

A large, dynamic graphic of water splashing upwards, with droplets and ripples, occupies the bottom half of the page. The water is a deep blue color, and the splash is captured in a way that suggests movement and freshness.

BUSINESS PLAN

2022/23 – 2026/27

ERWAT BUSINESS PLAN

2022/2023 TO 2026/2027

I. ABOUT THIS DOCUMENT


This document details ERWAT’s Organizational Strategy over the 5-year period from 2022/2023 to 2026/2027. It highlights the operating environment with respect to wastewater and ERWAT’s strategic response to this environment.

II. INTENDED AUDIENCE

The strategy document is used by various stakeholders, for various purposes including:

| STAKEHOLDER | PURPOSE |
|----------------------------|--|
| City of Ekurhuleni | Shareholder |
| City of Johannesburg | Shareholder |
| Lesedi Local Municipality | Shareholder |
| ERWAT Board of Directors | Responsible for providing strategic direction, oversight, approval of policies and corporate disclosures |
| ERWAT Executive Management | Responsible for strategy implementation and achievement of objectives |
| ERWAT Staff | Responsible for the implementation of ERWAT’s strategy through day-to-day operations |

III. SIGNOFF



Mr Kennedy Chihota
Managing Director

Date: 12 October 2022



Dr Natalie Skeepers
Board Chairperson

Date: 12 October 2022

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IV. ABBREVIATIONS AND ACRONYMS

| | |
|----------------|--|
| AG | Auditor-General of South Africa |
| ARC | Agricultural Research Council |
| B-BBEE | Broad-Based Black Economic Empowerment |
| BNR | Bio-Nutrient Removal |
| CSI | Corporate Social Investment |
| CSR | Corporate Social Responsibility |
| CoE | City of Ekurhuleni |
| CSIR | Council for Scientific and Industrial Research |
| DPME | Department of Planning Monitoring and Evaluation |
| DBSA | Development Bank of South Africa |
| DWS | Department of Water and Sanitation |
| ERP | Enterprise Resource Planning |
| ERWAT | Ekurhuleni Water Care Company (Non-Profit Company) |
| EWSETA | Energy and Water Sector Training Authority |
| ESG | Environment Social Governance |
| GCRO | Gauteng City Region Observatory |
| GCAP | Global Call to Action Against Poverty |
| HR | Human Resources |
| IDP | Integrated Development Plan |
| IoDSA | Institute of Directors (South Africa) |
| ISO | International Organization for Standardization |
| IWA | International Water Association |
| IWQM | Integrated Water Quality Management |
| KING IV | King Code of Corporate Governance (2016) |
| LIMS | Laboratory Information Management Systems |
| LNW | Lepelle Northern Water |
| MFMA | Municipal Finance Management Act (Act 56 of 2003) |
| Mℓ | Megaliters |
| mSCOA | Municipal Standard Chart of Accounts |
| MTREF | Medium Term Revenue and Expenditure Framework |
| NDPW | National Department of Public Works |
| NPC | Non-Profit Company |
| NWRS2 | National Water Resource Strategy |
| NICD | The National Institute for Communicable Diseases |
| OPCA | Operation Clean Audit |

| | |
|----------------|---|
| R&D | Research and Development |
| SANS | South African National Standards |
| SCM | Supply Chain Management |
| SDBIP | Service Delivery Budget Implementation Plan |
| SEE | Society, Economy and Environment |
| SUN | Stellenbosch University |
| UJ | University of Johannesburg |
| WCW | Water Care Works (WCW) |
| WITS | University of the Witwatersrand |
| WISA | Water Institute of South Africa |
| WRC | Water Research Commission |
| WSA | Water Services Act (Act 108 of 1997) |
| WWTW | Wastewater Treatment Works |





V. FOREWORD FROM THE BOARD CHAIRPERSON

ERWAT is enhancing the strategic direction of our Shareholders, the City of Ekurhuleni (CoE). ERWAT redefined its Strategic Direction in alignment with the CoE's planning for the future of the region. It is pivotal for the entity to achieve water quality compliance for all Water Care Works.

ERWAT's vision is to be a global leader in water care and resource recovery. Its mission is to provide sustainable, affordable, quality water care and resource recovery services through partnerships and collaborative initiatives with external stakeholders, utilizing smart organizational practices

ERWAT has seven strategic objectives spanning across six strategic pillars namely profitability, people, environmental sustainability, operational excellence, technology and partnerships/commercialization. These define the markers of success and effectively how ERWAT will know when all goals are achieved. ERWAT's strategic objectives outline what must be achieved to make its strategy a success.

Each of these are strategic pillars are defined below:

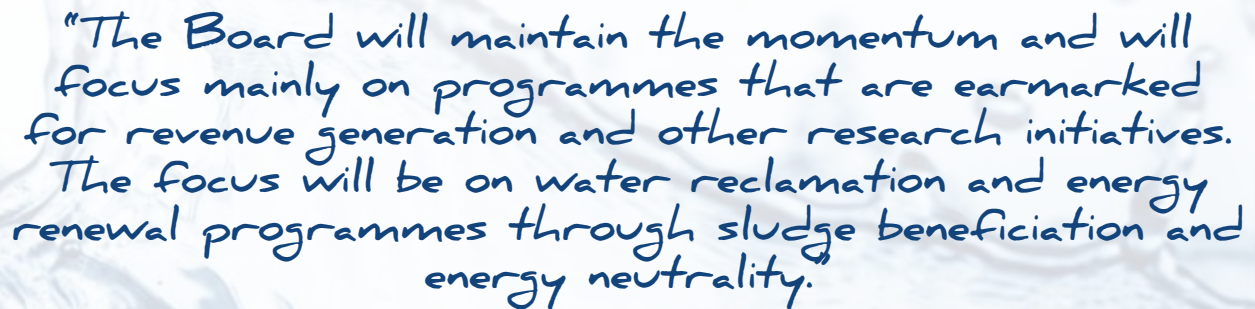
1. Profitability: To expand external business to generate more revenue and entry to new markets through strategic partnerships and collaborative initiatives
2. People: Ensure human capital is aligned to smart organizational strategies
3. Environmental sustainability: Build a competitive advantage through global environmental best practice
4. Operational excellence: optimise existing infrastructure to improve reliability and operational efficiency
5. Technology: Utilise cutting edge technology to increase efficiency, effectiveness and capacity
6. Partnerships/Commercialisation: To establish strategic R&D partnerships to build ERWAT's brand and commercialise new business opportunities

As an entity of the CoE, ERWAT needs to ensure that it aligns to the overarching vision of the city which is summarised in its long-term strategy, the Growth and Development Strategy 2055 (GDS 2055). GDS 2055 identifies five strategic initiatives and ERWAT's strategic objectives are aligned to these in its efforts to support CoE in its endeavours to take the lead as a powerhouse in the Gauteng economy.

As part of ERWAT's strategic plan seven strategic initiatives linked to the six strategic pillars have been identified in ERWAT's pursue in support of its strategy. These initiatives are:

1. Sustainable sanitation solutions
2. Sludge beneficiation and resource recovery,
3. Energy neutrality,
4. Water reclamation,
5. Medium term business growth opportunities targeting specific industries with niche products and services,
6. Financial model strategy that looks at reassessing ERWAT's current financial models and financial market approach; and
7. ERWAT Plants & Conveyancing Regionalisation and 50 Year Master Plan.

The legislative framework within which water supply and sanitation services takes place is mainly provided by the Water Services Act (Act 108 of 1997) (WSA). The WSA derives its mandate from Section 27(b) of the Bill of Rights in the Constitution. This section of the constitution provides, among other rights, that everyone has the right to have access to sufficient food and water. One of the main objectives of the WSA is thus to provide for the right of access to basic water supply and to basic sanitation.



“The Board will maintain the momentum and will focus mainly on programmes that are earmarked for revenue generation and other research initiatives. The focus will be on water reclamation and energy renewal programmes through sludge beneficiation and energy neutrality.”

ERWAT strives to keep abreast of the latest in wastewater research management through regular liaison and contact with other institutions, such as the Water Research Commission (WRC), water institutions, academia, as well as government departments such as the Department of Water and Sanitation (DWS). ERWAT is a member of the International Water Association (IWA) and a patron member of the Water Institute of South Africa (WISA). ERWAT has also entered into an agreement with the University of Stellenbosch where ERWAT will support a Chair in Wastewater Studies.

The policy developments are aligned with the provincial growth and development strategy as well as the GDS 2055.

FUTURE ACTIONS

The Board will maintain the momentum and will mainly focus on programmes that are earmarked for revenue generation and other research initiatives. The focus will be on water reclamation and energy renewal programmes through sludge beneficiation and energy neutrality.

In the spirit of good governance, the Board and Senior Management shall continue to apply King IV principles to strengthen the governance processes and improve reporting.

CONCLUSION

ERWAT's success is a result of dedication, focus and concerted efforts of many role-players. Therefore, I would like to express my sincere appreciation to my colleagues on the Board of Directors, as well as the Managing Director, Senior Management and Staff. The strategic direction and unwavering support of the CoE make it possible for ERWAT to achieve its strategic and operational objectives.

NC Skeepers

Dr. Natalie Skeepers

Board Chairperson



VI. FOREWORD FROM THE MANAGING DIRECTOR

The period under review marked the second year of the COVID-19 scourge with its attendant movement restrictions. This inevitably affected the roll out of some planned activities, project execution and caused severe constraint on global supply chain processes and hence affecting our ability to respond to effectively execute our service delivery mandate.

Therefore, the process of formulating a new Strategic Plan has given us the opportunity to record our past failures and successes so that we can determine our visions and future goals. With experience, we are better able to prepare for the challenges ahead and to execute strategies for our development, not only in response to changing needs but also as an active and participating agent to drive socio economic development.

The strategic themes attest to our commitment to achieve excellence through our core functions of service delivery, compliance, research, innovation and value creation, as well as our duty to engage stakeholders and the community.

Our strategies for service delivery, compliance, research, innovation and value creation aim to underpin performance of the CoE into a delivering city as envisaged in the Growth and Development Strategy. The entity will continue to provide basic sanitation services and at the same time explore beneficiation initiatives and be involved in cutting edge research, not only to make an intellectual impact locally and internationally but also to benefit humankind in addressing challenges and societal needs locally, regionally and globally. Through discernible service delivery and engagement with the public, we will better articulate, develop and communicate an identity consistent with our vision to facilitate the community in understanding our goals and recognizing our achievements.



"Our strategies for service delivery, compliance, research, innovation and value creation aim to underpin performance of the City of Ekurhuleni into a delivering city as envisaged in the Growth and Development Strategy by 2030 and contribute to a globally competitive and rapidly responsive City."



To implement these strategic aims, we need to develop an enabling environment in which our human, financial and physical resources are appropriately allocated and deployed to help us attain sustainable excellence in wastewater treatment, commercial growth, research and knowledge exchange.

Similarly, the entity aims to maintain a world class infrastructure that supports our engineering endeavors. The Strategic Plan represents the concerted efforts of the entity's stakeholders, whose valuable input has been incorporated in this document. Let me take this opportunity to thank all of them for giving us so much food for thought during the process of consultation and drafting of the Strategic Plan through the Management and Board "Lekgotlas". Our focus as we move forward, is to consider the people whose lives we impact as a company, and the critical importance of the environment in safeguarding the future for generations to come. I would like to thank the CoE through the office of the MMC and the Board for participating in the formulation and approving the Strategic Plan as well as taking up the responsibility of overseeing and monitoring its implementation.

I am sure that, with the collaboration of our talented staff, friends, and supporters, the goals we aspire to accomplish will in time translate into milestones of which we can be proud. By investing in the future of ERWAT, we are investing to build a better future for the City of Ekurhuleni, regional and global communities. I would like to invite you to join hands with us to help this fine and unique institution maintain its characteristics whilst fostering its further developments. May I thank you heartily for taking an interest in the future of ERWAT and the communities we serve.



Kennedy Chihota
Managing Director

VII. EXECUTIVE SUMMARY

The Business Plan presents the planned activities of ERWAT for the period 2022/23 to 2026/27 aimed at creating value for the shareholder, as mandated with provision of wastewater treatment to the residents of the CoE and outlined in the Service Delivery Agreement (SDA).

The strategic plan is premised on the political direction contained in the shareholders' three strategic documents: the Growth and Development Strategy (GDS) 2055, the Integrated Development Plan (IDP) 2022-27 and the Service Delivery Budget Implementation Plan (SDBIP) 2022/23.

ERWAT has a strong presence in the wastewater sector and may use its unique position to respond to value creating opportunities. Its revised strategy focuses on positioning ERWAT as a globally recognised water resource company. In doing so, it has identified seven strategic initiatives linked to its six strategic pillars.

The financial capital to deliver on the plan is through a capital budget of R303,558,800, an operating budget of R4,414,522,500 and revenue of R4,694,522,499, based on the annual average revenue increase of 3% in 2022/23, 13% in 2023/24 and 10% in 2024/25. The entity's human capital of 659 employees, as at June 2022, will be utilised to deliver on the plan.

In delivering the plan, the following risks were identified and mitigations will be applied and monitored frequently:

- a. Inadequate integrated planning between the CoE and the Entity
- b. Inadequate infrastructure to treat wastewater (infrastructure)
- c. Potential loss of the ISO 17025 accreditation (infrastructure)
- d. Inadequate preparedness in the event of an emergency/disaster (infrastructure)
- e. Inadequate revenue generation to supplement the approved budget (profitability)

- f. Possible failure to achieve Capital Expenditure set target (financial)
- g. Potential loss of key skills
- h. Potential delays in the supply and delivery of critical goods and services
- i. Potential loss of, and unauthorized access to critical information (technology)
- j. Potential injuries to personnel, visitors and contractors (people)

The implementation of the strategic plan will be monitored through five scorecards, namely Institutional Service Delivery Budget Implementation Plans (SDBIP), Corporate Balanced Scorecard, Service Standards, National Treasury Circular 88 Indicators and Upgrading Informal Settlements Programme (UISP), to measure progress towards the achievement of planned targets.

The Board of Directors consists of one Executive and five Non-Executive Directors. The Board meets regularly, at least quarterly and retains full control over ERWAT. The Board remains accountable to the CoE, the majority member with a 97% stake in ERWAT and its stakeholders. The Directors have a collective responsibility to provide effective corporate governance that involves a set of relationships between the CoE, ERWAT and other relevant stakeholders. The Board provides effective leadership based on a principled foundation and the entity subscribes to high ethical standards.

Responsible leadership, characterized by the values of responsibility, accountability, fairness and transparency, has been a defining characteristic of the entity since the company's establishment in 1992. Four key committees are functional, namely for Governance Risk and Compliance (GRC), Operations, Remuneration and Ethics (REMCO), Research and Development and Commercial Business. The company does not have an audit committee as the oversight function is incorporated under the Governance Risk and Compliance Committee. The CoE Audit Committee performs the role of the audit function for all municipal entities.



PART A
ERWAT'S MANDATE

1. ERWAT'S VISION

“To be a globally recognised water resource recovery company”

ERWAT's vision is forward-looking and articulates what ERWAT intends to be known for in future. Key considerations in the process of formulating the vision were not only the scarcity of water as a resource, but also the realization that municipal entities and other similar entities need to do more to move towards being self-sustainable, given the finite resources from municipalities. State funding and support is limited due to multiple priorities, such as infrastructure backlogs that compete in a limited pool of funds.

To limit the reliance on state coffers through the CoE, ERWAT needs to endeavor to become more self-sustainable and start working as a business to drive profitability. This requires ERWAT to accelerate the identification and maximization of existing business development opportunities.

To do so, ERWAT needs to have a go-to-market strategy where ERWAT not only leverages on its unique strength as a wastewater treatment service provider, but also develops into a global brand, fostering partnerships and collaboration where necessary to drive opportunities.

2. ERWAT'S MISSION

ERWAT's mission statement defines ERWAT's core business, objectives and the approach to achieving these objectives:

“To provide sustainable, affordable, quality water care and resource recovery services through partnerships and collaborative initiatives with external role players, utilising smart organisational practices”

3. ERWAT'S VALUES

The entity's core values are the deeply held beliefs that guide actions of the ERWAT team whilst maintaining a corporate identity and culture. The values of ERWAT are:

1. **Efficiency**
2. **Integrity**
3. **Commitment to SHE sustainability**
4. **Innovation**
5. **Respect**
6. **Service centric customer focus**
7. **Accountability**
8. **Excellence in wastewater treatment**

3.1. COMPANY OVERVIEW

ERWAT is a specialized water care company with extensive expertise in wastewater treatment.

ERWAT is a Municipal Owned Entity (MOE) of the City of Ekurhuleni (CoE) and was established in 1992 as a Section 21 company with its major shareholders being the then Ekurhuleni Metropolitan Municipality.

The mandate of ERWAT is to:

1. Render services to the City of Ekurhuleni as per the constitutional mandate.

Figure 1: ERWAT services

ERWAT PROVIDES THE FOLLOWING SERVICES



2. Expand external business to generate more revenue.

ERWAT operates 19 Water Care Works (WCWs), which extend geographically across four drainage districts (DD's), namely:

- DD3: Northern Drainage District discharging into Jukskei and Hennops Rivers and Blesbok Spruit.
- DD4: Upper Blesbokspruit Drainage District.
- DD5: Lower Blesbokspruit Drainage District.
- DD6: Klip River Drainage District.

ERWAT provides bulk wastewater conveyance and treatment, servicing over 2 500 wet industries and more than 3,5 million people, releasing between 700 to 1000 Mℓ of wastewater per day. The total design capacity of its WCW's is 623 Mℓ/day, comprising of 30% industrial and 70% domestic influent. The average dry weather flow is +/- 854 Mℓ/day. Peak weather wet flow received is +/- 1000 Mℓ/day. Sludge generation is 102,43 tons/day dry solids.

The mandate of ERWAT as defined by the Memorandum of Incorporation (MOI) is as follows:

Text extract from the CoE and ERWAT

According to the MOI, the purpose and objects of the company are noted as:

“The main purpose and object of the company is the management of regional conveyance and treatment of wastewater and all such ancillary and/or incidental services as may be determined from time to time for communal benefit”.

4. LEGISLATIVE MANDATE

ERWAT is a municipal-owned entity established to provide water supply and sanitation services. The core business of the entity is articulated in a range of legislation, the principal ones of which are:

- a) The Constitution
- b) Core Legislative Mandate
- c) Non-Core Legislative Mandate

Figure 2: ERWAT Core and non-core legislation

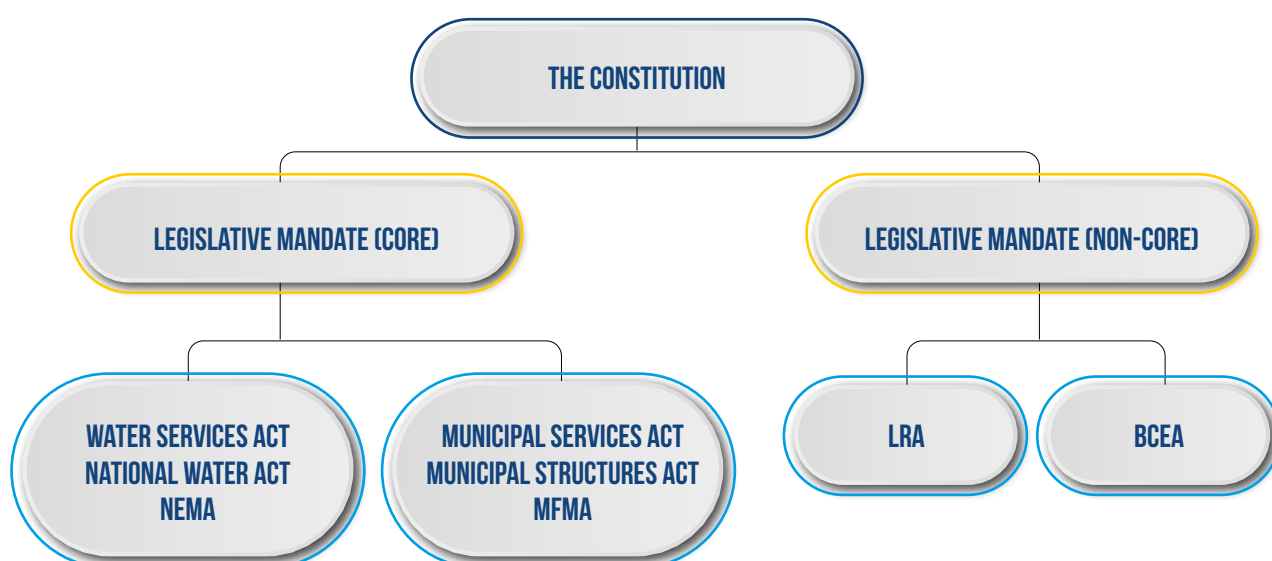


Table 1: Legislation applicable to ERWAT's operating environment

| CATEGORY | LEGISLATION |
|--------------------------|---|
| Core Mandate Legislation | <ul style="list-style-type: none"> a. Companies Act, No.71 of 2008 b. Infrastructure Development Act, No.23 of 2014 c. Legal Metrology Act, No.9 of 2014 d. Local Government: Municipal Finance Management Act, No.56 of 2003 e. National Environmental Management: Biodiversity Act, No.10 of 2004 f. National Environmental Management Act, No.107 of 1998 g. National Environmental Management: Waste Act, No.59 of 2008 h. National Water Act, No.36 of 1998 i. Water Services Act, No.108 of 1997 j. Hazardous Substances Act, No.15 of 1973 k. Disaster Management Act, No.57 of 2002 l. Municipal Finance Management Act |

Table 1: Legislation applicable to ERWAT's operating environment (continued)

| CATEGORY | LEGISLATION |
|------------------------------------|---|
| Non-core Legislation | a. Basic Conditions of Employment Act, No.75 of 1997 |
| Human Resources Legislation | b. Compensation for Occupational Injuries and Diseases Act, No.130 of 1993 c. Employment Equity Act, No.55 of 1998 d. Labour Relations Act, No.66 of 1995 e. Occupational Health and Safety Act, No.85 of 1993 f. Promotion of Equality and Prevention of Unfair Discrimination Act, No.4 of 2000 g. Protection of Personal Information Act, No.4 of 2013 h. Skills Development Amendment Act, No.97 of 1998 i. Skills Development Levies Act, No.9 of 1999 j. Protected Disclosures Act, No.26 of 2000 k. Unemployment Insurance Contributions Act, No.4 of 2002 l. Unemployment Insurance Act, No.3 of 2001 |
| Financial Management | a. Income Tax Act, No.58 of 1962 b. Preferential Procurement Policy Framework Act, No.5 of 2000 c. Prevention and Combating of Corrupt Activities Act, No.12 of 2004 d. Promotion of Access to Information Act, No.2 of 2000 e. Value-added Tax Act, No.89 of 1991 |
| Empowerment | a. Broad-based Black Economic Empowerment Act, No.53 of 2003 |

4.1. CORE LEGISLATION

4.1.1. THE CONSTITUTION OF THE REPUBLIC OF SOUTH AFRICA, 1996

The responsibility for the implementation of sanitation services, as required by the Constitution of the Republic of South Africa, is the function of local government. There are various aspects of the South African Constitution (Act 108 of 1996) which are important for environmental law (as applicable to water and sanitation services), probably the most significant of which is the Bill of Rights. The environmental rights of South Africa's citizens are contained in Section 24 of the 1996 Constitution which reads:

"Everyone has the right-

- (a) to an environment that is not harmful to their health or well-being
- (b) to have the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures that:
 - (i) prevent pollution and ecological degradation
 - (ii) promote conservation
 - (iii) secure ecologically sustainable development and use of natural resources while promoting justifiable economic and social development."

4.1.2. WATER SERVICES ACT (ACT NO. 108 OF 1997)

The Water Services Act 108 of 1997, states that all Water Services Authorities (municipalities) are required to prepare a Water Services Development Plan (WSDP) every five years and to review such plans on an annual basis. The WSDP serves as a guiding and information document towards prioritization and decision making and ERWAT will strive to ensure:

- a) All citizens have access to an appropriate, acceptable, safe and affordable basic water supply and sanitation service
- b) All citizens are educated in a healthy, effective and efficient use of water and sanitation services
- c) Water and sanitation services are to be provided equitably, affordably, effectively, efficiently and sustainably
- d) The WSDP must be informed by the business plans developed by water services providers. ERWAT as municipal entity belonging to COE, forms part of WSDP and is integrated in the WSDP.

4.1.3. NATIONAL WATER ACT (ACT NO. 36 OF 1998)

In Chapter 1, the Act states that the national government is the public trustee of the nation's water resources, which requires it to 'ensure that water is protected, used, developed, conserved, managed and controlled in ways which take into account, inter alia, the following factors:

- a) Meeting the basic human needs of present and future generations
- b) Promoting equitable access to water
- c) Providing for growing demand in water use
- d) Protecting aquatic and associated ecosystems and their biological diversity
- e) Reducing and preventing pollution and degradation of water resources.

4.1.4. NATIONAL ENVIRONMENTAL MANAGEMENT ACT, 1998 (NEMA) (ACT NO. 107 OF 1998)

The Environmental Management Act provides for co-operative environmental governance (including water management) by establishing:

- a) Principles for decision-making on matters affecting the environment
- b) Institutions that will promote co-operative governance
- c) Procedures for coordinating environmental functions exercised by organs of state
- d) Certain aspects of the administration and enforcement of other environmental management laws.

4.1.5. MUNICIPAL SYSTEMS ACT (ACT NO. 32 OF 2000)

The Municipal Systems Act sets out legislation that enables municipalities to uplift their communities by ensuring access to essential services. The Act defines the legal nature of a municipality as including the community and clarifies the executive and legislative powers of municipalities. It seeks to boost effective local government by establishing a framework for municipal planning, performance management and use of resources.

4.1.6. MUNICIPAL FINANCE MANAGEMENT ACT (ACT NO. 56 OF 2003)

The Municipal Finance Management Act sets out legislation that ensures that municipalities put in place service tariffs, financial and credit control policies that take the needs of the poor into account and it promotes the participation of local communities in local governance.

4.2. POLICY MANDATES

The fundamental principle underlying South African water policy (and under which ERWAT provides its services) is the management of water resources to ensure equitable access, sustainable use as well as efficient and effective water use for optimum social and economic benefit. The synopsis of water related policies is provided below:

- a) The White Paper on a National Water Policy for South Africa adopted in 1997 contextualizes the development of a new water law in post democracy South Africa. It outlines the direction for the development of water law and water management systems which will take the country into the next century
- b) The Strategic Framework for Water Services adopted in 2003 sets out the national framework for the water services (i.e., water supply and sanitation) sector. The framework provides the vision for the water services in the country and outlines the structure that will enable this vision to be achieved
- c) The National Water Resource Strategy adopted in 2004 sets out the framework (i.e., strategies, plans and institutional arrangements) within which the country's water resources will be managed. It provides information about the present and future availability of, and requirements for water in respective water management areas and proposes interventions by which these may be reconciled. It also quantifies the proportion of available water in each water management area.

Since the promulgation of the National Water Act in 1998 and since the development of the National Water Resource Strategy (NWRS1) in 2004, South Africa's socio-economic policy has evolved. The National Development Plan (NDP) of November 2011 outlines a new path for South Africa, which seeks to eliminate poverty and reduce inequality by 2030.

The NDP cannot be effectively implemented unless all sectors contribute to the vision and objectives of this plan. This NWRS2 responds to the NDP and outlines the strategy for protecting, using, developing, conserving, managing and controlling South Africa's scarce water resources towards achieving the 2030 vision. It is a strategy for all sectors and stakeholders who use and impact upon our water resources.

4.2.1. NATIONAL DEVELOPMENT PLAN (NDP) AND MEDIUM-TERM STRATEGIC FRAMEWORK (MTSF) FOCUS AREAS FOR WATER

Key water related actions are targeted by the National Department of Water and Sanitation (DWS) in the Medium-Term Strategic Framework (MTSF) period (2014 to 2019) to achieve the 2030 NDP goals. The foremost is to implement the National Water Resources Strategy (NWRS2) which is aligned to the NDP through ensuring, amongst other aspects:

- a) Water supports development and the elimination of poverty and inequality
- b) Water contributes to the economy and job creation
- c) Water is protected, used, developed, conserved, managed and controlled sustainably and equitably

NWRS2 was developed through an assessment of water balance against projected future needs and to guide future water resource planning, managing and investment requirements. The following key issues were identified:

- a) A greater focus on water conservation and water demand management
- b) Increased value and utilisation of groundwater
- c) Reuse of wastewater at both coastal and inland systems
- d) Opportunity for more dams and transfer schemes
- e) Desalination
- f) Catchment rehabilitation
- g) Rainwater harvesting.

