skilled/ Semi-Skilled
SAGE Annual Payroll Tax Update 2020 seminar		1						1	2	Snr/Mid Management
GRAND TOTAL	184	96	7	5	0	1	12	11	316	

Total number of Training Interventions: 39

Total number of People trained Multiskilled: 316

Total number of People trained Head Count: 208

Training and Development Programmes

Bloem Water has invested in a range of initiatives to ensure that it remains a dynamic, high performing company that attracts talented, values-driven and high-performing people. Operational activities within the Entity are high-risk and technical in nature. As a result, internal technical or on job training remains the largest learning delivery mechanism within the Entity we continue to invest in providing employee financial assistance for study programmes, which include functional/technical, safety and compliance learning and development programmes, as well as leadership development.

Workshops/Seminars & Conferences are specifically arranged based on specific requests to ensure technicians, technologists and engineers are equipped with relevant and current knowledge and skills in the different engineering fields.

To ensure sustainability, the Entity is in support of implementing Internship programme and Work Integrated Learning (work-placement) programmes to develop students and graduates. The aim of these programmes is to develop skilled human resources in predominantly scarce skills to assist Bloem Water in achieving its core mandate of service delivery.

Bloem Water further promotes and support professional registration for recognized institutions by covering the cost of professional registration on an annual basis. It is compulsory for incumbents in certain positions to have valid professional registration with institutions such as ECSA and SAICA.

12.4 Employee Health Programmes

Employee Wellness in the Entity promotes workplace health activities designed to support healthy behaviour in the workplace and to improve health outcomes. It comprises activities such as health education, medical screenings, Weight Management Programmes and occupational hygiene survey, on-site Fitness Programmes or facilities. It is aligned with Bloem Water's Human Resource Management Strategy in areas of motivation and staff retention. It aims to reduce absenteeism, medical aid expenses and corporate health risk exposure by addressing the need to reduce lifestyle diseases while at the same time increasing employee morale, engagement and productivity.

A Wellness Committee attend to the implementation of the annual planned Wellness activities. The programme focusses on Awareness, Financial Management, Counselling and adhere to Health Calendar events.

12.5 Skills Gap and its impact on Service Delivery

Bloem Water is not immune to skills shortages facing the country and the water sector in general. Training will be performed in accordance with the training needs submitted by employees in various occupational levels. These training in accordance the training plan is expected to be progressively rolled out over the planning period. The skills gap in Water Process Controllers has been identified. 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, Bloem Water has developed a plan to close the gaps that will ensure Blue drop certifications for all. The Entity conducted the NQF Level 3 & 4 learnership programme in Water & Wastewater and several employees participated in this programme.

12.6 Governance Structures

The leadership of Bloem Water which includes the Board and Executive Management ensures that the operations of the Entity are maintained through the high levels of Corporate Governance which is characterised by accountability, transparency, inclusiveness and ethical conduct. The Entity endeavours to embrace a system of effective, efficient, economic and transparent systems in all its operations.

All statutory compliance reports were submitted within the legislative timeframes as per the Compliance Universe reporting tool. The Line Managers of Bloem Water take responsibility for ensuring that the Financial Control Systems are functional, without relying on the internal Auditors to detect any fruitless and wasteful expenditure. Bloem Water is generally in compliance with statutory requirements, PFMA and King IV prescripts. Cases of non-compliance with PFMA identified to ensure complete compliance going forward.

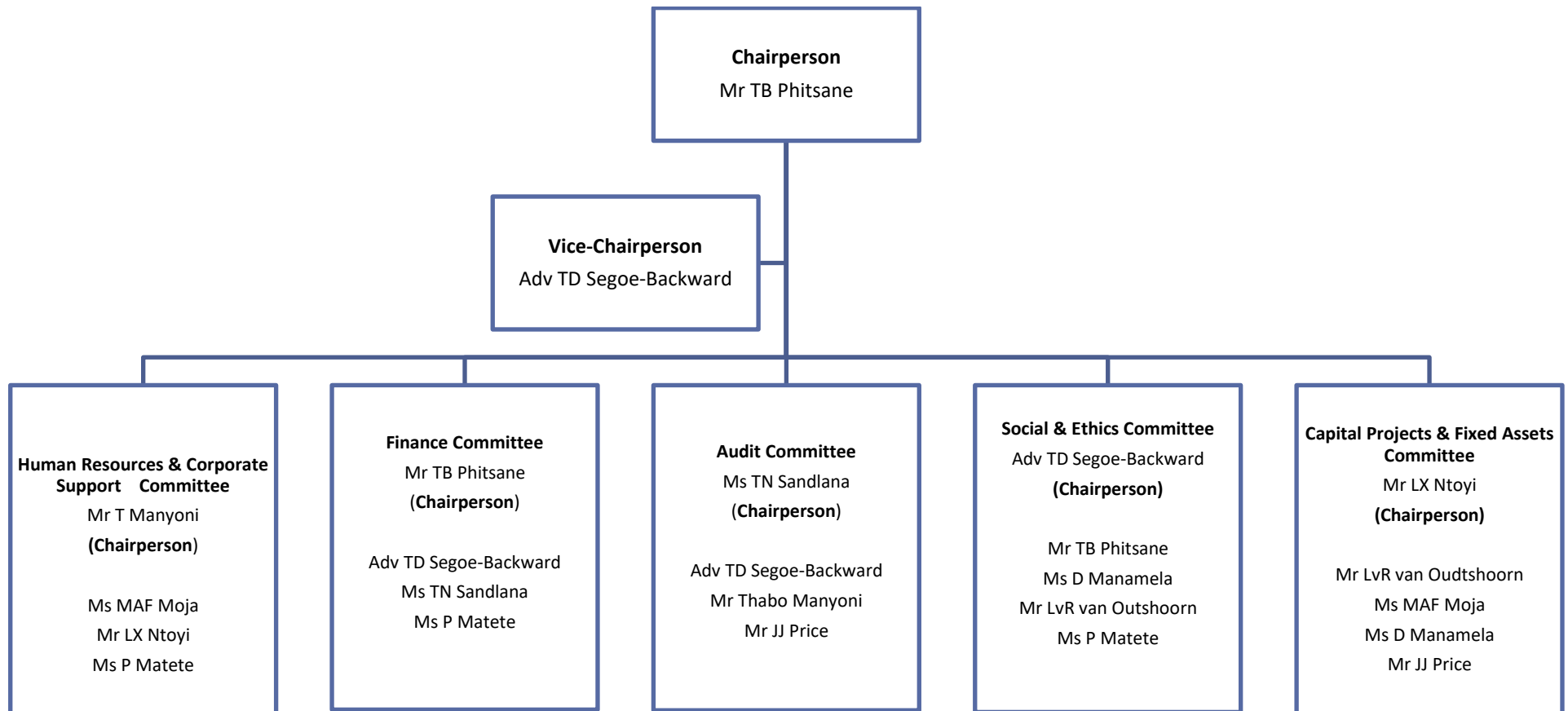
Composition of the Board of Directors

The Non-Executive Directors of Bloem Water were appointed on 1 April 2019. The Board is constituted of 10 Non-Executive Directors and 1 Executive Director (the Chief Executive). The Board is currently operating with only 9 members following the resignation of 1 Board Member. The Board is comprised of specialists in various fields and represents a balanced skills-base which includes finance, corporate governance, risk management, legal, human resources, water and energy.

Structure of the Committees of the Board

During its Inaugural Board Meeting, the committees were established depicted in the structure below:

BUSINESS PLAN



Board Committees

The responsibilities of the Committees, among others, include assistance to the Board as delegated to properly exercise and discharge its onerous duties and responsibilities. The creation of Committees does not reduce a Director's overall responsibility and therefore all Committees report and make recommendations to the Board as guided by the respective Committees Charters. All Committees are chaired by a Non-Executive Director.

Committees of the Board assist the Board to effectively advance the business of the Board on its oversight role. The Board has instituted the following Committees:

- **The Human Resources and Corporate Support Committee** – comprising of Directors suited to specialising in human resources, human capital as well as corporate social responsibilities.
- **The Finance Committee** – comprising of Directors with expertise in finance, audit, assets management and supply chain management.
- **The Audit Committee** – comprising of Directors with expertise in finance, internal control and risk management.
- **The Social and Ethics Committee** – comprising of Directors with skills and expertise in legal as well as areas that ensure the Entity's compliance with social and ethical codes of best practice standards.
- **The Capital Projects and Fixed Assets Committee** – comprising of Directors with expertise in capital appropriations and long-term projects.
- **The Board of Trustees** is a Committee independent from the Board and comprises of internal and external members and meets on a regular basis to deal with Pension Fund matters in accordance with the Pension Fund Rules and Regulations as well as applicable legislation.

BUSINESS PLAN

The Board of Directors Details

BOARD MEMBER NAME AND SURNAME	AGE	GENDER	RACE	ACADEMIC QUALIFICATIONS	EXPERTISE	YEARS OF SERVICE	POSITIONS ON OTHER BOARDS
Tefetso Bernard Phitsane	54 DOB: 22/12/66	Male	African	Diploma: Education; BA Economics and Master of Business Administration;	Strategic Management, Finance & Corporate Governance; Public Administration and Governance; Policy Development and Analysis; Training and Development; Supply Chain and Asset Management	Appointed by the Minister in April 2019.	Economic Transformation in FS
Adv Tshepisho Doreen Segoe-Backward	46 DOB: 11/08/74	Female	African	BiJuris; LLB; Post Graduate Diploma in Drafting & Interpretation of the Contracts	Law	Appointed by the Minister in April 2019.	Motheo TVET College; Dept. of Agriculture; FS Consumer Court; FS Provincial Treasury; FS office of the Premier SA Teachers Association;
Thabo Manyoni	60 DOB: 01/01/60	Male	African	BA; Diploma in Business Management; Certificate: Voter Education Elections	Governance	Appointed by the Minister in April 2019.	Municipal Demarcation Board

BUSINESS PLAN

BOARD MEMBER NAME AND SURNAME	AGE	GENDER	RACE	ACADEMIC QUALIFICATIONS	EXPERTISE	YEARS OF SERVICE	POSITIONS ON OTHER BOARDS
Ntikile Sandlana	58 DOB: 16/09/62	Female	African	Diploma in Management; B Com; Higher Education Diploma; B. Com Hons; Master of Business Administration	Internal Audit; Risk Management; Corporate Governance;	Appointed by the Minister in April 2019.	Free State Development Corporation; Special Economic Zone; Mafube Municipality; City of Johannesburg Parks and Zoo
Luvuyo Xola Ntoyi	41 DOB: 05/11/79	Male	African	National Diploma (Civil); B degree Technology (B-Tech) (Civil); Masters: (BA); Certificate: Municipal Finance Management Programme (MFMP); National Diploma Public Finance Management & Administration; National Certificate: Local Economic Development	Engineering; Project Management; Construction & Contract Management; Corporate and Project Finance; Risk Management; Human Resources Management; Water Sector	Appointed by the Minister in April 2019.	Pelononi Regional Hospital; LXN Group of Companies
Mmathebe Annah Faith Moja	64 DOB: 28/06/56	Female	African	Master's in Business Leadership; Advanced Treasury Management; B. Comm	Auditing and Human resources; Performance Management System	Appointed by the Minister in April 2019.	Subtropico (Pty) Ltd; Novasun (PTY) LTD; GIB Insurance Brokers; Emfuleni Local Municipality

BUSINESS PLAN

BOARD MEMBER NAME AND SURNAME	AGE	GENDER	RACE	ACADEMIC QUALIFICATIONS	EXPERTISE	YEARS OF SERVICE	POSITIONS ON OTHER BOARDS
Louis van Rheede van Oudtshoorn	64 DOB: 27/02/56	Male	White	B. Eng. (Civil); B. Eng. (Hons); M. Eng. (Water Utilization); MBA.	Engineering	Appointed by the Minister in April 2019.	None
Dipitseng Maropeng Manamela	41 DOB: 18/07/78	Female	African	MSC. (Environmental Sciences); BSc (Hons) Microbiology; Programme Management; Management Advanced Programme (Leadership in Oil & Energy); Certificate in Safety Management; Certificate in Business Leadership	Project Management; Water Resources Management	Appointed by the Minister in April 2019.	None

BUSINESS PLAN

BOARD MEMBER NAME AND SURNAME	AGE	GENDER	RACE	ACADEMIC QUALIFICATIONS	EXPERTISE	YEARS OF SERVICE	POSITIONS ON OTHER BOARDS
James Jonathan Price	47 DOB: 26/10/73	Male	Coloured	Master's degree in Business Leadership, MBL; B. (Hons) Eng. MOT, Management of Technology; B. (Hons) Eng. Degree in Maintenance Engineering; B. Eng. Mechanical Engineering Degree; Certificate for Project Design in National Diploma Electrical Engineering (Heavy current); National Diploma Electrical Engineering (Heavy current);	Engineering	Appointed by the Minister in April 2019.	None
Puseletso Matete	50 DOB: 07/11/70	Female	African	BA Honours (Geography & Environmental Studies). Thesis pending for M.A. in Geography and Environmental Studies	Environmental Management; Sustainability Matters; Climate Change; Mining Law	Reappointed by the Minister in December 2019.	None

BUSINESS PLAN

Executive Management Structure

Executive Management implements decisions as resolved by the Board of Directors and manages the Organisation on a day-to-day basis in accordance thereto.

Bloem Water's Executive structure is comprised of the following Departmental Executives:



Regular Executive Management meetings take place to effect sound corporate management principles and to ensure effective decision-making as well as internal control and monitoring.

BUSINESS PLAN

Details of Bloem Water Management Team

EXECUTIVE POSITION	NAME	AGE	GENDER	RACE	QUALIFICATIONS AND YEARS OF SERVICE	POSITIONS ON OTHER BOARDS/EMT
Chief Executive	Dr L Moorosi	57	Female	A	<p>Doctor in Veterinary Medicine CPMD Master of Science in Agriculture</p> <p>7 years' 8 months' service Areas of Expertise:</p> <ul style="list-style-type: none"> • Administration and Management • Governance 	
Chief Financial Officer	Mr OJ Stadler	57	Male	W	<p>B Com Honors Masters in Business Leadership</p> <p>25 years' service Areas of Expertise:</p> <ul style="list-style-type: none"> • Finance • Assets and fleet management • Supply Chain Management 	Chairperson: Bloem Water Pension Fund Board of Trustees
Executive: Operations & Maintenance	Mr M Rapudungoane	42	Male	A	<p>N. Dip: Electrical Engineering Management Development Programme</p> <p>6 years' service (Bloem Water) 9 years' service (Other Water Board)</p> <p>Areas of Expertise:</p> <ul style="list-style-type: none"> • Operations and Maintenance • Project Management • Labour Relations • Control and Instrumentation • General Management 	Trustee: Bloem Water Pension Fund

BUSINESS PLAN

EXECUTIVE POSITION	NAME	AGE	GENDER	RACE	QUALIFICATIONS AND YEARS OF SERVICE	POSITIONS ON OTHER BOARDS/EMT
Executive: Engineering & Projects	Mr T Ngubeni	46	Male	A	B Tech. (Water Care) Project Management Certificate Post Graduate Diploma: Business Administration 23 years' service Areas of Expertise: <ul style="list-style-type: none"> • Operations and Maintenance • Engineering and Project Management 	Trustee: Bloem Water Pension Fund
Executive: Human Resources	SL Meyer	59	Female	W	B Degree (Psychology) MBA Certificate in Labour Law 29 Years' service Areas of expertise: <ul style="list-style-type: none"> • Human Resources; • Strategic management 	Principal Officer of the Bloem Water Pension Fund Chair: Amanzi Bargaining Council
Executive: Corporate Support	Ms N Motlhaolwa	39	Female	A	BSc (Hons) Information Technology B. Com Risk Management 8 years' service Risk & Compliance Management Internal Auditing Corporate Governance Strategic Planning & Implementation	Trustee: Bloem Water Pension Fund Chairperson: Risk Management Committee of the Department of Human Settlements

BUSINESS PLAN

EXECUTIVE POSITION	NAME	AGE	GENDER	RACE	QUALIFICATIONS AND YEARS OF SERVICE	POSITIONS ON OTHER BOARDS/EMT
Company Secretary	Ms N Silevu	45	Female	A	B. Proc Certificate Programme in Leadership (Wits Business School) 6 years' service Areas of Expertise: <ul style="list-style-type: none"> • Civil and Commercial Litigation • Corporate Governance, 	Member of SA Women Lawyers Association; Secretary General of the Black Lawyers Association; South African representatives in the SADC Lawyers Association; Member of the Judicial Conduct Tribunal. Council member; Chairperson of the of the Legal Practice Council Disciplinary Oversight Committee

13. ENVIRONMENTAL MANAGEMENT PROGRAMMES AND PLANS

The Entity developed an Environmental Management Policy and Plan that emphasises care for the environment. The Policy and Plan also looks at minimising side-effects of the Organisation on the environment whilst achieving a balance between the needs of the environment and the needs of communities in order to sustain the ecological system and recognise the finite value of water.

