



DEPARTMENTAL SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP) BUSINESS PLAN GUIDELINES 2023 / 2024

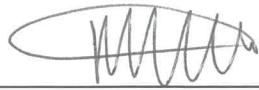
DEPARTMENT: EKURHULENI WATER CARE COMPANY
(ERWAT)

Cluster: Water Sanitation and Energy

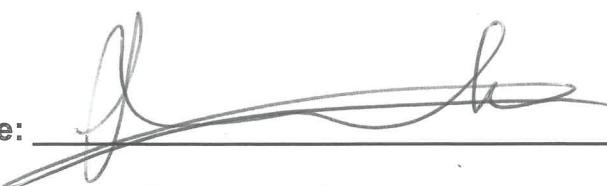
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INTRODUCTION AND OVERVIEW

1.1 OVERVIEW

ERWAT business plan seeks to outline all developmental challenges and opportunities and articulates a path towards sustainable service delivery using current resources in the short to medium period. The business plan also seeks to deal with the backlogs in the provision of sanitation to the wider City of Ekurhuleni area in support of the legal imperatives, plans and policies as espoused in the Growth Development Strategy (GDS) , National Development Plan(NDP), the Constitution and water services regulations. In the water value chain business, ERWAT is responsible for the planning, design, operation and maintenance of the water treatment works and some major outfall sewers.

Municipalities produce a hierarchy of plans intended to facilitate service delivery in order to improve the quality of life of communities. The different levels of plans are as follows:

Long term plan: COE GDS 2055

1. Five (5) year plan: Integrated Development Plan (IDP) – to achieve the outcomes long-term plan
2. Top Layer Annual Metro Wide Service Delivery and Budget Implementation Plan: To give effect to the five (5) year IDP and Budget. This top layer SDBIP deals with consolidated service delivery targets and in-year deadlines.
3. Lower-level Departmental Service Delivery and Budget Implementation Plan/Business Plan which breaks down consolidated targets into smaller outputs, activities and input which give effect to the Metro Wide SDBIP

The Lower Level Departmental SDBIPs should be based on the following.

1. Initial revenue and expenditure projections provided by the budget office (prepared taking into account; the Strategic Direction and Mayoral Priorities of the municipality);
2. Initial tariff modelling.
3. Sectoral department strategic plans and budgets.
4. National and Provincial strategic plans and allocations; and
5. Indications for changes in prices.

Circular 13 of National Treasury indicates that the Departmental SDBIP must include amongst others the following:

1. Purpose of the Department (Outcomes): Where the department defines the service they provide and indicate its alignment to the GDS 2055 and Mayoral Priorities.
2. Service Delivery Description (Outputs): Where measurable performance objectives and quarterly projections of service delivery targets and indicators is described. This must also include capital projects to be implemented per ward; and
3. Resources to be utilized (Inputs), (the required budget and human resources as well as the revenue projections).

As its name implies, the Departmental SDBIP is primarily concerned with the business aspects of conducting operations. The foremost objective of the Departmental SDBIP is to carefully lay out the sequence of actions that will guide business operations of the department over a financial year. The SDBIP is an annual plan of the department geared towards achieving the objectives of the municipality's 5 year IDP. The Departmental SDBIP is therefore a full analysis of the business of the Department and goes beyond just a matrix of indicators.

To accomplish this goal, departments must thoroughly understand all the issues, challenges, limitations, and capabilities affecting their business. This period of self-examination is a necessary and beneficial prelude to creating a coherent and comprehensive Departmental SDBIP. This review is not a one-time

event, the Departmental SDBIP will continue to evolve as the Department matures and develops new products or services.

The following guidelines are meant to serve as a resource to departments as they develop their Departmental SDBIP. They provide the framework of the Departmental SDBIP and the approach to completing the various sections of the SDBIP. The guidelines form part of a broader process being initiated by the Department of Strategy and Corporate Planning to institutionalise the system of departmental planning within the City and to ensure that internal capacity is developed to manage and maintain the Departmental SDBIP.

SECTION 1: INTRODUCTION

1.1 COMPANY OVERVIEW

ERWAT is a truly indigenous South African company with extensive expertise in wastewater treatment. ERWAT was established in 1992 as a Section 21 company with its major shareholders being Ekurhuleni Metropolitan Municipality, Johannesburg Metropolitan Municipality and Lesedi Local Municipality.

ERWAT operates 19 water care works (WCW), which extend geographically across four drainage districts, viz. the Northern Drainage District, Jukskei River (DD3), Upper Blesbokspruit (DD4) and Lower Blesbokspruit (DD5) and the Rietspruit Drainage District (DD6) ERWAT provides bulk wastewater conveyance and treatment to over 8000 industries and more than 3,5 million people, releasing between 600 to 1000 ML of wastewater per day.

ERWAT provides the following services:

1. Provision and maintenance of process control systems
2. Technical support through electrical and mechanical maintenance and related services
3. Advanced chemical and bacteriological laboratory services
4. Research and development in water-related areas
5. Focused facilities design
6. Industry-specific training in both the scientific and operating fields
7. Project management services

The wastewater treatment works in each catchment are grouped together in four drainage districts as seen in the figure below.



Figure 1: ERWAT's areas of operation

1.2 CORPORATE GOVERNANCE

ERWAT's Board of Directors consists of one (1) executive and five (5) non-Executive Directors. The Board meets regularly, at least quarterly, and retains full control over ERWAT. The Board and its supportive sub-committees remain accountable to the City of Ekurhuleni (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 remains accountable to the (CoE) and maintain the following Responsibilities:

1. Setting strategic direction and goals of ERWAT and monitoring management's implementation of that strategy;
2. Appointing such committees of ERWAT as may be appropriate to assist in the discharge of its responsibilities and to determine their responsibilities;
3. Ensuring that procedures and practices are in place to protect ERWAT's assets and reputation;
4. Monitoring financial outcomes and the integrity of reporting, in particular approving annual budgets and longer-term strategic and business plans;
5. 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;
6. Monitoring compliance with regulatory requirements and ethical standards.

ERWAT's immediate governance / oversight structures include that of City of Ekurhuleni, Department of Water and Sanitation, illustrated in the figure below are the other oversight structures which include the Board and EXCO.

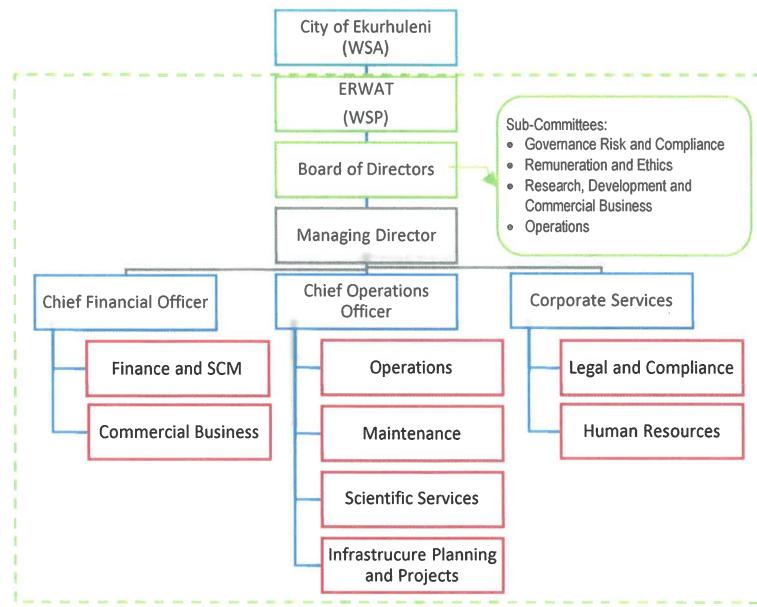


FIGURE 2: ERWAT GOVERNANCE STRUCTURE

1.3 CURRENT OPERATING ENVIRONMENT

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:

1. Improving existing systems, with clarification of responsibilities in the areas of sanitation.
2. Conducting comprehensive management strategies including an investment programme for water resource development, bulk water supply and wastewater management for major centres.
3. Creating regional water and wastewater utilities, and expand mandates of the existing water boards.
4. Strengthening regional cooperation in water management.
5. 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:

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

1. Improving access to sanitation in both formal settlements and informal dwellings.
2. Ensuring that environmental assets and natural resources are well protected and continually enhanced.
3. 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:
4. As CoE's implementation arm for sanitation services, ERWAT will be required to develop and expand the water care works to support the provision of basic services.
5. The manner in which ERWAT develop and expand the water care works needs to still ensure the affordability of the service.
6. ERWAT need to adopt business practices that protect environmental assets and natural resources.
7. ERWAT need to be adaptable in the use of both off-grid and on-grid infrastructure.

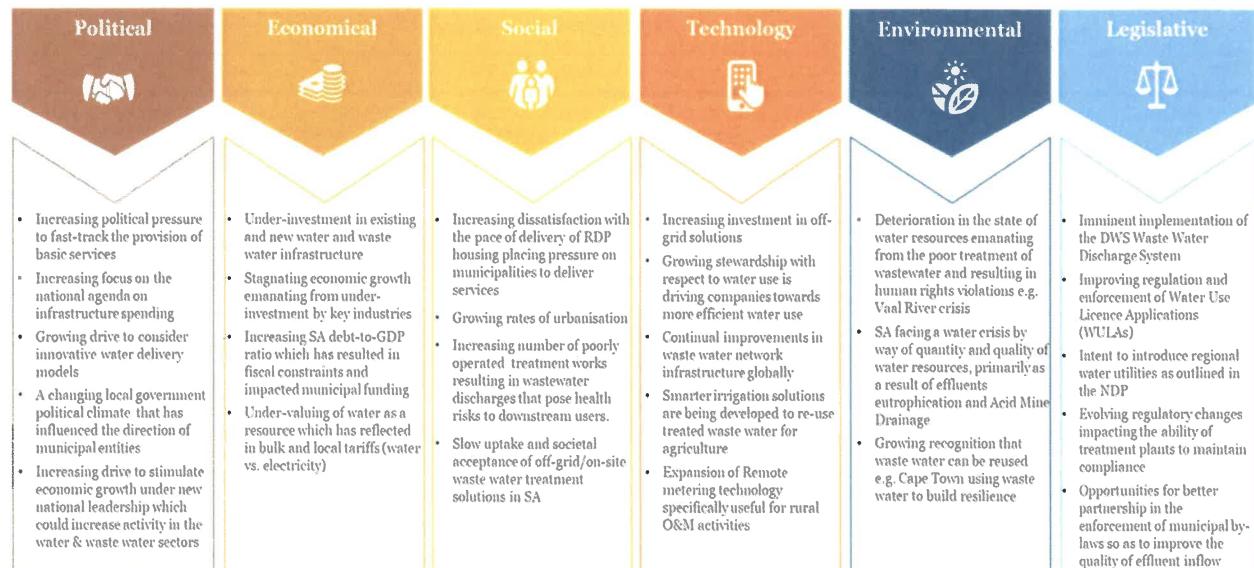
1.4 MACRO-ENVIRONMENTAL SCAN

A scan of the current macro-environment in terms of wastewater shows that a gap in the market has presented itself. With municipalities across the country experiencing challenges in maintaining water infrastructure, more innovative thinking is required on how to maintain and expand infrastructure in light of funding limitations.

Other notable outcomes of the scan show that there is a growing awareness of the scarcity of water and the importance of reuse in building resource resilience. Non-compliance with legislation highlights the need for wastewater companies to do more to partner with municipalities in order to improve enforcement of municipal by-laws and consequently improve effluent inflow into water treatment plants.

Despite there being an increase in investment into off-grid wastewater treatment solutions, more needs to be done in South Africa to increase societal awareness of these solutions. These, and other considerations, are summarised in the outcome of the PESTLE analysis illustrated below.

FIGURE 3: OUTCOME OF THE PESTLE ANALYSIS



1.5 STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

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

| STRENGTHS | WEAKNESSES | OPPORTUNITIES | THREATS |
|--|---|--|---|
| <p>F1</p> <p>S1. Understanding of ERWAT's business and being able to align the processes to the environmental laws and regulations required for environmental sustainability. (SP3)</p> <p>S2. Established commercial business division for revenue enhancement. (SP1)</p> <p>S3. Strong technical knowledge and experience within the water industry (SP2)</p> <p>S4. Strong governance structure and processes. (SP4)</p> <p>S5. Expertise with good reputation within the water industry (other institutions view ERWAT as an entity to benchmark with). (SP4)</p> <p>S6. SANAS accredited laboratory. (SP4)</p> <p>S7. Ability to implement and operate new technologies. (SP5)</p> <p>S8. Green Drop System as a Quality Management tool with well-defined internal audit processes. (SP4)</p> <p>S9. Implementation of a well-defined skills development plan. (SP2)</p> <p>S10. Well-developed Asset Management Strategy/Policy. (SP4)</p> | <p>W1. Inadequate ICT system resulting in poor Document Management System (DMS), lack of automation of processes/systems and loss of institutional information. (SP5)</p> <p>W2. Prolonged delays in Supply Chain Management processes rendering delays in service delivery. (SP4)</p> <p>W3. Shortcoming in optimal CAPEX spending (SP4)</p> <p>W4. Lack of implementation of the Asset Care Plans, affecting the turnaround strategy of the critical equipment. (SP4)</p> <p>W5. Lack of formal succession planning and mentorship program. (SP2)</p> <p>W6. Inadequate integration between ERWAT and CoE/Leased in terms of by-laws, Green drop, risk abatement plans, etc. (SP4)</p> <p>W7. Delays in the recruitment process after completion of the re-structuring process. (SP2)</p> <p>W8. Inability to attain an unqualified audit without findings. (SP4)</p> <p>W9. Inadequate measures for revenue enhancement initiatives. (SP1)</p> | <p>O1. Establish relationships and collaboration with external service providers. (All)</p> <p>O2. Improve resource re-use and management- e.g. Water Reclamation, Green smart plants, renewable energy initiatives, Sludge beneficiation, in-line turbines. (All)</p> <p>O3. Alignment to the national and international standards and regulatory bodies for continuous improvement. (All)</p> <p>O4. Reduce costs in our bulk purchases</p> <p>O5. Sell the ERWAT model to assist struggling municipalities for O&M, Scientific Services as well as the Green drop model.</p> <p>O6. Internal Audit – Leveraging on the service for continuous improvement and optimisation of processes (Finance, All departments)</p> <p>O7. Use cloud based solutions that aren't infrastructure dependent. 2. ERP Implementation</p> <p>O8. Provision of training for water Learnerships could be a source of income for ERWAT (HR)</p> <p>O9. Potential cost reduction through working from home strategies.</p> <p>O10. Leveraging off grants and other sources of funding (Finance, IPAP and Commercial).</p> <p>O11. Establish Innovation Hub for selling through innovation</p> | <p>T1. Social Cohesion – vandalism and theft/security of infrastructure/illegal connection/dumping, community unrest. (All)</p> <p>T2. Occurrence of emergency, disaster and pandemics. (All)</p> <p>T3. Change in legislative framework. (All)</p> <p>T4. Loss of critical/key skill compliment due to a competitive environment. (All)</p> <p>T5. Potential loss of institutional information and increased cyber security attacks as well as inadequate ICT systems from the CoE (All)</p> <p>T6. Potential collapse and/or failure of infrastructure due to dolomitic areas. (All)</p> <p>T7. Unprotected strikes and intimidation (All)</p> <p>T8. Socio-Political interference affecting implementation of commercial business and other projects.</p> <p>T9. Unreliable utility services</p> <p>T10. Lack of budget to finance OPEX requirements (SP1)</p> |

1.6 ERWAT'S STRATEGY

1.6.1 ERWAT's Purpose

ERWAT's purpose has been defined as ***improving the environment and human well-being by providing sustainable water care and resource recovery***. This means that in addition to keeping to ERWAT's mandate as outlined by City of Ekurhuleni, ERWAT intend to develop and grow ERWAT's service offerings and/or products to more than just wastewater recovery. In order to support this, there will need to be efforts to raise awareness with regards to the importance of water resource recovery in the context of both industrial and domestic users.

The relevance of a purpose statement is in its ability to define an organisation's reason for existence. For ERWAT, this would always consider the fact that ERWAT's primary mandate is to provide wastewater treatment services to the City of Ekurhuleni which is ERWAT's majority shareholder.



In the process of developing ERWAT's purpose and consequently defining ERWAT's strategy, it was acknowledged that ERWAT is not immune to global trends and need to define ERWAT's future trajectory having given consideration to the acceleration of urbanisation and direction that cities are going in the future. Critically, climate change and resource scarcity are driving how water resources are being used and therefore water care and recovery has increasing relevance in this

regard.

ERWAT has traditionally been known as a wastewater treatment company, which is not envisaged to change in the medium term. However, waste water treatment companies globally are recognising that their role is significantly more than just treating wastewater and is rather about recovering what is a scarce and valuable resource, water. To this end, in line with global trends, ERWAT will do well to actively minimise the use of the word "waste" in how ERWAT define its role in the future.



WHAT'S IN A NAME ?.....

