



Magalies Water



CORPORATE PLAN

2023/24 – 2027/28

Table of Contents

Statement by the Chairperson	3
Statement by the Chief Executive	5
Official Sign Off	7
1. Magalies Water Background and Mandate	8
2. Strategic Overview	21
3. Environmental Scan	26
4. Key Performance Areas (KPAs)	37
5. Growth Strategy Response Plan	41
6. Financial Plan	46
7. Tariff Management and Consultation	59
8. Corporate Governance	61
9. Business Support	74
10. Risk Management	78
11. Materiality and Significance Framework	91
12. Fraud Prevention Plan	92
13. Contingent liabilities and other legal matters	93
14. Business Continuity Management	94
15. Stakeholder Management	95
16. Human Resources Plan	101
17. Environmental Management Plan	106
18. Greenhouse Gas Emissions and Carbon Footprint Assessments	107
19. Water Conservation and Demand Management	108
20. Corporate Social Investment	109
21. Post Integration Transition and Sustainability Plans	109
21. Key Performance Indicators and Targets	115
22. Ministerial Directives	122
23. Self - Appraisal of Performance: Mid-term 2022/23	122
24. Bank Accounts	123
25. Declaration	124
26. List of Abbreviations	125

Statement by the Chairperson

It is my pleasure to present to our Shareholder (Hon. Minister, Senzo Mchunu MP: Water and Sanitation) and to all our Stakeholders, the Magalies Water's Corporate Plan 2022/23 to be adopted for the next financial year which is also the final year of the 5 year planning cycle. We continue to adapt our business focus in line with the set developmental goals, the National Development Plan, the State of the Nation Address and the Medium Term Budget Policy Statements or any changes of the National Treasury and Department of Water and Sanitation Strategic Plans.

The entity has grown with the incorporation of former Sedibeng Water and our Corporate Plan has been crafted with the main objective of ensuring sustainability of the organisation while delivering a scarce resource required by all citizens of the Republic of South Africa. This Plan reflects on the envisaged humanitarian impact we aim to make in areas where Magalies Water services and ensure linkages to the Sustainable Development Goals (SDGs). We focus on the modernisation of access to sanitation in order to improve health, well-being and wealth of our citizens as per the National Water and Sanitation Master Plan. Magalies Water initiatives are aligned to the SDGs and the Millennium Development Goals and they address the effect of systematic barriers of socio-economic inequality, environment degradation and changes in business models due to technological advancement and the related techno-risks.

Environmental and Demographic / Socio-Economic Factors

The evident adverse impact of global warming and climate change, in some parts of the country and the hydrological / water sources systems call for innovative adaptation strategies. Scarcity of both surface and ground water is a serious business disruptor that could lead to restrictions even to Magalies Water in recognition of the water-food-energy interconnectivity.

Economic Factors: This Plan is linked to the Government's Policy position to radically transform the economy. The timing of the Policy puts the water services value-chain at a back foot as the world economic growth is sluggish. This has been evident in the recent credit downgrades. This situation is not ideal to our contribution to the Government's Fiscal and Monetary Policies and it may curtail the affordability and infrastructure related Capital Projects' funding. It ultimately distracts our course to optimally service and grow our Section 29 and Section 30 existing markets. The impact of COVID-19 to society at large needs to be considered as it strains an already volatile economic climate.

Social / Political Factors: The majority of the communities we serve reside in rural and informal settlements and are poverty-stricken as well as occupied by people with low levels of education. The mines lay-offs increase unemployment. This brings about the relationship of our business to the changing spatial patterns, population growth and political volatility. The increasing demand for water services and disruptions to our service are a key focus. In this instance, we continue to capacitate and strengthen our functions in risk and business continuity planning to respond appropriately to mission critical activities. We find comfort that our relatively young and energetic employees have revived their commitments to our Values and they have outlined a range of cultural behaviours towards re-living and reviving our consciences around the spirit of Batho Pele.

Technological factors

Water utilities across the world have already embraced principles of the fourth industrial revolution on utilisation of big data in management of their operations. The internet is a reality and the new normal as technology is viewed as one of the big disruptors to the business models of organisations. Magalies Water will continuously embrace utilisation of technology in enhancement of our Information Technology value chain. Technology enhancement will occur in the data, applications and governance areas.

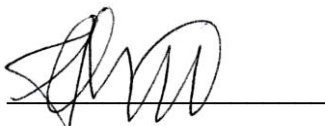
Programmes to Implement Strategy

The Magalies Water 2023/24 Corporate Plan exhibits our 5-year objectives and major enabling programmes designed along the Balanced Score Card perspectives of-

- Organisational Efficiency and Effectiveness;
- Financial and Governance;
- Customer and Stakeholder Interaction;
- Organisational Capacity; and
- General Performance.

Our Infrastructure Master Plan enable us to achieve the commitments. It guides our investment to build, refurbish, upgrade and maintain capacity for effective water demand and supply management. The latter is one of our success factor to achieve the desirable increase in market share and financial returns in line with our Strategy Growth Plan. We continue to segment our Customers and uphold tailor made engagement approaches to our critical Stakeholders, especially our Local Governments. We determine our response to water demand according to each Municipality's classification of vulnerability to delivering services to the End Users. Innovatively, we set our Treatment Systems and Laboratories consistently with the applicable norms and standards set for the quality of bulk water and treated wastewater while we research for modern ways to achieve the results.

On behalf of the Board of Directors, we look forward to another term of our Shareholder's unwavering support and guidance and the DWS drive to transform our water sector. We further confirm our accountability for the success of this Corporate Plan Review and that we have identified appropriate talented human capital to ensure we realise the ambitions of this Plan. We have confidence in our Executive Management's capability to deliver on the Magalies Water's mandate.



Dr. K.L Sebego

Chairperson of the Board

Statement by the Chief Executive

Magalies Water's Executive Management is happy to share with our Stakeholders the Corporate Plan 2023/24 that reflects our strategic "Road Map" for the 2023/24 financial year. As the Chief Executive of Magalies Water, I give assurance that the fundamentals of our strategic Corporate Plan are in harmony with the great strides and bold decisions we committed to in the previous financial years. We have incorporated the former Sedibeng Water Board North West Operations into the Corporate Plan and developed a sustainability plan with deliverables that seeks to ensure the sustainability of our organisation.

The Corporate Plan presents a renewed dedication to enhance the various management actions and processes for the sole purpose of providing excellent and satisfactory service to all our customers. The desired end-state of Magalies Water is to be a fully capacitated, high-performance organisation that keeps on improving and growing sustainably and carries out its mandate in the most efficient and effective possible manner.

This Corporate Plan critically involves the analysis of the external and internal environmental factors, which gave rise to the articulation of the selected and prioritised intensive strategic programmes for growing the organisation. We have recognised the possible impacts to our business of the renewal of the debates around the powers and functions of water service authorities, review of the mandate of the Water Boards, climate change impacts and the conversation on the fourth industrial revolution, among others that our Chairperson has outlined earlier.

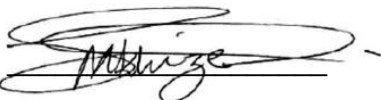
We are cognisant of the factors of uncertainties, trends and scenarios in our strategic environment. These include the following:

1. The eminent reconfiguration of Water Boards and potential impact to Magalies Water.
2. The financial impact of the former Sedibeng Water and impact thereof to Magalies Water.
3. Alignment of the increasing demand for water services in our service areas to local population growth, local economic conditions (affordability) and our commitment to extending services to all in terms of our Shareholder Compact.
4. The impact of drought conditions and pollution on input water sources.
5. The availability of modern water services technologies and their applicability to our ageing legacy assets.
6. The Department's Strategic Plans for Institutional Reform and Realignment
7. The capabilities of our Water Service Authority Clients where these may have been assessed as "Extremely Vulnerable" or "Highly Vulnerable" in the Municipal Services Strategic Assessment
8. Our impact on the environment and the effect of climate change;
9. Magalies Water's own success in operations, capital infrastructure delivery and socio-economic development.
10. The status of revenue collection of the municipalities within our area of jurisdiction.

As a result, this Corporate Plan contains our 5-year commitment to further enhance our capabilities, achieving the “desired state”, described above, across the following major programmes:

1. Plan, design and acquire water services facilities, equipment, bulk distribution capacity and enterprise capabilities within funding constraints to achieve our Mandate of primary (Section 29) activities efficiently.
2. Deliver water services that comply with required standards of water quality and reliability of supply and satisfy our customers.
3. Enhance our Section 30 functional capacity and capability to, effectively, handle the supply and demand.
4. Maintain financial sustainability within the approved Tariffs.
5. Develop or transform the Magalies Water’s Human Capital, Suppliers and Communities through embarking on initiatives for upskilling, localising employment and effectively implementing enterprise development programmes.
6. Provide efficient and effective business support to Finance, Supply Chain, Information and Communications Technology, Governance and Risk Management.
7. Engage Stakeholders (Shareholder, Customers) towards enabling appropriate level of influence to the flexibility of our operations and planning.

On behalf of the Executive Committee and Magalies Water as an organisation, be assured that we are geared to respond to the opportunities and challenges in line with our Strategy Growth Plan. This Corporate Plan is an appropriate basis to meet legislated accountabilities and simultaneously enable Magalies Water to be a “good citizen” in the communities it serves. This Corporate Plan 2023/24 is designed for success.



Mr. S.P Mkhize

Chief Executive Officer

Official Sign Off

Magalies Water held a 2-Day Strategy Session on the 15th and 16th of March 2023 on the Corporate Plan (2023/24 Review) in order to assess progress on sustainability initiatives developed and to identify shortcomings since the incorporation of the former Sedibeng Water North West Operations. The outputs of the Management Strategy Session were further interrogated for relevance to the coming financial year through the guidance of our Board Members during the Board Strategy Session held on the 28th and 29th of March 2023. The latter culminated to the Board's adoption of the format and contents of the Corporate Plan 2023/24 Review, as being submitted to the Shareholder.

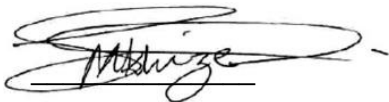
We certify that the Corporate Plan takes into account the Mandate, Policies, Legislation and other commitments for which Magalies Water is accountable. The Corporate Plan accurately reflects the strategic outcome oriented goals and objectives which Magalies Water will endeavour to achieve over the period.

Magalies Water certifies that all the information that the organisation is aware of and is significant to functioning and delivery of the Mandate, is disclosed in this Corporate Plan as required in terms of the Water Services Act (Act 108 of 1997), Public Finance Management Act (Act 1 of 1999), and other relevant legislation and associated Regulations, prescribed Guidelines and practice notes issued by the Department of Water and Sanitation (DWS) and the National Treasury.



Mr. T. Shezi

Acting Chief Financial Officer



Mr. S.P Mkhize

Chief Executive Officer



Dr. K.L Sebego

Chairperson of the Board

1. Magalies Water Background and Mandate

1.1 Background

The Board of Magalies Water was originally established by Government Notice 234 of 1969 to mainly supply the needs of platinum mines in the Rustenburg and Thabazimbi areas. At the time, it was called "Vaalkop Water Board."

This prestigious Water Board was established in terms of section 28 of the Water Services Act, (Act No 108 of 1997) and Government Business Enterprise as per Schedule 3B of the Public Finance Management Act (Act No 1 of 1999), as amended. In 1983 the company's board determined that it was accurate and appealing that the company gears into a new dimension thus name changing from Vaalkop Water Board to Magalies Water board, was one major conducive element that would hinge with the on-going company strategies. In the year 1996, after the new democratic dispensation, Magalies Water extended its water supply services to operate, maintain and supply bulk water including water retail services to the Local Municipalities such as; Moses Kotane LM, Moretele LM and other parts of Madibeng LM, as well as the City of Tshwane Metropolitan.

Subsequent negotiations with Rand Water in 1999, the company expanded the Vaalkop Treatment Plant to meet the demand of rapidly increasing water needs of the Rustenburg region. In 2003, Magalies Water board took a strategic decision to explore retail water operations and maintenance as part of its secondary obligations, following the promulgation of the Municipal Structures Act and Municipal Systems Act. This was initiated to assist municipalities to enhance water services to communities at large. The purpose of our existence is thus simple, yet powerful. We supply volumes of water and secondary services to the Water Services Authorities.

1.2 Mandate

Magalies Water's mandate is to provide water services in terms of Section 29 and ensure viable Section 30 initiatives as prescribed in the Water Services Act, (Act No 108 of 1997) which provides the mandate for water boards. In this regards our purpose is to:

- The primary activity of a Water Board is to provide water services to other water services institutions within its service area (Section 29). Raw water is obtained through various intermediaries (e.g., Dams, Mining associated sources, etc.) that are linked to two (2) major catchments of the Crocodile and the Pienaars Rivers. In terms of the new expanded mandate of Magalies Water after the disestablishment of Sedibeng Water, Magalies Water is exploring other catchment potentials as the source of raw water for the greater North West area of operation. The Water and Sanitation Infrastructure Master Plan, which is still to be formulated, will inform these raw water sources.
- Section (29) states that the primary activity of a Water Board is to provide water services to other water services institutions within its service area. Magalies Water service area covers 128 550 km² across the three (3) provinces of North West, Limpopo and Gauteng, within the major catchments of the Crocodile and the Pienaars rivers. This includes the three (3) new district municipalities from the former Sedibeng Water with catchments on the lower, middle and upper Vaal River.

- In addition to the s29 activities, Magalies Water can embark in viable S30 Activities which may include, but are not limited to:
 - Infrastructure refurbishment
 - Potable water and wastewater treatment solutions ranging from consultancy services, treatment, monitoring and operation of potable water and wastewater treatment plants
 - Rapid response on critical interventions required on water and sanitation
 - Water conservation and demand management
 - Operations and Maintenance (O&M) of bulk water supply and bulk sanitation infrastructure
 - Magalies Water Scientific Services: The SANAS 17025 accredited laboratory-offering services in chemical, environmental and microbiological analysis to the water industry.
 - Water and Sanitation Academy to provide SAQA Accredited Qualifications (NQF2 to NQF5)

The newly integrated North West areas comprise of two sub areas, namely Hartswater and Mahikeng with the regional offices situated in both Hartswater and Mahikeng/Mmabatho. The overall region is now called Far West Region.

The Hartswater area serves the Dr. Ruth Segomotsi Mompati District Municipality and the Mahikeng area serves the Ngaka Modiri Molema District Municipality. The Mahikeng area also entered into a tripartite agreement with the Department of Water and Sanitation and the Water Utility Cooperation of Botswana to operate and maintain the TSWASA Scheme.

Bulk water supply and operations and maintenance services being rendered in these municipalities are defined in the Water Services Act (No. 108 of 1997) as Section 30 activities. However, in certain areas of the now Far West Region also provides retail services.

The far west region covers a total area of 86,548 km² which is made up of 28,206 km² in the Ngaka Modiri Molema District Municipality area, 43,700 km² in the Dr. Ruth Segomotsi Mompati District Municipality and 14 642km for Dr Kenneth Kaunda District Municipality.

Magalies Water is also governed by amongst others, the following legislation:-

- The Constitution of the Republic of South Africa, 1996 [(Act 108 of 1996), Bill of rights: According to Chapter 2: Bill of Rights - the State must respect, protect, promote and fulfil the Rights of all people in our country and (must) affirm the democratic values of human dignity, equality and freedom.
- The Public Finance Management Act, 1999 [(Act 1 of 1999 as amended, PFMA)]: The PFMA classifies Magalies Water as a Schedule 3(B): National Government Business Enterprise.
- National Water Act, 1998 [(Act 36 of 1998 as amended, (NWA)] and its Regulations: provides that the National Government is the public trustee of the national water resources. Acting through the Minister of Water and Sanitation, the National Government has the power to regulate the use, flow and control of all water in the Republic. This is to ensure that water resources are protected, used, developed, conserved and managed in a sustainable and equitable manner for the benefit of all persons.

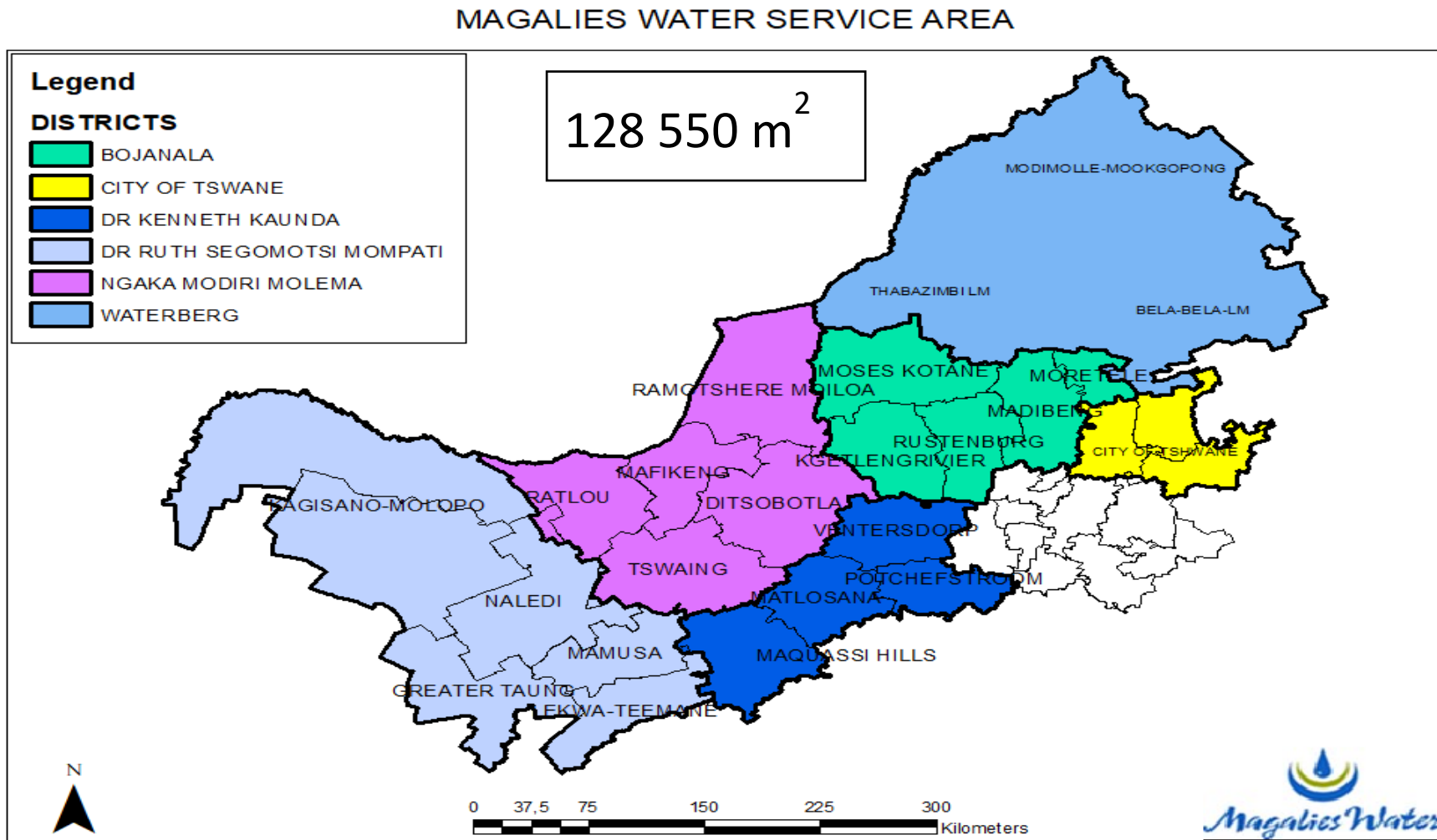
1.3 Magalies Water New Service Area

The New Service Area is illustrated in Figure 1 and has been determined by the Minister through the increase in service area in the North West and stretches over the Pienaar River and Crocodile River. Magalies Water will continue to contribute to the socio- economic development within the new Service Areas.



Magalies Water

Figure 1: Magalies Water Service Area



PREPARED BY: GIS DEPARTMENT

1.4 Magalies Water Treatment Plants (Section 29)

Magalies Water owns and operates the following Water Treatment Plants and associated Pipelines:

1. **Vaalkop Water Treatment Plant (VWTP):** has a design capacity of **270ML/day**, abstracting raw water from the Vaalkop Dam in the Crocodile River Catchment. Potable water produced from this plant is distributed to the North West and Limpopo Provinces, with a pipeline of **455.5km** in length. Below is a view of the VWTP



- 2. Klipdrift Water Treatment Plant (KWTP):** has a design capacity of **42ML/day** abstracting raw water from the Roodeplaats Dam in the Pienaar River Catchment area. Potable water produced from this Plant is supplied across Limpopo, North West and Gauteng Provinces through a **97 km** pipeline. Below is a view of the KWTP.



3. **Cullinan Water Treatment Plant (CWTP):** has a design capacity of **16ML/day**, Raw water is pumped from the Wilge River Dam which is a small impoundment on a tributary just downstream of the Bronkhorstspuit Dam. The 43km raw water line discharges into an earth dam located adjacent to the plant. The earth dam is known as the Reserve Dam. Raw water is abstracted from the reserve dam by Cullinan Diamond Mines and by the Cullinan Water Treatment Works (CWTW).



4. **Wallmannsthal Water Treatment Plant (WWTP):** has a design capacity of **12ML/day**, and abstracts raw water from the Roodeplaats Dam in the Pienaars River Catchment. Potable water produced from this plant is supplied to the City of Tshwane and some individual customers through 51.9km pipeline. Below is the view of the WWTP.



5. Scientific Services (Section 30)

Magalies Water Scientific Services laboratory facilities are fully accredited by the South African National standards (SANAS). The SANAS 17025 accredited laboratory-offering services in chemical, environmental and microbiological analysis to the water industry. Scientific Services is capacitated and capable to perform the secondary activities to enhance the process optimization as well as the development of cutting-edge technologies to address current and future water quality challenges.

Magalies Water also complies with SANS 241:2015, the South African National Standard for drinking water that specifies the requirements for potable water to be considered safe for human consumption. To ensure that the produced water is compliant to SANS 241:2015, Scientific Services develops a risk-based monitoring programme which is followed regularly and used to define the performance of Magalies Water's supply system.



1.5 Ngaka Modiri Molema District Municipality Water Treatment Works (Section 30)

WTW	Designed Capacity Ml/d	Current Volumes Produced
Mahikeng Water Treatment Works	45 Ml	25 Ml/d
Mmabatho Water Treatment Works	20Ml/d	7.2 Ml/d
Motswedi Water Treatment Works	2 Ml/d	1.6Ml/d

1.6 Tswasa Scheme (Section 30)

Magalies Water is also responsible for Tswasa Water Scheme management. The scheme provides for an allocation of 7.3 million m³ of raw water per annum to Botswana to augment water supply to Gaborone. Furthermore, the scheme also supplies about 3.44 million m³ of water per annum to irrigation farmers along the Lower Groot Marico River, and about 5 million m³ of water per annum for primary use in the Madikwe Game Reserve and the village of Molatedi. The scheme consists of the following infrastructure;

- The Molatedi Dam located on the Groot Marico River
- A balancing reservoir
- A pump station at Mooiplaats (26km downstream of the Molatedi Dam)
- A 22km feeder pipeline to the balancing reservoir and
- A 32km gravity pipeline to the Gaborone Dam in Botswana.