13.1 Environmental impact assessments

The Entity conducts environmental impact assessments on all its projects in line with the National Environmental Management Act, 1998.

13.2 Other Environmental Programme

The Entity is in a process of the implementation of River Health Programme in conjunction with key stakeholders i.e. Municipalities, Corporate Companies and Water and Sewage Company of Lesotho (WASCO) specifically on the Caledon River to improve raw water sources. Afforestation along the riverbank is also being considered in order to prevent soil erosion and pollution. Bloem Water also supports Corporate Social Investment initiatives such as school health and hygiene.

14. WATER CONSERVATION AND DEMAND MANAGEMENT

The Entity has put in place water conservation and water demand management strategies that includes preventative maintenance to curb water losses. The processes are managed in all treatment works in an effort to reduce further losses including non-revenue water.

14.1 Water Conservation and Demand Management Programmes or Activities

Throughout all the treatment works, water losses were managed to reduce non-revenue water. All losses are calculated using the adopted international water model. Despite the challenges the Country is faced with regarding water losses that are on average above 30%, the Entity's performance on water losses improved from 9,39 % to 7.29%. The actual achievement is well below the sector average of 13% and 10% target set internally which puts the Entity amongst the best in terms of water conservation and water demand management strategies.

The Entity is implementing water restrictions in line with the Gazetted directive. This is done through restricted pumping times and the annual Winter Maintenance Programme. The re-use of backwashed water into the Treatment Plant is another strategy to conserve water. Awareness is done in conjunction with Municipalities and schools.

Table 14.1: Water Losses for the period: 2019/07/01 to 2020/06/30

System Input	Authorized Consumption	Billed	Revenue Water
92,390,696	85,655,592 (92.71%)	84,124,616 (91.05%)	84,124,616 (91.05%)
		Unbilled	Non-Revenue Water
	Water Losses 6,735,104 (7.29%)	1,530,976 (1.66%)	8,266,080 (8.95%)
		Apparent Losses	
		1,915,425 (2.07%)	
		Real Losses	
		4,819,678 (5.22%)	

15. FINANCIAL PLAN (5-YEAR PROJECTIONS)

15.1 Financial Plan

Despite the current challenges of non-payment by main clients, the Entity has managed to remain financially sustainable through revising and prioritising its operational and CAPEX needs. Cost containment measures were fully implemented and are continuously being monitored. Credit control measures were enhanced to manage and improve cash flow. The same principles are applied in forecasting future years' budget. The Entity has thus far managed, through its tight financial management controls to obtain unqualified audit reports for the past number of years in succession.

15.2 Subsidiaries

Bloem Water does not have any subsidiaries.

BUSINESS PLAN

15.3 Financial Planning Assumptions

FINANCIAL PLANNING ASSUMPTIONS					
Schedule of Planning Assumptions - (R - unless otherwise indicated)	Forecast 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026
Revenue					
Revenue from exchange transactions					
Water sales	877,986,116	975,506,150	1,083,737,633	1,204,036,621	1,337,690,281
% increase in revenue	8.06%	11.11%	11.09%	11.10%	11.10%
REVENUE	877,986,116	975,506,150	1,083,737,633	1,204,036,621	1,337,690,281
Revenue - purified water sales	800,318,138	888,668,459	986,657,534	1,095,516,865	1,216,394,689
Revenue - raw water sales	77,667,978	86,837,691	97,080,099	108,519,756	121,295,592
Revenue - drought	0	0	0	0	0
Volume of water sold (kl) - Purified (normal conditions)	80,031,814	80,832,132	81,640,453	82,456,858	83,281,426
Volume of water sold (kl) - Raw (normal conditions)	15,088,758	15,239,646	15,392,042	15,545,963	15,701,422
Volume of water sold (kl) (normal conditions)	95,120,572	96,071,778	97,032,495	98,002,820	98,982,849
% increase in purified volumes	1.00%	1.00%	1.00%	1.00%	1.00%
% increase/decrease in raw volumes	1.00%	1.00%	1.00%	1.00%	1.00%
% increase/decrease in total volumes	1.00%	1.00%	1.00%	1.00%	1.00%

BUSINESS PLAN

TARIFFS BILLED					
% increase in purified water tariff	11.00%	10.00%	10.00%	10.00%	10.00%
% increase in raw water tariff	11.00%	10.00%	10.00%	10.00%	10.00%
Purified water tariff - R	10.00	10.99	12.09	13.29	14.61
Raw Water tariff based on old agreement	7.35	8.09	8.89	9.78	10.76
Drought restriction tariff - purified - for every 10% legislated reduction on top of normal tariff - R	1.09	1.20	1.32	1.45	1.60
Drought restriction tariff - raw - for every 10% legislated reduction on top of normal tariff - R	0.78	0.86	0.94	1.04	1.14
WRL- as per DWS					
CML- as per DWS					
Other income	1,653,750	1,736,438	1,823,259	1,914,422	2,010,143
Adjustment factor	5.00%	5.00%	5.00%	5.00%	5.00%
Finance income	2,100,000	2,100,000	2,800,000	2,800,000	2,800,000
Average cash available for investment	30,000,000	30,000,000	40,000,000	40,000,000	40,000,000
Average expected ROI -fixed deposits	7.00%	7.00%	7.00%	7.00%	7.00%
Total revenue from exchange transactions	881,739,866	979,342,587	1,088,360,892	1,208,751,044	1,342,500,424
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	0	0	0	0	0
Total revenue	881,739,866	979,342,587	1,088,360,892	1,208,751,044	1,342,500,424

BUSINESS PLAN

Expenditure					
Water abstraction costs	-38,183,537	-41,047,302	-44,125,850	-47,435,289	-50,992,935
Adjustment factor	5.00%	7.50%	7.50%	7.50%	7.50%
Price/Tariff	4.00%	6.50%	6.50%	6.50%	6.50%
Volumes- aligned to purified sale volumes	1.00%	1.00%	1.00%	1.00%	1.00%
Chemicals	-32,524,151	-34,963,462	-37,585,722	-40,404,651	-43,435,000
Adjustment factor	7.50%	7.50%	7.50%	7.50%	7.50%
Price/Tariff	5.50%	5.50%	5.50%	5.50%	5.50%
Volumes- aligned to purified sale volumes	1.00%	1.00%	1.00%	1.00%	1.00%
Other (Higher priority/legal requirements/cost containment/efficiency etc)	1.00%	1.00%	1.00%	1.00%	1.00%
Depreciation	-39,634,921	-43,234,921	-48,959,921	-55,834,921	-60,709,921
Prior year depreciation	-35,624,921	-39,634,921	-43,234,921	-48,959,921	-55,834,921
New CAPEX depreciation - 2.5%	-4,010,000	-3,600,000	-5,725,000	-6,875,000	-4,875,000
GRAP conversion depreciation	0	0	0	0	0
Return on Asset Provision	0	0	0	0	0
Revaluation depreciation Provision	0	0	0	0	0
Energy cost	-174,258,643	-189,941,921	-207,036,693	-225,669,996	-245,980,296
Adjustment factor	17.00%	9.00%	9.00%	9.00%	9.00%
Price/Tariff	15.00%	7.00%	7.00%	7.00%	7.00%
Volumes- aligned to purified and raw sale volumes	1.00%	1.00%	1.00%	1.00%	1.00%
Other (Higher priority/legal requirements/cost containment/efficiency/raw vs purified water ratio, etc)	1.00%	1.00%	1.00%	1.00%	1.00%
Repairs and Maintenance	-49,435,923	-52,649,258	-56,071,459	-59,716,104	-63,597,651
Adjustment factor	6.50%	6.50%	6.50%	6.50%	6.50%
Price/Tariff	5.50%	5.50%	5.50%	5.50%	5.50%
Volumes	0.00%	0.00%	0.00%	0.00%	0.00%

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Other (Higher priority/legal requirements/cost containment/efficiency etc)	1.00%	1.00%	1.00%	1.00%	1.00%
Employment cost	-279,430,078	-305,696,505	-334,431,977	-365,868,583	-400,260,230
Adjustment factor	7.40%	9.40%	9.40%	9.40%	9.40%
Price/Tariff	6.40%	7.40%	7.40%	7.40%	7.40%
Volumes	0.00%	0.00%	0.00%	0.00%	0.00%
Other (Higher priority/legal requirements/cost containment/efficiency etc)	1.00%	2.00%	2.00%	2.00%	2.00%
Impairment of trade receivables	-91,851,676	-122,035,772	-135,566,720	-190,598,125	-231,731,626
Adjustment factor - Revenue increase %	8.06%	11.11%	11.09%	11.10%	11.10%
Other adjustments - improvement/decline in collecting	0	-19,981,908	8,805	-39,982,985	-19,976,224
Operating Expenses	-73,626,470	-79,148,455	-85,084,589	-91,465,933	-98,325,878
Adjustment factor	6.50%	7.50%	7.50%	7.50%	7.50%
Price/Tariff	5.50%	5.50%	5.50%	5.50%	5.50%
Volumes	0.00%	0.00%	0.00%	0.00%	0.00%
Other (Higher priority/legal requirements/cost containment/efficiency etc)	1.00%	2.00%	2.00%	2.00%	2.00%
Finance costs	-47,121,085	-54,786,053	-69,866,513	-91,217,160	-98,882,264
Existing loans - fixed rate					
- Nedbank 1	9.80%	9.80%	9.80%	9.80%	9.80%
- Nedbank 2	9.12%	9.12%	9.12%	9.12%	9.12%
- DBSA1	8.91%	8.91%	8.91%	8.91%	8.91%
New loans - fixed rate	12.00%	12.00%	12.00%	12.00%	12.00%

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Finance cost of Defined Benefit Liability/Finance lease/other	-30,000,000	-30,000,000	-30,000,000	-30,000,000	-30,000,000
Total expenditure	-826,066,483	-923,503,649	-1,018,729,445	-1,168,210,761	-1,293,915,801
Surplus / (loss) for the year	55,673,383	55,838,938	69,631,447	40,540,282	48,584,623
CPI	3.30%	3.30%	3.30%	3.30%	3.30%
Exchange Rate \$>R	R 18.00	R 19.00	R 19.00	R 19.00	R 19.00

Detail breakdown of percentage increase between 2020/2021 and 2021/2022

Cash flow detail	Revised Business Plan 2020/2021	Forecast 2021/2022	2020/21 vs 2021/22 % Increase/decrease	2020/21 vs 2021/22 Increase/decrease breakdown		
	R'000 000	R'000 000		Price/tariff Increase %	Volume Increase/(decrease) %	Other Increase/(decrease) %
INCOME BILLED - REVENUE	815.8	881.7				
Water sales	812.5	878.0	8.06%	11.00%	1.00%	-3.94%
Other income	1.6	1.7	5.00%			5.00%
Finance income	1.8	2.1	20.00%			
GRANT FUNDING						
OPERATING EXPENDITURE	-751.2	-826.1				

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Water abstraction cost	-36.4	-38.2	5.00%	4.00%	1.00%	0.00%
Chemicals	-30.3	-32.5	7.50%	5.50%	1.00%	1.00%
Depreciation on cost price - non-cash expense	-35.6	-39.6	11.26%			11.26%
Energy	-148.9	-174.3	17.00%	15.00%	1.00%	1.00%
Impairment of trade receivables	-85.0	-91.9	8.06%			8.06%
Repairs and Maintenance	-46.4	-49.4	6.50%	5.50%	0.00%	1.00%
Employment costs	-260.2	-279.4	7.40%	6.40%	0.00%	1.00%
Operating Expenses	-69.1	-73.6	6.50%	5.50%	0.00%	1.00%
Finance expenses - Financing activities - outflow	-39.3	-47.1	20.03%			20.03%
- Finance expenses - Defined Benefit Fund	-30.1	-30.0	-0.40%			-0.40%
- Finance expenses - existing borrowings	-9.1	-5.1	-43.96%			-43.96%
- Finance expenses - net borrowings	0.0	-12.0	100.00%			100.00%
SURPLUS/(LOS S) FOR THE YEAR	64.6	55.7				
CASHFLOW FROM INVESTING	-88.5	-120.8				

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ACTIVITIES - MOVEMENT IN PPE						
Total CAPEX Investments	-124.1	-160.4	29.27%			29.27%
CAPEX prior to be completed	-26.7	0.0				
CAPEX - Extensions, replacements & refurbishment - borrowed funds	0.0	-100.0				
CAPEX - Refurbishment and other replacements with reserve funds	-50.0	-20.0				
CAPEX - Moveable assets/OPEX projects	-47.3	-40.4				
Return on Assets (ROA)	0.0	0.0				
Depreciation on cost price - non-cash expense	35.6	39.6				
CASH FLOW FROM FINANCING ACTIVITIES - MOVEMENT IN IBB	-41.7	55.6				
Capital portion of loans - Financing activities - outflow	-41.7	-44.4	6.36%			6.36%

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- capital portion of loan - existing	-41.7	-38.7	-7.29%			-7.29%
- capital portion of loan - new	0.0	-5.7	100.00%			100.00%
New borrowings - Finance activities inflow	0.0	100.0	100.00%			100.00%
Other cashflow movement in Balance Sheet line items		-73.3				
Net Increase/(Decrease) in Cash and Cash Equivalents		-82.8				
Cash and Cash Equivalents at the beginning of the year		130.5				
Cash and Cash Equivalents at the end of the year		47.7				
Net Increase/(Decrease) in Cash and Cash Equivalents		-82.8				

Description	Revised Business Plan 2020/2021	Forecast 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026
Volume of water sold (kl) - Purified (normal conditions)	79,239,420	80,031,814	80,832,132	81,640,453	82,456,858	83,281,426

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Volume of water sold (kl) - Raw (normal conditions)	14,939,365	15,088,758	15,239,646	15,392,042	15,545,963	15,701,422
Volume of water sold (kl) (normal conditions)	94,178,784	95,120,572	96,071,778	97,032,495	98,002,820	98,982,849
% increase in purified volumes		1.00%	1.00%	1.00%	1.00%	1.00%
% increase/decrease in raw volumes		1.00%	1.00%	1.00%	1.00%	1.00%
% increase/decrease in total volumes		1.00%	1.00%	1.00%	1.00%	1.00%

BUSINESS PLAN

The following planning assumptions inform this Business Plan:

- Quality of raw water supply will remain constant for the next five years.
- The Raw Water Pricing Policy regulates the calculation of the water levies. The levies for Bloem Water are calculated and revised annually with the raw water increases which are different for each abstraction point.
- The treated and raw bulk water demand predictions in the current service area is aligned with historic trends and future demand expectations.
- CAPEX requirements are prioritised/deferred in accordance with approved and anticipated borrowing limits and affordability of customers.
- Significant capital requirements aligned to DWS Reconciliation Study are necessary due to capacity limits and ageing infrastructure.
- New funding is aligned to the lifespan of assets, expected revenue, free cash flow after servicing current debt obligations, affordability of clients and funding available in the market.
- Grant funding is required to augment shortfall in capital project funding.
- Urbanisation will accelerate in the informal sector (uncontrolled) and this will lead to increased levels of FBW (Free Basic Water).
- Affordability for higher levels of service will decrease due to economic conditions and unemployment.
- Water conservation and demand initiatives will be applied by Municipal entities in order to improve efficiencies.
- Improved integrated planning approach will ensure long-term security of supply and more reliable service to consumers.
- DHSWS recommendation of drought tariff to cover cost component during significant volume demand drop impacting income. Higher cost structure increase finance pressures during drought.
- New business or Implementing Agent Agreements will be evaluated and contracted in accordance with its own cost recovery merit.
- Key operational cost drivers are only semi-controllable. Efficient and cost containment measures are implemented/improved.
- Organisational Structure is aligned with strategy, but vacant positions are being filled in accordance with available funding.
- Surplus/reserve funding is earmarked for capital requirement/loan repayments and maintaining adequate liquidity buffer to maintain a viable structure.