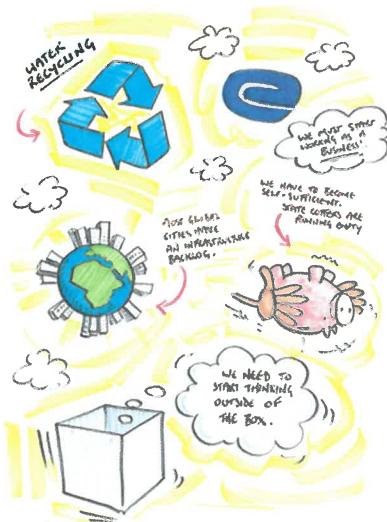


1.6.2 ERWAT's Vision

ERWAT's vision is to be a *globally recognised water care and resource recovery company*.

ERWAT's vision is forward-looking and articulates what ERWAT intend to be known for in the future. Key considerations in the process of formulating the vision were not only the scarcity of water as a resource

GLOBALLY RECOGNISED WATER
RESOURCE RECOVERY COMPANY



but also the realisation 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 for a limited pool of funds.



In order to limit the reliance on state coffers through the City of Ekurhuleni, ERWAT need to endeavour to be more self-sustainable and importantly start working as a business to drive profitability. This will require that ERWAT accelerate the identification and maximisation of business development opportunities that exist.

In order to do so, ERWAT need to have a go-to-market strategy where ERWAT not only leverage on ERWAT's unique strength as a wastewater treatment service provider but, also develop into a global brand fostering partnerships and collaboration where necessary to drive opportunities.



1.6.3 ERWAT's Mission



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

ERWAT's core business and objective is to provide sustainable affordable, quality water care and resource recovery services. ERWAT intend to achieve these objectives through partnerships, collaborative initiatives with external role players and smart organisational practices.

Its mission is therefore **to provide sustainable, affordable, quality water care and resource recovery services through partnerships, collaborative initiatives and smart organisational practices.**

1.6.4 Strategic Objectives

ERWAT has 7 strategic objectives spanning across 6 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 below.

1. *Profitability:* ERWAT want to ensure that ERWAT is financially sustainable and to limit ERWAT's dependence on City of Ekurhuleni contributions (excluding service charges). In order to do this ERWAT will need to have alternative revenue streams.
2. *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
3. *Environmental sustainability:* As a responsible corporate citizen, ERWAT need to ensure not just financial sustainability but Advancing environmental and social governance
4. *Operational Excellence:* Refers to ERWAT's mind set and the practice of adopting principles and tools that result in operational sustainability and improvements
5. *Technology:* This is at the core of ERWAT's operations and any operational improvements can only be addressed through the use of technology.
6. *Partnerships/Commercialisation:* Partnerships and collaborations with external entities is noted as being essential to ERWAT's vision of being a "globally recognised water resource recovery company" and commercialisation of ERWAT's service offerings and products.



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

Profitability

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

People

2. Ensure human capital is aligned to smart organisational strategies.

Environmental Sustainability

3. Build a competitive advantage through global environmental best practice.

Operational Excellence

4. Optimise existing infrastructure to improve reliability and operational efficiency.

Technology

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

Partnerships/ Commercialisation

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

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 Ekurhuleni in its endeavours to take the lead as a powerhouse in the Gauteng economy as discussed in the figure below.

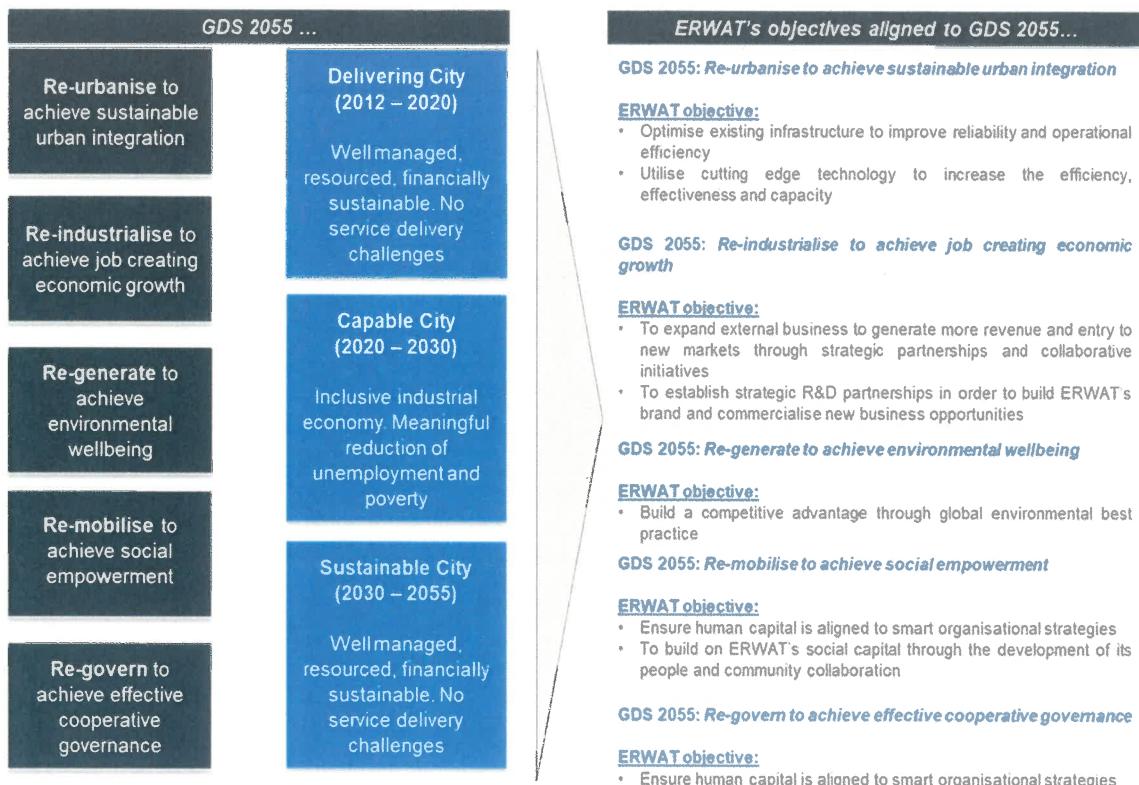


FIGURE 5: STRATEGIC OBJECTIVES

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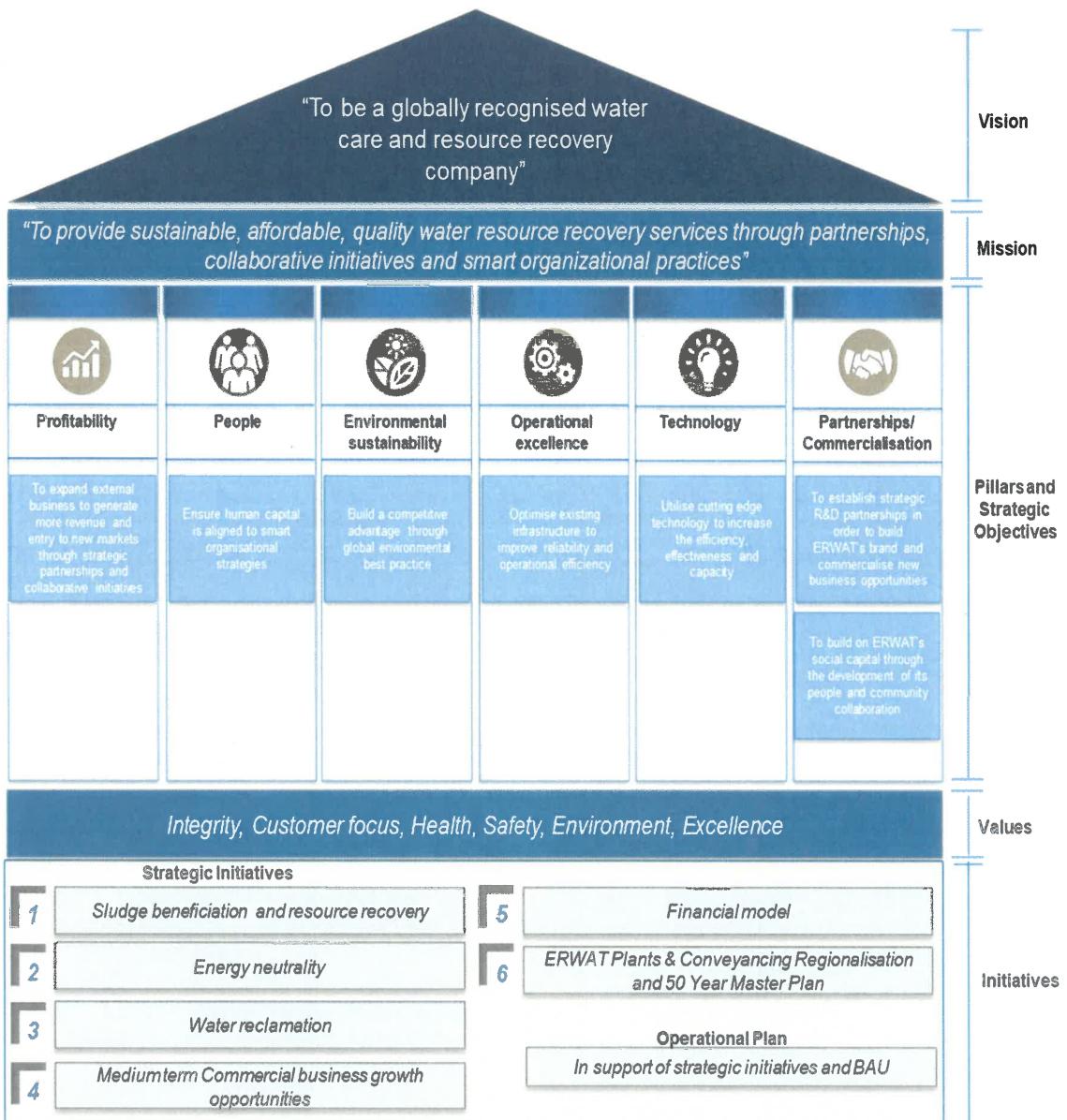
1.6.5 Strategic Initiatives

As part of ERWAT's strategic plan it has identified 6 strategic initiatives linked to the 6 strategic pillars that ERWAT intends to pursue in support of its strategy. These initiatives are:

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

Initiatives 1, 2 and 3 are linked to the commercialisation of the "Big 3" plants 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).

ERWAT's organisational strategy, strategic objectives and associated initiatives are collectively illustrated in the pillar containing Environmental Sustainability description has changed below.



ERWAT's Organisational Strategy, Strategic Objectives and Associated Initiatives

1.6.6 Commercial Business

The key objective of ERWAT's Commercial Business Department is to create long-term value for the Company, from customers, markets, and build relationships by generating an incremental sundry income over a specified period and beyond.

ERWAT will identify its products, capacitate, develop Unique Selling points, position brand and products, establish customer relationships, contract to meet customer needs, price competitively yet profitably, consult to customers, source product, and facilitate solutions in order to build and operate business in the areas of consulting, sourcing, facilitation and maintenance and plant operation within the Water Sector, thereby generating brand equity and value-addition to achieve R 34 million sales, contributing to the achievement of the Companies Corporate Objectives.

In essence, the Commercial Business Department will grow Revenue in the Water Sector by balancing market demand with productive capacity, specifically in the areas of Consulting, Sourcing, and Facilitation. The market penetration will focus initially on organic growth (existing products to existing customers) and later on new products, new customers, and new geographical areas.

THE PRODUCT/SERVICES PORTFOLIO (TANGIBLE PRODUCTS AND NON-TANGIBLE SERVICE)

The Product Portfolio includes two main categories, being:

1. Consulting
2. Sourcing/ Facilitation

1.6.7 Consulting

1. Management and Operation of Plants
2. Water quality Analysis
3. Legislative compliance
4. Design recommendation of water infrastructure
5. Blue-Drop and Green Drop advice and implementation plan
6. Effluent monitoring
7. Process water / Leachate / Potable Water
8. Plant operational training / In-service training
9. Pollution / risk surveys
10. Sludge disposal options advise
11. Laboratory management
12. Drafting and Implementation of Municipal By-Laws and Tariff Formula

1.6.8 Sourcing and Facilitation

The approach shall be to source all expertise internally within other Divisions where it is commercially feasible to do so, thereafter to source externally from strategic partners outside.

The department shall provide an expert and competent specialized Sourcing service to Clients. The Value Proposition is to provide turnkey solutions to clients through obtaining the range of appropriate services needed to complete all aspects of the required solution. (One stop shop).

In doing so we charge a time-based fee for such services, and a percentage of the price of any solutions purchased/sourced from third parties, by means of an intermediary arrangement.

13. Capacity to treat wastewater

ERWAT's infrastructure is inadequate to meet wastewater treatment requirements leading to environmental pollution caused by ageing infrastructure and inadequacy of funding to expand and upgrade the various Water care works as per the 50 year Masterplan and regionalisation plan.

SECTION 2: ANALYSIS OF PAST PERFORMANCE

2.1 Analysis of previous term performance

This section must outline the service delivery backlogs and previous term performance since **2011** against those backlogs. The status of backlogs must be indicated. The table below provides an indication how the information must be provided.

Table 1: Assessment of Past SDBIP Performance

| LEVEL OF PLANNING | OUTCOME | INDICATORS | Q2 TARGET 2022/2023 | Q2 PERFORMANCE 2022/2023 | COMMENTS |
|-------------------|---|---|-----------------------------------|-----------------------------------|--------------|
| Direct Outcome | Direct Outcome | Improved Quality of water (including wastewater) | 80% | 79% | Not Achieved |
| Direct Outcome | Improved Quality of water (including wastewater) | Rand Value of the revenue generated. | R10 000 000 | R10 247 258,23 | Achieved |
| Direct Outcome | To build a clean, Capable and Modernised Local State | Unqualified Audit Opinion | Unqualified Audit Opinion | Unqualified Audit Opinion | Achieved |
| Direct Outcome | To build a clean, Capable and Modernised Local State | Percentage of Capital Expenditure Budget Spent on Planned Projects | 60% | 69.94% | Achieved |
| Output | Improved Quality of water (including wastewater) | Percentage of repairs and maintenance budget spent | 50% | 43% | Not Achieved |
| Output | Improved Quality of water (including wastewater) | Support SMME's through ensuring appropriate application of preferential procurement practices | 45% | 79% | Achieved |
| Output | To build a clean, Capable and Modernised Local State) | Reduction in the number of repeat audit findings within the approved available budget. | 0 Number of Repeat Audit Findings | 5 Number of Repeat Audit Findings | Not Achieved |
| Output | To build a clean, Capable and Modernised Local State) | Total rand value of surplus realised from revenue generated from external business | R3 000 000 | R5 736 30 3.56 | Achieved |

CITY- WIDE KPI'S

KPI 1 – City-Wide

Total revenue generated from external business

Method of Measure

Increased Commercial Business revenue generated from commercial sources (Absolute Rand Value per quarter). The indicator target is measured across the Quarters Revenue from generated from External Income (none NDA)

Evidence

Invoices - (The invoices to be coupled with sales report with a balance that agree to the amount reported for SDBIP purposes)

Sales Report with a balance that agree to the amount reported Invoices Listing

Q2 Target

R10 000 000

Q2 Actual

R10 247 258,23

Comment

Performance was achieved with a surplus of R247 258.23

Reasons for achieving KPI

The target was achieved because of the integration of all invoices and the retention of business.

Corrective Measure

Expand our client base and form more partnerships to pursue business opportunities.

KPI 2 – City-Wide

Audit Opinion

Method of Measure

The Audit Opinion is defined by the Auditor General. It is given across a qualitative, ordinal scale including Unqualified with no findings; Unqualified with findings; Qualified with findings; Adverse with findings; and Disclaimed with findings. For those who have not **completed** the process 'Outstanding audits' are recorded.

Evidence

Dated and signed Audit report from AGSA

Q2 Target

Unqualified Audit Opinion

Q2 Actual

Unqualified Audit Opinion

Comment

Target Met

KPI 3 – City-Wide

Percentage compliance with wastewater treatment works license conditions and/or exemptions standards

Method of Measure

The indicator measures the compliance of wastewater works effluent to the requirements of biological and chemical indicators as per the water use license granted by the Regulator.

It is calculated by dividing the number of determinants complying to the Water Use Authorization with the total number of determinants.

Evidence

Water quality data of each wastewater treatment works extracted from the LIMS (Laboratory Information Management System) used to calculate over all compliance. Applicable Water use authorization of each Wastewater Treatment Works.

Q2 Target

80%

Q2 Actual

79%

Comment

KPI not achieved.

The entity did not achieve the target. It is important that the reasons for not achieving are noted, together with the ongoing challenges as outlined. These challenges include but are not limited to lack of hydraulic capacity.

Reasons for non-compliance

1. Industrial pollution incidents
2. Critical equipment failures (impacting directly on compliance)
3. Power outages and loadshedding
4. Industrial action: ERWAT shift workers.
5. Shortage of critical chemicals

1. Industrial pollution incidents:

Eight (8) WCW (water care works) received significant industrial pollution during Quarter 2 impacting negatively on the plant operations and final effluent compliance.