The NWRS2 also defines future institutional arrangements for water resource management which will include:

- a) A national water resource infrastructure agency that will develop and manage large economic infrastructure systems
- b) Catchment management agencies to undertake resource management on a decentralized basis, with the involvement of local stakeholders
- c) National capacity to support research, development and operations of water re-use and desalination facilities
- d) A dedicated national water conservation and demand management programme and sub-programmes focused and municipalities, industry and agriculture
- e) NWRS2 aims for the strengthening of water management and establishing Regional Water Utilities (RWU) which includes expanding the mandates of existing water boards to better support municipalities

- f) The primary function of the RWU will be to plan, construct, operate and maintain Regional Bulk Infrastructure
- g) The RWU will take on more responsibility for regional water resources infrastructure to achieve greater integration with regional systems
- h) In addition, the RWU will provide support functions to municipalities.

4.2.2. UNITED NATION'S SUSTAINABLE DEVELOPMENT GOALS (2015 – 2030)

ERWAT contributes to the below mentioned SDGs:

- a) Sustainable Development Goal 6.a: Expand cooperation and capacity-building support to developing countries in water- and sanitation-related activities and programmes, including water harvesting, desalination, water efficiency, wastewater treatment, recycling and reuse technologies
- b) Sustainable Development Goal 6.b: Support and strengthen the participation of local communities in improving water and sanitation management
- c) Sustainable Development Goal 6.1: Achieve universal and equitable access to safe and affordable drinking water for all
- d) Sustainable Development Goal 6.2: Achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women, girls and those in vulnerable situations
- e) Sustainable Development Goal 6.3: Improve water quality by reducing pollution, eliminating dumping and minimizing the release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
- f) Sustainable Development Goal 6.4: Substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.

5. SITUATIONAL ANALYSIS

5.1. BASIC SERVICES

The core business of the entity is bulk wastewater (sanitation). ERWAT operates 19 Water Care Works (WCW) and each works is issued with a Water Use License (WUL) by the Department of Water and Sanitation (DWS). Each WUL contains the final effluent water quality standards the works must comply with.

ERWAT provides bulk wastewater treatment services on behalf of the CoE, whilst the CoE provides access to sanitation to people. The pressing need in terms of basic services is to provide sanitation services to people who are relying on pit toilets, the bucket system or do not have access to toilet facilities.

It is provided through the following departments:

- Operations
- Maintenance
- Commercial Business
- Scientific Services
- Infrastructure, Planning and Projects

5.2. ERWAT'S PERFORMANCE AGAINST KPIS 2021/22

Table 2: 2021/2022 City Wide Key Performance Indicators

| GOAL NO. | KEY PERFORMANCE INDICATOR (KPI) | 2021/ 2022 ANNUAL TARGET | Q1 | | Q2 | | Q3 | | Q4 | |
|-------------------------------|--|---------------------------|-------------|---------------|-------------|---------------------------|---------------------------|------------|------------|-------------|
| | | | TARGET | ACTUAL | TARGET | ACTUAL | TARGET | ACTUAL | TARGET | ACTUAL |
| ERW 1 | Percentage compliance with wastewater treatment works license conditions and/or exemptions standards | 82.5% | 85% | 84% | 85% | 84% | 82.5% | 86% | 80% | 86% |
| ERW 2 | Total revenue generated from external business | R32 200 000 | R15 100 000 | R8 122 879 | R15 100 000 | R11 731 475 | R1 000 000 | R7 993 535 | R1 000 000 | R12 700 001 |
| ERW 3 | Audit opinion received from the external audit (AGSA) | Unqualified Audit Opinion | N/A | N/A | N/A | Unqualified Audit Opinion | Unqualified Audit Opinion | N/A | N/A | N/A |
| 2021/2022 DEPARTMENTAL | | | | | | | | | | |
| ERW 4 | Percentage of allocated Capex budget spent | 95% | 35% | 4.78% | 60% | 15.8% | 80% | 40.31% | 95% | 99.56% |
| ERW 5 | Percentage of repairs and maintenance budget spent | 95% | 25% | 11% | 50% | 37% | 75% | 60% | 95% | 89% |
| ERW 6 | Percentage of procurement spend allocated to SMME's | 45% | 45% | 62% | 45% | 93% | 45% | 89% | 45% | 89% |
| ERW 7 | Reduction in the number of repeat audit findings within the approved available budget | 0 | N/A | N/A | N/A | 3 | N/A | N/A | N/A | N/A |
| ERW 8 | Total rand value of surplus realised from revenue generated from external business | R6 500 000 | R1 700 000 | R4 483 964.90 | R1 700 000 | R7 017 841 | R1 600 000 | R3 627 090 | R1 500 000 | R8 544 005 |

5.3. KEY PERFORMANCE AREAS

This section entails ERWAT’s implementation plans to respond to priorities identified. The response is executed through the Medium-Term Plan, Accelerated Service Delivery Plan and Strategic Goals Programmes that are supporting the CoE’s strategic priorities and priority programmes.

5.3.1. INTERNAL AND EXTERNAL AUDIT

This section details ERWAT’s roadmap to achieving a clean audit in the planning period.

5.3.2. ROADMAP AND ACTION PLAN

Figure 3: Summary of External Audit Outcomes



5.3.3. EXTERNAL AUDIT GOALS

The main goal of ERWAT is to reduce increasing levels of historical unauthorized, irregular, fruitless and wasteful expenditure (UIFW) and to attain a clean audit opinion in the coming financial years. For ERWAT to achieve such, the organization must implement interventions designed to reduce such expenditure and improve on internal controls to address weaknesses related thereto.

In line with the government 5-year medium term strategic framework (2019-2024) the reduction plan is as follows:

Table 3: Planned External Audit Response - Reduction Plan

| REDUCTION PLAN | BASELINE (2019/2020) | YEAR 1 2020/2021 | YEAR 2 2021/2022 | YEAR 3 2022/2023 | YEAR 4 2023/2024 | YEAR 5 2024/2025 TARGET |
|----------------------------------|--------------------------|------------------|--|------------------|------------------|-------------------------|
| Percentage Reduction | New Indicator | 20% | 40% | 60% | 100% | 100% |
| Unauthorised Expenditure | R 0 | R 0 | R 0 | R 0 | R 0 | Reduced to R 0 |
| Percentage Reduction | New Indicator | 20% | 40% | 60% | 100% | 100% |
| Irregular Expenditure | R83 276 121 | R58 908 136 | R10 161 903 (final figure pending final accounts) | R 0 | R 0 | Reduced to R 0 |
| Percentage Reduction | New Indicator | 20% | 40% | 60% | 100% | 100% |
| Fruitless & Wasteful Expenditure | R1 249 396 | R126 960 | R 0 | R 0 | R 0 | Reduced to R 0 |
| New UIFW | Address them immediately | | | | | |

5.4. INSTITUTIONAL ENVIRONMENT

5.4.1. OPERATIONS

PURPOSE

Specializing in the management and treatment of bulk wastewater, ERWAT manages 19 water care works which receive both domestic and industrial wastewater. The design average dry weather capacity of the individual works varies from 1 Mℓ/day to as high as 170 Mℓ/day.

Rapid urbanisation and industrial growth demand additional wastewater treatment capacity to meet all the wastewater treatment needs within reasonable cost. To this end, ERWAT's strategic approach is regionalization (closure of smaller Water Care Works) as well as the extension of existing and building of new water care works (WCWs).

All ERWAT WCWs are subject to stringent standards, as per the Water Use License of each WCW issued by the DWS, which prescribes the conditions that the WCW is expected to meet during operation – effluent quality being one of them.

SITUATIONAL ANALYSIS

COMPLIANCE WITH WATER CARE WORKS LICENSE CONDITIONS AND OR EXEMPTIONS STANDARDS

ERWAT must lawfully continue to comply with the Water Use License as stipulated in terms of Chapter 4 of the National Water Act. The license stipulates the water uses i.e., Section 21(f) - Discharging waste or water containing waste into a water resource, subject to the conditions set out in Appendices I and II. It must also comply to Section 21(g) - Disposing of waste in a manner which may detrimentally impact on a water resource, subject to the conditions set out Appendices I and II.

ERWAT needs to comply with its license conditions for:

- Quantity of wastewater to be discharged and disposed
- Quantity of waste to be disposed
- Quality of wastewater to be discharged
- Method of analysis
- Sludge management
- Storm water management

- g) Construction, operation and maintenance of the WCWs
- h) Malfunctions
- i) Contingency plans and incident reporting
- j) Access control, fencing and notices
- k) Auditing
- l) Reporting
- m) Manholes
- n) Site specific condition

Figure 4: ERWAT's percentage compliance with the wastewater treatment license conditions in the reporting period.

| 2021/22 | TARGET | ACTUAL |
|---------|--------|--------|
| Q1 | 85% | 84% |
| Q2 | 85% | 84% |
| Q3 | 80% | 86% |
| Q4 | 80% | 80% |



Table 4: Challenges faced by Operations Department

| | CAPACITY | TECHNOLOGY | SENSITIVITY OF THE RECEIVING ENVIRONMENT | CRITICAL EQUIPMENT FAILURES | POWER FAILURE |
|-------------------|----------|------------|--|-----------------------------|---------------|
| Ancor | ✓ | ✓ | ✓ | ✓ | ✓ |
| Benoni | | ✓ | ✓ | ✓ | ✓ |
| Carl Grundlingh | | | ✓ | ✓ | ✓ |
| Daveyton | ✓ | ✓ | | ✓ | ✓ |
| Dekema | | ✓ | | ✓ | ✓ |
| Esther Park | | | ✓ | ✓ | ✓ |
| Hartebeestfontein | ✓ | | ✓ | ✓ | ✓ |
| Heidelberg | ✓ | | ✓ | ✓ | ✓ |
| Herbert Bickley | ✓ | | ✓ | ✓ | ✓ |
| Jan Smuts | ✓ | ✓ | ✓ | ✓ | ✓ |
| JP Marais | | | ✓ | ✓ | ✓ |
| Olifantsfontein | ✓ | ✓ | ✓ | ✓ | ✓ |
| Ratanda | | | ✓ | ✓ | ✓ |
| Rondebult | | ✓ | | ✓ | ✓ |
| Rynfield | ✓ | ✓ | ✓ | ✓ | ✓ |
| Tsakane | ✓ | | ✓ | ✓ | ✓ |
| Vlakplaats | ✓ | ✓ | | ✓ | ✓ |
| Waterval | ✓ | | | ✓ | |
| Welgedacht | ✓ | | ✓ | ✓ | ✓ |

Table 5: Operations Department - Future Planned Objectives and Targets 2022/23 - 2026/27

| STRATEGIC OBJECTIVES | S01. RENDER SERVICES TO THE COE AS PER CONSTITUTIONAL MANDATE | | | | STRETCH GOALS | IMPROVED QUALITY OF WATER AND BIO-SOLIDS. | | | | | |
|--|--|------------------------------------|--|---|---------------|---|----------------|----------------|----------------|----------------|----------------|
| | S03. ENSURE ERWAT IS ALIGNED TO MEET THE DEMANDS OF THE POLITICAL, SOCIAL AND ECONOMIC ENVIRONMENT | | | | | BASELINE | 2022/23 TARGET | 2023/24 TARGET | 2024/25 TARGET | 2025/26 TARGET | 2026/27 TARGET |
| | S08. ENSURE FULL COMPLIANCE WITH RELEVANT LEGISLATION AND GOVERNANCE RELATED REQUIREMENTS | | | | | | | | | | |
| KEY PRIORITY | STATUS | IMPLEMENTATION PROGRESS IF CURRENT | RECOMMENDATION TO BOARD LEKGOTLA | PERFORMANCE INDICATOR | BASELINE | 2022/23 TARGET | 2023/24 TARGET | 2024/25 TARGET | 2025/26 TARGET | 2026/27 TARGET | |
| 1. Attaining Green Drop certification | Current | Ongoing | <ol style="list-style-type: none"> Upgrade of WCWs Implementation of asset management strategy <ol style="list-style-type: none"> Prioritization of Capex Budget according to the Wastewater Risk Abatement Plan (W2RAP). Improve communication and support of stakeholders | Attain and maintain 12 Green Drop certification | 7 | N/A | 9 | N/A | 12 | N/A | |
| 2. Improved quality of water and bio-solids. | Current | Ongoing | <ol style="list-style-type: none"> Upgrade of WCWs <ol style="list-style-type: none"> Implementation of asset management strategy Prioritization of Capex Budget according to the Wastewater Risk Abatement Plan (W2RAP). | Effluent Quality Compliance | 100% | 100% | 100% | 100% | 100% | 100% | |

5.4.2. MAINTENANCE

PURPOSE

To focus on optimally managing the asset life cycle of all mechanical, electrical and instrumentation equipment, including civil structures, in alignment with technical requirements and ERWAT's strategic focus areas at an acceptable level of safety, operability and environmental risk.

DEPARTMENTAL OBJECTIVES

- a) To implement sustainable asset management principles
- b) To review and re-align our internal processes to confidently meet the stakeholder needs
- c) To assess and capacitate human resources in order improve operational efficiency
- d) To always deliver excellent and practical engineering solutions to all stakeholders

SERVICES

- a) Provision of plant maintenance services at large, from planned maintenance to reactive maintenance and emergency breakdowns, covering all equipment in support of the process and operations of the business
- b) Reliability engineering to optimize equipment efficiency and availability while feasibly extracting the best possible value from all equipment
- c) Asset life-cycle management of ERWAT's WCWs
- d) Facility management

Efficient service delivery occurs in four main areas:

PLANT MAINTENANCE SERVICE

Plant Maintenance Services is responsible for all mechanical, electrical and instrumentation as well as civil structure repair and maintenance activities in 19 water care works/plants. This section is divided into four sub-sections namely: DD3, DD4, DD5 and DD6. Each of the sub-sections are managed by Maintenance Supervisors, ultimately ensuring plant availability and minimizing any possible process disruptions or downtime resulting from equipment failure and maintenance requirements.

RELIABILITY ENGINEERING

ERWAT provides an extremely useful software-driven tool, which can be used for workflow management, planning, scheduling as well as budget preparation and tracking. Reliability engineering focuses on predictive and preventative maintenance strategies, condition monitoring, systematic equipment testing and engineering design analysis. Other activities include equipment criticality analysis, including technical consultations and recommendations for equipment replacement and upgrades as well as design modifications for wastewater engineering.

ASSET MANAGEMENT

With the objective of developing and implementing strategies, policies and asset care plans. Asset management includes the conducting of asset condition assessments as well as the development and upkeep of asset registers by means of executing decommissioning and commissioning procedures. Together with planning and reliability engineering, the primary responsibility is to conduct asset life-cycle analyses focusing on analyzing of trends, events and developments and integrating these with the associated management realities.

FACILITY MANAGEMENT

Facilities management provides services that support the functionality, safety, and sustainability of buildings, grounds, infrastructure and real estate. Including, but not limited to, providing plumbing service repairs, housekeeping in and around buildings and facilities and general upkeep of everything that surrounds the people in facilities and on the grounds.

SITUATIONAL ANALYSIS

GAP ANALYSIS

A gap analysis of the department has been conducted for the planning period as shown in Table 6.

Table 6: Maintenance Gap analysis

| AS-IS | LIMITATIONS | TO-BE |
|---|--|---|
| Consistent failure to meet the turnaround time to return equipment back to service | Prolonged delays and red tape in supply chain management processes | Utilize service master contractors to assist with turnaround times. Also, to ensure that the required spares are always available to enable staff to repair equipment and return to service within acceptable time frames |
| The department conducts in house condition-based monitoring (CBM) in support of applying predictive maintenance techniques to reduce the increasing number of critical equipment failures. Only one staff member currently carries out this function for all plants | The reliability department plays a crucial role in assisting with the technical analysis and planning for the future | This department needs to be augmented with additional resources to enable it to fully function as a support team to the maintenance and operations departments |
| Filling of vacant positions for key roles takes too long | Long lead-time in filling and replacing vacancies | Appointments to be done timeously. |
| Lack in skills retention and knowledge transfer | Professional development and skills transfer | Capacitate relevant personnel to be effective and efficient |

INITIATIVES

Rolling out the conducting of Condition Based Monitoring Programs (CBM) regularly throughout all WCWs. CBM programs to implement vibration analysis, temperature analysis (infrared scanner) and oil analysis with the aim of predicting equipment failure through specialized predictive maintenance tactics.

Essentially this will reduce maintenance and operations costs when the following is implemented:

- Develop and implement electricity tariff and energy consumption models, with the main objective to aid in reducing areas of high energy consumption and ensuing costs.
- Introduce an alternative source of energy by utilizing renewable energy – solar power systems, leading to partial in-house power production.
- Establishing and implementing fully functional civil structure related maintenance strategies and plans such as WCW plant infrastructure and sewer bulk lines conveying wastewater. This would be an integral part of maintenance and operations, considering the importance of the availability of good quality functional structures in the plants.

Table 7: Maintenance Department - Future Planned Objectives and Targets 2022/23 - 2026/27

| STRATEGIC OBJECTIVES | S01. RENDER SERVICES TO THE CITY OF EKURHULENI AS PER CONSTITUTIONAL MANDATE | | | | STRETCH GOALS | MAINTENANCE AND CONTINUOUS IMPROVEMENT OF ASSETS AS PER THE ASSET CARE PLANS | | | | | BOARD RECOMMENDATION |
|--|--|---|--|--|---------------|--|--|--|--|--|--|
| | S08.ENSURE FULL COMPLIANCE WITH RELEVANT LEGISLATION AND GOVERNANCE RELATED REQUIREMENTS | | | | | | | | | | |
| | S09. OPTIMAL OPERATIONAL AND EXPANSION OF INFRASTRUCTURE | | | | | | | | | | |
| KEY PRIORITY | STATUS | IMPLEMENTATION PROGRESS IF CURRENT | RECOMMENDATION TO BOARD LEKGOTLA | PERFORMANCE INDICATOR | BASELINE | 2022/23 TARGET | 2023/24 TARGET | 2024/25 TARGET | 2025/26 TARGET | 2026/27 TARGET | |
| Maintenance and continuous improvement of assets as per the asset care plans | Current | Full life cycle asset care plans developed and approved per asset | Prioritize and perform preventative and predictive maintenance as scheduled Carryout reactive maintenance | Closed planned maintenance job cards per asset | 30% | 90% of all assets maintained as per the asset care plans | 90% of all assets maintained as per the asset care plans | 90% of all assets maintained as per the asset care plans | 90% of all assets maintained as per the asset care plans | 90% of all assets maintained as per the asset care plans | An additional R200m is required to fully align the planned maintenance schedules with the asset care plans |

5.4.3. COMMERCIAL BUSINESS

PURPOSE

To identify our products, capacitate ourselves, develop our unique selling points, position our brand and products, establish customer relationships, contact to meet customer needs, price competitively yet profitably, consult to customers, source our product, and facilitate solutions in order to build and operate business in the areas of consulting, maintenance and plant operation within the water sector, thereby generating brand equity and value-addition to achieve ERWAT’s corporate objectives.

SITUATIONAL ANALYSIS

GAP ANALYSIS

A gap analysis of the department has been conducted for the planning period as shown in Table 8.

Table 8: Commercial Business Gap analysis

| AS-IS | LIMITATIONS | TO-BE |
|---|--|---|
| Project teams for execution of external projects | Reliance on the internal resources has caused a risk on project execution | Amend reporting lines for project teams for commitment |
| Marketing strategy | The globe has transformed to social media while ERWAT has relied on exhibitions and advertising in magazines | Social media presence Amend marketing strategy for Commercial Business Establish business forums for business development and relationship management |
| Rigid sales environment | When the market changes, we need to be able to quickly make changes to the strategy | The strategy should allow for flexibility on execution of the sales strategy based on the experience of the team Investigate incentives for sales team |
| Partnerships for project capacity | The Memorandums of Understanding (MOUs) are not able to cover the broad scope | Turnkey package for an O&M Contract Attorney and a Cost Accountant |
| Poor BBBEE rating | The BBBEE rating has been low over the previous years, even with ERWAT being an entity of the CoE | Improvement on BBBEE rating with support from Finance, SCM, CSR and HR |

CONSTRAINTS

EXCERPT FROM SECTION 164, CHAPTER 14

‘Forbidden activities

164. (1) No municipality or municipal entity may-

(a) *conduct any commercial activities-*

(i) *otherwise, than in the exercise of the powers and functions assigned to it in terms of the Constitution or national or provincial legislation: or*

(ii) *outside the borders of the Republic;*

(b) *provide a municipal service in an area outside its jurisdiction except with the approval of the council of the municipality having jurisdiction in that area.’*

1. *If the business is outside the borders of the Republic of South Africa, the department will seek approval from the Managing Director, Board, Council and National Treasury*

2. *If the business is within the borders of Republic of South Africa but outside the City of Ekurhuleni, the department will seek approval from the Managing Director, Board and Council.*

NB: ERWAT will make a once off formal request to all stakeholders seeking approval to conduct business both within and outside the borders of RSA. Risk Analysis will be conducted on all projects.

TRANSACTION ADVISOR REPORT PROGRESS

The Development Bank of South Africa (DBSA) would require a resolution from the CoE for:

- a) The registration of the program as a potential Public Private Partnership with National Treasury's Government Technical Advisory Centre (GTAC)
- b) Contribution of project preparation funding of 33.3% of the total costs required to conduct the feasibility study and ultimate procurement of the project
 - i. Written confirmation of validity of the letter from the DBSA
 - ii. Report to serve at the Technical Cluster at the end of April 2022
 - iii. The Board to seek approval for project execution from the CoE Council

PAST PERFORMANCE

The revenue generated from commercial business activities has seen a downward trend since the R235 million achieved during the 2019/2020 financial year. This was due to the intervention in the Vaal River Intervention Program (Emfuleni Local Municipality), which has come to an end without a similar replacement programme.

The table below shows the historic cashflows targets and achieved figures. The turnaround of commercial business activities will require the removal the constraints as indicated above which are legislative in nature.

Table 9: Historic cashflows targets and achieved figures

| DESCRIPTION | 2016/201 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 |
|---------------|----------|-----------|-----------|-----------|-----------|-----------|
| Target | R123m | R125m | R160m | R160m | R55.7m | R32m |
| Actual | R113m | R107m | R179m | R235m | R58m | R40.5m |

FUTURE PLANS, OBJECTIVES AND TARGETS 2022/23 – 2026/27

Table 10: Commercial Business - Future Plans Objectives and Targets 2022/23 - 2026/27

| STRATEGIC OBJECTIVES | S01. RENDER SERVICES TO THE COE AS PER CONSTITUTIONAL MANDATE | | | | | STRETCH GOALS INCREASE REVENUE BY 5% ANNUALLY | | | | | |
|--|---|---|--|--|----------|---|---|---|-------------------------|-------------------------|--|
| | S02. EXPAND EXTERNAL BUSINESS TO GENERATE MORE REVENUE | | | | | | | | | | |
| | S03. ENSURE ERWAT IS ALIGNED TO MEET THE DEMANDS OF THE POLITICAL, SOCIAL AND ECONOMIC ENVIRONMENT | | | | | | | | | | |
| | S04. ENSURE FINANCIAL SUSTAINABILITY AND VALUE CREATION FOR STAKEHOLDERS TO SUPPORT THE DISCHARGE OF CLEAN WATER INTO THE ENVIRONMENT | | | | | | | | | | |
| | S08. ENSURE FULL COMPLIANCE WITH RELEVANT LEGISLATION AND GOVERNANCE RELATED | | | | | | | | | | |
| KEY PRIORITY | STATUS | IMPLEMENTATION PROGRESS IF CURRENT | RECOMMENDATION TO BOARD | PERFORMANCE INDICATOR | BASELINE | 2022/23 TARGET | 2023/24 TARGET | 2024/25 TARGET | 2025/26 TARGET | 2026/27 TARGET | |
| Finalization of sales strategy and market penetration plan | Current | The tender is currently advertised and will be finalized by Q2 FY 2022/2023 | Approval of the finalized marketing and sales strategy | Marketing and penetration strategy approved by the Board | New | Implementation of the approved marketing strategy | Implementation of the approved marketing strategy | Implementation of the approved marketing strategy | N/A | N/A | |
| Increase revenue by 5% annually | Current | Appointment of Sales Engineer completed | N/A | 5% increase in annual revenue | R32.2m | Increased revenue by 5% | Increased revenue by 5% | Increased revenue by 5% | Increased revenue by 5% | Increased revenue by 5% | |

5.4.4. SCIENTIFIC SERVICES

PURPOSE

ERWAT's Scientific Services' Laboratory is renowned for the following:

- International Organization for Standardization (ISO) 17025 SANAS Accredited Laboratory
- Thirty-four international accredited methods
- Laboratory Information Management System (LIMS) for tracking samples
- Laboratory automation for high sample throughput of 200 samples per day
- Two thousand private clients

ERWAT Laboratory Services delivers affordable scientific services in a short turnaround time. A wide range of ISO/IEC 17025 accredited testing methods are on offer while a team of experienced chemists, microbiologists and client services staff, sharing an in-depth technical knowledge, is always ready to assist with solutions and advice.

The facility is capable of handling high numbers of samples and the scope of testing spans a variety of water and wastewater matrices, from potable water to sewage sludge.

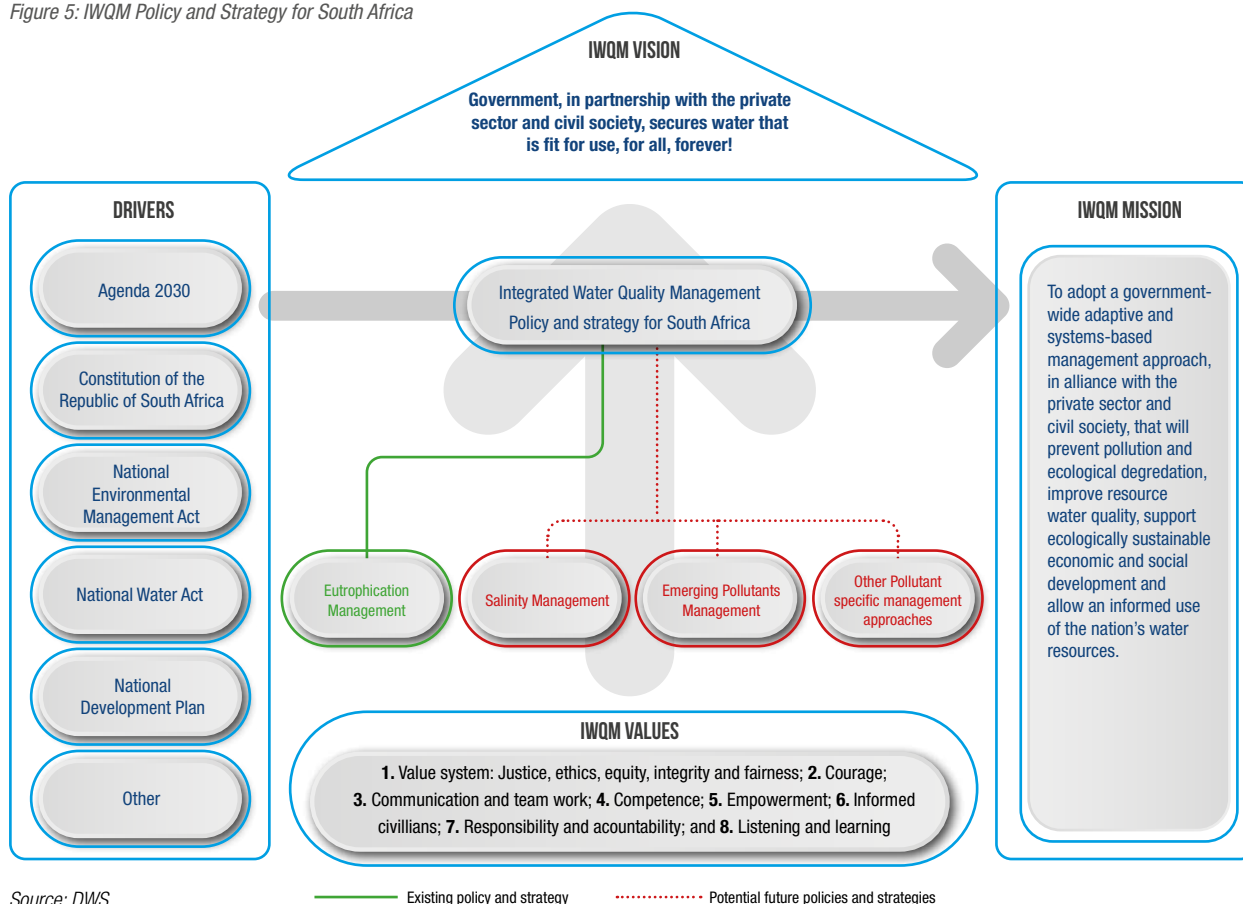
Offering more than just routine testing methods sets ERWAT Laboratory Services apart from other water testing facilities. Using advanced methods, services for the detection of organic pollutants (by gas chromatography mass spectrometry) and waterborne pathogens (by real-time polymerase chain reaction) are also available.

ERWAT Laboratory Services furthermore offers clients advice on testing requirements with regards to national standards (e.g., SANS 241), municipal by-laws and guidelines as set by the Department of Water and Sanitation (DWS).

