

# Annual Report

2005/06

## Presentation to the Parliamentary Portfolio Committee on Water Affairs and Forestry

M. Sirenya, Chief Executive

19 & 20 March 2007

# Background

- State owned water utility established in November 1997
- Operational since 1998 as a Water Board
- Designated area of operation = 45 800 sq.km
- Area includes Buffalo City Municipality, Amathole District Municipality, portions of Chris Hani District Municipality, Ukhahlamba and Cacadu District Municipalities
- Head Office located in Vincent, East London
- Governed by Board of Directors that includes the CEO
- Managed by CEO and four Divisional Directors
- Approximately 250 employees
- Manages water service assets to the value of R250 million
- Production capacity of 102.74 Mega-liters potable water per day.
- Secondary services offered to support Water Services Authorities (WSA's) and Water Services Providers (WSP's)

# Our Mandate

Amatola Water exists to render water services to water sector institutions, local government authorities and to other customers as defined in the legislation and water service policy of South Africa

# Our Vision

To be the service provider of choice for the water sector in the Eastern Cape, delivering a full range of water services to improve the quality of people's lives.



# Governance

- New Board appointed by Minister Hendricks on 10 July 2006 until 28 February 2010
- Chairperson: Ms R.N Mlonzi
- Board responsible for setting policy and regulating its implementation
- A Board Charter guides members in discharging their duties
- Board is assessed via a performance management system
- Two Board members have resigned – Mr Mcebisi Jonas (Previous Chairperson) and Ms Nosipho Maphumulo (Member: Audit Committee). A replacement process is underway.

# Board of Amatola Water

Ms R. N.  
Mlonzi

Chairperson

Prof. P.N.  
Luswazi

Dr. L. Louw

Cllr M. Koyo

Dr. N. Muller

Mr M. Jonas

Cllr S.  
Somyo

Mr. M.  
Sirenya

Ms P.M.  
Kubukeli

Cllr M.  
Matika

Ms N.  
Maphumulo

CEO

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# Chairperson's review

Nothemba Mlonzi

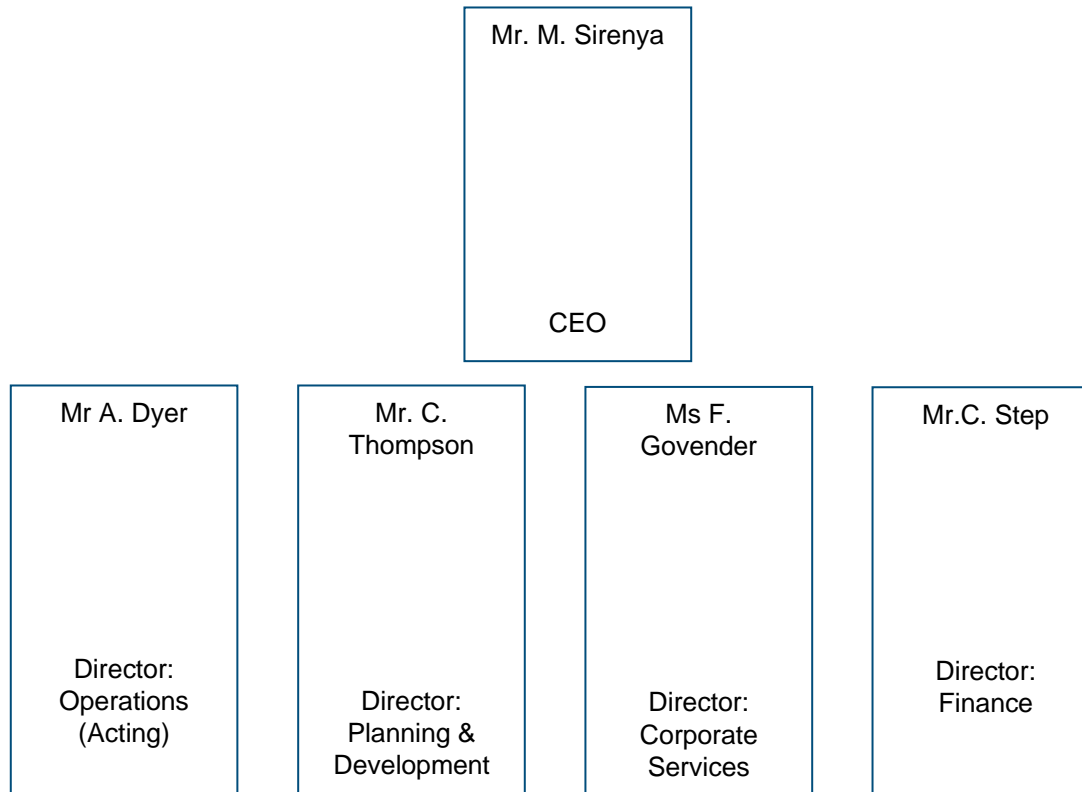
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# Chairperson's review

- Appointment of new, skilled and representative Board to February 2010
- Institutional Reform
  - Discussions with municipalities in the region
- Unapproved bulk water tariffs
- Support of Project Consolidate and eradication of backlogs
- Support of National initiatives including ASGISA and JIPSA
  - Water Services Management Forum
  - Premier's Forum
- Raw water pricing and resultant high tariffs
- Internal policies to encourage recruitment and retention of skills
- Strengthening of collaboration with professional and research institutions such as Water Institute of Southern Africa (WISA) and Water Research Commission (WRC)
- South African Association of Water Utilities (SAAWU)
  - Twinning project
  - Benchmarking project