BUSINESS PLAN

15.4 Water Sales Projections / 15.5 Tariff Projections

Description	Revised Business Plan 2020/2021	Forecast 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026
Water sales	812,492,737	877,986,116	975,506,150	1,083,737,633	1,204,036,621	1,337,690,281
% increase in revenue		8.06%	11.11%	11.09%	11.10%	11.10%
REVENUE	812,492,737	877,986,116	975,506,150	1,083,737,633	1,204,036,621	1,337,690,281
Revenue - purified water sales	713,642,450	800,318,138	888,668,459	986,657,534	1,095,516,865	1,216,394,689
Revenue - raw water sales	98,850,287	77,667,978	86,837,691	97,080,099	108,519,756	121,295,592
Revenue - drought	0	0	0	0	0	0
Volume of water sold (kl) - Purified (normal conditions)	79,239,420	80,031,814	80,832,132	81,640,453	82,456,858	83,281,426
Volume of water sold (kl) (including free water provision below) - Raw (normal conditions)	14,939,365	15,088,758	15,239,646	15,392,042	15,545,963	15,701,422
Volume of water sold (kl) (normal conditions)	94,178,784	95,120,572	96,071,778	97,032,495	98,002,820	98,982,849
Old agreement basis (2003 SLA) - raw water						
MMM Actual raw water volumes excluding 5,9 million - SLA Annex A Section 1.1(b)(ii)		-5,900,000	-5,900,000	-5,900,000	-5,900,000	-5,900,000
15% river water losses Annex A Section 1.1(b)(iv)		1,378,314	1,400,947	1,423,806	1,446,894	1,470,213
Billed raw water volumes excluding 5,9 million and additional provision for 15% river		10,567,071.87	10,740,592.59	10,915,848.51	11,092,857.00	11,271,635.57

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water losses Annex A Section 1.1(b)(iv)						
TARIFFS BILLED						
% increase in purified water tariff		11.00%	10.00%	10.00%	10.00%	10.00%
% increase in raw water tariff		11.00%	10.00%	10.00%	10.00%	10.00%
Purified water tariff - R						
Raw water tariff - R		10.00	10.99	12.09	13.29	14.61
		7.35	8.09	8.89	9.78	10.76
Drought restriction tariff - purified - for every 10% legislated reduction on top of normal tariff - R		1.09	1.20	1.32	1.45	1.60
Drought restriction tariff - raw - for every 10% legislated reduction on top of normal tariff - R		0.78	0.86	0.94	1.04	1.14
WRL- as per DWS						
CML- as per DWS						

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Tariff Projections and Consultation Process

Bloem Water followed the consultation processes as required in terms of Section 42 of the Municipal Finance Management Act. The diversified tariff approach was also supported by the Municipalities, National Treasury and the Department of Water and Sanitation. The tariff structure did not allow for full cost recovery in recent years due to customer affordability concerns, which informs the current approved tariffs by the Minister of Water and Sanitation, as the under-recovering continues in the foreseeable future. The Budget for the following financial years is forecasted to strive towards full cost recovery in the long term and the tariff increases will be targeted to achieve it.

The PFMA and National Treasury Regulations require a process to be followed for the tariff increases for the following year. This process was concluded after submissions and consultations with the Department of, Water and Sanitation, National Treasury, organised Local Government (SALGA), Municipalities and stakeholders. The input from all parties were considered and submitted to the Department of, Water and Sanitation.

All the information presented and contained in the calculations during this process is incorporated in the financial analyses of the Business Plan. It would be appropriate to ensure that these processes followed, and information used is incorporated in the Business Plan and not seen as separate processes. The Department of, Water and Sanitation (DWS) supported a drought tariff to cover mostly the fixed cost components during significant volume demand drop which impacts revenue. High fixed cost structure increases financial constraints during a period of drought.

15.6 Subsidies

DWS is funding the 33.7 km steel pipeline and Bloem Water is the implementing agent. Bloem Water received no other form of subsidies from Government Departments. Continued increased efforts to obtain grant funding are pursued to fund significant critical CAPEX requirements, which are aligned to the DWS Reconciliation Study. These requirements cannot be incorporated into the financial requirements and statements, due to the sheer scope of it.

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15.7 Income Statement Projections/Statement of Financial Performance Projections

STATEMENT OF FINANCIAL PERFORMANCE	Revised Business Plan 2020/2021	Forecast 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026
Presented by nature						
Revenue						
Revenue from exchange transactions						
Water sales	812,492,737	877,986,116	975,506,150	1,083,737,633	1,204,036,621	1,337,690,281
Other income	1,575,000	1,653,750	1,736,438	1,823,259	1,914,422	2,010,143
Finance income	1,750,000	2,100,000	2,100,000	2,800,000	2,800,000	2,800,000
Total revenue from exchange transactions	815,817,737	881,739,866	979,342,587	1,088,360,892	1,208,751,044	1,342,500,424
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	0	0	0	0	0	0
Total revenue	815,817,737	881,739,866	979,342,587	1,088,360,892	1,208,751,044	1,342,500,424
Expenditure						
Water abstraction costs	-36,365,273	-38,183,537	-41,047,302	-44,125,850	-47,435,289	-50,992,935
Chemicals	-30,255,024	-32,524,151	-34,963,462	-37,585,722	-40,404,651	-43,435,000
Depreciation	-35,624,921	-39,634,921	-43,234,921	-48,959,921	-55,834,921	-60,709,921
Energy cost	-148,939,011	-174,258,643	-189,941,921	-207,036,693	-225,669,996	-245,980,296
Repairs and Maintenance	-46,418,707	-49,435,923	-52,649,258	-56,071,459	-59,716,104	-63,597,651
Employment cost	-260,176,982	-279,430,078	-305,696,505	-334,431,977	-365,868,583	-400,260,230
Impairment of trade receivables	-85,000,000	-91,851,676	-122,035,772	-135,566,720	-190,598,125	-231,731,626
Operating Expenses	-69,132,836	-73,626,470	-79,148,455	-85,084,589	-91,465,933	-98,325,878
Finance costs	-39,258,457	-47,121,085	-54,786,053	-69,866,513	-91,217,160	-98,882,264
Total expenditure	-751,171,210	-826,066,483	-923,503,649	-1,018,729,445	-1,168,210,761	-1,293,915,801

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Surplus / (loss) for the year	64,646,527	55,673,383	55,838,938	69,631,447	40,540,282	48,584,623

Financial Statement Projections

Bloem Water has Bulk Water Supply Agreements and draft Agreements in place with its major clients, Municipalities, and has been providing water in accordance with contractual requirements and demands set by the Municipalities. The demand profile changes over years and it requires that the contracts be revised to accommodate the current trends and needs. There is a need expressed by the Municipalities to review the conditions of the current contracts. Bloem Water has differentiated the diversified tariff structure between treated and raw water which has been adopted by the stakeholders. A drought tariff is also proposed to recover fix/overhead cost during drought periods.

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15.8 Balance Sheet Projections/Statement of Financial Position Projections

STATEMENT OF FINANCIAL POSITION	Revised Business Plan 2020/2021	Forecast 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026
Assets						
Non-Current Assets	1,210,970,456	1,331,763,956	1,432,559,019	1,612,630,732	1,831,829,184	1,966,154,472
Property, plant and equipment	1,210,453,706	1,331,218,785	1,431,983,864	1,612,023,943	1,831,189,022	1,965,479,101
Living assets	516,750	545,171	575,155	606,789	640,162	675,371
Employee benefit asset	0	0	0	0	0	0
Current Assets	173,753,374	186,702,720	221,779,812	271,351,803	291,798,049	298,583,392
Inventories	27,178,313	29,216,687	31,407,938	33,763,533	36,295,798	39,017,983
Receivables from exchange transactions	16,046,791	109,795,130	154,234,765	203,594,718	208,430,779	203,802,080
Cash and cash equivalents	130,528,270	47,690,904	36,137,109	33,993,552	47,071,472	55,763,329
Infrastructure project receivable	0	0	0	0	0	0
Total Assets	1,384,723,829	1,518,466,676	1,654,338,831	1,883,982,535	2,123,627,233	2,264,737,864
EQUITY AND LIABILITIES						
Non-Current Liabilities	26,756,403	78,133,516	161,116,161	275,060,152	428,975,599	477,357,256
Interest bearing borrowings and lease liability	25,906,403	77,224,016	160,142,996	274,018,865	427,861,423	476,165,087
Finance lease liability	850,000	909,500	973,165	1,041,287	1,114,177	1,192,169
Unspent conditional grant	0	0	0	0	0	0
Employee benefit obligation	0	0	0	0	0	0
Current Liabilities	337,340,683	364,033,034	361,083,606	407,151,872	452,340,840	496,485,191

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Interest bearing borrowings - current portion	49,920,921	54,202,490	22,077,945	36,124,131	46,157,443	51,696,336
Finance lease liability - current portion	1,100,000	1,177,000	1,259,390	1,347,547	1,441,876	1,542,807
Payables from exchange transactions	133,002,053	142,977,207	153,700,498	165,228,035	177,620,138	190,941,648
VAT payable	153,317,709	165,676,337	184,045,774	204,452,158	227,121,384	252,304,400
Total Liabilities	364,097,087	442,166,550	522,199,767	682,212,024	881,316,440	973,842,447
Net Assets	1,020,626,743	1,076,300,126	1,132,139,064	1,201,770,511	1,242,310,794	1,290,895,417
Accumulated surplus	844,431,425	900,104,808	955,943,746	1,025,575,193	1,066,115,476	1,114,700,099
Capital replacement fund	87,350,673	87,350,673	87,350,673	87,350,673	87,350,673	87,350,673
Capital development fund	70,217,303	70,217,303	70,217,303	70,217,303	70,217,303	70,217,303
Insurance fund	18,627,343	18,627,343	18,627,343	18,627,343	18,627,343	18,627,343
Total Net Assets	1,020,626,743	1,076,300,126	1,132,139,064	1,201,770,511	1,242,310,794	1,290,895,417

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15.9 Long Term Cash flow and Outstanding Debt Projections

Borrowing program and CAPEX	Revised Business Plan 2020/2021	Forecast 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026
Profile of debt - loans combine						
Opening balance	117,571,751	75,827,325	131,426,507	182,220,941	310,142,996	474,018,865
Disbursements	0	100,000,000	100,000,000	150,000,000	200,000,000	100,000,000
Finance charges	9,138,457	17,121,085	24,786,053	39,866,513	61,217,160	68,882,264
Re-payments	-50,882,884	-61,521,903	-73,991,619	-61,944,457	-97,341,290	-115,039,707
Capital portion	-41,744,427	-44,400,818	-49,205,566	-22,077,945	-36,124,131	-46,157,443
Closing balance	75,827,324	131,426,507	182,220,941	310,142,996	474,018,865	527,861,423
Guarantees	0	0	0	0	0	0
Treasury limits vs borrowings	Not approved	Not approved	Not approved	Not approved	Not approved	Not approved
Cash and cash equivalents	130,528,270	47,690,904	36,137,109	33,993,552	47,071,472	55,763,329
CAPEX included in forecast						
CAPEX prior to be completed		0	0	0	0	0
CAPEX - Extensions, replacements & refurbishment with borrowed funds	0	100,000,000	100,000,000	150,000,000	200,000,000	100,000,000
CAPEX - Refurbishment and other replacements with surplus reserve funds/grant funding	50,000,000	20,000,000	0	30,000,000	20,000,000	40,000,000
CAPEX - Moveable assets/OPEX projects	47,328,125	40,400,000	44,000,000	49,000,000	55,000,000	55,000,000

15.11 Materiality and Significance Framework

Refer to Annexure A.

15.12 Challenges in collection of Debtors

The Entity has adopted a Credit Control Policy to ensure that all services rendered are billed and that all monies due and payable are collected.

The Entity continues to experience payment default by Municipalities and DWS. Mangaung Metropolitan Municipality is Bloem Water's anchor client which accounts for 95% of income. The Municipality challenged the tariffs as approved by the Minister of Water and Sanitation on the raw water and drought tariffs. This challenge was declared as a formal dispute at a later stage. These charges have therefore not been paid as the matter is still outstanding following a National Treasury dispute Mediation resolution process, which have not been honoured by the Municipality to date. There has also been default on payment of normal billing accounts, Bloem Water continues to follow various legislative processes and stakeholder interactions which resulted in an arbitration ruling on 9 December 2020 the Metro should pay R715 million in instalments over a period of time. The current accounts should be paid. The Entity wrote off the difference from the outstanding balance at the time. the future issuing of accounts will be in accordance with the 2003 Service Level Agreement. Payment Plans are provided by the Municipalities, however not being adhered to. Non-payment by the Municipalities affects the operations and the financial sustainability of Bloem Water.

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16. FIVE-YEAR BORROWING PROGRAMME ACCORDING TO NATIONAL TREASURY REQUIREMENTS

16.1 Borrowing Programme and CAPEX Forecast

Borrowing program and CAPEX	Revised Business Plan 2020/2021	Forecast 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026
Profile of debt - loans combine						
Opening balance	117,571,751	75,827,325	131,426,507	182,220,941	310,142,996	474,018,865
Disbursements	0	100,000,000	100,000,000	150,000,000	200,000,000	100,000,000
Finance charges	9,138,457	17,121,085	24,786,053	39,866,513	61,217,160	68,882,264
Re-payments	-50,882,884	-61,521,903	-73,991,619	-61,944,457	-97,341,290	-115,039,707
Capital portion	-41,744,427	-44,400,818	-49,205,566	-22,077,945	-36,124,131	-46,157,443
Closing balance	75,827,324	131,426,507	182,220,941	310,142,996	474,018,865	527,861,423
Guarantees	0	0	0	0	0	0
Treasury limits vs borrowings	Not approved	Not approved	Not approved	Not approved	Not approved	Not approved
Cash and cash equivalents	130,528,270	47,690,904	36,137,109	33,993,552	47,071,472	55,763,329
CAPEX included in forecast						
CAPEX prior to be completed		0	0	0	0	0
CAPEX - Extensions, replacements & refurbishment with borrowed funds	0	100,000,000	100,000,000	150,000,000	200,000,000	100,000,000
CAPEX - Refurbishment and other replacements with surplus reserve funds/grant funding	50,000,000	20,000,000	0	30,000,000	20,000,000	40,000,000
CAPEX - Moveable assets/OPEX projects	47,328,125	40,400,000	44,000,000	49,000,000	55,000,000	55,000,000

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The following information is provided for new borrowing and for the existing debt:

Terms and Conditions on which money is borrowed

The 5-Year Borrowing Programme only makes provision for prioritised capital requirements. Significant amounts are required in accordance with the current CAPEX Programme, which is aligned to the DWS Reconciliation Study, during the next few years. New funding is aligned to the lifespan of assets, expected revenue, free cash flow after servicing current debt obligations, affordability of clients and funding available in the market.

Proposed Domestic Borrowing

New borrowings would be domestic and medium-term borrowings. The terms and conditions of the borrowings consist of a 10-year loan repayable on a monthly basis at the applicable contractual rates, example 12%.

Short and Long-term Borrowing

The borrowing requirements will be in terms of the limits set by the Minister of Water and Sanitation. There are regular discussions with Municipalities in relation to the future water demand and the CAPEX requirements needed or required, which will impact future borrowings for additional capacity development. New borrowing limit approvals should be obtained for future CAPEX funding and is dependent on the tariff increases allowed and the ability to fund it. The current financial environment directs the possibility to continue with processes to take up loans.

Government Guarantees

No Government Guarantees have been issued but could be required in future. Bloem Water has complied with the loan requirements and has been repaying in terms of the structures. It is envisaged that Bloem Water will be able to continue with payment requirements of the loans.

Compliance with Loan Covenants

The limitation on tariff increases in the past is still affecting the borrowing limits and set ratios, such as the debt service ratio.

