

# *THE BOARD*



## CHAIRMAN'S REVIEW

### *Executive Summary*

*It is indeed a pleasure to present this Strategic Overview as the Chairman of the Board of Umgeni Water. The Annual Report for 2007/08 carries the theme "Water for Growth and Sustainable Development", this appropriately at a time when government has raised the bar on the challenges of transformation of our economy and the accompanying expectations in respect of delivery of infrastructure and services.*

It is natural that as service provision is accelerated in response to rising expectations, there will be concomitant mounting pressure on state-owned enterprises to deliver services and infrastructure efficiently and cost-effectively. Umgeni Water has been positioned to meet the expectations of its customers and the government.

This Annual Report, for the period 1st July 2007 – 30th June 2008, encapsulates the organization's performance against commitments made in the Shareholder Compact, signed with the Minister of the Department of Water Affairs and Forestry and Umgeni Water's Corporate Scorecard, derived from the Corporate Business Plan.

It is with a great deal of humility that I reflect on the past year, which was punctuated by some achievements unparalleled in recent years. In the Financial Year 2008/09 I will serve my last term as Chairman of the Board of Umgeni Water. It has been two splendid and fulfilling terms as Chairman of a Board that has steered this organization onto a path of progress. When my tenure ends, I will be passing the baton to my successor,

convinced that the benchmarks and standards set will be met without compromise or failure. The financial year under review ended on a positive note, both from financial and non-financial perspectives.

### *The operating environment*

Undoubtedly, as Umgeni Water consolidates and grows its position as a key player in the water sector, in line with its Mission and Strategic Intent, the government is expected to increasingly request public institutions to share expertise and knowledge in order for the targets set in its developmental agenda to be met. The ruling party's expectations of state-owned institutions – including the family of water institutions – in fast-tracking delivery were made clear at its national conference in Polokwane last year.

The outcomes of the Polokwane conference were reinforced in subsequent key addresses, among them the State of the Nation Speech by our President, the State of the Province Address by the Premier of KwaZulu-Natal and the Budget Vote of the Minister

of the Department of Water Affairs and Forestry. The underlying message in these major addresses is that it is "Business Unusual" in the delivery of services to poor and disadvantaged communities. Clearly, there is no doubt about the urgency the government has placed on the elimination of water backlogs.

The Board of Umgeni Water has responded adequately to this challenge by adopting the theme "Business Unusual" at a strategic level and translating it into directives for Executive Management to implement. Already, Umgeni Water's contribution has been seen in initiatives to provide capacity to enable some municipalities to reduce backlogs.

As a public entity we remain mindful of both the strategic importance of our core business, and the critical importance of empowering our stakeholders with workable solutions to position our country among the top achievers in essential service provision.

### *Key achievements 2007/08*

Umgeni Water has been firmly positioned as a partner of government, both at national and provincial levels. The organization is fully committed to supporting and partnering with government in meeting the targets in the Millennium Development Goals. This partnership will have the effect of ensuring increased access to safe drinking water.

Increasingly, as the skills shortage is being felt in critical areas of service provision, Umgeni Water has been asked to offer assistance, to which it has responded affirmatively.

Our customers have also begun strengthening relations with the Board of Umgeni Water at a political level through ongoing interactions. Some significant successes have been achieved in this area as new and lasting relations are developed with the political leadership of municipalities. As the Board, we can reaffirm that there is complete alignment of the CAPEX/Infrastructure programme of Umgeni Water to the developmental agendas of our customers.

### *Stakeholder interaction*

The Board regards stakeholder relations as being of utmost importance, both within and outside the legislative framework in which Umgeni Water operates. In the period under review, interactions took place at an Executive Authority level with the Minister of the Department of Water Affairs and Forestry, and the Water Affairs and Forestry Portfolio Committee, on matters of a strategic nature.

At a provincial level, we continue to build relations with the KwaZulu-Natal Government, major municipalities, the Congress of South African Trade Unions and African National Congress. Deliberations have been held with these groups to ascertain their views on and expectations of service delivery. The Board of Umgeni Water was warmly welcomed at these meetings.