The Tswasa Water Scheme infrastructure belongs to the Department of Water and Sanitation; however, Magalies Water is responsible for the operation and maintenance of the Scheme.

1.7 Dr. Ruth Segomotsi Mompati District Municipality Water Treatment Works (Section 30)

WTW	Designed Capacity MI/d	Current Volumes Produced MI/d
Kgomotso	1.8 MI/d	1.5MI/d
Pudimoe Module 1	6MI/d	5MI/d Not enough raw water
Pudimoe Module 2	7MI/d	6MI/d Not enough raw water
Pudimoe Module 3	7MI/d	3MI/d Not enough raw water
Bogosing	1.2MI/d	1.2MI/d
Taug	11MI/d	11MI/d
Mamusa	4MI/d	3,5MI/d
Bloemhof WTW	14MI/d	12MI/d Plant in process of upgrading with a 10MI/day plant to supply Schweizer Renecke
Christiana WTW	8.6MI/d	6MI/d Plant needs to be upgraded/refurbished to produce more water

1.7.1 Boreholes

Local Municipality	Number of Boreholes	Electrically Connected	Diesel Driven Engines
Greater Taung LM	95	44	51
Kagisano Molopo LM	118	71	47
Grand Total	213	115	98

1.7.2 Waste Water Treatment Plants

Source	WWTW	Designed Capacity MI/d	Current Volumes Produced
Domestic Waste	Bloemhof WWTW	5.4MI/d	4.5MI/d.
Domestic Waste	Christiana WWTW	3.5 MI/d	2,5MI/d and still coping with the current influent.

1.8 Magalies Water Customers

Magalies Water provides bulk potable water to the following Water Service Authorities (Section 29 and 30 Activities):

Table 1: Key Customers: Water Service Authorities & Water Services Institutions

No.	DESCRIPTION
1.	Bela-Bela local Municipality
2.	City of Tshwane Metropolitan Municipality
3.	Modimolle- Mookgopong Local Municipality
4.	Moses Kotane Local Municipality
5.	Rand Water – Vaalkop Southern Water Supply Scheme
6.	Royal Bafokeng Administration
7.	Rustenburg Local Municipality
8.	Thabazimbi Local Municipality
9.	Moretele Local Municipality
10.	Ngaka Modiri Molema District Municipality
11.	Dr. Ruth Segomotsi Mompati District Municipality
12	Maquassi Hills Local Municipality
13	Water Utilities Corporation of the Republic of Botswana (Tswasa Water Scheme)

Table 2: Other Major Customers

#	DESCRIPTION: MINE CUSTOMERS
1.	Cullinan Diamond Mine
2.	Impala Platinum Limited
3.	Northam Platinum Limited – Northam
4.	Rustenburg Platinum Mines Limited – Amadelbult section
5.	Royal Bafokeng Resources (Rustenburg Platinum Mines)
6.	SA Ferrochrome (Pty) Ltd
7.	PPC-Dwaalboom
8.	Siyanda Bakgatla Platinum
9.	Rhino Andalusite resources
10.	Pilanesberg Platinum Mine
11.	Royal Bafokeng Resources (Bafokeng Rasimone Platinum Mine)
12.	Glencore Smelter
13.	Royal Bafokeng Resources (Maseve)
14.	Bakubung Wesizwe
15.	Limberg Mine (formerly cronimet chrome mine)
#	DESCRIPTION :OTHER CUSTOMERS
16	National Department of Public Works (Zonderwater and Baviians Prison, SANDF Wallmannsthal and South African Police Service)
17	Carousel Casino

2. Strategic Overview

Vision

To be the leading provider of quality water and sanitation services in South Africa.

Mission

To provide reliable quality bulk water, sanitation and other related services to Water Services Authorities and other users in order to positively impact the quality of life and economic growth for communities in our area of operation

Strategic Intent

The Strategic Intent is to meet our mandate of sustainable water provision through reliable provision of quality water services and contribution to the socio economic development in the service areas.

Policy Statement

The Magalies Water Board has the authority to set policies and to delegate the implementation stages to the executive committee members. The organisation uses the intranet among other platforms to store such policies within the reach of all stakeholders

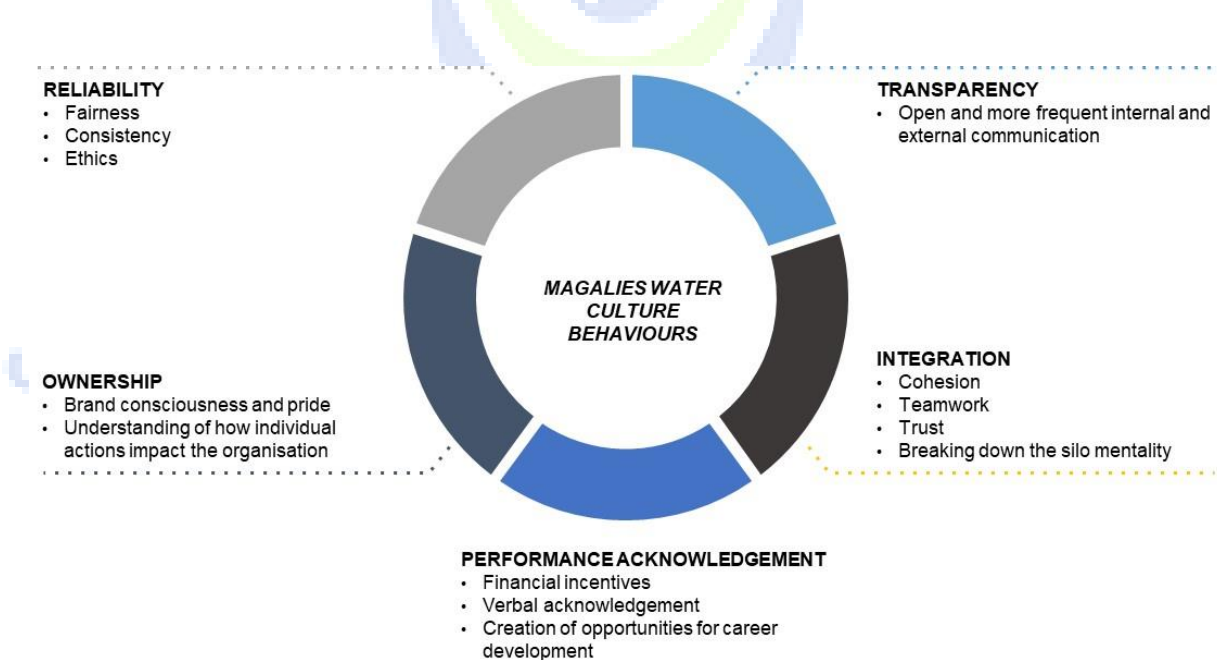
Core Values

Magalies Water is guided by its values that are used as anchor-points to establish the manner in which we approach our activities and how we relate to each other and our Stakeholders.

Figure 2: Our Values



Figure 3: Summary of Cultural Behaviours at Magalies Water



Magalies Water has committed to revive the internal communication mechanisms in order to foster trust and to ensure synergy and coherence between internally and externally disseminated information. Magalies Water continues to maintain a responsive, timeous and proactive Consumer Centric Service approach to fulfil our aspirations to excel in delivering services to customers.

The set standards and performance measures will strategically re-build the Magalies Water brand, reputation, good standing and in the medium to long term to ensure expansion of the Entity's footprint.

Strategic Objectives

Magalies Water has seven (7) strategic objectives that drive the organisational vision and mission:

Objective 1: To provide quality potable water.

Our objective is to deliver water services that exceeds the required standards for water quality, reliability and client satisfaction. This will entail effective management of plant and bulk distribution operations to deliver the required quality and quantity.

Objective 2: To provide reliable and sustainable water services to customers.

Our objective is to plan, design, maintain and deliver enhanced water and waste water treatment facilities within funding constraints. This will entail implementing a strategic asset management philosophy, robust infrastructure planning and effective implementation of our capital projects portfolio.

Objective 3: To achieve growth and sustainable financial returns.

Our objective is to achieve sustainable financial returns, value for money, effectiveness, and efficiency in resource deployment. The financial returns will facilitate the funding of our capital expenditure and growth strategy.

Objective 4: To ensure good corporate governance.

Our objective is to minimise business risk through sound governance practices.

Objective 5: To manage Customer and Stakeholder relations.

Our objective is to engage the shareholder and stakeholders to position Magalies Water as the leading supplier of quality water services.

Objective 6: To contribute towards Transformation and Developmental Agenda.

Our objective is to provide appropriate support for transformation and socio-economic development. This will entail the creation of decent employment through inclusive economic growth, development of suppliers and communities through skills development, local empowerment and enterprise development.

Objective 7: To create a high-performance organisation through effective talent management.

The objective is to attract, develop and retain the right skills for the current and future success of the organisation

Magalies Water strategy and objectives are aligned to support both the National Development Plan through the MTSF and United Nations Sustainable Development Goals. See table

Table 3: Alignment of the Government<>MTSF <>SDG Outcomes<>Magalies Water Strategic Objectives

No.	SDG Goals	Strategic Outcome Goals	MTSF Priorities	DWS Outcomes	DWS Strategic Goals	Organisational Alignment to the Strategic Objective
1	Goal 6: Ensure availability and sustainable management of water and sanitation for all	Outcome 6: An efficient, competitive and responsive economic infrastructure network	Priority 4: Consolidating the social wage through reliable and quality basic services.	➤ Water and Sanitation services managed effectively	➤ Equitable access to reliable, sustainable and acceptable water resources and water sanitation systems	➤ To provide reliable and sustainable water to customers
2	Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	Outcome 9: Responsive, accountable, effective and efficient Local Government system	Priority 5: Spatial integration, human settlements and local government			
3	Goal 13: Take urgent action to combat climate change and its impacts	Outcome 10: Environmental assets and natural resources that are well protected and continually enhanced	Priority 4: Consolidating the social wage through reliable and quality basic services.	➤ Ecological infrastructure protected and restored	➤ Enhanced and protected water as a resource across the value chain	<ul style="list-style-type: none"> ➤ To provide quality potable water ➤ To provide reliable and sustainable water to customers (Water and Wastewater treatment facilities, ISO 14001 certification for environmental management systems)

No.	SDG Goals	Strategic Outcome Goals	MTSF Priorities	DWS Outcomes	DWS Strategic Goals	Organisational Alignment to the Strategic Objective
4	Goal 10: Reduce inequality within and among countries	Outcome 12: An efficient, effective and development oriented public service and an empowered and inclusive citizenship	Priority 1: Capable, Ethical and Developmental State	➤ Efficient, effective and development orientated department	➤ An efficient, effective and development oriented water and sanitation sector	<ul style="list-style-type: none"> ➤ To achieve growth and sustainable financial returns ➤ To manage Customer and Stakeholder relations
		Outcome 5: A skilled and capable workforce to support an inclusive growth path Outcome 4: Decent employment through inclusive economic growth	Priority 3: Education, skills and health	➤ Water redistributed for transformation	<ul style="list-style-type: none"> ➤ An enhanced contribution to socio-economic development and transformation by the sector 	<ul style="list-style-type: none"> ➤ To create a high-performance organisation through effective talent management ➤ To contribute towards transformation and developmental agenda

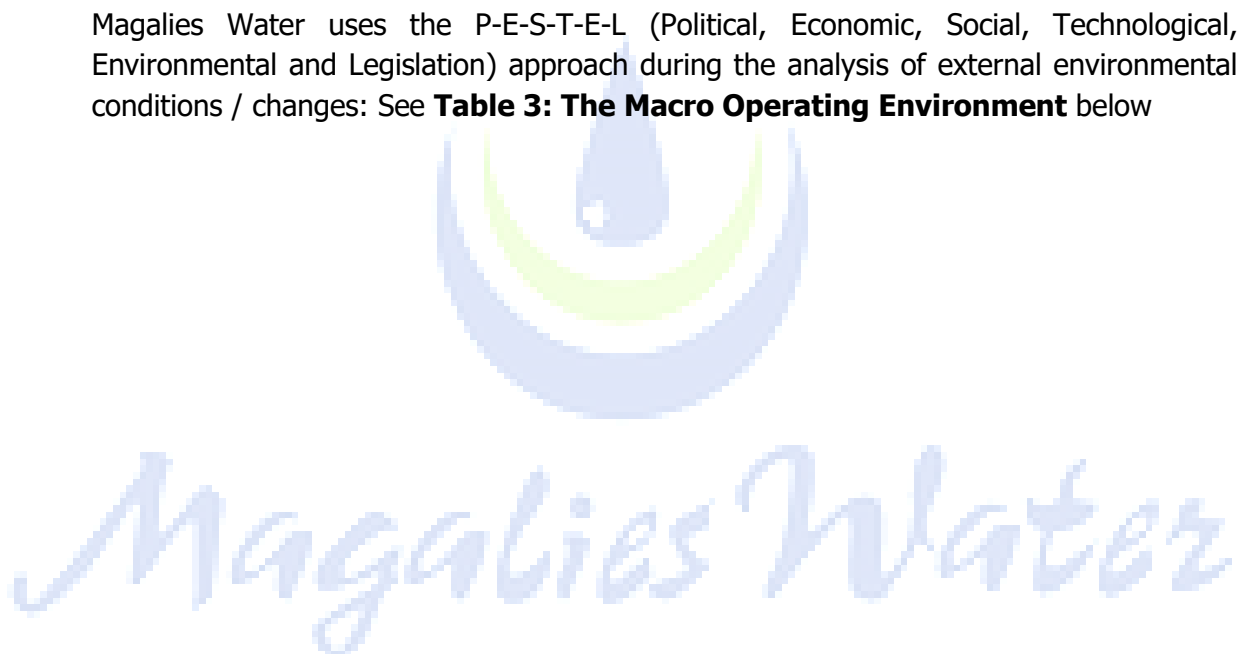
Magalies Water

3 Environmental Scan

Magalies Water continuously scans the environment to assess the external and internal factors to determine risks and key capabilities. Through Environmental Scanning strategic operating conditions confronting Magalies are described and therefore gathering Information on several variables of the environment facilitates alignment between Magalies Water's strategic plans and the operational environment in which it operates in. It is imperative for Magalies Water to understand the forces of change so to develop effective response mechanisms that could secure or improve the entity's position in the future.

3.1 External Environmental Analysis

Magalies Water uses the P-E-S-T-E-L (Political, Economic, Social, Technological, Environmental and Legislation) approach during the analysis of external environmental conditions / changes: See **Table 3: The Macro Operating Environment** below



POLITICAL

Institutional reconfiguration and re-alignment (IRR) of water boards

- Impact of asset, people and customer transfer to / from other water boards presents an uncertainty to Magalies Water operation and exposes the organisation to further vulnerability given that the process of Sedibeng Water integration that is still ongoing.
- Impact of revenue loss as a result of customers such as City of Tshwane that will move to Rand Water.

Section 25 of the Constitution of the Republic of South Africa

- Land redistribution might affect various sectors including agriculture and mining, causing disruptions or expansion of areas serviced by Magalies Water.
- Reallocation of water has not always even kept pace with the transfer of land, thus limiting the ability of recipients to be productive on the land.
- Potential clients benefiting from land redistribution might not be able to fulfil their financial obligations towards Magalies Water Board.

Political instability within Municipalities

- The municipal inefficiencies and dysfunctionality might result in Magalies Water assuming their responsibilities, thus negatively impacting on the existing operations.

Geopolitical Instability:

- War between Russia and Ukraine impacting on global supply chains, making sourcing of raw materials and spares more difficult as well as increasing logistics costs.
- Service delivery affected by extended lead times of imported spares and raw material shortages.

Post-Section 100 intervention impact

- Indirect impact from municipalities served by MW as a result of instability within those municipalities.

Political changes following ruling party elective conference and the upcoming national elections.

- Policy uncertainty in light of sweeping reforms currently underway in the sector.
- Continuity of initiatives such as the joint Steering Committee of the Province and Minister of Water and Sanitation to address water and sanitation challenges across the province e.g., Ditsobotla, Naledi, Madibeng, Ramotshere Moiloa, etc.
- Delays in implementation of key programs.



ECONOMIC

Unemployment Rate

- Unemployment rate is very high within the area where Magalies Water operates which poses a risk of a poor economic profile for the municipalities.
- Magalies water will face a huge receivables balance that is uncollectable due to the integration with Sedibeng Water.

Slow GDP growth

- The South African economy is showing signs of economic recovery, the World Economic Outlook has projected real GDP growth rate of 1.2% in 2023 against the backdrop of poor global growth.
- The current economic growth levels exceeded market expectation and averted a risk of a recession, however insufficient for economic activity stimulation.

Post-Covid economic recovery

- Increasing demand for water and sanitation services will have a positive impact on revenue, but also place added pressure on service delivery requirements.

US Recession

- A US recession will have a negative impact on capital inflows into South Africa, which will place further strain on the economic growth and could lead to higher interest rates.

Increase in Cost of Living

- South African is facing an unprecedented cost of living crisis driven by rising inflation 7.4% (Aug '22) versus 5, 7% (Jan '22). Key amongst the drivers for the sharp inflation rate increase are high energy prices (fuel and electricity), high food prices and an aggressive interest-rate hiking cycle.
- The already depressed household's ability to pay for basic utilities will be diminished resulting in more pressure on municipal revenue. This in turn will result in worsening municipalities' ability to service Magalies Water obligations.

High Labour Costs

- The cost of labour is increasing the fixed cost of the production of water.

Increase in fuel prices

- The cost of water treatment and distribution operation is increasing emanating from the effects of war between Russia & Ukraine on fuel prices.
- Higher fuel prices place upward pressure on the cost of water treatment and distribution.

Rising Electricity tariffs

- There has been an extraordinary increase in the price of power subsequently this will greatly increase production costs.
- The water treatment and distribution process entirely depend heavily on electricity.
- Load shedding is causing volatility on the ability to supply.
- Use of alternative sources of energy i.e. solar should be considered.

Cost of raw untreated water

- The cost of raw untreated water is increasing.

Exchange rate volatility

- The volatility of the exchange rate has an impact on input costs such as chemicals used for water treatment.

Municipalities' ability to pay for services

- Inadequate financial management practices leading to municipalities defaulting on their payments.
- Non-payment for water services by municipalities puts pressure on Magalies Water liquidity, and the balance sheet will show a huge component of cash tied up in receivables.

SOCIAL

Indigent Customers

- The high unemployment rate increases the size of the indigent register for local municipalities that are serviced by Magalies Water.
- Municipalities have a constitutional obligation to provide free basic services.
- Most municipalities do not have accurate and complete indigent registers which usually gives rise to high costs of provision of water as a free basic service and a skewed picture of revenue collection for Magalies Water.

Infrastructure vandalism

- High unemployment rate provides a breeding ground for criminal activities.
- Magalies water faces vandalism and theft of property from criminal elements in the area.
- General decline in civil morality leading to increased incidence of damaging public infrastructure.

Spatial Patterns

- Changing spatial patterns, economic and population growth in the service areas provide Magalies Water with an opportunity to grow its business.
- Required infrastructure upgrade and expansion to address the demand and progressively reach areas that do not have access to water services may be limited by financial pressure emanating from the integration.

Corporate Citizenship

- The social profiling of Magalies Water should show a firm dedication to address social ills such as youth unemployment and poverty eradication.
- Initiatives that show a positive corporate social responsibility will impact positively on the organisational reputation.
- Magalies water can promote awareness on the efficient use of water and awareness of employment areas within the water sector.

TECHNOLOGY

Water Processing and Smart Detection Technology

- Magalies Water will benefit from technology advances to improve efficiency and optimise costs.

4IR and Big Data

- Improved predictive analytics, demand and supply planning leveraging on big data.
- Leveraging on IOT Solutions for efficient water management

Asset Maintenance

- Magalies Water can benefit from real time monitoring technologies to improve the quality and cost of maintenance.
- New technologies will also assist the water board with minimising water losses from the water network.
- Municipalities can also adopt these technologies to minimise water losses and to improve operational efficiency.



ENVIRONMENT

Climate Change

- Climate change poses risks that emanate from drought or floods that might cause significant damage to infrastructure. These have a direct correlation to water quality and availability.

Raw Water Quality

LEGAL

Raw Water allocation

- The de-establishment of Sedibeng might warrant an increased raw water allocation from the DWS.

Blue Drop Status

- Inability to maintain the Blue Drop status will adversely affect the Magalies Water reputational profile.

Water Services Act

- The reviewed process of the legislation means that the entity has to be acquainted with all the changes and how those changes warrant new compliance requirements.

South African National Standards

- Magalies Water must comply with the SANS Standards to avoid penalties.

Legal disputes

- Legal disputes will have a negative impact on Magalies Water's reputation, operations and budget.
- The water board has been facing water pollution which results in higher treatment costs, additional water treatment processes and higher demand for chemicals used to attain acceptable potable water quality.

Raw Water Tariff

- The tariff for raw water is not cost reflective

Chemicals

- The river water contamination levels mean that more chemicals are needed to produce potable water that complies with quality standards.

Environmental, Social, and Governance (ESG) standards

- There is rising pressure from investors for mandatory reporting on ESGs across multiple sectors, including water. Water utilities must develop plans to deal with challenges such as quality, pollution control, and water access equity and water availability.
- Water utilities, globally struggle with their ESG priorities despite mounting pressure from investors and advocacy groups for a mandatory reporting framework that allows meaningful evaluation and comparison of ESG practices and impact.
- In addition, customers in a range of industries are demanding that providers accelerate ESG compliance for them meet their own ESG targets and corporate sustainability.

Green Drop requirements

- Non-compliance of effluent at points of discharge.

The environmental analysis revealed the following:

1. Economic and population growth in our service area presents Magalies Water with an opportunity to grow the business and infrastructure to address the increasing demand and progressively reach areas that do not have access to water and sanitation services.
2. There is increasing availability of modern water services technologies globally and in South Africa.
3. There is an ongoing increase in opportunities to render Secondary services specifically in the newly acquired Far West Areas.
4. Policy positions by the Government present opportunities for Magalies Water to position itself to be relevant in achievement of Governments service delivery mandate.



Magalies Water

3.2 Internal Environmental Analysis (SWOT Analysis)

The table below provides the contrasting and overlapping nature of the **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats (S-W-O-T Self-Analysis).