List of Standard and Specialized Laboratory Testing Services offered by ERWAT:

1. Standard Testing Services
 - a) Chemical Determinants
 - b) Microbiological Determinants
2. Specialised Testing Services
 - a) Organic Determinants using Gas Chromatography Mass Spectrometry (GC-MS)
 - b) Waterborne Pathogens using Real-Time PCR (Molecular Biology)

Figure 5: IWQM Policy and Strategy for South Africa



Source: DWS

SITUATIONAL ANALYSIS

IWQM POLICY AND STRATEGY FOR SOUTH AFRICA

The Integrated Water Quality Management (IWQM) Policy and Strategy aims to elevate water quality and water quality management in the country's agenda. The policy also aims to formalize and institutionalize a common approach to water quality management in South Africa, support a consistent interdepartmental approach on how water quality is managed in the country and support cooperative and integrated approaches to water quality management across sectors.

The policy addresses operational aspects such as taking an integrated approach, broadening finance mechanisms and improving knowledge and information in the execution of the water quality management function. It provides a framework to realise improvements in water quality in key systems and guide the development of IWQM strategies and resulting implementation plan.

EMERGING POLLUTANTS

In recent years, the environmental pollution concern has intensified due to high living standard and consumer demand. For example, the disposal of toxic heavy metals, evaluation of toxic greenhouse gases, oil spillage, use of

non-biodegradable materials, pesticides spreading, use of fertilizers, sludge and waste of other hazardous materials are posturing serious threats to the environment.

Emerging contaminants (ECs) or micro-pollutants are a vast and expanding array of anthropogenic compounds that are commonly present in water, but only recently has been identified as significant water pollutants (Gomes et al., 2018). These contaminants contain a variety of extensively used synthetic compounds including cosmetics, pesticides, pharmaceuticals, steroid hormones, and personal care products, etc. that are indispensable in modern society around the globe.

It is estimated that the worldwide production of these contaminants has been increased from 1 million to 500 million tons per year. However, these naturally or synthetically occurring substances (i.e., ECs) have been associated to exert known or suspected adverse consequences on human's health and the environment.

KEY RESEARCH FOCUS AREAS, OBJECTIVES AND TARGET FOR 2022/23 – 2026/27

Research will focus on the following areas for the financial years 2022/23 to 2026/27 as shown below in Figure 6 below.

Figure 6: Key research focus areas for the 2022/23 – 2026/27

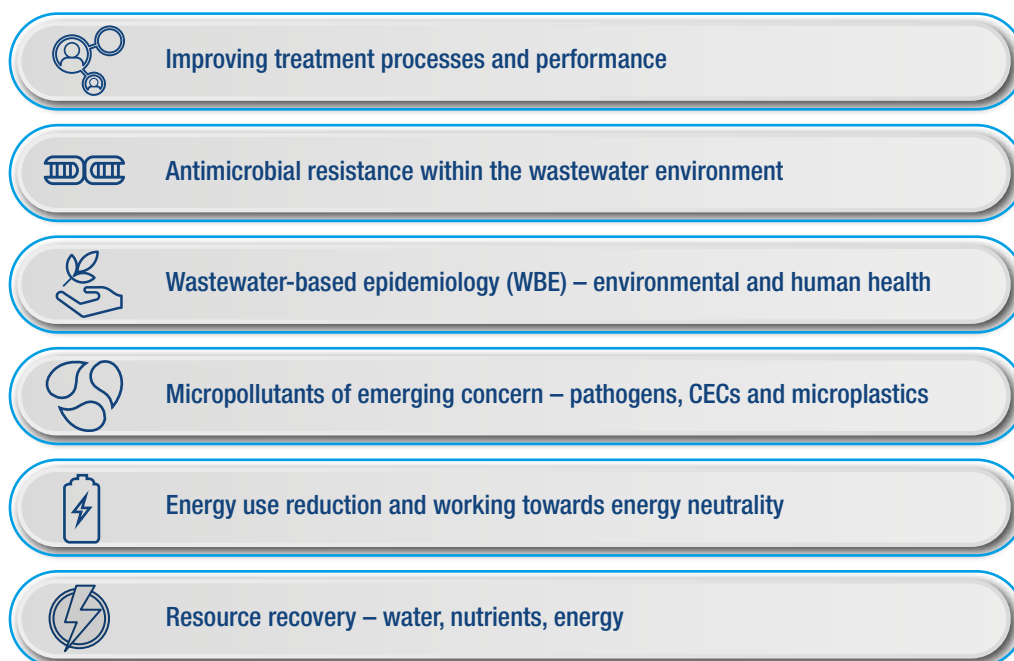


Table 11 Scientific Services Department - Future Plans, Objectives and Targets 2022/23 – 2026/27

| STRATEGIC OBJECTIVES | SO1. Render Services to the City of Ekurhuleni as per constitutional mandate | | | | | STRETCH GOALS 1. Commission and validate new instrumentation purchased and accredit new techniques where applicable (Value of instruments purchased R3 m) 2. Installation of the HVAC and upgrade of the Laboratory building, (Interior and exterior including electricity and water supply security) | | | | |
|--|--|--|---|--|---|--|---|---|---|---|
| | SO2. Expand external business to generate more revenue | | | | | | | | | |
| | SO3. Ensure ERWAT is aligned to meet the demands of the political, social and economic environment | | | | | | | | | |
| | SO4. Ensure financial sustainability and value creation for stakeholders to support the discharge of clean water into the environment. | | | | | | | | | |
| | SO8. Ensure full compliance with relevant legislation and governance related | | | | | | | | | |
| | SO9. Optimal operational and expansion of infrastructure | | | | | | | | | |
| KEY PRIORITY | STATUS | PROGRESS TO DATE | RECOMMENDATIONS TO THE BOARD | PERFORMANCE INDICATOR | BASELINE | 2022/23 TARGET | 2023/24 TARGET | 2024/25 TARGET | 2025/26 TARGET | 2026/27 TARGET |
| 1. Maintain ISO/IEC 17025 accreditation for the laboratory | Current | a) Laboratory has valid ISO/IEC 17025 accreditation | a) Conduct internal assessments | a) Certificate of Accreditation | a) ISO/IEC 17025 Accreditation | a) ISO/IEC 17025 accreditation maintained | a) ISO/IEC 17025 accreditation maintained | a) ISO/IEC 17025 accreditation maintained | a) ISO/IEC 17025 accreditation maintained | a) ISO/IEC 17025 accreditation maintained |
| | | b) The next external audit will take place on 28 March 2023 | b) Total of R20m required to replace obsolete equipment – risk of impact on accreditation | b) % Capex expenditure | b) % Capex expenditure | b) 95% CAPEX expenditure of R15,1 m | b) 95% of Capex expenditure | b) 95% of Capex expenditure | b) 95% of Capex expenditure | b) 95% of Capex expenditure |
| 2. Improve and expand on niche testing service offerings | Current | a) Sludge classification – Helminth Ova testing interlab with UKZN carried out | a) Continuously invest in new instrumentation & technology to ensure ERWAT remains a leader in wastewater testing and can provide legislative test requirements | a) Implementation of new Helminth Ova testing method and automated methods for sludge analysis | a) Existing Helminth Ova method and traditional sludge instruments (manual) | a) Implement improved Helminth Ova test method | a) Accredited helminth ova test method | a) Implement automated methods for sludge testing | a) N/A | a) N/A |
| | | b) Existing metal analysis carried out | b) Link industrial organic pollution at WCWs to industry | b) Additional metal analysis- in house testing | b) Metal analysis analysed | b) N/A | b) Expand scope of metals testing offered | b) Expand scope of metals testing offered | b) Expand scope of metals testing offered | b) Expand scope of metals testing offered |
| 3. Strengthen multi-disciplinary research team to focus on research objectives | Current | a) ERWAT Technical Committee established | a) Maintaining research and development as a focus area for the company | a) Collaboration and service level agreements | a) Technical Committee established | a) Promote internal research projects | a) Promote internal research projects | a) Promote internal research projects | a) Promote internal research projects | a) Promote internal research projects |
| | | b) Ongoing research on a variety of topics in line with strategic objectives | b) Support and direct research via the Board Committee | b) Quarterly reports | b) Quarterly reports | b) Promote and support training and professional development of staff | b) Promote and support training and professional development of staff | b) Promote and support training and professional development of staff | b) Promote and support training and professional development of staff | b) Promote and support training and professional development of staff |
| 4. Extend current research collaborations | Current | a) Several collaborations established with universities, industries and research institutions (WITS, UJ, ARC, and NICD etc.) | a) Source additional funding for implementation of projects (R10m) | a) Research publications and reports | a) Collaborations with SUN, WITS, UJ, ARC and NICD | a) Expand on collaboration with CoE and IFC (in response to GCAP) | a) Implement project(s) in response to GCAP | a) Implement project(s) in response to GCAP | a) Implement project(s) in response to GCAP | a) Implement project(s) in response to GCAP |
| | | b) Participation in WRC Ref Groups, SALGA Science Forum & CoE Resilience Forum | b) Representation on technical and scientific forums | b) Representation at local and international conferences | b) Quarterly reports | b) Extend collaborations with other institutes (e.g., Green Cape) | b) Pilot testing – WITS/Aalbor g/ Danida project | b) Pilot testing – WITS/Aalbor g/ Danida project | b) Pilot test beds implementation | b) Pilot test beds implementation |

STRETCH GOALS FOR THE COUNCIL TERM (2021 – 2026)

Table 12 below summarizes some of the key priorities and stretch goals set for the Department: Scientific Services for the Council Term ranging from 2021 to 20226.

Table 12: Summary of departmental stretch goals for the 2021 – 2026 CoE Council Term

| KEY PRIORITY | NEW OR CURRENT | IMPLEMENTATION PROGRESS IF CURRENT | RECOMMENDATION TO BOARD LEKGOTLA |
|--|----------------|---|--|
| 1. Commission and validate new instrumentation purchased and accredit new techniques where applicable (Value of instruments purchased R3 m) | Current | Discrete Analyser, Furnace, Fluoride meter, Autoclave, Flow Injection Analyser | A total of R4,7 million Capex expenditure was available for this current financial year (2021/2022). This is insufficient to introduce new and automated technology. (Require R20 m for next three financial years for new instrumentation and to replace aging instrumentation) |
| 2. Installation of the HVAC and upgrade of the Laboratory building. (Interior and exterior including electricity and water supply security) | New | The bid has been awarded and the project is planned to start in April 2022. Other aspects of upgrading the laboratory building have not started yet and Capex and Opex funding will need to be allocated | A Capex budget for repairs of R10 m is available for the HVAC for the current financial year and a further R4.1 m is required for the year 2022/2023 |



5.4.5. INFRASTRUCTURE, PLANNING AND PROJECT (IPAP)

PURPOSE

- To implement projects efficiently and effectively from initiation (pre-planning) through to close-out phase, to achieve consistent excellency in wastewater management, thus meeting the current and future demands.
- To fulfil the role of being the custodian of ERWAT's capital expenditure budget (CAPEX).
- To be accountable to the company for the budget implementation and achieve excellence in quality and project delivery
- To provide sustainable and innovative solutions for wastewater conveyance and treatment to meet current and future demands

SITUATIONAL ANALYSIS

PERFORMANCE IN PAST STRATEGIC PROJECTS

Table 13: Past strategic projects

| NO | PROJECT | COST | COMPLETION DATE | PROJECT TYPE |
|--------------|---|----------------|-----------------|--------------|
| 1 | Upgrading of the inlet works and restoration of the storage dams at Ancor WCW | R17.7m | 2014 | Efficiency |
| 2 | Welgedacht WCW - additional 50 Mℓ/day | R458m | 2016 | Capacity |
| 3 | The upgrade of the final settling tank capacity at the Hartebeestfontein WCW | R13.1m | 2015 | Capacity |
| 4 | Tsakane WCW Hybacs ® technology increased capacity with 10 Mℓ/day | R52m | 2017 | Capacity |
| 5 | Rehabilitation of the Hartebeestfontein WCW (Upgrading of the plant to accept 45 Mℓ/day flow and treat effluent to acceptable standards | R71.2m | 2017 | Capacity |
| 6 | Heat and mixing for four anaerobic digesters for module 1 at Waterval WCW | R38.7m | 2017 | Efficiency |
| 7 | Installation of filter belt press: Olifantsfontein and Welgedaght WCW | R45.2m | 2018 | Efficiency |
| 8 | Hartebeestfontein WCW - Nerada ® Technology increased capacity with 5 Mℓ/day to 68 Mℓ/day | R26m | 2019 | Capacity |
| 9 | Installation of filter belt press: Waterval WCW | R23m | 2019 | Efficiency |
| TOTAL | | R742.8m | | |

CURRENT PROJECTS

The table below details the current major infrastructure projects in the planning period.

Table 14: IPAP current projects

| NO | PROJECT | COST | COMPLETION DATE | PROJECT TYPE |
|--------------|---|--------------|-----------------|--------------|
| 1 | Olifantsfontein WCW refurbishment project | R 138m | Ongoing | Efficiency |
| 2 | Vlakplaats WCW peak flow management | R 68m | Ongoing | Efficiency |
| 3 | Waterval WCW blower refurbishment | R71m | 2021 | Efficiency |
| TOTAL | | R277m | | |

CAPEX PERFORMANCE OVER THE PAST FIVE YEARS

The table below represents the CAPEX performance over the past five financial years:

Table 15: CAPEX performance over the past five financial years

| YEAR | BUDGET | ACTUAL (R) | ACTUAL (%) |
|----------------|---------------------|-----------------------|------------|
| 2017/18 | R 309,259,071 | R 219,914,498 | 71% |
| 2018/19 | R 164,204,889 | R 164,609,236 | 100% |
| 2019/20 | R 145,635,521 | R143,657,673 | 99% |
| 2020/21 | R 206,000,000 | R 55,976,898.09 | 27% |
| 2021/22 | R155 656 019 | 154,978,489.18 | 99% |

MTREF CAPEX BUDGET PLAN FOR 2022/23 – 2024/25

IPAP identified three priorities to streamline strategic key performance areas with a view to enhancing performance and strengthening the ability to support ERWAT's strategy. To achieve this goal, various infrastructure investment programmes have been identified that are key to the achievement of ERWAT's strategic objectives. The focus is mainly on the upgrading and expansion of WCW capacity as well as refurbishment and replacement of assets.

The "Wastewater Conveyance and Treatment Systems Regionalisation and 50-year Master Plan" was developed to give strategic direction for future needs to upgrade and expand water care works capacity for the 50-year planning horizon. The catchment models that are adopted for the "Wastewater Conveyance and Treatment Systems Regionalisation and 50-year Master Plan" are shown in the figure below. The preliminary estimated projected investment cost for major capacity upgrade of the WCWs over a 50-year planning horizon is R14.09 billion. The implementation of the master plan and funding requests in terms of priorities identified for each year will be subject to the availability of funds and normal budgeting processes.

Table 16: Proposed ERWAT Plants and Conveyance Regionalisation and 50-year Master Plan

| PROPOSED REGIONALIZATION STRATEGY | WCW COST | PUMP STATION COST | CONVEYANCE COST | TOTAL COST ESTIMATED |
|--|-------------------|-------------------|-----------------|--------------------------|
| Olifantsfontein Catchment Model | | | | |
| Upgrade Olifantsfontein WCW to 221MI/day | | | | |
| Estimated capital cost of upgrades: R1.41 billion | R1 409 144 227,00 | R - | R - | R1 409 144 227,00 |
| DD3 Hartebeestfontein - Esther Park Catchment Model | | | | |
| Upgrade Hartebeestfontein WCW to 289MI/day | | | | |
| Abandon Esther Park WCW | | | | |
| Estimated capital cost of upgrades: R2.83 Billion | R2 163 906 107,00 | R557 692 100,00 | R113 847 800,00 | R2 835 446 007,00 |

Table 16: Proposed ERWAT Plants and Conveyance Regionalisation and 50-year Master Plan (continued)

| PROPOSED REGIONALIZATION STRATEGY | WCW COST | PUMP STATION COST | CONVEYANCE COST | TOTAL COST ESTIMATED |
|--|---------------------------|------------------------|--------------------------|---------------------------|
| Ancor Catchment Model | | | | |
| Upgrade Ancor WCW to 100Mℓ/day | | | | |
| Estimated capital cost of upgrades: R1.12 billion | R1 122 579 606,00 | R - | R - | R1 122 579 606,00 |
| Benoni – Welgedacht Catchment Model | | | | |
| DD4 Upgrade Welgedacht WCW to 274 Mℓ/day | | | | |
| Abandon Benoni, Jan Smuts, Rynfield and Daveyton WCWs | | | | |
| Cap JP Marais WCW at 16 Mℓ/day and bypass additional flows | | | | |
| Estimated capital cost of upgrades: R1.94 billion | R1 840 994 169,00 | R208 500,00 | R97 859 700,00 | R1 939 062 369,00 |
| South – East Catchment Model | | | | |
| Upgrade Herbert Bickley WCW to 124Mℓ/day | | | | |
| DD5 Upgrade Ratanda WCW to 24Mℓ/day | | | | |
| Abandon Tsakane, Carl Grundlingh and Heidelberg WCWs | | | | |
| Estimated capital cost of upgrades: R2.10 billion | R1 763 015 890,00 | R47 756 000,00 | R288 415 500,00 | R2 099 187 390,00 |
| Waterval Catchment Model | | | | |
| Upgrade Waterval WCW to 691Mℓ/day | | | | |
| DD6 Abandon Dekema WCW | | | | |
| Cap Rondebuilt and Vlakplaats WCWs and bypass additional flows | | | | |
| Estimated capital cost of upgrades: R4.68 billion | R3 728 655 667,00 | R - | R954 432 500,00 | R4 683 088 167,00 |
| TOTAL | R12 028 295 666,00 | R605 656 600,00 | R1 454 555 500,00 | R14 088 507 766,00 |

The proposed capital budget over the next three years amounts to R303 million. Table 15 provides a detailed summary of the capital budget and represents the approved MTREF budget for ERWAT. The budget has been planned for equipment replacement only. The allocated budget is not sufficient to implement any upgrade projects.

Table 17: Approved MTREF budget for ERWAT

| FINAL BUDGET YEAR 2022/23 | FINAL BUDGET YEAR 2023/24 | FINAL BUDGET YEAR 2024/25 |
|---------------------------|---------------------------|---------------------------|
| R91,558,800 | R100,000,000 | R112,000,000 |

FUTURE PLANS, OBJECTIVES AND TARGETS 2022/23 – 2026/27

Table 18: Infrastructure, Planning and Projects Department - Future Plans, Objectives and Targets 2022/23 – 2026/27

| STRATEGIC OBJECTIVES | S01. Render services to the CoE as per the constitutional mandate | | | | | STRETCH GOALS | | | | | Roll out infrastructure to provide sustainable and innovative solutions for Water Care Works to meet current and future demands |
|--|--|--|---|--|-----------------------------------|--|--|--|--|--|---|
| | S03. Ensure ERWAT is aligned to meet the demands of the political, social and economic environment | | | | | | | | | | |
| | S06. Establish and maintain comprehensive ICT infrastructure systems and processes in the business | | | | | | | | | | |
| | S08. Ensure full compliance with relevant legislation and governance related requirements | | | | | | | | | | |
| | S09. Optimal operational and expansion of infrastructure | | | | | | | | | | |
| KEY PRIORITY | STATUS | PROGRESS TO DATE | RECOMMENDATIONS TO THE BOARD | PERFORMANCE INDICATOR | BASELINE | 2022/23 TARGET | 2023/24 TARGET | 2024/25 TARGET | 2025/26 TARGET | 2026/27 TARGET | |
| 1. Implementation of infrastructure capital projects | Current | Current expenditure is 37% Currently no funds to implement upgrade projects | Sourcing of additional CAPEX funds to implement projects and filling of key positions | Percentage of allocated Capex budget spent | 99.56% | 95% | 95% | 95% | 95% | 95% | |
| 2. Environmental services | Current | 20 environmental audits completed | Sourcing of OPEX funds to implement associated projects | Total number of environmental audits completed | 20 Environmental audits completed | 20 Environmental audits completed | 20 Environmental audits completed | 20 Environmental audits completed | 20 Environmental audits completed | 20 Environmental audits completed | |
| 3. Plant Process Audits/Process optimization | Current | a) 11 plant process audits completed for 2019/2020 b) Draft process optimization plan | For noting | Total number of plant process audits/process optimisation completed in support of the Green Drop Programme | 11 Plant process audits completed | 15 Plant process audits/process optimisation completed | 15 Plant process audits / process optimisation completed | 19 Plant process audits / process optimisation completed | 19 Plant process audits/process optimisation completed | 19 Plant process audits/process optimisation completed | |

5.4.6. CORPORATE AND OTHER SERVICES

ERWAT's corporate and other services is made up of the following departments which provide support to basic services:

- Financial Services, SCM and ICT
- Human Resources
- Governance, Legal and Compliance
- Enterprise Risk Management
- Communications, Marketing, Stakeholder Engagement and CSR

5.4.7. FINANCIAL SERVICES, SUPPLY CHAIN MANAGEMENT (SCM) AND INFORMATION COMMUNICATIONS AND TECHNOLOGY (ICT)

PURPOSE

ERWAT's Financial Services, SCM and ICT department exists to provide support services to the basic services department and the other support departments.

SITUATIONAL ANALYSIS

OPEX FUNDING - TARIFFS

Cost reflective tariff setting is a requirement of the Municipal Systems Act Number 32 of 2000 which states in Section 74(2) that tariffs must "reflect the costs reasonably associated with rendering the service". Such tariff setting ensures that municipalities can generate sufficient revenue to fully cover their costs, sustainably deliver services to customers and invest in infrastructure that promotes local economic development.

This methodology is designed to assist municipalities to set cost-effective tariffs for the four trading services, namely water, sanitation, electricity and solid waste removal.

The methodology follows an approach to tariff setting consistent with existing methodologies developed by SALGA, the NERSA Cost of Supply Framework for electricity, the DWS Norms and Standards for water services and the DEA guidelines for solid waste tariffs.

The cost-reflective tariffs for the period 30 June 2019 to 30 June 2030 are detailed in Table 17 below:

Table 19: Cost-reflective tariffs

| | 30-JUN-19 | 30-JUN-20 | 30-JUN-21 | 30-JUN-22 | 30-JUN-23 | 30-JUN-24 | 30-JUN-25 | 30-JUN-26 | 30-JUN-27 | 30-JUN-28 | 30-JUN-29 | 30-JUN-30 |
|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Global Tariff | R2.89 | R3.31 | R3.84 | R4.45 | R4.84 | R4.89 | R4.65 | R4.35 | R4.06 | R3.79 | R3.53 | R3.29 |

STATUS QUO

Table 20: Cost-Reflective Tariff Comparison

| ORGANISATION | CURRENT TARIFF | COST-REFLECTIVE TARIFF | UNDER / (OVER) CHARGE |
|------------------|----------------|------------------------|-----------------------|
| CoE | R3.81 | R4.84 | R1.03 |
| CoJ | R1.03 | R4.84 | R3.81 |
| Lesedi LM | R5.12 | R4.84 | R0.28 |

An 11.15% increase for both CoE and Lesedi for the 2023 financial year is proposed. Further engagements have been had with Joburg Water to ensure that ERWAT obtains the maximum amount in order to recover the under-charge (Proposed increases in next three years as per MTREF – 50%, 50%, 30%). ERWAT has issued an increase letter with the full tariff (R4.84) to Joburg Water.

An intervention at Board level is required for the liaison with CoE to prioritize both the OPEX and CAPEX requirements of ERWAT, being a strategic entity in the CoE.

FURTHER ANALYSIS

Table 21: OPEX and CAPEX Budget 2021/22 - 2024/25

| BUDGET TYPE | | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|--------------|-----------------------|----------------|----------------|----------------|----------------|
| OPEX | COE - Sanitation | R2,070,698,373 | R2,298,639,109 | R2,551,372,435 | R2,831,900,580 |
| | ERWAT Allocation | R1,202,996,021 | R1,315,647,844 | R1,473,180,710 | R1,625,693,945 |
| | % Allocation | 58% | 57% | 58% | 57% |
| CAPEX | COE - All Departments | R3,570,829,610 | R3,323,852,795 | R3,618,375,004 | R3,672,997,497 |
| | ERWAT Allocation | R167,100,000 | R91,558,800 | R100,000,000 | R112,000,000 |
| | % Allocation | 4.68% | 2.75% | 2.76% | 3.05% |

Proposed solutions:

- Streamline the cost-reflective tariffs and impose them on the CoE through the SDA
- Engage the CoE Department of Water and Sanitation to find a more scientific way to allocate the revenue between the Water and Sanitation Department and ERWAT
- Continuous engagements with the CoE on challenges as well as additional grants/funding available to ERWAT.

Table 22: ERWAT ICT Business Continuity

| CURRENT CONTROL | CURRENT RISK | ACTION PLAN |
|---|--|---|
| All servers replicate to the DR site every 4 hours | DR infrastructure has surpassed EOL (End of Life) <ul style="list-style-type: none"> • Difficult to source replacement parts • Current DR site is too close to Head Office | Specifications are currently being developed for both budgeting and implementation purposes |
| Critical servers and files are currently backed up to the Teraco Data Center. (LIMS, SOLAR) | | To include all servers on the cloud platform (Non-Critical) |
| Mimecast is currently utilized to ensure email continuity | The current email server is MS Exchange 2010 (Unsupported) | Procure a Microsoft 365 E3 license <ul style="list-style-type: none"> • Pending Microsoft Government eligibility approval. |

ERWAT OPERATING TECHNOLOGY (OT) CYBER RISK

At present only four plants are partially automated: Waterval, Welgedacht, Vlakplaats and Herbert Bickley. OT is currently supported and managed by the Maintenance (Instrumentation) Team

Table 23: ERWAT Operating Technology Cyber risk

NB: Only four plants are partially automated: Waterval; Welgedacht; Vlakplaats; Herbert Bickley.

| CURRENT CONTROL | CURRENT RISK | ACTION PLAN |
|---|---|--|
| SCADA (Supervisory Control and Data Acquisition) systems currently run-on Windows 7 operating systems | All SCADA systems run on a segregated network which is a nonpublic facing network i.e. there is no access to the network through the internet | Run vulnerability assessments on the SCADA infrastructure and implement recommendations by defining a road map implementation strategy |
| SCADA Systems are not running the latest versions | | |
| SCADA systems are not subject to any configuration standards | | |



ICT FUTURE PLANS, OBJECTIVES AND TARGETS 2022/23 – 2026/27

Table 24: Financial Services, SCM & ICT Department - Future Plans, Objectives and Targets 2022/23 – 2026/27

| STRATEGIC OBJECTIVES | S01. Render Services to the CoE as per constitutional mandate | | | | | | STRETCH GOALS | | 1. Attainment of clean audit | | |
|---|--|---|--|--|----------------------------------|--|---|-----------------------------------|-----------------------------------|-----------------------------------|--|
| | S02. Expand external business to generate more revenue | | | | | | | | | | |
| | S03. Ensure ERWAT is aligned to meet the demands of the political, social and economic environment | | | | | | | | | | |
| | S04. Ensure financial sustainability and value creation for stakeholders to support the discharge of clean water into the environment. | | | | | | | | | | |
| | S06. Establish and maintain comprehensive ICT infrastructure systems and processes in the business. | | | | | | | | | | |
| | S08. Ensure full compliance with relevant legislation and governance related | | | | | | | | | | |
| | S09. Optimal operational and expansion of infrastructure | | | | | | | | | | |
| KEY PRIORITY | STATUS | PROGRESS TO DATE | RECOMMENDATIONS TO THE BOARD | PERFORMANCE INDICATOR | BASELINE | 2022/23 TARGET | 2023/24 TARGET | 2024/25 TARGET | 2025/26 TARGET | 2026/27 TARGET | |
| Reduce dependency on, on-premises infrastructure | Current | In progress of attaining Microsoft government eligibility for ERWAT | R2.5m is required on an annual basis to cover the entire business. The implementation of M365 will clear audit findings related to security vulnerabilities Funding: 2022/23 OPEX | Percentage Complete | 50% Completed | Implement 50% of M365 by year ending 2022/2023 | Implement 100% of M365 by year ending 2023/2024 | N/A | N/A | N/A | |
| To ensure infrastructure availability and effective business continuity | New | Specifications being developed | To allocate an estimate of R13m to upgrade server infrastructure Funding: CAPEX-2 | Infrastructure Uptime (Excluding Load Shedding Impact) | 75% Uptime | >75% Uptime | >80% Uptime | >80% Uptime | >85 Uptime | >85 Uptime | |
| To ensure customer satisfaction | Current | Implementing new service catalogues and measure customer satisfaction ratings | N/A Funding: No cost | Customer Satisfaction Rating | 75% Customer Satisfaction Rating | >75% Customer Satisfaction Rating | >75% Customer Satisfaction Rating | >80% Customer Satisfaction Rating | >80% Customer Satisfaction Rating | >85% Customer Satisfaction Rating | |

5.4.8. HUMAN RESOURCES

PURPOSE

To ensure ERWAT has the Human Capital required to achieve its strategic goals, which include the training and development of existing staff.