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17. FINANCIAL RATIO PROJECTIONS

Financial Ratio Projections						
Shareholders compact - Ratios	Revised Business Plan 2020/2021	Forecast 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026
Current ratio (current assets divided by current liabilities)	0.52	0.51	0.61	0.67	0.65	0.60
- current assets	173,753,374	186,702,720	221,779,812	271,351,803	291,798,049	298,583,392
- current liabilities	337,340,683	364,033,034	361,083,606	407,151,872	452,340,840	496,485,191
Gross Debt-equity ratio (total liabilities excl employee benefits & Trade payables divided by total accumulated reserves)	0.07	0.12	0.16	0.26	0.38	0.41
- total liabilities excl employee benefits, Trade payables, grants & VAT payable (Interest bearing borrowings)	75,827,324	131,426,507	182,220,941	310,142,996	474,018,865	527,861,423
- total accumulated reserves (Total net assets)	1,020,626,743	1,076,300,126	1,132,139,064	1,201,770,511	1,242,310,794	1,290,895,417
Return on assets % (income before interest & taxes divided by total assets)	7.38%	6.63%	6.56%	7.26%	6.07%	6.39%
- income before interest & taxes (converted to 12 months)	102,154,984	100,694,468	108,524,991	136,697,960	128,957,442	144,666,887
- total assets	1,384,723,829	1,518,466,676	1,654,338,831	1,883,982,535	2,123,627,233	2,264,737,864
Gross profit margin % based on gross income	95.52%	95.65%	95.79%	95.93%	96.06%	96.19%

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- Primary Activity (Gross income divided by revenue)						
- Gross income (Water sales minus abstraction cost)	776,127,464	839,802,579	934,458,847	1,039,611,783	1,156,601,333	1,286,697,346
- revenue	814,067,737	879,639,866	977,242,587	1,085,560,892	1,205,951,044	1,339,700,424
Debtors collection period/Net Debtor Days (debtors/trade rec) divided by revenue times 365)	0.47	39.41	52.22	63.68	58.88	51.83
- debtors(trade receivables) (excl deposits)	1,046,791	94,795,130	139,553,208	189,078,505	194,219,504	189,956,687
- revenue (converted to 12 months) (including finance income on trade receivables)	812,492,737	877,986,116	975,506,150	1,083,737,633	1,204,036,621	1,337,690,281
Net profit margin % (Accounting surplus/revenue) (primary activities)	7.96%	6.34%	5.72%	6.43%	3.37%	3.63%
- Accounting surplus	64,646,527	55,673,383	55,838,938	69,631,447	40,540,282	48,584,623
- revenue (water sales)	812,492,737	877,986,116	975,506,150	1,083,737,633	1,204,036,621	1,337,690,281
Manage I/S cost within approved budget (variance)	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%	-10.00%
- Total cost	676,054,089	743,459,835	831,153,284	916,856,500	1,051,389,685	1,164,524,221
- Total budget	751,171,210	826,066,483	923,503,649	1,018,729,445	1,168,210,761	1,293,915,801
Net profit margin on secondary activities % (excluding any indirect cost)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Other income	0	0	0	0	0	0
- Infrastructure project - consultation expense (incl in other operating expenses)	0	0	0	0	0	0

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Gross profit margin % secondary activities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Other income	0	0	0	0	0	0
Infrastructure project - consultation expense (incl in other operating expenses)	0	0	0	0	0	0
Secondary services - % of total turnover	0.19%	0.19%	0.18%	0.17%	0.16%	0.15%
- Other income	1,575,000	1,653,750	1,736,438	1,823,259	1,914,422	2,010,143
- revenue (including finance income)	815,817,737	881,739,866	979,342,587	1,088,360,892	1,208,751,044	1,342,500,424
Primary Revenue - % of total turnover	99.81%	99.81%	99.82%	99.83%	99.84%	99.85%
- Water sales	812,492,737	877,986,116	975,506,150	1,083,737,633	1,204,036,621	1,337,690,281
- revenue (including finance income)	814,067,737	879,639,866	977,242,587	1,085,560,892	1,205,951,044	1,339,700,424
Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	3.83%	3.71%	3.68%	3.48%	3.26%	3.24%
- repairs and maintenance (IS)	46,418,707	49,435,923	52,649,258	56,071,459	59,716,104	63,597,651
- PPE	1,210,453,706	1,331,218,785	1,431,983,864	1,612,023,943	1,831,189,022	1,965,479,101
Staff remuneration as % of total operating expenditure	34.64%	33.83%	33.10%	32.83%	31.32%	30.93%
- staff remuneration	260,176,982	279,430,078	305,696,505	334,431,977	365,868,583	400,260,230
- total operating expenditure	751,171,210	826,066,483	923,503,649	1,018,729,445	1,168,210,761	1,293,915,801
BUDGET VS EXPENDITURE						
Compensation of employees	260,176,982	279,430,078	305,696,505	334,431,977	365,868,583	400,260,230
Goods and services	69,132,836	73,626,470	79,148,455	85,084,589	91,465,933	98,325,878

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Operational	421,861,393	473,009,935	538,658,689	599,212,879	710,876,245	795,329,693
Capital (cash basis)	48,647,134	48,647,135	48,647,136	48,647,137	48,647,138	48,647,138
Special directives	0	0	0	0	0	0
Total	799,818,344	874,713,618	972,150,785	1,067,376,582	1,216,857,899	1,342,562,939
OTHER RATIOS	Revised Business Plan 2020/2021	Forecast 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Forecast 2025/2026
Asset Test ratio/quick ratio (current assets-inventories)/current liabilities	0.43	0.43	0.53	0.58	0.56	0.52
Debt service/interest cover ratio (income before interest & taxes divided by interest)	2.60	2.14	1.98	1.96	1.41	1.46
Debt ratio (total debt divided by total assets)	0.26	0.29	0.32	0.36	0.42	0.43
Return on turnover/Gross margin % based on operating profit (Operating profit divided by revenue)	0.13	0.11	0.11	0.13	0.11	0.11
Fixed asset turnover (revenue divided by fixed assets)	0.67	0.66	0.68	0.67	0.66	0.68
Creditors days (trade payables divided by expenses (excl depreciation,movement in inventory & staff cost) times 365)	0.00	0.00	0.00	0.00	0.00	0.00
Total gross revenue from water sales (Rand)	812,492,737	877,986,116	975,506,150	1,083,737,633	1,204,036,621	1,337,690,281
Average water tariff (Rand/kl); show tariff build-up explanations and scheme-specific tariffs	8.63	9.23	10.15	11.17	12.29	13.51
Cost of raw water (Rand)	36,365,273	38,183,537	41,047,302	44,125,850	47,435,289	50,992,935
Total cost (Rand)(excluding capital component)	-711,912,753	-778,945,399	-868,717,596	-948,862,932	-1,076,993,602	-1,195,033,537

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Total cost/volume (Rand/kl) - excluding capital component	-7.56	-8.19	-9.04	-9.78	-10.99	-12.07
Finance costs (Rand)	39,258,457	47,121,085	54,786,053	69,866,513	91,217,160	98,882,264
Finance costs (Rand/kl)	0.42	0.50	0.57	0.72	0.93	1.00
Total O&M cost (including finance cost)	-751,171,210	-826,066,483	-923,503,649	-1,018,729,445	-1,168,210,761	-1,293,915,801
Current asset turnover (revenue divided by current assets)	4.68	4.70	4.40	3.99	4.13	4.48
Asset turnover (revenue divided by total assets)	0.59	0.58	0.59	0.58	0.57	0.59
Accounts receivable turnover (revenue divided by accounts receivable)	50.63	8.00	6.32	5.32	5.78	6.56
Working ratio (operating expenses divided by operating revenues)	0.92	0.94	0.95	0.94	0.97	0.97
Controllable working ratio (operating expenses exclud.raw water, deprec & inter. divided by operat. rev.)	0.79	0.80	0.80	0.79	0.81	0.81
Weighted Average Cost of Capital (WACC)	0.11	0.11	0.10	0.10	0.10	0.10
Accounting surplus/fixed assets	0.05	0.04	0.04	0.04	0.02	0.02
EBIT interest coverage (Earnings from continuing operations before interest and taxes/Gross interest incurred before subtracting capitalised interest and income)	2.60	2.14	1.98	1.96	1.41	1.46
EBITDA interest coverage (Earnings from continuing operations before interest,taxes, depreciation/Gross interest incurred before subtracting capitalised interest and income)	3.51	2.98	2.77	2.66	2.03	2.08
Return on average total capital(EBIT (1-t)/average total capital)	0.10	0.09	0.10	0.11	0.10	0.11

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EBITDA/Sales	0.17	0.16	0.16	0.17	0.15	0.15
Funds flow net debt pay back(Ability of cashflows (before working capital and capital expenditure) to repay the outstanding debt)	2.60	2.14	1.98	1.96	1.41	1.46
Internal Financing Ratio (Relative reliance on debt to finance capital expenditure and is forward indicator of a changing debt service burden.Non-current Debt/(Debt plus Equity)	0.26	0.29	0.32	0.36	0.42	0.43
Financial leverage or Non current Debt/(Debt plus Equity)	0.26	0.29	0.32	0.36	0.42	0.43
Debt-equity % ratio (total liabilities divided by total accumulated reserves)	35.67%	41.08%	46.13%	56.77%	70.94%	75.44%
Inventory turnover (cost of maintenance materials divided by inventory)	1.34	1.31	1.31	1.31	1.31	1.31

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18. SELF-EVALUATION STATEMENT ON FINANCIAL VIABILITY OF THE WATER BOARD AND EACH ACTIVITY

18.1 Solvency

Bloem Water successfully honoured debts in terms of the Loan Agreements. In accordance with the CAPEX Programme, there will be major capital requirements. The solvency position of Bloem Water over the next few years will be affected by the CAPEX requirements and non-payment by clients but will have to be managed in line with the financial status at the time. This will also be affected by the Regulations and limits set by National Treasury during consideration of the borrowing limits of the Board in future. The future CAPEX funding exceeds the approved borrowing limits and applications will be submitted during future years.

Bloem Water made a net loss during the 2019/20 financial year and the Company's total assets continue to exceed its total liabilities.

18.2 Liquidity and Debtors

The liquidity position of Bloem Water has declined significantly the last year. The inventory amount is a small portion of current assets and will not affect the solvency of Bloem Water. A concern is the trade debtors which need to be closely monitored to ensure that accounts in arrears do not grow out of proportion. A joint effort by various sections has been paramount in an effort to recover the arrears from Kopanong Local Municipality and Mangaung Metropolitan Municipality. The adherence to legal processes has influenced the Municipalities to address the situation of adherence to contracts, billing off accounts, approved tariff structures and payment. It is still envisaged that the cash position will be reducing whilst under-recovering continues, while it will be improving in future years, thereby affecting the liquidity position accordingly.

The CAPEX requirements are prioritised in accordance with needs analysis performed, as the needs exceed the requirements. The remaining projects will be considered in future as the ability to fund it improves or when the borrowing limits are revised.

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Financial impact of Other Activities

Implementing Agent activities have significant financial implications and the cost should be recovered. Agreements should be set up to achieve conditions as stipulated in each business case.

19. BANK ACCOUNTS

The operational Bank accounts of the Board of Bloem Water are at First National Bank. It is not envisaged that new Bank accounts will be opened in the near future; however, banking services will be reviewed to meet requirements. Authorities will be informed.

20. ANALYSIS OF RISKS

20.1 Risk Management

The Entity has continued to maintain a structured and systematic approach in implementing Enterprise-wide Risk Management in accordance with National Treasury Public Sector Risk Management Framework, King IV Report on Corporate Governance, industry standards and best practice. Enterprise risk management involves management of risks that impact either positively or negatively on the organisational strategies used to achieve corporate objectives.

The Entity maintains a Risk Management Framework which includes the Risk Management Policy, Strategy and Procedures to embed risk management in planning, decision-making, projects and partnerships management. In Bloem Water, risks are managed at strategic, operational and project level.

The following Risk Governance Structure is in place to ensure proper governance and management of risks within Bloem Water:



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Strategic Risks

Bloem Water has identified the significant/strategic risks that are monitored and managed to be within acceptable risk threshold. Strategic risks are reviewed in accordance with changes in internal, market and macro environment. The table below shows top 5 significant risks and measures taken to reduce risks to acceptable levels.

Objectives	Risks	Risk Mitigation
SO1: Plan, develop, operate and maintain infrastructure to ensure sustainable water service delivery. SO2: Manage financial affairs to meet current and future obligations SO3: Securing the supply and quality of raw water SO4: Achieving an aligned, effective and efficient institution through optimization of all business processes and systems SO5: Engaging and strengthening strategic partnerships with all relevant stakeholders	COV-01 Occupational Disease (Containment of the spread of COVID-19 at workplace)	<ul style="list-style-type: none"> • Implementation of the Risk Assessment, Engineering controls, Administrative controls and Health and safety controls • Continuous implementation and monitoring of the recommended health and safety protocols • Alignment of the measures to government regulations • Alert to new development on the virus vaccines as communicated by Department of Health
	SR13: Protection/ security of strategic assets e.g. plants	<ul style="list-style-type: none"> • Security policy • Security procedures • Physical Security & Patrols • Alarm system (Head Office) • Surveillance cameras (Head Office) • Pipeline inspections • Replacing the current perimeter fence with stronger one to deter tempering
SO2: Manage financial affairs to meet current and future obligations	SR01: Revenue under-collection & Reduced tariff approval and one major customer	<ul style="list-style-type: none"> • Service Level Agreements • Political/Administrative interventions • Legal recourse • Business rescue by Executive Authority • Tariff calculation methodology in relation to the guidelines by regulatory stakeholders

BUSINESS PLAN

Objectives	Risks	Risk Mitigation
		<ul style="list-style-type: none"> Planned and phasing out under-recovery Consultation with stakeholders (circular 23)
<p>SO1: Plan, develop, operate and maintain infrastructure to ensure sustainable water service delivery.</p> <p>SO3: Securing the supply and quality of raw water</p>	<p>SR05: Existing infrastructure not meeting the future water demand</p> <p>SR07: Deteriorating and Ageing Water Infrastructure</p>	<ul style="list-style-type: none"> Implementation of Reconciliation Study interventions Asset Condition Assessment Annual Winter and Continuous Maintenance Business Continuity Management Programme 5- year CAPEX Programme compiled and reviewed on annual basis Continuous Project Prioritisation in line with available resources Continuous engagement with DHSWS and other key stakeholders to assist with funding of key infrastructure expansion projects. The Entity to implement tight operational Cost reduction exercise to prioritize Key Projects were practical or possible

Business Continuity Management

Bloem Water operates in a sector that is volatile and susceptible to market and macro environment unpredictability. These uncertainties require effective methods to improve the organizational resilience to unforeseen events such as political unrest, epidemics, pandemics, infrastructure failure, natural disasters and etc.

To combat the impact such uncertainties might have on water supply service delivery, the Board views business continuity management as one of the imperative governance instruments in ensuring continuation of critical business processes during and following disruptive incident. The Business Continuity Management Policy becomes a tool where the Board sets out Bloem Water's commitment to

BUSINESS PLAN

business continuity management programme. The policy is augmented by the Business Continuity Management Framework which incorporates Emergency Response and Crisis Management, Business Continuity Management Strategy and Business Continuity Plans.

Business Continuity Management Structure

In accordance with international good practices, the Entity's Management carries out and discharge their legal, moral and regulatory accountabilities and responsibilities, even in the event of a disaster. A sound management structure has been developed to steer and respond to BCM requirements that may emerge from the Entity's business processes. The BCM management structure is depicted below which highlights the roles and responsibilities in terms of the Policy.

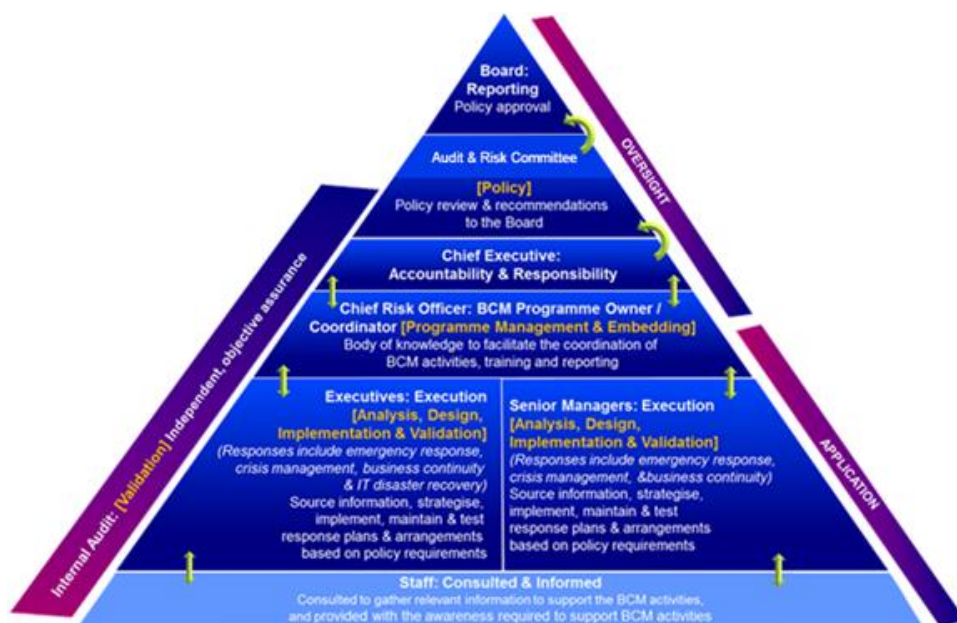


Figure 1: Business Continuity Management Structure

Liability

Bloem Water has no significant liabilities and there are none foreseen in the near future.

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Contingent Liabilities

Bloem Water is involved in a number of pending arbitrations matters of which the most significant is the dispute on tariffs by the Mangaung Metropolitan Municipality. No liability has been recognised in the Financial Statements where Management is of the view that the existence of the possible obligations will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of Bloem Water.