Table 4: Strengths, Weaknesses, Opportunities and Threats Matrix

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> • Distinctive skills in the treatment of both wastewater and bulk water. • Highly competent staff with an orientation towards innovation and knowledge management. • An effective governance board and decision support systems. • Capability to respond to changing spatial patterns, population growth, urbanization, and rising service need as detected by the Growth Response Plan. • SANAS accredited laboratories. • Highly committed stakeholders (stable relations between employer and labour union). • Expanded capital infrastructure base due to merging with Sedibeng Water for both water treatment and distribution. • Certified Environmental Management System (ISO 14001) for sound management practises 	<ul style="list-style-type: none"> • Value chain augmentation through technology, artificial intelligence and big data approach (i.e., improvement of 4IR best practices & smart metering). • Increased catchment area due to Institutional Reforms and Realignment process (i.e. Expansion of boundaries of Magalies to include Sedibeng water). • . Enhancement of overall cyber protection for Magalies Water • Improvement of groundwater operations through inclusion of rural areas. – (salinity, operational costs for remote areas). • Increasing availability of water data for innovation, research & development activities. • To participate in municipal planning processes (IDP Formulation) and add value to water infrastructure management and resource coordination. • Expand the implementation of agent projects (i.e., water tanker services) and expansion to other service sectors such as mining. • Implement skill preservation strategies with the youth as drivers of organisational sustainability. • To promote sustainable water, use through full involvement of all stakeholders who can ensure decisions are made and actions taken at the lowest appropriate level.

WEAKNESSES	THREATS
<ul style="list-style-type: none"> • Inability to raise adequate funding for implementation of capital expansion projects. • Growing overdue debt emanating from inadequate collection. • Aging and unreliable critical infrastructure for water treatment and distribution. • Plant capacity constraints due to increased demand. • Non-cost reflective water pricing frameworks. • Lack of economic incentives for efficient water use and environmentally sustainable practices. • Long lead time to renew vehicle and ICT licenses. • Fit for purpose organisational structure not in place post integration. • Rapid growth of staff complement, leading to a high ratio of staff cost to revenue. • Insufficient office space and parking at Head Office. • Change management processes not in place. • Inadequate implementation, configuration and integration of SAP system. • Manual input of financial information into monthly reporting. • Inadequate IT infrastructure - network availability and internal communication tools, particularly 4IR resources in the newly established MW area of supply. • Poor communication response to water service interruptions. • Data cleansing, salary discrepancy 	<ul style="list-style-type: none"> • Over-reliance on ground water sources in the newly acquired service area with variable water quality and quantity. • High levels of pollution from water contamination which leads to poor quality of raw water. • Reputational damage due to reliance on infrastructure owned by third parties in Section 30 operations. • Poor enforcement of regulations on the management of water resources. • High vulnerability to physical attacks, vandalism and theft. • Community interference in SCM and Finance processes. • Rapid increase in demand, placing pressure on operations. • Water supply interruptions. • High water losses due to illegal water connections and unauthorised water usage. • Instability of electrical supply and loadshedding. • Potential loss of business due to poor service standards and non-adherence to Customer Charter. • Delays in concluding Bulk Water Supply Agreements. • Poor customer service turnaround due to dependencies outside the organisation's control. • Litigation emanating from unavailability of records (former Sedibeng). • Poorly funded post-merger transition. • Legacy issues emanating from Sedibeng Water integration. • NARSA and POPIA non-compliance • Infrastructure Agency impact

The outcome of the analysis demonstrates that there are opportunities that Magalies Water is well-positioned to exploit based on their strong technical capabilities, relationships and capacity. However, there are threats that are outside of our control that will need Magalies Water to monitor closely in order to mitigate the impact on our business. The residual risk matrix below, outlines the risk rating as well as mitigating actions against those risk

Table 5: SWOT Residual Risk Matrix

The table below shows a SWOT Residual Risk Matrix for Magalies Water aligned to the Strategic Risk Register. It also shows the risk mitigation initiatives.

Aspect	Description	Risk Description	Residual Risk	Mitigation Plan as per Strategic Risk Register
Threat	Increase in demand from the newly acquired customers from Sedibeng Water	Liquidity risk –Inability to pay financial obligations of the entity.	Critical	<ul style="list-style-type: none"> Political Intervention Engagement with DWS regarding funding.
Threat	Long outstanding debt emanating from in adequate implementation of the credit policy	Escalating Debt Book	Critical	<ul style="list-style-type: none"> Adherence and enforce debt recovery strategy for customers (Sec30 and small customers). Enforcement of Bulk water supply agreements. The signing of contracts and/ SLA with all customers from the newly acquired areas.
Weakness	Difficulty in revenue collection and inadequate debt management practises			
Weakness	Inadequate funding to implement the growth response plan	Inability to sustain and grow the business	Critical	<ul style="list-style-type: none"> Application for borrowing limits processes with National Treasury (through adherence to implementation process undertaken by DBSA & GTAC) Implement of the debt collection policy/strategy Review the current Investment strategy

Aspect	Description	Risk Description	Residual Risk	Mitigation Plan as per Strategic Risk Register
Threat	High levels of pollution from water contamination which leads to poor quality of raw water	Deterioration of raw water quality	Critical	<ul style="list-style-type: none"> • Conduct annual an assessment of the impact of raw water quality (partner with external party for consultation with DWS) • Continuous engagement with DWS on quality challenges affecting the raw water. • Continuous monitoring and control of dam and abstraction levels.
Weakness	Over-reliance on groundwater sources in the newly acquired service area, with variable water quality and quantity	Insufficient raw water quantity	High	<ul style="list-style-type: none"> • Take over operations and maintenance of canal- DWS • Engage DWS to maintain flow into the canal by controlling algae growth. • Request budget for controlling and managing the algae growth
Threat	Potential loss of business due to poor service standards and non-adherence to Customer Charter	Erosion of reputation	High	<ul style="list-style-type: none"> • Implementation and monitoring of the Marketing & Branding strategy and the Media Policy and strategy • Develop, implement, and monitor the communication procedure. • Implementation of the stakeholder and Integrated Marketing and Communications plans and monitoring
Threat	High vulnerability to physical attacks	Security breaches and incidents	High	<ul style="list-style-type: none"> • Review the security procedure and implementation all the detailed activities. • Conduct bi-annual security training and awareness. • Maintenance of existing electrical fences and security equipment in all sites

Aspect	Description	Risk Description	Residual Risk	Mitigation Plan as per Strategic Risk Register
Strength	Highly competent staff with an orientation towards innovation and knowledge management	Failure to maintain and retain critical and core skills	High	<ul style="list-style-type: none"> • Full implementation of the retention strategy • Review and/ workshops on all HR policies • Implement flexible remote working arrangements
Threat	High levels of pollution from water contamination which leads to poor quality of raw water	Supply of poor quality of potable water (Non-compliance to SANS Standards)	High	<ul style="list-style-type: none"> • Conduct raw water and catchment water quality monitoring and implementation of BCPs. • Two-hourly monitoring of treatment processes. • Weekly monitoring by Scientific Services
Threat	Lack of investment in infrastructure due to the economic crisis to upgrade water treatment plants	Failure of critical infrastructure	Moderate	<ul style="list-style-type: none"> • Conclude borrowing process with National Treasury • Review the procurement plan to include turnaround times for all projects and monitor monthly performance • Update Bulk Water Master Plan and Develop Bulk Sanitation Master Plan.
Threat	Potential loss of business due to poor service standards and non-adherence to Customer Charter	Non-compliance to legislation, regulations, and best practices	Moderate	<ul style="list-style-type: none"> • Develop the outstanding transformational policies and procedures. • Finalise the review of BBBEE status for the organisation. (Service provider was appointed). • Develop the local supplier developmental database.
Strength	An effective governance board and decision support systems	Inadequate corporate governance practices	Moderate	<ul style="list-style-type: none"> • Minister to finalize appointment of permanent Board • Enhance implementation the combined assurance Plan and report quarterly to the relevant committees (RMC, ARC and the Board.) • Establish ethics forums and conduct awareness on organisational culture and ethical conduct

Magalies Water's response to the outcomes of the internal environmental analysis is through the implementation of the following Key Action Plans:

1. To prioritise increased volumes of potable water and extend services in terms of the Capital Expansion Masterplan.
2. Improve Research and Development capabilities.
3. Enhance capabilities to perform Section 30 Activities.
4. Enhance capability to borrow against the strength of Cash Flows.
5. Pay particular attention to threats posed by the natural environment.
6. The development of a comprehensive strategy on climate change

The risk management process provides another layer of the tools we use to mitigate the impacts of the risks actually materialising.



Magalies Water

4. Key Performance Areas (KPA's)

4.1 Water Quality Compliance

Magalies Water's key performance area is to provide water that is safe for consumption and has acceptable health risk that meets SANS 241:2015 Drinking Water Standards.

The major planned activities to ensure achievement of this KPA includes:

- Conduct water treatment works technical processes audit.
- Implementation of recommendations based on the outcomes of the technical process audit of each plant.
- Address identified process constraints.
- Train and retrain process controllers.
- Installation of online monitoring analysers.
- Research and development – development and implementation of recommended solutions.
- Implementation of the all-risk base monitoring programme.

4.2 Management of Average Water Losses

Magalies Water's key performance area is to keep Water Losses below 5% at plants.

The major planned activities to ensure achievement of this KPA includes:

- Pressure monitoring along pipelines and routine maintenance of Pressure Reducing Valves.
- Implementation of recommendations based on the outcomes of the technical process audit of each plant.
- Periodic system analysis using weekly meter readings.

4.3 Reliability of Supply

Magalies Water's key performance area is to avoid loss of services to its customers.

The major planned activities to ensure achievement of this KPA includes:

- Enhanced focus on full compliance to scheduled maintenance plans.

- Control plant losses as above.
- Maintaining reservoir levels above 60%

4.4 Financial Sustainability

Magalies Water`s key performance area is to achieve growth and financial sustainability.

The major planned activities to ensure achievement of this KPA includes:

- Capital investment strategy.
- Enhanced controls over expenditure.
- Enhance Supply Chain Management to effectively carry out “procure to pay” services.
- Continuing effective management of billing accuracy, client payment plans, cash management and credit control processes applied on a monthly basis.
- Monthly monitoring of key financial ratios.
- Manage capital expansion costs.
- Implementation of the growth strategy.
- Upgrade plant capacities to meet the growing water demand in our area of supply.
- Application for borrowing limit and sourcing funding for capital expansion

4.5 Efficiency of Capital Expenditure

Magalies Water`s key performance area is to complete capital projects on time on budget to required quality standard.

The major planned activities to ensure achievement of this KPA includes:

- Capacitation of the Project Management Unit.
- Implementation of projects within the confines of a project implementation framework and available resources.
- Review of the existing bulk water infrastructure masterplan.
- Compile a sanitation infrastructure masterplan.
- Water and Sanitation Master Plan will be conducted for the new extended area.

4.6 Avoidance of reportable Safety, Health and Environmental Incidents

Magalies Water`s key performance area is to avoid reportable health, safety and environmental incidents.

The major planned activities to ensure achievement of this KPA includes:

- Implementation of the ISO 14001 standards and maintenance of ISO certification
- Continue with implementation of ISO 45001 standard at all Magalies Water's Treatment Plants.
- Closing of all SHE audit findings.
- Improve security fencing at all Plants and posting security personnel in certain high risk sites.

4.7 Human Capital Management, ICT, BBBEE, Skills Development and Job Creation

Magalies Water's key performance area is to provide appropriate support for transformation and socio economic development in line with Outcome 4 on decent employment through inclusive economic growth.

The major planned activities to ensure achievement of this KPA includes

- Implementation of recruitment processes.
- Implementation of skills development programmes.
- Develop and implement Internship, Learnerships and Graduate programmes.
- Continuous professional development programme
- External bursary programme.
- Employment of local people on capital projects.
- Support procurement through local SMMEs.
- Strengthen procurement policy to support BBBEE Strengthen policy and governance to ensure efficient procurement in emergencies.
- Strengthen IT governance including ICT Strategy Implementation.
- Strengthen performance monitoring and management.

4.8 Stakeholder Management

Magalies Water`s key performance area is to engage the shareholder, clients and stakeholders to incorporate their appropriate influence on operations and planning.

The major planned activities to ensure achievement of this KPA includes:

- Plan and advance effective meaningful stakeholder engagements through appropriate and revised Stakeholder mapping and set objectives for engagement purposes.
- Internal preparedness and alignment with Stakeholders.
- Resilient engagements and consultation through a systematic engagement programme to facilitate development of critical relationships and building trust.
- Analysis and mitigation measures of feedback from engagement processes.
- Stakeholder engagements and exhibitions at key sector events.
- Supporting National, Provincial and Local Government initiatives and programmes.
- Development of action plans incorporating new areas, monitoring and measurement of return on investment
- Consistent communication and exhibitions that enhance branding at key sector events.

Magalies Water

5. Growth Strategy Response Plan

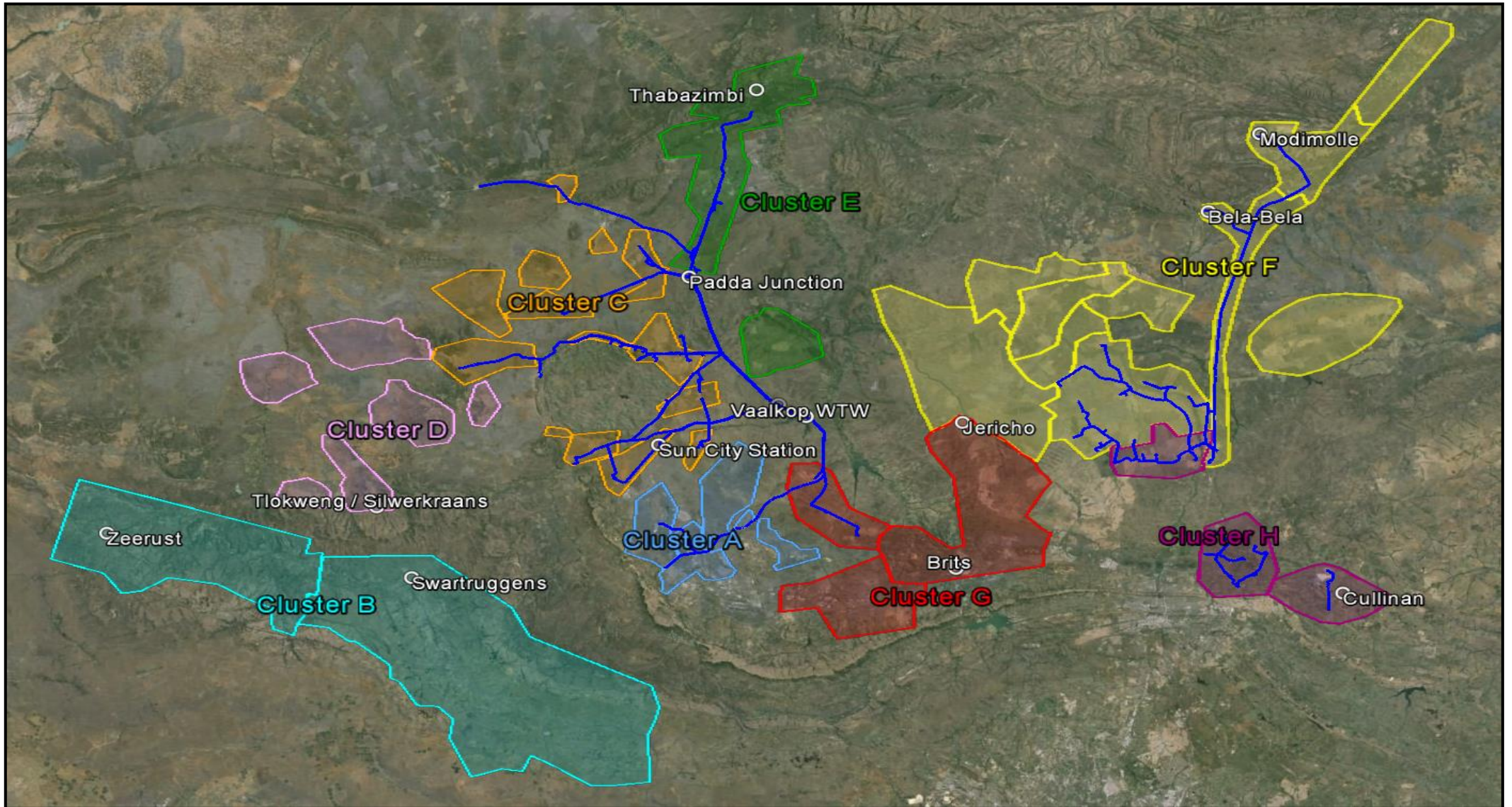
Magalies Water implements the Growth Plan initiatives from the list of 40 projects documented during 2017/18 financial year. Year-on-year, the plan is to increase the capacity and footprint of bulk infrastructure with an intention to enhance service delivery in the areas of supply and to expand the customer base in areas of supply / customers never serviced in the past. This is a direct response to the strategic challenges of water shortages and an increasing population; and to contribute to the target population numbers by our government. The scope of the projects or impact of interventions in providing solutions for water service delivery through infrastructure expansions. This will grow the asset base, revenues and profitability within the confines of the triple bottom line namely, social, environmental and financial.

A future and long term Masterplan for infrastructure expansions is in place and it serves as the Blueprint to effect envisaged capital expansions related growth.

The map below provides the demarcation of the future and long term Masterplan of infrastructure expansions cluster layout:



Figure 3: Infrastructure Expansions Cluster Layout - Future & Long Term Master Plan



Key developments in terms of the Capital Expansions Master Plan are outlined below.

1. Klipvoor Bulk Water Scheme (Cluster F and Cluster G)

This project will augment bulk water supply to the Bela-Bela and Modimolle Local Municipalities and it is envisaged that there will be supply to the Mookgopong area. The project will also extend to the Western Dr JS Moroka Local Municipality (near Rust de Winter) and supply north of the Moretele Local Municipality, currently dependent on groundwater. The concept design and viability assessments of the project have been completed and final project design is in progress.

2. Pilanesberg Bulk Water Supply Scheme (Cluster A to E)

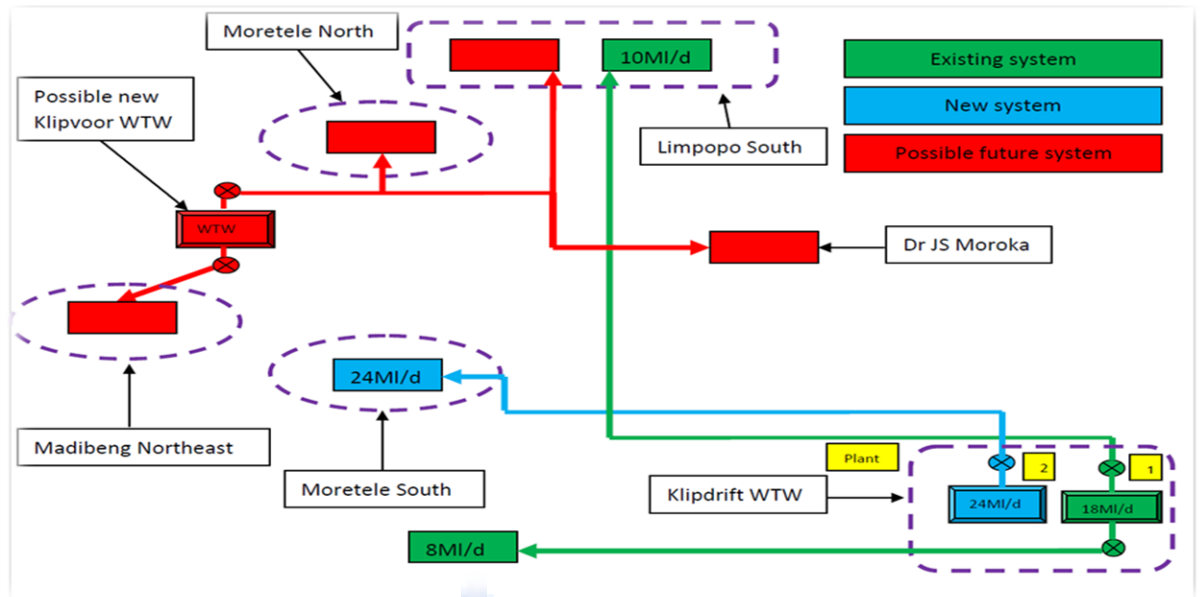
The Pilanesberg South scheme will benefit the growing demand for sustainable bulk water supply of the Moses Kotane and Rustenburg Local Municipalities, including the new mining developments in the Pilanesberg and Bakubung areas. The Northern and Southern parts of the scheme, including upgrades at the Vaalkop Water Treatment Plant have been concluded. Phase 3 of the scheme that links Mafenya reservoir to Kgetlengrivier Local Municipality will be implemented once resources have been mobilised for the execution of the project, following the completion of the implementation readiness studies which have been recently completed.

The Pilanesberg South Phase 2 scheme that links Mafenya to Tlhabane Reservoir will be implemented once funding has been made available from DWS. The IRS has been approved and detailed design are complete for the reservoir, pipeline and the pump station. Project is divided into three separate work schedules or parts. **Part 1** (Construction of the 30ML Tlhabane reservoir) is awaiting handover of the project to appointed contractor. Part 2 (Construction of pumping station at Mafenya Reservoir and rising main from Mafenya Pump Station to Tlhabane Reservoir) is undergoing procurement processes. Part 3 (Take-off pipeline off the main line to the Saron reservoir) Detailed designs are complete.

3. Moretele South Scheme (Cluster F and Cluster G)

The Moretele South Scheme comprise a 24ML/day plant and a dedicated pipeline and reservoir to cater for the needs of Moretele Local Municipality. The pipeline is under construction and is being implemented in phases due to budgetary constraints. There is also a component of construction of a reservoir which is pending budget availability. This scheme is independent of the Klipvoor Scheme and is represented in the following schematic presentation:

Figure 4: Moretele South Schematic Representation



4. Upgrades at the Klipdrift Water Treatment Plant (Cluster F and Cluster G)

Klipdrift Water Treatment Plant has been being upgraded with an additional treatment capacity of 18ML/d to meet the current demand of Moretele, Bela-Bela, and Modimolle-Mookgophong Local Municipalities to a total capacity of 42ML/d. This development includes, an improved raw water abstraction system, clear water balancing storage, Pump Station and Pipeline.

5. Upgrades of the Madikwe/Bethanie 250DN pipeline (Cluster A)

Modikwe and Bethanie area of Rustenberg experience water shortages due to increasing water demand in their respective communities. Modikwe and Bethanie reservoirs are supplied from Magalies Water through a 250mm diameter AC pipe line from the 10ML Kortbegrip reservoir which is supplied through a 500mm diameter steel pipe line from Vaalkop Water Treatment Plant. Supply to the Modikwe community is through the Modikwe reservoir and to Bethanie community is through the Bethanie reservoir. With the increased population of these areas, the water demand has subsequently increased and infrastructure upgrade is therefore required to supply more water from Magalies Water.