STRATEGIC OBJECTIVES

- To build an environment of employee engagement, where employees are equipped to perform optimally, by ensuring they have the necessary tools, resources and policy framework that facilitates an effective working environment
- To design and approach strategies and programmes that address the business needs as well as develop and upskill individuals
- To ensure employees receive support or assistance required for overall wellness

OBJECTIVES

- Strengthen relationship with stakeholders
- To build a culture that embraces consultation
- Establish a culture of best practice around talent management and skills development
- Develop and upskill employees across the organisation
- To retain and attract critical skill through market-related packages and benefits
- To ensure initiatives that promote employee wellness
- To assess and determine areas of concern from an employee perspective

SITUATIONAL ANALYSIS

GAP ANALYSIS

A gap analysis of the department has been conducted for the planning period as shown in Table 25.

Table 25: Human Resources Gap Analysis

| AS IS | INITIATIVES | TO BE |
|--|--|---|
| Potential loss of key skill | Mentoring and coaching | Transfer of skill |
| Possible abuse of leave | <ul style="list-style-type: none"> • HR Roadshow - Awareness of leave procedure and policy • Induction - leave management training on the system • Conditions of employment booklet | Optional leave management and managers to take accountability of subordinates leave |
| Possible abuse of overtime | Signed shift agreement | Proper tracking of employee overtime |
| Occupational Health Services not functioning at maximum potential | <ul style="list-style-type: none"> • Reintroduction of Wellness Days • Wellness Champion Workshops • Hepatitis A and B/Tetanus vaccination rollout | Programmes and services that improve overall employee wellness |
| Performance management perceived as the responsibility of HR | Consequence management | Managers take accountability of performance management |
| Potential to improve on relationship building with internal stakeholders | <ul style="list-style-type: none"> • Pre-consultation with labour on issues that could negatively impact the organisation • Schedule regular meetings with Local Labour Forum | Workplace harmony |

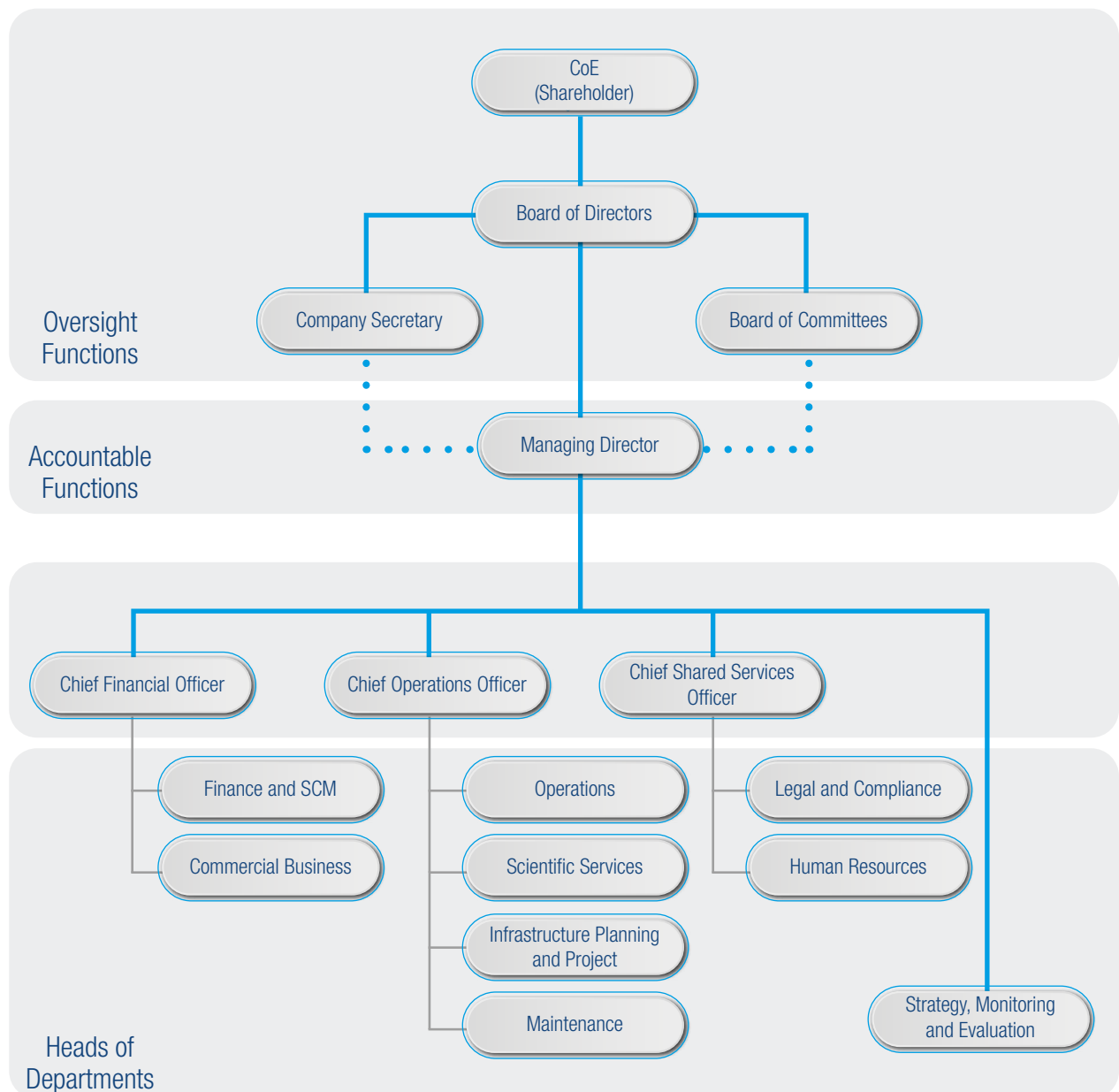
ERWAT'S MANPOWER AND OPEX INCREASE/DECREASE

Table 26: ERWAT Manpower and OPEX Increase / Decrease

| BUDGET TYPE | 2016/2017 TO 2017/2018 | 2017/2018 TO 2018/2019 | 2018/2019 TO 2019/2020 | 2019/2020 TO 2020/2021 |
|-----------------|------------------------|------------------------|------------------------|------------------------|
| Manpower | 11% | 39% | -11% | 9% |
| OPEX | 9% | 34% | -3% | -12% |

ERWAT STRUCTURAL OVERVIEW

Figure 7: ERWAT structural overview

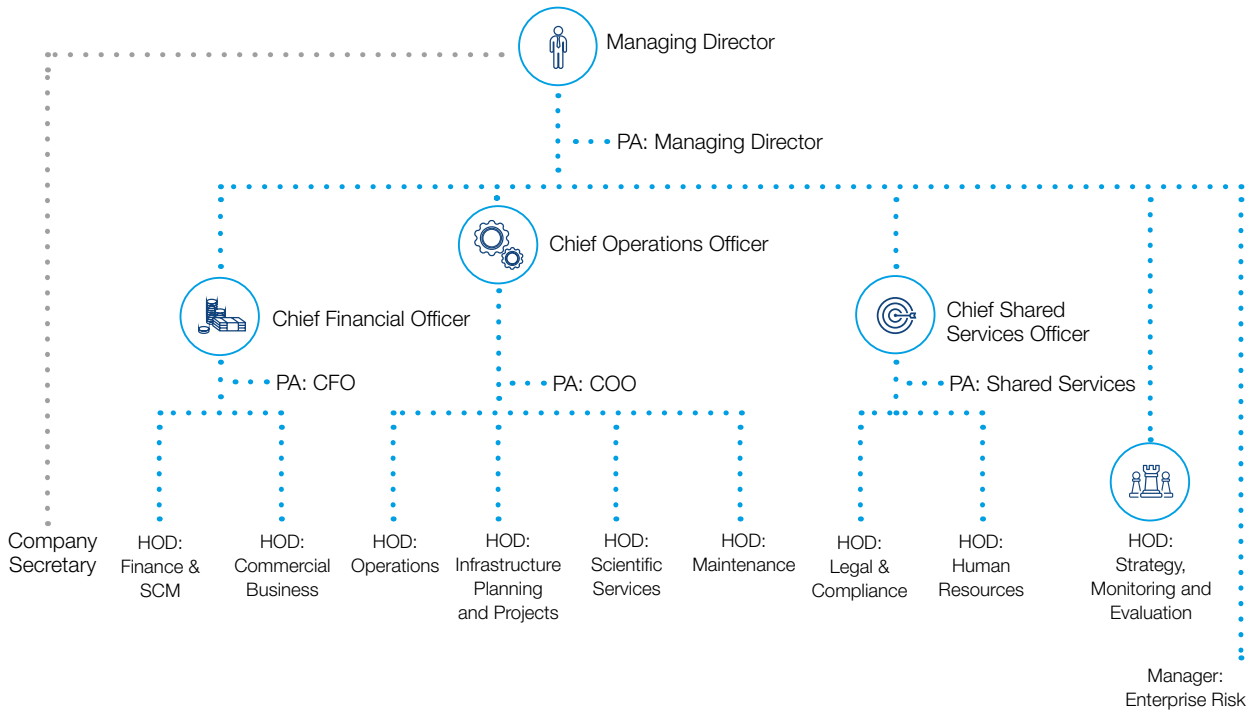


The following critical vacancies need to be filled:

- a) Managing Director
- b) Head of Department: Operations
- c) Head of Department: Maintenance
- d) Head of Department: Infrastructure Planning and Projects

MACRO STRUCTURE

Figure 8: ERWAT's Macro Structure



FUTURE PLANS OBJECTIVES AND TARGETS 2022/23 – 2026/27

Table 27: Human Resources Department - Future Plans Objectives and Targets 2022/23 – 2026/27

| KEY PRIORITY | STRETCH GOALS | | | | 1. Attainment of clean audit | | | | | | |
|--|--|------------------|---|---|---------------------------------|----------------|---------------------------------|---------------------------------------|---------------------------------------|----------------|-----|
| | STATUS | PROGRESS TO DATE | RECOMMENDATIONS TO THE BOARD | PERFORMANCE INDICATOR | BASELINE | 2022/23 TARGET | 2023/24 TARGET | 2024/25 TARGET | 2025/26 TARGET | 2026/27 TARGET | |
| | Finalisation and implementation of capacity and skills audit project recommendations | Current | Interviews and skills audit questionnaire have been completed. The project is currently in the analysis stage. | Implementation plan | Approval of implementation plan | N/A | Approval of implementation plan | Implementation of planned initiatives | Implementation of planned initiatives | N/A | N/A |
| | | | | | Progress on implementation plan | | | | | | |
| Bringing the wage bill to 30% - 35% of OPEX budget | New | None | <ul style="list-style-type: none"> Critical and core positions to be prioritised within the allocated budget Implementation of maximum employer contribution as stipulated in the SALGA wage and salary negotiation agreement regarding Medical Aid Limiting overtime hours claimed per month as per the basic Conditions of Employment Act Implementing of the Variation order from the Bargaining Council Review of departmental structure to optimise functions | Reduction in manpower percentage to Opex spent annually | 37% - 38% | 36%-37% | 35%-36% | N/A | N/A | | |
| | | | | | | | | | | | |

Table 28: Human Resources Gap Analysis

| KEY PRIORITY | STATUS | IMPLEMENTATION PROGRESS IF CURRENT | PLANNED ACTIVITY | PERFORMANCE INDICATOR | BASELINE | 2022/23 TARGET |
|-----------------------------------|---------|--|---|--|----------|--|
| Appointment of senior managers | Current | Recruitment and filling of vacancies to be completed by 31 August 2022 | Recruitment for senior management positions | Offer of employment made to successful candidates | N/A | Vacancies filled |
| Employee wellbeing | Current | Implementation of responsive and preventative Employee Assistance Programmes | Implementation of Psycho-social support services, including: <ul style="list-style-type: none"> Counselling and support services Life Management Services Musculoskeletal health management Stress debriefing and trauma intervention Managerial consultancy and referral services Implementation of HIV/Aids and wellness workplace programmes | EAP tender awarded | N/A | Appointment of successful bidder(s) – Signed SLA |
| Mentoring and coaching programmes | Current | Programme commencing in Quarter 1 (2022/2023) | Schedule D-Band Employees and managers 55 years and above to attend programme | Completion of planned 2022/2023 mentoring and coaching programme | N/A | Completion of planned 2022/2023 programme |

Table 28: Human Resources Gap Analysis (continued)

| KEY PRIORITY | STATUS | IMPLEMENTATION PROGRESS IF CURRENT | PLANNED ACTIVITY | PERFORMANCE INDICATOR | BASELINE | 2022/23 TARGET |
|---------------------|---------|--|--|---|----------|---|
| Document management | New | Commencing in Quarter 1 (2022/2023) | Investigation of activation of document uploading on Employee Central (SAP SuccessFactors) | Feedback report on system capability (if possible, costing) | N/A | Submission of report to HoD HR |
| Workplace harmony | Current | Dispute reduction and conflict management through consultation with Labour | HR roadshow – create awareness on the policies Induction – awareness on policies and procedures | Ensure disciplinary cases carried over from one quarter to the next is no more than 20% Ensure internal disciplinary cases and grievances procedures are finalised within three months | New | No more than 20% of disciplinary cases carried over from one quarter to the next Finalisation of internal disciplinary cases and grievances procedures within three months |

5.4.9. GOVERNANCE, LEGAL AND COMPLIANCE

PURPOSE

To demonstrate ERWAT as a good corporate citizen while mitigating against regulatory penalties by achieving Environment Social Governance (ESG) objectives. Utilize well thought initiatives that recognize the triple context of Society, Economy, and Environment (SEE). Ensure sound corporate governance processes in line with King IV and Public Services Code on Corporate Governance.

FUTURE PLANS OBJECTIVES AND TARGETS 2022/23 – 2026/27

Table 29: Governance, Legal and Compliance Department - Future Plans Objectives and Targets 2022/23 – 2026/27

| KEY PRIORITY | STATUS | PROGRESS TO DATE | RECOMMENDATIONS TO THE BOARD | PERFORMANCE INDICATOR | BASELINE | STRETCH GOALS | | | | |
|--------------------------------------|---------|--------------------------------------|---|---|----------|-------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | | | | | | 2022/23 TARGET | 2023/24 TARGET | 2024/25 TARGET | 2025/26 TARGET | 2026/27 TARGET |
| | | | | | | Exemption Section 164 of the MFMA | | | | |
| Entity Legal Status | Current | Petition to the Minister was drafted | Consider Outcome and Options of Sec 78 Process or Proceed with the Process of Petitioning the Minister and request exemption in terms of Companies Act. | Legal Status amended from Non- Profit Company to State Owned Entity | New | Legal Status Changed | N/A | N/A | N/A | N/A |
| Review of Service Delivery Agreement | New | Reviewed SDA pending new tariffs | <ul style="list-style-type: none"> SDA to be inclusive of the ERWAT Risk Abatement Plans Addendum on new tariffs to be approved Update the rules of engagement | | New | Reviewed Service Delivery Agreement | Annual implementation of SDA | Annual implementation of SDA | Annual implementation of SDA | Annual implementation of SDA |

5.4.10. ENTERPRISE RISK MANAGEMENT

PURPOSE

Section 95 of the Municipal Finance Management Act states that “the accounting officer of a municipal entity is responsible for managing the financial administration of the entity, and must for this purpose take all reasonable steps to ensure—

- (a) That the resources of the entity are used effectively, efficiently, economically and transparently;
- (b) That full and proper records of the financial affairs of the entity are kept;
- (c) That the entity has and maintains effective, efficient and transparent systems-
- (i) Of financial and risk management and internal control; and
- (ii) Of internal audit complying with and operating in accordance with any prescribed norms and standards;
- (d) That irregular and fruitless and wasteful expenditure and other losses are prevented;

(e) That expenditure is in accordance with the operational policies of the entity; and

(f) That disciplinary or, when appropriate, criminal proceedings, are instituted against any official of the entity who has allegedly committed an act of financial misconduct or an offence in terms of Chapter 15.

The directors subscribe to the principles of good corporate governance and risk management to ensure that the entity fully complies with section 95 of the MFMA. ERWAT considers risk management as a key process that assists top management and the Board to achieve its strategic objectives.

The entity assesses risk annually to ensure that there is an alignment between risk and strategy, and that appropriate risk mitigations are identified, to assist the Board to meet the set strategic objectives.

ERWAT has identified several risks that are strategic and have prepared mitigation initiatives to minimise the effect of these risks to the business. Risk management is ultimately the responsibility of the Board of Directors which ensures that risks are proactively managed throughout the entity.

Table 30: ERWAT’s Strategic Risks 2022/23

| STRATEGIC OBJECTIVE | RISK NO | RISK CATEGORY & CONTEXT INTERNAL EXTERNAL | CONTRIBUTING FACTORS | RESIDUAL | RISK ACTION PLANS |
|---|--|---|---|----------|--|
| Optimise existing infrastructure to improve reliability and Operational efficiency/ Use cutting edge technology to Increase efficient, effectiveness and capacity | ERW 1 - Inadequate Integrated planning between the City and the Entity (process) | Category Strategic Risk | 1.1 Inadequate communication and coordination between ERWAT and City | High | 1.1 Finalise the approval of Service Delivery Agreement |
| | | Internal & External Risk (internal planning and agreements) | 1.2 Lack of participation in some of the forums established by the City. (e.g., Capital Investment Forum) | | 1.2 Identify City's forums relevant to ERWAT, and participate (e.g., Capital Investment Forum) |
| | ERW 2 – Inadequate infrastructure to treat wastewater (Infrastructure) | Category Compliance/ Regulatory (WUL) Reputational Risk (pollution) Environmental Risk | 2.1 Outdated technology and aging infrastructure to treat high strength industrial effluent | High | 2.1 CAPEX Plan 2022/2023 |
| | | Category Operational Risk (breakdown of equipment) | 2.2 Inadequate implementation of maintenance Asset Care plans | | 2.2 Maintenance Plan 2022/20223 |
| | | External Risk (budget allocation) | 2.3 Long lead time to procure and bring back the equipment to service | | 2.3 Expand on Service Master Contracts |
| | | 2.4 The growing city & Storm Water Ingress | 2.4 No risk action plan to be implemented | | |
| | ERW 3 - Potential loss of the ISO 17025 Accreditation (infrastructure) | Compliance/ Regulatory (WUL) | 3.1 Aging instrumentation, scarcity of spares and discontinuation of instruments | High | 3.1 No plan to be implemented. Projects identified but no budget |
| | | Reputational Risk (pollution) | 3.2 Disruption of power and water supply | | 3.2 No plan to be implemented. projects identified but no budget |
| | | Operational Risk (breakdown of equipment) | 3.3 HVAC System not working | | 3.3 Installation of the HVAC System |

Table 30: ERWAT's Strategic Risks (continued)

| STRATEGIC OBJECTIVE | RISK NO | RISK CATEGORY & CONTEXT INTERNAL EXTERNAL | CONTRIBUTING FACTORS | RESIDUAL | RISK ACTION PLANS | | | |
|---|--|--|---|--|---|--|------|---|
| Optimise existing infrastructure to improve reliability and operational efficiency/ Use cutting edge technology to Increase efficient, effectiveness and capacity | ERW 4- Inadequate preparedness in the event of an emergency/disaster (Infrastructure) | Category Strategic Risk (BCM) Environmental Risk | Some plants of the 19 Wastewater Care Works do not have wastewater bypassing systems and emergency dams | High | No action plan | | | |
| | | Internal Risk (BCM) | Some of the Infrastructure built on dolomitic areas | | Benchmark ERWAT's Geotechnical Policy/SOP with CoE's Policy | | | |
| | | | Inadequate Business Continuity Management Program | | Request the city's Dolomite Division to assist in Conducting Dolomite Hazard Risk Assessment, | | | |
| | | | Unforeseen increases in overhead costs such as labour costs, overtime and increase to the pay scales, etc. | | No further risk action plan | | | |
| | | External Risk (Pollution; reputational) | Inadequate budgetary increases granted by the CoE due to economic pressures (Historic and Current) | | Investigate other sources of funding. (e.g. PPP) | | | |
| | | | | | Update the Financial Model and determine Cost Reflective Tariff in order to motivate for additional funding. | | | |
| | | | | | Review of Credit Management Policy to incorporate charging of interest and appoint credit vetting agent | | | |
| | | | | | Delayed settlement of invoices raised by ERWAT for payment by the CoE in relation to service charges and CAPEX grants | Review of the SDA to include processes for to address late payment of invoices. | | |
| | | Expand external business to generate more revenue and entry to new markets through strategic partnership and collaborative initiatives Operational Excellence | ERW 6- Inadequate revenue generation to supplement the approved budget (Profitability) | | Category Financial Risk Economic Risk | Inability to secure new business due to overhead costs that are higher than that of competitors. | High | Review the Pricing Model |
| | | | | | External Risk (new markets) | Legislative Limitations/MFMA Section 164 Forbidden Activities. | | Seek Legal opinion from CoE on the interpretation of the Sec 164 Forbidden activities and the MSA |
| Loss of existing business through insourcing and companies closing down or reducing costs | Develop of Sales Strategy and market penetration plan | | | | | | | |
| ERW 7 – Possible failure to achieve Capital Expenditure set target (Financial) | Category Financial Risk | | Members of the community and the local business forums demanding to be sub-contracted in the project or denying access to site. | Review the Service Delivery Agreement between Lesedi and ERWAT | | | | |
| | Internal & External Risk (internal project planning, execution and collective external delays) | | Delays in SCM processes (systems not integrated contract management, project management) | No risk action plan | | | | |
| | | Late payment of contractors | (Finance) | | | | | |
| | Tender offer declined by the winning bidder | No risk action plan | | | | | | |

Table 30: ERWAT's Strategic Risks (continued)

| STRATEGIC OBJECTIVE | RISK NO | RISK CATEGORY & CONTEXT INTERNAL EXTERNAL | CONTRIBUTING FACTORS | RESIDUAL | RISK ACTION PLANS |
|--|--|--|--|----------|--|
| Ensure human capital is aligned to smart objectives | ERW 8 – Potential loss of key skills | Category People Risk | Unexpected loss of key employees due to resignations, death (Natural/ Covid-19), career advancement | | ERWAT Recruitment Plan |
| | | Internal Risk (appoint and retain the right skills) | Dissatisfaction in the Working Environment (e.g., inadequate working resources not fitting onto the culture) | | |
| Expand external business to generate more revenue and entry to new markets through strategic partnership and collaborative initiatives Operational Excellence | ERW 9 – Potential delays in the supply and delivery of critical goods and services | Category Third Party Risk | Late commencement of bid processes by user department and re-tendering process | High | Review the 2022/23 Procurement Plan for 2024 |
| | | | Inadequate monitoring of contract term by the user departments | | Review the Contract Register |
| | | External Risk (Vendors) | Long lead time to deliver goods/ services due to external factors such as COVID-19. | | Review the Critical Supplies Supplier Register |
| Use cutting edge technology to increase efficiency & effectiveness and capacity | ERW 10 – Potential loss of, and Unauthorized access to critical information (Technology) | Category Information Security Risk | Aging ICT infrastructure leading to higher hardware failure and scarce spares | High | There were projects that were identified but there is no budget for execution. No further action plan to be implemented |
| | | Internal Risk (weak internal processes and human) External Risk (Cybercrime/ Hacking) | Inadequate maintenance of assets critical to ICT Environment (e.g., fire equipment in the server room, air conditioning system, UPS, Power Generators, location of server room, etc) | | |
| Human Capital | ERW 11 – Potential injuries to personnel, visitors and contractors (people) | Category Health & Safety Risk | Non- Compliance/ disregarding Occupational Health & Safety policies and Standard operating procedures (Human behaviour Knowingly or unknowingly. | High | Review of the Occupational Health & Safety Policy Review of the OHS legal appointments Implementation of 2022-2023 OHS Training, in line with the ERWAT wide training plan |
| | | Internal Risk (planning maintenance) | Deteriorating workplace condition due to inadequate maintenance | | The maintenance of buildings |
| | | | Unauthorised entry to ERWAT properties with the aim of Vandalising, theft, (armed robberies) | High | Implement 2022/2023 Security Awareness Pro |

OVERALL ENTITY PERFORMANCE OF IMPLEMENTING RISK ACTION PLANS

The entity had 78 strategic risk action plans at the beginning of the quarter 4, 14 of the action plans remain in progress at the end of the financial year. Some of the risk action plans are of long-term such as multi-year projects, while others have dependencies on CoE Risk Action Plans.