(Refer to Table below and Section 3.4 for further details of organic loading per WCW)

| WCW | Number of industrial pollution incidents in Q2(days) |
|-------------------|--|
| Rondebuilt | 8 of 92 |
| Bickley | 11 of 92 |
| Jan Smuts | 19 of 92 |
| Esther Park | 10 of 92 |
| Heidelberg | 17 of 92 |
| Olifantsfontein | 31 of 92 |
| Ancor | 21 of 92 |
| Hartebeestfontein | 80 of 92 |

It should be noted that even though some the WCW listed above met the target, they are still negatively impacted by industrial pollution.

Hartebeestfontein WCW experienced extreme industrial pollution incidents where the entire population of micro- organisms are lost in the reactors. (Detail as per Table below)

| Date | Type of pollution | Impact | Impact on compliance |
|-----------|--|---|---|
| 19-Sep-22 | Black oily substance (diesel/engine oil) | Reactors turned black and resulted in effluent non-compliance | 3 weeks (excluding loadshedding that prolongs recovery) |
| 14-Oct-22 | Colored pink influent | High COD's which resulted in effluent non- compliance | 2 -3 days |
| 24-Oct-22 | Colored pink influent with floating fats | High COD's which resulted in effluent non- compliance | 2-3 days |
| | Colored red influent | High COD and EC which resulted in effluent non- compliance | 2-3 days |
| 18-Nov-22 | Colored green influent | High COD and SS which resulted in effluent non- compliance | 2-3 days |
| 23-Nov-22 | Foam | High COD, SS and surfactants which resulted in effluent non- compliance | 3+ days |
| 09-Dec-22 | Black oily substance (diesel/engine oil) | Reactors turned black and resulted in effluent non-compliance | 3 weeks (excluding loadshedding that |

| | | | |
|-----------|--|---|---|
| | | | prolongs recovery) |
| 10-Dec-22 | Black oily substance (diesel/engine oil) | Reactors turned black and resulted in effluent non-compliance | 3 weeks (excluding loadshedding that prolongs recovery) |

2. Critical equipment failures

The following WCWs experienced several Critical equipment failures impacting directly on the effluent compliance.

| WCW | Critical equipment failures Q2 2022/2023 |
|-------------------|--|
| Benoni | 2 |
| Heidelberg | 2 |
| Rynfield | 3 |
| Ancor | 5 |
| JP Marais | 7 |
| Dekema | 7 |
| Hartebeestfontein | 8 |
| Ratanda | 10 |
| Daveyton | 12 |
| Tsakane | 12 |
| Vlakplaats | 17 |
| Olifantsfontein | 19 |
| Welgedacht | 70 |
| Waterval | 85 |

It should be noted that several critical equipment failures were not resolved in previous quarters and the impact on compliance are thereof carried over from quarter to quarter.

3. Power outages and Loadshedding

The following WCWs experienced frequent loadshedding and/or power failures during Quarter 2 impacting the compliance of the WCWs directly. It must be noted that the impact of loadshedding during ESKOM stages 4-6 have an increasing detrimental impact on the WCW as the processes don't have sufficient time to recover before the next loadshedding event. It can be noted that in total 3597 hours of loadshedding and power failures were experienced on the WCW for Q2.

(Some of the WCW do not have installed generators at all critical plant processes whilst others are not operational, awaiting repairs).

| Plant | | Quarter 2 2022 | | | | | Total hours without power |
|---|-----|------------------------|--------------------------|----------------|----------------------------|-----|---------------------------|
| | | Scheduled Loadshedding | Total hours Loadshedding | Power failures | Total hours Power Failures | | |
| Benoni | DD3 | 1 | 2 | 4 | 35 | 37 | |
| Esther Park | DD3 | 107 | 224 | 4 | 67 | 290 | |
| Hartebeestfontein | DD3 | 165 | 350 | 3 | 48 | 398 | |
| Olifantsfontein | DD3 | 0 | 0 | 5 | 9.5 | 10 | |
| Rynfield | DD3 | 188 | 273 | 0 | 0 | 273 | |
| Ancor | DD4 | 0 | 0 | 6 | 29 | 29 | |
| Daveyton | DD4 | 79 | 329 | 7 | 56 | 386 | |
| Jan Smuts | DD4 | 130 | 296 | 0 | 0 | 296 | |
| JP Marais | DD4 | 117 | 329 | 15 | 21 | 350 | |
| Welgedacht | DD4 | 0 | 0 | 12 | 106 | 106 | |
| Herbert Bickley | DD5 | 38 | 76 | 0 | 0 | 76 | |
| Heidelberg | DD5 | 61 | 238 | 8 | 47 | 285 | |
| Tsakane | DD5 | 57 | 128 | 2 | 32 | 160 | |
| Ratanda | DD5 | 0 | 0 | 13 | 72 | 72 | |
| Carl Grundlingh | DD5 | 0 | 0 | 1 | 5 | 5 | |
| Dekema | DD6 | 169 | 349 | 0 | 0 | 349 | |
| Rondebuilt | DD6 | 22 | 51 | 2 | 48 | 99 | |
| Vlakplaats | DD6 | 160 | 358 | 1 | 19 | 377 | |
| Waterval | DD6 | 0 | 0 | 0 | 0 | 0 | |
| Total number of hours without electricity on all impacted Water care Works for Q2. | | | | | | | 3597 |

4. Industrial Action

There was industrial action from the 31st of October 2022 to the 9th of November 2022 which had a negative impact on compliance due to shift workers deserting their scheduled duties as no nightshifts were worked. The WCW were therefore left unmanned during the nights. The industrial action was due to the implementation of the Variation order as received from the Bargaining Council.

5. Critical Chemical shortages

Due to ongoing challenges at the manufacturing plants of the sole producer in South Africa, a national shortage of ferric chloride and chlorine gas were experienced, impacting directly on the quality of the final effluent of most of the WCW.

| WCW | Ferric chloride shortages (Number of days) | Chlorine gas shortages (Number of days) |
|-------------------|--|---|
| Hartebeestfontein | 06 of 92 | 0 of 92 |
| Ancor | 13 of 92 | 0 of 92 |
| Jan Smuts | 26 of 92 | 0 of 92 |
| Dekema | 14 of 92 | 0 of 92 |
| Rondebuilt | 2 of 92 | 0 of 92 |
| Vlakplaats | 17 of 92 | 0 of 92 |
| Waterval | 0 of 92 | 4 of 92 |
| Carl Grundling | 0 of 92 | 2 of 92 |

Ferric chloride is used in the treatment process to remove ortho-phosphate from the final effluent as well as improving the settleability of solids in the settling tanks, whilst chlorine gas is used to disinfect the final effluent before discharge to the receiving water bodies.

Action plans:

1. Industrial pollution incidents

ERWAT works closely with the CoE and report all incidents as soon as detected to assist in tracing the source of the pollution. However, the source of the pollution is almost never identified by the CoE as it is difficult to trace in the vast sewer networks.

ERWAT and CoE have worked jointly on a concept to develop an improved industrial effluent management model. The CoE must appoint a professional service provider (project has not moved forward due to lack of funding from CoE since 2018).

2. Critical equipment failures

Asset Care plans for critical equipment were developed for all WCW and partially implemented, however, breakdowns still frequently occur.

3. Power outages and Loadshedding

Standby diesel generators were installed at some of the most critical process units of the various WCW; however, some WCW are still awaiting CAPEX funding to procure and install. It must however be noted that standby diesel generators cannot operate for extended outage periods due to the very high consumption rate and cost of diesel.

4. Industrial Action

Shift workers resumed their duties on the 09 of December 2022 after communication from office of the Managing Director regarding the consequences of not honouring shift contract, and no work no pay action was taken against the employees that deserted their scheduled duties.

5. Chemical shortages (Ferric chloride and Chlorine gas)

ERWAT is in daily contact with the supplier to secure product and prioritise deliveries according to the stock levels of the various WCW. The service provider had a shut down on the manufacturing plants on 08 December 2022 due to explosion caused by lightning strike at the plant. Production was resumed on the 17th of December 2022 on low scale and the production has not been consistent due to frequent breakdowns. It must also be noted that preference is given to potable water plants over wastewater plants due to the health hazard of drinking water that is not disinfected. The availability of product, especially ferric has worsened during December, severely affecting biofilter WCW compliance.

2.2 DEPARTMENT SDBIP

KPI – 1 Departmental SDBIP

Percentage Capital expenditure budget spent on planned projects

Method of Measure:

The Indicator measures the total capital budget spent. The indicator target is measured cumulatively across the quarters.

It is calculated as follows:

(1) Capital Expenditure year to date / (2) Total approved CAPEX budget for the year x100

Evidence

Dated and signed Finance year to date capital expenditure report

Q2 Target

60%

Q2 Actual

69.94%

Comment

KPI achieved.

Reasons for non-compliance

N/A

KPI 2 – Departmental SDBIP

Percentage of repairs and maintenance budget spent

Method of Measure:

The indicator measures the total budget spent. The indicator target is measured cumulatively across the quarters.

The indicator formula is (1) Expenditure year to date / (2) total approved maintenance budget approved.

Evidence

Finance year to date expenditure report (Budget Variance Report)

Q2 Target

50%

Q2 Actual

43%

Comment:

The department did not achieve the 50% target as planned

The expenditure year to date is R57 845 254,00 against the approved maintenance budget of R135 315 650.

This yields to 43% repairs and maintenance budget spent in Quarter 2 and the variance thereof is 7%. The reasons are attributed to the fact that December is a short month and Invoices of an amount of R13 096 936,87 were submitted after the financial cut-off date of the 15th of December 2022 and therefore were not included as part of the total expenditure for Q2. When the department include late submitted invoices spending to date for Q2 is 52%.

Reasons for Variance

The reasons are attributed to the fact that December is a short month and Invoices of an amount of R13 096 936,87 were submitted after the financial cut-off date of the 15th of December 2022

and therefore were not included as part of the total expenditure for Q2. When the department include late submitted invoices spending to date for Q2 is 52%.

Remedial Actions:

Departmental expenditure is on track and Target for Q3 will be realized.

KPI – 3 Department SDBIP

Percentage of procurement spend allocated to SMME's

Method of Measure

The indicator measures the percentage of procurement spend allocated to SMME's through ensuring appropriate application of the preferential procurement practices. This support will be calculated as a percentage of the total value paid to Small, Medium and Micro Enterprises either directly or via the principal contractor in terms of a Preferential Procurement Regulation 4 or 9 contractual condition.

The indicator formula is:

(1) rand value of procurement spend allocated to SMME's / (2) rand value of total procurement spend *100

Evidence

Dated and signed Letter of appointment or subcontract with support (contract) amount Award AND Listing (Register) of SMME supported with support amount.

Q2 Target

45%

Q2 Actual

79%

Comment:

Term contracts in place with QSE and or EME accreditation

Remedial Actions:

None

KPI – 4 Department SDBIP

Number repeat audit findings

Method of Measure

The indicator tracks the number of findings made on the same matter as of the last audit cycle. The "Repeat" findings refer to those findings that have persisted from one year of reporting to the next. These are identified as repeat **findings** by the Auditor-General on the following administrative areas including but not limited to: i) Annual financial statements and annual report.

The formula for the indicator is the (1) Simple count of the number of "repeat" findings itemized in the Auditor-**General's** report of each municipality

Evidence

AGSA signed management letter

Q2 Target

0

Q2 Actual

5

Comment

Although management resolved some findings, five (5) remained unresolved.

Remedial Action

Management will develop and implement a detailed **action** plan for the audit findings raised. The Audit and Risk Committee, Board and its Sub-Committees will monitor the developed plan quarterly.

KPI – 5 Department SDBIP

Total rand value of surplus realised from revenue generated from external business

Method of Measure

This will be calculated by subtracting the total expenditure from the revenue generated.

Evidence

1. General ledger with a balance that agree to the amount reported
2. Invoices Listing

Invoices - (The invoices to be coupled with general ledger with a balance that agree to the amount reported for SDBIP purposes)

Q2 Target

R3 000 000

Q2 Actual

R5 736 303.56

Comment:

The target for the first quarter of R3 000 000 was achieved and exceeded.

Target Exceeded

All vacant positions were put on hold.

Corrective Measure

Timeously filling of all vacant positions.

SECTION 3: DEPARTMENTAL (ENTITY) STRATEGIC FOCUS AREAS

3.1 DEPARTMENTAL 5 YEAR PLAN (2022 - 2026) [IDP SCORE CARD]

This section outlines the Key Performance Areas (KPAs) of the department for the current term (2022 - 2026). The Key Performance Areas of the department must be aligned with the Growth and Development Strategy (GDS 2055). It should reflect how departments contribute to the GDS in respect of the Outcomes, programmes and sub-programmes. Furthermore, the KPAs must indicate how they address the Mayoral Priorities for the term. Key Performance Indicators must be developed for the KPAs together with the 5-year measurable targets. Furthermore, the MFMA requires an explanation of how the Departmental SDBIP relates to the Integrated Development Plan (IDP) and Metro Wide Service Delivery Budget Implementation Plan. The table below must be populated with the information as discussed above:

This section presents the entity's strategic focus area for the term based on scanning/analysis of the economic environment, responding to the DGS and Mayoral Lekgotla priorities in the main.

Department need to outline what the focus will be in the new term. Demonstrate how they align and contribute to the GDS, Mayoral priorities relevant to the department.

Pleas provide a narrative before populating the indicator matrix table

80/20 principle, 80 is business as usual and 20% is strategic interventions for the term

| BUSINESS AS USUAL | KEY STRATEGIC INTERVENTION |
|----------------------------------|--|
| Improve Environmental Governance | Develop, Implement, and enforce by laws of carbon reduction. |

TABLE 1: ALIGNMENT OF DEPARTMENTAL KEY PERFORMANCE AREAS TO STRATEGIC PRIORITIES (IDP) IDP SCORECARD

| IDP Strategic Objective | Department | Outcome | Ref No. | IDP Performance Indicator (Outcomes) | Baseline (estimated Annual Performance (2021/2022) | 5-year target | Target for 2022/2023 (MTREF) | Target for 2023/2024 (MTREF) | Target for 2024/2025 (MTREF) | Target for 2025/2026 (MTREF) | Target for 2026/2027 (MTREF) | Indicator Definition |
|---|------------|--|---------|--|--|---------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|---|
| National Prescribed Indicators | | | | | | | | | | | | |
| GDS Thematic Area: Re-Generate to Achieve Environmental Well-Being | ERWAT | Improved Quality of water (including wastewater) | 62 | Percentage compliance with wastewater treatment works license conditions and/or exemptions standards | 85% | 75% | 77.5% | 75% | 75% | 75% | 75% | The indicator measures the compliance of wastewater works effluent to the requirements of biological and chemical indicators as per the water use license granted by the Regulator. |
| IDP Strategic Objective 4: To Protect the Natural Environment and Promote Resource Sustainability | | | | | | | | | | | | It is calculated by dividing the number of determinants complying to the Water Use Authorization with the total number of determinants. |

The Annual target is an average figure across the quarters.

| IDP Strategic Objective | Department | Outcome | Ref No. | IDP Performance Indicator (Outcomes) | Baseline (estimated Annual Performance (2021/2022)) | 5-year target | Target for 2022/2023 (MTREF) | Target for 2023/2024 (MTREF) | Target for 2024/2025 (MTREF) | Target for 2025/2026 (MTREF) | Target for 2026/2027 (MTREF) | Indicator Definition |
|-------------------------|------------|---------|---------|--------------------------------------|---|---------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------------|
| Resource Sustainability | | | | | | | | | | | | own schedules and publishing dates |

Reasons:

1. Due to intense industrial pollution, increase and ongoing rolling load shedding, and associated increase in critical equipment failures the previous Water Quality compliance target of 80% was unattainable and therefore the compliance target was further reduced to 75% (Adjusted downwards as Per Board Decision).