6. Upgrades at the Wallmannsthal Water Treatment Plant (Cluster H)

The Wallmannsthal WTW is situated about 7 km north west of the Roodeplaat Dam wall, between the left bank irrigation canal and the Pienaars River. The plant was originally designed and built for the Wallmannsthal South African Defence Force (SANDF) base, which was to be developed much larger than actually built. Currently, it is unlikely that the base will ever be extended to the original planning. However, an increase of water demand in the supply area is projected, which justifies an extension of the existing plant. The works is treating about 11 MI/day currently and

the design capacity of the existing infrastructure is 12 MI/day. Due to a projected increase of water demand and possible future deterioration of the raw water quality, it is planned to refurbish the existing works and expand the plant capacity by additional 18MI/day. The extension of Wallmannsthal WTW will thus provide a total future capacity of 30 MI/day



Magalies Water

6. Financial Plan

Magalies Water's strategic goal is to achieve growth and financial sustainability. In order to achieve growth, the organisation is applying for a borrowing limit and once borrowing limit is approved, a loan will be sourced which will be used to fund capital expenditure.

6.1 Basic Planning Assumptions

The following basic financial planning assumptions are applicable:

Table 6: Assumptions

Item	Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
Inflation (CPI)	4.50%	4.70%	5.00%	5.00%	5.00%
Salary Increases (industry)	6.00%	6.00%	6.00%	6.00%	6.00%
Salary Increases (macro-economic)	5.40%	5.60%	6.00%	6.10%	6.20%
Increase in electricity prices	18.65%	18.00%	10.00%	10.00%	10.00%
Producer Inflation (linked to increase in chemicals prices)	8.90%	4.80%	5.10%	5.10%	5.10%
Increase in raw water prices (Cullinan)	10.62%	9.80%	10.10%	10.10%	10.10%
Increase in raw water prices (Vaalkop)	0.00%	9.80%	10.10%	10.10%	10.10%
Increase in raw water prices (Klipdrift)	13.10%	9.80%	10.10%	10.10%	10.10%
Increase in raw water prices (Wallmannsthal)	8.95%	9.80%	10.10%	10.10%	10.10%

Item	Year 1 (2023/24)	Year 2 (2024/25)	Year 3 (2025/26)	Year 4 (2026/27)	Year 5 (2027/28)
Increase in raw water prices (Maquassi-Hills)	4.50%	9.80%	10.10%	10.10%	10.10%
Increase in raw water prices (Mafikeng Plant)	4.50%	9.80%	10.10%	10.10%	10.10%

The tariff for raw water is set by the Department of Water and Sanitation. The approved raw water tariff increase for the 2024 financial year is between 0% – 13, 2%.

The chemical increases are based on the volume to be treated dosage required to produce compliant quality and percentage price increase as proposed by the chemical service providers. Electricity cost is based on the projected consumption and the increase by Eskom.

Cash management and Investment Policy

Magalies Water invests surplus funds in an institution with a credit rating that has been obtained from reputable assessors. Surplus is invested for future capital needs with more than one institution wherever practical in order to limit the risk exposure of the entity.

Magalies Water

6.2 Statement of Profit or Loss and Other Comprehensive Income Projections

Table 7: Projected Profit/ Loss and Other Income

ITEM	Budget 2023/2024	Budget 2024/2025	Budget 2025/2026	Budget 2026/27	Budget 2027/28
INCOME					
WATER SALES	1 275 662 813	1 403 229 094	1 501 455 130	1 621 571 541	1 751 297 264
OTHER INCOME	399 937 203	431 932 179	462 167 432	499 140 826	539 072 092
DEFERRED INCOME	18 730 000	19 291 900	19 870 657	20 466 777	21 080 780
TOTAL INCOME	1 694 330 016	1 854 453 173	1 983 493 219	2 141 179 144	2 311 450 137
EXPENSES					
WATER PURCHASES (ALL)	259 833 552	285 816 908	308 682 260	327 203 196	350 107 420
CHEMICALS	106 953 521	116 579 337	127 071 478	134 695 767	144 124 470
ELECTRICITY	220 111 971	259 732 126	277 913 374	294 588 177	315 209 349
REMUNERATION (ALL)	534 294 215	571 694 810	611 713 447	654 533 388	700 350 725
TRANSPORT	22 268 806	23 827 622	25 495 556	27 280 245	29 189 862
MAINTENANCE	116 349 659	124 494 135	133 208 724	142 533 335	152 510 669
OPERATING EXPENSES - INDIRECT	203 665 872	217 922 483	233 177 057	249 499 451	266 964 412
TOTAL EXPENSES	1 463 477 596	1 600 067 421	1 717 261 897	1 830 333 558	1 958 456 907

ITEM	Budget 2023/2024	Budget 2024/2025	Budget 2025/2026	Budget 2026/27	Budget 2027/28
OPERATING SURPLUS BEFORE DEPRECIATION & FINANCE INCOME	230 852 420	254 385 752	266 231 322	310 845 585	352 993 229
DEPRECIATION AND IMPAIRMENT	153 164 728	163 886 259	175 358 297	187 633 378	200 767 714
PROVISION FOR BAD DEBTS	2 700 000	5 000 000	5 000 000	5 000 000	5 000 000
FINANCE COSTS	-	-	10 000 000	14 000 000	18 000 000
OPERATING SURPLUS AFTER DEPRECIATION & IMPAIRMENT	74 987 692	85 499 493	75 873 025	104 212 208	129 225 515
FINANCE INCOME (INVESTMENTS)	19 810 000	14 438 124	15 869 112	17 711 622	16 547 186
NET SURPLUS	94 797 692	99 937 616	91 742 137	121 923 830	145 772 700

Magalies Water

6.3 Statement of Financial Position Projections

Table 8: Financial Projections

Assets	2023/24	2024/25	2025/26	2026/27	2027/28
	R'000	R'000	R'000	R'000	R'000
Non-current assets	3 326 347	3 411 665	3 614 355	3 843 012	4 027 838
Property plant and equipment	2 855 728	2 964 569	3 176 805	3 463 925	3 668 436
Intangible assets	33 290	28 574	25 090	20 606	20 122
Construction work in progress	437 329	418 522	412 460	358 481	339 280
Current assets	2 401 416	2 512 107	2 428 818	2 274 357	2 246 080
Cash and cash equivalents	332 128	387 011	355 106	242 285	254 529
Inventory	50 565	52 082	53 124	52 061	50 499
Trade receivables (Water Sales)	2 000 605	2 055 621	2 004 065	1 963 984	1 924 704
Other receivables	18 117	17 393	16 523	16 027	16 348
Total assets	5 727 763	5 923 772	6 043 174	6 117 369	6 273 919
Equity and Liabilities					
Equity					
Retained income	3 010 542	3 110 480	3 202 222	3 324 146	3 469 919
Long term liabilities	742 736	877 881	853 324	825 057	793 076
Capital Contributions	236 961	232 222	227 577	223 026	218 565
Borrowings	-	150 000	140 000	126 000	108 000
Government Grant	-	-	-	-	-
Deferred Income	505 775	495 660	485 746	476 031	466 511
Current liabilities	1 974 485	1 935 411	1 987 628	1 968 166	2 010 924
Accounts payable	1 955 993	1 916 873	1 959 044	1 935 536	1 974 246
Capital Contributions	4 572	4 618	4 664	4 711	4 758
Borrowings	-	-	10 000	14 000	18 000
Government Grant	13 920	13 920	13 920	13 920	13 920
Deferred Income	1 955 993	1 916 873	1 959 044	1 935 536	1 974 246
Total equity and liabilities	5 727 763	5 923 772	6 043 174	6 117 369	6 273 919

6.4 Cash Flow Statement

Table 9: Cash Flow

	2022/23	2023/24	2024/25	2025/26	2026/27
	R'000	R'000	R'000	R'000	R'000
CASH FLOW STATEMENT					
CASH GENERATED FROM OPERATIONS					
Cash applied in operations	236 441	154 458	354 786	323 977	427 225
Add: Interest received	19 810	14 438	15 869	17 712	16 547
Less: Interest paid	-	-	(10 000)	(14 000)	(18 000)
Net operating activities	256 251	168 896	360 655	327 688	425 772
INVESTING ACTIVITIES					
Additions to assets	(226 723)	(249 204)	(378 049)	(416 290)	(385 594)
Decrease/(increase) in investments	(22 840)	(60 825)	36 495	112 775	(9 653)
Net investing activities	(249 563)	(310 029)	(341 554)	(303 515)	(395 247)
FINANCING ACTIVITIES					
Acquisition/Redemption of borrowings		150 000	-	(10 000)	(14 000)
Deferred Income	(16 143)	(14 809)	(14 511)	(14 220)	(13 934)
Net financing activities	(16 143)	135 191	(14 511)	(24 220)	(27 934)
CASH AND CASH EQUIVALENTS					
Net cash movements	(9 454)	(5 942)	4 590	(47)	2 591
Cash at the beginning	37 457	28 003	22 061	26 651	26 604
Cash at the end	28 003	22 061	26 651	26 604	29 195
NOTES TO CASH FLOW					
Cash applied in operations	236 441	154 458	354 786	323 977	427 225
Profit before tax	94 798	99 938	91 742	121 924	145 773
Adjust for:					
Movements in working capital	8 289	(94 928)	93 555	18 131	79 232
(Increase)/decrease in debtors	54 884	(54 291)	52 425	40 577	38 959
Increase/(decrease) in creditors	(40 711)	(39 120)	42 171	(23 509)	38 711
(Increase)/decrease in Inventory	(5 884)	(1 517)	(1 042)	1 062	1 562
Add: Depreciation	153 165	163 886	175 358	187 633	200 768
Add: Interest paid	-	-	10 000	14 000	18 000
Less: Interest received	19 810	14 438	15 869	17 712	16 547

6.5 Capital expenditure plan

Table 10: Capital Expenditure Plan

#	PROJECT NAME	TOTAL ESTIMATED BUDGET R'000	BFI	RBIG	MW Equity	Total
1	Component 1: Pilanesberg Phase 2 - Mafenya to Tlhabane Bulk Water Supply Project	R 1 556 658 000	R 494 033 340	R 109 300 000	R 4 500 000	R 607 833 340
2	Component 2: Pilanesberg Phase 2 - Bulk Pipeline from Padda Junction to Thabazimbi	R 636 140 000	R 11 450 520	R 0	R 0	R 11 450 520
3	Component 3: Pilanesberg Phase 2 - Bulk Pipeline from La Patrie reservoirs to Moruleng	R 426 508 000	R 10 236 192	R 0	R 0	R 10 236 192
4	Component 4: Pilanesberg Phase 2 - Bulk Pipeline from La Patrie reservoirs to Sandfontein	R 156 786 000	R 2 822 148	R 0	R 0	R 2 822 148
5	Component 5: Pilanesberg Phase 2 - Bulk Pipeline from Padda Junction to Swartklip	R 150 583 000	R 90 349 800	R 0	R 0	R 90 349 800
6	Moretele North (Klipvoor) Bulk Water Supply Scheme	R 5 178 626 000	R 692 389 000	R 0	R 2 400 000	R 694 789 000
7	Smart Metering for Magalies Water	R 20 000 000	R 0	R 0	R 7 000 000	R 7 000 000
8	Wallmansthal Plant Upgrade, Bulk Pipeline Upgrade and command reservoirs	R 387 000 000	R 0	R 0	R 7 500 000	R 7 500 000

#	PROJECT NAME	TOTAL ESTIMATED BUDGET R'000	BFI	RBIG	MW Equity	Total
9	Bethanie to Modikwe Bulk Water Supply Upgrade	R 105 000 000	R 0	R 0	R 90 000 000	R 90 000 000
10	Vaalkop Raw Water Plant Upgrade Project	R 155 000 000	R 0	R 0	R 116 250 000	R 116 250 000
11	Vaalkop Plant Upgrade - Additional 90 MI/day and upgrade of the plant process	R 1 035 000 000	R 0	R 0	R 10 000 000	R 10 000 000
12	Office Space - provision of office space for the Head Office	R 90 000 000	R 0	R 0	R 90 000 000	R 90 000 000
13	Moretele South Bulk Water Supply - Construction of 25 MI reservoir and connection to the Far West villages	R 175 000 000	R 0	R 30 338 000	R 34 300 000	R 64 638 000
14	Construction Elevated Tank in Bodirelo (1MI)	R 27 000	R 0	R 0	R 23 500 000	R 23 500 000
15	Upgrade of Bodirelo Reservoir from 3 to 15 MI	R 40 000	R 0	R 0	R 8 000 000	R 8 000 000
16	Vaalkop Chlorine Dosing System Upgrade	R 80 000	R 0	R 0	R 0	R 0
17	Mafenya to Evergreen Cathodic Protection System	R 20 000	R 0	R 0	R 4 000 000	R 4 000 000
18	Plant 2 Filter Automation	R 40 000			R 40 000 000	R 40 000 000
TOTAL		R 10 072 508 000	R 1 301 281 000	R 139 638 000	R 437 450 000	R 1 878 369 000

6.6 Financial Ratio Projections

Table 11: Financial Ratios' Projections

Item	2023/24	2024/25	2025/26	2026/27	2027/28
Gross Profit	33%	30%	31%	31%	30%
EBITDA Margin	13%	13%	13%	14%	15%
Effective Interest Rate	0%	0%	7%	10%	14%
Net Profit	6%	5%	5%	6%	6%
Working Ratio	86%	86%	87%	85%	85%
Capital Gearing Ratio	0.00	0.05	0.04	0.04	0.04
Total Debt % (Debt/Asset)	0%	3%	2%	2%	2%
Total Debt to Equity %	0%	5%	5%	4%	4%
Interest Cover Times	0.00	0.00	26.62	22.20	19.61
Current Ratio	1.2	1.3	1.2	1.2	1.1
Acid-Test Ratio	1.2	1.3	1.2	1.1	1.1
Return on Equity	3%	3%	3%	4%	4%
Return on Capital Employed	3%	3%	3%	4%	4%
Return on Total Assets	2%	2%	2%	2%	2%
Asset Turnover	0.22	0.24	0.25	0.27	0.28
Repairs and maintenance as % of Property Plant & Equipment & Investment Property	2%	3%	3%	4%	4%
Debtors Collection Days	572 days	535 days	487 days	442 days	401 days
% Staff Remuneration to revenue	32%	31%	31%	31%	30%

6.7 Statement of Financial Viability

Magalies Water will measure the financial viability performance in terms of the following key Ratios:

Return on Equity

The Return on Equity will remain solid over the planning period due to increasing profitability.

The detailed targets below informed the above graphic representation of this measurement.

Ratio/Year	2023/24	2024/25	2025/26	2026/27	2027/28
Return on Equity Ratio	3%	3%	3%	4%	4%

EBITDA Margin

The EBITDA Margin will progressively increase over the five (5) years of the planning period and as such reflecting the robustness of Magalies Water's cash generation capacity from operations.

The detailed targets below informed the above graphic representation of this measurement.

Ratio/Year	2023/24	2024/25	2025/26	2026/27	2027/28
EBITDA Margin	13%	13%	13%	14%	15%

Working Ratio

The Working Ratio will progressively decrease over the five (5) years of the planning period and as such reflecting the implementation of the existing cost control measures and improved efficiencies at the operations level.

The detailed targets below informed the above graphic representation of this measurement.

Ratio/Year	2023/24	2024/25	2025/26	2026/27	2027/28
Working Ratio	86%	86%	87%	85%	85%

Current Ratio

Magalies Water will be in a position to meet its short-term obligations over the planning period. Investments will also be brought to their optimum levels as efficiencies continue to be harvested from investments in fixed assets.

The detailed targets below informed the above graphic representation of this measurement.

– Ratio/Year	– 2023/24	– 2024/25	– 2025/26	– 2026/27	– 2027/28
– Current Ratio	– 1.2	– 1.3	– 1.2	– 1.2	– 1.1

Debt to Equity

The capital structure will be stable during 2023 to 2027 years and then progressively reduce in line with the reduction in debt levels over the planning period and as assets are utilised.

The detailed targets below informed the above graphic representation of this measurement.

– Ratio/Year	– 2023/24	– 2024/25	– 2025/26	– 2026/27	– 2027/28
- Debt/Equity Ratio	– 0%	– 5%	– 5%	– 4%	– 4%

Interest Cover Ratio

Sufficient profits and cash flows will be generated to cover costs of servicing debt.

The detailed targets below informed the above graphic representation of this measurement.

– Ratio/Year	– 2023/24	– 2024/25	– 2025/26	– 2026/27	– 2027/28
– Interest Cover Times	– 0.00	– 0.00	– 26.62	– 22.20	– 19.61

6.8 Financial Risk Management

Using the Materiality and Significance Framework, the following trends emerge:

1. Implementation of the major capital projects, including Klipvoor Scheme and Pilanesberg Bulk Water Supply Scheme will require huge capital investments and this may have an impact on the capital structures of Magalies Water.
2. The current financial resources are not sufficient to address the capital investments required to implement the projects.
3. Engagements with the DWS are essential for grant funding since the schemes will also cater for domestic demand. Engagements will take place with the economic users of the Scheme for capital contributions or payment of capital Tariffs as a measure to mitigate financial risks. Borrowings will be required to implement some components of the Scheme and require Ministerial approval.
4. The operations of Sedibeng Water in North West province have been incorporated within Magalies Water with effect from 1 August 2022. The incorporation of Sedibeng Water operations into Magalies Water poses the following financial risks to Magalies Water;
 - a. There is a need to increase the capacity of Magalies Water to provide services in extended area of operations and there is no infrastructure in some of the areas, Magalies Water need to develop infrastructure to service the entire province of North West and there is no funding for investment in infrastructure.
 - b. Magalies Water has inherited liabilities estimated to be between R1, 5 billion and R 2 billion from Sedibeng Water and there are no funds budgeted to settle these liabilities.
5. The organisation will be managing these risks by engaging customers to pay for services already provided so that there is money to settle liabilities. The organisation will also engage suppliers to lenient payment terms while in order to management liquidity problems while ensuring continued and reliable service is provided to customers. The organisation will also look for alternative sources of funding to settle liabilities, including engaging Department of Water and Sanitation to provide grant funding or financial support for management of liabilities.

6.9 Borrowing Limits and Maturity Profile of Debt

Magalies Water has not yet utilised gearing to fund its Capital Expansion Implementation Programmes. Magalies Water started with the credit rating borrowing limit application process to enable entity to utilise or increase its borrowing limits. The process encompass engagement with Development Bank of Southern Africa (DBSA) and Government Technical Advisory Centre (GTAC) to assist with the project preparation and packaging the borrowing limit application.

Once finalised, an application to obtain the borrowing approval of the Honourable Minister of Water and Sanitation and subsequently the National Treasury will follow the provisions of Section 54 of the Public Finance Management Act, 1999 (Act 1 of 1999).



Magalies Water

7. Tariff Management and Consultation

Objective: Maintain financial sustainability within approved Tariffs.

Outcome: Long-term operational and capital sustainability without Tariff shocks.

Scope: Balance sheet, income statement and cash flow management, Tariff setting, cost management and ability to fund capital expansions.

Tariffs management is in accordance with the Magalies Water's Tariff Methodology which provides the most appropriate set of guidelines to determine water prices in order to achieve social equity, water conservation and sustainability. The Tariffs Policy aims to achieve consistency, accuracy and transparency in how the Tariffs are set.

The Tariffs Policy incorporates the following principles:

1. Tariffs should be underpinned by efficiency of operations such that prices do not lead to an increase in inflation;
2. Tariffs should be set in a manner to promote economic development;
3. Tariffs should be set in a manner that takes cognisance of inequalities and attempts to bridge such gaps;
4. Customers will be consulted and adequately informed on the cost components of a Tariff to inform customer budget processes;
5. Tariffs should be reflective of the costs incurred in providing the water services including costs incurred to augment supply and other capital investment costs in such a manner that Magalies Water is able to:
 - Repay and service its current debts;
 - Recover its capital and maintenance costs;
 - Make reasonable provision for the depreciation of assets;
 - Recover the costs associated with capital expenditure from revenue over a period;
 - Make reasonable provision for future capital requirements, expansion and renewals.

The Bulk Water Tariff Projections are as follows:

Table 12: Tariffs' Projections

Plant	2023/24 (R/KL)	2024/25 (R/KL)	2025/26 (R/KL)	2026/27 (R/KL)	2027/28 (R/KL)
Vaalkop	10.12	11.58	12.63	13.72	14.84
Wallmannsthal	11.01	11.58	12.63	13.72	14.84
Klipdrift	11.01	11.58	12.63	13.72	14.84
Cullinan	11.01	11.58	12.63	13.72	14.84
Mahikeng LM	11.10	11.77	12.47	13.22	14.30
Ngaka Modiri Malema DM	11.10	11.77	12.47	13.22	14.30
Ditsobotsa LM	6.40	6.78	7.19	7.62	8.25
Maquassi Hills LM	14.52	15.83	17.25	18.73	20.27
Indicative Average Tariff	10.78	11.56	12.49	13.46	14.56
Average % increase	6.08%	7.16%	8.08%	7.76%	8.18%

Magalies Water took a strategic decision to move away from a Scheme-based-Tariff to a Uniform Tariff for all the Schemes. The new approach ensures that all Water Schemes will be priced the same independent of the use and Consumers will pay proportionally for their water consumption.

The incorporation of Sedibeng Water operations within Magalies Water, the tariffs that will be used for former Sedibeng Water customers will continue to be different from tariffs that are applicable to Magalies Water customers. In the future, the tariffs applicable to former Sedibeng Water will be amended in accordance with Magalies Water tariffs policy and Magalies Water will consider moving these customers to uniform tariff so that all customers use the same tariff.

8. Corporate Governance

8.1 Magalies Water Governance Structures.

The Board of Directors (Board) is the overarching controlling structure of Magalies Water and this is in line with the legislated good governance requirements in terms of the South African laws. In accordance with the provisions of the Water Services Act (Act 108 of 1997), the Honourable Minister: Department of Water and Sanitation, in this regard, appoints the Magalies Water Board Members. Magalies Water adopted the Board's Term of Office that does not exceed four years.

The Mandate of the Board is outlined in the adopted Board Charter, the Charter defines the Board's responsibilities, and primary functions as follows, but are not limited to:

- Fiduciary duty and duties of skill and care towards Magalies Water, providing effective, ethical leadership;
- Ensure that all decisions and actions are in the best interest of Magalies Water;
- Define and approve the Delegation of Authority to Management;
- Provide strategic direction and monitor the implementation of approved policies and strategies;
- Responsibility for the governance of risk and effective internal controls;
- Responsibility for IT Governance;
- Oversight of Performance Management and Reporting;
- Oversight of compliance with applicable laws, codes and standards;
- Oversight of integrated reporting.