Figure 9a: Status of risk action plan and budget requirements

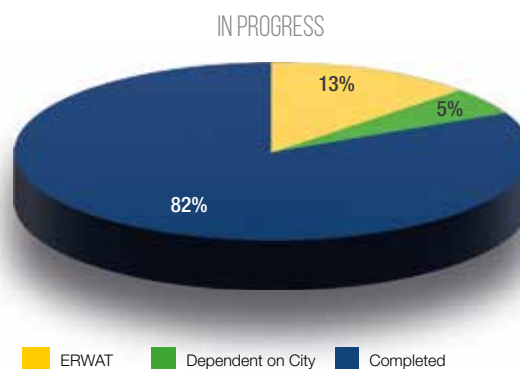


Figure 9b: Status of risk action plan and budget requirements

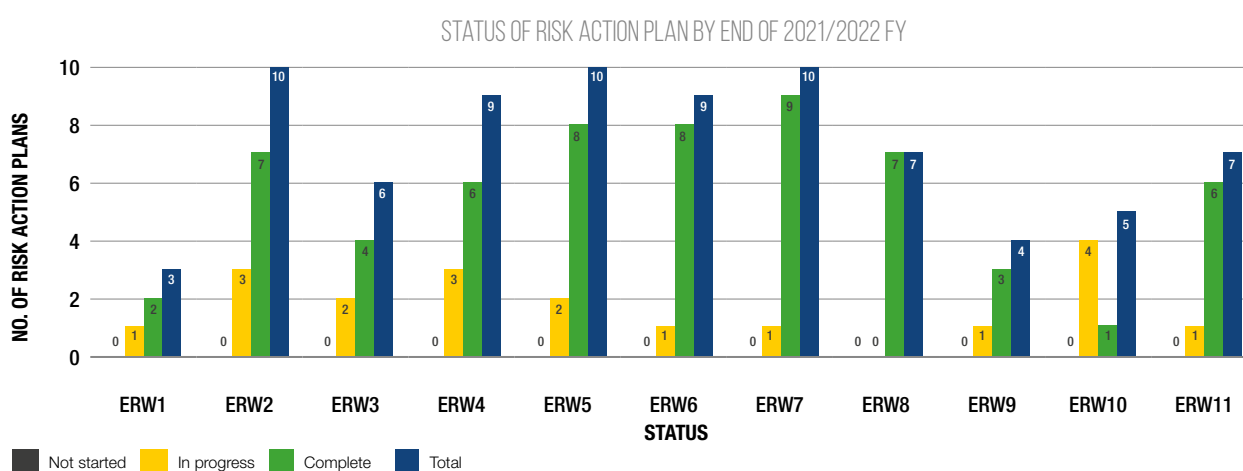


Table 31: ERWAT Strategic Risk Actions 2021-2022

| NO | RISK | RISK ACTION PLANS STILL IN PROGRESS | COMMENT | BY WHOM |
|-------|-------------------------|--|---|---------|
| ER W1 | Integrated planning | Service Delivery Agreement | Finalisation is dependent on the shareholder | CoE |
| ER W2 | Infrastructure capacity | Olifantsfontein Intervention Project | This is a multi-year project, it is anticipated to be completed in 2024 | ERWAT |
| ER W3 | Cashflow | Investigate other sources of funding e.g., PPP | A report will serve at City Manager's SMT before submission to the Mayoral Committee | ERWAT |
| | | Projected cashflows on Budget Tool | ERP (Budget Tool) action depended on CoE, monitoring is done using Xcel spreadsheets. | CoE |
| | | Cost Containment Strategy | Strategy is still in a draft format | ERWAT |
| ER W4 | Revenue generation | Development of Sales Strategy | Tender advertised with closing date on 22 July 2022 | ERWAT |
| | | Develop Standard Operating Procedure for granting of credit. | Exploring credit verification mechanisms | ERWAT |
| ER W5 | Capital Expenditure | CSR Impact Analysis | The CSR Community Impact Analysis is at Bid Adjudication Stage | ERWAT |
| ER W6 | Emergency preparednes s | Standard Operating Procedure for Geo-Technical Studies | The Geo-Technical Studies Standard Operating Procedure draft circulated for comments. | ERWAT |
| ER W7 | Loss of key skills | Medical Aid and Funeral Claim Policy to be merged into a single Employee Benefits Policy | Housing Policy still to be included in the Employee Benefits Policy. | ERWAT |

Table 31: ERWAT Strategic Risk Actions 2021-2022 (continued)

| NO | RISK | RISK ACTION PLANS STILL IN PROGRESS | COMMENT | BY WHOM |
|--------|---|---|--|---------|
| ER W9 | ISO 17025 Accreditation | Installation of HVAC System | Decommissioning of the existing HVAC and Fume hoods will commence mid-July 2022. | ERWAT |
| ER W10 | Unauthorised access to critical information | Document Management System | Policy and Procedure to be finalised once the Document Management | CoE |
| | | Document Management Policy | System is implemented. Action plan depended on the CoE | CoE |
| | | Document Management Standard Operating Procedures | | CoE |



FUTURE PLANS OBJECTIVES AND TARGETS 2022/23 – 2026/27

Table 32: Enterprise Risk Management Department - Future Plans, Objectives and Targets 2022/23 – 2026/27

| STRATEGIC OBJECTIVES | S07. Ensure a comprehensive risk management strategy and application throughout ERWAT | | | | | STRETCH GOALS | | Reduce number of strategic to below 5 | | |
|--|---|---|--|---|---|---|--|---|---|---|
| | S08. Ensure full compliance with relevant legislation and governance related | | | | | 2022/23 TARGET | 2023/24 TARGET | 2024/25 TARGET | 2025/26 TARGET | 2026/27 TARGET |
| KEY PRIORITY | STATUS | PROGRESS TO DATE | RECOMMENDATIONS TO THE BOARD | PERFORMANCE INDICATOR | BASELINE | 2022/23 TARGET | 2023/24 TARGET | 2024/25 TARGET | 2025/26 TARGET | 2026/27 TARGET |
| 1.Strategic Risk Management 1 (a). Alignment of risk to strategy and develop Key Risk Indicators | Current | Management Strategic Risk Reviewed the 2022/2023 FY | Approval of the 2022/2023 Corporate Profile and follow up on the implementation of risk action plans | Number of strategic risks reviewed | 1Strategic Risk Register and four quarterly follow-up reports 80% implementation of risk action plans | (a)1 strategic risk workshop and approved Risk Profile (b)1 Key Risk Indicator Workshop and incorporate KRI | One strategic risk workshop and approved Risk Profile One Key Risk Indicator Workshop | One strategic risk workshop and approved Risk Profile One Key Risk Indicator Workshop | One strategic risk workshop and approved Risk Profile One Key Risk Indicator Workshop | One strategic risk workshop and approved Risk Profile One Key Risk Indicator Workshop |
| Setting of Risk Appetite and Tolerance level | New | New project | Workshops for the Board to set Risk Appetite and Tolerance Levels | Number of workshops | New | One Key Risk Appetite and Tolerance Workshop, generate a report, introduce reporting Risk Appetite & Tolerance parameters into Risk Reporting | Review Key Risk Appetite and Tolerance Levels | One Risk Appetite and Tolerance Workshop | Review Key Risk Appetite and Tolerance Levels | One Key Risk Appetite and Tolerance Workshop |
| 2. Compliance Risk Management 2 (a) Increase the number of CRMPs to nine by adding (BCEA & POPIA) and procure the renew the legislative online system | New | The full review of the 4 CRMPs is in progress. Quarterly monitoring of MFMA and NEMA | Conduct Compliance Risk Workshops | Number of Compliance Risk Management Plans | Seven Compliance Risk Management Plans | Three new Compliance Risk Management Plans MSA POPIA BCEA and report on non-compliances | Review of the nine CRMP and Report on the CMP's rated high Report on the non-compliances of CRMP's rated high | Add an additional new CRMP to increase the number to 10 | Review of the 10 CRMPs and report on the CMP's rated high | Review of the 10 CRMPs and Report on the CMP's rated high |
| | Current | | Conduct CRMPs in line with the requirements of the Water Use License conditions. | | New | Four Water Use License Compliance Risk Management Plan (One per District) | Four Water Use License Compliance Risk Management Plan | Five Water Use License Compliance Risk Management Plan | Five Water Use License Compliance Risk Management Plan | Three Water Use License Compliance Risk Management Plan |
| 3.Fraud and Ethics Management 3 (a). Ethics Risk Assessment and Ethics Line | New | The project is at tender stage and compiling the tender document. | Conduct a (a) Fraud Risk Assessment (b) Ethics Risk Assessment | Number of risk profile reviewed | New | One Ethics Risk Report Four quarterly Risk Action Plan Reports | One review of the Ethics Risk Register Four Ethics Risk Action Plan Reports | One review of the Ethics Risk Register Four Ethics Risk Action Plan Reports | One review of the Ethics Risk Register Four Ethics Risk Action Plan Reports | One review of the Ethics Risk Register Four Ethics Risk Action Plan Reports |
| 3 (b). Annual review of Fraud Risk Profile | Current | The procurement is at advertising stage for Ethics Line. Review of fraud risk assessment –Q4 | | Number of cases of known fraud relative to overall sales. | One Fraud Risk Register | One Fraud Risk Register Four Risk Action Plan Reports | One Fraud Risk Register Four Risk Action Plan Reports | One Fraud Risk Register Four Risk Action Plan Reports | One Fraud Risk Register Four Risk Action Plan Reports | One Fraud Risk Register Four Risk Action Plan Reports |
| 4.Project Risk Management 4 (a). Assist Commercial Business to comply with client requirements and IPAP Projects | Current | Heineken Risk Assessment conducted | Conduct Risk Assessments for Commercial Business projects and the IPAP Key Projects | Number of risk profiles reviewed | Project Risk Registers CB/ IPAP | Project Risk Registers for new or existing clients and for Infrastructure Projects and Planning as determined by management | Project Risk Registers for new or existing clients and for IPAP as determined by management | Project Risk Registers for new or existing clients and for IPAP as determined by management | Project Risk Registers for new or existing clients and for IPAP as determined by management | Project Risk Registers for new or existing clients and for IPAP as determined by management |
| 5.Review Business Continuity Management System 5 (a). Close the BCM audit findings that relates to ERM | Current | The BCM Policy and Business Recovery Plans to be tabled at the GRC Committee in July 2022 | Make budget available to close BCM Infrastructure related findings | Number of BCM findings implemented | New | Review the BCM Policy Close all ERM related Audit Findings | Implementation of the BCM Strategy Testing of BCM Recovery Plans | Review the BCM System | Review the BCM System | Review the BCM System |

STRATEGIC BUSINESS RISK

The entity assesses risk annually to ensure that there is an alignment between risk and strategy and that appropriate risk mitigations are identified, to assist the Board to meet the set strategic objectives.

ERWAT has identified several risks that are considered to be strategic and have prepared mitigation initiatives to minimise the effect of these risks to the business. Risk management is ultimately the responsibility of the Board of Directors which ensures that risks are proactively managed throughout the entity.

5.4.11. COMMUNICATIONS, MARKETING, STAKEHOLDER ENGAGEMENT AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

PURPOSE

- i. To communicate, share, publicize, promote and assist in realizing ERWAT's vision and mission and strategic direction, using all available communication channels, targeting all relevant target groups and formulating suitable communication messages that promote the flow of information and maintain mutual relationships between ERWAT and its internal and external stakeholders and to maintain brand equity.
- ii. To support the entity in establishing and strengthening cohesive working relationships with internal and external stakeholders in coordinating the development and implementation of successful, impactful and meaningful CSR policies, strategies and programmes that are community based, development-focused and educational in nature.

SITUATIONAL ANALYSIS

CSR PROGRESS REPORT AND CALENDAR

Table 33: CSR Progress Report and Calendar

| DATE | CSR OUTREACH PROGRAM CALENDAR: 2022 |
|-------------|---|
| 21 Feb 2022 | |
| 22 Feb 2022 | Mr. Green Water Wise Learners Edu Campaigns: |
| 23 Feb 2022 | <ul style="list-style-type: none"> • School Openings |
| 24 Feb 2022 | <ul style="list-style-type: none"> • Learners Wash Your Hands Health & Hygiene Education (Soap and Water) |
| 25 Feb 2022 | |
| 15 Mar 2022 | |
| 16 Mar 2022 | National Water Month: Mr. Green Water Wise School Learners Edu Campaigns: |
| 18 Mar 2022 | <ul style="list-style-type: none"> • Learners Wash Your Hands Health & Hygiene Education (soap and water) |
| 19 Mar 2022 | |
| 19 Apr 202 | |
| 21 Apr 2022 | National Adopt a River Campaign: |
| 22 Apr 2022 | <ul style="list-style-type: none"> • Green Drop Initiative in cleaning of illegal solid waste nearby our WCWs |
| 23 Apr 2022 | |
| 10 May 2022 | National Sanitation Month: |
| 12 May 2022 | <ul style="list-style-type: none"> • Community and Learners education on how to flush toilet and hands washing lessons |
| 13 May 2022 | <ul style="list-style-type: none"> • CoE Learners Career Education Expo or Workshop in Water and Sanitation (Grade 10 & 11 Learners - City Hall Expo/Workshop) |
| 14 Jun 2022 | |
| 17 Jun 2022 | National Youth Month: |
| 18 Jun 2022 | <ul style="list-style-type: none"> • Youth in Water and Sanitation Career Workshops (ERWAT Corporate & Safety Video) |
| 21 Jun 2022 | <ul style="list-style-type: none"> • CoE Hall as workshop venue (link to ERWAT Technical & Scientific Services Education Tours) |
| 23 Jun 2022 | |
| 19 Jul 2022 | ERWAT MD: National Mandela Month - Mr. Green Water Wise: |
| 21 Jul 2022 | <ul style="list-style-type: none"> • Community Outreach Edu Campaigns: |
| 22 Jul 2022 | <ul style="list-style-type: none"> • School Learners Wash your Hands with soap and water education campaign |
| 23 Jul 2022 | <ul style="list-style-type: none"> • MD sponsoring a community project of his choice |
| 11 Aug 2022 | MMC: Women in Water and Sanitation: |
| 12 Aug 2022 | <ul style="list-style-type: none"> • City of Ekurhuleni and ERWAT women (Employee Volunteer Program) to get engaged in community work like door to door walk about, water and sanitation education, including clean hygiene water buckets for water quality and toilet paper correct use within households |
| 13 Aug 2022 | |

Table 33: CSR Progress Report and Calendar (continued)

| DATE | CSR OUTREACH PROGRAM CALENDAR: 2022 |
|-------------|---|
| 20 Sep 2022 | National Arbor & Environmental Month: |
| 22 Sep 2022 | <ul style="list-style-type: none"> Community and Learners Tree planting and Wash Your hands with soap and water education campaign- without wasting too much water |
| 23 Sep 2022 | |
| 04 Oct 2022 | Mr. Green - Water and Sanitation: |
| 06 Oct 2022 | <ul style="list-style-type: none"> Learners Education & Career Guidance Campaigns: |
| 07 Oct 2022 | <ul style="list-style-type: none"> Grade 10 & 11 Learners Career Guidance in Water and Sanitation before choosing varsity curriculum for the following year |
| 08 Oct 2022 | |
| 15 Nov 2022 | ERWAT MD: World Toilet Month: |
| 17 Nov 2022 | <ul style="list-style-type: none"> School learners' hygiene, health, environment, and safety education campaigns before Christmas holidays, for behavioural change like not to swim in sewerage ponds and dangerous areas like lagoons around Water Care Works |
| 18 Nov 2022 | |
| 19 Nov 2022 | |
| 21 Feb 2023 | Mr. Green Water Wise: |
| 22 Feb 2023 | <ul style="list-style-type: none"> Learners Edu Campaigns: School Openings |
| 23 Feb 2023 | <ul style="list-style-type: none"> Learners Wash Your Hands Health & Hygiene Education (Soap and Water) |
| 24 Feb 2023 | |
| 25 Feb 2023 | |
| 15 Mar 2023 | National Water Month: |
| 16 Mar 2023 | <ul style="list-style-type: none"> Mr. Green Water Wise School Learners Edu Campaigns |
| 18 Mar 2023 | <ul style="list-style-type: none"> Learners Wash Your Hands Health & Hygiene Education (soap and water) |
| 19 Mar 2023 | |
| 19 Apr 2023 | National Adopt a River Campaign: |
| 21 Apr 2023 | <ul style="list-style-type: none"> Green Drop Initiative in cleaning of illegal solid waste nearby ERWAT WCWs |
| 22 Apr 2023 | |
| 23 Apr 2023 | |
| 10 May 2022 | National Sanitation Month: |
| 12 May 2022 | <ul style="list-style-type: none"> Community and Learners education on how to flush toilet and hands washing lessons. |
| 13 May 2022 | <ul style="list-style-type: none"> CoE Learners Career Education Expo or Workshop in Water and Sanitation (Grade 10 & 11 Learners - City Hall Expo/Workshop) |
| 14 Jun 2023 | National Youth Month: |
| 17 Jun 2023 | <ul style="list-style-type: none"> Youth in Water and Sanitation Career Workshops (ERWAT Corporate & Safety Video) |
| 18 Jun 2023 | <ul style="list-style-type: none"> CoE Hall as workshop venue (linked to ERWAT Technical & Scientific Services Education Tours) |
| 21 Jun 2023 | |
| 23 Jun 2023 | |

FUTURE PLANS OBJECTIVES AND TARGETS 2022/23 – 2026/27

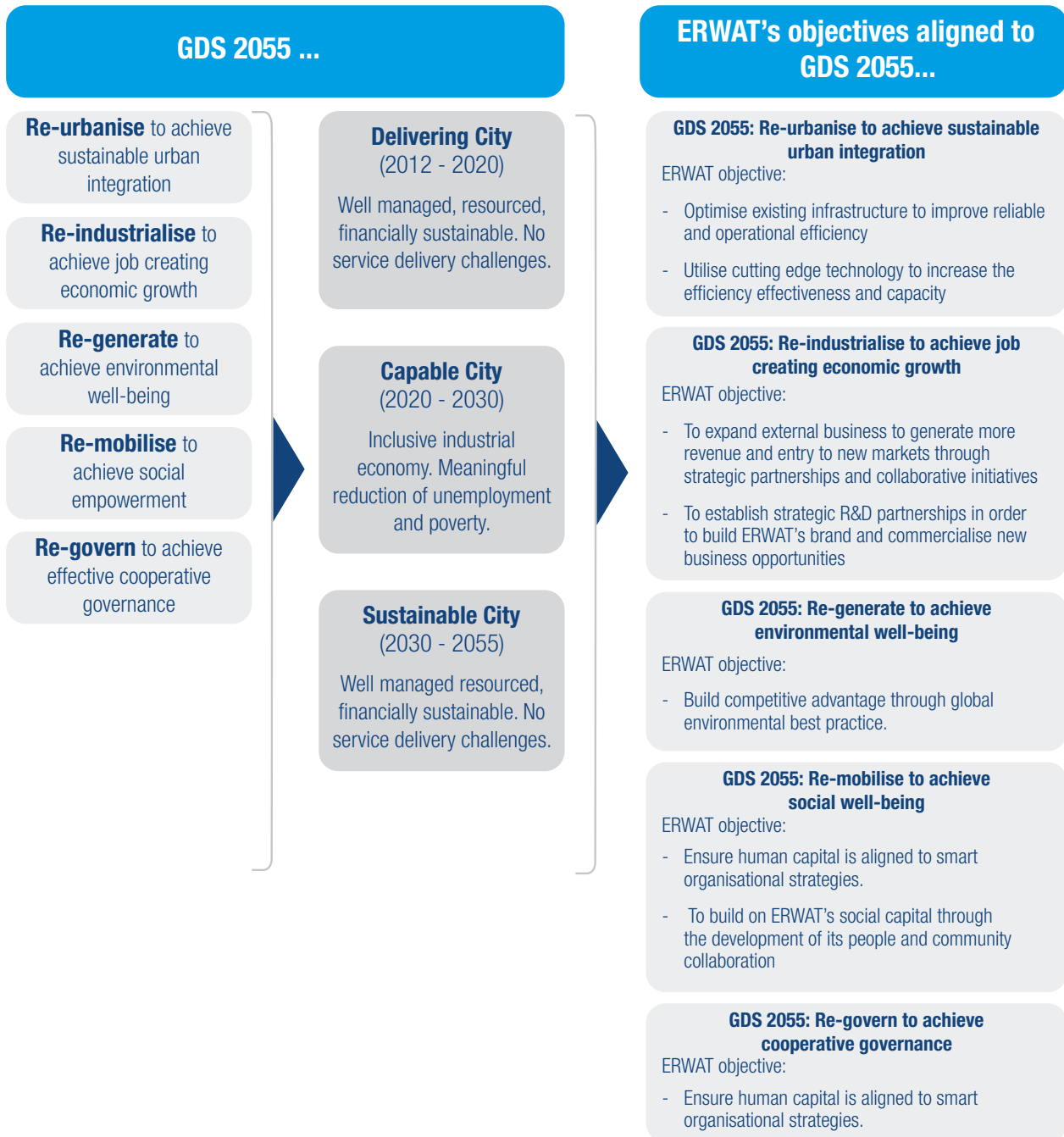
Table 34: Communications, Marketing, Stakeholder Engagement and CSR – Future Objectives, Plans and Targets 2022/23 - 2026/27

| KEY PRIORITY | RELATED | PROGRESS TO DATE | RECOMMENDATIONS TO THE BOARD | PERFORMANCE INDICATOR | BASELINE | STRETCH GOALS | | | | |
|--|---------|--|---|---|---|--|--|---|--|--|
| | | | | | | 2022/23 TARGET | 2023/24 TARGET | 2024/25 TARGET | 2025/26 TARGET | 2026/27 TARGET |
| STRATEGIC OBJECTIVES S01. Render Services to CoE as per constitutional mandate S03. Ensure ERWAT is aligned to meet the demands of the political, social and economic environment S08. Ensure full compliance with relevant legislation and governance | | | | | | Operationalize social media platform | | | | |
| Use of print, broadcast and social media as a tool for enterprise-wide communication within and outside ERWAT | Current | Continued and ongoing communication with all internal and external stakeholders | Create social media platforms, namely Facebook, LinkedIn and Twitter | Create social media platforms, namely Facebook, LinkedIn and Twitter | New | Implement use of Facebook, LinkedIn and Twitter | Revisit corporate identity and online presence | Investigate and implement trends in the IR4 | Implement trends in the changing virtual communication spheres | Implement trends in the changing virtual communication spheres |
| Implement Communications plan to reach internal and external stakeholders | Current | Continued and ongoing communication with all internal and external stakeholders | Maintain website, support other departments, publicize achievements, manage corporate identity, events management | Interactive website, printed and virtual publicity, successful events | Current quality of all communication channels | Re-establish internal newsletter Green Drop event | Review policies, strategies and plans | Redesign and revamp ERWAT website | Investigate and implement trends in the communications fields | Continuously keep up with trends in the communications fields |
| Review CSR policy, strategy and outreach programs and implement sustainable CSR plan, including measurement tools | New | Appointment of CSR consultant to review CSR policies, strategies and outreach programs as well as developing measurement tools | Conduct ongoing CSR outreach programs | Revised CSR policy, strategy, plans and measurement tools | New | Continued CSR outreaches Review policy, strategy and plan and develop measurement tools with CSR consultant | Implement reviewed policies, strategies and plans as well as measurement tools | Review target audiences to be on par with social and economic changes | Investigate and implement new trends in the CSR landscape | Partner with private sector to launch sustainable programs |



5.5. ERWAT OBJECTIVES ALIGNED TO GDS2055

Figure 10 ERWAT objectives aligned to GDS2055



Initiatives 1, 2 and 3 are linked to the commercialisation of the “Big 3” WCWs namely Welgedacht, Waterval and Olifantsfontein. An operational plan for the various business units will support the implementation of the strategic initiatives. Within the plan are also activities in support of business- as-usual (BAU).

5.6 SOURCES OF INCOME

PROJECTED REVENUE AS PER INCOME STREAMS

Commercial business Department has identified several projects and programmes that have the potential to sustain revenue streams with a steady but consistent upward trajectory. This includes maintaining current clients and identifying new clients and will require aggressive marketing and engagement. The tables below indicate the planned targets:

Table 35: Projected Revenue as per Income Streams

| REVENUE STREAMS | 2022/2023FY | 2023/2024FY | 2024/2025FY | 2025/2026FY | 2026/2027FY | 2027/2028FY |
|-----------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Projects | R13 495 262 | R14 170 025 | R14 878 526 | R15 622 452 | R16 403 575 | R17 223 754 |
| Government | R10 800 000 | R11 340 000 | R11 907 000 | R12 502 350 | R13 127 468 | R13 783 841 |
| Beneficiation | R 6 060 000 | R 6 363 000 | R 6 681 150 | R 7 015 208 | R 7 365 968 | R 7 734 266 |
| Total | R30 355 262 | R31 873 025 | R33 466 676 | R35 140 010 | R36 897 010 | R38 741 861 |

Figure 11: Projected Revenue per Income Streams

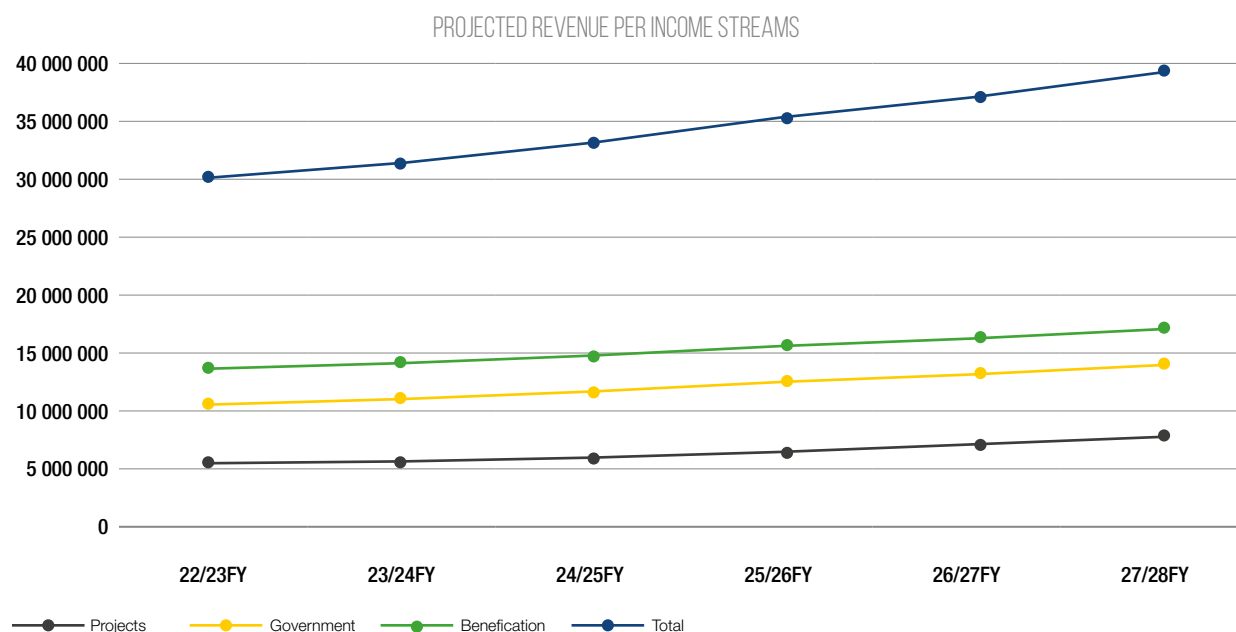
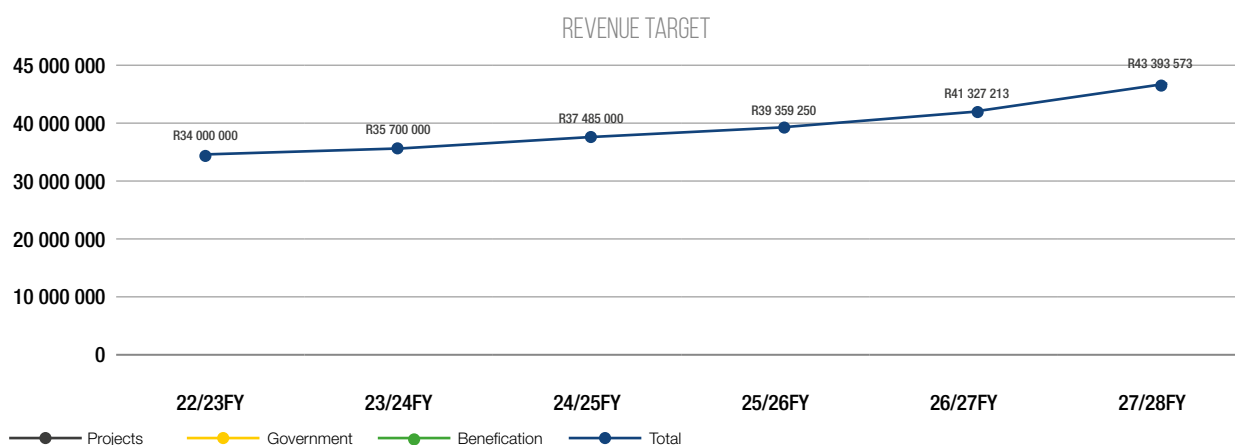


Table 36: Commercial BUSINESS Five (5) Year Financial Projection

| FINANCIAL YEAR | GROWTH INDICATOR (%) | PROJECTIONS IN RAND |
|----------------|----------------------|---------------------|
| 2022/2023 | 5.6 | 34 000 000 |
| 2023/2024 | 5 | 35 700 000 |
| 2024/2025 | 5 | 37 485 000 |
| 2025/2026 | 5 | 39 359 250 |
| 2026/2027 | 5 | 41 327 213 |
| 2027/2028 | 5 | 43 393 573 |

Figure 12: Graphical Representation of the Projected Revenue



5.7 ERWAT'S STRATEGY

5.7.1 ERWAT'S PURPOSE

ERWAT's purpose is defined as:

Improving the environment and human well-being by providing sustainable water resource recovery.

In addition to keeping to ERWAT's mandate as outlined by the CoE, ERWAT intends to develop and grow its service offerings and/or products to more than just wastewater recovery. To support this, awareness with regards to the importance of water resource recovery in the context of both industrial and domestic users will be raised.

Although ERWAT's traditional wastewater treatment brand is unlikely to change in the medium term, the company is now repositioning itself as a water resource recovery brand. This requires a reorientation of thoughts, processes and policies in all internal and external stakeholders.

5.7.2 STRATEGIC OBJECTIVES

The following are the CoE's political priorities for the 5-year term:

- No 1: Ensure that every community has access to reliable, clean, running water, that is safe to drink and to prepare food; modernise water management and the detection of water leaks; and prevent untreated wastewater contaminating the environment, homes, streets, and sidewalks within the municipality.
- No 6: Develop a holistic infrastructure strategy which combines the imperatives of an increased spend on PPE maintenance, infrastructure renewal and measures to safeguard infrastructure from vandalism and theft.

- No 8: Focus first on getting the basics right as the foundation to bringing in investment and jobs to the local economy. Beyond that the parties are committed to improving the business environment by making it easier to do business within the municipality.
- No 9: Collaborate for transparent sustainable housing by increasing the scale of housing delivered through private initiative, diversifying housing options, and ensuring more people own their homes and receive their valid title deeds.
- No 10: Adopt a holistic approach to keeping communities in good health by ensuring that all departments work together to minimise the risks which lead to poor health, to respond effectively to health emergencies, and to achieve overall positive health outcomes.
- No 15: As per legislation municipal services should be run in a cost reflective manner, where possible we will avoid above-inflation increases in tariffs, rates and taxes, where unavoidable, this shall be adequately explained to the public.

ERWAT has seven strategic objectives spanning six strategic pillars namely profitability, people, environmental sustainability, operational excellence, technology and partnerships/ commercialisation. These define the markers of success and effectively how ERWAT will know when ERWAT have achieved its goals. Each of these are strategic pillars are defined in table 38.

5.7.3 STRATEGIC PILLARS

Table 37: ERWAT's Strategic Pillars

| MATTERS ARISING | |
|--|---|
| Profitability | ERWAT wants to ensure that ERWAT is financially sustainable and that ERWAT's dependence on City of Ekurhuleni contributions (excluding service charges) are limited. To do this ERWAT will need to generate alternative revenue streams |
| People | Human capital is critical to ERWAT's functioning and essential for ERWAT to achieve its strategic objectives. Therefore, the right talent needs to be developed, attracted and retained |
| Environmental sustainability | As a responsible corporate citizen, ERWAT needs to ensure not just financial sustainability, but also environmental sustainability |
| Operational excellence | ERWAT is focused on the practice of adopting principles and tools that result in operational sustainability and improvements |
| Technology | This is at the core of ERWAT's operations, as any operational improvements can only be addressed using state of the art technology |
| Partnerships/ Commercialisation | Partnerships and collaborations with external entities are noted as being essential to ERWAT's vision of being a "globally recognised water resource recovery company" and the commercialisation of ERWAT's service offerings and products. |

ERWAT's strategic objectives outline what must be achieved for it to make its strategy a success. The strategic objectives linked to each of the pillars are as follows:

PROFITABILITY

To expand external business to generate more revenue and entry to new markets through strategic partnerships and initiatives.