TABLE 2: ALIGNMENT OF DEPARTMENTAL KEY PERFORMANCE AREAS TO STRATEGIC PRIORITIES – METROWIDE SCORECARD

| Department | Outcome | Ref No. | Performance Indicator (Output level only) | Baseline (Annual Performance of 2021/2022 estimated) | Annual target for 2023/2024 | Target for 2023/2024 SDBIP per Quarter | Resources Allocated for 2023/2024 SDBIP per Quarter | SDBIP per Quarter | | | | Indicator Definition | Portfolio of Evidence |
|--------------------------------|---------|---------|---|--|-----------------------------|--|---|------------------------|------------------------|------------------------|------------------------|------------------------|-----------------------|
| | | | | | | | | Q1 Planned Target | Q2 Planned Target | Q3 Planned Target | Q4 Planned Target | | |
| National Prescribed Indicators | | | | | | | | Table SA 25, 29 and 30 | Total Budget allocated | |

IDP Strategic Objective 2: To Build a Clean, Capable and Modernised Local State

| | | | | | | | | | | | | | | |
|--|--|---------|--|-------------------------------------|-------------------------------------|-----------------|-------------|-------------|---------------|------|------|------|--|--|
| Ekurhuleni Water Care Company (ERWAT) | Improved Quality of water (including wastewater) | ERW1. 1 | Total revenue generated from external business | R40 891 2021/2022 | 547 000.00 | R35 700 million | R7 million | R9m million | R10.7 million | OPEX | OPEX | OPEX | The indicator measures Increased external revenue generated from commercial sources | Invoices coupled with Report with a balance agree to the amount reported |
| Ekurhuleni Water Care Company (ERWAT) | To build a clean, Capable and Modernised Local State | ERW1. 2 | Audit Opinion | Unqualified Audit Opinion 2021/2022 | Unqualified Audit Opinion 2021/2022 | N/A | Unqualified | N/A | OPEX | OPEX | OPEX | OPEX | The Opinion is defined by the Auditor General. It is given across a qualitative, ordinal scale including: Unqualified with no findings; Unqualified with findings; Qualified with findings; Adverse with findings; and Disclaimed with findings. For those who have not completed the process 'Outstanding audits' are recorded. | Dated signed report from AGSA |
| IDP Strategic Objective 4: To protect the natural environment and promote resource sustainability | | | | | | | | | | | | | | |
| Ekurhuleni Water Care Company (ERWAT) | Improved Quality of water (including wastewater) | ERW1. 3 | Percentag e | 85% 2021/2022 | Percentag e | 75% | 75% | 75% | OPEX | OPEX | OPEX | OPEX | Water quality data of each wastewater treatment works extracted from the Laboratory Information Management | |

| System) used to calculate over all compliance. | | Applicable Water use authorization of each Wastewater Treatment Works. | |
|---|---|---|--|
| indicators as per the water use license granted by the Regulator. It is calculated by dividing the number of determinants complying to the Water Use Authorization with the total number of determinants | conditions and/or exemption standards | ERW1.4 | Percentage of wastewater treatment capacity unused |
| Erkhardt ni Water Care Company (ERWAT) | Improved Quality of water (including wastewater) | CAPEX | CAPEX |
| 50% | 50% | -50% | -50% |
| 50% | 50% | -50% | -50% |
| Dated and signed report indicating actual flow received and treated per WCW and totalised for ERWAT system (WCW) drawn from LIMS (Laboratory Information Management System), in conjunction with the original or re-graded design hydraulic capacity (available capacity) per WCW for the ERWAT system (total of 19 WCW). | The percentage of wastewater treatment capacity unused. | Sewer treatment capacity refers to the maximum amount of sewage that a facility is allowed to treat or to direct to a particular reuse or effluent disposal system. This refers to the collective available design capacity of all facilities servicing the municipal area. | Available |

| | | | | | | | | | | | | | |
|---------------------------------------|--|--------|---|---|-----|-----|------|------|------|------|------|---|---|
| Ekurhuleni Water Care Company (ERWAT) | Improved Quality of water (including wastewater) | ERW1.5 | Number of New Green Drop certified wastewater treatment works (Bi-annually) | 6 | N/A | N/A | OPEX | OPEX | OPEX | OPEX | OPEX | The indicator measures the number of wastewater treatment works that achieved Green Drop certification bi-annually. | The Green Drop results as published by the National Dept of Water and Sanitation. |
|---------------------------------------|--|--------|---|---|-----|-----|------|------|------|------|------|---|---|

SECTION 4: DEPARTMENTAL SDBIP 2023 / 2024

4.1 DEPARTMENTAL SDBIP (2023 / 2024)

This section should be comprehensively reviewed to reflect the operations of the department and the alignment of these to the SDBIP and IDP. It should also focus on the programmes and projects of the departments which are in many instances operational. These must be captured by providing clear indicators, annual targets, and quarterly targets for 2023/2024; the indicators contained here must cover all the operational functions of the department in each division/section. Departments are furthermore required to capture cost related to each KPI as implemented per project; in other words, the departmental score cards KPIs must be costed in line with the MTREF.

TABLE 3: DEPARTMENTAL SCORECARD

| Department | Outcome | Ref No. | Performance Indicator (Output level only) | Baseline (Annual Performance of 2021/2022) | Annual target for 2023/2024 | Target for 2023/2024 SDBIP per Quarter | | | | Resources Allocated for 2023/2024 Quarter | SDBIP per Indicator Definition | Portfolio of Evidence |
|--|--|---------|---|--|-----------------------------|--|-------------------|-------------------|-------------------|---|--------------------------------|--|
| | | | | | | Q1 Planned Target | Q2 Planned Target | Q3 Planned Target | Q4 Planned Target | | | |
| Ekurhuleni Water Care Company (ERWAT) | Improved Quality of Water including Wastewater | 1.M | Percentage of Capital expenditure spent on planned projects | 99.56% (2021/2022) | 95% | 25% | 50% | 75% | 95% | CAPEX | CAPEX | The indicator measures the total budget spent. The indicator target is measured cumulatively across the quarters |
| IDP Strategic Objective 2: To build a clean, capable and modernized local state | | | | | | | | | | | | |
| Ekurhuleni Water Care Company (ERWAT) | | | | | | | | | | | | |
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|---------------------------------------|--|----------|--|---------|-----|-----|-----|---------|------|------|------|------|---|--|---|
| Ekurhuleni Water Care Company (ERWAT) | Improved quality of water including wastewater | 6.M | Number of Green Drop (90%) wastewater treatment works (Bi-quarterly) | New KPI | N/A | N/A | N/A | 6 (90%) | OPEX | OPEX | OPEX | OPEX | The measures number of wastewater treatment works that achieved the Green Drop standard quarterly.(90%) | The indicator the of the of the wastewater treatment works that achieved the Green Drop standard bi quarterly.(90%) | The Green scorecard as released by the internal ERWAT Compliance office (in-house, assessment |
| | Financial Management | LED1 .11 | Percentage of total municipal operating expenditure spent on contracted services physically residing within the municipal area | New KPI | 8% | 2% | 4% | 6% | 8% | OPEX | OPEX | OPEX | OPEX | This indicator measures the value of municipal operating expenditure that has been spent on payments to contracted organisations with a physical address within the municipal area as a percentage of the total operating expenditure on payments to all contracted organisations. | Signed report on municipal operating expenditure spent on contracted services |
| | | | | | | | | | | | | | | Contracted services are inclusive of consultancy services, and refer to services rendered by any entity outside of the municipality secured through a | |

| Company (ERWAT) | Management | Wasteful, Unauthorised Expenditure as a percentage of Total Operating Expenditure | financial year as finalised in January of the following financial period for the previous financial period |
|-----------------|------------|---|---|
| | | | incurred irregular, fruitless and wasteful and unauthorised expenditure. Fruitless wasteful expenditure expenditure that was made in vain and would have been avoided had reasonable care been exercised. |
| | | | Irregular expenditure is incurred by the municipality in contravention of a requirement of the law. Unauthorized expenditure includes overspending of the total amount appropriated in the approved budget. |
| | | | Indicator Formula: $\frac{((1) \text{ Irregular} + (2) \text{ Fruitless and Wasteful} + (3) \text{ Unauthorised Expenditure})}{(4) \text{ Total Operating Expenditure}}$ |
| | | | The Audited Annual Financial Statements for the previous financial year are finalised in |

| | |
|---|---|
| whole, for example office space or computer software and all charges or recoveries. Capital financing costs are associated with financing infrastructure expansion or rehabilitation of existing assets, for example interest and redemption charges. | The Audited Annual Financial Statements for the previous financial year are finalised in January of the following financial period for the previous financial period, therefore this indicator will be reported annually in the Q3 of the following year for the previous financial year-end. |
|---|---|

NB: Total budget should be a sum total of all the projects that contribute towards the indicator as identified including CAPEX and OPEX.

COMPLIANCE INDICATORS

The following indicators are for planning and reporting for compliance purposes. No target setting is required for these indicators.

| Reference Number | Department | Compliance indicators | Indicator Rationale | Indicator Definition |
|------------------|------------|--|---|---|
| 1. C26 (GG) | ERWAT | R-value of all tenders awarded | The indicator monitors the R-value of tenders awarded by the municipality as an indication of the scale of outsourcing the work of the municipality. | The number of tenders awarded in terms of Section 36 of the MFMA and the Municipal Supply Chain Management Regulations. Section 36 of the MFMA and the Municipal Supply Chain Management Regulations of 2005 permits the Accounting Officer to "dispense with the official procurement processes established by the policy and to procure any required goods or services through any convenient process". This would typically include urgent and emergency cases, single-source goods, and any other cases where it is impractical to follow normal SCM process. In the event of such a decision, the accounting officer is required to report this to the next Council meeting. |
| 2. C27 (GG) | ERWAT | Number of all awards made in terms of Section 36 of the MFMA Municipal Supply Chain Management Regulations | The indicator monitors the frequency with which the municipality does not follow normal Supply Chain Management processes in the awarding of tenders. It is also a requirement that such awards are tabled at Council meetings. | The number of tenders awarded in terms of Section 36 of the MFMA and the Municipal Supply Chain Management Regulations. Section 36 of the MFMA and the Municipal Supply Chain Management Regulations of 2005 permits the Accounting Officer to "dispense with the official procurement processes established by the policy and to procure any required goods or services through any convenient process". This would typically include urgent and emergency cases, single-source goods, and any other cases where it is impractical to follow normal SCM process. In the event of such a decision, the accounting officer is required to report this to the next Council meeting. |
| 3. C28 (GG) | ERWAT | R-value of all awards made in terms of Section 36 of the MFMA | The indicator monitors the R-value of all awards by the municipality which does not follow normal | The R-value of all tenders awarded in terms of Section 36 of the MFMA and the Municipal Supply Chain Management Regulations. Section 36 of the MFMA and |

| Reference Number | Department | Compliance indicators | Indicator Rationale | Indicator Definition |
|------------------|---|--|--|---|
| | Municipal Supply Chain Management Regulations | Supply Chain Management processes as an indication of the scale of awards. | | the Municipal Supply Chain Management Regulations of 2005 permits the Accounting Officer to “dispense with the official procurement processes established by the policy and to procure any required goods or services through any convenient process”. This would typically include urgent and emergency cases, single-source goods, and any other cases where it is impractical to follow normal SCM process. In the event of such a decision, the accounting officer is required to report this to the next Council meeting |
| 4. C33 (GG) | ERWAT | Number of tenders over R200 000 awarded | This indicator monitors the frequency with which a municipality awards tenders above the value of R200 000. It is indicative of the frequency of tenders of a value above R200 000 are awarded. | The number of tenders over R200 000 awarded. A tender is an invitation to bid for a project. A tender is ‘awarded’ when the municipality officially selects an individual/company to carry out the work required to complete a project. |
| 5. C34 (GG) | ERWAT | Number of months the Municipal Managers' / M/D position has been filled (not Acting) | This indicator measures the continuous duration of time the municipality's Municipal Manager / MD position has been filled. Continuity in senior posts is indicative or institutional stability and functional municipal / entity administrations. | The number of continuous months the Municipal Managers' position has been filled (not Acting). A municipal manager (MM) is appointed by council / Board |
| 6. C35 (GG) | ERWAT | Number of months the Chief Financial Officers' position has been filled (not Acting) | This indicator measures the continuous duration of time the municipality's Chief Financial Officer post has been filled. Continuity in senior posts is indicative or institutional stability and functional municipal administrations. | The number of continuous months the Chief Financial Officers' post has been filled (not Acting). A Chief Financial Officer has the primary responsibility for managing the municipality's finances, including financial planning, management of financial risks, record-keeping, and financial reporting. |
| 7. C36 (GG) | ERWAT | Number of vacant posts of senior manager | This indicator measures the extent of vacancies in terms of the municipality's/ entity's senior management posts. | The number of vacant posts among senior managers within the municipality. A senior manager is a municipal manager/MD, appointed in terms of section 57 of the Municipal Systems Act, and includes managers directly accountable to a municipal manager/MD appointed in terms of section 56 of the Act. |

| Reference Number | Department | Compliance Indicators | Indicator Rationale | Indicator Definition |
|------------------|------------|---|---|--|
| 8. C37 (GG) | ERWAT | Number of approved posts in the treasury and budget office | This indicator measures the number of approved posts within a municipality's budget and treasury office as an indicator of intended municipal capacity. | The number of approved posts in the treasury and budget office. The Budget and Treasury office is responsible for managing a municipality's financial resources in an efficient and professional manner while providing support to all departments in order to ensure that all legislation policies and procedures as prescribed by National Treasury are implemented and upheld. An approved job post refers to employment posts that have been developed in relation to the Municipal Structures Act of 1998 and the Municipal Finance Management Act of 2003, and has been approved by the Municipal Manager. |
| 9. C38 (GG) | ERWAT | Number of filled posts in the treasury and budget office | This indicator measures the number of the municipality's filled posts related to the treasury and budget office as an indicator of municipal capacity | The number of filled posts in the treasury and budget office. The Budget and Treasury office is responsible for managing a municipality's entity's financial resources in an efficient and professional manner while providing support to all departments in order to ensure that all legislation policies and procedures as prescribed by National Treasury are implemented and upheld. |
| 10 C41 (GG) | ERWAT | Number of approved engineer posts in the municipality /entity | This indicator monitors the extent to which a municipality / entity has formally specified engineering posts within its municipal structure. As a specialised and scarce skill, engineers are sought after for their key role in relation to infrastructure development | The number of approved engineering posts. An engineer is a person who designs, builds, or maintains engines, machines, or structures. An approved job post refers to employment posts that have been developed in relation to the Municipal Structures Act of 1998 and the Municipal Finance Management Act of 2003, and has been approved by the Municipal Manager. |
| 11 C42 (GG) | ERWAT | Number of registered engineers employed in approved posts | This indicator monitors the extent to which a municipality / entity has registered engineering capacity in its structure. As a specialised and scarce skill, engineers are sought after for their key role in relation to infrastructure development. | The number of registered engineers employed in approved posts. A Registered professional engineer is a person who is registered as a professional engineer with an official organising body. In South Africa, the statutory body for the engineering profession is the Engineering Council of South Africa (ECSA). An approved job post refers to employment |

| Reference Number | Department | Compliance indicators | Indicator Rationale | Indicator Definition |
|------------------|------------|---|---|--|
| | | Registered engineers have formal professional registration and associated competencies. | | posts that have been developed in relation to the Municipal Structures Act of 1998 and the Municipal Finance Management Act of 2003, and has been approved by the Municipal Manager. |
| 12 C43 (GG) | ERWAT | Number of engineers employed in approved posts | This indicator monitors the extent to which a municipality has employed engineering capacity in its municipal structure. As a specialised and scarce skill, engineers are sought after for their key role in relation to infrastructure development. | The number of engineers employed in approved posts. An engineer is a person who designs, builds, or maintains engines, machines, or structures with a formal qualification of a BScEng or BEng. An approved job post refers to employment posts that have been developed in relation to the Municipal Structures Act of 1998 and the Municipal Finance Management Act of 2003, and has been approved by the Municipal Manager. |
| 13 C44 (GG) | ERWAT | Number of disciplinary cases in the municipality / entity | This indicator measures the incidence of misconduct within the municipality / entity by tracking the number of active disciplinary cases. | The number of active disciplinary cases within the municipality. A disciplinary case is a formal procedure initiated in relation to alleged misconduct on the part of an employee which may result in a warning, sanction or dismissal. |
| 14 C45 (GG) | ERWAT | Number of finalized disciplinary case | This indicator measures the number of disciplinary cases finalised within the municipality/entity in the reporting period. It is an indicator of the municipality's / entity's ability to conclude formal disciplinary procedures and get on with the work of the municipal administration. | The number of finalised disciplinary cases within the municipality. A disciplinary case is a formal procedure initiated in relation to alleged misconduct on the part of an employee which may result in a warning, sanction or dismissal. |
| 15 C71 (LED) | ERWAT | Number of procurement processes where disputes were raised | This indicator monitors the extent to which tendering processes within the entity / municipality are delayed as a result of disputes based on the outcome of these processes | The number of procurement processes where disputes were raised within the municipality/entity. A municipality / entity typically allows service providers who were unsuccessful in the tender process 14 days to dispute the outcome of their bid. This process usually takes place before the letter of award is issued to the successful bidder. |

| Reference Number | Department | Compliance Indicators | Indicator Rationale | Indicator Definition |
|------------------|------------|--|---|--|
| 16 C77 (LED) | ERWAT | B-BBEE Procurement Spend on Empowering Suppliers that are at least 51% black owned based | This indicator monitors the municipality's R-value procurement spend on suppliers that are at least 51% black owned based | The B-BBEE Procurement Spend on Empowering Suppliers that are at least 51% black owned based within the municipality. In May 2019 amendments were made to the Enterprise and Supplier Development Scorecard and are now in effect. The aim of the Preferential Procurement scorecard is to encourage the usage of black owned professional services and entrepreneurs as suppliers while inherently encouraging measured entities to empower themselves on the broad-based principles of B-BBEE. |
| 17 C78 (LED) | ERWAT | B-BBEE Procurement Spend on Empowering Suppliers that are at least 30% black women owned | This indicator monitors the municipality's R-value procurement spend on suppliers that are at least 30% black women owned | The B-BBEE Procurement Spend on Empowering Suppliers that are at least 30% black women owned based within the municipality. In May 2019 amendments were made to the Enterprise and Supplier Development Scorecard and are now in effect. The aim of the Preferential Procurement scorecard is to encourage the usage of black owned professional services and entrepreneurs as suppliers while inherently encouraging measured entities to empower themselves on the broad-based principles of B-BBEE. |
| 18 C79 (LED) | ERWAT | B-BBEE Procurement Spend from Empowering Suppliers based on the B-BBEE Procurement | This indicator monitors the municipality's R-value procurement spend on all suppliers based on the B-BBEE Procurement | The entity's R-value procurement spend on all suppliers based within the municipality based on the B-BBEE Procurement. In May 2019 amendments were made to the Enterprise and Supplier Development Scorecard and are now in effect. The aim of the Preferential Procurement scorecard is to encourage the usage of black owned professional services and entrepreneurs as suppliers while inherently encouraging measured entities to empower themselves on the broad-based principles of B-BBEE. |