# Management

Amatola Water managed by CEO and 4 Divisional Directors  
Divisions: Operations, Planning and Development, Corporate Services and Finance



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# Chief Executives Review

Maxwell Sirenya

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# Chief Executives Review

- Proposed tariff increase for 2006
  - Contained increase to 4.5% in spite of high raw water price
  - Benefits of improved financial performance passed to customers in the spirit of Project Consolidate
    - Amathole District Municipality
      - Memorandum of Understanding
      - Assistance with water demand management programme, Infrastructure Development Plan and Water Services Development Programme at no cost to the municipality
- Upgrades to two main Water Treatment Works – Laing and Nahoon
  - Increase capacity of plants
  - Ensure quality production water despite deteriorating raw water quality

# Chief Executives Review

- Operations and Maintenance interventions
  - Mnquma Municipality (Butterworth) water crisis
  - Department of Public Works
- Twinning
  - Memorandum of Understanding with Lusaka Water and Sewage Company (Zambia)
- Project implementation and support services
  - Buffalo City Municipality and Amathole District Municipality projects with a combined value of R82m
  - Department of Science and Technology and Department of Education
    - Implementation of sanitation projects for Eastern Cape schools

# Chief Executives Review

- Relationship with Department of Water Affairs and Forestry
  - Amatola Water strives to meet and exceed expectations
  - Supports DWAF in initiatives such as National Water Week and National Sanitation Week
  - Working for Water Programme
  - Dam management contract
  - Indications are that DWAF is satisfied with Amatola Water's performance in governance, financial and sector involvement

# Financial Highlights

- Positive Net Operating Surplus = R1.196m
- Surplus for 2005/06 = R5.630m
- First ever Accumulated Surplus = R3.732m
- Overall revenue increase of 7.8%
  - 4.5% annual inflationary adjustment to retail tariffs
  - 1.6% increase in total sales volumes
- Change in sales mix between potable and untreated water
  - 6.5% increase in potable water sales volumes
  - 12.1% decrease in untreated water sales volumes

# Financial Highlights

- Operating costs:
  - Raw water costs increased from R22.09m to R24.72
- Debt servicing:
  - Combined outstanding debts reduced from R18.2m to R15.7m
  - Repayment of historical raw water and asset transfer payments to the DWAF continues to place pressure on future tariff increases
- Capital Expenditure increased from R12.9m to R14.7m
  - Purchase and refurbishment of Amatola House = R12.4m
  - Continued upgrade of Laing Water Treatment Works
- Cash Flow
  - Net cash flow improved by R28.1m due largely to R19.2m held in trust on behalf of clients and the balance relating to under expenditure on capital projects.

# Operational Highlights

- Voluntary adoption of International Financial Reporting Standards (IFRS)
  - Increased depreciation provision of assets
  - Amendment to residual value of assets as per International Accounting Standards IAS 16 and IAS8
- Upgrades to two main Water Treatment Works – Laing and Nahoon
  - Increase capacity of plants
  - Ensure quality production water despite deteriorating raw water quality

# Operational Highlights

- Intervention in water supply crisis
  - Mnquma Local Municipality (Butterworth)
- Project implementation contracts for BCM and ADM
  - Combined value = R82m
- Scientific Services accreditation process
- National Microbiological Monitoring Programme
  - Contract renewed to June 2008
- Project implementation agent
  - Buffalo City Municipality's Nxamkwana Sanitation project
  - Amathole District Municipality
    - 43 water and sewage related contracts

# Typical Facilities



**Sandile WTW**



**Binfield Dam  
Spillway**



**Amatola Water  
Laboratory**



**Water Hyacinth Control**



**Water Week Activities - 2006**

# Institutional Reform

- Institutional reform process underway in the region
- Steering committee established and lead by DWAF
- Role players include BCM, the ADM, the CHDM and Amatola Water
- Considering regional efficiency for water service provision (medium to long term scenario's)
- Alignment between ADM and CHDM section 78 assessments and institutional reform
- BCM alignment between institutional reform and the section 78 is unclear to Amatola Water

# Sector Involvement

- Active involvement:
  - Collaboration with Institutions of Higher Learning Research Bodies – Rhodes University and University of Fort Hare
  - Professional institutions on research activities – Water Research Commission and the Water Institute of Southern Africa (WISA)
  - South African Association of Water Utilities (SAAWU) – active participation including Benchmarking Project and Twinning Project
    - Amatola Water signed MoU with Lusaka Water and Sewage Company (Lusaka, Zambia)

# Social and Transformation Issues

- Internal
  - Accreditation as training provider for internal and external customers
  - HIV/Aids Programme
  - Introduction of new, progressive policies eg. Paternity Policy
  - Revision of policies eg. Maternity policy
- External
  - Educational programme – in excess of 1300 school learners visit the Nahoon Water Treatment Works annually
  - Annual commemoration of National Water Week
  - Learnership Programme
  - Graduate Placement Programme
  - Bursary
  - Sponsorship of sporting and other events in rural areas

**Thank You**