The Board shall do all necessary to perform its duties and responsibilities as guided by Section 34 of the Water Services Act, 1997 and in particular to:

- direct and ensure that the objectives of the shareholder are achieved;
- contribute to and adopting the business plan;
- appoint and evaluate the performance of the Chief Executive as directed in Section 36 of the Water Services Act, 1997. The Chief Executive shall execute Board strategy;
- strive to provide efficient, reliable and sustainable water services;
- optimally using available resources;
- strive for financial viability;
- promote the efficiency of water services authorities; and
- take reasonable measures to promote water conservation and water demand management.

The Board shall further achieve its mandate by:

- ensuring that there is an effective risk management system;
- complying with legislation, regulations and applicable best practice principles;
- carrying out business in a manner that promote good corporate citizenship;
- being responsive to perceptions that affect reputation of the entity;
- ensuring that the Annual Financial Statements are prepared for each financial year, which fairly presents the affairs of Magalies Water; and
- developing and adopting a corporate code of conduct that addresses amongst others Conflict of Interest.

In order to enhance the effectiveness of its fiduciary activities and to comply with the applicable legislation, the following Board Committees have been established:

8.1.1 Chairperson's Coordinating Committee

The Committee is constituted as a statutory compliance Committee to ensure submission of the Quarterly Performance Information Report to the Shareholder's Office in order to comply with the legislative mandate imposed through Paragraph 29 of the Treasury Regulations of the Public Finance Management Act (Act 1 of 1999) (PFMA) and other applicable frameworks pertaining to reporting the status of Magalies Water as a state-owned entity's performance monitoring information;

The purpose of the Committee is in respect of reviewing and processing the Quarterly Performance Information Report of the Organization as a Committee of the Board to ensure that the statutory and compliance reporting duties of the Organization are efficiently and effectively processed as well as ensuring that the requirements of good corporate governance practices are met. The duties and responsibilities of the Committee members as set out in their mandate and terms of reference are in addition to those duties and responsibilities they have as members of the Board. The deliberations of the Committee do not reduce the individual and collective responsibilities of the Board regarding their fiduciary duties and responsibilities of the Board and they must continue to exercise due care and judgement in accordance with their legal obligations.

The Committee has an independent role with accountability to both the Board and Shareholders of Magalies Water. The Chairpersons Coordinating Committee have the authority to:

- Approve the Quarterly Performance Information Reports of the Organization;
- Approve that the Quarterly Performance Information Report be submitted to the Department of Water and Sanitation;
- Consider other mandates or undertake such duties and responsibilities as required from time to time by the Board.

8.1.2 Capital Investments & Stakeholder Engagement Committee

The Capital Investment & Stakeholder Engagement Committee is tasked with reviewing the infrastructure and expansion programmes and with ensuring that the schedules are in line with Magalies Water infrastructure master plan. The committee ensures that the execution of capital programmes is within budget both in terms of time and expenses, and that all projects are guided by fair, equitable, transparent, competitive and cost-effective requirements of Section 217 of the Constitution, PFMA and PPPFA.

The key roles and responsibilities of the Capital Investment & Stakeholder Engagement Committee include the following:

- Recommend to the Board the approval of all Capital Projects to be undertaken by Magalies Water;
- Recommend to the Board a Growth Strategy in respect of physical asset acquisition, the implementation and monitoring thereof;
- Consider reports on asset acquisition and recommend appropriate policies dealing with same;
- Recommend to the Board for the approval of new water business initiatives to be undertaken by Magalies Water;
- Recommend to the Board the approval of additional infrastructure programmes;
- Recommend quarterly performance reports to the Board of the following Divisions: Water Services, Project Management Unit, Engineering Services;
- Bring to the attention of the Board any matter that warrants Board's attention on any Capital Investment matters;
- The Committee shall play an oversight role and make recommendation on a range of stakeholder and communication matters to the Board for consideration and approval;
- Recommend the approval of Stakeholder and Communication strategy to the Board;
- Note all International Trips related to Stakeholder Engagement and recommend them to the Board for approval;
- Recommend the approval of the Corporate Social Investment plan and budget to the board;
- Assess all the stakeholder, communication, business development and customer services reports and policies by Management;

8.1.3 Finance Committee

The Finance Committee oversees financial reporting, effective and efficient financial management, reviews the investment portfolio governance.

The key roles and responsibilities of the Finance Committee include the following:

- To recommend the approval of financial information to the Board;
- To recommend approval of the annual budget and its adjustments to the Board;
- To assess the financial reports as per the Corporate and Annual performance plans;
- To ensure that the Board approves the significance and materiality framework and that it is in place;
- To oversee the recommendation of irregular, fruitless and wasteful expenditure reports to the Board for approval;
- To monitor the quarterly approval of the management accounts by the Board;
- To recommend the audited annual financial statements to the Board for approval;
- To review the delegation of authority and recommend to the Board for approval;
- To review and recommend the Finance Committee's terms of reference in line with the Board Charter for Board approval; ;
- To conduct annual self-assessment in line with the approved finance strategy implementation plan;
- To incorporate the King IV Principles on corporate governance into drafted policies for the Board's approval;
- To oversee Magalies Water's supply chain management compliance to Treasury Regulations and other relevant policies;
- To review and report progress to the Board on debt collection and cost-recovery;
- To advise Magalies Water on investments, loan requirements, bank facilities as well as guide the setting of the borrowing limits, guarantees and grant funding for Board's approval;
- To recommend to the Board the approval of annual tariffs, among others.

8.1.4 Audit & Risk Committee

The Audit & Risk Committee performs its statutory function as set out in the Companies Act of 2008 and its roles and responsibilities as set out in the PFMA and Treasury Regulation 27.1. The committee is accountable to the Board and has played a critical independent oversight on corporate governance, integrated financial reporting, evaluation of the effectiveness of internal controls, enterprise-wide risk management systems, as well as internal and external audit functions. Some of the key activities and roles of the committee include the following:

- To oversee the Entity compliance with the legal and statutory provisions;
- To approve the risk areas of the entity to be covered in the scope of internal audit as per the risk assessment reports noted quarterly and annually;
- To review the audited annual financial statements and assess the adequacy, reliability and accuracy of financial information provided to end users;
- To review and recommend to the Board for approval, the management accounts, performance information report, debt management and contingent liability reports identified as a result of internal and external audit and on a quarterly basis;
- To approve the annual internal Audit Operational Plan and the internal Audit Charter;
- To review quarterly internal audit progress report;
- To note the approved risk management implementation plan;
- To review the internal and external audit findings tracking register on a quarterly basis; and
- To conduct annual self-assessment, amongst others.

In discharging its governance responsibilities relating to risk management, the Audit and Risk Committee shall:

- Review and recommend for the approval of the Board, the:
 - Risk management policy;
 - Risk management strategy;
 - Risk management implementation plan; and
 - Organization's risk appetite and the risk tolerance level.
- Review the Organization's risk identification and assessment methodologies.
- Develop goals, objectives and key performance indicators to measure the effectiveness of the risk management activity within the Organization.
- Evaluate the extent and effectiveness of integration of risk management within the Organization's operations;
- Assess the implementation of the risk management policy and strategy;
- Evaluate the effectiveness of the mitigating strategies implemented to address the

material risks of the Organization ;

- Review the material findings and recommendations by assurance providers on the system of risk management and monitor the implementation of such recommendations;
- Provide timely and useful reports to the Board on the state of risk management.
- Set out the nature, role, responsibility and authority of the risk management function within the Organization.
- Oversee the performance of the risk management function

The Audit and Risk Committee shall:

- Ensure that risk assessments, risk reports and assurance on risks overseen by other Board committees are referred to those committees for their consideration;
- Review and monitor the implementation of the Fraud Prevention policy, strategy and fraud prevention plan.
- Review the Business Continuity Management Strategy (including Business Continuity plans, Disaster Recovery plans, Crisis management plans) and their implementation;
- Review and provide guidance on the adequacy and effectiveness of Occupational health and safety management, Security Management and Insurance Management; and
- Review and approve Strategic and Operational Risk register

8.1.5 Human Resource, Social & Ethics Committee

The Committee oversees and advises the organisation on organisational ethics, responsible corporate citizenship, sustainable development, stakeholder relations as well as monitoring Magalies Water activities and its subsidiaries, having regard to any relevant legislation, regulations, codes or standards of best practice.

The key functional roles and responsibilities of the Human Resources, Social and Ethics Committee include the following:

Human Resource Management

- Ensure that Magalies Water has appropriate human resource policies for recruitment, capacity development, career and succession planning, compensation and reward systems;
- Monitor the implementation of the appropriate human resource policies for recruitment, capacity development, career and succession planning, compensation and reward systems;
- Review conditions of service of management and employees and make appropriate recommendations to the Board;

- Ensure that appropriate processes are in place for training and succession planning;
- Assist in the selection and appointment of the Board Committees of the entity as directed from time to time by the Board;
- Keep abreast of the current industry practice and developments in human resources that may affect Magalies Water;

Remuneration

- Provide support and guidance on human resource and remuneration policies and the general conditions of employment throughout the organization;
- Make recommendations to the Board regarding the remuneration of Non-Executive Members and Executive Management for approval by the Board and Shareholder;
- Oversee the implementation of remuneration policies that will promote the achievement of strategic objectives and encourage individual performance;
- Provide a channel of communication between the Board and Executive Management on remuneration matters;
- Make recommendations to the Board regarding the approval of general annual salary adjustments in the organization;
- Review and recommend the terms and conditions of Executive Committee Management service agreements, assessment of performance and rewards;

Governance

- Ensure that appropriate processes are in place for succession planning of all management positions;
- Regulatory review of human resources and remuneration policies relevant to the organization;
- On ethical business conduct, the Committee shall monitor strategies in respect of good corporate citizenship, especially concerning the promotion of equality, prevention of unfair discrimination and reduction of fraud and corruption;

Social and Ethics Responsibility

- Social and economic development, including Magalies Water's standing in terms of the goals and purposes of:
 - The Organizations of Economic Co-operation and Development recommendations regarding corruption;
 - The Employment Equity Act, as amended;
 - The Broad-Based Black Economic Empowerment Act, as amended.

- Magalies Water is, and is seen to be, a good corporate citizen, by:
 - Its promotion of equality, prevention of unfair discrimination, and reduction of corruption;
 - Its contribution to development of the communities in which its activities are predominantly conducted or within which its services are predominantly marketed;
 - Its record of sponsorships, donations and charitable giving.
- Social responsibility is the measure of an organization's state of being mindful of the emerging social concerns and priorities of internal and external stakeholders, these being the communities around Magalies, employees, governmental and non-governmental organizations. To this end, the Committee should:
 - Ensure compliance with government, health, hygiene, safety and environmental laws;
 - Betterment of communities surrounding Magalies Water;
 - Approve strategies in respect of good corporate citizenship, especially concerning the promotion of equality, prevention of unfair discrimination and reduction of fraud and corruption.
 - Provide the Board with reports regarding the social responsibility initiatives implemented by the Human Resource department i.e., external bursary programme, learnership programme and training programme.
 - Monitor sustainable and ethical corporate culture in Magalies Water;
 - Ensure respect for basic human rights.
- Customer relationships, including Magalies Water's advertising, public relations and compliance with consumer protection laws;
- Labour and employment policies and practices of Magalies Water, including:
 - Its standing in terms of the International Labour Organization Protocol on decent work and working conditions;
 - Employment relationships, and its contribution toward the educational development of its employees;
- Ensuring that the Magalies Water's ethics is managed effectively (as recommended in principle 2.4 and disclosures made in terms of 2.10 of King IV), including:
 - Leadership demonstrating support for ethics throughout Magalies Water;
 - Strategies for managing ethics that is informed by the negative and positive risks of Magalies Water;
 - Ethical Standards are articulated in a Code of Ethics and supporting ethics policies;
 - Structure, systems and processes are in place to ensure that the various Boards, employees and supply chains are familiar with and adhere to Magalies Water's ethical standards;

- Ethics is imbedded in the corporate culture of Magalies Water;
- Determine clearly articulated ethical standards (Code of Ethics), and ensuring that Magalies Water takes measures to achieve adherence to these in all aspects of the business, thus facilitating a sustainable ethical corporate culture within the organization;
- Monitor that management develop and implement programmes, guidelines and practices congruent with the organization's social and ethics policies;
- Review the material risks and liabilities relating to the provisions of the code of ethics, and ensuring that such risks are managed as part of the organization's risk management programme;
- Review the organization's performance in implementing the provisions of the Code of Ethics;
- Review and recommend to the Board all matters pertaining to professional standards and practice;
- Monitor sustainable and ethical corporate culture in Magalies Water;
- The Committee shall ensure that such policies and procedures required in order for Magalies Water to perform its responsibilities in respect of social and ethics matters are implemented and reviewed on an annual basis, or as and when required;
- The Committee shall have the authority to investigate, review and resolve any matters arising from the ambit of Magalies Water's Code of Ethics, which are reported to the Committee or which it otherwise becomes aware of;
- The Committee shall report to the Board potential or actual violations of Magalies Water's Code of Ethics, conflict of interest or questionable situation of a material nature that the Committee is or becomes aware of;
- The Committee shall provide quarterly reports to the Board on the social and ethics activities of Magalies Water;
- The Committee shall also draw to the attention of the Board matters within its mandate and terms of reference as occasion requires;

The Human Resource, Social & Ethics Committee should further:

- Recommend the executive organisational structure for approval to the Board;
- Regularly review and recommend to the Board for approval, all corporate services policies, e.g., Human Resources, Records Management and Information, Communication and Technology (ICT), among others;
- Undertake annual review of the committee's terms of reference in line

with the Board Charter;

- Recommend to the Board all relevant activities relating to the agreeable minimum services agreement for the Amanzi Bargaining Council (ABC);
- Review the ABC and provide guidance on feedback on various matters pertaining to the South African Municipal Workers' Union (SAMWU) and National Education, Health and Allied Workers' Union (NEHAWU) meetings, including the non-unionised employees. These could be in terms of compliance to:
 - Safety, Health and Environment (SHE) performance and policies,
 - Skills development and training and succession planning opportunities and targets,
 - Employment equity targets, and
 - Sharing appropriate processes for commitments;

8.2 Board Members

Table 13: The Magalies Water Board Members

Board Member	Appointment Date	Gender	F	CC	HR	CISE	A&R
Dr. KL Sebege Chairperson	December 2022	F		X			
Ms. YM Matolong Deputy Chairperson	December 2022	F	X	X		X	
Ms. PN Mashaba	December 2022	F	X	X		X	
Mr. RM Le Roux	December 2022	M	X			X	
Mr. SA Ngobeni	December 2022	M		X	X		X
Dr. M Makgae	December 2022	F	X			X	
Ms. MET Malaka	December 2022	F		X	X	X	
Mr. MWB Mkhize	December 2022	M	X		X		
Ms. Y Pamla	December 2022	F			X		X
Mr. I Mosala	December 2022	M		X	X	X	

Table 14: External Members of Audit Committee

Board Member	Appointment Date	Gender	F	CC	HR	CISE	A&R
Ms. N Shabalala;	1 March 2021	F					X
Ms. ZN Tshabalala	1 March 2021	F					X

- F: Finance Committee
- CC: Chairpersons Coordinating Committee
- HR: Human Resource, Social & Ethics Committee
- CICSE: Capital Investments & Stakeholder Engagement Committee
- A&R: Audit & Risk Committee

8.3 Code of Conduct and Promotion of Ethical Culture

The Board of Magalies Water undertakes to commit itself together with the employees, to a shift towards ethics conduct approach that upholds the integrity value. The Accounting Officer promotes the implementation of the Ethical Code of Conduct's related processes through a delegated Corporate Services Division at internal operational and tactical level and the Company Secretary at strategic Board level. As a result, declarations of financial interests, confidentiality, conflict of interests and disclosures are made by all employees as provided for in the 1997 government's set standards for the Public Service. This practice is in line with the Financial Disclosure Framework requirements for senior officials.

8.2 Legislative Compliance

Magalies Water will enhance compliance with legislation and regulations. These include compliance with the following:-

1. Legislation including the Water Services Act and the PFMA.
2. Bulk supply agreements, notably for potable water quality compliance, reliability of supply within the current capacity.
3. Reportable safety, health and environmental incidents.
4. Implementation of Ministerial directives.
5. Employment equity and transformation.
6. The spirit and rules of BBBEE and socio-economic development.

The below list of core acts represents Magalies Water Top Risk (Core) with the residual risk ratings. The Acts that are categorised as core as legislation that underpins the very nature of the Magalies Water. The non-compliance may or can severely threaten or limit the continued viability of the business due to a material impact on reputation in the event that non-compliance is made public.

Top Compliance Legislation (Core Acts)

1. Public Finance Management ACT NO. 1 OF 1999
2. Water Services Act 108 OF 1997
3. National Water Act, 1998 (ACT NO. 36 of 1998)
4. Employment Equity Act 1998 (act no. 55 of 1998)
5. Companies Act, No. 71 of 2008
6. Environmental Impact Assessment Regulations, 2014 under the NEMA: National Environmental Management Act, No. 107 of 1998
7. Accreditation for Conformity Assessment, Calibration and Good Laboratory Practice Act, No. 19 of 2006
8. Labour Relations Act 66 of 1995 as Amended
9. Basic Conditions of Employment Act 75 of 1997 as Amended
10. Occupational Health and Safety Act as Amended no.181. of 1993

The Shareholder has a particular interest in the number of resolutions required and those approved by the Boards in alignment to the corporate compliance cycle.

The expected corporate compliance cycle milestones are depicted in Table 7 below:

Table 15: Compliance Reporting Schedule

Compliance cycle activity	Stakeholder	Activity	Timeframe
1. Tariff proposal	Board	Approval to seek mandate	October
	Water Services Authorities	Consultation	November
	National Treasury	Submission to seek written comments in accordance to legislation	December
	South African Local Government Association		December
	Board	Approval	January Board Meeting
	DWS	Submission for tabling in Parliament	January
	National Assembly	Tabling	March
2. Budget	Board	Approval	May Board Meeting
3. Corporate Plan and Shareholder Compact	Board	Approval	May Board Meeting
	DWS and National Treasury	Submission	May
4. Annual Financial Statements	Board	Approval	August Board Meeting
	Auditor-General and National Treasury	Submission for audit purposes	August
5. Audit and Annual Report	Board	Approval	November Board Meeting
	DWS	Submission	End November
	National Treasury	Submission	End November
6. Corporate Plan review	DWS	Appraisal	May
7. Portfolio Committee	Water and Sanitation Portfolio Committee	Oversight	As and when required

9. Business Support

Objective: Provide efficient and effective business support in Finance, Supply Chain Management, Information and Communications Technology and Records Management.

Outcome: Mitigation of applicable constraints in operations.

Scope: Business support areas, notably in funding, efficient procurement in emergencies and data custody.

9.1 Information Communications and Technology

Magalies Water will entrench, exploit benefits from its major investments in Enterprise Resource Planning Systems and pursue a Service Oriented Architecture. The overall approach to Information and Communication Technology (ICT) is shown with aspects of the ICT value chain below:

Change Services

- 1. Service Strategy:** ICT architecture and plans are aligned with the business priorities and ensure that ICT resources are deployed appropriately to fulfil the approved demand of ICT services.
- 2. Service Development:** Development of ICT services that provide sustainable value to the business through continuous and ongoing service delivery.

Run services

- 3. Service management:** Delivery of reliable ICT services to the business while improving the quality and efficiency through continuous improvements.
- 4. Information service management:** Enable ICT to deliver its commitments to the business by driving performance, making critical decisions and coordination of internal and external functions.

Based on an assessment of capabilities within the ICT value chain indicated above, the following objectives shall be pursued:

1. Align ICT appropriately with changes in business strategy and business requirements;
2. Enhance support on operations technology;
3. Deliver quality services in accordance with service level agreements;
4. Safeguard and maintain accuracy of Magalies Water confidential information and data; and
5. Deliver ICT projects to specification on time and on budget.

In order to achieve the above ICT objectives and service strategy, system integration domains should mature as follows:

1. Total alignment of Information Technology and ICT Governance;
2. Optimisation of major systems to be dynamically integrated to each other;
3. The architecture is already service oriented in nature, and should be moved to a state of being dynamically reconfigurable; and
4. Configuration of ICT infrastructure to dynamically respond and support full implementation of the service oriented architecture.



Magalies Water

9.2 Supply Chain Management Plan (SCM)

Supply Chain Management plays an integral part in the success of an organisation and it seeks to enable the business to ensure seamless operation of the value chain and the ability to build and maintain long-term relationships. The implementation of an integrated SCM system will contribute significantly towards the improvement of financial management in the organization. The value add of the integrated SCM function is demonstrated in all four (4) elements: Demand, Acquisition, Logistics and Disposal.

The SCM aims to create a consistent framework that satisfies the constitutional requirements of transparency and accountability to achieve good governance and the Government's preferential procurement objectives:

1. To reduce cost and improve the overall organisation performance
2. Customer satisfaction by improving goods or service delivery to the consumer
3. Create a common understanding of the preferential procurement regulation
4. Promote the consistent application of 'best practices' throughout" supply chain whilst embracing the "value for money" principle.
5. To ensure that the best product/service are delivered at the right time, at the right place, at the right price, at the right quality and quantity;
5. Maintaining relations with stakeholders by performance management of procurement.
7. Continuous process improvements to comply with all applicable provisions of the Public Finance Management Act, 1999 (PFMA) Act 1 of 1999 as amended act 29 of 1999 including the National Treasury Regulations.
8. Continual cost reduction involving optimizing operations to maximize both speed and efficiency
 - More collaborative and integrated relationships with suppliers and also integration between other divisions;
 - Minimised risk related to changes in competitive markets, business trends, supplier's financial condition and political risk as regulatory changes global supply chain;
 - Keeping pace with rapidly changing customer requirements or expectations with modern technology and development, enabling newcomers to supply the goods/services;
 - Environmental/sustainable solutions. Suppliers to download electronic tender documents from website (paperless);
 - To prevent irregularities in the acquisition of goods and services by ensuring that processes are in line with the applicable legislations.

The goal of the supply chain is to fulfill demand, drive customer value, improve responsiveness, facilitate financial success and build a good system to achieve efficient fulfilment. The drive of SCM is to make goods, services and inventory readily available to satisfy the demand. Such steps will help the organisation reduce waste, drive out costs, and achieve efficiencies in a cost-effective manner. Magalies Water strives to ensure SCM proficiency that supports the implementation of the overall strategy and to impact the core mandate of the organisation. This considers the nature

of the commodity, service required, the conditions of delivery, the prospective suppliers and the goals to be promoted as contemplated in the Preferential Procurement Policy Framework and influence the core mandate of the organisation.

9.3 Records Management Plan

The National Archives and Record Service Act (No. 43 of 1996) provides the terms and conditions under which public records must be managed. Magalies Water can therefore not afford exposure to risks of poor management of public records. This could lead to loss or misplacement of records resulting in qualified audit reports, damages, fines and possible litigation.