5.1 DEPARTMENTAL CAPITAL PROJECTS (PROPOSED)

This section seeks to identify all the proposed Capital project which must be aligned with score cards as indicated above. Departments are required to list projects as prioritised by City Planning department as is following prioritisation process. **(All proposed projects must be listed since projects list will not be finalised during this first submission)**. A consolidated capital allocation or the most important projects to be implemented in 2023/2024 must be indicated here. The full list of capital projects must be attached as an Annexure with the document.

| Department | Project Name | CCA | Ward | Source of Funding 2023/2024 | Approved 2022/2023 | Budget Year 2023/2024 | as per MTREF |
|------------|-------------------|--------------|-----------|-----------------------------|--------------------|-----------------------|--------------|
| ERWAT | BENONI | Benoni | 24 | USDG | 1 191 980 | | |
| ERWAT | CARL GRUNDLINGH | Nigel | 88 | USDG | 1 265 000 | | |
| ERWAT | CARL GRUNDLINGH | Nigel | 88 | INTERNAL | 1 000 000 | | |
| ERWAT | DEKEMA | Daveyton | 28 | USDG | 7 200 000 | | |
| ERWAT | HARTEBEESTFONTEIN | Kempton Park | 89 | USDG | 6 579 386 | | |
| ERWAT | HARTEBEESTFONTEIN | Kempton Park | 89 | INTERNAL | 4 000 000 | | |
| ERWAT | HEIDELBERG | Corporate | City Wide | USDG | 3 501 500 | | |
| ERWAT | OLIFANTSFONTEIN | Tembisa 2 | 1 | USDG | 38 063 651 | | |
| ERWAT | OLIFANTSFONTEIN | Tembisa 2 | 1 | INTERNAL | 27 786 091 | | |
| ERWAT | RATANDA | Nigel | City Wide | INTERNAL | 400 000 | | |
| ERWAT | RYNFIELD | Benoni | 24 | INTERNAL | 5 160 000 | | |
| ERWAT | VLAKPLAATS | Vosloorus | 44 | USDG | 13 141 091 | | |
| ERWAT | WATERVAL | Alberton | 12 | INTERNAL | 8 400 000 | | |
| ERWAT | WELGEDACHT | Springs | 75 | USDG | 9 057 392 | | |
| ERWAT | WELGEDACHT | Springs | 75 | INTERNAL | 900 000 | | |
| | | | | | | R127 646 091 | |

The above projects must be confirmed after final approval of the budget, but proposed project must be indicated for planning purpose. *Following the confirmation of the projects, departments will be required to provide annual Capital Project Outputs and project plan for each projects.*

5.2 DEPARTMENTAL FLAGSHIP/MEGA/ CATALYTIC PROJECTS (PROPOSED)

Table 3: Departmental FLAGSHIP/MEGA PROJECT FOR 2023 / 2024 financial year.

NB: The above projects must be confirmed after final approval of the budget, but proposed project must be indicated for planning purpose. *Following the confirmation of the projects, departments will be required to provide annual Capital Project Output and project plans for each projects.*

| Alignment to Strategic Outcomes/Priorities | | Project Details | | | Planned Annual | | Targets (5 year and | | Total budget R'000 | | | | | |
|--|---|--|---|---|------------------|-----------------------------|-------------------------|----------|--------------------|-----|-----|-----|------------------|--------------|
| GDS Theme | DSDBIP Key Performance Indicator | Priority being addressed (e.g. Mayoral priorities) | Flagship/ Mega Project name | Project Description | Wards to benefit | 5-year target (2022 – 2026) | Annual Target 2023/2024 | Baseline | Q1 | Q2 | Q3 | Q4 | Target 2023/2024 | |
| Environmental Well-being | Percentage of Capital Expenditure on Planned Projects | Directive issued in terms of the National Water Act, 1998 (Act 36 of 1998) | Capacity upgrade of the Olifantsfontein WCW | Design and construction of the water care works upgrade | Ward 1 | 95% | 95% | 95% | 35% | 60% | 80% | 95% | 95% | R 38 063 651 |

SECTION 6: IDP WARD PRIORITIES reconvene

The processes for the submission of IDP ward development needs was conducted during the month of March 2022 for the new term of office (2022-2026). Departments must note that CoE now has 112 wards instead of 101 as a result of ward demarcation and re-determination of municipal boundaries process. The departments must interrogate the needs/priorities that are relevant to their responsibilities and indicate how and when they will be addressed during the current term. If needs will not be addressed during the 5 years an explanation is required.

The table below must be populated to provide details of the needs that will be addressed in 2022/2023. Responses are also required for all the needs; for those needs that will be implemented after 2022/2023 responses must be provided in the document provided and be attached as an Annexure.

Table 4: DEPARTMENTAL PLAN FOR ADDRESSING IDP WARD PRIORITIES in the 2023/2024 financial year

| Ward Number | Priorities Review Process | Departmental Response to needs | Issues to be taken into consideration | Year of Completion | Responsible Project Manager/Contact Person and phone number |
|-------------|--|---|--|--------------------|---|
| Ward 24 | Upgrade of water pipes in Brentwood Park, Benoni small farms, Benoni AH, Cloverdene and Crystal park | Welgedacht 50 MI/d Module 3 is at the planning stage. The project will commence when funds becomes available. | This flow is likely to go to JP Marais however, provision has been made to divert the flow to Welgedacht | N/A | HOD: IPAP, 011 - 929 7003 |
| Ward 27 | Upgrade and replacement of water lines in ward 27 | Welgedacht 50 MI/d Module 3 is at the planning stage. The project will commence when funds becomes available. | This flow is likely to go to JP Marais however, provision has been made to divert the flow to Welgedacht | N/A | HOD: IPAP, 011 - 929 7003 |
| Ward 28 | Investigate and repair the whole water (sewerage in the whole of ward 28) | Will respond to the outcome of the investigation | The outcome of the investigation should be shared with ERWAT so that the planning process can commence. | N/A | HOD: IPAP, 011 - 929 7003 |

| Ward Number | Priorities Review Process | Departmental Response to needs | Issues to be taken into consideration | Year of Completion | Responsible Project Manager/Contact Person and phone number |
|-------------|--|---|--|--------------------|---|
| Ward 28 | Water pressure investigation and resolve for Lakefield, the Stewards and Westdene. Water pressure at western extension to be increased or upgraded | Will respond to the outcome of the investigation | The outcome of the investigation should be shared with ERWAT so that the planning process can commence. | N/A | HOD: IPAP, 011 - 929 7003 |
| Ward 31 | Rectification of water pipeline system and valves in Tamboville, installation of new pipeline in Abby Nyalunga, Sebotsane & Mamkele streets | Vlakplaats upgrade is at the planning stage. The project will be phased out over 7 years. The first extra 42 MI/d will be completed first. Followed by the other 24 MI/d will be phased out in a period of 5 years after the completion of the first phase. The year of completion will be determined when the funds to commence with the project is available. | ERWAT will only provide extra 42 MI/d when the funds are available to increase the capacity is made available. | N/A | HOD: IPAP, 011 - 929 7003 |
| Ward 33 | Upgrade of water | Vlakplaats upgrade is at the planning | ERWAT will only provide extra 42 MI/d | N/A | HOD: IPAP, 011 - 929 7003 |

| Ward Number | Priorities Review Process | Departmental Response to needs | Issues to be taken into consideration | Year of Completion | Responsible Project Manager/Contact Person and phone number |
|-------------|--|---|--|--------------------|---|
| | infrastructure Witfield | stage. The project will be phased out over 7 years. The first extra 42 Ml/d will be completed first. Followed by the other 24 Ml/d will be phased out in a period of 5 years after the completion of the first phase. The year of completion will be determined when the funds to commence with the project is available. | when the funds to increase the capacity is made available. | | |
| Ward 36 | Building of a new water reservoir in Russel road, Germiston Airport | Waterval upgrade is at planning stage. 100 Ml/d Module 5, the completion date can only be determined when the project have funds. | ERWAT will only provide extra capacity when the funds is made available. | N/A | HOD: IPAP, 011 - 929 7003 |
| Ward 38 | Water sewer system upgrading project in Bracken downs and Bracken and Brocklehurst | Waterval upgrade is at planning stage. 100 Ml/d Module 5, the completion date can only be determined when the | ERWAT will only provide extra capacity when the funds is made available. | N/A | HOD: IPAP, 011 - 929 7003 |

| Ward Number | Priorities Review Process | Departmental Response to needs | Issues to be taken into consideration | Year of Completion | Responsible Project Manager/Contact Person and phone number |
|-------------|---|---|---|--------------------|---|
| | | project have funds. | | | |
| Ward 96 | Water and sanitation for units in Mayfield ext1 | Welgedacht 50 MI/d Module 3 is at the planning stage. The project will commence when funds becomes available. | Information on the capacity required for the units in Mayfield ext 1 should be shared with ERWAT. | N/A | HOD: IPAP, 011 - 929 7003 |
| Ward 72 | Upgrade of sewerlines at Pintail close; Barketon and Grootvlei road | Welgedacht 50 MI/d Module 3 is at the planning stage. The project will commence when funds becomes available. | Information of the capacity of the sewer after upgrade should be shared. | N/A | HOD: IPAP, 011 - 929 7003 |

NB: A department is required to interrogate and analyse all the needs that are relevant its core business and provide adequate responses.

ANNEXURE A: DETAILED 3 YEAR ROLLING CAPEX PLAN - See herein the embedded document


2023_2024_CAPEX_R
olling_Plan.xlsx

| Row Labels | Sum of Budget 2324 | Sum of Budget 2425 | Sum of Budget 2526 |
|----------------------|-----------------------|-----------------------|-----------------------|
| 73436456020TCXBCZZER | - | 7 691 188,00 | - |
| 73536449420TCXBHZZER | 42 063 651,00 | 71 267 937,00 | 42 750 000,00 |
| 73546449420TCXBHZZER | 34 365 477,00 | 8 206 284,00 | - |
| 73626449420TCXBHZZER | 1 191 980,00 | 3 000 000,00 | 5 000 000,00 |
| 73636449420TCXBHZZER | 2 265 000,00 | 194 264,00 | - |
| 73646449420TCXBHZZER | 3 501 500,00 | 1 191 259,00 | - |
| 73696449420TCXBHZZER | 5 160 000,00 | 644 282,00 | - |
| 73716456020TCXBCZZER | 400 000,00 | 229 473,00 | - |
| 73726449420TCXBHZZER | 900 000,00 | - | - |
| 73816449420TCXBHZZER | 16 257 392,00 | - | 21 800 000,00 |
| 73826449420TCXBHZZER | - | - | 6 000 000,00 |
| 73836449420TCXBHZZER | 13 141 091,00 | 7 000 000,00 | 10 000 000,00 |
| 73846449420TCXBHZZER | 8 400 000,00 | 12 575 313,00 | 38 500 000,00 |
| Grand Total | 127 646 091,00 | 112 000 000,00 | 124 050 000,00 |
| Grant | 80 000 000,00 | 100 203 057,00 | 124 050 000,00 |
| Self Funding | 47 646 091,00 | 11 796 943,00 | - |

SECTION 7: FINANCIAL IMPLICATION

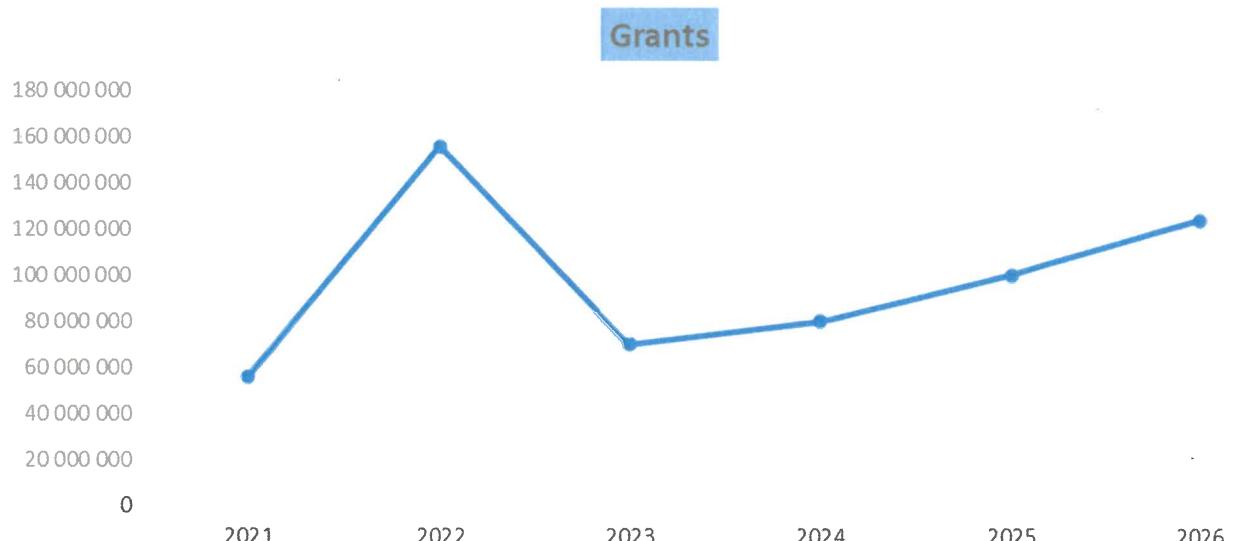
7.1 SUMMARY OF DEPARTMENT'S MTREF

The total budget for 2023/2024 is R1.402 billion as compared to the previous financial year budget of R1.386 billion.

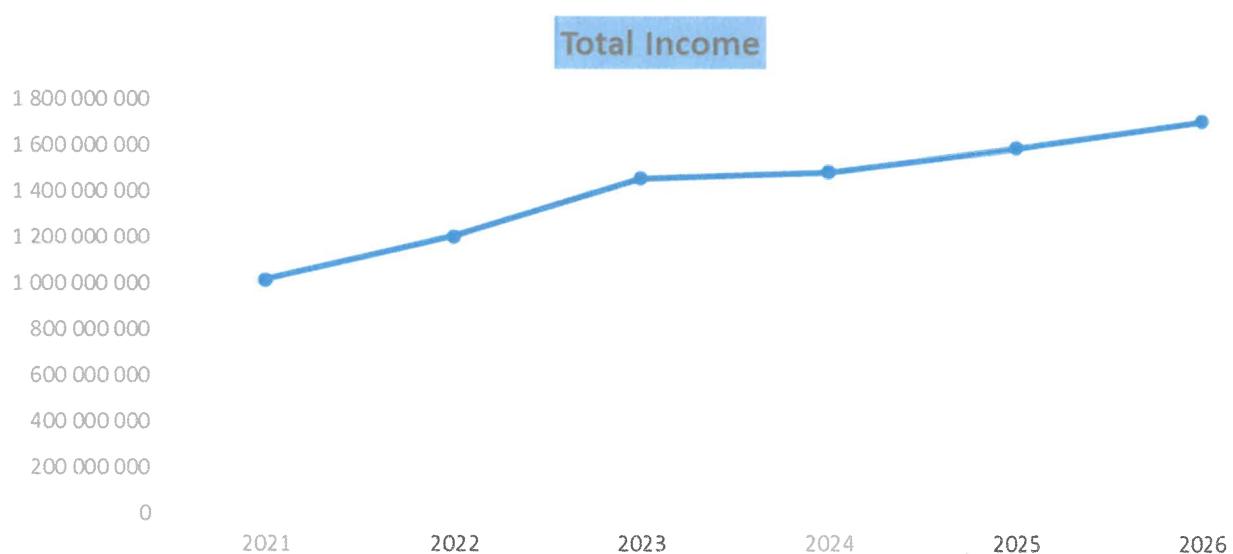
| DEPARTMENT | 2022/23 Budget | 2022/23 to 2023/24 Increase Percentage (%) | 2023/24 Budget | 2023/24 to 2024/25 Increase Percentage (%) | 2024/25 Budget | 2024/25 to 2025/26 Increase Percentage (%) | 2025/26 Budget |
|---|----------------------|--|----------------------|--|-------------------------|--|----------------------|
| | | | | | | | |
| Government Grants and Subsidies | 70 000 000 | 14% | 80 000 000 | 25% | 100 203 057 | 24% | 124 050 000 |
| Interest Income | 14 700 000 | -56% | 6 500 000 | 0% | 6 500 000 | 0% | 6 500 000 |
| Commercial Business | 34 000 000 | 5% | 35 700 000 | 5% | 37 485 000 | 5% | 39 359 250 |
| Service Charges | 1 336 988 475 | 2% | 1 359 429 724 | 6% | 1 440 828 966 | 6% | 1 533 207 280 |
| - Service Charges - CoE | 1 228 583 330 | 5% | 1 293 698 672 | 5% | 1 360 564 702 | 5% | 1 434 464 731 |
| - Service Charges - Lesedi | 21 237 123 | 11% | 23 573 206 | 8% | 25 459 064 | 8% | 27 495 788 |
| - Service Charges - JHB Water | 87 168 022 | -52% | 42 157 846 | 30% | 54 805 200 | 30% | 71 246 761 |
| GRAND TOTAL INCOME (Incl Grants) | 1 455 688 475 | 2% | 1 481 629 724 | 7% | 1 586 717 023 | 9% | 1 703 116 530 |
| DEPARTMENT | 2022/23 Budget | 2022/23 to 2023/24 | 2023/24 Budget | 2023/24 to 2024/25 | 2024/25 Budget | 2024/25 to 2025/26 | 2025/26 Budget |
| Expenditure Type | | | | | | | |
| Bulk purchases and materials | 332 024 644 | 21% | 400 254 021 | 11% | 444 911 769 | 9% | 483 268 555 |
| Debt Impairment | 1 742 850 | 6% | 1 856 135 | -6% | 1 742 850 | 0% | 1 742 850 |
| Depreciation and amortisation | 102 999 602 | 1% | 103 878 876 | 5% | 109 530 530 | 5% | 115 182 221 |
| Employee related costs | 513 441 864 | -5% | 488 794 290 | 4% | 507 802 435 | 5% | 533 075 674 |
| Finance costs | 26 188 054 | 7% | 27 929 554 | 5% | 29 327 508 | 6% | 31 013 839 |
| General Expenses | 203 987 935 | 9% | 223 102 982 | 1% | 226 236 662 | 4% | 234 307 356 |
| Repairs and maintenance - Contracted services | 205 303 526 | -24% | 155 813 866 | 7% | 166 962 212 | 8% | 180 476 035 |
| Total Operating Expenditure | 1 385 688 475 | 1% | 1 401 629 724 | 6% | 1 486 513 966.00 | 6% | 1 579 066 530 |
| | 102 670 444 | | 127 646 091 | | 112 000 000.00 | | 124 050 000 |
| Internal Funding | 32 670 444 | | 47 646 091 | | 11 796 943.00 | | - |

Table 5: Budget Summary (Income and OPEX)
 ERWAT's budget is in line with its strategic objectives.