PEOPLE

Ensure human capital is aligned to smart organisational strategies

ENVIRONMENTAL SUSTAINABILITY

Build a competitive advantage through global environmental best practice

OPERATIONAL EXCELLENCE

Optimise existing infrastructure to improve reliability and operational efficiency

TECHNOLOGY

Utilise cutting edge technology to increase the efficiency, effectiveness and capacity

PARTNERSHIPS/COMMERCIALISATION

- To establish strategic R&D partnerships to build ERWAT's brand and commercialise new business opportunities.
- To build on ERWAT's social capital through the development of its people and community collaboration.

As an entity of the CoE, ERWAT aligns its strategic objectives to the overarching vision of the city which is summarised in its long-term strategy, the Growth and Development Strategy 2055 (GDS 2055), as shown in Figure 4.

Table 38: CoE priorities and ERWAT priorities

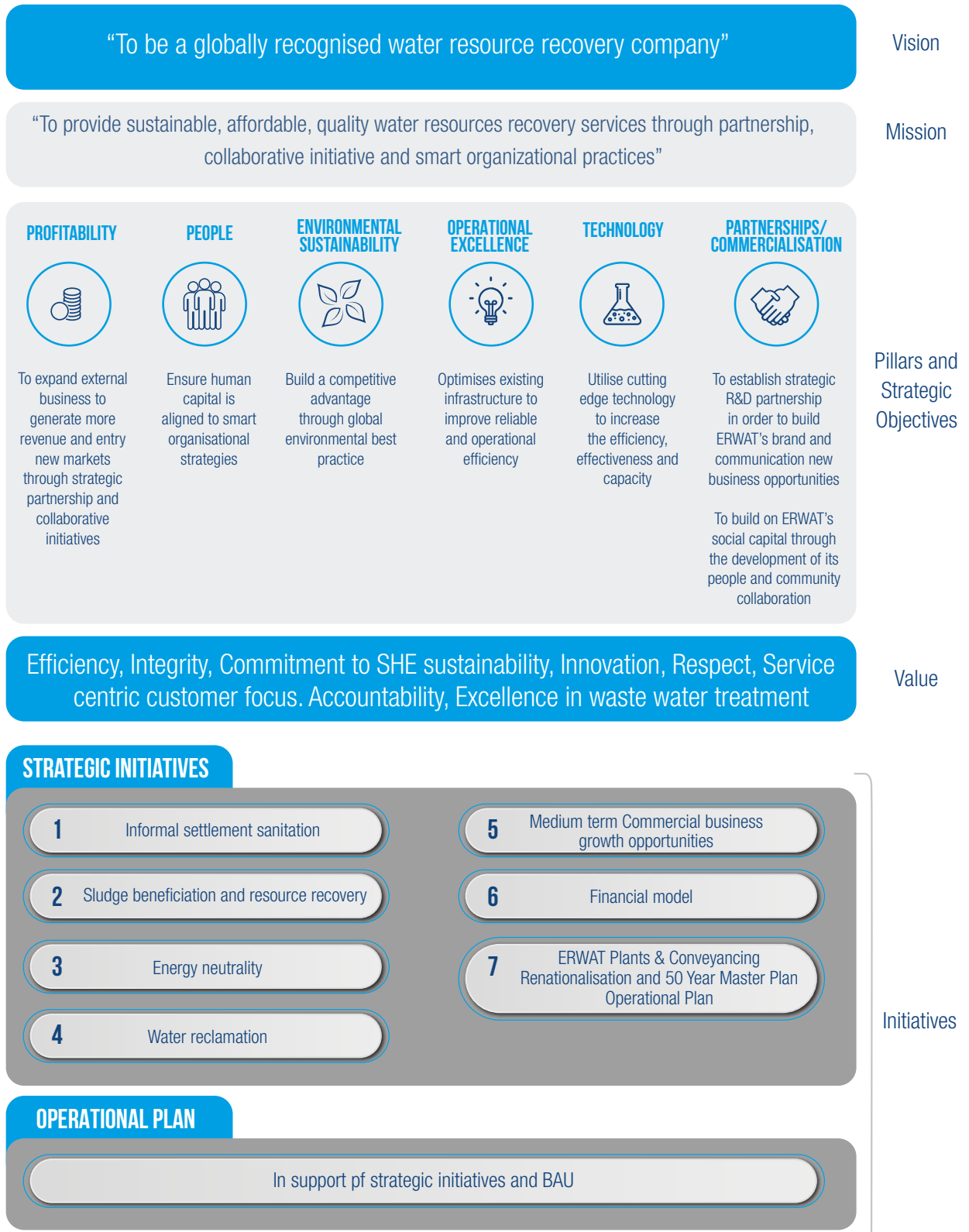
| NO. | COE PRIORITIES | ERWAT PRIORITIES |
|-----|---|--|
| 1 | a) Aerotropolis | |
| | b) Special Economic Zone | |
| | c) Investment Attraction | a Implement 50-year Masterplan and Regionalisation |
| | d) Facilitation and Retention | b) Private Partnership Programme (PPP) |
| 2 | Construction of housing units | c) Retrofit and Asset Replacement (WCWs) |
| 3 | Provision of serviced stands | |
| 4 | Make informal settlements more habitable through up-scaling of services | |

5.7.4. STRATEGIC INITIATIVES

As part of ERWAT's strategic plan, the entity has identified the following eight strategic initiatives linked to the six strategic pillars that ERWAT intends to pursue in support of its strategy:

| | |
|--------------------------------|---|
| Strategic Initiative 1: | Sludge beneficiation and resource recovery |
| Strategic Initiative 2: | Energy neutrality |
| Strategic Initiative 3: | Water reclamation |
| Strategic Initiative 4: | Achieving operational excellence |
| Strategic Initiative 5: | Develop a financial and commercial business model |
| Strategic Initiative 6: | Working towards regionalization and the 50-Year Master Plan |
| Strategic Initiative 7: | Implementing sustainable sanitation solutions |
| Strategic Initiative 8: | ERWAT plants and conveyancing regionalization and 50-Year master plan |

Figure 13: ERWAT's Organisational Strategy



6. OPERATIONAL CONTEXT

6.1 STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

An industry scan as part of a SWOT analysis shows that ERWAT has unique technical skills but need to do more in terms of its ability to capture value.

Figure 14: SWOT Analysis

STRENGTHS

- S1.** Understanding of ERWAT's business and being able to align processes to the environmental laws and regulations required for environmental sustainability (SP3)
- S2.** Established commercial business division for revenue enhancement. (SP1)
- S3.** Strong technical knowledge and experience within the water industry (SP2)
- S4.** Strong governance structure and processes. (SP4)
- S5.** Expertise with good reputation within the water industry (other institutions view ERWAT as an entity to benchmark with) (SP4)
- S6.** SANAS accredited laboratory (SP4)
- S7.** Ability to implement and operate new technologies (SP5) **S8.** Green Drop System as a Quality Management tool with well-defined internal audit processes (SP4)
- S9.** Implementation of a well-defined skills development plan (SP2)
- S10.** Well-developed Asset Management, BCM R & D Strategy/Policies (SP4)
- S11.** Asset Development Master Plan in place
- S12.** Customer Care complaint system in place

WEAKNESSES

- W1.** Inadequate ICT system resulting in poor Document Management System (DMS), lack of automation of processes/systems and loss of institutional information (SP5)
- W2.** Prolonged delays in SCM processes rendering delays in service delivery (SP4)
- W3.** Inadequate CAPEX spending for expansion (SP4)
- W4.** Lack of budget for implementation of the Asset Care Plans, causing reactive maintenance (SP4)
- W5.** Lack of formal succession planning and mentorship program (SP2)
- W6.** Inadequate integration between ERWAT and CoE/Lesedi in terms of by-laws, Green Drop, risk abatement plans, etc. (SP4)
- W8.** Failure to attain an unqualified clean audit (SP4)
- W9.** Inadequate measures for revenue enhancement initiatives (SP1)

OPPORTUNITIES

- O1.** Establish relationships and collaboration with external service providers
- O2.** Improve resource re-use and management, e.g., Water Reclamation, green smart plants, renewable energy initiatives, sludge beneficiation, in-line turbines
- O3.** Alignment to the national and international standards and regulatory bodies for continuous improvement
- O4.** Reduce costs in our bulk purchases
- O5.** Sell the ERWAT model to assist struggling municipalities for O&M, Scientific Services as well as the Green Drop model
- O6.** Internal Audit – Leveraging on the service for continuous improvement and optimisation of processes
- O7.** Use cloud-based solutions that aren't infrastructure dependent (ERP Implementation)
- O8.** Provision of training for water learnerships could be a source of income for ERWAT (HR)
- O9.** Potential cost reduction through working from home strategies
- O10.** Leveraging off grants and other sources of funding
- O11.** Establish Innovation Hub for selling through innovation

THREATS

- T1.** Social Cohesion – vandalism and theft/security of infrastructure/ illegal connection/dumping, community unrest
- T2.** Occurrence of emergency, disasters and pandemics
- T3.** Change in legislative framework
- T4.** Loss of critical/key skill compliment due to a competitive environment
- T5.** Potential loss of institutional information and increased cyber security attacks as well as inadequate ICT systems from the CoE
- T6.** Potential collapse and/or failure of infrastructure due to dolomitic areas
- T7.** Unprotected strikes and intimidation
- T8.** Socio-Political interference affecting implementation of commercial business and other projects
- T9.** Unreliable utility services
- T10.** Lack of budget to finance OPEX requirements

6.2 STAKEHOLDER PARTNERS

ERWAT engages with various partners such as shareholders, communities served by ERWAT, research institutions, academia, government departments, financial institutions and the general public.

The entity strives to keep abreast of the latest in wastewater research management through regular liaison and contact with other institutions, such as the Water Research Commission (WRC), water institutions, academia and CSIR, as well as government departments such as the DWS.

ERWAT is a member of the International Water Association (IWA) and a patron member of the Water Institute of South Africa (WISA). ERWAT has also entered into an agreement with the University of Stellenbosch where ERWAT will support a Chair in Wastewater studies. For ERWAT stakeholder identification is a continuous process and will continue to review the stakeholder map to ensure that all stakeholders are identified, engaged, understanding their level of effect on our business processes, and satisfying their demands, needs and expectations.

6.3 CURRENT OPERATING ENVIRONMENT

6.3.1 THE WATER AND SANITATION NATIONAL AGENDA

As an organisation, ERWAT's mandate is informed by the national agenda on water and sanitation which has been outlined by the National Development Plan (NDP). The NDP sets targets that are intent on ensuring efficient and competitive infrastructure that sustainably ensures access to water and sanitation by all South Africans.

The water and sanitation targets to be achieved within the 2030 timeline include:

- a) Improving existing systems, with clarification of responsibilities in the areas of sanitation
- b) Conducting comprehensive management strategies including an investment programme for water resource development, bulk water supply and wastewater management for major centers
- c) Creating regional water and wastewater utilities, and expand mandates of the existing water boards
- d) Strengthening regional cooperation in water management
- e) Ensuring that all South Africans will have affordable, reliable access to sufficient safe water and hygienic sanitation

Achieving these targets will involve the following initiatives which impact role players such as ERWAT in the wastewater sector:

- a) Investment in off-grid/on-grid long term infrastructure
- b) Development of long-term formal and informal settlements plan
- c) Promotion of the re-use of waste
- d) Incentivising water harvesting and re-use
- e) Increasing usage of sustainable storm water



7. ORGANISATIONAL ENVIRONMENT

7.1 CORPORATE GOVERNANCE

ERWAT's Board of Directors consists of five non-Executive Directors. The Board meets regularly, at least quarterly, and retains full control over ERWAT. The Board and its supportive subcommittees remain accountable to the CoE. The Directors have a collective responsibility to provide effective corporate governance that involves a set of relationships between the CoE, ERWAT and other relevant stakeholders.

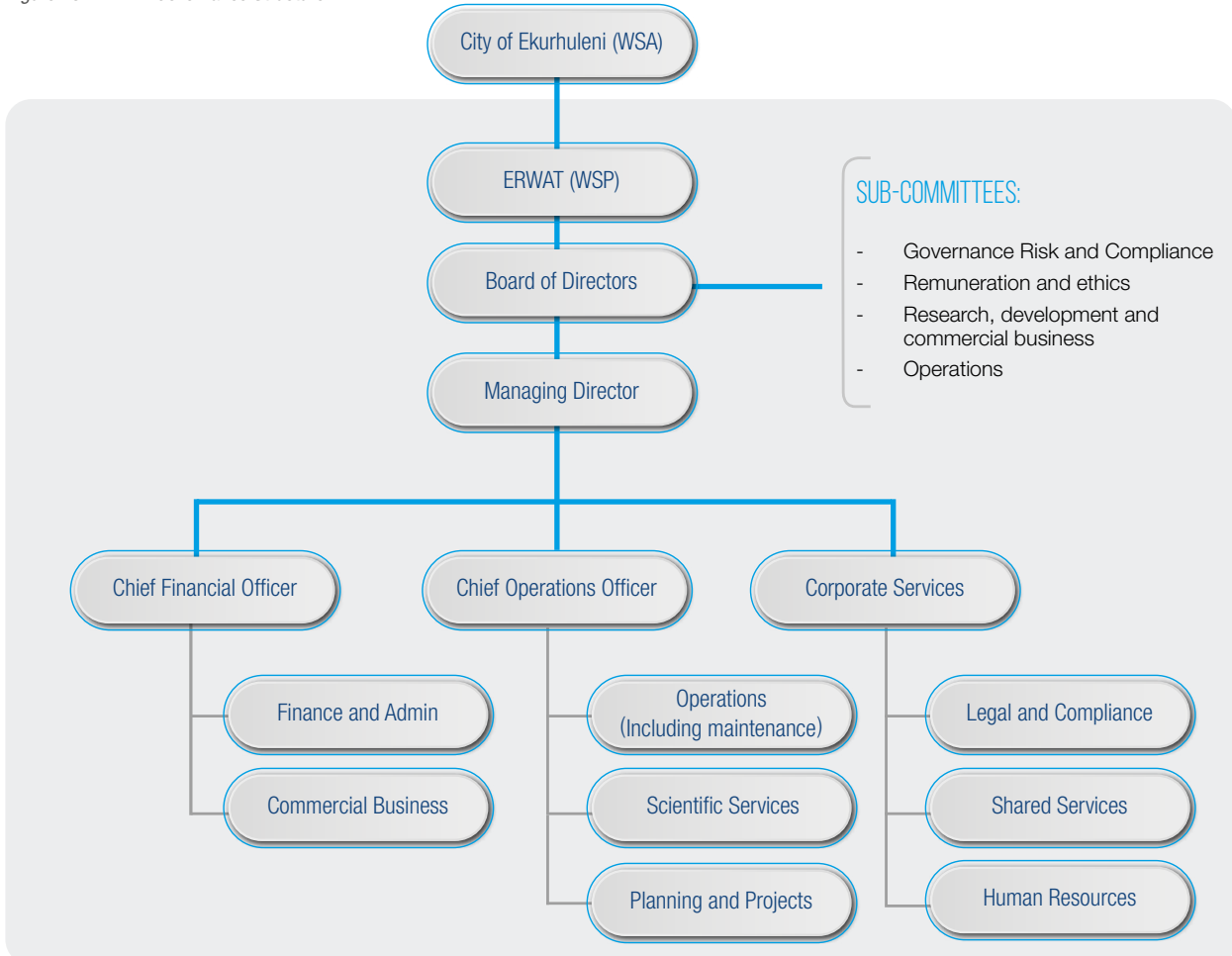
The Board is accountable to the City of Ekurhuleni (CoE) for the following responsibilities:

- a) Setting strategic direction and goals of ERWAT and monitoring management's implementation of that strategy
- b) Appointing such committees of ERWAT as may be appropriate to assist in the discharge of its responsibilities and to determine their responsibilities

- c) Ensuring that procedures and practices are in place to protect ERWAT's assets and reputation
- d) Monitoring financial outcomes and the integrity of reporting, in particular approving annual budgets and longer-term strategic and business plans
- e) Ensuring that effective audit, and compliance systems are in place to protect the ERWAT's assets and to minimise the possibility of ERWAT operating beyond legal requirements or beyond acceptable risk parameters
- f) Monitoring compliance with regulatory requirements and ethical standards ERWAT's immediate governance/oversight structures include that of CoE and DWS.

Illustrated in Figure 15 are the other oversight structures which include the Board and EXCO.

Figure 15: ERWAT Governance Structure



7.2 COMMITTEES OTHER THAN EXCO

Section 72 of the Companies Act 71 of 2008, provides that the Board of a company may, except where otherwise stated in the memorandum of incorporation ("MOI"), appoint any number of committees and delegate to those committees accordingly. The Act requires certain companies to establish audit committees and social and ethics committees.

In respect of audit committees, the Act states that at each annual general meeting, all public companies, state-owned companies, and companies required to do so in the MOI, must establish an audit committee, comprising at least three members. The Act further provides that each member of the audit committee must be a director of the company. Regulation 43 of the Act deals with the social and ethics committee, and provides that all listed public

companies, state-owned companies and companies with a certain public interest score, are mandated to establish a social and ethics committee. A company is not required to have a social and ethics committee if it is a subsidiary of another company that has such a committee which fulfils the functions for the subsidiary company.

King IV recommends that board committees comprise of directors, and that the majority of members should be independent non-executive directors, save for the risk committee. Other than the executive committee (usually chaired by the MD), all committees should be chaired by an independent non-executive director. King IV recommendations promote effective collaboration among committees with minimal overlap of duties, as well as a balanced distribution of power.

Table 39: ERWAT Committees other than EXCO

| COMMITTEES | PURPOSE OF COMMITTEE |
|---|---|
| Governance Risk and Compliance | The Finance Committee supports the Board of Directors in discharging its finance and audit oversight. |
| Remuneration and Ethics | The Remuneration and Ethics Committee has an independent role operating as an overseer and formulator of recommendations to the Board for its consideration and final approval about how the company remunerates directors and executives fairly and responsibly and the disclosure of director remuneration is accurate, complete and transparent. |
| Operations | The Operations Committee supports the Board of Directors in overseeing operations |
| Research Development and Commercial Business | The committee is responsible for identification and optimisation of the research and development conducted at ERWAT that could be translated into revenue generation mechanisms. |

Table 40: ERWAT Committees other than EXCO

| ORGANIZATIONAL SECTION | CURRENT NO OF EMPLOYEES (AS AT AUGUST 2022) | PLANNED CAPACITY | | | | |
|--|---|------------------|------------|------------|------------|-------------|
| | | 2022/2023 | 2023/2024 | 2024/2025 | 2025/2026 | 2026/2027 |
| Board | 5 | 5 | 5 | 5 | 5 | 5 |
| Office of the MD | 2 | 2 | 2 | 2 | 2 | 2 |
| Risk | 1 | 2 | 3 | 3 | 3 | 3 |
| Communications, Marketing and CSR | 3 | 4 | 5 | 5 | 5 | 5 |
| Strategy, Monitoring and Evaluation | 1 | 2 | 2 | 2 | 2 | 2 |
| Operations | 431 | 460 | 495 | 495 | 495 | 495 |
| IPAP | 19 | 27 | 32 | 37 | 42 | 47 |
| Finance | 24 | 27 | 29 | 29 | 29 | 29 |
| SCM | 11 | 12 | 13 | 14 | 15 | 15 |
| ICT | 5 | 7 | 9 | 10 | 10 | 10 |
| Maintenance | 109 | 136 | 153 | 170 | 186 | 202 |
| Scientific Services | 64 | 70 | 74 | 78 | 78 | 78 |
| HR | 16 | 16 | 18 | 20 | 22 | 24 |
| Company Secretariat | 2 | 3 | 5 | 6 | 6 | 6 |
| Commercial Business | 39 | 40 | 44 | 45 | 46 | 48 |
| Security | 4 | 6 | 7 | 7 | 7 | 7 |
| Health and Safety | 4 | 6 | 7 | 7 | 7 | 7 |
| Legal and Compliance | 0 | 8 | 12 | 15 | 19 | 22 |
| Total | 740 | 831 | 913 | 948 | 977 | 1005 |

* Information to be updated post the review of structures. Planned capacity employee figures exclude Developmental Programmes and additional employees for Commercial Business. It is also subject to Board approval and funding availability.

8. STRATEGIC GOAL FOR PUBLIC ENTITY

ERWAT was established in 1992 as a Section 21 company. Its shareholders are the City of Ekurhuleni (majority shareholder), City of Johannesburg and Lesedi Local Municipality. Since inception ERWAT's traditional strategic goals were focused on utilizing the best technologies to provide the right-sized WCWs at the right time in the best geographical location. The company aims toward providing sustainable, affordable and quality wastewater services through scientific, innovative and effective organizational practices, continuously researching and development of new technologies and energy-saving methods, tested prior to implementation and to be the partner of choice for growth and to create competitive value for shareholders and stakeholders.

These strategic goals have over time evolved to include beneficiation programmes and projects which will bring additional income streams and wean the entity from entirely relying on the parent shareholders for income. Several programmes are planned to this extent.



PART B
OUR STRATEGIC OBJECTIVES

9. STRATEGIC OBJECTIVES PER PROGRAMME

9.1 DESCRIPTION OF THE STRATEGIC PLANNING PROCESS

The process of the strategic planning document has been a culmination and outcome of an enterprise-wide strategic planning process. It commenced with management going through a review process of the entity's performance in the last year with extended performance of the entity over the last. This was done with the view of defining and reviewing, for board approval, the values, vision and mission of the entity.

An environmental scan was done using the Aqua Rating Tool as defined by the International Water Association (IWA). This culminated in the identification of the entity's strength, opportunities, weaknesses and threats. Several long-term goals were then identified and presented to the Board of Directors during a Board Lekgotla. Recommendations were presented to the Board by management through an iterative process and are encapsulated in this document.

9.2 ORGANISATIONAL STRUCTURE AND PROGRAMS: LINKS TO THE STRATEGIC OBJECTIVES

9.2.1 STRATEGY LINE OF SIGHT

In alignment to the NDP, the CoE has noted their IDP focus with respect to water and sanitation to include:

- a) Improving access to sanitation in both formal settlements and informal dwellings

- b) Ensuring that environmental assets and natural resources are well protected and continually enhanced
- c) An awareness of the fact that water scarcity will influence the development path of the city.

The implication of the national agenda on ERWAT's business is that, as CoE's implementation arm for sanitation services, ERWAT will be required to develop and expand the wastewater system to support the provision of basic services. The way ERWAT develops and expands the wastewater system needs to ensure the affordability of the service.

ERWAT also needs to adopt business practices that protect environmental assets and natural resources, as well as to be adaptable in the use of both off-grid and on-grid infrastructure.

9.2.2 MACRO-STRATEGY LINE OF SIGHT

ERWAT's mandate and functional responsibilities are aligned to achieve and support the strategic priorities of the National Government as aligned with the 12 Outcomes, the Provincial 10-Pillar Programme, GDS 2055 Themes and the CoE Five Strategic Objectives as shown in the Table below.

Table 41: Alignment of ERWAT's strategic objectives to CoE, GDS 2055, Provincial 10-Pillar Programme and National Outcomes

| NATIONAL OUTCOMES | PROVINCIAL 10-PILLAR PROGRAMME | GDS 2055 THEMES | COE 5 STRATEGIC OBJECTIVES | STRATEGIC OBJECTIVES | ERWAT'S SDBIP INDICATORS |
|--|--|-----------------------|--|---|--|
| <p>NO1 - An efficient competitive and responsive economic infrastructure network</p> <p>NO8 - Sustainable human settlements and improved quality of household life</p> | <p>1. Pillar 2: Decisive spatial transformation</p> <p>2. Pillar 7: Modernization of human settlements</p> <p>3. Pillar 8: Modernization of public transport</p> | <p>1. Re-urbanize</p> | <p>1. To deliver reliable, affordable and sustainable services and ensure increased spending on infrastructure maintenance</p> | <p>1. Optimise existing infrastructure to improve reliability and operational efficiency</p> <p>2. Utilise cutting edge technology to increase efficiency, effectiveness and capacity</p> | <p>1. Percentage compliance with WCW license conditions and / or exemptions standards</p> <p>2. Percentage of repairs and maintenance budget spent</p> |

Table 41: Alignment of ERWAT's strategic objectives to CoE, GDS 2055, Provincial 10-Pillar Programme and National Outcomes (continued)

| NATIONAL OUTCOMES | PROVINCIAL 10-PILLAR PROGRAMME | GDS 2055 THEMES | COE 5 STRATEGIC OBJECTIVES | STRATEGIC OBJECTIVES | ERWAT'S SDBIP INDICATORS |
|---|---|-----------------------|--|---|--|
| N04 - Decent employment through inclusive growth | <ol style="list-style-type: none"> Pillar 1: Radical economic transformation Pillar 6: Modernization of the economy Pillar 9: Re- industrialize Gauteng Province Pillar 10: Take a lead in Africa's new industrial revolution | 1. Re - industrialize | 1. To create an enabling environment for doing business, investment attraction and job creation | <ol style="list-style-type: none"> To expand external business to generate more revenue and entry to new markets through strategic partnerships and collaborative initiatives To establish strategic R&D partnerships to build ERWAT's brand and commercialize new business opportunities | <ol style="list-style-type: none"> Total revenue generated from external business Total rand value of surplus realized from revenue generated from external business |
| N05 - A Skilled and capable workforce to support an inclusive growth path N09 - Responsive, accountable, effective and efficient local government N012 - An efficient, effective and development oriented public service | <ol style="list-style-type: none"> Pillar 4: Transformation of the state and governance Pillar 5: Modernization of the public service | 1. Re - govern | 1. To govern in the interest of local communities, eliminate corruption and ensure best practices in good governance. | 1. Ensure human capital is aligned to smart organisational strategies | 1. 80% of performance management evaluations completed for the business |
| N010 - Protect our environmental assets and natural resources | 1. Pillar 2.2: Decisive spatial transformation | 1. Re - generate | 1. To optimise the use of institutional resources and build a capable, professional and high performing administration | 1. Build a competitive advantage through global environmental best practice | 1. Percentage compliance with WCW license conditions and/or exemptions standards |

9.2.3 MICRO-STRATEGY LINE OF SIGHT

The following table shows how the departments in ERWAT and their priorities contribute to the organisation's strategic objectives and to the CoE's IDP objectives:

Table 42: Alignment Matrix Mapping of CoE IDP Objectives to ERWAT's Strategic Pillars, Strategic Initiatives and Programmes – 2022/23 – 2026/27

| IDP OBJECTIVE | STRATEGIC PILLAR | STRATEGIC OBJECTIVE | STRATEGIC INITIATIVE | DEPARTMENT | ERWAT PROGRAMME |
|---|---------------------------------------|--|---|------------|---|
| Sustainable human settlements and improved quality of life | SP2. Environmental Sustainability | SO1. Render services to the City of Ekurhuleni as per the constitutional mandate SO3. Ensure ERWAT is aligned to meet the demands of the political, social and economic environment SO8. Ensure full compliance with relevant legislation and governance related requirements | SI 4: Achieving operational excellence | Operations | <ol style="list-style-type: none"> Attain and maintain Green Drop certification of 7 WCW's Attain and maintain Green Drop certification of 12 WCW's |
| | SP4. Technology SP6. Profitability | SO1. Render services to the City of Ekurhuleni as per the constitutional mandate SO2. Expand external business to generate more revenue SO3. Ensure ERWAT is aligned to meet the demands of the political, social and economic environment SO4. Ensure financial sustainability and value creation for stakeholders to support the discharge of clean water into the environment SO6. Establish and maintain comprehensive ICT infrastructure systems and processes in the business SO8. Ensure full compliance with relevant legislation and governance related requirements SO9. Optimal operational and expansion of infrastructure | SI 4: Achieving operational excellence SI 5: Develop a financial and commercial business model | Finance | <ol style="list-style-type: none"> Clean Audit in AFS, Compliance and AoPO Finalization and approval of ERWAT tariffs Streamlining of processes and procedures Resolving system issues Implementation of ERP modules on hold |