Supply Risk

The raw water quality has not been consistent over the past few years and it is expected that major deviations will occur in the forthcoming years due to global warming. The Entity continues to invest in infrastructure to be able to meet the current and forecasted demand. The Entity has aligned itself to improve maintenance of infrastructure and put measures in place to respond to breakdown of supply.

Financial Risk

The Entity is sensitive to the non-payment risk and has instituted action towards the non-paying clients. This is the major factor in the efficient and effective management of the Entity's operations. The liquidity risk of the Entity has increased as the default in payment by major clients' impacts on the operations. The risk exposure has increased due to continued non-payment by Mangaung Metropolitan and Kopanong Local Municipalities.

The investment risk will increase during the next few years for existing operations as there is an increase in requirements for new capital infrastructure. The demand for water will also play a major role in the decision-making process. It will be affected by the limitations placed on borrowing limits and ratios set by National Treasury as well as the approval of the future borrowing limits.

20.2 Fraud Prevention

The Board acknowledges that fraud and corruption remains a threat to public trust and confidence, henceforth it has set the right tone for the prevention and management thereof at Bloem Water by ensuring that the Entity operates in accordance with an approved Anti-Fraud and Corruption policy and strategy.

The Entity has put in place an Ethics Hotline which is independently managed by Vuvuzela Hotline Pty (Ltd) to facilitate anonymous reporting. Awareness campaigns and training workshops are annually held with all employees.

21. OTHER KEY PERFORMANCE INDICATORS

Following the development of a Strategic Plan by the Board, Management translated the goals into activities and targets as set out in the Operational Plan. The Corporate Plan targets have been aligned to the compulsory 19 KPIs in Appendix 1 to the Shareholder Compact (Refer to **Annexure C**). Progress against these targets is reported at monthly and quarterly meetings.

Other Supporting Plans

Bloem Water has a comprehensive overall planning framework in place and confirms that it includes, but is not limited to, the following Plans. Copies of the individual Plans will be made available to the Shareholder on request:

- Employment Equity Plan
- Communication Plan
- Marketing Plan
- Risk Management Committee Charter
- Risk Management Policy
- Compliance Policy
- Regulatory Compliance Framework
- Employee Wellness Plan

In terms of National Treasury Practice Note 4, Section 52 and Treasury Regulation 28.3, a copy of the following Plans are attached as:

- | | |
|--|-------------------|
| • Materiality & Significance Framework | Annexure A |
| • Fraud Prevention Plan | Annexure B |
| • Annual Performance Report | Annexure C |
| • 5-Year targets – SHC aligned | Annexure D |

BUSINESS PLAN

22. DECLARATION

Subject to the exceptions listed below, the Directors of **BLOEM WATER** hereby **CONFIRM AND VERIFY THAT:**

1. The Water Board has taken all reasonable steps to comply with all legislation that it is subject to including, but not limited to:

- Income Tax Act, Act 58 of 1962;
- Occupational Health & Safety Act, Act 85 of 1995;
- Compensation for Occupational Injuries and Diseases Act, Act 130 of 1993;
- Labour Relations Act, Act 65 of 1995;
- Basic Conditions of Employment Act, Act 75 of 1997;
- Skills Development Act, Act 97 of 1998;
- Employment Equity Act, Act 55 of 1998;
- Skills Development Levies Act, Act 9 of 1999;
- Unemployment Insurance Act, Act 63 of 2001;
- Unemployment Insurance Contributions Act, Act 4 of 2002;
- Preferential Procurement Policy Framework Act, Act 5 of 2000;
- Access to Information Act, Act 2 of 2000;
- National Environmental Management Act, Act 107 of 1997;
- National Water Act, Act 36 of 1998;
- Water Services Act, Act 108 of 1997;
- Public Finance Management Act, Act 29 of 1999;
- The Broad Based Black Economic Empowerment Act, Act 53 of 2003;
- S9 Regulations of the Water Services Act: "Norms and standards for water services"
- S10 Regulations of the Water Services Act: "Norms and standards for water tariffs", and

2. That all significant activities, including other activities, are included in the Business Plan.

- Undisclosed, commercially sensitive information will not significantly affect viability, any projections or any information disclosed.

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3. All revenue owing to the Water Board has been collected or, steps have been taken in accordance with the appropriate Credit Control Policies.

EXCEPTIONS

NOT APPLICABLE

Signed on this 30 day of April 2021 at BLOEMFONTEIN



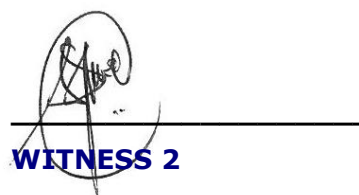
Dr L Moorosi
Chief Executive



Mr TB Phitsane
Chairperson of the Board of Bloem Water



WITNESS 1



WITNESS 2

30 April 2021
DATE

BUSINESS PLAN

ADOPTION BY THE BOARD

This Business Plan was submitted to the Board of Bloem Water on 30 April 2021.



Dr L Moorosi
Chief Executive

30 April 2021
Date



Mr TB Phitsane
Chairperson of the Board of Bloem Water

30 April 2021
Date

ANNEXURE A

DOCUMENT TITLE
FRAMEWORK FOR MATERIALITY AND SIGNIFICANCE

PURPOSE
To establish a framework of acceptable levels of materiality and significance for Bloem Water per the guideline issued by the Accounting Standards Board and Treasury regulations

APPROVAL SIGNATURE RECORD			
Reviewer Name	Title	Signature	Date
Document Developer	CFO		
Document Administrator			
Accepted by EXCO	CEO		
Approved by Board	Chairman		

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1. OBJECTIVE

To list the levels of materiality and significance acceptable to the Board of Bloem Water in line with guidelines issued by the Accounting Standards Board and Treasury Regulations.

2. RESPONSIBILITY FOR PROCEDURE MAINTENANCE

The Chief Financial Officer is responsible for the updating and maintenance of this procedure.

3. FRAMEWORK

3.1. Background

Preparers of financial statements are continually making decisions about what information to include in the financial statements. They need to identify information necessary to meet the objective of financial reporting by making appropriate judgements and decisions about materiality. The concept of materiality means that only information that is relevant to the users should be in the financial statements

3.1.1 Per the Treasury Regulations:

- **Section 28.1.5:** the accounting authority must develop and agree a framework of acceptable levels of materiality and significance with the relevant executive authority in consultation with the Auditors.
- **Section 28.2.1:** the Annual Report of public entities shall detail the materiality/significance framework applied during the financial year.
- **Section 29.1.1:** the Corporate Plan must include a section as a materiality/significance framework.
- **Section 30.1.3:** the Strategic Plan must include the materiality/significance framework

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3.1.2 The Public Finance Management Act 1999, as amended, Sections 50(1)(c), 54(2) and 55(2)(b) stipulates regulation relating to the development of the framework for **materiality/significance**.

3.1.3 The term “material” is defined in the Standard of GRAP on Presentation of Financial Statements (GRAP 1) as follows:

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the Financial Statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Characteristics of materiality

Assessing materiality involves judgement about: (a) How information could reasonably be expected to influence the discharge of accountability by an entity or decisions that the users make on the basis of those financial statements.

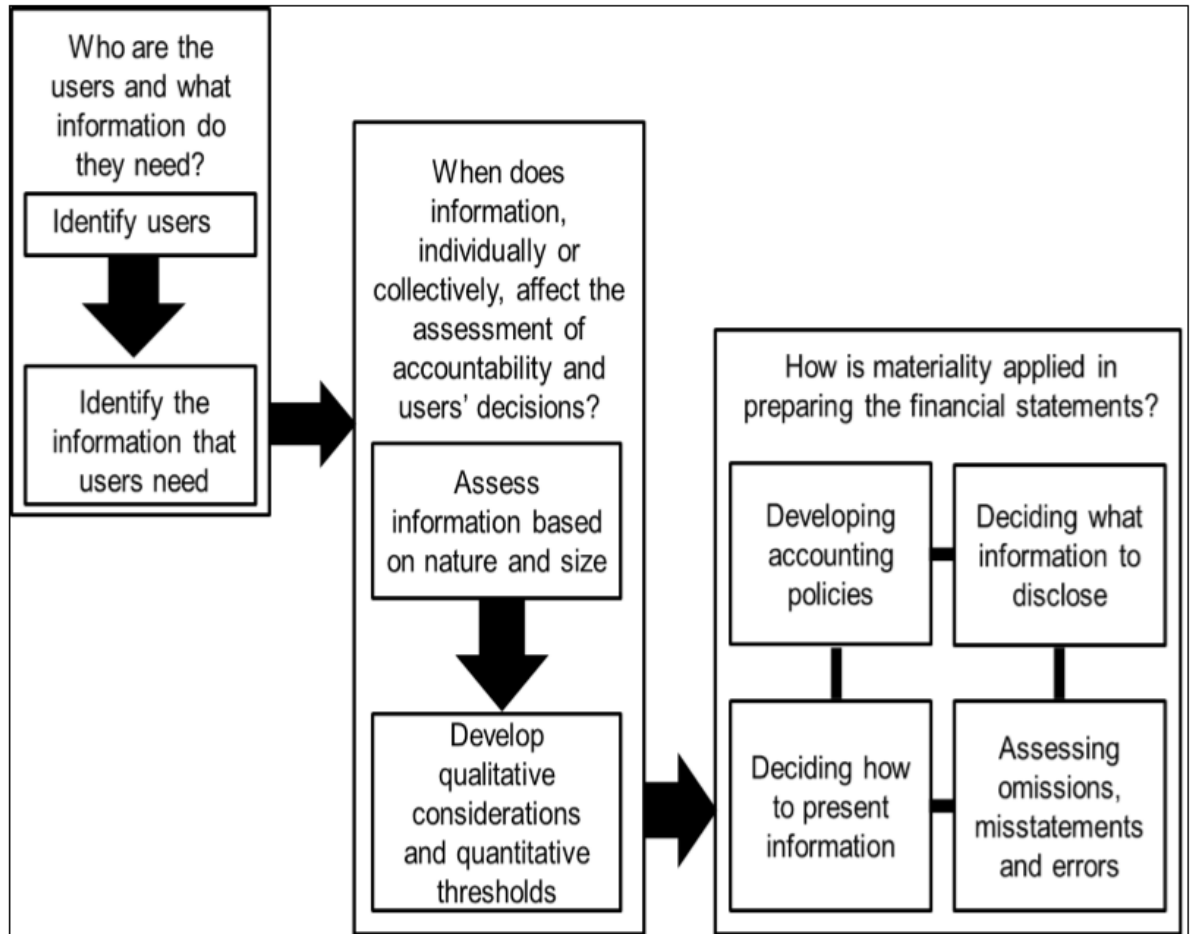
(b) How the nature or size or both, of the information could reasonably be expected to influence users’ decisions.

Role of materiality in the Financial Statements

Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the entity.

Diagram 1: Key assessments and decisions in considering materiality:

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Determinants of materiality

Nature

The nature of an item refers to its inherent characteristics or the circumstances in which the item was undertaken. Examples of characteristics that may make an item material include:

- Legality, sensitivity, frequency and potential consequences of the item
- Transactions or events giving rise to the item
- Account balances and disclosure notes affected

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Size

Size refers to the monetary value of the item recognised in the Financial Statements.

The most common quantitative thresholds are determined by applying a percentage to an appropriate benchmark. In such cases, the quantitative threshold is defined as a percentage of the chosen benchmark.

When determining the appropriate benchmarks, entities should consider their specific circumstances as well as the following factors:

- Whether to base the benchmark on the elements of the financial statements (for example, assets, liabilities, net assets, revenue, or expenses)?
- Whether items exist on which the attention of the users of the entity's financial statements tends to be focused (for example, for the purpose of evaluating financial performance, users may tend to focus on surplus or deficit for the period, revenue, or net assets)?
- What is the nature of the entity's operations (for example, what drives cost, where the entity is in its life cycle and the cluster and economic environment in which the entity operates)?
- What is the entity's funding structure (for example, how it is financed through fees charged for goods and services, transfers from government or donor funding)?
- Whether the benchmark is relatively volatile (for example, when surplus or deficit for the period is volatile, other benchmarks such as total revenue may be more appropriate)?

3.1.4 It must also be noted, that due to the fact that this framework will govern the reporting or not of specific items in the Annual Report, that the materiality and significance levels may not be higher than that of the external Auditors. The reason for this being that all items that are considered material by the Auditors will have a large probability of being reported in the Annual Report or the Management Report for the specific financial year in any event.

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3.2 Materiality

After taking the criteria above into account, it has been assessed that an item will be material due:

- To the nature of it or size of the item
- The size will be calculated based on 1% of revenue in line with the AGSA assumptions.

Should there be any transaction covered by Section 54(2) of the Public Finance Management Act, 1999, as amended, in excess of 1% of revenue or due to the nature of the item, the Board will report thereon in the Annual Report.

4. ABBREVIATIONS

SAAS	South African Auditing Standards
ASB	Accounting Standards Board
GRAP	The Standard of Generally Recognised Accounting Practice
PFMA	Public Finance Management Act 1999, as amended

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ANTI FRAUD AND CORRUPTION

STRATEGY & PLAN



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1. INTRODUCTION

This fraud prevention plan has been developed to comply with section 27.2.1 of Treasury Regulations and to effectively manage fraud risks within Bloem Water.

Treasury Regulations states that the Accounting Officer must ensure that a risk assessment is conducted regularly to identify emerging risks of an entity. A risk management strategy, which must include a fraud prevention plan, must be used to determine the skills required of managers and staff to improve controls.

The Fraud Prevention Plan does not attempt to provide a complete approach to risk management but it forms part of the integrated approach to risk management in terms of the Public Sector Risk Management Framework and Treasury Regulations.

The board together with management is committed to maintaining an honest, open and well intentioned atmosphere within Bloem Water. Bloem Water will not tolerate fraudulent or corrupt activities, whether internal or external to the Institution, and will vigorously pursue and prosecute any parties, by all legal means available, which engage in such practices or attempt to do so. Therefore the stand point of Bloem Water is zero tolerance on fraud and corruption.

2. OBJECTIVES OF THE PLAN

The objectives of this plan are to:

- Create an environment and culture within Bloem Water where all employees and stakeholders continuously behave and adhere to the Code of ethics and Conduct.
- Create a culture which is intolerant to fraud and corruption
- Improve Accountability, efficiency and effective administration of Bloem Water
- Assist management to be aware of its responsibilities for establishing controls and procedures to prevent and detect fraud and corruption;
- Provide assurance that suspected fraudulent activities will be investigated
- Send a message that Bloem Water is committed to fight fraud and corruption.



3. DEFINITION OF FRAUD AND CORRUPTION

3.1 Fraud

In South Africa, the Common Law offence of **fraud** is defined as “the unlawful and intentional making of a misrepresentation which causes actual and or potential prejudice to another”.

In this regard, the term is used in this document in its widest possible meaning and is intended to include all aspects of economic crime and acts of dishonesty. In other words, fraud can be described as any conduct or behaviour of which a dishonest representation and/or appropriation forms an element.

The general offence of corruption is contained in Section 3 of The Prevention and Combating of Corrupt Activities Act. This section provides that any person who gives or accepts or agrees or offers to accept / receive any gratification from another person in order to influence such other person in a manner that amounts to:

- a) The illegal or unauthorised performance of such other person’s powers, duties or functions;
- b) An abuse of authority, a breach of trust, or the violation of a legal duty or a set of rules;
- c) The achievement of an unjustified result; or
- d) Any other unauthorised or improper inducement to do or not to do anything is guilty of the offence of Corruption.

3.2 Corruption

Corruption in its wider meaning, and as referred to in this document, includes any conduct or behaviour where a person accepts, agrees or offers any gratification for him/her or for another person where the purpose is to act dishonestly or illegally. Such behaviour also includes the misuse of material or information, abuse of a position of authority or a breach of trust or violation of duty.



4. FORMS OF CORRUPTION

4.1. Bribery

Bribery involves the promise, offering or giving of a benefit that improperly affects the actions or decisions of public servants.

4.2. Embezzlement

This involves theft of resources by persons who control such resources.

4.3. Fraud

Any conduct or behaviour of which a dishonest representation and/or appropriation forms an element.

4.4. Extortion

Coercion of a person or entity to provide a benefit to a public servant, another person or an entity, in exchange for acting (or failing to act) in a particular manner.

4.5. Abuse of power

The use by an employee of his or her vested authority to improperly benefit another employee, person or entity (or using vested authority to improperly discriminate against another employee, person or entity).