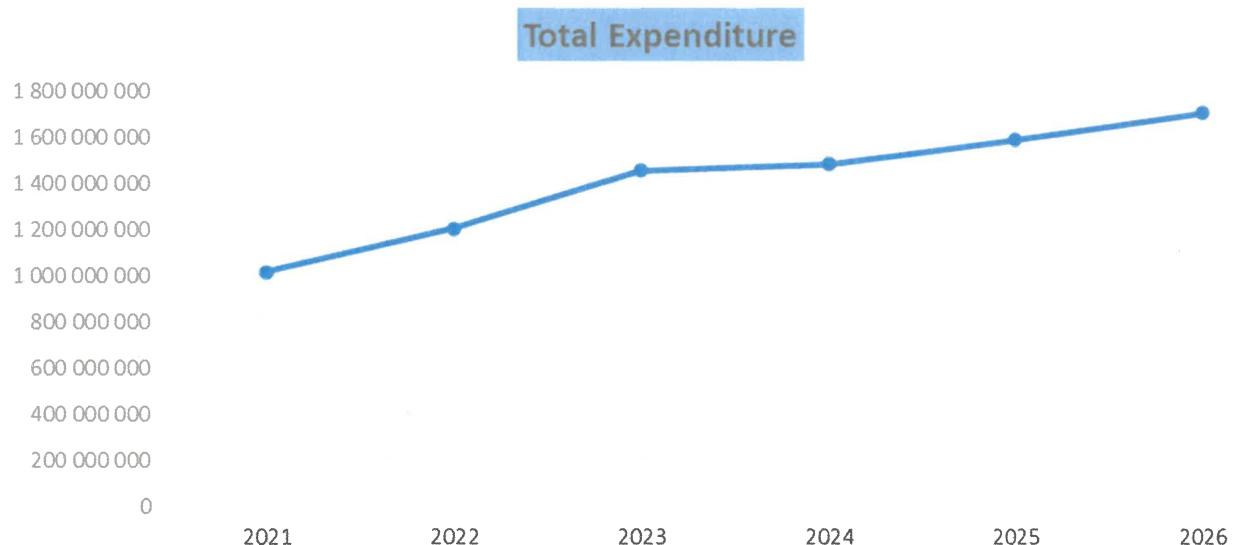
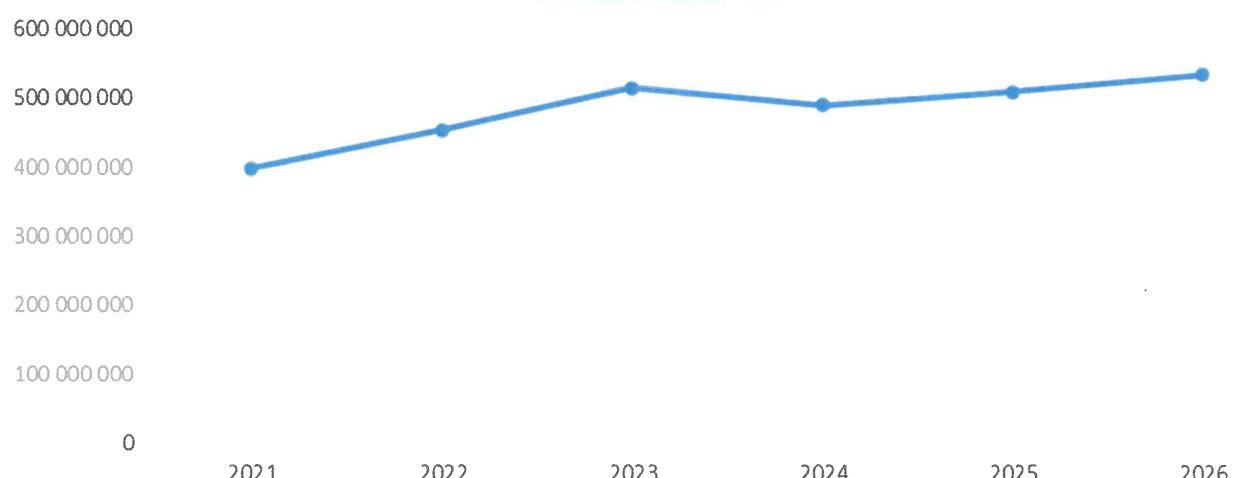
Income: ERWAT has a total budgeted income of **R1.481 billion** which is a 2% increase on total income budgeted from the 2023/24 year. The total income includes grants received amounting to R80 million.



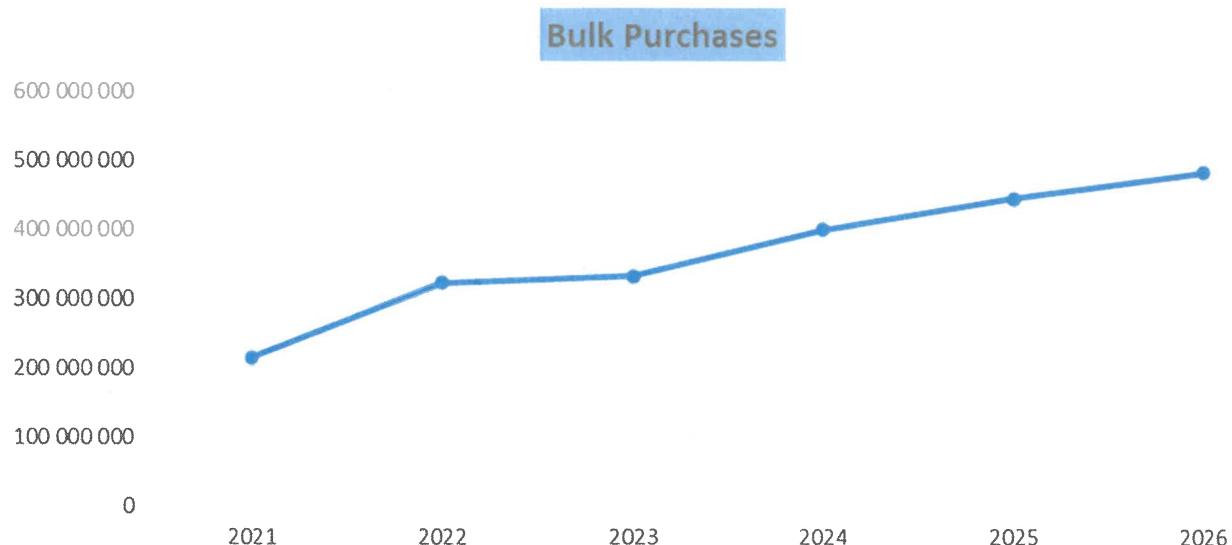
Graph 1: total income



GRAPH 2: GRANTS RECEIVED

GRAPH 3: TOTAL EXPENDITURE**Employee Cost****GRAPH 4 : EMPLOYEE RELATED COST**

Graph 5: bulk purchases



Capital Expenditure:

ERWAT has budgeted capital expenditure amounting to R102.6 million for the 2022/2023 financial year (Of which R32.6.1million is self-funded).

| Source of Funding | Original Budget Year 2022/23 | Adjustment | Adjusted Budget Year 2022/23 | Budget Year 2023/24 | Budget Year 2024/25 | Budget Year 2025/26 |
|-------------------|---------------------------------|----------------------|---------------------------------|------------------------|------------------------|------------------------|
| REVENUE | 11 558 800.00 | 21 111 644.00 | 32 670 444.00 | 47 646 094.00 | 11 796 943.00 | |
| USDG | 80 000 000.00 | - 10 000 000.00 | 70 000 000.00 | 80 000 000.00 | 100 203 057.00 | 124 050 000.00 |
| Total | 91 558 800.00 | 11 111 644.00 | 102 670 444.00 | 127 646 094.00 | 112 000 000.00 | 124 050 000.00 |

Table 6 Capex Budget

| Plant Name | Vote number | Budget 23/24 | Budget 24/25 | Budget 25/26 |
|---------------------|----------------------|-----------------------|-----------------------|-----------------------|
| Scientific Services | 73436456020TCXBCZZER | - | 7 691 188.00 | - |
| Olifantsfontein | 73536449420TCXBHZZER | 42 063 651.00 | 71 267 937.00 | 42 750 000.00 |
| Hartebeestfontein | 73546449420TCXBHZZER | 34 365 477.00 | 8 206 284.00 | - |
| Benoni | 73626449420TCXBHZZER | 1 191 980.00 | 3 000 000.00 | 5 000 000.00 |
| Carl Grundling | 73636449420TCXBHZZER | 2 265 000.00 | 194 264.00 | - |
| Heidelberg | 73646449420TCXBHZZER | 3 501 500.00 | 1 191 259.00 | - |
| Rynfield | 73696449420TCXBHZZER | 5 160 000.00 | 644 282.00 | - |
| Tsakane | 73716456020TCXBCZZER | 400 000.00 | 229 473.00 | - |
| Welgedacht | 73726449420TCXBHZZER | 900 000.00 | - | - |
| Dekema | 73816449420TCXBHZZER | 16 257 392.00 | - | 21 800 000.00 |
| Rondebult | 73826449420TCXBHZZER | - | - | 6 000 000.00 |
| Vlakplaats | 73836449420TCXBHZZER | 13 141 091.00 | 7 000 000.00 | 10 000 000.00 |
| Waterval | 73846449420TCXBHZZER | 8 400 000.00 | 12 575 313.00 | 38 500 000.00 |
| Grand Total | | 127 646 091.00 | 112 000 000.00 | 124 050 000.00 |

7.2 RESOURCES PLANNING AND FINANCIAL REQUIREMENTS

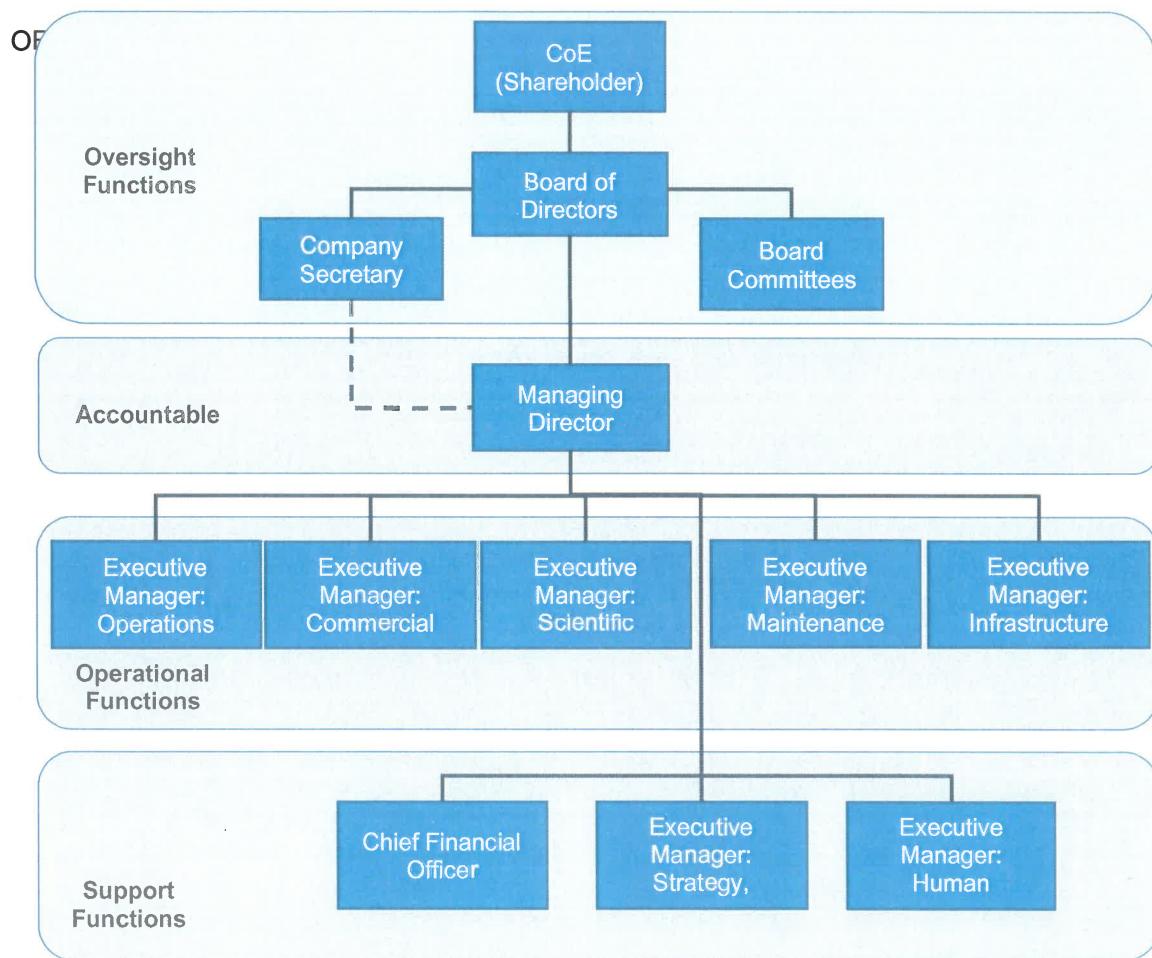
In this section the current Human Capital expenditure patterns should be indicated. This includes the: total staff expenditure, professional services (consultancy services) and a ratio of staff to operating expenditure. The intention of the section is to demonstrate that the Department has budgeted within its allocation for both the salaries and for the appointment of service providers to be able to deliver on the planned tasks for 2023/24

| TOTAL STAFF EXPENDITURE | | | | | |
|--|-------------------------------------|-------------------------------|--------------------------------------|---|--|
| | Current (projections) F/Y 2022/2023 | Required Budget F/Y 2023/2024 | Projected Percentage Growth/Decrease | Percentage of Operating Expenditure 2023/2024 | |
| SALARIES AND WAGES | 428 016 528 | 513 441 864 | 7% | 30.82% | |
| CONTRACTED SERVICES EXPENDITURE | 108 735 866 | 205 813 975 | 8% | 7.83% | |
| TOTALS | 536 752 394 | 719 255 839 | | | |