Table 42: Alignment Matrix Mapping of CoE IDP Objectives to ERWAT's Strategic Pillars, Strategic Initiatives and Programmes – 2022/23 – 2026/27 (continued)

| IDP OBJECTIVE | STRATEGIC PILLAR | STRATEGIC OBJECTIVE | STRATEGIC INITIATIVE | DEPARTMENT | ERWAT PROGRAMME | |
|---|---|--|---|---|--|---|
| Sustainable human settlements and improved quality of life | SP3. Operational Excellence | SO1. Render services to the CoE as per the constitutional mandate SO8. Ensure full compliance with relevant legislation and governance related requirements SO9. Optimal operational and expansion of infrastructure | SI 4: Achieving operational excellence SI 6: Working towards regionalization and the 50-Year Master Plan | Maintenance | 8. Full implementation and continuous improvement of the Asset Care Plans 9. Establish a strategic asset and infrastructure maintenance programme | |
| | SP3. Operational Excellence SP4. Technology | SO1. Render services to the CoE as per the constitutional mandate SO3. Ensure ERWAT is aligned to meet the demands of the political, social and economic environment SO6. Establish and maintain comprehensive ICT infrastructure systems and processes in the business SO8. Ensure full compliance with relevant legislation and governance related requirements SO9. Optimal operational and expansion of infrastructure | SI 2. Energy neutrality SI 4: Achieving operational excellence SI 6: Working towards regionalization and the 50-Year Master Plan | Infrastructure Planning and Projects | 10. Implementation of infrastructure capital projects 11. Implementation of ERWAT WCW capacity upgrades 12. Environmental services 13. Plant Audits/Process optimization 14. Management/Approval of township developments | |
| | SP2. Environmental Sustainability SP3. Operational Excellence SP5. Partnerships/Commercialisation | SO1. Render services to the City of Ekurhuleni as per the constitutional mandate SO2. Expand external business to generate more revenue SO3. Ensure ERWAT is aligned to meet the demands of the political, social and economic environment SO4. Ensure financial sustainability and value creation for Stakeholders to support the discharge of clean water into the environment SO8. Ensure full compliance with relevant legislation and governance related requirements | SI 2. Energy neutrality SI 5: Develop a Financial and Commercial Business Model | Scientific Services | 15. Maintain ISO 17025 accreditation for the Laboratory 16. Improve and expand on niche testing services 17. Strengthen a multidisciplinary research team to research and improve water resource re-use and management including joint learning 18. Extending current collaborations – national and International | |
| | SP5. Partnerships / Commercialisation SP6. Profitability | SO1. Render services to the CoE as per the constitutional mandate SO2. Expand external business to generate more revenue SO3. Ensure ERWAT is aligned to meet the demands of the political, social and economic environment SO4. Ensure financial sustainability and value creation for stakeholders to support the discharge of clean water into the environment SO8. Ensure full compliance with relevant legislation and governance related requirements | SI 1: Sludge beneficiation and resource recovery SI 3: Water reclamation SI 5: Develop a financial and commercial business model SI 7: Implementing sustainable sanitation solutions | Commercial Business | 19. Completion of the Water Reclamation project 20. Segregation of project from the beneficiation program 21. Formulation of Corporate Committee lead by Accounting Officers 22. Council approval 23. Funding for feasibility study | |
| | Responsive, accountable, effective & efficient local Government | SP4. Technology SP6. Profitability | SO1. Render services to the CoE as per the constitutional mandate SO2. Expand external business to generate more revenue SO3. Ensure ERWAT is aligned to meet the demands of the political, social and economic environment SO4. Ensure financial sustainability and value creation for Stakeholders to support the discharge of clean water into the environment SO6. Establish and maintain comprehensive ICT infrastructure systems and processes in the business SO8. Ensure full compliance with relevant legislation and governance related requirements SO9. Optimal operational and expansion of infrastructure | SI 5: Develop a financial and commercial business model | Financial Services, SCM & ICT | 24. Migrate employees to Microsoft 365 E3 with online exchange 25. Ensure infrastructure availability and effective business continuity 26. Ensure customer satisfaction 27. Ensure ICT Risk Mitigation 28. Improve and reprioritise Opex utilisation 29. Support digital transformation initiatives |

Table 42: Alignment Matrix Mapping of CoE IDP Objectives to ERWAT's Strategic Pillars, Strategic Initiatives and Programmes – 2022/23 – 2026/27 (continued)

| IDP OBJECTIVE | STRATEGIC PILLAR | STRATEGIC OBJECTIVE | STRATEGIC INITIATIVE | DEPARTMENT | ERWAT PROGRAMME |
|--|-----------------------------|--|--|---|---|
| Responsive, accountable, effective & efficient local Government | SP1. People | SO1. Render services to the CoE as per the constitutional mandate SO3. Ensure ERWAT is aligned to meet the demands of the political, social and economic environment SO5. Ensure adequate human capital deployment, development, and performance within the business | SI 4: Achieving operational excellence | Human Resources | 30. Appointment of senior managers 31. Employee wellbeing 32. Mentoring and coaching programmes 33. Document management 34. Workplace harmony |
| | | SO8. Ensure full compliance with relevant legislation and governance related requirements | | | |
| | SP3. Operational Excellence | SO1. Render services to the CoE as per the constitutional mandate SO3. Ensure ERWAT is aligned to meet the demands of the political, social and economic environment SO8. Ensure full compliance with relevant legislation and governance related requirements | SI 4: Achieving operational excellence | Governance Legal & Compliance | 35. Entity Legal Status 36. Review of Service Delivery Agreement 37. Improve Governance Maturity Outcome |
| | | SO7. Ensure a comprehensive Risk Management strategy and application throughout ERWAT SO8. Ensure full compliance with relevant legislation and governance related requirements | | | SI 4: Achieving operational excellence |
| | | | | | |
| | | SP2. Environmental Sustainability SP4. Technology SP5. Partnerships/ Commercialisation | SO1. Render services to the CoE as per the constitutional mandate SO3. Ensure ERWAT is aligned to meet the demands of the political, social and economic environment SO8. Ensure full compliance with relevant legislation and governance related requirements | SI 4: Achieving operational excellence SI 7: Implementing sustainable sanitation solutions | Communications, Marketing, Stakeholder Engagement and CSR |

Table 43: Challenges faced by Operations Department

| STRATEGIC OBJECTIVES | BASIC SERVICES | | | | | CORPORATE AND OTHER SERVICES | | | | |
|--|----------------|-------------|---------------------|---------------------|------|------------------------------|-----------------|------------------------------|-----------------|---|
| | OPERATIONS | MAINTENANCE | COMMERCIAL BUSINESS | SCIENTIFIC SERVICES | IPAP | FINANCE, ICT, SCM | HUMAN RESOURCES | GOVERNANCE, LEGAL COMPLIANCE | ENTERPRISE RISK | COMMUNICATIONS, MARKETING, STAKEHOLDER ENGAGEMENT AND CSR |
| S01.Render services to the CoE as per the constitutional mandate | | | ✓ | ✓ | | | | ✓ | | ✓ |
| S02.Expand external business to generate more revenue | | | ✓ | ✓ | | ✓ | | | | |
| S03.Ensure ERWAT is aligned to meet the demands of the political, social and economic environment | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ |
| S04.Ensure financial sustainability and value creation for Stakeholders to support the discharge of clean water into the environment | | | ✓ | ✓ | | ✓ | | | | |
| S05.Ensure adequate human capital deployment, development, and performance within the business | | | | | | | ✓ | | | |
| S06.Establish and maintain comprehensive ICT infrastructure systems and processes in the business | | | | | ✓ | ✓ | | | | |
| S07.Ensure a comprehensive Risk Management strategy and application throughout ERWAT | | | | | | | | | ✓ | |
| S08.Ensure full compliance with relevant legislation and governance related requirements | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| S09.Optimal operational and expansion of infrastructure | | | | ✓ | ✓ | ✓ | | | | |

10. BUSINESS MODEL

10.1. BUSINESS MODEL: LINK WITH ORGANIZATIONAL PROGRAMS

The strategic initiatives that have been identified focus on driving ERWAT's strategy through its six strategic pillars of profitability, people, environmental sustainability, operational excellence, technology and partnerships/commercialisation.

The primary value proposition programs to drive the probability for the entity are the energy neutrality initiative, water reclamation, achieving operational excellence, sludge beneficiation and resource recovery, development of a financial and commercial business model, working towards regionalization and the 50-year master plan and implementing sustainable sanitation solutions.

10.2. BUSINESS MODEL: PROJECT INCOME STREAMS

10.2.1 STRATEGIC BUSINESS PLANS

10.2.1.1. STRATEGIC INITIATIVE 2: ENERGY NEUTRALITY

The increasing electricity costs provide the motivation to make better use of the hydro and solar potential at ERWAT facilities. Cost reduction effects will be critical to support financial sustainability by reducing the R/kℓ treatment costs. The opportunity forms part of ERWAT's strategic goals by building a competitive advantage through global environmental best practice.

Electricity usage is a major expense for ERWAT and must become a key focus point, whilst the increasing cost of electricity is important driver to motivate change

ERWAT will focus on:

- a) Biogas to energy projects
- b) Phasing out energy intensive procedures (e.g., surface aeration)
- c) Optimising WCW operation and performance
- d) Implementation of new treatment technologies
- e) Use of solar and hydroelectric power generation
- f) Further research on energy savings and energy generation

10.3. FOCUS ON VARIOUS TECHNOLOGY TO REDUCE ERWAT'S ELECTRICITY COSTS

Table 44: Potential lowering of electricity costs at various WCWs

| WCWS IDENTIFIED | ANCOR, DEKEMA, HARTEBEESTFONTEIN, OLIFANTSFONTEIN, VLAKPLAATS, WATERVAL AND WELGEDACHT |
|--|---|
| Target sectors and potential commercial benefits to ERWAT | Electricity cost savings for ERWAT |
| Upgrading required | Includes conversion to bubble aeration, converting digesters to heated units, installation of CHP technology |
| Potential sources for financial support | PPPs, DBSA, EU Grants increased CAPEX budget |
| Research | Optimising operational procedures, new technologies |
| Relevant studies and reports to date | <ol style="list-style-type: none"> 1. Biogas Potential: A Survey of South African Wastewater Treatment Works (GIZ study, 2016) 2. Scoping Report for Biogas Project Development at Municipal WCW (Authors: M van der Merwe-Botha, A Visser ZAR/German Energy Programme PN 14.2081.9-001.00) 3. Energy Recovery from Wastewater Sludge – A Review of Appropriate Emerging and Established Technologies for The South African Industry (Musvoto et al. 2015) 4. Green Cape Studies 5. ERWAT internal studies |

10.3.1. STRATEGIC INITIATIVE 3: WATER RECLAMATION

Water resource recovery is critical for the circular economy and there is a growing recognition of the importance of water reuse. More companies are focusing on more efficient water use and the water reclamation initiative seeks to generate revenue from this captive market.

The programme is composed of two sub-programmes, namely water reclamation at existing ERWAT WCWs and client on-site operation and management, which is linked to the medium-term commercial business opportunities.

- a) Water reclamation – critical to circular economy
- b) Direct reuse applications gaining more recognition
- c) CoE Green Cities Action Plan – prioritise water security
- d) 2030 target: improved water security by 20%
- e) Direct reuse of treated wastewater – 6.7% contribution towards target

Focus should be on:

- Expanding on direct reuse of treated effluent from WCWs
- Collaborate with the CoE to develop direct reuse projects
- Involve local stakeholders and private sector
- Combine direct reuse and agriculture – local food production and job creation

Table 45: Estimated potential for direct reuse applications

| WCWS IDENTIFIED | TO BE DETERMINED – ESTIMATED POTENTIAL OF 118Mℓ/DAY FOR DIRECT REUSE APPLICATIONS (GREEN CITIES ACTION PLAN) |
|---|---|
| Target sectors and potential commercial benefits to ERWAT | The CoE, local industries, local farmers |
| Upgrading required | Additional treatment, conveyance needed |
| Potential sources for financial support | PPPs, CoE, international funding |
| Research | Feasibility studies, additional treatment, food-energy- water nexus |
| Relevant studies and reports to date | <ol style="list-style-type: none"> Green Cities Action Plan (2021) Feasibility Study into the most appropriate mechanism to deliver the wastewater reclamation and reuse service in the CoE Water Reclamation and Reuse: A Potential for Expanding the Nation's Water Supply Through Reuse of Municipal Wastewater (SALGA/WRC) |

10.3.2. STRATEGIC INITIATIVE 4: ACHIEVING OPERATIONAL EXCELLENCE

- Wastewater treatment remains the core business function of ERWAT
- Mandated by CoE to perform wastewater treatment
- Strive towards achieving excellent services to clientele

Focus should be on:

- Achieving Green Drop Certification for all 19 WCWs
- Upgrade existing infrastructure
- Implement international standards (e.g., ISO 9001, ISO 14001)

10.3.3. STRATEGIC INITIATIVE 5: SLUDGE BENEFICIATION AND RESOURCE RECOVERY

The strategic intent of this initiative is to extract value through beneficiation and resource recovery, reducing rising energy costs by converting sludge waste into bioenergy and to increase revenue through external business.

The programme is composed of three sub programmes, namely, biogas to energy, sludge to agriculture and research and development for sludge resource recovery. Activities associated with the latter are underway but will not be assessed in this strategy time frame

Table 46: Sludge beneficiation and resource recovery

| WCWS IDENTIFIED | OLIFANTSFONTEIN, VLAKPLAATS AND WATERVAL |
|---|---|
| Target sectors and potential commercial benefits to ERWAT | Fertilizer sector, agriculture |
| Potential sources for financial support | PPPs, DBSA, increased CAPEX budget |
| Research | Recovery of phosphates and other resources of value |
| Relevant studies and reports to date | ERWAT Sludge Beneficiation and Resource Recovery Business Case (2019) |
| NOTES: | |
| <ol style="list-style-type: none"> Input feedstock will be imported from Olifantsfontein WCW (46tDS/d) and Vlakplaats WCW (49tDS/d) to supplement the feedstock available at Waterval WCW (56tDS/d) which will provide 151tDS/d. The output biosolids cake expected post dewatering is estimated at 80tDS/day, comprising of 32%DS Class A sludge which can be used for direct resale as fertilizer. Assuming Waterval WCW produces 29200 tDS/ year of acceptable fertilizer for agriculture, ERWAT could potentially access 17% of South Africa's nitrogen-based field crop fertilizer market. Based on a R200/ton pricing assumption, ERWAT can expect a profit of R 32.9 million over 5 years (R5.84 million per year) from the sludge generated at Waterval WCW. | |

Biogas to energy programmes present ERWAT with the opportunity to create operational efficiencies and cost reductions at its three largest WCWs, namely, Waterval, Olifantsfontein and Welgedacht.

10.3.4. STRATEGIC INITIATIVE 6: DEVELOP A FINANCIAL AND COMMERCIAL BUSINESS MODEL

- Financial stability important to ERWAT
- MFMA limits business opportunities and scope
- Focus on core business – wastewater treatment to CoE
- Development of sound business model is crucial

Focus should be on:

- Improving tariff model (user charges)
- Local projects in CoE
- On-site industrial wastewater treatment
- Consultation services

Table 47: Develop a financial and commercial business model

| | INTERVENTION | IMPACT |
|-----------------------|--|---|
| Rational | 1. Due to the nature of the service ERWAT offers and its current mandate with the CoE, ERWAT needs to find additional ways to finance its operations and services. This includes expanding commercial business growth opportunities | 1. Improving ERWAT's current operating model and capital plan will ensure long term demand for quality water services 2. It also allows ERWAT to become more financially self-sufficient and less reliant on current municipal grants |
| Financial gain | 1. ERWAT can leverage on existing partnerships as well as exploring new opportunities with strategic partners that will assist ERWAT in reaching long term financial sustainability. This includes the development of cost reflective service charge models. | 1. Exploring external revenue channels to increase profitability will place ERWAT in a financially secure position. 2. Maximising current funding streams. 3. New structured financing options to support the current funding gaps. |

10.3.5. STRATEGIC INITIATIVE 7: WORKING TOWARDS REGIONALIZATION AND THE 50-YEAR MASTER PLAN

- a) Centralisation of operations
- b) Decommissioning of identified WCWs

Focus should be on:

- a) phasing in of 50-year Master Plan objectives
- b) regularly updating 50-year Master Plan objectives to keep up with reality

Table 48: Working Towards regionalization and the 50-Year Master Plan

| | INTERVENTION | IMPACT |
|-----------------------|---|--|
| Rational | 1. In anticipation of the CoE's Aerotropolis project, the R21 corridor and Tambo-Springs corridor development project, as envisaged in the 50 master Plan and by Gauteng Provincial Government, ERWAT aims to develop existing WCWs infrastructure to align with broader strategic objectives | 1. For ERWAT streamlining the number of WCWs from 19 to 10, a number of efficiencies will have to be developed 2. Newer technologies will place ERWAT in a stronger position with respect to its commitment to excellence in wastewater |
| Financial gain | 1. ERWAT will be responsible for the capital outlay with potential partnerships with the CoE and DWS 2. Funding through loan arrangements from commercial banks | 1. Upgrading technologies will result in greater operational efficiency as well as reducing maintenance and the associated costs |

The transition into a circular economy has created opportunities for ERWAT to leverage based on its positioning as a leader in water recovery. The complexities that need to be addressed to capture this value are:

- a) A pricing strategy that is flexible enough to cater for the various service offerings and sector requirements
- b) Identification of the ideal vehicle/project structure for implementation
- c) Balancing between operational modifications vs equipment upgrades
- d) A fit-for-purpose resourcing model and go-to-market strategy

10.3.6. STRATEGIC INITIATIVE 8: IMPLEMENTING SUSTAINABLE SANITATION SOLUTIONS

Table 49: Implementing Sustainable Sanitation Solutions

| | INTERVENTION | IMPACT |
|-----------------------|---|---|
| Rationale | <ol style="list-style-type: none"> 1. As part of the CoE's strategy, the municipality aims to provide sanitation in townships to align with the provision of basic sanitation services 2. Continental solutions will aim at improving sanitation in countries across Africa through operations and maintenance across developing African cities | <ol style="list-style-type: none"> 1. A successful pilot programme could lead to opportunities with neighbouring municipalities and thus generates additional revenue potential for ERWAT in the short to medium term 2. ERWAT will be expanding its market footprint and brand awareness internationally |
| Financial gain | <ol style="list-style-type: none"> 1. The local sustainable sanitation solutions sub programme could potentially lead to revenue of R71.0 million and a net profit of R11.8 million over a 5-year period 2. ERWAT would not be responsible for the capital required to build and install the sanitation technology. | <ol style="list-style-type: none"> 1. The CoE has allocated R800 million per annum, which could potentially increase, for the provision sanitation in informal settlements and more cost- effective solutions are required |



11. FINANCIAL MODEL

11.1. ERWAT FUNDING

ERWAT funding is 97% dependent on bulk contributions and service charges from the CoE. The other balance is from external activities of external business. Given the high dependence on the CoE, ERWAT’s tariff for services rendered should, at the very least, allow ERWAT to recover its costs. Currently in the 2022/2023 financial year, ERWAT’s tariff to the CoE is R3.80 against a projected cost recovery tariff of R4.84. The historic and proposed financial model is included the table below which shows a full economic recovery tariff of R4.84.

Figure 16: ERWAT tariff breakdown

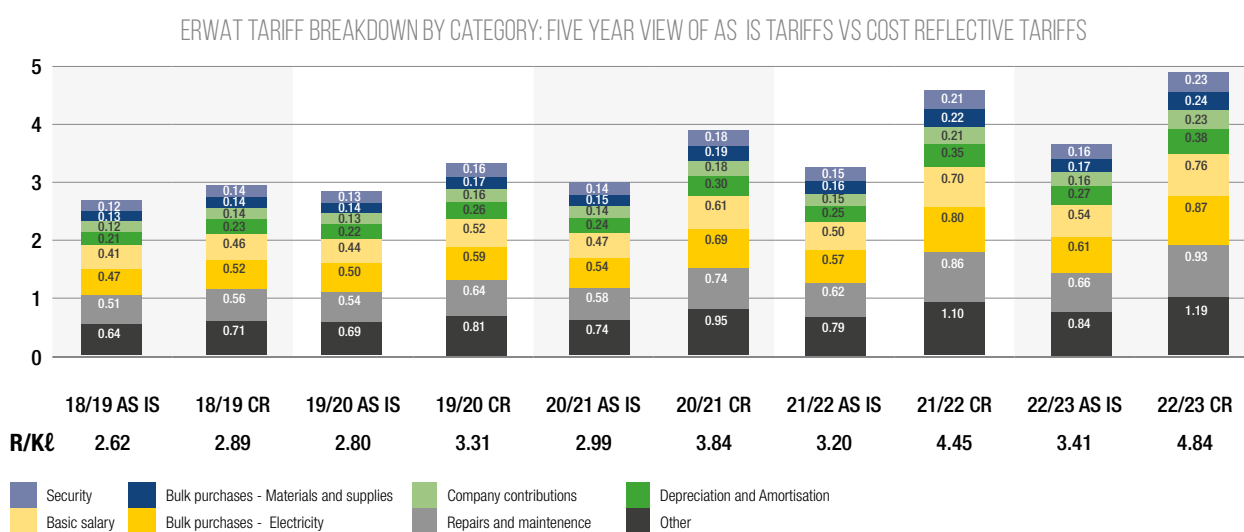


Table 50: Develop a financial and commercial business model

| ROW LABELS | APPROVED MTREF BUDGET | | | BUDGET TO BE CONFIRMED | |
|--|----------------------------------|----------------------------------|----------------------------------|-------------------------|-------------------------|
| | SUM OF FINAL BUDGET YEAR 2022/23 | SUM OF FINAL BUDGET YEAR 2023/24 | SUM OF FINAL BUDGET YEAR 2024/25 | BUDGET TBC YEAR 2024/25 | BUDGET TBC YEAR 2024/25 |
| Supply, deliver & install all analytical instrumentation and associated equipment on an as and when required basis in all ERWAT WCWs for a period of 36 months | R 23,537,026.00 | R 31,332,610.00 | R 35,092,528.00 | | |
| Ancor WCW - Tertiary Filtration Pumpstation Design | R 2,000,000.00 | R 2,184,389.00 | R 2,446,515.00 | | |
| Carl Grundlingh WCW - Replacement and Upgrade of aerators | R 12,100,000.00 | | | | |
| Hartebeestfontein WCW - Old laboratory upgrades and refurbishment | R 4,000,000.00 | R - | | | |
| Hartebeestfontein WCW - Supply and delivery of Head Office equipment | R 770,000.00 | R 840,990.00 | R 941,908.00 | | |
| Olifantsfontein WCW - Refurbishment of Olifantsfontein | R 10,485,509.00 | R 11,452,211.00 | R 15,963,268.00 | | |
| Supply, deliver & install all gearboxes on an as and when required basis in all ERWAT WCWs for a period of 36 months | R 12,762,215.00 | R 21,811,423.00 | R 21,494,578.00 | | |

Table 50: Develop a financial and commercial business model (continued)

| ROW LABELS | APPROVED MTREF BUDGET | | | BUDGET TO BE CONFIRMED | |
|--|----------------------------------|----------------------------------|----------------------------------|-------------------------|-------------------------|
| | SUM OF FINAL BUDGET YEAR 2022/23 | SUM OF FINAL BUDGET YEAR 2023/24 | SUM OF FINAL BUDGET YEAR 2024/25 | BUDGET TBC YEAR 2024/25 | BUDGET TBC YEAR 2024/25 |
| Supply, deliver & install all motors on an as and when required basis in all ERWAT WCWs for a period of 36 months | R 4,306,583.00 | R 3,001,113.00 | R 6,295,463.00 | | |
| Scientific Services - Upgrade of HVAC System at the laboratory | R 7,000,000.00 | R - | R 4,202,755.00 | | |
| Supply, deliver & install all high mast and streetlights on an as when required basis in all ERWAT WCWs for a period of 36 months | | R 7,887,893.00 | R 2,231,864.00 | | |
| Supply, deliver & install all high mast and streetlights on as when required basis in all ERWAT WCWs for a period of 36 months | R 2,000,000.00 | R 2,184,389.00 | R 2,446,515.00 | | |
| Supply, deliver & installation of pumps on an as and when required basis in all ERWAT WCWs for a period of 36 months | R 6,500,000.00 | R 12,645,360.00 | R 13,425,833.00 | R 15,886,400.00 | R 16,552,768.00 |
| Supply, deliver and install ferric and chlorine dosing systems and associated equipment at ERWAT WCWs on an as and when required basis for a period of 36 months | R 2,808,000.00 | R 3,066,882.00 | R 3,434,906.00 | | |
| Supply, deliver and install online automatic sampling machines at ERWAT WCWs on as when required basis for a period of 36 months | R 3,289,467.00 | R 3,592,740.00 | R 4,023,867.00 | | |
| Supply, deliver and install generators at ERWAT WCWs on an as and when required basis for a period of 36 months | | | | R 15,000,000.00 | R 15,000,000.00 |
| Supply, deliver and install inlet works mechanical equipment at ERWAT WCWs on an as and when required basis for a period of 36 months | | | | R 8,000,000.00 | R 12,000,000.00 |
| Panel of contractors for ERWAT WCWs on an as and when required basis for a period of 36 months | | | | R 75,264,000.00 | R 84,295,680.00 |
| Panel of consultants for ERWAT WCWs on an as and when required basis for a period of 36 months | | | | R 11,289,600.00 | R 12,644,352.00 |
| GRAND TOTAL | R 91,558,800.00 | R 100,000,000.00 | R 112,000,000.00 | R 125,440,000.00 | R 140,492,800.00 |

*Above table depicts the capital project which are aligned with the score cards as indicated above.

11.2. FINANCIAL SUSTAINABILITY

Table 51 Develop a financial and commercial business model

| DEPARTMENT | BUDGET YEAR 2022/23 | BUDGET YEAR 2023/24 | NEW BUDGET YEAR 2024/25 | NEW BUDGET YEAR 2025/26 | NEW BUDGET YEAR 2026/27 |
|---|-------------------------|-------------------------|----------------------------|----------------------------|----------------------------|
| REVENUE BY SOURCE | | | | | |
| Government Grants and Subsidies | 80,000,000.00 | 100,000,000.00 | 100,000,000.00 | 110,000,000.00 | 121,000,000.00 |
| Interest Income | 3,722,160.00 | 3,722,160.00 | 3,722,160.00 | 4,094,376.00 | 4,503,813.60 |
| Commercial Business & Development Contributions | 34,000,000.00 | 34,000,000.00 | 34,000,000.00 | 37,400,000.00 | 41,140,000.00 |
| Service Charges - CoE | 1,228,583,330.00 | 1,369,727,497.00 | 1,507,707,522.00 | 1,658,478,274.20 | 1,824,326,101.62 |
| Service Charges - Lesedi | 21,237,123.00 | 23,573,207.00 | 25,459,063.00 | 28,004,969.30 | 30,805,466.23 |
| Service Charges - JHB Water | 28,105,231.00 | 42,157,846.00 | 54,805,200.00 | 60,285,720.00 | 66,314,292.00 |
| Total operating revenue | 1,395,647,844.00 | 1,573,180,710.00 | 1,725,693,946.00 | 1,898,263,340.60 | 2,088,089,674.66 |
| EXPENDITURE BY TYPE | | | | | |
| Operational Cost - R&M | 135,315,650.00 | 230,656,361.00 | 318,158,946.00 | 349,974,840.60 | 384,972,324.66 |
| Operational Cost - General Expenses | 195,790,579.00 | 218,164,126.00 | 230,163,176.00 | 253,179,493.60 | 278,497,442.96 |
| Finance costs | 41,252,448.00 | 35,252,448.00 | 36,252,448.00 | 39,877,692.80 | 43,865,462.08 |
| Employee Related Costs | 488,802,354.00 | 506,309,508.00 | 532,763,283.00 | 586,039,611.30 | 644,643,572.43 |
| Depreciation and amortisation | 102,999,602.00 | 104,544,593.00 | 106,112,762.00 | 116,724,038.20 | 128,396,442.02 |
| Debt impairment | 1,742,850.00 | 1,742,850.00 | 1,742,850.00 | 1,917,135.00 | 2,108,848.50 |
| Bulk Purchases | 349,744,361.00 | 376,510,824.00 | 400,500,608.00 | 440,550,668.80 | 484,605,735.68 |
| Total operating expenditure | 1,315,647,844.00 | 1,473,180,710.00 | 1,625,693,945.00 | 1,788,263,339.50 | 1,967,089,673.45 |
| | 80,000,000.00 | 100,000,000.00 | 100,000,001.00 | 110,000,001.10 | 121,000,001.21 |



PART C **LINKS TO STRATEGIC OBJECTIVES**

12. THEORY OF CHANGE

The Theory of Change planning methodology was used to inform ERWAT's performance information. The identification of the impact was the first process in the Results Chain, followed by the outcome and interventions. The impact and outcomes will be the strategic focus of the work ERWAT between 2022/23 and 2026/27.