The strategic intent of the Board is to reach as many relevant stakeholders as possible. In the approaching year many more

deliberations will be held as part of a sustainable and meaningful relationship-building exercise. The Board has already done a great deal of work in identifying key stakeholders relevant to the business of Umgeni Water, and will use the outcome of this analysis to inform its decisions and interactions.

### *How the Board has performed*

As part of an ongoing initiative, the Board conducted an annual performance assessment to measure its effectiveness and independence. This practice is helpful in staying completely focused on the mandated activities of the Board, and, of course, delivering on expectations.

The Board's strategy to remain as one cohesive and streamlined unit has been consolidated, aided by the resignation of board members from 15 to 10. However, a challenge has occurred as a result of the resignation of members with strong financial expertise. A void has been left in the Board's area of expertise relating to accounting and auditing, which is being addressed by means of advertisements inviting applicants.

In other areas, the Board has performed in accordance with its Business Cycle and the mandate issued to it under the Public Finance Management Act and the Water Services Act. In the period under review, seven full Board meetings were held, including a strategy planning session which provided the direction on critical issues. Meetings were also held by the three Board committees – Human Resources and Remuneration, CAPEX and Audit Committees – and there were joint committee meetings as well.

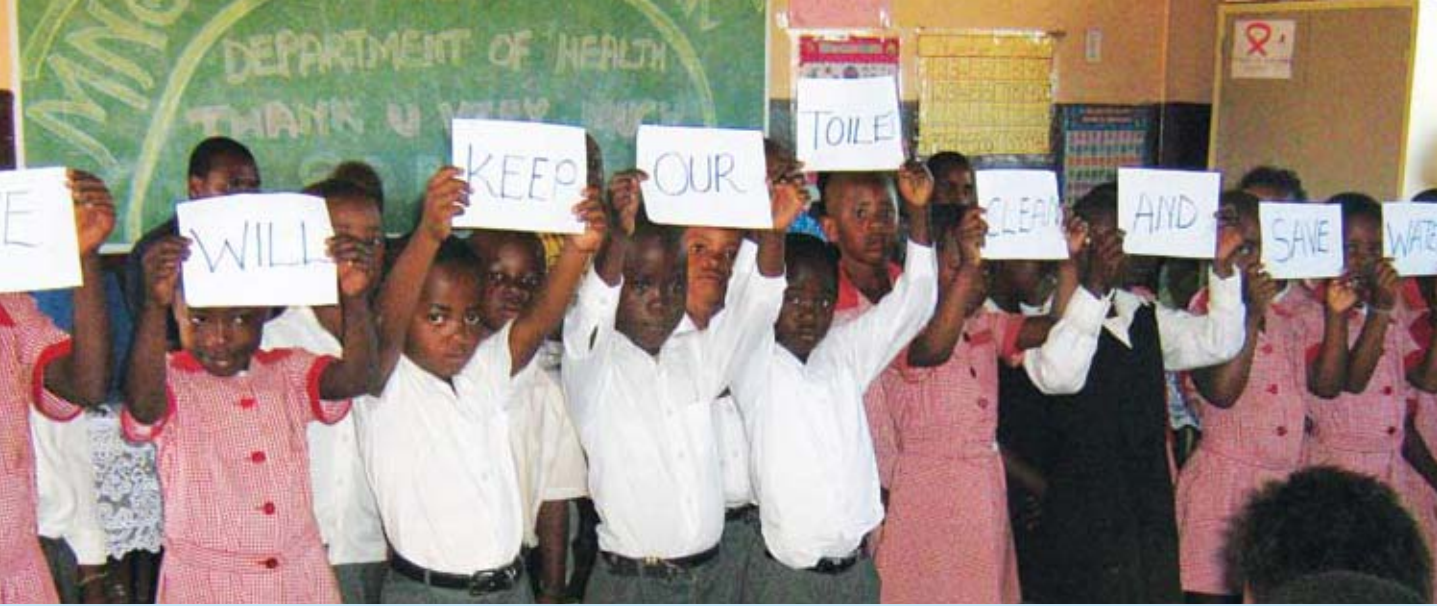
The right-sizing of Board committees to three has worked well, to the extent that it has assisted in streamlining the functions and activities of the Board. The result has also been seen in the effectiveness of the Board to deal timeously with its business through the delegation of authority to the three committees. Any controversy that arises over issues of water quality and quantity, and corporate governance, is always of great concern to the Board.