TABLE 7: STAFF VS. CONTRACTED SERVICES EXPENDITURE

SECTION 8: HUMAN RESOURCE ANALYSIS

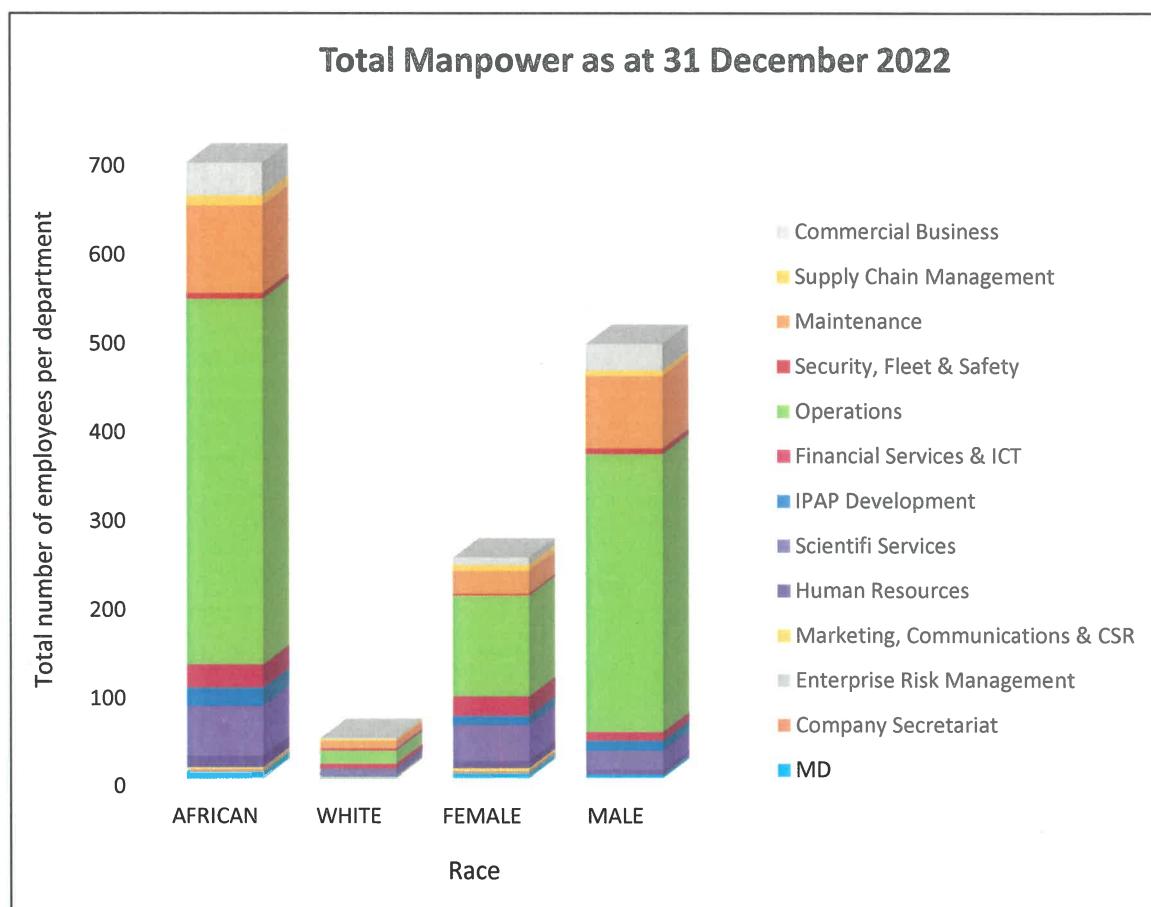
DISCUSSIONS



ERWAT Manpower Employment Statistics

8.1.1. ERWAT Total Manpower (Including Non-Permanent Staff)

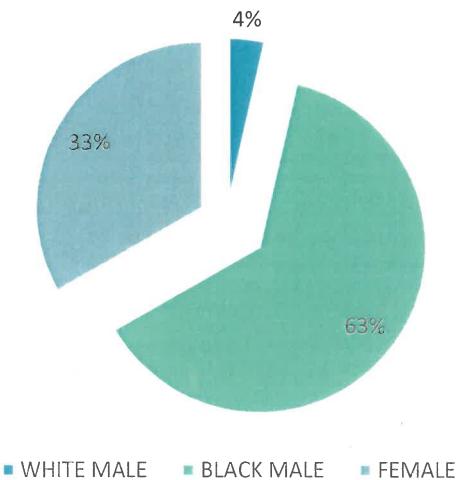
| TOTAL MANPOWER | | | | | |
|--------------------------------|------------|-----------|------------|------------|------------|
| DEPARTMENT/SECTION | AFRICAN | WHITE | FEMALE | MALE | TOTAL |
| Office of the MD | 7 | 1 | 5 | 3 | 8 |
| Governance, Legal & Compliance | 5 | 1 | 6 | 0 | 6 |
| Human Resources | 13 | 1 | 8 | 6 | 14 |
| Scientific Services | 57 | 6 | 41 | 22 | 63 |
| IPAP | 20 | 1 | 10 | 11 | 21 |
| Financial Services & ICT | 26 | 6 | 22 | 10 | 32 |
| Operations | 413 | 15 | 114 | 314 | 428 |
| Loss Control & Safety | 6 | 2 | 2 | 6 | 8 |
| Maintenance Services | 99 | 9 | 26 | 82 | 108 |
| Supply Chain Management | 11 | 2 | 7 | 6 | 13 |
| Commercial Business | 37 | 1 | 8 | 30 | 38 |
| TOTAL EMPLOYEES | 693 | 46 | 249 | 490 | 739 |



8.1.2. Demographics for Permanent Employees

| TOTAL 2022 | WHITE MALE | BLACK MALE | FEMALE | % EQUITY |
|------------|------------|------------|--------|----------|
| 646 | 23 | 408 | 215 | 96% |

EE Targets -ERWAT 31/12/2022



GRAPH 7

8.1.3. Demographic for Non-Permanent Employees

| TOTAL 2022 | WHITE MALE | BLACK MALE | FEMALE | % EQUITY |
|------------|------------|------------|--------|----------|
| 93 | 2 | 57 | 34 | 98% |

8.2. Employment Equity Statistics

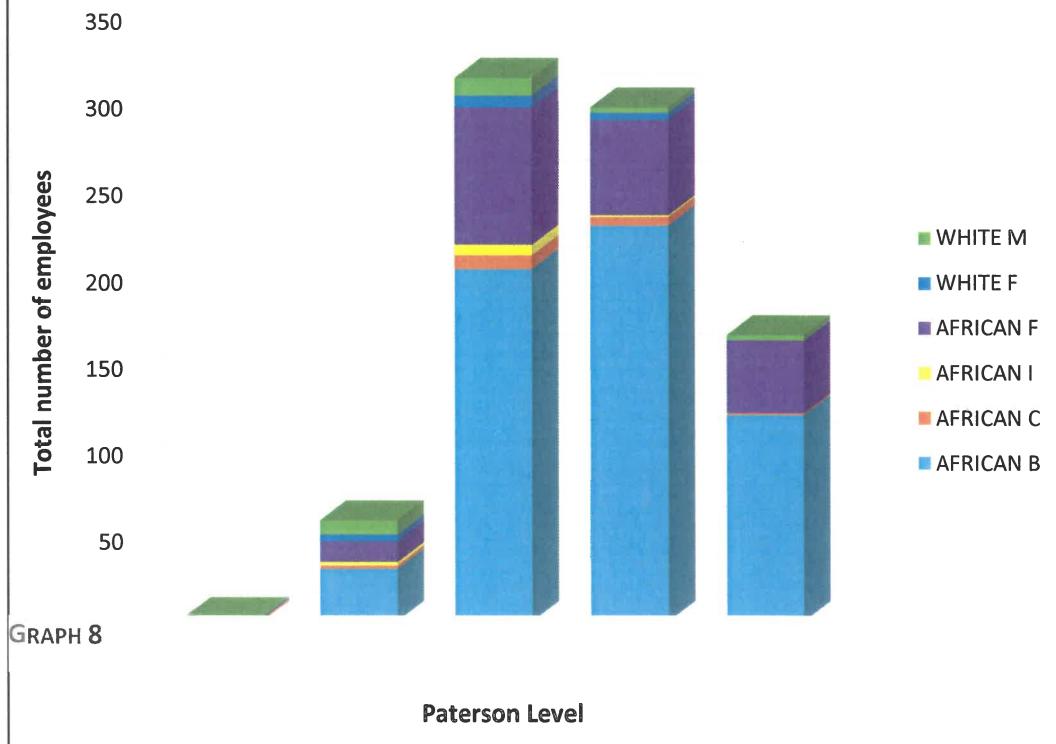
8.2.1. Definition of Staff Categories

| GRADES | STAFF CATEGORIES |
|--------|---|
| F & E | Top Management |
| D | Professionally qualified and experienced specialists and middle management. |
| C | Skilled Technical and academically qualified workers, junior management, supervisors and superintendents. |
| B | Semi-skilled and discretionary decision-making. |
| A | Unskilled and defined decision-making. |

8.2.2. ERWAT Paterson Level Profile (Permanent staff only)

| PATERSON PROFILE | AFRICAN | | | | WHITE | | TOTAL | % |
|------------------|------------|-----------|----------|------------|-----------|-----------|------------|---------------|
| | B | C | I | F | F | M | | |
| LEVEL | | | | | | | EQUITY | |
| EXECUTIVE | 0 | 1 | 0 | 0 | 1 | 0 | 6 | 83.33% |
| D | 30 | 2 | 2 | 12 | 4 | 8 | 43 | 81.40% |
| C | 203 | 8 | 6 | 79 | 7 | 10 | 210 | 95.24% |
| B | 228 | 5 | 1 | 55 | 4 | 3 | 213 | 99.06% |
| A | 119 | 1 | 0 | 42 | 0 | 3 | 138 | 97.83% |
| TOTAL | 599 | 17 | 9 | 188 | 16 | 24 | 610 | 96.07% |

ERWAT Paterson Level Profile as at 31 December 2022



| Occupational Categories | Age Analyses | | | | | | Total |
|---|--------------|------------|------------|------------|-----------|----------|------------|
| | 20-30 | 31-40 | 41-50 | 51-60 | 61-65 | >65 | |
| Unskilled & Defined decision making | 24 | 62 | 24 | 11 | 2 | 0 | 123 |
| Semi-Skilled & Discretionary decision-making | 11 | 88 | 77 | 54 | 10 | 0 | 240 |
| Skilled Technical & Academically Qualified/Junior management | 22 | 127 | 57 | 24 | 4 | 0 | 234 |
| Professionally Qualified & Experienced Specialists / Mid-Management | 0 | 16 | 17 | 9 | 4 | 0 | 46 |
| Senior Management | 0 | 0 | 1 | 1 | 1 | 0 | 3 |
| TOTAL PERMANENT | 57 | 293 | 176 | 99 | 21 | 0 | 646 |
| Non-Permanent Employees | 46 | 22 | 13 | 3 | 6 | 3 | 93 |
| TOTAL ON PAYROLL | 103 | 315 | 189 | 102 | 27 | 3 | 739 |

8.2.3. Age Analysis

Average age as at 12/2022 = 35

8.3. Labour Turnover Statistics

8.3.1. New appointments and Promotions

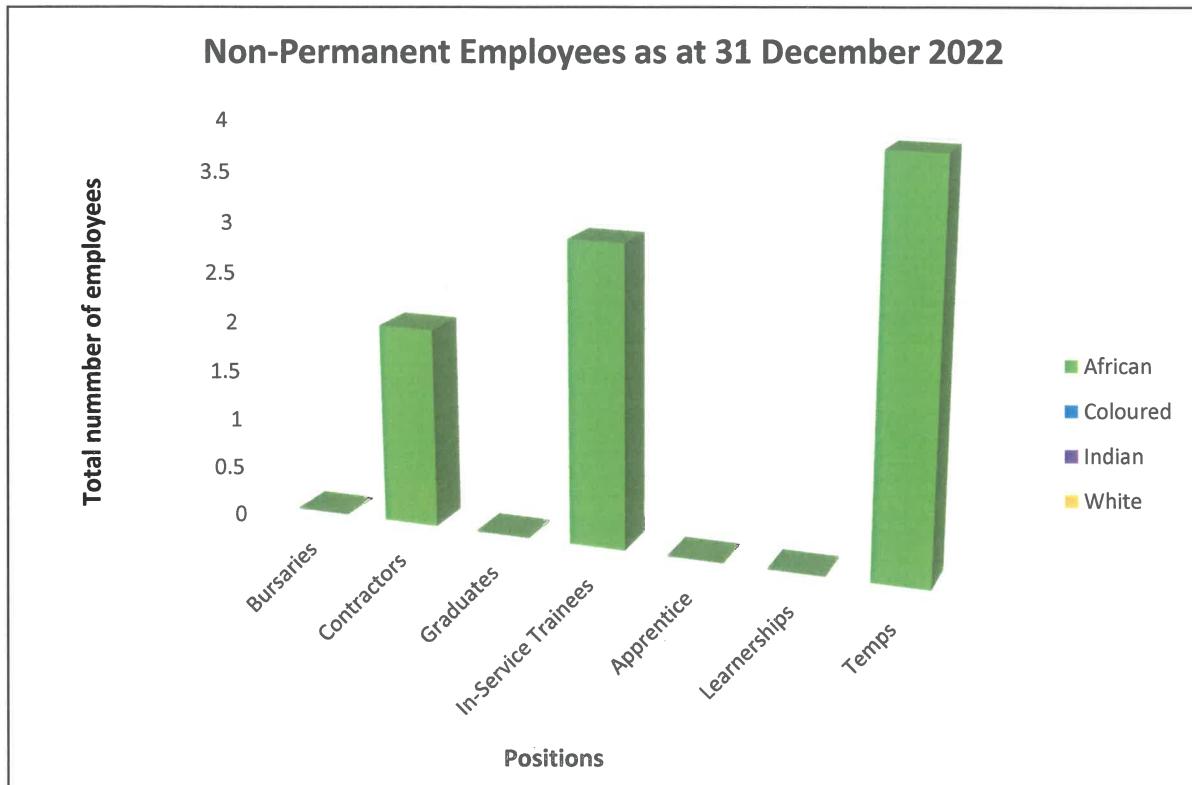
| Staff Movements | African | | Coloured | | Indian | | White | | Total |
|-----------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | Male | Female | Male | Female | Male | Female | Male | Female | |
| Recruitments | 1 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 6 |
| Promotions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 1 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 6 |

8.3.2. Terminations

| Staff Movements | African | | Coloured | | Indian | | White | | Total |
|-------------------|-----------|----------|----------|----------|----------|----------|----------|----------|-----------|
| | Male | Female | Male | Female | Male | Female | Male | Female | |
| Resignations | 4 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 5 |
| Deaths | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| Absconded | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Retirements | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| Contracts Expired | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| Total | 11 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 13 |

8.3.3. Statistics for Non-Permanent Staff

| | African | Coloured | Indian | Whites | Total |
|---------------------|----------|----------|----------|----------|----------|
| Bursaries | 0 | 0 | 0 | 0 | 0 |
| Contractors | 2 | 0 | 0 | 0 | 2 |
| Graduates | 0 | 0 | 0 | 0 | 0 |
| In-Service Trainees | 3 | 0 | 0 | 0 | 3 |
| Apprentice | 0 | 0 | 0 | 0 | 0 |
| Learnerships | 0 | 0 | 0 | 0 | 0 |
| Temps | 4 | 0 | 0 | 0 | 4 |
| Total | 9 | 0 | 0 | 0 | 9 |



GRAPH 9

INTRODUCTION AND OVERVIEW

1.2 OVERVIEW

Municipalities produce a hierarchy of plans intended to facilitate service delivery in order to improve the quality of life of communities. The different levels of plans are as follows:

Long term plan: COE GDS 2055

- 5-year plan: Integrated Development Plan (IDP) – to achieve the outcomes of the long term plan
- Top Layer Annual Metro Wide Service Delivery and Budget Implementation Plan: To give effect to the 5 year IDP and Budget. This top layer SDBIP deals with consolidated service delivery targets and in-year deadlines.
- Lower level Departmental Service Delivery and Budget Implementation Plan/Business Plan which breaks down consolidated targets into smaller outputs, activities and input to gives effect to the Metro Wide SDBIP

1. RISK MANAGEMENT

SECTION 9: RISK ANALYSIS

Risk Management

The department is faced with uncertainty on the achievement of the strategic and performance objectives as set out in this business plan. The uncertainty arises from various internal and external factors and sources. This uncertainty, if not responded to, may lead to the non-achievement of set objectives and failing to take advantage of any opportunities that may be realised in the pursuit of the achievement of objectives.

The management of uncertainty, otherwise known as risk management, is the basis of effectively responding to uncertainty and maximizing opportunities. Risk management is one of the cornerstones of sound and responsible municipal governance, and it is as an indispensable element of all planning, execution and monitoring activities.

The benefits of responding to risk are:

1. Proactive response to performance threats;
2. Better quality decisions;
3. Increased efficiency, effectiveness and economy of operations;
4. Reduced losses;
5. Enhanced compliance with laws, regulations and standards;
6. Continuity of operations;
7. Higher level of assurance on the achievement of objectives.