4.6. Conflict of interest

The failure by an employee to act or to consciously fail to act on a matter where the employee has an interest or another person or entity that has some form of relationship with the employee has an interest.

4.7. Abuse of privileged information

This involves the use, by a public servant of privileged information and knowledge that a public servant possesses as a result of his/ her office to provide unfair advantage to another person or entity to obtain a benefit.

4.8. Favouritism

The provision of services or resources according to personal affiliation.



4.9. Nepotism

An official ensuring that family members are appointed to positions or that family members receive contracts from the entity, is regarded as nepotism.

These manifestations are by no means exhaustive as corruption appears in many forms and it is virtually impossible to list all of these.

5. HOW FRAUD WILL OCCUR

5.1 Three types fraud occurrences:

5.1.1 Internal Fraud: This is fraud perpetrated by individuals inside the company and is most often carried out by staff members that have access to moveable or liquid assets. It is likely that the risk of fraud and its scale will increase if the member of staff is able to conceal the irregularities by also having access to accounting records. It may be opportunistic, though it may also be planned and committed over a long period.

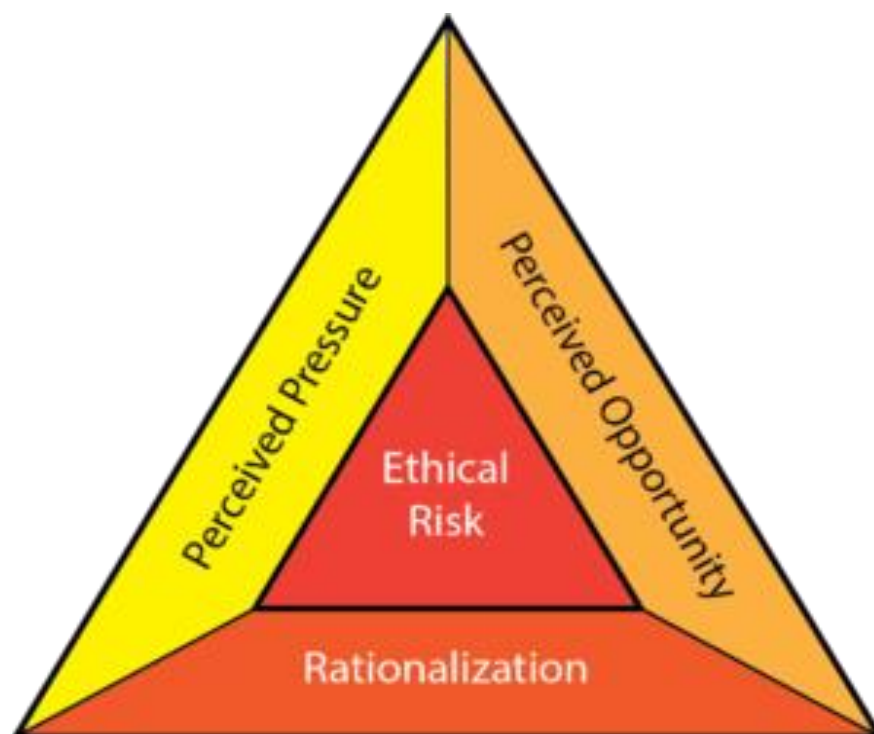
5.1.2 External Fraud: This is fraud, which is perpetrated by individuals outside the company and covers activities such as burglary, theft, deception and computer hacking by external parties. It is very often systematic and continuous, stemming from the inherent problem of safeguarding some type of systems against attack.

5.1.3 Collusion: This type of fraud involves two or more parties, either both internal and external working together. This type of fraud can be difficult to detect, as controls may at first appear to be working satisfactory.

5.2 Fraud Triangle

The Fraud triangle is a framework designed to explain the reasoning behind an employee's decision to commit workplace fraud. The three stages, categorised by the effect on the individual, can be summarised as pressure, opportunity and rationalisation.

There are three key elements that have to be present for fraud to occur:



5.2.1 Perceived Pressure: This is the motive or incentive for employees to misappropriate cash or other organizational assets.

The following could be some of the root causes of this stage:

- Financial needs
- Indebtedness
- Drug addiction
- Demanding relationships
- Maintenance of status in society



- Greed
- Frustration with work
- Unachievable expectations

5.2.2 Perceived Opportunity: This is the ability to commit fraud. It is possible when employees have access to assets and information that allows them to both commit and conceal fraud. It is created by weak internal controls, poor management oversight, failure to establish adequate procedures to detect fraud and use of one's position and authority. After the need has arisen from an individual / group of individuals to pursue, different angles are evaluated to find a way in which opportunity may arise and use it. These opportunities are within the environment within which the individual operates. It may be because of weak controls or misuse of power within the company. Opportunities could be exploited by officials working with:

- Personal Data;
- Sensitive Information;
- Kickbacks;
- Unrecorded Leave taken;
- Allowances;
- Possible Employment;



5.2.3 Rationalization: Rationalization involves a person reconciling his/her behaviour with the commonly accepted notions of decency and trust. Rationalisation can be reduced by promoting a strong sense of ethical behaviour amongst employees and creating a positive work environment. Fraudsters usually justify their actions, by using the some of the following statements;

- No one will notice;
- Nobody noticed it last time;
- No one cares about it;
- Nothing will happen if I am caught;
- I will repay /return it before anyone notices;
- Everybody does it;
- I am underpaid;
- It's Payback time.

6. VALUES

Bloem Water has values that portray a specific conduct that employees are encouraged to conform to, with a view of promoting specific organisational culture. These values include integrity, fairness, accountability, confidentiality, openness and honesty. All officials should promote and support these values by leadership and example. A clear statement of commitment of ethical behaviour throughout Bloem Water is outlined in the Code of Ethics and Code of Conduct.

The company has adopted the following values that are applied to decision making, conduct and the relationship between the company, its stakeholders and the broader society.

- Corporate Social Responsibility;
- Governance;
- Equality; and



- Responsiveness

7. FRAUD RED FLAGS/INDICATORS

Management and everyone associated with Bloem Water will also be alert to any warning signs that might indicate that fraud is taking place. These may include:

- Unusually high personnel debts;
 - Staff under stress without high workload;
 - Always working late;
 - Reluctance to take leave;
 - Refusal of promotion;
 - Unexplained wealth;
 - Sudden change of lifestyle;
 - New staff resigning quickly;
 - Cosy relationship with suppliers / contractors;
 - Suppliers / contractors who insist on dealing with one particular member of staff.
- Indicates that the company may be a target for fraudsters;
- A department that lacks competent employees;
 - No clear lines of authority and responsibilities;
 - Inadequate segregation of duties;
 - Failure to discipline violations of policies, norms and standards;
 - Too much trust placed on key employees, and
 - Inadequate background and reference checking before hiring new employees.



8. ROLES AND RESPONSIBILITIES

The following section outlines the fraud and corruption risk management responsibilities associated with different roles within Bloem Water.

8.1 Board of Directors

The board has the responsibility to ensure that management designs effective fraud risk management documentation to encourage ethical behaviour and to empower employees, customers, suppliers to insist those standards are met every day.

8.2 Chief Executive

The Chief Executive bears the ultimate responsibility for fraud and corruption risk management within Bloem Water. This includes the coordination of risk assessments, overseeing the investigation of suspected fraud and corruption, and facilitation for the reporting of such instances.

8.3 Fraud and Risk Management Committee

The role of Fraud and Risk Management Committee with regard to Fraud and Corruptions is to oversee Bloem Water's approach to fraud prevention, detection strategies and response to fraud and corruption incidents reported by employees or other external parties.

The Committee shall meet quarterly or as need arise to discuss the following issues:

- Progress made in respect of implementing the Anti-Fraud and Corruption Strategies;
- Reports received by Bloem Water regarding fraud and corruption incidents with the view to making any decision on how to handle the reported incidents/allegations and who should conduct investigations, whether internal audit, labour relations or external service provider or any other persons the Committee deem fit to conduct investigations.
- Reports on all investigations initiated and concluded.



8.4 Senior Management Commitment

- Senior management is to be committed to eradicating fraud and corruption and ensuring that Bloem Water strives to be perceived as ethical in all its dealings with the public and other interested parties.
- Under the guidance of the Chief Executive, Senior Management will ensure that it does not become complacent in dealing with fraud and corruption ;
- It will ensure Bloem Water's overall fraud and corruption strategy is reviewed and updated regularly.
- Furthermore, senior management will ensure that all employees and stakeholders are made aware of its overall anti-fraud and corruption strategies through various initiatives of awareness and training.

8.5 Employees

Employees have a role to play with regards to fraud prevention.

- All employees are responsible to be aware of the fraud and corruption risks related to their area of work.
- They should keep abreast of the standards of ethical behaviour required of them in fulfilling their duties and should comply with all policies, procedures, laws, rules and regulations.
- The organisation's exposure to fraud will be minimized through involvement and participation of all employees. Employees will be required to:
 - i) Sign, accept and abide to Bloem Water's code of conduct and ethics;
 - ii) Adhere to security measures including clocking system.
- Follow prescribed procedures in dealing with assets of the organisation.
- Alert their line manager where they believe the opportunity for fraud exists due to poor controls or lack of effective oversight.
- Employees should have a basic understanding of fraud and be aware of the red flags, report suspicious or incidences of fraud.
- Co-operate in investigations



8.6 Internal Audit

- Planning and conducting the evaluation of design and operating effectiveness of anti-fraud controls;
- Help in drawing conclusions as to the appropriateness of mitigation strategies
- Report to the Audit Committee on internal control assessments, audits, investigations and related activities.
- Advise management on the integrity of information.

9. FRAUD PREVENTION STRATEGIES

9.1 Code of conduct and Code of Ethics

9.1.1. Bloem Water has developed a Code of Ethics and Business Conduct the purpose of which is to provide a framework for identifying the conduct that is ethical and acceptable for the employees and officials of Bloem Water. Code of Ethics and Conduct set out the moral and ethical values the Company is aspiring to and to be the organisation described in the vision and mission statement.

9.1.2. Adherence to the Code of ethics and Code of Conduct by all employees in Bloem Water is non-negotiable and is the only sure way to merit the confidence of the stakeholders and the public to the organisation.

9.1.3. Bloem Water will arrange workshops to educate and create awareness on fraud and corruption, the manifestations thereof among employees. The objective of this training is to reinforce the expectations of Bloem Water with regard to their conduct and behaving ethically and with integrity.

9.1.4. Bloem Water will pursue the following additional steps to communicate the principles contained in the Code:

- a) A copy of the Code will be circulated to all employees and included in the induction packs for new employees. All employees will also be required to



sign an annual declaration serving as an indication of their understanding of, and commitment to the Code

- b) Include relevant aspects of the Code in further awareness presentations and training sessions to create awareness thereof amongst employees and other stakeholders

9.1.5. Bloem Water will create awareness on Declaration of interest policy in order to address both the acceptance and offering of business courtesies including gifts by all employees and procedures to be followed to disclose interests and any related conflicts.

9.2 Internal Controls

9.2.1. Internal controls are the first line of defence against fraud and corruption. It consists of the policies, structure, procedures, processes, tasks and other tangible and intangible factors that enable Bloem Water to respond appropriately to operational, financial, compliance or any other type of risk. An effective system will safeguard Bloem Water's assets, facilitate internal and external reporting and help the company to comply with relevant legislation.

9.2.2. Bloem Water will improve awareness and knowledge of the systems, policies and procedures amongst its employees. A clearly defined communication and training strategies to create awareness of existing and new policies and procedures in order to ensure that all employees are made aware of, and adequately trained in the implementation of policies and procedures relevant to their duties and responsibilities will be implemented, including:

- a) Provisions for all employees to acknowledge in writing that they have read the policies and procedures applicable to their duties, have undergone relevant training and/or are aware of these policies and procedures;
- b) The keeping of adequate record servings as proof that employees have been made aware of the policies and procedures relevant to their duties; and



- c) The development and distribution of a regular communiqué outlining the importance of complying with policies and procedures and the implications for employees.

9.2.3. Bloem Water is committed to developing and improving **Human Resource controls** which incorporates fraud and corruption practices summarised below:

- a) **Pre-employment screening:** Newly appointed employees will be screened as part of prevention measures, to prevent the organisation from appointing high risk candidates. Screening is a vital process of selecting the right person for the right job.
- b) **Recruitment Process:** Recruitment will be conducted in accordance with Bloem Water's Recruitment and Selection Policy. It will be a transparent process and all appointments will be confirmed only after due recommendation. Any person, involved in any decision-making process, who may have a conflict of interest, must declare such a conflict in writing to Human Resource from any further procedures.
- c) **Probation:** Compulsory probationary periods should be applicable to all full-time employees.
- d) **Employee Induction Programmes:** Employee induction creates an opportunity to introduce employees to the culture and ethos of the organisation. Bloem Water values, vision, mission, strategic goals, code of ethics and conduct will be included in induction programmes.
- e) **Obligatory Leave Periods:** An employee is obliged to take 10 consecutive leave days during every leave cycle. This will limit the risk of overworked employees and unethical conduct, fraud and corruption. It will also limit the risk of unethical individuals monopolising specific tasks.
- f) **Exit Procedures:** Exit procedures for employees leaving the organisation will generally require the return of assets and an exit interview. The return of assets if not addressed promptly, could lead to losses. Steps should be taken to ensure that specific follow-up time frames are set to encourage managers to apply this requirement more promptly. Exit interviews may help managers determine whether there are issues regarding management's integrity or information regarding conditions conducive to fraud.

9.2.4. Bloem Water has a grievance procedure which enables employees who have been unfairly or falsely accused to seek recourse. This is based on the recognition that



aggrieved employees may become malicious, thus increasing the risks of committing fraud and corruption.

9.3 Disclosure of interest

Managers and staff will be sensitized to the fact that the disclosure of any potential conflict of interest is statutorily required, and the disclosure of knowledge by any party of a potential conflict of interest entered into by another, is also statutorily required as outlined in the Declaration of Interest policy.

All Senior Managers, Managers, staff and members will be required to disclose their business interests through Declaration of Interest form on an annual basis.

9.4 Fraud Awareness

Bloem Water will use the following campaigns to promote fraud prevention awareness within:

- a) Promotional aids such as flyers and posters that indicate the organisation's stand on fraud;
- b) Promote the organisation values during orientations;
- c) Presentations to staff on fraud prevention on an ongoing basis;
- d) Making use of induction processes;
- e) Publicise Fraud Policies, Strategies and Procedures on the intranet
- f) Placement of information posters throughout Bloem Water

9.5 Delegations of Authority

Fraud is less likely to occur when individual's level of authority is commensurate with his/her level of responsibility. A misalignment between authority and responsibility in absence of control activities and segregation of duties can lead to fraud.

Bloem Water will continue to implement, review and improve delegations of authority and authority limits to ensure staff have the appropriate legal authority to exercise powers and carry out certain actions for which they are personally accountable.



9.6 Physical and Information Security

9.6.1. Physical Security

- Physical security controls or monitors access to assets including IT resources to ensure that there is no unauthorised use, modification, theft, loss or damage to assets. All assets will be held securely and access to them restricted as appropriate.
- Bloem Water will consider conducting a regular detailed review of the physical security arrangements at its offices including regions and improve weaknesses identified. Specific focus areas will be physical security over infrastructure, assets and staff.

9.6.2. Information Security

- Bloem Water will ensure that all employees are sensitized on a regular basis to the fraud and corruption of risks associated with information security and the utilisation of computer resources and ensure that systems are developed to limit the risk of manipulation of computerized data.
- Regular communiqués will be forwarded to employees pointing out security policies, with emphasis on email and internet usage and the implications of abusing these and other computer related facilities. Where employees are found to have infringed on prevailing policy in this regard, disciplinary action will be taken.
- Regular review of information security by internal audit will be considered and any weaknesses identified will be addressed.

9.7 Assessment of Fraud and Corruption risks

9.7.1. Managing the risk of fraud is the same in principle as managing any other activity risk and thus seen as a subsequent component of risk management.

9.7.2. Critical business processes or areas which pose a higher risk of fraud will be identified and evaluated. Risk per identified area or process will be identified, analysed, evaluated and prioritised based on the approved Risk Management Strategy. Where there are control deficiencies, action plans will be developed to



strengthen existing controls and introduce additional controls to reduce the residual risk to acceptable level.

10. DETECTING FRAUD AND CORRUPTION

10.1 Audit trail

This is largely a detective control, although its presence may have a deterrent effect and thus prevent a fraud. An audit trail will ensure that all transactions could be traced through a system from start to finish. In addition to allowing detection of fraud it enables the controls to be reviewed. Bloem Water will ensure that the systems to track changes on financial systems, human resource leave and payroll systems are operating effectively and efficiently.