The Board has, therefore, adopted a position in which it remains diligent in these matters. No compromises on the standard of potable water and required volumes, or adherence to the requirements of King 2, the Public Finance Management Act and the Water Services Act will be tolerated. The stance adopted by the Board has been one of its successes in respect of reputation management and integrity.

In the internal environment, the Board has broken new ground through interaction with senior managers at strategy sessions, and with other staff at Staff Information Sessions. This communication bodes well as it reflects the development of closer relations with all personnel of Umgeni Water.

### *Challenges, opportunities and focus in the year ahead*

We have entered the new financial year full of hope that Umgeni Water will continue to perform well. In the months ahead, the Executive Management of Umgeni Water will be placing greater focus on the KwaZulu-Natal Bulk Water Supply Plan, devised by



Umgeni Water and supported by the Provincial Government, to serve as a special purpose vehicle to roll out the provision of infrastructure. The Bulk Water Supply Plan holds the promise of being an effective means of eliminating the water backlogs in many parts of our province in conjunction or in partnership with municipalities.

It is the view of the Board that institutions of state will be expected to play a more visible and active role in assisting government to accomplish the promises made with respect to water services delivery. This is highlighted in the current water sector reform process. In the months ahead, the Board will deliberate on this matter as the concept presents an opportunity for Umgeni Water to lead any integration process and also be at the forefront of regional sector transformation.

Nhlanhla Gasas  
Chairman  
Board of Umgeni Water

### *Acknowledgements*

It is with a deep sense of appreciation that the Board would like to acknowledge the following:

- The Minister of the Department of Water Affairs and Forestry, Lindiwe Hendricks, for her leadership, contribution to and vision for the role of the family of water institutions
- The Chairman of the Water Affairs Portfolio Committee, Connie September, for ensuring Water Boards deliver on their legislated mandates
- The Premier of KwaZulu-Natal, S'bu Ndebele, for his leadership in driving service delivery and recognizing the contribution of Umgeni Water
- The municipal customers of Umgeni Water for their loyal support
- The executive management and staff of Umgeni Water for their contribution to the success of the organization.





Nhlanhla Gasa was appointed for a second term of office in July 2005 and serves as the Chairman of Umgeni Water. Mr Gasa holds a Master of Commerce, Bachelor of Administration (Honours) degree and a National Diploma in Physiotherapy. Mr Gasa is the founder and Managing Member of Gasa & Associates CC, a Human Resources and Management Consultancy.

Mr. Gasa serves on the following Boards:

- | Chairman  | Director   |
|---|--|
| <ul style="list-style-type: none"> <li>• Digicore Holdings,</li> <li>• ABSA Provincial Advisory Board,</li> <li>• National Small Business Advisory Council (NSBAC)</li> </ul> | <ul style="list-style-type: none"> <li>• éLan Property Group,</li> <li>• KZN Growth Fund and</li> <li>• Intrepid Logistics (Pty) Ltd.</li> </ul> |

Vasu Gounden is Deputy Chairman of Umgeni Water and was re-appointed for a second term of office. Mr. Gounden also serves as a member of the Audit Committee. Mr. Gounden holds a Master of Law Degree (LLM) from Georgetown University and is a graduate of the Harvard/Wits Business School Senior Executive Programme. He is the Founder and Executive Director of the African Centre for Constructive Resolution of Disputes (ACCORD) and is a mediator, trainer and researcher in the field of conflict resolution, with extensive international training experience.

Mr. Gounden serves on the following Boards:

- Gandhi Development Trust,
- Old Mutual Science Education Foundation,
- Finnish based Crisis Management Initiative.
- International Advisory Board of the International Negotiation Journal and
- Editorial board of the Peace and Conflict Studies Journal.