The business imperative of effective records management is within the ambit of good governance, accountability and transparency. A five (5) year Records Management Implementation Plan has been developed to ensure systematic implementation of effective records management. This Plan is aligned to the strategic objectives and operational requirements of Magalies Water.

The Five (5) Year Records Management Implementation Plan covers the following key components of Magalies Water's value chain:

Regulatory Compliance in terms of POPIA

1. Retention of records.
 - Magalies Water only keeps records that are relevant for the purpose;
 - Only for the length of time for which are required;
 - Records are only used for the purpose for which they were gathered.
2. Records Disposal.
 - A disposal program is implemented and rigidly followed;
 - The key element of disposal will ensure that duplicates are also destroyed, so is the personal information

Value for Money

1. Space saving.
2. Improved service delivery.
3. Cost reduction.

The Key Outcomes of implementation of the Records Management Plan are as follows:

1. Improved controls in legal compliance with regards to information management legislations;
2. Easy retrieval of official records;
3. Reduced records management related risks;
4. Efficient systematic approach to management of records from 'creation to disposal; and
5. Safe custody of Magalies Water's vital records.

10. Risk Management

The Board is accountable for Magalies Water overall governance of risk management and this is advocated by its responsibilities of setting an appropriate risk management tone, approving risk management policies and other strategies. This include leveraging the applicable governance and assurance structures for combined assurance on the effectiveness of risk management within Magalies Water. Magalies Water's risk management is carried out through the internal Risk Management Committee wherein the output of Committee discussions is escalated to the Audit and Risk Committee of the Board on a quarterly basis.

Table 16. Below contains the strategic risks that were identified during a strategic risk assessment session and continuous monitoring will ensure that they do not negatively impact Magalies Water's strategic objectives and organisational performance.



Magalies Water

Table 16: Magalies Water Strategic Risks

No.	Strategic Objective	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
				Impact	Likelihood	Rating		
1.	To achieve growth and sustainable financial returns	'Debtors collection.	'Escalating debt book	Major	Certain	Critical	<p>1. Customers not paying on time- (Default)</p> <p>2. Delays in payments by key customers (Bulk customers)</p> <p>3. Delays in payments by Section 30 customers</p> <p>4. Constraint in implementation of SLA (Consultation with multiple stakeholders prior to implementation of credit control measures).</p> <p>5. Poor Collection</p> <p>6. Lack of credible billing and disputes by customers</p> <p>7. Misalignment of KPI on Services/Sales vs Revenue Collection</p>	<p>1. Enforce debt recovery policy for customers (Sec30 and small customers).</p> <p>2.1. Enforcement of Bulk water supply agreements.</p> <p>2.2. Bulk consumers</p> <p>-Monthly telephonic follow-up with Municipalities by the CFO</p> <p>-After 90 days of non-payment, a payment agreement entered into with the Municipalities</p> <p>-2.3. Implement the restrictions in line with the approved SLA.</p> <p>3.1. Identify customers with no signed contracts/SLAs and initiate signing process.</p> <p>3.2. Section 30 Customers</p> <p>-Send Monthly invoices and after 60 days of non-payment send reminders</p> <p>- After 90 days, the matter referred to legal for collection</p> <p>4. Conduct monthly stakeholder engagement to address issues on escalating debt (Ministerial level, Provincial and COGTA level)</p> <p>5. Institute legal proceeding after customers default on their payment agreements</p> <p>6. Improvement of the billing process by clearing the monthly billing queries/disputes within 14 days.</p> <p>7. Configure the Vaalkop Water System such that it can switch between customers (If a customer is restricted the water system should be able to direct that water to the other paying customer)</p>

2.	'To achieve growth and sustainable financial returns	Liquidity	Liquidity – Inability to pay financial obligations of the entity	Critical	Likely	Critical	<ol style="list-style-type: none"> 1. Historic creditors received from Sedibeng which increases creditors book 2. Inability to collect revenue 3. Increase in operational cost 4. Insufficient cash flow to fund operations. 	<ol style="list-style-type: none"> 1.1 Engagement with DWS regarding funding. 1.2. Negotiate and sign payment arrangements with 60% of suppliers.
3.	To achieve growth and sustainable financial returns	Sustainability and growth	Inability to sustain and grow the business.	Major	Likely	Critical	<ol style="list-style-type: none"> 1. Inadequate debt collection 2. Realignment of the water boards (possible loss of assets and customer base) 3. Lack of implementation of Investment strategy 4. Increasing operational costs (utilities, staff, chemicals etc.) 5. Delays in completion of capital projects. 6. Insufficient financial resources 7. Delays in the development and implementation of the Sanitation Master Plan 8. Delay in implementation of the bulk master plan 9. Dependency on key stakeholders (the minister, SALGA, Municipalities) for approval of tariffs 10. Encroachment and invasion of services 	<ol style="list-style-type: none"> 1. Implementation of the debt collection policy/strategy <ul style="list-style-type: none"> - Payment arrangements with defaulting customers - Restrict water services to defaulting customers - Use of debt collectors and monitor their performance 2. Conduct a due diligence, asset audit and rebranding of assets identified 3. Review the current Investment strategy and identify areas of improvement 4. Implement the cost containment as per National Treasury Framework and MW SCM Policy 5. Update the financial models within the growth strategy 6.1. Bi-Weekly cash flow management and reporting.

							<p>6.2. Investigate new revenue generation streams - Identify opportunities for new business and growth in other countries e.g. Laboratory services.</p> <p>6.3. Engage with Mid-Vaal for acquisition of their spare capacity.</p> <p>6.4 Application for borrowing limits processes with National Treasury (through adherence to implementation process undertaken by DBSA & GTAC)</p> <p>7 & 8. Develop Bulk Sanitation and Water Master Plan.</p> <p>9. Implementation of Growth strategy (e.g., Uniform tariff)</p> <p>10. Engage municipalities on issues around encroachment before eviction notices are issued.</p>
--	--	--	--	--	--	--	--



Magalies Water

Table 16: Magalies Water Strategic Risks

No.	Strategic Objective	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
				Impact	Likelihood	Rating		
4.	To provide quality potable water	Raw Water resource.	Deterioration of raw water quality.	Major	Likely	Critical	'1. Climate change (Droughts and floods.) 2. Water pollution from diffuse point and point sources 3. Over abstraction of natural resources. 4. Poor catchment management by Catchment Management Agency and DWS 5. Lack of maintenance and upkeep of dams by DWS	'1. Conduct annual assessment of the impact of raw water quality (partner with external party for consultation with DWS) 2. Continuous engagement with DWS on quality challenges affecting the raw water. 3. Continuous monitoring and control of dam and abstraction levels as per license requirements. 4. Monitoring of catchment and continuous engagement with DWS and Municipalities "

5.	'To provide quality potable water	Raw Water resource.	Insufficient raw water quantity.	Major	Possible	High	<ul style="list-style-type: none"> '1. Low Dam Levels. 2. Augmentation system restriction or failure. 3. Over abstraction of raw water. 4. Droughts and floods. 5. Water Pollution. 6. Inadequate maintenance of raw water infrastructure. 	<p>VAALKOP RAW WATER SYSTEM</p> <ul style="list-style-type: none"> 1. To take over Operations and Maintenance of Canal - DWS. 2. Engage DWS to maintain flow into the canal by controlling algae growth. 3. Request budget for controlling and managing the algae growth. <p>CULLINAN RAW WATER SYSTEM</p> <ul style="list-style-type: none"> 4. Monitor and report on raw water quality as per the extended scope - catchment area. 5. Develop a plan with regards to raw water supply. 6. Develop a plan for potable water supply to the plant (Link Roodeplaat with Cullinan plant) <p>WALLMANNSTHAL & KLIPDRFT</p> <ul style="list-style-type: none"> 7. Monitoring of water quality and quantity at Wallmannsthal and Klipdrift <p>TAUNG, BOGOSING, PUDIMOE AND PAMPIERSTAD RAW WATER SYSTEM</p> <p>VAALHARTS DAM</p> <ul style="list-style-type: none"> 8. Water rationing during dry periods (canal not flowing) to meet demand 9. New Taung plant under construction to be used to augment supply (plant acquisition). 10. In areas where there are single boreholes - engage with local municipality for source development and drilling of additional boreholes
----	-----------------------------------	---------------------	----------------------------------	-------	----------	------	--	--

Table 16: Magalies Water Strategic Risks

No.	Strategic Objective	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
				Impact	Likelihood	Rating		
6	To ensure good corporate governance	'Physical security of assets and employees	Security breaches and incidents	Major	Likely	High	<ol style="list-style-type: none"> 1. Inadequate security procedures and lack of training and awareness. 2. Non-adherence to security procedures. 3. Inadequate electronic security systems and security management structure. 4. Unauthorised access and inadequate perimeter protection at various sites. 5. Financial constraints to implement security measures. 6. Inadequate security personnel deployed on sites. 	<ol style="list-style-type: none"> 1. Review the security procedure and implementation of all the detailed activities. 2. Conduct bi-annual security training and awareness. 3. Maintenance of existing fences and security equipment in all sites. 4. Enhancing the current electronic security system (Roll out security alarm installation in all critical sites) including the implementation of biometric access control system at all identified critical sites-phased approach strategy. 5. Enforce compliance to security measures and report non-compliance to relevant managers for corrective actions. 6. Follow up on the implementation of the recommendations on SAPS security risks assessment report. 7. Upgrading of security fences at the Magalies Water sites (inclusive of all reservoirs) 8. Enforcement of Service Level Agreements for security contractors. 9. Roll out the declaration of the identified MW sites as National Key Points Installation. 10. SLA with Water Services Authorities to be reviewed to include a clause to manage access control into the premises by Municipal officials (Mitigation of Municipal staff forcefully gaining access into the plant) 11. Review the security structure of MW and recruit additional security personnel.

Table 16: Magalies Water Strategic Risks

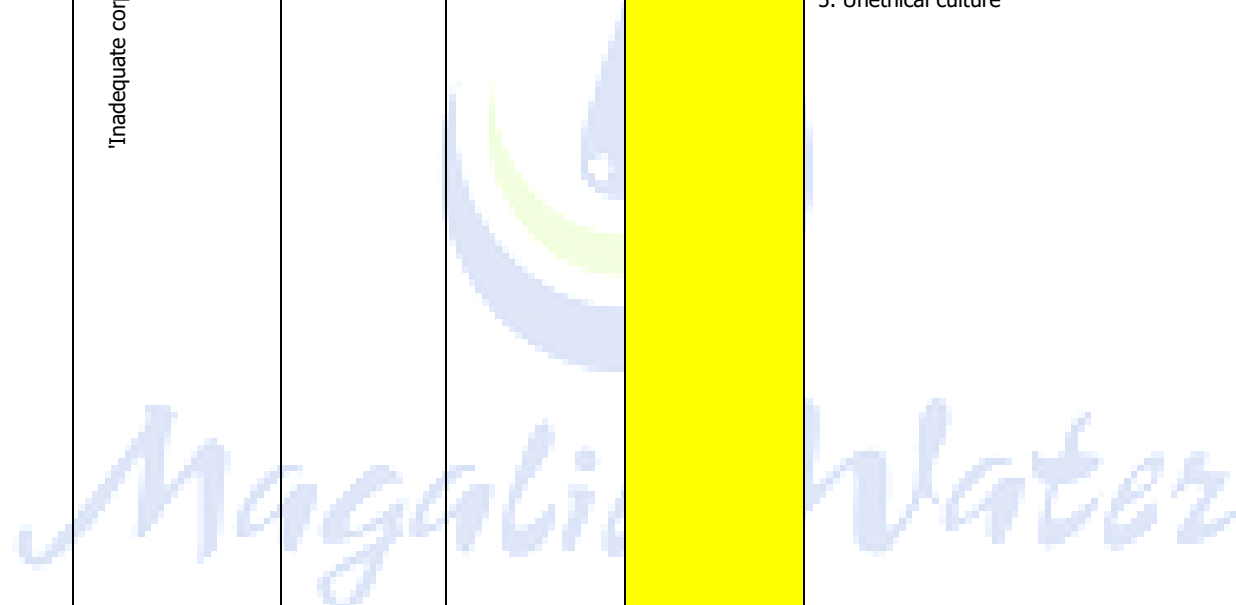
No.	Strategic Objective	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
				Impact	Likelihood	Rating		
7.	To manage Customer and Stakeholder Interactions.	Reputation	Erosion of reputation	Major	Likely	High	<ol style="list-style-type: none"> 1. Poor service delivery (aging infrastructure, poor water quality and poor water supply. 2. Lack of enforcement of tri-partite agreements e.g. IA agreements 3. Negative audit outcome 4. Inadequate Stakeholder Engagements. 5. Ineffective internal and external communication -Late incident reporting 6. Impact of internal and external events in the business. 7. Unrealistic expectation and perceptions 8. Non-payment of suppliers. 9. Negative media reports 10. Work stoppages due to strike actions. 11. Tools of trade not provided 12. Poor Project Management 	<ol style="list-style-type: none"> 1 Bulk Water Supply Agreements 1.2 Communication protocol as per SOP 2.1 Conduct Stakeholder engagement and adherence to Stakeholder engagement plans 2.2 Bulk Water Supply Agreements 3.Divisional audit plan 4.1 Stakeholder engagement plan 4.2 Quarterly staff information sessions 4.3 Online newsletter 4.4 Social media platforms 5.1 Conduct Public relations campaigns. 5.2 Social media platforms 6. Quarterly reports - Marketing and Communication 7. Conduct Stakeholder, Customer, and employee satisfaction surveys 8. Conduct Media monitoring 9. Obtain approval of Magalies Water Project Management Framework

Table 16: Magalies Water Strategic Risks

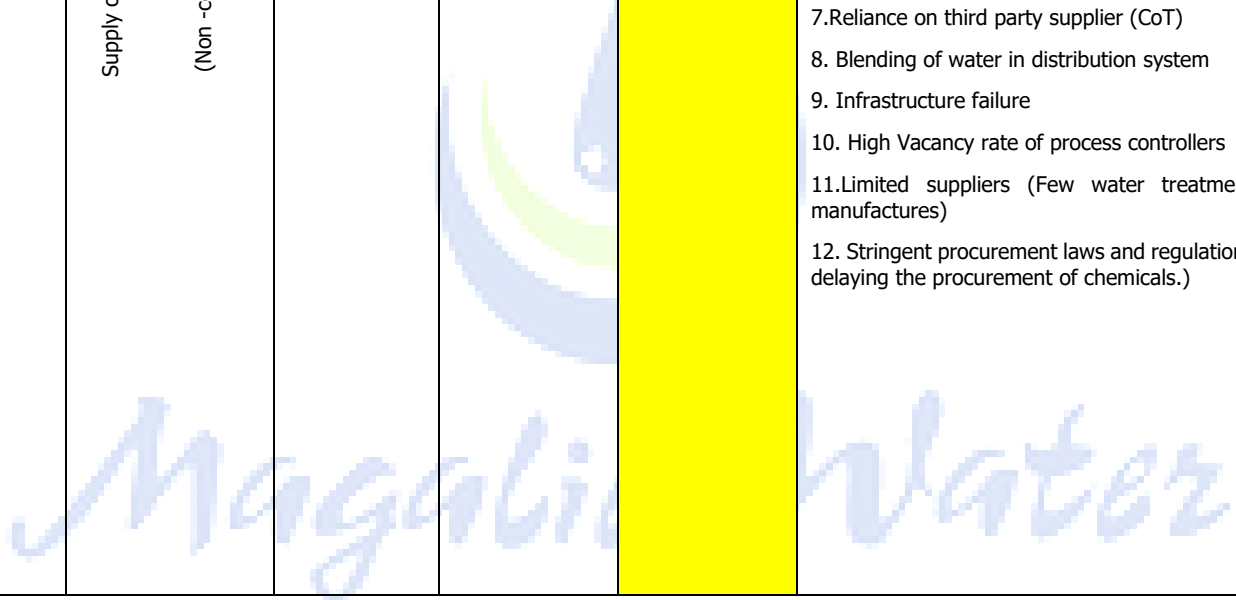
No.	Strategic Objective	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
				Impact	Likelihood	Rating		
8.	To create a high-performance organisation through effective talent management	Critical skills (Knowledge, Competence & Attitude).	Failure to maintain and retain critical and core skills.	Major	Likely	High	<ol style="list-style-type: none"> 1. Competition for skills 2. Inadequate of implementation of retention policy 3. Geographic Location of the Organisation 4. Permanent v/s contract employment at executive levels 5. Individual growth opportunities 6. Insufficient Financial resources 7. Lack of implementation of change management. 8. Uncertainties relating to the reconfigurations, declining revenue impacting the staff morale 	<ol style="list-style-type: none"> 1. Full implementation of the retention strategy. <ol style="list-style-type: none"> 1.1 Implementation of succession plan across Magalies Water 1.2 Develop and implement flexible working arrangement policy. 1.3 Implementation of performance management rewards. 1.4 Training and development. 1.5 Extend the skills audit to incorporate the integrated organisation. 2.1 Conduct reviews of all HR policies 2.2 Conduct workshops on HR Policies 3. Implementation of flexible remote working arrangements 4. Realignment of the organisational structure. 5. Implementation of change management programme/plan on the institutional realignment. 6. On boarding of all transferred employees and completion of the following <ul style="list-style-type: none"> - allocation of Personal Protective Equipment - conducting medicals - allocation of tools of trade and spare materials

9.	To provide reliable and sustainable water services to customers	Bulk water infrastructure constraints.	Failure of critical infrastructure.	Moderate	Possible	Moderate	<ol style="list-style-type: none"> 1. Ageing Infrastructure 2. Vandalism of infrastructure 3. Delays in implementation of Master Plan 4. Dependency on infrastructure owned by external parties <ul style="list-style-type: none"> - Leaking dams 5. Unreliable electricity supply and increased level of loadshedding (backup generators not able to run the water treatment plants) 6. Inadequate assets management. 7. Delays in finalising procurement processes. 8. Floods 9. Failure to implement the investment strategy - Depreciation costs not provided for future re-investment on the critical infrastructure (Invest 100% of depreciation on monthly basis) 	<ol style="list-style-type: none"> 1. Conclude the borrowing process with the National Treasury 2. Review the procurement plan to include the turnaround times for all the projects and monitor the performance on a monthly basis to avoid unnecessary delays. 3. Review and update Bulk Water Master Plan and Bulk Sanitation Master Plan to cover all service areas 4. Implement the approved minor capex projects to optimise the plants and improve on efficiency. 5. Application for loadshedding exemption for other areas not covered (Far West) 6. Conduct plants improvement and upgrades
----	---	--	-------------------------------------	----------	----------	----------	---	---

10.	To ensure good corporate governance	Good corporate governance	'Inadequate corporate governance practices	Moderate	Unlikely	Moderate	<ol style="list-style-type: none"> 1. Ineffective combined assurance system (All lines of defence) 2. Lack of implementation /resolving of Audit/external audit findings. 3. Ineffective implementation of committee resolutions. 4. Inaccurate reporting 5. Unethical culture 	<ol style="list-style-type: none"> '1. Monitoring the combined assurance Plan and report quarterly to the relevant committees (RMC, ARC and the Board.) 2. Establish ethics forums and conduct awareness on organisational culture and ethical conduct
-----	-------------------------------------	---------------------------	--	----------	----------	----------	---	--



11.	To provide reliable and sustainable water services to customers.	Potable Water Quality (SANS 241 Compliance).	Supply of Poor quality of potable water. (Non -compliance to SANS Standards).	Moderate	Possible	Moderate	<ol style="list-style-type: none"> 1. Droughts and floods. 2. Deteriorating quality of raw water. 3. Inadequate distribution system management. 4. Over abstraction of natural water resource. 5. Inappropriate and failure of plant treatment processes and technologies. 6. Inadequate maintenance of Canal. 7. Reliance on third party supplier (CoT) 8. Blending of water in distribution system 9. Infrastructure failure 10. High Vacancy rate of process controllers 11. Limited suppliers (Few water treatment manufactures) 12. Stringent procurement laws and regulations delaying the procurement of chemicals.) 	<ol style="list-style-type: none"> 1. Conduct raw water and catchment water quality monitoring and review including updating of BCPs. 2. Optimise treatment processes 3. Review and updating of the Bulk Water Infrastructure Master Plan 4. Filling of vacancies of Process Controllers
-----	--	---	--	----------	----------	----------	---	--



12.	To provide reliable and sustainable water services to customers.	Potable Water Quality (SANS 241 Compliance).	Supply of Poor quality of potable water. (Non-compliance to SANS Standards).	Moderate	Possible	Moderate	<ol style="list-style-type: none"> 1. Droughts and floods. 2. Deteriorating quality of raw water. 3. Inadequate distribution system management. 4. Over abstraction of natural water resource. 5. Inappropriate and failure of plant treatment processes and technologies. 6. Inadequate maintenance of Canal. 7. Reliance on third party supplier (CoT) 8. Blending of water in distribution system 9. Infrastructure failure 10. High Vacancy rate of process controllers 11. Limited suppliers (Few water treatment manufactures) 12. Stringent procurement laws and regulations delaying the procurement of chemicals.) 	<ol style="list-style-type: none"> 1. Conduct raw water and catchment water quality monitoring and review including updating of BCPs. 2. Optimise treatment processes 3. Review and updating of the Bulk Water Infrastructure Master Plan 4. Filling of vacancies of Process Controllers
-----	--	---	--	----------	----------	----------	---	--

11. Materiality and Significance Framework

Magalies Water has adopted a Materiality and Significance Framework within the Risk Management Plan.

11.1 Materiality

A material issue is an error or omission in information with a value impact that would cause a user of such information to change an Enterprise decision based upon such information. In Magalies Water, an issue is considered to be material if the associated value impact would exceed significance and materiality as set out in significance and materiality framework. The materiality will apply for all components/sections of the financial statements including irregular, fruitless and wasteful expenditure.

Other issues which are considered material regardless of value are:

- Any issue that may due to its nature pose a threat to the going concern assumption applied to the business of Magalies Water.

Overall, Magalies Water takes it as non-performance to have even one breach of materiality that exceeds any of the above mentioned instances.

11.2 Significance

Significance is defined as the condition that a specific item or trend may adversely impact on the evaluation of the performance delivery by a key stakeholder. In Magalies Water, an item is considered significant if it would noticeably compromise delivery within a Key Performance Area.