10.2 Analytical review of fraud statistics

As part of detection mechanism, the trends of fraud activities incurred will be analysed to identify the possible weakness in processes where fraudulent activities took place. On an annual basis the Chief Risk Officer will provide a report to the Fraud and Risk Management Committee in this regard.

10.3 Internal Audit

The Internal Audit Annual Plan will be based on the results of risk assessment which will prioritise high risk areas including high Fraud and Corruption risks. Internal Audit will be expected to bring to the attention of the Audit Committee, Chief Executive and Senior Management any fraud risks, potential for occurrence and provide assurance on effectiveness on controls to mitigate them.

10.4 Whistleblowing Procedures

A whistleblower policy sets out the detailed procedures which must be followed to report incidents of fraud and or/corruption and to comply with the Protected Disclosures Act.

Management will consider establishment of a Whistle Blower hotline which can be managed by an external service provider. The hotline will be marketed to increase



awareness, making it easier to use and promoting the timely handing of all reported issues. A hotline will help prevent fraud because individuals may fear that a fraud will be discovered and reported. It will also allow the public including customers, suppliers and other stakeholders to report suspected fraud.

10.5 Data Mining- Post transaction reviews

Indicators of fraud, misconduct and error can often be found within an organisation's financial and operational data. The use of data mining / analysis techniques and tools can assist with the identification of such indicators. Bloem Water will continue to perform the following analysis technique to detect fraud:

- analysis of suspicious transactions, for example, duplicate payments or claims;
- identification of unusual relationships, for example, employee bank account matches a vendor bank account;
- Identification of irregular trends over periods of time.

11. RESPONSE TO FRAUD AND CORRUPTION

11.1 Reporting fraud and corruption: A Whistleblowing policy

Bloem Water will adopt a Whistle Blowing Procedures setting out the detailed procedure which must be followed in order to report any incidents of fraud and / or corruption. These procedures will be designed to comply with the provisions of the Protected Disclosures Act.

Any suspicion of fraud and corruption will be treated seriously and will be reviewed, analysed, and if warranted, investigated. If an employee becomes aware of a suspected fraud, corruption or any irregularity or unethical behaviour, such issues should be reported in terms of Whistle Blowing Procedures.



11.2 Investigating fraud and Corruption

- Bloem Water will adopt a policy of investigating all reports of fraud and corruption, or other improper conduct. The investigation of fraud and corruption can be a complex and, at times, technical process and employees should be aware of the consequences of a poorly conducted investigation, including:
 - i) Denial of natural justice;
 - ii) Defamation;
 - iii) Action against an employer for wrongful dismissal;
 - iv) Inadmissible or poor control over the collection of evidence; and
 - v) Destruction of physical evidence.
- To ensure that there is reasonable assurance that investigations are performed and reported properly, and recognising the limited resources within Bloem Water, external consultants (e.g. internal, external auditors or forensic accountants) may be used to provide assistance when a fraud is reported. The external consultant may be assisted by experienced personnel within Bloem Water who are sufficiently independent of the area or the matter under investigation.
- The Fraud and Risk Management Committee will have the discretion to determine the appropriate external consultants and / or Bloem Water personnel to conduct investigations.

11.3 Handling a fraud allegation

- Should a Line Manager receive an allegation of fraudulent or corrupt activity, he or she will ensure that the Chief Risk Officer is advised at the earliest opportunity.
- The Chief Risk Officer in consultation with the Chairperson of the Fraud and Risk Management Committee will convene a meeting to discuss reported matters.



- The committee will decide on the appropriate manager, internal audit or external service provider to conduct or co-ordinate an investigation into the allegations.
- Upon receipt of an allegation of a suspected fraud, the immediate concern of the manager or investigating officer should be the preservation of evidence and the containment of loss.

11.4 Documentation of the results of the investigation

The appointed investigator is to submit a written report to the Chief Executive detailing the circumstances and recommending appropriate remedial action following the investigation. The results will be presented to the Fraud and Risk Management Committee and reported to the Audit Committee.

11.5 Other matters

- The Chief Executive, in conjunction with the Chairperson of the Fraud and Risk Management Committee, will provide the details of fraud / corruption or possible fraud / corruption to the Audit Committee.
- In each instance where fraud is detected, Bloem Water will reassess the adequacy of the internal control environment (particularly those controls directly impacting on the fraud incident) and consider the need for improvements. Where improvements are required, they should be implemented as soon as practicable.

11.6 Reporting fraud to police and / or external parties

- The Chief Executive will be responsible for reporting to the police, in circumstances in which there is evidence of fraud:
 - i) An employee/learnership;
 - ii) A client of the company; or
 - iii) A supplier to the Institution.
- Reporting fraud to the police for investigation will be subject to the requirements as set out in all applicable acts.



- Any decision not to refer an allegation of fraud to the police for investigation (where there is sufficient evidence to justify making such a report) will be referred to the Audit Committee, together with the reasons for the decision.
- Responsibility for complainant statements lodged with Police will be assigned on a case by case basis by the Chief Executive in consultation with the investigator.

11.7 Recovery and other remedies

- Bloem Water will actively pursue the recovery of any money or property lost through fraud, provided there is a strong prospect of a net benefit to the Institution from such action.
- Where it is considered appropriate that the matter not be reported to the police, Bloem Water reserves its right to pursue a range of other remedies including appropriate disciplinary action. Any disciplinary action pursued will be done in accordance with the disciplinary procedures.
- Exit interviews and exit checklist procedures will be performed in the event of dismissal from the Institution for misconduct or fraud. This is necessary to ensure that factors contributing to misconduct and fraudulent activity by employees can be managed as a process to mitigate fraud risk.

12 EVALUATION OF FRAUD PREVENTION PLAN

The implementation of this fraud prevention plan will be monitored bi-annually to determine the extent to which it has been effectively discharged.

The monitoring will be performed by the Chief Risk Officer and submit to Fraud and Risk management committee for review and independently reviewed by the internal audit unit in line with the internal audit cover plan.



13 CONCLUSION

Successful fraud prevention involves creating an environment, which inhibits fraud, taking immediate and vigorous action if fraud is detected is not only necessary to prevent future losses but also helps deter other frauds. A manager who is alert to the possibility of fraud and who acts accordingly on a day-to-day basis is a powerful deterrent against fraud.

FRAUD PREVENTION IMPLEMENTATION PLAN

Activity	Output/ Outcome	Responsible	Target Date
Creating an Antifraud Environment			
Review an Anti-Fraud Policy	Anti-Fraud and Corruption Policy	Fraud and Risk Management Committee/ Chief Risk Officer / Chief Executive	Every 3 years
Review Fraud Prevention and Response Plan	Fraud Prevention and Response Plan	Fraud and Risk Management Committee/ Chief Risk Officer / Chief Executive	Annually
Publicise Fraud Policy, Prevention and Response Plan on the intranet	Fraud Awareness Culture	Fraud and Risk Management Committee/ Chief Risk Officer / Chief Executive	Annually
Monitor implementation of the fraud prevention plan	Fraud Risk Aware Culture	Fraud and Risk Management Committee / Chief Executive	Quarterly
Conduct Fraud Awareness campaigns			
The Board and CEO Zero Tolerance statements to employees	Tone set on Top by Board and Chief Executive	Chief Executive	Annually
Designing and Placement of Posters on Fraud	Fraud Aware Employees	Chief Risk Officer	Annually
Bloem Water Newsletter to include articles on Fraud and Risk Management	Fraud Aware Employees	Chief Risk Officer	Bi-annually
Internal Presentations on fraud	Fraud Aware Employees	Chief Risk Officer	Annually

2020-21 ANTI-FRAUD AND CORRUPTION STRATEGY AND RESPONSE PLAN



Activity	Output/ Outcome	Responsible	Target Date
and corruption			
Signing of the Code of Conduct by all employees	Fraud Aware Employees and knowledge of the Code of Conduct	Executive : Human Resource	Annually
Signing of Pledge for Fraud Prevention	Fraud Aware Employees	Chief Risk Officer / Chief Executive	Annually
Observe and arrange events for the International Fraud Awareness Week	Fraud Aware Employees	Chief Risk Officer and Chief Executive	Annually
Workshops on practical implications of the Code of Conduct and Ethics	Fraud Aware Employees	Executive : Human Resource	Annually
Placement of Code of Conduct visible to employees	knowledge of the Code of Conduct	Executive : Human Resource	Annually
Signing and submission of Declaration of Interest Form	Declared interest by Management	Office of the Chief Executive	Annually
Implement Fraud Risk identification as part of enterprise wide risk assessment			
Procuring the services of a Hotline Service Provider	Hotline Number	Chief Executive / Chief Risk Officer	Ongoing
Conduct exit interviews	Identified gaps in controls	Executive : Human Resource	Ongoing
Monitoring and Reporting			

2020-21 ANTI-FRAUD AND CORRUPTION STRATEGY AND RESPONSE PLAN



Activity	Output/ Outcome	Responsible	Target Date
Report on implementation of the Fraud Prevention Plan	Progress Report: Fraud Prevention Plan	Chief Executive/ Chief Risk Officer	Quarterly
Maintain a database of Cases of Fraud reported through hotline/Management to the Fraud and Risk Management Committee/Audit Committee	Reported Cases Database	Chief Executive/ Chief Risk Officer	Monthly/ Quarterly

SUBMITTED BY:

A handwritten signature in dark ink, appearing to be "N. Mkuzo", written over a horizontal line.

Mr. N. Mkuzo
Chief Risk Officer

31/07/2020

Date

APPROVED BY:

A handwritten signature in dark ink, appearing to be "L. Moorosi", written over a horizontal line.

Dr L. Moorosi
Chief Executive
Bloem Water

2020.08.07

Date

1. PERFORMANCE AGAINST PRE-DETERMINED OBJECTIVES

ANNEXURE C

Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets				Comments (Note)
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				Actual 2018/19	Target 19/20	Actual 2019/20	Target met(✓)/not met (x)	
1	Bulk potable water quality compliance	MO A OP 1 T (a) & (c) MO B OP 2 T (a)	SO2.5 SO3.4	SO3	Water quality standards met	Test results, SANS 241 Class 1: Class 2:	% compliance	99 overall average%	98%	99% Overall Average	✓	Achieved
2	Manage avoidable water losses	MO A OP 1 T (a) MO B OP 2 T (a)	SO2.2 SO2.5 SO2.6 SO2.7	SO1	Reduced avoidable water losses in treatment and distribution systems	Avoidable water lost as a percentage of water produced	%	Overall NRW 10,73% Overall water losses: 9.39%	10%	7.29%	✓	Achieved
3	Reliability of supply	MO A>G OP 1 T (a), (b) & (c) OP 2 T (a)	SO1.1 SO1.2 SO1.3	SO1	No unplanned interruptions to bulk supply exceeding 24 hours	Number of days' supply interrupted as a % of possible supply days	%	0%	2%	0%	✓	Achieved
4	Increased access to Services	MO C, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO1.2 SO1.3 SO2.6 SO3.2	SO1	Contribution to national objectives of extending services	Actual CAPEX spend on expansion related projects (initiatives by the Minister) as % of budget	%	83%	85%	80%	X	Not Achieved Refer note (1)

Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets				Comments (notes)
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				Actual 18/19	Target 19/20	Actual 19/20	Target met(✓)/not met (x)	
5	Financial reporting compliance	MO A>G	SO6.5 SO6.6	SO2	Unqualified audit report	Annual external audit	Unqualified report with no matters of emphasis (Clean Audit)	Unqualified with matter of emphasis	Unqualified with no matters of emphasis	Unqualified with matters of emphasis	X	Not achieved Refer note (2)
6	Improve key financial ratios	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO6.2 SO6.6	SO2	Improved viability and sustainability	Current Ratio	Ratio	2.88	1.3%	0.7	X	Not Achieved
						Gross profit margin % (primary activity)	%	96.09%	95.72%	96.15%	✓	Achieved
						Gross profit margin (secondary activity)	%	100%	0%	100%	✓	Achieved
						Net profit margin (primary activity)	%	26.50%	2.3%	-35.12%	X	Not Achieved
						Net profit margin (secondary activity)	%	100%	0%	100%	✓	Achieved
						Debt equity	Ratio	0.125	0.2	0.12	✓	Achieved
						Return on Assets	%	2.54%	2.79%	-34.49%	X	Not achieved
						Debtors days	Number	45.33	61.39	39.32	✓	Achieved
						Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	%	2.34%	2.05%	2.98%	✓	Achieved
						Staff remuneration as % of total operating expenditure	%	28.78%	31.6%	19.21%	✓	Achieved 3 of 10 ratios could not be achieved Refer note (3)

Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets				Comments (notes)
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				Actual 18/19	Target 19/20	Actual 19/20	Target met(✓)/not met (x)	
7	Increase BBBEE expenditure in relation to operational projects	MO E MO G	SO2.1	SO2	Spend increased and increased new entrants awarded contracts in the financial year	Spend	% increase	179%	65%	197%	✓	Achieved
						New service providers awarded work	Number	70	30	77	✓	Achieved
8	Manage costs within the approved budget		SO2.1 SO2.2 SO2.3	SO2	Actual expenditure compared with budgeted expenditure for the year	Financial reports	% increase	11.52%	10%	68.05%	X	Not achieved Refer note 4
9	Capital Expenditure Program	MO B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO1.1 SO1.2 SO1.3 SO2.2 SO4.1	SO2	Infrastructure available to meet demands	Overall project expenditure within R target	% variance	44.28%	38%	-53.60%	X	Not achieved Refer note 5
						Overall project completion dates within targets	% variance	35.71%	20%	30%	X	
10	Engagement in secondary activities	MO A, D, E & G	SO1.1 SO1.2 SO4.1	SO2	Growth in turnover from secondary (other activities)	% of total turnover	%	0.34%	0.19%	0.47%	✓	Achieved

Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets				Comments (notes)
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				Actual 18/19	Target 19/20	Actual 19/20	Target met(✓)/not met (x)	
11	Bulk supply agreements concluded with municipalities/ other customers	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO1.1 SO1.2 SO1.3 SO3.1 SO4.1	SO3	Statutory and Service Level Agreements in place	Municipalities/ Other Customers with bulk supply agreements	%	100%	100%	100%	✓	Achieved. All Statutory and Service Level agreements are in place
12	Implementation of Ministerial directives				New Ministerial directives issued are implemented on time	Progress against implementation plan	%	n/a No directives issued 18/19	100%	n/a	N/A	Not applicable. No directive issued
13	Support Rural Development				Total Number of identified rural Municipalities supported	Signed contracts, MOUs etc.	Number	11	3	11	✓	Achieved
14	Achieve statutory reporting compliance	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO3.1	SO4	All statutory reports submitted on time	Submission dates met	%	100%	100%	100%	✓	Achieved
15	Staff levels	MO E	SO6.1 SO6.2	SO4	Optimal staff retention	Staff turnover	Number	8	14	4	✓	Achieved
16	Training and Skills Development	MO E	SO6.1 SO6.2 SO6.3	SO4	Skills and capacity building	Learnerships	Number	34	20	8	X	Not Achieved due to COVID-19 Lockdown. Refer note 6
						Bursaries employees	Number	34	45	32	X	
						Graduate / skills development Programmes	Number	193	250	264	✓	Achieved
17	Jobs Created	MO E	SO6.1 SO6.2 SO6.4	SO4	Permanent and contract (direct)	Total number	Number	74	7	45	✓	Achieved

Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets				Comments (notes)
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				Actual 18/19	Target19/20	Actual 19/20	Target met(✓)/not met (x)	
					Temporary (indirect)	Total number	Number	753	450	467	✓	
18	Board Effectiveness	MO A>D	SO6.5	SO4	Improved performance of fiduciary duties/governance	Board Member attendance of all Board/committee meetings	%	83%	90%	89.84	✓	Refer note 7: Rounding up
						Decision making: % number resolutions taken by the board vs number of resolutions required	%	100%	100%	100	✓	Achieved
19	Effective Internal Controls and Risk Management	MO D	SO6.5 SO6.6	SO4	Internal audit findings dealt with	Internal audit reports	Number of repeat findings	5	5	7	X	Not Achieved Refer note 8(a)
							Number of unresolved findings	5	5	14	X	Not Achieved Refer note 8(b)
20	Good Governance	MO A>G	SO6.5 SO6.6	SO4	Improved controls and risk mitigation	Breaches of materiality and significance framework	Number	0	0	0	✓	Achieved
21	Corporate Social Responsibility Initiatives	MO E	SO6.1 SO6.2 SO6.4	SO5	Good corporate citizenship	Number of initiatives undertaken	Number	4	3	5	✓	Achieved

ANNUAL PERFORMANCE TARGET REPORT 2019/20

COVID-19 had a significant impact on the achievement of both Financial and Non-Financial targets of the Annual Performance Plan. Pre-determined objectives are agreed with the Shareholder well in advance of the commencement of a financial year. The Pandemic could neither be foreseen nor could the impact on business activities be predicted.