Nombuso Afolayan was appointed to the board of Umgeni Water for her first term of office in July 2005 and serves as the Chairman of the Audit Committee. Ms Afolayan has a Masters of Business Administration: Finance, Executive Leadership, Cost & Management Accounting, a Bachelor of Technology in Management and is an Organizational Development Practitioner. Ms Afolayan is the Commercial & Business Development Executive at Petroleum Products Vopak Terminal Durban (Pty) Ltd.

Ms Afolayan serves on the following Boards:

- Natal Sharks Board as Deputy Chairman, Director
- Board of the Durban Chamber of Commerce and
- Ithala Development Corporation.

Nhlanhla Dlamini was appointed to the board of Umgeni Water for his first term of office in July 2005 and is a member of the Human Resources and Remuneration Committee and Audit Committee. He holds a National Diploma in Public Health and a Diploma in Advanced Management. Mr Dlamini and is an entrepreneur with business interests in Port Shepstone, Durban and Pietermaritzburg.

He has worked for the KZN Health Department for many years up to 2005, when he resigned to pursue his business interests, having been an Environmental Health Manager for 6 years. He has been in charge of, among others, Water and Sanitation Projects as well as Health and Hygiene Education Coordination in his district.





Sidumo Dlamini was appointed for a third term of office in July 2005 and is a member of the Human Resources and Remuneration Committee.

He holds a Diploma in General Nursing, Arts and Science and a Diploma in Midwifery. Mr Dlamini is the President of COSATU and has paralegal background a strong negotiator.

Neil Macleod was appointed as a member of the board of Umgeni Water in July 2005 and is Chairman of the Procurement, Fixed Assets and Capital Projects Committee and a member of Human Resources Remuneration Committee. Mr Macleod holds a Bachelor of Science in Engineering with a Masters of Business Administration. Mr Macleod is the Head of Water and Sanitation at eThekweni Municipality.

Mr Macleod serves on the following Board:

Director

- Johannesburg Water



Zakes John Dube was appointed as a member of the board of Umgeni Water for a first term of office in July 2005 and is a member of the Audit Committee and Procurement, Fixed Assets and Capital Projects Committee.

He holds a Bachelor of Commerce, a Master of Business Administration and is a graduate of the Harvard / Wits Business School Senior Executive Programme. He is the Regional General Manager of the SABC in KwaZulu-Natal.

Mina Lesoma was appointed as a member for a second term of office in July 2005 and is the Chairman of the Remuneration Committee, Ms Lesoma holds Diplomas in Public Relations, Local Government Management and Business Management. Ms Lesoma is the Deputy Head of Customer Services at the eThekweni Municipality.

Ms Lesoma serves on the following Boards:

- KZN Playhouse Company
- Durban Metro
- KZN Provincial Housing Advisory Committee ( HAC).





Busisane Mathebula was appointed for a first term as a member of the board of Umgeni Water in July 2005 and is a member of the Human Resources and Remuneration Committee.

Mr Mathebula holds a Bachelor of Administration, a Diploma in Project Management, a Certificate in Local Government Administration and Management. Mr Mathebula is the Chief Community Facilitation Officer for the City of Umhlatuze Local Municipality.

Thokozile Shezi was appointed as a member of the board of Umgeni Water for her first term in July 2005 and is a member of the Procurement, Fixed Assets and Capital Projects Committee and Remuneration Committee.

Ms Shezi holds a Bachelor of Science in Social Psychology and Education, together with a Masters Degree in Measurement and Evaluation. Ms Shezi is a Programme Manager for projects in the KZN Department of Agriculture and Environmental Affairs.



#### CHIEF EXECUTIVE

Mzimkulu Msiwa was appointed as Chief Executive of Umgeni Water in September 2006. Mr Msiwa is a civil engineer who holds – Bachelor of Science (Civil Engineering) and a Masters of Business Leadership.

Mr Msiwa's experience spans more than 30 years, most of which has been in managerial positions. Mr Msiwa has developed and instituted dynamic working strategies throughout his professional life.

#### COMPANY SECRETARY

Marlene Hilton was appointed as Company Secretary on 1st July 2007. Ms Hilton is an Admitted Attorney of the High Court of South Africa who holds a Baccalaureus Procuratoris degree and a post graduate qualification in taxation.





Reservoir Under Construction (South Coast Water Supply Scheme)