Items, which are considered significant, include:

1. An interruption of supply of bulk water services to customers exceeding 48 hours
2. An incident involving communicable disease transmitted through potable water supplied by Magalies Water
3. A wide-spread work stoppage arising from industrial action
4. A gain of new Water Services business
5. A loss of existing Water Services business
6. A change in the legal structure of Magalies Water
7. Investments in capital expansions that may significantly alter the capital structure

11.3 Use of the Framework

The above Framework will be used for all material operational and financial risk reporting to the Board and externally to the Shareholder for significant transactions. Funding Magalies Water intends to raise for Capital Projects may present interest rate risks to the entity due to finance cost that will need to be paid

12. Fraud Prevention Plan

The Board explicitly supports and fosters a culture of zero tolerance for the commission or concealment of fraudulent, corrupt, and illegal acts. Magalies Water investigate all allegations of fraudulent and corrupt acts in a fair and transparent manner prior to taking appropriate actions. The process followed is in line with related regulatory acts and the approved Fraud and Corruption Prevention Policy that is based on the following key elements:

12.1 Preventative Controls

1. Promotion of ethical culture
2. Implementation of physical and information security controls
3. Management of conflict of interest
4. Vetting of employees and suppliers
5. Fraud and corruption risk assessments
6. Encouraging the reporting of any corrupt activities, and
7. Strengthening internal control systems

12.2 Detection Controls

1. Whistle-blowing mechanisms
2. Application of internal controls aimed at detecting fraud incidents, and
3. Internal/ external audits

12.3 Response to Fraud and Corruption

1. Investigations
2. Disciplinary action
3. Resolutions
4. Improved internal controls
5. Monitoring, and
6. Reporting

13. Contingent liabilities and other legal matters

Table 17: Contingent liabilities report

No	Case Name
1.	Ya Rena
2.	Umso JV
3.	Rustenburg Trust Services
4.	Madibeng Local Municipality
5.	Cynthia Nomoya Mnyakeni
6.	Kgetlengrivier Concerned Citizens
7.	Buffelsdrift Nature Reserve
8.	Kalesego Maintenance Services Cc
9.	Bela Bela LM
10.	Thabazimbi LM
11.	Modimolle Mookgopong LM
12.	Kgetlengrivier LM
13.	Ngaka Modiri Molema
14.	Kaone construction
15.	Lekwa-teemane Local municipality
16.	CMS water engineering
17.	Sakeliga NPC
18.	SAMWU obo Ikalafeng Motshegwe
19.	SAMWU obo Tebogo Bogosi
20.	Baphalane & Others

14. Business Continuity Management

Magalies Water Board is committed to ensure the continuity of its business operations and to minimise the impact of all forms of disruptions. We have adopted the principles that are internationally developed (The Business Continuity Institute's Good Practice Guidelines 2018 relating to the ISO 22301: 2012, Societal Security: Business Continuity Management Systems). The Board has approved a Business Continuity Management (BCM) Policy.

The BCM Policy aims to meet the following objectives:

- Ensure the safety of staff, staff welfare and confidence;
- Minimise the financial, operational and business impact to Magalies Water in the event of a disaster;
- Safeguard the facilities, purification plants, business information and assets of all the divisions;
- Provide timely availability of all key resources necessary to operate the critical business processes at a level of operation that is acceptable to management; and
- Maintain stakeholder confidence in Magalies Water.

15. Stakeholder Management

Objective: Engage shareholder, clients and stakeholders to incorporate their appropriate influence on operations and planning.

Outcome: Avoidance of reputational risk and increased stakeholder satisfaction.

Scope: Meaningful engagement and Communication with all stakeholders using meetings, forums and media with involvement of Magalies Water executives and Board.

Magalies Water continuously engages with Stakeholders in order to provide appropriate water services support to public engagements and stakeholder goals.

15.1 Stakeholder Engagement (Internal and External).

Significant Stakeholder Engagements and positive Customer experience are an integral imperative of Good Corporate Governance and Magalies Water appreciates that Stakeholder perception can affect its reputation and brand both negatively and positively, depending on the context. Positive Stakeholder perceptions anchored around consideration of stakeholder legitimacy, salience, urgency, power and interests should, at all times, be managed to enhance and protect the corporate identity, image and integrity of Magalies Water.

The approach of Magalies Water to Stakeholder Engagement will include the following:

- Annually review the Plan & engagements which include all relevant Stakeholders and objectives for engagement purposes
- Internal preparedness and alignment with Stakeholders
- Engagements through a meaningful dialogue programme to facilitate development of critical relationships and building trust
- Analysis of feedback from engagement processes

Stakeholders have been identified and grouped as follows:

- Stakeholder who have regulatory oversight over Magalies Water
- Stakeholders that Magalies Water provides services to; and
- Stakeholders who provide services to Magalies Water

A Stakeholder Engagement Plan shall therefore be implemented to address all the material issues and achieve the intended objectives of stakeholder engagement in accordance with the Stakeholder Value Proposition.

15.2 Status of Agreements with Key Customers

The status of Bulk Supply Agreement Contracts (BSAs) with the Magalies Water's Customers is as follows:

Table 18: BSA Expiry Timelines

#	DESCRIPTION	AGREEMENT SIGNED	AGREEMENT EXPIRY DATE	STATUS
1.	Bela-Bela local municipality	2019	2029	Active contract
2.	City of Tshwane Metropolitan municipality	2020	2023	Active contract
3.	Modimolle-Mookgopong local municipality	2019	2021(expired)	Contract on a month to month basis whilst awaiting finalisation of the long term contract.
4.	Moses Kotane Local municipality	2013	2023	Active contract
5.	Rand water – Vaalkop southern water supply scheme	1997	Open ended	Active contract
6.	Royal Bafokeng administration	2011	2021(expired)	Contract on a month to month basis whilst awaiting finalisation of the long term contract
7.	Rustenburg local municipality	2020	2023	Active contract
8.	Thabazimbi local municipality	2020	2030	Active contract
9	Moretele LM	2022	Month to Month	Contract on a month to month basis whilst awaiting finalisation of the long term contract.

Table 19: Section 29 – Bulk Water Supply Mine Agreements

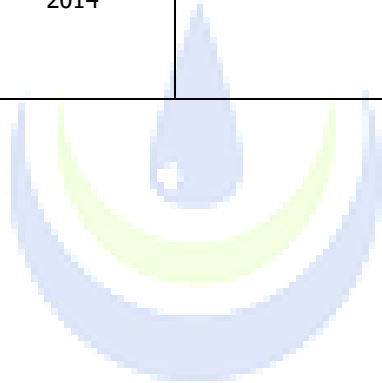
#	NAME OF CUSTOMER	AGREEMENT EXPIRY
1.	Cullinan Diamond Mine	Open ended*
2.	Impala Platinum Limited	Open ended*
3.	Northam Platinum Limited – Northam	Open ended*
4.	Rustenburg Platinum Mines Limited – AMADELBULT SECTION	Open ended*
5.	Rustenburg Platinum Mines Limited – BOSHKOPPIE	Expired, currently being renegotiated

#	NAME OF CUSTOMER	AGREEMENT EXPIRY
6.	PPC-Dwaalboom	Open ended*
7.	Siyanda Bakgatla platinum mine	Open ended*
8.	Rhino Andalusite Resources	Open ended*
9.	Pilanesberg Platinum Mine	Open ended*
10.	Bafokeng Rasimone Platinum Mine	Expired, currently being renegotiated
11.	Glencore Smelter	2026
12.	Maseve Mine	Open ended*
13.	Bakubung Wesizwe	Open ended*
14.	Limberg Mine (Cronimet Chrome Mine)	August 2028
15	Carousel Casino	Open ended*
16	Sa Ferrochrome (Pty)Ltd	2026

*Open ended contracts are linked to the life span of the mine.

Table 20: Section 30 – Agreements

#	DESCRIPTION	AGREEMENT SIGNED	AGREEMENT EXPIRY DATE	STATUS
1.	Ngaka Modiri Molema DM	5 June 2015	04 June 2020	Five year contract signed. Expires on 30 June 2027. Resolution taken by the district as the WSA that no direct contracts should be signed with municipalities
2.	Dr. Ruth S. Mompoti DM	11 November 2022	11 November 2023	Agreement in place.
3.	Water Utilities Corporation of the Republic of Botswana (Tswasa Water Scheme)	18 November 2014	17 November 2042	Agreement in place.



Magalies Water

15.3 Stakeholder Value Propositions

The value proposition presented below indicates how Magalies Water effectively and efficiently segments stakeholders in order to meet the needs of its various Stakeholders.

Table 21: Stakeholder Segmentation and Service Design Strategy

Stakeholder	Value Proposition	Outcomes
Stakeholders who provide Policy, Regulation and Oversight	Compliance with Government Policy on water services	<ul style="list-style-type: none"> • Compliance with Legislation and Public Policies • Delivery of Government's key Mandate
Stakeholders to whom services are provided (Customers)	Quality Water Services	<ul style="list-style-type: none"> • Product quality & quantity • Quality Service Experience • Reliability of supply • Affordable Tariffs • Good reputation
Stakeholders who provide services and resources (Customer services support)	Employer of Choice	<ul style="list-style-type: none"> • Conducive working environment • Fair and transparent labour practice • Employment Equity
	Ethical Business Partner	<ul style="list-style-type: none"> • Reliable, credible organisation respected and valued by Community • Promote BBBEE Imperatives
	Terms and Conditions of Trade	<ul style="list-style-type: none"> • Reliable, credible, sustainable business partner for investors, employees, suppliers
	Sound Environmental Practices	<ul style="list-style-type: none"> • Compliance with Water and Waste Licences • Water Conservation Demand Management

15.4 Marketing and Communication Plan

The Marketing and Communication department provides support to respective divisions within the organisation through communication and marketing initiatives. Events or activities are planned and undertaken with the aim to position the brand's image positively, increase awareness and strengthen stakeholder relations. Further to this, the department communicates the organisational vision, strategic objectives as well as providing extended communication and public awareness campaigns in line with the annual National and International Calendar of activities, which are cascaded from various national departments, including Water and Sanitation as well as sector related events.

Initiatives that are linked to the organisational strategy, international as well as the annual themes from the Department of Water and Sanitation are executed in line with the approved Marketing and Communication planned activities for the 2023/24 financial year. This is done to create public awareness while educating the stakeholders about intended outcomes of specific Magalies Water (MW) campaigns. The awareness campaigns are implemented in consultation with respective stakeholders, while Magalies Water events are designed to promote the organisation's brand, thus enhancing its presence, and positioning in the public.

These activities also assist in getting buy-in from the targeted audiences for future initiatives that are aimed at creating public awareness and education about the business of the organisation. The activities will further add value in terms of Magalies Water's reputational outlook and subsequently place the organisation as an employer of choice that cares for its employees, whilst also building its reputation externally. Planned activities are aligned with short and medium-term implementation plan contained in the Marketing and Branding strategy.

Marketing and Communication planned activities are detailed in the Marketing and Communication Plan as approved by the Board.

16. Human Resources Plan

Magalies Water seeks to create an environment in which all employees are recognised as well as qualified, professionally engaged and committed to high quality and standards.

Objective: Develop the human resources of Magalies Water, suppliers and communities through transformation, skills development, local employment and enterprise development.

Outcome: Enhanced human resource capabilities for other strategic programmes and achievement of public policy targets.

Scope: Full scope talent management for Magalies Water employees, organisation development, learnerships, internships, graduate trainees and employment of local people.

16.1 Implementation of the Human Resources Plan

The people are at the heart of Magalies Water business. Magalies Water will therefore develop and translate the following human resources strategic focus areas in order to ensure it has the right people and people programmes it needs to implement its business plan. Magalies Water will continue to deepen implementation of Human Resources plans within the context of Board-approved policies covering the following areas:

1. Workforce Planning

Magalies Water seeks to maintain a workforce that will enable it to deliver quality services to all its stakeholders.

2. Remuneration

To implement a rewards system that is consistent with the objectives, strategic value drivers and sustainability of the organisation whilst attracting and retaining employees;

3. Succession Plan & Career Path

To ensure effective performance of the organisation through development of specific employees to take up key position by maintenance of a database of employees with specific competencies;

4. Recruitment & Selection

To ensure effective and efficient recruitment, development and retention of staff with relevant expertise, experience and the requisite skills. Recruitment processes to embrace diversity;

5. Performance Management

To continuously instil a high performance culture to recognise and reward performance that is geared towards achievement of the strategic objectives and targets of Magalies Water; and

6. Employment Equity

Creation of an environment free of discrimination and removal of barriers to actively appoint and develop individuals with potential from previously disadvantaged groups.

7. Employee Relations

Magalies Water strives to create an environment in which our employees feel valued and support the organisation's values, strategies and priorities. The relationship with labour union in the organisation is managed by Human Resources department through the Local Labour Forum, which allows for the Employer and Labour Unions to deal with matters of mutual interest effectively.

16.2 Workforce Profile

Employees of Magalies Water are key inputs to the strategic management process and will continually deploy the key process to ensure that the organisation delivers sustainably on its service delivery mandate. To substantiate this the current workforce profile is shown as below:

Table 22: Personnel Profile by Levels, Gender and Race

Occupational Category	Male				Female				Total	% Actual	5-Yr Target
	A	C	I	W	A	C	I	W			
Top Management	3	0	0	0	1	0	0	0	4	0,65%	1,38%
Senior Management	2	0	1	0	0	0	0	0	3	0,48%	0,46%
Professionally qualified and experienced Specialists	37	1	1	3	21	0	0	3	66	10,63%	11,79%
Skilled Technical & academically qualified Workers, Junior Management, Supervisors, Foremen & Superintendents	54	2	0	6	53	1	1	2	119	19,16%	19,91%
Semi-Skilled and Discretionary Decision Making	173	2	0	1	73	1	0	1	251	40,42%	39,20%
Unskilled and defined decision making	132	1	0	0	45	0	0	0	178	28,66%	27,26%
Total Permanent	401	6	2	10	193	2	1	6	621	100%	
Temporary	75	0	0	0	5	0	0	0			
PWDs	2	0	0	1	2	0	0	0	5	0.8%	
Total By Gender (Actuals)	494				207						
Actuals: % Male to Female*	70,47%				29,53%				100%		

Legend: A - African, C - Coloured, I - Indian, W – White

Number of Engineers: 5 (Included in the professionally qualified occupational category)

Figure 5: Executive Committee Organisational Structure



16.3 Staff Development, Advancement of Women and of All People with Disabilities

The current Gender Profile of Magalies Water comprises **29, 53%** of females and **70, 47%** of males. Concerning workforce age profile, more than 86, 8% of the staff is less than 55 years. This means that the organisational memory resides largely with people who are not close to retirement.

As per the Workforce Profile above, Magalies Water target about occupational categories are as follow:

1. Top Management: Increase the current profile **by 0, 73%**.
2. Senior Management: Decrease the current profile **by 0, 02%**.
3. Professional qualified and experienced specialists: Increase the current profile by **1, 16%**.
4. Skilled technical and academically qualified: Increase current profile by **0.78%**.
5. Semi-skilled and discretionary decision-making: Decrease appointment by **1, 22%** of the current profile.

6. Unskilled and defined decision-making: Decrease appointment by **1.4%** of the current profile.
7. Differentially abled employees: increase appointment to **2%** of the entire workforce

Throughout the previous 5-year planning period, the targets for women and differentially abled people are **40%** and **2%** respectively, of the total workforce.

16.4 Training Programmes

Magalies Water recognises that employees are a fundamental for the achievement of its strategic objectives. Employees are continuously developed in line with their Individual Development Plans and their key responsibilities. Magalies Water further implements other skills development programmes to create a pipeline for future human capital needs through the implementation of the following programmes.

Magalies Water will continue with implementation of:

1. An externally focused Learnerships Programme intended to benefit one hundred and twenty five (125) Learners in the field of Bulk Potable Water Treatment; this is twenty-five (**25**) per annum over the 5-Year period. The programme will recruit learners from the areas to which Magalies Water supplies the bulk water.
2. The Internship Programme is aimed at benefitting twenty-five (**25**) graduates per 24 months period.
3. Magalies Water external bursary programme will target ten (**10**) new bursars per financial year over the next five (5) years (subject to annual review).
4. The internal bursary programme will benefit at least ten (**10**) new bursary recipients every year depending on budget availability, however, the baseline of internal bursaries awarded is 30.
5. The graduate programme will benefit twenty (**20**) graduate trainees over a period of 5 years aimed at providing workplace experience to newly qualified students who have skills relevant to Magalies Water.
6. Permanent Staff training and development to enhance the skills and competencies should ensure effective implementation of the Organisational Corporate Plan. The Individual Development Plans will continue to be used to monitor progress and the actual numbers will be reported.
7. Temporary (Indirect) appointments is linked to ad hoc programmes or projects. Magalies Water anticipates appointing (**70**) temporal officials in the 2022/23 financial year.

All the training programmes mentioned above are considered as mechanisms for addressing core and critical skills required by the organisation and addressing the core and critical skills strategic objective of Magalies Water.

16.5 Employee Wellness and HIV/AIDS Programmes

Magalies Water recognises that employees may experience health, personal, social and other problems that may adversely affect their performance and that Employee Health & Wellness is essential in relieving stress and illness in the workplace, increasing employee productivity and ensuring improving organisational performance. A comprehensive and integrated Employee Wellness Programme (EWP) consisting but not limited to the following will be implemented through an external service provider.

Chronic Illness management that includes among others awareness, counselling, testing and support for employees and their immediate family members.

1. Executive Wellness
2. Awareness and Education interventions
3. Psychological and clinical counselling.
4. Stress and Trauma management.
5. Substance abuse and addiction.
6. Support for chronic illness.
7. Advisory services to Magalies Water on Employee Assistance Programmes (EAP) relating to performance and disability management.
8. Case management and monitoring

17. Environmental Management Plan

Environmental sustainability is incorporated into the operations of Magalies Water to ensure that the impact on natural resources is minimised and that key environmental risks are managed. The National Development Plan proposes a strategic imperative of a transition towards low-carbon resilient economy to build a competitive resource-efficient and inclusive future. The environmental management framework of Magalies Water will therefore be aligned to that strategic imperative.

Environmental management will therefore be based on implementation of the following initiatives:

1. To ensure that an impact on the environment is minimised, monitoring and auditing of environmental performance will be conducted. This will include annual environmental audits at all the operational sites and an environmental legal compliance audit for the entire organisation.
2. The principles of Integrated Environmental Management will continue to be applied in the entire life cycle of infrastructure implementation. This will include Environmental Impact Assessments for the proposed projects in accordance to the applicable legislation in the capital expansions plan.
3. Resource quality objectives will be set for abstraction of raw water to identify triggers for mitigation against any risks. Monitoring of resources quality will continue and engagement with affected Stakeholders in the catchment to ensure that resource quality objectives are met to safeguard raw water quality.
4. Application for water use licences for future expansions to ensure there is no over abstraction of water which will impact in issues of water shortages.
5. Implementation of a bio-diversity management plan to eliminate and monitor alien and invasive plant species in alignment to the national bio-diversity norms and standards

18. Greenhouse Gas Emissions and Carbon Footprint Assessments

The United Nations Framework Convention on Climate Change provided objectives to achieve stabilisation of greenhouse gas concentrations in the atmosphere, at a level that would prevent dangerous pollution caused by humans to interfere with the climate system. The Kyoto protocol specifies principles for both the developed and the developing world to reduce emissions of greenhouse gases. The principles includes among others, design, adaptation and implementation of measures to mitigate climate change.

The Greenhouse Gas Protocol (GHGP) provides accounting and reporting standards, sector guidance, calculation tools and trainings for business and government. It establishes a comprehensive global framework for measuring and managing emissions from private and public sector operations.

Magalies Water aims to support national and global strategies by assessment of current GHG emissions and how they changed as well as set objectives and targets to ensure move towards goal of reducing GHG emissions. South Africa is a signatory to the above International conventions and is thus obligated to comply with any rules and conditions of those conventions. Magalies Water has embarked on the initiative to compute, record and reduce its carbon footprint. This initiative is geared towards a low carbon economy and improvement in the long-term effects of climate change in order to support the Government's mitigation and adaptation strategies.

A baseline for the Greenhouse Gas emissions is thus as follows:

Table 23: Greenhouse Effect Management Guide

Aspect	Total Kg Co _{2e}
Water	24 528 070
Energy consumption	82 802 911
Travel	1 522 408
Total	108 853 390

The above guidelines will be utilised for comparability with respect to Magalies Water related activities that give rise to similar emission. Magalies Water is monitoring and measuring such activities once every two years.

19. Water Conservation and Demand Management

Water Conservation and Demand Management (WCDM) entails comprehensive reforms and actions to optimise existing water supplies. It is a long-term, integrated approach to water management that aims to conserve water by controlling the usage of water to influence demand and promoting efficient use. WCDM involves various role-players across governance structures, technical expertise and a cultural mind-shift to recognise the importance of water and the cumulative impact of individual use (whether it is urban residents, industry or agricultural users) on each other and the water source. The aim is to:

- Educate consumers on how to conserve water in order to minimise water losses through awareness campaigns.
- Implement Corporate Social Initiatives that will assist municipalities within the supply area of Magalies Water to reduce non-revenue water (NRW) which will in turn ensure improved water supply and increase in revenue

Magalies Water Conservation Water Demand Management Campaign is implemented in many folds inclusive of the following:

1. **Somarela Metsi** - Metsi ke Bophelo/My Water, my pride campaign which is done through electronic and print media i.e. radio promos, on social media platforms and on billboards.
2. **Plant Tours** wherein we host different groups in some of our Plants to educate them about the Water Cycle i.e. source-to-tap with an aim of communicating Water Conservation and Water Demand Management and emphasise the mandate of Magalies Water. Education to the external stakeholders is basically done on continuous basis through existing communication channels.

20. Corporate Social Investment

Responsible Corporate Citizenry is one of the focus areas of the Board and Magalies Water has adopted a Policy to that effect. The organisation operates within communities and Magalies Water activities impact on the societies within which it operates. It is for this reason that the organization play its role of responsible corporate citizenry in the latter areas and those new areas based on the available resources.

A Corporate Social Investment (CSI) resource mobilization plan has been developed in order to align the CSI initiatives with the Government objectives and plans of various Municipalities within the service areas. The approach to CSI is that Magalies Water obtains water and sanitation or any other related community initiatives the implementation of which it supports the identified Municipality and community needs in the service areas. Magalies Water has planned to implement **four (4)** Corporate Social Investment initiatives for the 2023/24 financial year and the impact of the project is aimed at being at a large scale. The details of the planned initiatives are captured in the CSI Plan of the organisation.