Macro and Market environment factors such as the Pandemic and non-payment by Municipalities also negatively affected several of the pre-determined targets. There was no opportunity to revise and/or align the set targets in response to the challenges that presented due to COVID-19. Despite the external factors, the Entity managed to achieve 67 % of its targets for the 2019/20 Financial Year.

A brief description of reasons for the non-achievement of the target performance objectives are reflected below:

1. The actual CAPEX spend on expansion related projects could not be met. Due to the contractor's construction activity that had to be closed from the 26 March 2020 to 01 July 2020 as result of the COVID -19 National lockdown and the delays due to adverse weather rainfall in January & February 2020 which affected the activities on site.
2. Unqualified audit report with matters of emphasis. Refer audit report.
3. 70% of the financial ratios were achieved whilst the other ratios were negatively affected by external factors, such as revenue generation due to restrictions that applied in response to climatic conditions. The non-payment by Municipalities continues to present a negative impact on the Entity's ability to achieve pre-determined targets. The operational cost has declined as water demand reduced due to drought conditions and restrictions whilst the fixed cost elements such as overheads and staff cost could not be proportionately reduced resulting in the ratio not being achieved. The impairment of trades receivables continues to seriously impact the achievement of ratio targets.

The current assets are seriously impacted in the Receivables from Exchange transactions due to the Impairment of Debtors due to the non-payment. the Entity is registered on the cash basis for VAT. The current liabilities are mostly impacted by the VAT obligations from the outstanding accounts payable by Municipalities. The current ratio is negatively affected by the above, hence not achieved.

The Net Profit Margin of Primary activities is seriously impacted by the Impairment of Debtors, resulting in a loss for the year and the target not achieved.

4. The Entity's ability to manage expenditure within the 10% target was again negatively impacted by the debtor situation. Insufficient cash was generated to enable the entity to continue with its planned activities in operations. The Impairment of the Debtors was conducted at year end which impacted the ratio negatively. It was prudent to manage and prioritize expenditure for sustainability purposes hence the target was not achieved.
5. The major infrastructure Capex Projects could not be implemented and were accordingly prioritized due to not having secured funds. The non-payment by Municipalities has aggravated the funding margins. The impact of the COVID-19 National Lockdown further delayed the completion of ongoing projects as the construction industry was halted for a 3-month period.

6. Training targets could not all be achieved as no training were undertaken during Quarter 4 of the financial year due to the COVID-19 National Lockdown. These trainings will be included in the training plan of 20/21. Due to COVID-19, The E-WSETA grant funding processes for learnerships were delayed and a new application date is awaited.
7. The Board attendance is considered to have been met, rounding up the attendance figure as calculated. The Board's attendance improved whilst it continued to provide good leadership, oversight and support to Management during this unusual year.
8. Repeat and unresolved audit findings: COVID-19 had a significant impact on both repeat and unresolved findings. Management was not able to implement all corrective actions; this is evident in the fact that 71% of repeat findings was reported in Quarter 4 and 57% of the unresolved findings also having been reported during this quarter. The Board engaged on the findings relating to predetermined objectives reflecting on capacity requirements to be addressed through a revised organisational structure.
 - a. COVID-19 impacted on the Entity's business which could not be attended as usual. In as much as some matters were resolved, management was not able to implement all corrective actions during the lockdown period. 4 Repeat findings were reported as moderate and 3 as significant.

Insignificant Result in negligible impact	Moderate Result in disruption of operations with no material impact on objectives achievement	Significant Result in significant impact on the achievement of strategic objectives	Catastrophic Result in loss of ability to sustain ongoing operations
0	4	3	0

- b. Although reported as unresolved, partial progress was made towards implementing corrective action. Full corrective action was negatively affected by the National Lockdown on business processes. The remaining implementation of the corrective action will be pursued during the 2020/21 financial year. 6 Unresolved findings were reported as moderate, 7 as significant and 1 as major.

Insignificant Result in negligible impact	Moderate Result in disruption of operations with no material impact on objectives achievement	Significant Result in significant impact on the achievement of strategic objectives (not more than 25% deviation)	Major Result in significant impact on the achievement of strategic objectives (more than 25% deviation)	Catastrophic Result in loss of ability to sustain ongoing operations
0	6	7	1	0

Overall enterprise-wide performance

For purposes of the Annual Performance Plan (APP) and reporting, the Entity measures performance in terms of the twenty-one (21) targets contained in the Shareholders Compact targets as agreed upfront with the Shareholder (Department of Water and Sanitation).

The Performance Management policy however further provides for a Balanced Scorecard Methodology (BSM) which is designed to translate strategy into operational objectives that drive both behavioural and performance results. This allows for the evaluation of Executives from the following strategic perspectives:

- Financial;
- Internal systems and processes;
- Customer Service; and
- Risk Management;
- Human Resources; and
- Change Management.

For the year 2019/20 the Entity achieved 67% of the annual Performance Plan targets as contained in the Shareholders Compact/Business Plan and audited by the Auditor General.

The collective performance level of Executives is audited by independent external auditors. In 2020 this audit was performed by Nexia SAB&T. The Executive strategic performance contracts contain targets which are inclusive of the annual performance plan targets and therefore represent the overall Enterprise or Corporate performance relating to key strategic objectives.

Collectively a total of 204 strategic targets were set for the year under review representing an extended measurement beyond only those targets contained in the Shareholders Compact/annual performance plan

For the 2019/20 financial year, Executives collectively achieved 77,98% of the set targets despite the challenges faced by the Entity such as non-payment by Municipalities, the impact of COVID-19 on delivering Essential Services and aging of the infrastructure. These challenges impacted adversely on the ability to achieve several targets, particularly those set in the financial perspective.

In as much as the 77,98% is a fair representation of performance during a challenging year that required extraordinary leadership, flexibility and resilience, the Entity continues to consistently seeks improved performance levels.

ANNEXURE D

BUSINESS PLAN (PERFORMANCE OBJECTIVES AND TARGETS) – SHAREHOLDER COMPACT ALIGNED

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets					Comments
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				2021/22	2022/23	2023/24	2024/25	2025/26	
Organisational Efficiency and Effectiveness	1	Bulk potable water quality compliance	MO A OP 1 T (a) & (c) MO B OP 2 T (a)	SO1.4 SO3.2	SO3	Water quality standards met	Test results, SANS 241 Class 1: Class 2:	% compliance	98%	98%	98%	98%	98%	
	2	Manage avoidable water losses	MO A OP 1 T (a) MO B OP 2 T (a)	SO1.4	SO1	Reduced avoidable water losses in treatment and distribution systems	Avoidable water lost as a percentage of water produced	%	13%	13%	13%	13%	13%	
	3	Reliability of supply	MO A>G OP 1 T (a), (b) & (c) OP 2 T (a)	SO2.2 SO2.3 SO2.4	SO1	No unplanned interruptions to bulk supply exceeding 24 hours	Number of days supply interrupted as a % of possible supply days	%	2%	2%	2%	2%	2%	
	4	Increased access to Services	MO C, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO1.2 SO2.1 SO2.2 SO2.3	SO1	Contribution to national objectives of extending services	Actual CAPEX spend on expansion related projects (initiatives by the Minister) as % of budget	%	90%	90%	90%	90%	90%	

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets					Comments
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				2021/22	2022/23	2023/24	2024/25	2025/26	
Financial Performance	5	Financial reporting compliance	MO A>G	SO4.3	SO2	Unqualified audit report	Annual external audit	Unqualified report	Unqualified report	Unqualified report	Unqualified report	Unqualified report	Unqualified report	
	6	Improve key financial ratios	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO3.3 SO4.2 SO4.3	SO2	Improved viability and sustainability	Current Ratio	Ratio	0.51	0.61	0.67	0.65	0.60	
							Gross profit margin % (primary activity)	%	95.65%	95.79%	95.93%	96.06%	96.19%	
							Gross profit margin (secondary activity)	%	0%	0%	0%	0%	0%	
							Net profit margin (primary activity)	%	6.34%	5.72%	6.43%	3.37%	3.63%	
							Net profit margin (secondary activity)	%	0%	0%	0%	0%	0%	
							Debt equity	Ratio	0.12	0.16	0.26	0.38	0.41	
							Return on Assets	%	6.63%	6.56%	7.26%	6.07%	6.39%	
							Debtors days	Number	39.41	52.22	63.68	58.88	51.83	
			MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO3.3 SO4.2 SO4.3	SO2		Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	%	3.71%	3.68%	3.48%	3.26%	3.24%	

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets					Comments
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				2021/22	2022/23	2023/24	2024/25	2025/26	
							Staff remuneration as % of total operating expenditure	%	33.83%	33.10	32.83%	31.32%	30.93%	
	7	Increase BBBEE expenditure in relation to operational projects	MO E MO G	SO3.3	SO2	Spend increased and increased new entrants awarded contracts in the financial year	% Spend	% increase	65%	65%	65%	65%	65%	
							New service providers awarded work	Number	32	32	32	32	32	
	8	Manage costs within the approved budget		SO3.3 SO4.2 SO4.3	SO2	Actual expenditure compared with budgeted expenditure for the quarter	Financial reports	% increase	+/-10%	+/-10%	+/-10%	+/-10%	+/-10%	
	9	Capital Expenditure Programme	MO B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO2.1 SO2.2 SO2.3 SO2.4	SO2	Infrastructure available to meet demands	Overall project expenditure within R target	% variance	20%	20%	20%	20%	20%	62% Year Budget expenditure
							Overall project completion dates within targets	% variance	20%	20%	20%	20%	20%	

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets					Comments
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				2021/22	2022/23	2023/24	2024/25	2025/26	
	10	Engagement in secondary activities	MO A, D, E & G	SO3.3 SO4.2 SO4.3	SO2	Growth in turnover from secondary (other activities)	% of total turnover	%	0.19%	0.18%	0.16%	0.16%	0.15%	
Customer/ Stakeholder Interaction	11	Bulk supply agreements concluded with municipalities/ other customers	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO5.2	SO3	Statutory and Service Level Agreements in place	Municipalities/ Other Customers with bulk supply agreements	%	100%	100%	100%	100%	100%	
	12	Implementation of Ministerial directives	MO D, F, G	SO2.1 SO2.2 SO2.3 SO2.4	SO4	New Ministerial directives issued are implemented on time	Progress against implementation plan	%	100%	100%	100%	100%	100%	
	13	Support Rural Development	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO3.2	SO3	Total Number of identified rural Municipalities supported	Signed contracts, MOUs etc	Number	3	3	3	3	3	
	14	Achieve statutory reporting compliance	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO4.2	SO4	All statutory reports submitted on time	Submission dates met	%	100%	100%	100%	100%	100%	

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets					Comments
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				2021/22	2022/23	2023/24	2024/25	2025/26	
Organisational Capacity	15	Staff levels	MO E	SO4.1	SO4	Optimal staff retention	Staff turnover	Number	9(2.21%)	6	8	5	5	
	16	Training and Skills Development	MO E	SO4.4	SO4	Skills and capacity building	Learnerships	Number	10	10	12	15	20	
							Bursaries employees	Number	10	10	12	12	40	
							Graduate/skills development Programmes	Number	75	150	180	200	320	
	17	Jobs Created	MO E	SO3.4	SO4	Permanent and contract (direct)	Total number	Number	18	7	9	9	12	
						Temporary (indirect)	Total number	Number	500	500	500	450	450	
General Performance	18	Board Effectiveness	MO F	SO4.3	SO4	Improved performance of fiduciary duties/ governance	Board Member attendance of all Board/ committee meetings	%	90%	90%	90%	90%	90%	
							Decision making: % number resolutions taken by the board vs number of resolutions required	%	100%	100%	100%	100%	100%	

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets					Comments
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				2021/22	2022/23	2023/24	2024/25	2025/26	
	19	Effective Internal Controls and Risk Management	MO D	SO4.2 SO4.3	SO4	Internal audit findings dealt with	Internal audit reports	Number of repeat findings	8	6	5	6	5	
								Number of unresolved findings	15	11	8	6	15	
	20	Good Governance	MO A>G	SO4.2 SO4.3	SO4	Improved controls and risk mitigation	Breaches of materiality and significance framework	Number	0	0	0	0	0	
	21	Corporate Social Responsibility Initiatives	MO E	SO2.2 SO2.3 SO2.4 SO2.5	SO5	Good corporate citizenship	Number of initiatives undertaken	Number	4	4	4	4	4	
	22	Financial management	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO3.3 SO4.2 SO4.3	SO2	Achieve Statutory compliance	Annual financial statements are prepared and submitted as per legislated requirements	Number	1	1	1	1	1	
	23	Financial Management	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO3.3 SO4.2 SO4.3	SO2	Achieve Statutory compliance	Tariff Process compliance	Number	1	1	1	1	1	
	24	Financial Management	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO3.3 SO4.2 SO4.3	SO2	Achieve Statutory compliance	Board approval process for budget	Number	1	1	1	1	1	

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets					Comments
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				2021/22	2022/23	2023/24	2024/25	2025/26	
	25	Effective functioning of internal audit	MO D	SO4.2 SO4.3	SO4	Implementati on of the approved internal audit plan	Approved internal audit plan	% impleme ntation	80%	80%	80%	85%	85%	
	26	Planned Maintenance	MO C, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO1.2 SO2.1 SO2.2 SO2.3	SO1	Achieve maintenance targets	Approved maintenance plan	% impleme ntation	75%	75%	75%	75%	75%	
	27	Condition of Key strategic assets	MO B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO2.1 SO2.2 SO2.3 SO2.4	SO2	Strategic Asset Management	Assessments performed on key assets	% action taken on assessme nts	75%	75%	75%	80%	80%	
	28	Newly commissioned infrastructure assessment	MO B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO2.1 SO2.2 SO2.3 SO2.4	SO2	Infrastructure availability to meet demand	Assessment report on newly commissioned infrastructure projects in line with the CAPEX plan	Number	1	1	1	1	1	
	29	Registration of servitudes on new projects	MO A>G	SO4.2 SO4.3	SO4	Compliance	Servitude register on new projects	% Registrati on of new servitude s not delayed	0	0	0	0	0	
	30	Verify and evaluation Board remuneration and disbursement	MO F	SO4.3	SO4	Improved fiduciary duty	Monthly verification of Board remuneration and disbursements	Number	12	12	12	12	12	

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets					Comments
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				2021/22	2022/23	2023/24	2024/25	2025/26	
	31	Improve customer/ stakeholder relations	MO F	SO4.3	SO4	Improved engagement	Number of stakeholder engagement	Number	4	4	4	4	4	
	32	Improved communication	MO F	SO4.3	SO4	Implementati on of communicati on plan	% implementation of Communication Plan	%	65%	65%	70%	70%	80%	
	33	IT Governance and compliance	MO D	SO4.2 SO4.3	SO4	Implementati on of ICT Plan	ICT Plan % implementation	%	65%	65%	70%	70%	80%	
	34	Security Services Management Plan	MO D	SO4.2 SO4.3	SO4	Implementati on of Security Plan	% implementation of Security Plan	%	65%	65%	70%	70%	80%	
	35	Improved Occupational Health and Safety	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO3.3 SO4.2 SO4.3	SO2	Medical screening Protocols implemented	% implementation of Medical Screening Protocol	%	75%	75%	80%	80%	80%	
	36	Improved organizational performance	MO F	SO4.3	SO4	Annual external audit of Strategic Performance contracts of Executives an snr Staff	Annual External audit of strategic performance contracts of Executives and Senior Managers	Number	1	1	1	1	1	
	37	Finance	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO3.3 SO4.2 SO4.3	SO2	Achieve statutory Compliance	Pension Fund Annual financial statements are prepared and submitted as per legislated requirements	Number	1	1	1	1	1	

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets					Comments
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				2021/22	2022/23	2023/24	2024/25	2025/26	
	38	Pension Fund Management statutory reporting compliance	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO3.3 SO4.2 SO4.3	SO2	All Statutory Reports submitted on time	Statutory Submission dates met	%	100%	100%	100%	100%	100%	
	39	Quarterly reports on management of strategic risks	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO3.3 SO4.2 SO4.3	SO2	Management of Strategic risks	Quarterly reports to the Board	Number	4	4	4	4	4	
	40	Risk Appetite Management	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO3.3 SO4.2 SO4.3	SO2	Strategic risks managed within the approved risk threshold	% Of Strategic risks contained within the appetite levels	%	75%	75%	75%	85%	85%	