Figure 17: ERWAT's Logic Model

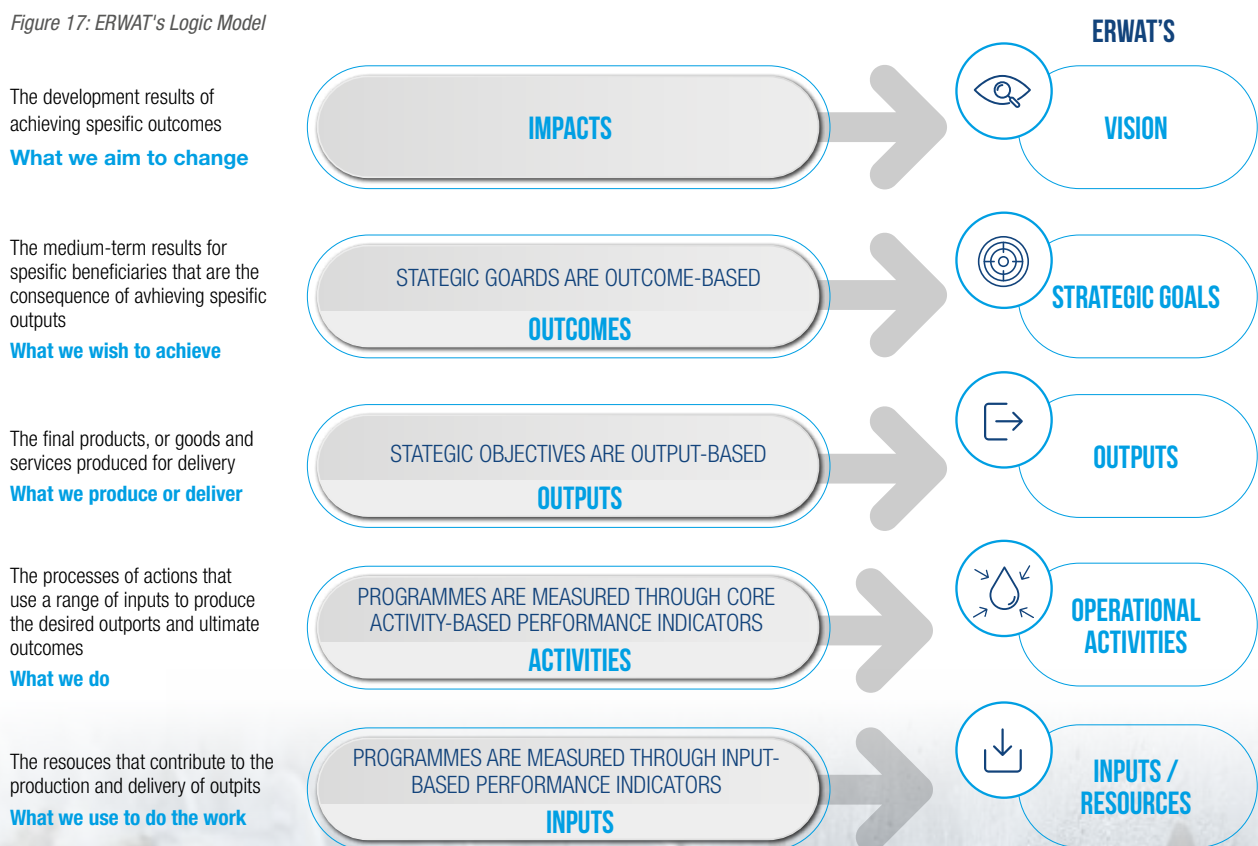


Figure 18: ERWAT's Theory of Change Infographic

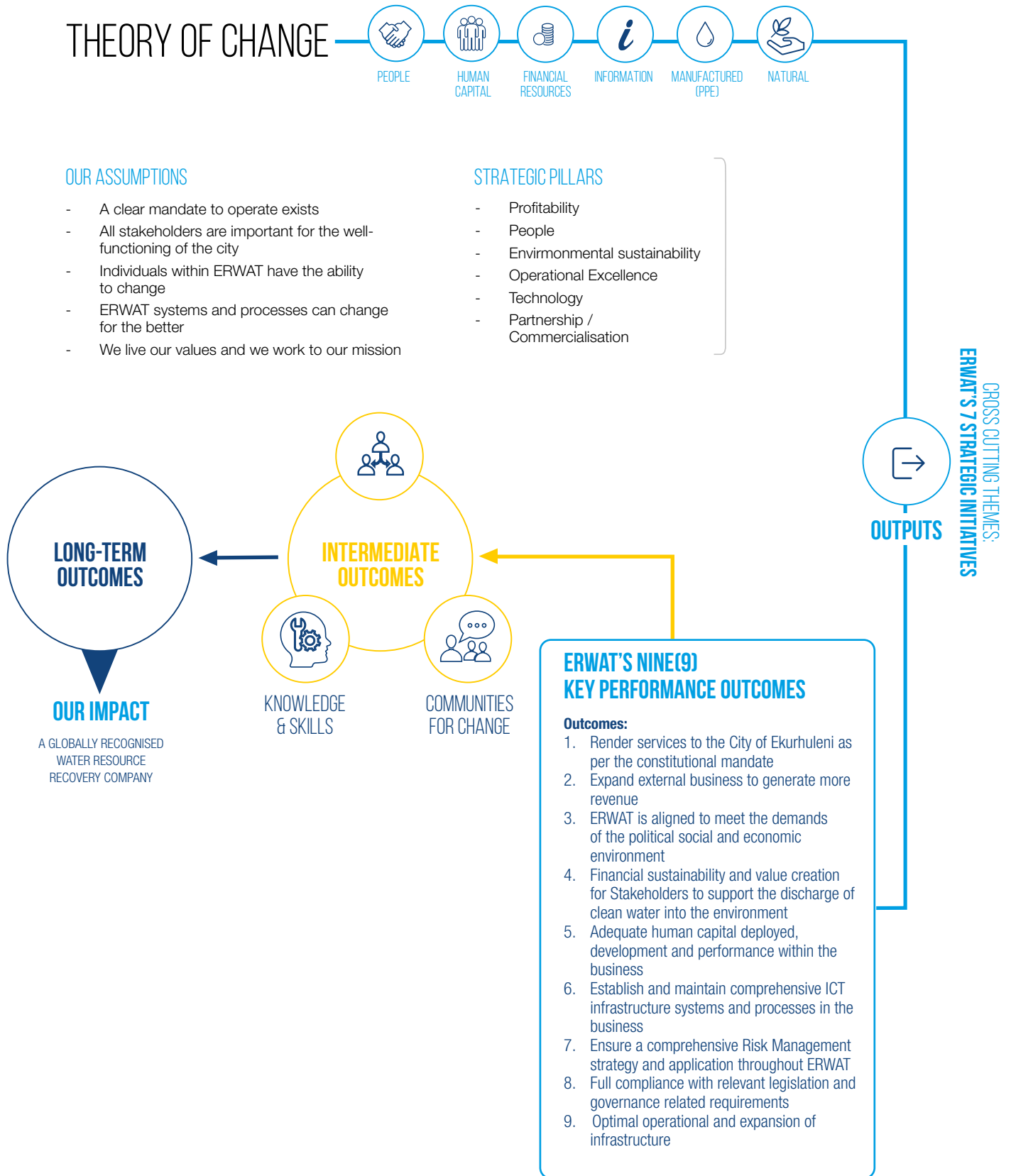
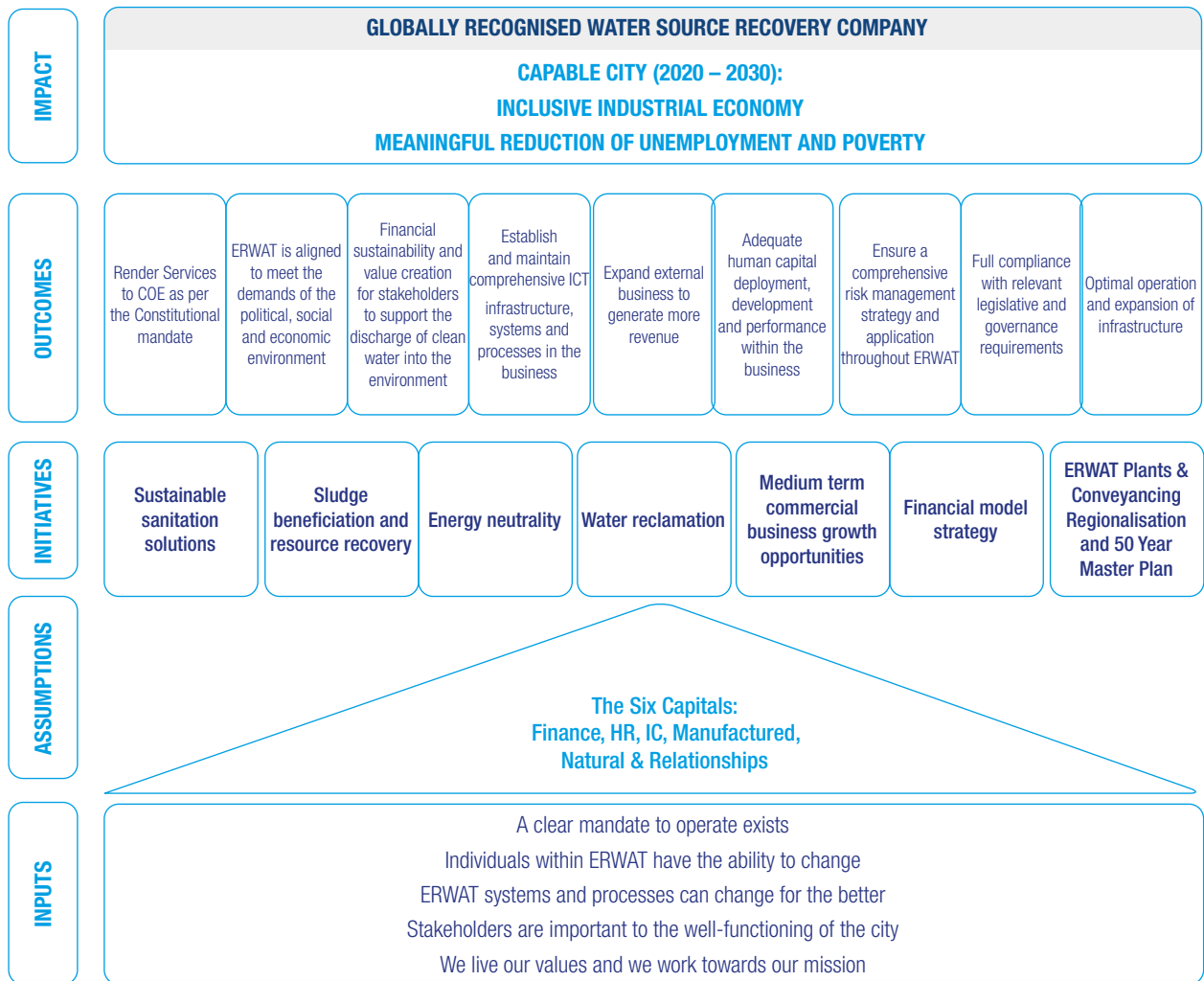


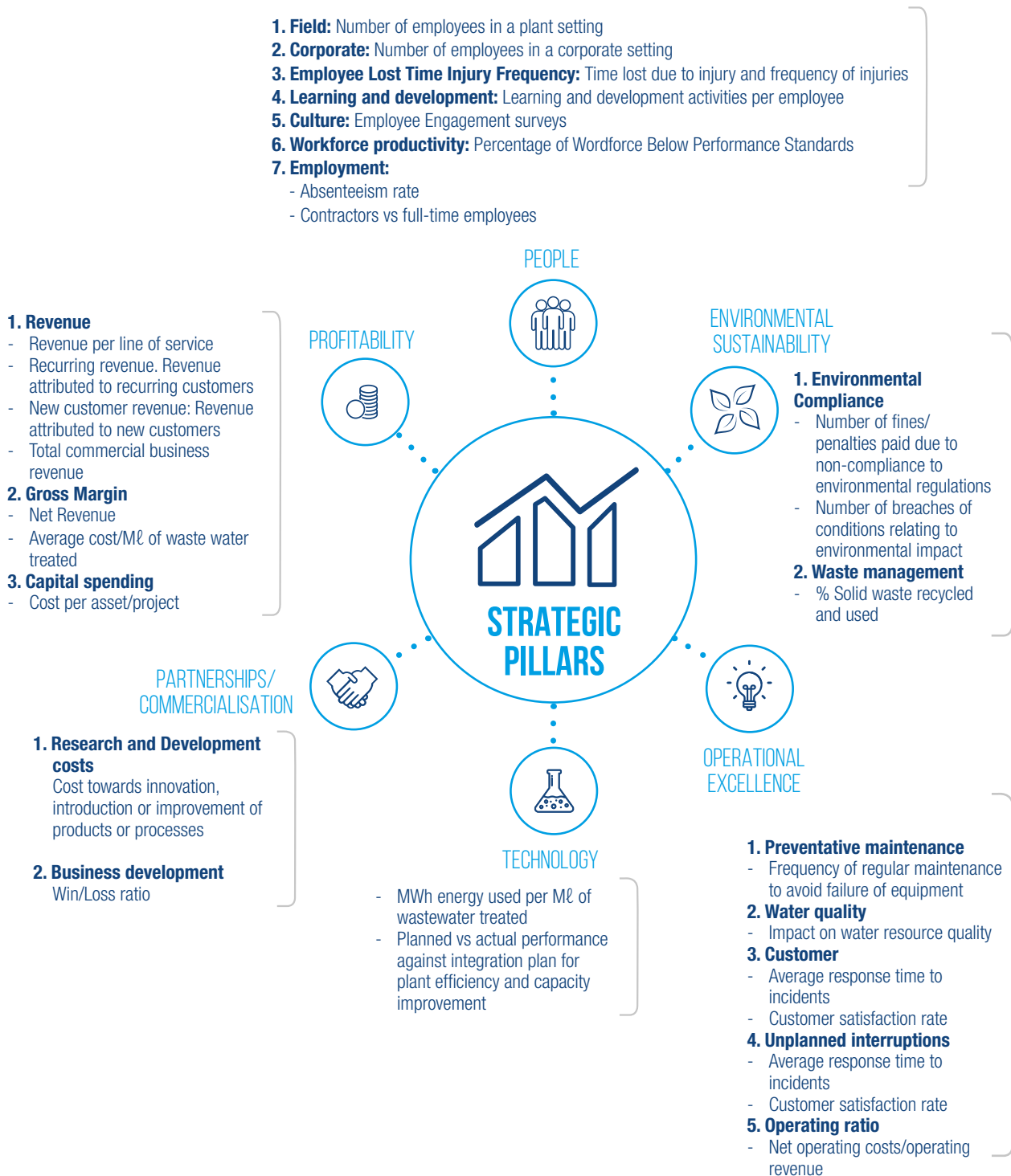
Figure 19: ERWAT's Theory of Change Model



13. CORPORATE SCORECARD

ERWAT's corporate scorecard is essential for measuring and driving performance. The scorecard has been structured according to the 6 strategic pillars and the performance measures are summarized below. The relevant targets for each of the business units will be tracked and measured annually over the duration of the strategy.

Figure 20: Performance Measures





PART D

TECHNICAL OUTCOME DESCRIPTION

14. TECHNICAL OUTCOME DESCRIPTION

14.1 DEVELOP AND REVIEW BUSINESS STRATEGIC OBJECTIVES ANNUALLY

| | | | |
|---|--|----------------------------|--------------------------------|
| Strategic Objective | RENDER SERVICES TO THE CITY OF EKURHULENI AS PER THE CONSTITUTIONAL MANDATE | | |
| Strategic Pillar | Operational Excellence | | |
| 5-year target: | <ul style="list-style-type: none"> • 2022/23: Strategic Plan Developed and Approved • 2023/24: Strategic Plan Developed and Approved • 2024/25: Strategic Plan Developed and Approved • 2025/26: Strategic Plan Developed and Approved • 2026/27: Strategic Plan Developed and Approved | | |
| Target Status | Current | | |
| Calculation Type | Cumulative | | |
| Calculation Details | N/A | | |
| Formula Used | N/A | | |
| Indicator Title | Develop and review business strategic objectives annually. | | |
| Short Definition | 5 years annually reviewed and updated strategic plans in compliance with legislative prescripts | | |
| Purpose of indicator | To account for the number of strategic plans reviewed and updated within a 5-year period | | |
| Type of indicator | Quantitative | | |
| Desired performance | Annual achievement | | |
| Indicator responsibility | Department | Governance, Legal and Risk | Owner Company Secretary |
| Collection of data to enable effective reporting on the adopted output measure / indicator | | | |
| Source Data | <ul style="list-style-type: none"> a) Strategic Planning Session Workshop Report b) Strategic Planning Session Draft Reports c) Approved 5 years Strategic Plan | | |

14.2 MEET ALL COMPLIANCE WITH REGARDS TO THE DISCHARGE OF CLEAN WATER AT ALL WCWS

| | | | |
|---|--|---------------------|--------------------------------------|
| Strategic Objective | RENDER SERVICES TO THE CITY OF EKURHULENI AS PER THE CONSTITUTIONAL MANDATE | | |
| Strategic Pillar | Environmental Sustainability | | |
| 5-year target: | <ul style="list-style-type: none"> • 2022/23: 86% Effluent Quality Compliance • 2023/24: 86% Effluent Quality Compliance • 2024/25: 86% Effluent Quality Compliance • 2025/26: 86% Effluent Quality Compliance • 2026/27: 86% Effluent Quality Compliance | | |
| Target Status | Current | | |
| Calculation Type | Cumulative | | |
| Calculation Details | N/A | | |
| Formula Used | $\frac{\text{Number of Tests Passed}}{\text{Number of Tests conducted}} \times 100$ | | |
| Indicator Title | Meet all compliance with regards to the discharge of clean water at all plants. | | |
| Short Definition | Compliance requirements are stipulated in the following legislation: <ul style="list-style-type: none"> a) National Environmental Management Act b) Water Services Act c) National Water Act | | |
| Purpose of indicator | To measure compliance requirements of the effluent discharge permit | | |
| Type of indicator | Quantitative | | |
| Desired performance | Ensure combined plant effluent quality compliance is not less than 86% | | |
| Indicator responsibility | Department | Scientific Services | Owner HOD Scientific Services |
| Collection of data to enable effective reporting on the adopted output measure / indicator | | | |
| Source Data | <ul style="list-style-type: none"> a) Run tests b) Lab test results | | |

14.3 ATTAIN INCREASED REVENUE FROM EXTERNAL BUSINESS

| | | | |
|---|---|---------------------|--------------------------------------|
| Strategic Objective | EXPAND EXTERNAL BUSINESS TO GENERATE MORE REVENUE | | |
| Strategic Pillar | Profitability | | |
| 5-year target: | <ul style="list-style-type: none"> • 2022/23: 100% Increased revenue by 5% • 2023/24: Increased revenue by 5% • 2024/25: Increased revenue by 5% • 2025/26: Increased revenue by 5% • 2026/27: Increased revenue by 5% | | |
| Target Status | New | | |
| Calculation Type | Non-cumulative | | |
| Calculation Details | N/A | | |
| Formula Used | $\frac{(\text{Current Yr Turnover} - \text{Previous Yr Revenue}) \times 100}{\text{Current Yr Turnover}}$ | | |
| Indicator Title | Attain increased revenue from external business | | |
| Short Definition | Increased revenue from the implementation of marketing efforts as planned in the Marketing, Sales and Penetration Strategy | | |
| Purpose of indicator | To measure increased revenue from implementation of the marketing sales and penetration strategy. | | |
| Type of indicator | Quantitative | | |
| Desired performance | Annual increase in revenue by 5% | | |
| Indicator responsibility | Department | Commercial Services | Owner HOD Commercial Services |
| Collection of data to enable effective reporting on the adopted output measure / indicator | | | |
| Source Data | a) Marketing, Sales and Penetration Strategy b) Marketing initiatives and advertisements published on print and electronic media | | |

14.4 ENSURE THE ASSESSMENT OF THE CORPORATE SOCIAL INVESTMENT (CSI) REQUIREMENTS IN THE AREAS OF OPERATIONS.

| | | | |
|---|--|---|---|
| Strategic Objective | ENSURE ERWAT IS ALIGNED TO MEET THE DEMANDS OF THE POLITICAL, SOCIAL AND ECONOMIC ENVIRONMENT | | |
| Strategic Pillar | Environmental Sustainability | | |
| 5-year target: | <ul style="list-style-type: none"> • 2022/23: Continued CSR outreaches review policy, strategy and plan and develop measurement tools with CSR consultant • 2023/24: Implement reviewed policies, strategies and plans as well as measurement tools • 2024/25: Review target audiences to be on par with social and economic changes • 2025/26: Investigate and implement new trends in the CSR landscape • 2026/27: Partner with private sector to launch sustainable programs | | |
| Target Status | New | | |
| Calculation Type | Non-cumulative | | |
| Calculation Details | N/A | | |
| Formula Used | N/A | | |
| Indicator Title | Ensure the assessment of the Corporate Social Investment (CSI) requirements in the areas of operations. | | |
| Short Definition | CSI initiatives conducted by ERWAT to assist its communities | | |
| Purpose of indicator | To account for CSI initiatives conducted by ERWAT, review CSR policy, strategy and outreach programs and implement sustainable CSR plan, including measurement tools | | |
| Type of indicator | Quantitative | | |
| Desired performance | CSI initiatives conducted | | |
| Indicator responsibility | Department | Communications, Marketing, Stakeholder Engagement and CSR | Owner Manager: Communications, Marketing, Stakeholder Engagement and CSR |
| Collection of data to enable effective reporting on the adopted output measure / indicator | | | |
| Source Data | a) Approved CSI Beneficiary Support Letters b) Handover ceremonies c) Appreciation letters | | |

14.5 ROLL OUT OF CAPITAL EXPENDITURE AS PER THE BUDGET

| | | | |
|---|--|--------------------|-----------|
| Strategic Objective | ENSURE FINANCIAL SUSTAINABILITY AND VALUE CREATION FOR STAKEHOLDERS TO SUPPORT THE DISCHARGE OF CLEAN WATER INTO THE ENVIRONMENT | | |
| Strategic Pillar | Profitability | | |
| 5-year target: | <ul style="list-style-type: none"> 2022/23: 95% of allocated Capex budget spent 2023/24: 95% of allocated Capex budget spent 2024/25: 95% of allocated Capex budget spent 2025/26: 95% of allocated Capex budget spent 2026/27: 95% of allocated Capex budget spent | | |
| Target Status | Current | | |
| Calculation Type | Non-cumulative | | |
| Calculation Details | N/A | | |
| Formula Used | $\frac{\text{Actual} + \text{Retention} \times 100\%}{\text{Total Budget}}$ | | |
| Indicator Title | Roll out of capital expenditure as per the budget | | |
| Short Definition | This indicator refers to the expenditure of internally funded projects | | |
| Purpose of indicator | To monitor expenditure of the CAPEX budget | | |
| Type of indicator | Quantitative | | |
| Desired performance | 95% or above CAPEX spend against the budget | | |
| Indicator responsibility | Department | Financial Services | Owner CFO |
| Collection of data to enable effective reporting on the adopted output measure / indicator | | | |
| Source Data | a) Approved annual reports b) Approved annual financial statements | | |

14.6 REDUCTION IN MANPOWER PERCENTAGE TO OPEX SPENT ANNUALLY

| | | | |
|---|--|-----------------|---------------------------|
| Strategic Objective | ENSURE ADEQUATE HUMAN CAPITAL DEPLOYMENT, DEVELOPMENT, AND PERFORMANCE WITHIN THE BUSINESS | | |
| Strategic Pillar | People | | |
| 5-year target: | <ul style="list-style-type: none"> 2022/23: 37% - 38% reduction in manpower percentage to OPEX spent annually 2023/24: 36% - 37% reduction in manpower percentage to OPEX spent annually 2024/25: 35% - 36% reduction in manpower percentage to OPEX spent annually 2025/26: N/A 2026/27: N/A | | |
| Target Status | New | | |
| Calculation Type | Non-cumulative | | |
| Calculation Details | N/A | | x |
| Formula Used | $\frac{\text{Manpower Costs} \times 100\%}{\text{OPEX Budget}}$ | | |
| Indicator Title | Reduction in manpower percentage to OPEX spent annually | | |
| Short Definition | This indicator refers to the expenditure of manpower costs to the OPEX budget | | |
| Purpose of indicator | To monitor expenditure of the manpower costs to OPEX budget | | |
| Type of indicator | Quantitative | | |
| Desired performance | 38% or less of Manpower spend against the OPEX budget | | |
| Indicator responsibility | Department | Human Resources | Owner HOD Human Resources |
| Collection of data to enable effective reporting on the adopted output measure / indicator | | | |
| Source Data | a) Approved annual reports b) Approved annual financial statements | | |

14.7 PERCENTAGE COMPLETION OF MICROSOFT 365 IMPLEMENTATION

| | | | |
|---|---|-------------------------------|---|
| Strategic Objective | ESTABLISH AND MAINTAIN COMPREHENSIVE ICT INFRASTRUCTURE SYSTEMS AND PROCESSES IN THE BUSINESS | | |
| Strategic Pillar | Operational Efficiency | | |
| 5-year target: | <ul style="list-style-type: none"> • 2022/23: Implement 50% of M365 by year ending • 2023/24: Implement 100% of M365 by year ending 2023/2024 • 2024/25: N/A • 2025/26: N/A • 2026/27: N/A | | |
| Target Status | New | | |
| Calculation Type | Non-cumulative | | |
| Calculation Details | N/A | | |
| Formula Used | $\frac{\text{Count No. of Core Microsoft 365 Systems Implemented} \times 100\%}{\text{Total Core Microsoft 365 Systems Identified}}$ | | |
| Indicator Title | Percentage completion of Microsoft 365 Implementation | | |
| Short Definition | Microsoft 365, formerly Office 365, is a line of subscription services offered by Microsoft which adds to and includes the Microsoft Office product line. | | |
| Purpose of indicator | To optimise business systems and reduce cyber security vulnerabilities | | |
| Type of indicator | Quantitative | | |
| Desired performance | 100% implementation of Microsoft 365 | | |
| Indicator responsibility | Department | Financial Services, SCM & ICT | Owner HOD Information Technology |
| Collection of data to enable effective reporting on the adopted output measure / indicator | | | |
| Source Data | a) Microsoft 365 licenses b) User profiles | | |

14.8 UNQUALIFIED AUDIT OPINION

| | | | |
|---|---|--|-------------------------------|
| Strategic Objective | ENSURE FULL COMPLIANCE WITH RELEVANT LEGISLATION AND GOVERNANCE RELATED REQUIREMENTS | | |
| Strategic Pillar | Operational Efficiency | | |
| 5-year target: | <ul style="list-style-type: none"> • 2022/23: Unqualified audit opinion by 31 October 2022 • 2023/24: Unqualified audit opinion by 31 October 2023 • 2024/25: Unqualified audit opinion by 31 October 2024 • 2025/26: Unqualified audit opinion by 31 October 2025 • 2026/27: Unqualified audit opinion by 31 October 2026 | | |
| Target Status | New | | |
| Calculation Type | Non-cumulative | | |
| Calculation Details | N/A | | N/A |
| Formula Used | N/A | | |
| Indicator Title | Unqualified Audit Opinion | | |
| Short Definition | Unqualified opinion indicates that the financial statements are free from material misstatements and there are no material findings on reported performance objectives or non-compliance with legislation | | |
| Purpose of indicator | To account for the implementation of corrective measures | | |
| Type of indicator | Qualitative | | |
| Desired performance | Unqualified audit opinion | | |
| Indicator responsibility | Department | | Owner Internal Auditor |
| Collection of data to enable effective reporting on the adopted output measure / indicator | | | |
| Source Data | External Audit Report | | |

15. CIRCULAR 88 INDICATORS

Table 52: Circular 88 indicators

| NT OUTCOME INDICATORS | NT OUTPUT INDICATORS | ERWAT KPI | BASELINE | 2022/23 TARGET | 2023/24 TARGET | 2024/25 TARGET | 2025/26 TARGET | 2026/27 TARGET |
|---|--------------------------------------|--|----------|----------------|----------------|----------------|----------------|----------------|
| Wastewater quality compliance according to the water use licenses | Percentage wastewater safely treated | Percentage final effluent compliance in all WCWs | 80% | 86% | 86% | 86% | 86% | 86% |



16. CONCLUSION

ERWAT's strategy is informed by the operating environment and alignment to National Outcomes, Provincial 10-Pillar Programme, GDS 2055 Themes and CoE 5 Strategic Objectives. The business plan has been prepared in compliance with the requirements of the Water Services Act, Municipal Finance Management Act, and associated regulations and prescribed guidelines issued by National Treasury and the Department of Water Affairs.

ERWAT will continue to deliver its mandate as per the MOI with City of Ekurhuleni i.e., regional conveyance and treatment of wastewater and ancillary services for

the benefit of the community of the CoE. In the planning period ERWAT will focus on the following seven strategic initiatives, sludge beneficiation, energy neutrality, water reclamation, achieving operational excellence, developing a financial and commercial business model, working towards regionalisation and the 50-year Master Plan and implementing sustainable sanitation solutions.

Through the Board's oversight and guidance to executive management the strategic goals set will be realised during the planned period.



ERWAT HEAD OFFICE

Hartebeestfontein Office Park
R25 (Bronkhorstspuit/Bapsfontein Road)
Kempton Park
P.O Box 13106, Norkem Park, 1631

Tel: +27 11 929 7000

Email: mail@erwat.co.za

www.erwat.co.za