21. Post Integration Transition and Sustainability Plans

The merger of the North West operations of Sedibeng Water with those of Magalies Water necessitated the development of a transition and a sustainability plan. The transition plan created to ensure the smooth transition from two separate entities into one whilst the sustainability plan was developed to ensure the ongoing financial viability of the merged entity. The actions required to ensure the successful implementation of these two plans are described in the tables below:

Table 24: Actions required to ensure the smooth transition of the former SW and MW into a new single entity

Focus Area	Initiatives	Timelines (from Sept 2022)
Operations	Engage DWS, LM and COGTA to obtain assets from DM	31 September 2023
	Tabulate a detailed assessment that includes risks, costed assessment, etc. and present it to the DM - for infrastructure	31 August 2023
	Establishment of satellite laboratory	31 March 2024
	Develop a risk-based monitoring programme compliant to SANS 241	30 June 2023
	Review the status of SHE Compliance and introduce ISO 14001 and ISO 45001 systems	30 June 2025
Finance	Elicit funding support from DWS	31 December 2023
	Implement debt management processes and procedures to recover amounts owed	Ongoing
	Allocate the available resources for section 29 and 30	30 September 2023
People	Develop and implement a change management plan for managing the transition period	30 June 2023
	Efficient human resources management post the Sec 197 integration process (1. Re-skill, re-deploy, re-structure to ensure efficient resource utilisation, 2. Retain critical skills, 3. Reduce overtime)	31 December 2023
	Incorporate employee costs into costing models and tariffs	31 May 2023 (Done)
Customer	Confirm customer base through internal Audit	30 June 2023
	Develop a clear SLA that is linked to each activity and ensure that legal actions are clearly indicated in SLA	31 July 2023
	Ensure that SLAs with LM have funding commitments	31 March 2024
	Asset Audit for Rebranding	30 June 2023
	ICT Integration in Former Sedibeng areas <ul style="list-style-type: none"> • Integration of employees on HR system • Integration of employees on email system • Integration to SAP System • Integration to MW MPLS (Magalies Water Internet Line) • Provision of Tools of trade 	November 2022 - Done August 2022 - Done December 2023 – In progress June 2023 – In progress December 2023 – In progress
	IGR (Inter Governmental Relations)	30 June 2023
Operating Model	Review ways of working including centralization / decentralisation decisions, hybrid working models, etc.	31 March 2024
	Facilitate a comprehensive operating model review, including processes, systems, people, technology, etc.	31 December 2023

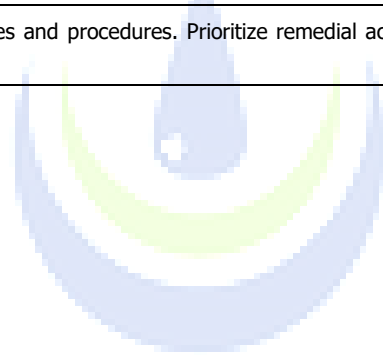
Table 25: Actions required to ensure MW's sustainability

MW pre-merger	Former SW	Impact on MW post-merger	Actions to maintain sustainability
Self-funding (ntoo reliant on grants for provision of services – all cost incurred in service provision recovered from customers)	<ul style="list-style-type: none"> Higher level of section 30 work Inability to collect amounts owed for services provided External support required to stay afloat 	<ul style="list-style-type: none"> Large exposure to potential bad debts Cash flow constraints (higher cost increases compared to revenue increases) 	<ul style="list-style-type: none"> Collect outstanding debts New SLA agreements with customers – All SLAs to be reviewed to ensure that they support MW sustainability Financial support from DWS Evaluate alternative funding models
Efficient cost containment - maximizing services provided while keeping costs low	<ul style="list-style-type: none"> Service provision prioritized ahead of financial returns 	<ul style="list-style-type: none"> Have to service areas that are sub-economic Potential deterioration in audit outcomes, making fund raising difficult 	<ul style="list-style-type: none"> Ring-fence areas for special treatment (where current business model would not applicable) Prioritize remedial actions over any potential negative audit outcomes
Effective Capex and Opex plan	<ul style="list-style-type: none"> Deferred Capex and Opex due to funding constraints 	<ul style="list-style-type: none"> Former SW Capex and Opex backlog has to be funded 	<ul style="list-style-type: none"> Urgent rehabilitation of former SW infrastructure Increased investment in maintenance Funding long term capex projects Update Master Plan to cover former SW requirements
Sustainable business mix of S29 and S30 activities	<ul style="list-style-type: none"> Heavily reliant on S30 business – 70% of revenue Large number of projects being implemented by the organisation Limited ability of the water bard to deliver on its primary mandate 	<ul style="list-style-type: none"> Resources required for S30 activities are limited – financial and human resources 	<ul style="list-style-type: none"> Review strategy and ensure a financially viable mix of S29 and S30 business
Active stakeholder management leading to good key relations stakeholders	<ul style="list-style-type: none"> Poor relations with some key stakeholders 	<ul style="list-style-type: none"> Poor stakeholder relations impact negatively on MW reputation 	<ul style="list-style-type: none"> Adopt customer focus in new areas of operation in order to manage MW's reputation Relaunch Magalies Water in former Sedibeng Water areas on the back of the strong brand position and reputation

Table 26: Summary of key actions to be implemented to ensure MW’s sustainability

Focus Area	Initiatives	Timelines (from Sept 2022)
Operations	<ul style="list-style-type: none"> Self-sustainable Sec 30 business without cross-subsidisation from Sec 29 business. Ring-fence areas for special treatment (Reviewed Masterplan) 	Ongoing 30 June 2024
	Implement effective contract & SLA management (incl. ensuring that SLA with LM has funding commitment)	Ongoing
	Maintaining operations	Ongoing
	Ensure smooth integration of SW into MW	Ongoing
	<ul style="list-style-type: none"> Update Master Plan to cover former SW requirements Develop new ways to efficiently service far flung areas in economically depressed environments Ensure capex investment Maintain infrastructure Urgent rehabilitation of former SW infrastructure 	<ul style="list-style-type: none"> 30 June 2024 – In progress 30 June 2024 – In progress <ul style="list-style-type: none"> As per Budget Ongoing 30 June 2024 – In progress
Finance	<ul style="list-style-type: none"> Increase funding of maintenance activities Funding capital projects Financial support from DWS Evaluate alternative funding models 	Ongoing
People	Effective management of people issues (relocation plan, plan for increased physical floor space, position review and grading)	31 December 2023
	Entity regrading	30 September 2023
Enablers	Culture: Embedding MW culture into the new organization (Living the Magalies Water culture and values)	31 December 2023

Focus Area	Initiatives	Timelines (from Sept 2022)
	Technology: Apply advanced technology to enhance operational efficiency	31 March 2024 – In progress The focus is to put the Far West Area on par with the other areas of MW.
	Organisational design: design a new structure that is fit for purpose	30 September 2023
	Governance: Adherence to laid down policies and procedures. Prioritize remedial actions over any potential negative audit outcomes	30 June 2024



Magalies Water

A number of critical dependencies and enablers in the successful implementation of the sustainability and transition plans were identified. These are described in the table below:

Table 27: Critical Dependencies and Enablers

Action	Critical dependencies and enablers	Impact on integration of ex SW into MW
Urgent upgrades of former SW water and sanitation infrastructure	DWS funding MW to ensure sustainability (minimum ~R11m per month to cover former SW cash flow shortfall)	<ul style="list-style-type: none"> Without DWS funding, MW unable to finance the maintenance and upgrading of former SW infrastructure, leading to constrained revenue
Negotiation and conclusion of new SLAs with former SW customers	Thorough review of all former SW contracts and SLAs to ensure that they cover the cost of providing the contracted services	<ul style="list-style-type: none"> Any unfavourable SLAs will have a direct bearing on MW financial sustainability
Collection of amounts owed former SW by large customers	Assistance from DWS to find a solution to the large and growing debt of municipalities	<ul style="list-style-type: none"> MW service delivery will be threatened by cash flow challenges brought about by the municipal debt
Service provision to economically depressed areas with limited capacity to pay for services rendered	Finding an alternative funding model for these operations that ensures cost recovery and access to affordable services for residents	<ul style="list-style-type: none"> Current MW self-funding model cannot cater for areas where the cost of providing services is not recovered via tariffs – resources will need to be diverted from other areas, leading to poor service delivery across the board Engage the DWS to write off the liability from former SW

21. Key Performance Indicators and Targets

SHAREHOLDER COMPACT: PERFORMANCE OBJECTIVES AND TARGETS



Table 28: Key Performance Indicators and Targets-Magalies Water's Adapted Version

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2023/24	2024/25	2025/26	2026/27	2027/28
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives								
Organisational Efficiency and Effectiveness	1	Bulk potable water quality compliance	Outcome 10: Environmental assets and natural resources that are well protected and continually enhanced	Protection of water across the value chain	To provide quality potable water	Water Quality Standards met (Compliance to SANS 241:2015) (Section 29)	Acute health microbiological compliance ≥ 99%	% compliance	Acute health microbiological compliance ≥99%	Acute health microbiological compliance ≥99%	Acute health microbiological compliance ≥99%	Acute health microbiological compliance ≥99%	Acute health microbiological compliance ≥99%
	Acute health chemical compliance ≥ 99%	% compliance					Acute health chemical compliance ≥ 97%	Acute health chemical compliance ≥ 99%	Acute health chemical compliance ≥ 99%	Acute health chemical compliance ≥ 99%	Acute health chemical compliance ≥ 99%		
	Chronic health chemical compliance ≥ 97%	% compliance					Chronic health chemical compliance ≥ 97%	Chronic health chemical compliance ≥ 97%	Chronic health chemical compliance ≥ 97%	Chronic health chemical compliance ≥ 97%	Chronic health chemical compliance ≥ 97%		
	Operational compliance ≥95%	% compliance					Operational compliance ≥ 95%	Operational compliance ≥ 95%	Operational compliance ≥ 95%	Operational compliance ≥ 95%	Operational compliance ≥ 95%		
	Aesthetic compliance ≥95%	% compliance					Aesthetic compliance ≥ 95%	Aesthetic compliance ≥ 95%	Aesthetic compliance ≥ 95%	Aesthetic compliance ≥ 95%	Aesthetic compliance ≥ 95%		
	3	Manage avoidable water losses	Outcome 6: An efficient, competitive and responsive infrastructure network	Equitable and sustainable water and sanitation services	To provide reliable and sustainable water services to customers	Reduced avoidable water losses in treatment and distribution systems	Avoidable water lost as a percentage of water produced at treatment (section 29)	%	≤5%	≤5%	≤5%	≤5%	≤5%
	4	Reliability of supply					Number of days of unplanned interruptions (section 29)	number of days of unplanned water interruption exceeding 48hrs (Section 29)	Number	≤8 days	≤8 days	≤7 days	≤7 days

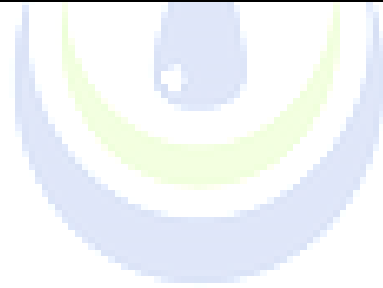
Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2023/24	2024/25	2025/26	2026/27	2027/28
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives								
	5	Increased access to Services				Contribution to national objectives of extending services	Actual CAPEX spend on expansion related projects (initiatives by the Minister)	Rand Value	Not contracted	Not contracted	Not contracted	Not contracted	Not contracted
							Actual CAPEX spend on expansion related projects (initiatives by the Minister) as % of budget	%	Not contracted	Not contracted	Not contracted	Not contracted	Not contracted
							Number of capital projects completed in the financial year	Number	3	3	3	4	4
Financial Performance	6	Finance reporting compliance	Outcome 6: An efficient, competitive and responsive economic infrastructure network	Equitable and sustainable water and sanitation services	To ensure good corporate governance	Unqualified Audit Report	Annual External Audit	External Audit Outcome	Unqualified Audit	Unqualified Audit	Unqualified Audit	Clean Audit	Clean Audit
	7	Improve key financial ratios					To achieve growth and sustainable financial returns	Improved viability and sustainability	Current Ratio	Ratio	≥1.2:1	≥2.9:1	≥3.1:1
							Gross Profit Margin % (Primary Activity)	%	≥33%	≥29%	≥31%	≥31%	≥31%
							Gross profit margin (secondary activity)	%	Not contracted	Not contracted	Not contracted	Not contracted	Not contracted
							Net Profit Margin (Primary Activity)	%	≥6%	≥10%	≥11%	≥11%	≥11%
							Net Profit Margin (Secondary Activity)	%	Not contracted	Not contracted	Not contracted	Not contracted	Not contracted

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2023/24	2024/25	2025/26	2026/27	2027/28
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives								
						Debt/Equity	%	≤19%	≤15%	≤13%	≤12%	≤10%	
						Return on Assets	%	≥2%	≥2%	≥3%	≥3%	≥3%	
						Average Debtors Days	Number	≤ 531 days	≤500 Days	≤450 Days	≤400 Days	≤400 Days	
						Repairs and maintenance as % of Property, Plant & Equipment & Investment Property (Carrying Value)	%	≥2%	≥1%	≥1%	≥1%	≥1%	
						Staff Remuneration as % of Total Revenue	%	≤31%	≤30%	≤30%	≤30%	≤30%	
	8	Increase BBBEE expenditure relative to operational projects	Outcome 6: An efficient, competitive and responsive economic infrastructure network	Equitable and sustainable water and sanitation services	To contribute towards transformation and developmental agenda	Spend increased and increased new entrants awarded contracts in the financial year	Spend	% achieved	≥40%	≥40%	≥40%	≥40%	≥40%
						New Entrants (BBBEE)	Number	80	80	80	80	80	
	9	Manage costs within the approved budget				Actual expenditure compared with budgeted expenditure for the quarter	Financial reports	% increase	Not contracted	Not contracted	Not contracted	Not contracted	Not contracted
	10	Capital expenditure programme	Outcome 6: An efficient, competitive and responsive economic infrastructure network	Equitable and sustainable water and sanitation services	To contribute towards transformation and developmental agenda	Infrastructure available to meet demands	Actual CAPEX spend on expansion related projects as % of Total CAPEX budget	%	≥90%	≥90%	≥90%	≥90%	≥90%
						Overall project completion dates within targets	%	Not contracted	Not contracted	Not contracted	Not contracted	Not contracted	

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2023/24	2024/25	2025/26	2026/27	2027/28
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives								
							Overall project expenditure within R target	% variance	Not contracted	Not contracted	Not contracted	Not contracted	Not contracted
	11	Engagement in secondary activities			To achieve growth and sustainable financial returns	Growth in turnover from secondary (other activities)	Percentage of total turnover	%	Not contracted	Not contracted	Not contracted	Not contracted	Not contracted
Customer/ Stakeholder Interaction	12	Bulk supply agreements concluded with municipalities / other customers	Outcome 9: A responsive, accountable, effective and efficient Local Government system	An efficient, effective and development oriented water and sanitation sector	To manage customer and stakeholder relations	Statutory and Service Level Agreements in place	Municipalities/Other Customers with bulk supply agreements	%	80%	90%	95%	95%	95%
	13	Implementation of Ministerial Directives	Outcome 12: An efficient, effective and development oriented public service and an empowered and inclusive citizenship	An efficient, effective and development oriented water and sanitation sector	To manage customer and stakeholder relations	New Ministerial directives issued are implemented on time	Progress against Implementation Plan	%	Not contracted	Not contracted	Not contracted	Not contracted	Not contracted
	14	Support Rural Development				All Statutory Reports submitted on time	Signed Contracts, MOUs, etc.	Number	2	2	2	1	1
	15	Achieve statutory reporting compliance	Outcome 9: A responsive, accountable, effective and efficient Local Government system				% Submission dates met	%	100%	100%	100%	100%	100%
Organisational Capacity	16	Staff levels	Outcome 5: A skilled and capable workforce to support an inclusive growth path	An enhanced contribution to socio-economic development and transformation by the sector	To create a high-performance organisation through effective talent management	Optimal staff retention	Staff turnover	%	≤7%	≤3%	≤3%	≤3%	≤3%
	17						Learnerships	Number	25	25	25	25	25

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2023/24	2024/25	2025/26	2026/27	2027/28
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives								
		Training and Skills Development	Outcome 4 Decent employment through inclusive economic growth		To contribute towards transformation and developmental agenda	Skills and capacity building	Internships	Number	25	10	10	10	10
							Number of external Bursaries awarded (annual cycle)	Number	10	10	10	10	
							Bursaries employees	Number	30	20	20	20	20
							Graduate Programmes	Number	5	4	4	4	4
	18	Jobs Created	Outcome 5: A skilled and capable workforce to support an inclusive growth path			Permanent and contract (direct)	Total Number (Direct)	Number	5	5	5	5	5
					Temporary (indirect)	Total Number (Indirect)	Number	70	60	40	40	40	
General Performance	19	Board Effectiveness	Outcome 12: An efficient, effective and development oriented public service and an empowered and inclusive citizenship	An efficient, effective and development oriented water and sanitation sector	To ensure good corporate governance	Improved performance of fiduciary duties/governance	Board Member attendance of all Board / Committee meetings	%	85%	85%	85%	85%	85%
							Board and Committee meetings held	Number	24	24	24	24	
							Decision making: % number resolutions taken by the board vs number of resolutions required	%	100%	100%	100%	100%	100%
	20	Good Governance	Outcome 12: An efficient, effective and development oriented public service and an empowered and inclusive citizenship	Equitable and sustainable water and sanitation services		Improved controls and risk mitigation	Breaches of materiality and significance framework	Number	0	0	0	0	0
							Number of Repeat Findings	Number	≤15	≤8	≤7	≤7	≤7
							Number of Unresolved Findings	Number	≤20	≤13	≤12	≤12	≤12
							To manage customer and stakeholder relations	Improved stakeholder relations management	% Compliance with Stakeholder Engagement plan	%	100%	100%	100%

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2023/24	2024/25	2025/26	2026/27	2027/28
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives								
	21	Corporate Social Responsibility Initiatives	Outcome 12: An efficient, effective and development oriented public service and an empowered and inclusive citizenship	An enhanced contribution to socio-economic development and transformation by the sector	To contribute towards transformation and developmental Agenda	Good corporate citizenship	Number of initiatives undertaken	Number	4	5	5	6	6



Magalies Water

22. Ministerial Directives

There are no new Ministerial Directives planned for the 2023/24 financial year. Directives will be implemented as and when received from the Shareholder.

23. Self - Appraisal of Performance: Mid-term 2022/23

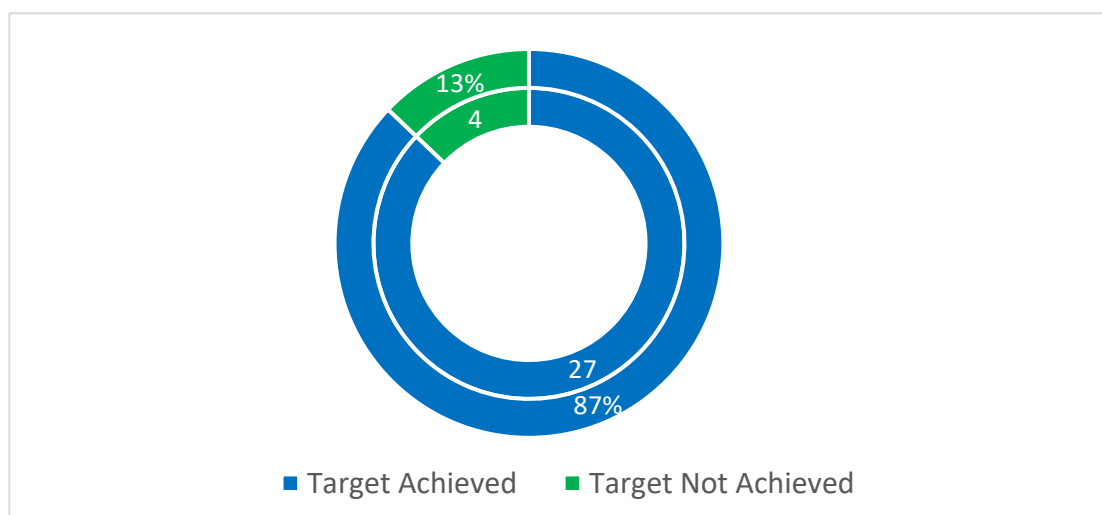
Magalies Water contracted with the Shareholder to implement 45 key performance indicators in 2022/23 of which 31 are measurable in Quarter 2.

In terms of Quarter 2 performance, 27 out of 31 key performance indicators have been achieved which translates **87%** overall achievement.

The following four (4) KPIs were not achieved:

- Acute health chemical risk $\geq 99\%$ (Section 29) (Target of $\geq 99\%$ vs Actual of 97%)
- Operational Risk $\geq 95\%$ (Section 29) (Target of $\geq 95\%$ vs Actual of 94%)
- Avoidable water lost as a percentage of water produced at Plants (Section 29) (Target of $\leq 5.00\%$ vs actual of 5.87%)
- Number of Incidents of continuous service interruption exceeding 48 hours (Section 30) (Target of ≤ 1 vs 4 reported incidents)

Below is a graphical representation of Magalies Water Q2 Performance



24. Bank Accounts

Magalies Water operates on the following current accounts with the Standard Bank of South Africa.

No.	Account Number
1.	03 313 9539
2.	03 309 6937
3.	03 311 8213

The operations of former Sedibeng Water in North West province has been incorporated into Magalies Water and the following bank accounts were transferred into Magalies Water during 2022/23 financial year as part of transfer of assets previously owned by Sedibeng Water.

No	Account number	
1.	7 9015 7680	ABSA – Magalies Water closed the account during March 2023
2.	40 8544 0823	
3.	40 9839 8215	
4.	032035268	Standard Bank – Magalies Water is in the process of closing the account and expects that the process to close the account will be completed before 30 June 2023.

Magalies Water operates on the following investment accounts.

No	Bank	Account Number
1.	ABSA	3774408-ZAR-2201-0
2.	Nedbank	03/7881108916
3.	FirstRand Bank	SMT-DC14A00194
4.	Nedbank	1101 3701 0015
5.	Standard Bank	202 683 966
6.		03 844 1241
7.		03 844 3325

25. Declaration

Magalies Water hereby declares that all information that the organisation is aware of and which is significant to functioning and delivery of its mandate is disclosed in this Corporate Plan, as required in terms of the Water Services Act (Act 108 of 1997), the Public Finance Management Act (Act 1 of 1999), and other relevant legislation and associated regulations, prescribed guidelines and practice notes issued by the DWS and the National Treasury.



Magalies Water

26. List of Abbreviations

BCM	Business Continuity Management
BBBEE	Broad Based Black Economic Empowerment
Co₂e	Carbon Dioxide equivalent
CSI	Corporate Social Investment
DWS	Department of Water and Sanitation
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
ICT	Information and Communications Technology
ISO	International Organisation for Standards
KPA	Key Performance Area
ML/day	Mega litre per day
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NQF	National Qualifications Framework
OHSAS	Occupational Health and Safety Assessment Series
SALGA	South African Local Government Association
SANAS	South African National Accreditation System
SANS	South African National Standard
SCM	Supply Chain Management
SDGs	Sustainable Development Goals
SMME	Small Medium and Micro Enterprises
NWSMP	National Water and Sanitation Master Plan
MTSF	Medium Term Strategic Framework
DTI	Department of Trade and Industry
DMR	Department of Mineral Resources
WSA	Water Service Authorities
CMA	Catchment Management Agency
WCDM	Water Conservation and Demand Management