The department has identified the risks that are associated with its strategic objectives and the inherent nature of its business. The process was in line with the City's Enterprise Risk Management Policy and Framework. The key elements of the process involve the:

- (i) The identification of risks;
- (ii) The evaluation of risks against drivers and the impact thereof;
- (iii) Assessment of risks to determine the residual risk levels;
- (iv) Deciding on the appropriate response to risk based on priority; and
- (v) Implementing the risk response measures

The summarised profile of the risks of the department is tabled below:

| # | Objective | Risk | Risk Contributing Factor | Residual Risk Priority | Key Risk Response Plan |
|---|---|---|--|------------------------|--|
| 1 | SO1. Render services to the City of Ekurhuleni as per the constitutional mandate | Inadequate Infrastructure to treat wastewater | CF1.1.Inadequate integrated planning between CoE and ERWAT | High | RAP1.1 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |
| | | | CF1.2 Lack of participation in | | RAP1.2 Request the H.o.D of City to invite |

| # | Objective | Risk | Risk Contributing Factor | Residual Risk Priority | Key Risk Response Plan |
|---|--|------|---|------------------------|--|
| | SO9. Optimal operational and expansion of infrastructure | | key decision making forums established by the City such as Capital Investment Forum | | ERWAT to Capital Investment Forum meeting |
| | SO8. Ensure full compliance with relevant legislation and governance related requirements | | CF1.3 (a) Outdated, aging and inadequate infrastructure to treat high strength industrial effluent due to lack of budget to implement capacity related projects. Current Capacity (14 WCWs operating above 100% capacity, 3WCWs operating at 80+ to 100% and only 2 WCWs operating below 80%) | | RAP1.3.1 Investigate other potential sources of funding for the upgrading of infrastructure to increase capacity- Go out into the market to source/borrow additional funding for expansion |
| | | | | | RAP1.3.2.1 Implementation the 2023/2024 Capex plan |
| | | | | | RAP1.3.2.2 Plant Optimisation Modelling |
| | | | | | RAP1.3.3 Review the Development & Engineering Contribution Policy to include a clause on upfront payment |
| | | | | | RAP1.3.4 Five (5) Capital Project through the City (progress report) |
| | | | CF1.3 (b) Outdated, aging and inadequate technology to treat high strength industrial effluent due to lack of budget to implement newer | | RAP1.3.5 Review the Wastewater Risk Abatement Plans every 2nd year (2023) |
| | | | | | RAP1.3.6 Organic testing of industrial effluent |
| | | | | | RAP1.3.7 The current mitigation controls are deemed to be adequate. Therefore no further risk |

| # | Objective | Risk | Risk Contributing Factor | Residual Risk Priority | Key Risk Response Plan |
|---|--|--|--|------------------------|--|
| | | | technologies (OPS). | | <p>action plan to be implemented.</p> <p>RAP1.3.8 Tracking of incidents and on a quarterly to assist in planning to build operational resilience and improving compliance</p> <p>RAP1.4.1 Review the Asset Management Policy and Strategy</p> <p>RAP1.4.2 Implementation of the Maintenance Plan for 2023/2024</p> |
| | | | CF1.4 Asset Care Plans inadequately resourced to fully implement maintenance plans leading to unavailability of equipment | | <p>RAP1.5.1 Create a Centralised Spares Store to reduce down-time and increase efficiency</p> <p>RAP1.5.2 Develop/Review the Maintenance & Operations Standard Operating Procedures</p> |
| | | | CF1.5 Delays in bringing back equipment to services due to long lead time of spares of spares sourced overseas and inadequate service master contracts | | <p>N/A. The entity has no control over storm water ingress it is within the boundary of the City</p> |
| | | | CF1.6 Storm water ingress contributing to the water levels in the plant | | |
| | | | CC1.7 Wastewater conveyance and treatment systems regionalization and 50 year master plan | | <p>RAP1.7 Request additional Capex funding to implement capacity related project</p> |
| 2 | SO7. Ensure a comprehensive Risk Management | Inadequate preparedness in the event of an | CF2.1 Some plants of the 19 Wastewater Care Works do | High | <p>RAP2.1 The current mitigation controls are deemed to be adequate. Therefore no further risk.</p> |

| # | Objective | Risk | Risk Contributing Factor | Residual Risk Priority | Key Risk Response Plan |
|---|---|---|---|------------------------|--|
| | strategy and application throughout ERWAT | emergency/natural disaster | not have wastewater bypassing systems and emergency dams | | action plan to be implemented. |
| | | | CF2.2 Some of the Infrastructure built on dolomitic areas | | RAP2.1 Conduct Geotechnical studies |
| | | | CF2.3 Inadequate Business Continuity Management Program | | RAP2.3.1 Develop an ERWAT Disaster Management Framework |
| | | | | | RAP2.3.2 Review of Business Recovery Plans for the Core Business |
| | | | | | RAP2.3.3(a) Continue to Raise awareness on Business Continuity Management through quarterly news flash |
| | | | | | RAP2.3.3(b) Training of BCM Co-ordinators |
| | | | | | RAP2.3.4 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |
| | | | | | RAP2.3.5 Move ERWAT Disaster Recovery Site to a location far from Head Office in line with best practice |
| 3 | SO8. Ensure full compliance with relevant legislation and governance | Potential loss of the ISO 17025 accreditation | CF3.1 Aging instrumentation, scarcity of spares and discontinuation | High | RAP3.1(a) Scheduled Instrumentation Maintenance Plan |

| # | Objective | Risk | Risk Contributing Factor | Residual Risk Priority | Key Risk Response Plan |
|---|---|---|---|------------------------|---|
| | related requirements | | of instruments could result in loss of the approved testing methods impacting on service delivery both internally and externally | | RAP3.1(b) 2 x Flow injection analysers GC-MS equipment |
| | | | CF3.2 Lack of budget for planned maintenance of the laboratory building | | RAP3.2 Implementation of building maintenance plans including power supply loads, building/ roof leaks, etc. |
| | | | CF3.3 Lack of control of the laboratory internal environmental temperature | | RAP3.3(a) Develop Head Office Maintenance Plan (replacement of UPS batteries and scheduled maintenance on the batteries) |
| | | | CF3.4 Power and water supply disruption due to loadshedding and unstable water supply | | RAP3.4 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |
| 4 | SO7. Ensure a comprehensive Risk Management strategy and application throughout ERWAT | Inadequate preparedness in the event of total grid collapse resulting in extended blackouts | CF4.1 SA Energy supply not meeting the demand and resulting in the load being shed- Infrastructure challenges faced by (Government) | High | RAP4.1 (a) The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. RAP4.1(b) Do a feasibility study on alternative energy such as Hydropower |
| | | | CF4.2 Generators are not installed at all wastewater | | RAP4.2 Repair all non-operational Gensets |

| # | Objective | Risk | Risk Contributing Factor | Residual Risk Priority | Key Risk Response Plan |
|---|--|--|---|------------------------|--|
| | | | to power critical processes CF4.3 Gensets do not generate enough power to operate the entire wastewater care works by its design | High | RAP4.3 Procurement of additional Gensets to increase the fleet |
| 5 | SO4. Ensure financial sustainability and value creation for Stakeholders to support the discharge of clean water into the environment | Inability to spend in accordance with the allocated budget | CF5.1 High vacancy rate due to the backlog caused by the previous monotorium (new recruits and staff who resigned) | Medium | RAP5.1 Implementation of the 2023/24 recruitment plan |
| | | | CF5.2 Decline in bulk purchases; 1. Electricity costs due to loadshedding | | RAP5.2 Enhance the process by having additional chemical suppliers(Ops) |
| | | | CF5.3 Unavailability of chemicals in the market -Unavailability of fuel | | RAP5.3 Enhance the budget variance process by sending variance reports to user departments |
| | | | CF5.4 Non award of tenders | | RAP5.4 User department to ensure conduct a proper market research analysis and provide proof thereof |
| | | | CF5.5 Poor Contracts Management | | RAP5.5.1 Implementation of the Contracts Management policy(reporting and reviewing of the contract register) |

| # | Objective | Risk | Risk Contributing Factor | Residual Risk Priority | Key Risk Response Plan |
|---|---|---|--|------------------------|--|
| | | | | | RAP5.5.2 Report(monthly) on monitoring of contractor performance |
| | | | CF5.6 Delays in the processing of purchase orders | | RAP5.6 Conduct SCM workshop on procurement of products and services(quarterly) |
| 6 | SO2. Expand external business to generate more revenue | Inadequate revenue generation to supplement the approved budget | CF6.1 Inability to secure new business due to overhead costs that are higher than that of competitors.(such as Manpower, laboratory, etc.) | Medium | RAP6.1.1 Review of the Pricing Model |
| | | | | | RAP6.1.2 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |
| | | | | | RAP6.1.3 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |
| | | | | | RAP6.1.4 Development of sales strategy and market penetration plan |
| | | | | | RAP6.2 Appointment of an independent service provider to conduct annual customer survey |
| | | | CF6.2 Loss of existing business through insourcing and companies closing down or reducing costs | | |
| | | | CF6.3 Inability to retain clients because there is no flexibility in price increment | | RAP6.3 Review of the Commercial Business Policy to include continuous improvement of policy conditions |
| | | | CF6.4 Business requirements limiting of entry to new market | | RAP6.4 Planning of all activities related to the requirements of the BBB-EE score card |

| # | Objective | Risk | Risk Contributing Factor | Residual Risk Priority | Key Risk Response Plan |
|---|-----------|--|---|------------------------|--|
| | | | (Level of BBB-EE Compliance) | | Annual review of BBB EE Compliance. |
| | | | CF6.5 Expiry of existing customer contracts/non-renewal of expired contracts | | RAP6.5 Develop a tracking sheet for early negotiation of contracts |
| | | | CF6.6 Long lead times from the City to initiate and implement PPP projects | | RAP6.6 Tracking of the progress of the projects approvals |
| 7 | | Failure to meet capital expenditure set target | CF7.1 Delays in Supply Chain processes. (Including the effect of the unforeseen event such as Pandemic)- IPAP | High | RAP7.1.1 Implementation of the 2023-2024 CAPEX Plan |
| | | | CF7.2 Late payment of contractors due to USDG Invoices being paid late | | RAP7.1.2 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |
| | | | | | RAP7.2.1 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |
| | | | | | RAP7.2.2 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |
| | | | CF7.3 Members of the community and the local business forums demanding to be sub- | | RAP7.3 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |

| # | Objective | Risk | Risk Contributing Factor | Residual Risk Priority | Key Risk Response Plan |
|---|-----------|------|---|------------------------|--|
| | | | contracted in the project. | | |
| | | | CF7.4 Potential disruptions such as Contractor employees going on strike and/or any other disruption caused by contractor | | RAP7.4 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |
| | | | CF7.5 Denial of contractor's access to ERWAT sites due to labor unrest | | RAP7.5 Disciplinary processes to be taken for illegal strikes as and when they arise |
| | | | CF7.6 Denial of contractor's access to ERWAT sites due to community unrest | | RAP7.6.1 Engage CSR office prior to commencement of construction project. (CSR plan to include Projects) |
| | | | CF7.6 Denial of contractor's access to ERWAT sites due to community unrest | | RAP7.6.2 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |
| | | | CF7.7 Tender offer declined by the winning bidder | | RAP7.7 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |
| | | | CF7.8 Termination of contract due to poor performance of the contractor and Unexpected withdrawal from projects | | RAP7.8 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |

| # | Objective | Risk | Risk Contributing Factor | Residual Risk Priority | Key Risk Response Plan |
|---|--|------------------------------|---|------------------------|--|
| | | | by the contractor | | |
| 8 | SO5. Ensure adequate human capital deployment, development, and performance within the business | Potential loss of key skills | CF8.1 Unexpected loss of key employees due to the resignation, retirement, death etc | Medium | RAP8.1.1 Review the recruitment policy to include a section on the recruitment of foreign nationals and compulsory entry and exit medicals |
| | | | | | RAP8.1.2 Implementation of the 2023/24 Recruitment Plan |
| | | | | | RAP8.1.3 Review of existing Progression Framework to include other departments |
| | | | | | RAP8.1.4 Implementation of the skills Audit a plan for the gaps identified in the skills audit |
| | | | | | RAP8.1.5 Develop an ERWAT Epidemic/Pandemic policy |
| | | | | | RAP8.1.6 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |
| | | | | | RAP8.1.7 Implementation of 2023/24 Annual Training Plan |
| | | | CF8.2 Dissatisfaction in the Working Environment (e.g. not fitting in with the organisation's culture and | | RAP8.2.1 Review the Medical Aid policy to include pension |
| | | | | | RAP8.2.2 Conduct an Employee Climate Survey |

| # | Objective | Risk | Risk Contributing Factor | Residual Risk Priority | Key Risk Response Plan |
|---|---|--|---|------------------------|--|
| | | | inadequate working resources) | | RAP8.2.3 Implementation of the 2023/24 Employee Wellness Support Programmes |
| | | | | | RAP8.2.4 Implementation of the 2023/24 Wellness Program |
| | | | | | RAP8.2.5 Go on a Human Resources Road Show to raise awareness on Human Resource activities |
| | | | CF8.3 Individuals not coping with the work challenges, expectations on individuals not met and career advancement | | RAP8.3.1 Review of Personal Development Plans for the 2023/24 Financial Year |
| | | | | | RAP8.3.2 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |
| 9 | 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 | Potential delays in the supply and delivery of critical goods and services as a result of procurement challenges | CF9.1 Late commencement of bid processes by user department and discrepancies around specifications | High | RAP9.1.1 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |
| | | | | | RAP9.1.2 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |
| | | | | | RAP9.1.3 Review the 2022/2023 Procurement Plan for the 2023/2024 Financial Year |
| | | | | | RAP9.1.4 Appointment of Probity Committee to |

| # | Objective | Risk | Risk Contributing Factor | Residual Risk Priority | Key Risk Response Plan |
|----|---|---|--|------------------------|--|
| | | | | | assist the Accounting Officer with compliance. |
| | | | | | RAP9.1.5 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |
| | | | | | RAP9.1.6 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |
| | | | CF9.2 Inadequate monitoring of contract term by the user department | | RAP9.2 Implementation of the Contracts Management Policy(reporting and reviewing of the contract register) |
| | | | CF9.3 Long lead time to deliver goods/ services due to external factors such as Pandemics, Rise in Logistics Cyber Attacks, Shortage of supplies & Consumables etc | | |
| 10 | SO6. Establish and maintain comprehensive ICT infrastructure systems and processes in the business | Potential Loss of, and Unauthorized Access Critical Information | CF10.1 Aging ICT infrastructure leading to higher hardware failure (80%-85%) of the Server Hardware has reached end of life support, leading to difficulties in | High | RAP10.1(a)Replacement of server infrastructure |
| | | | | | RAP10.2(b)Upgrade unsupported operating systems |

| # | Objective | Risk | Risk Contributing Factor | Residual Risk Priority | Key Risk Response Plan |
|---|-----------|------|---|------------------------|--|
| | | | procuring replacement spare, warranties, etc) | | |
| | | | CF10.2 Inadequate cyber security awareness and behavior | | RAP10.2 Raise awareness Cyber-Security through quarterly news flash |
| | | | 10.3 Inadequate Information Security Controls | | RAP10.3.1 Develop a User Access Review Standard Operating Procedure |
| | | | | | RAP10.3.2 Develop a back-up and restoration Standard Operating Procedure |
| | | | | | RAP10.3.3 Develop a Cyber-Security policy |
| | | | CF10.4 Non-adherence to ICT Policies and Procedure | | RAP10.4 Raise awareness on ICT Policies through quarterly news flash |
| | | | CF10.5 Inadequate maintenance of Assets that are critical to the ICT Environment (e.g. fire equipment in the server room, air conditioning system, UPS, Power Generators, location of server room, etc) | | RAP10.5 Annual Servicing of the Fire Fighting Equipment (Fire Extinguishers & Fire Hydrants) |
| | | | CF10.6 Inadequate monitoring of | | RAP10.6 Installation of an Environmental Monitoring System in the server room to control |

| # | Objective | Risk | Risk Contributing Factor | Residual Risk Priority | Key Risk Response Plan |
|---|--|--|--|------------------------|--|
| | | | ICT server environment | | temperature, humidity and power |
| 1 | SO8. Ensure full compliance with relevant legislation and governance related requirements | Potential injuries to people(personnel, visitors and contractors) and damage to property | CF11.1 .Non-Compliance/ disregarding (Knowingly or unknowingly) Occupational Health & Safety policies and Standard operating procedures. (e.g. Inappropriate use of PPE;) | High | <p>RAP11.1.1 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented.</p> <p>RAP11.1.2(a) Development of Occupational Health Standard Operating Procedures: Employee Assistance Programme</p> <p>RAP11.1.2.(b) Review of Safety Standard Operating Procedures</p> <p>RAP11.1.3 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented.</p> <p>RAP11.1.4(a)Raise Safety Awareness through quarterly newsflash</p> <p>RAP11.1.4(b)Conduct a Safety Drill to increase awareness</p> <p>RAP11.5 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented.</p> |
| | | | CF11.2 Deteriorating workplace condition due to inadequate maintenance | | <p>RAP11.2.1 Is there a Maintenance Plan for Head Office</p> <p>RAP11.2.2 Develop a Medical Surveillance Standard Operating Procedure to expand on</p> |

| # | Objective | Risk | Risk Contributing Factor | Residual Risk Priority | Key Risk Response Plan |
|---|-----------|------|--|------------------------|---|
| | | | | | the baseline and categories of employees |
| | | | CF11.3 Unauthorised entry to ERWAT properties with the aim of vandalising, threat to lives, theft, (armed robberies) | | RAP11.3.1 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |
| | | | | | RAP11.3.2 The current mitigation controls are deemed to be adequate. Therefore no further risk action plan to be implemented. |
| | | | | | RAP11.3.3 Implementation of the Security Awareness Programs for 2023/2024 |
| | | | CF11.4 Unavailability of Fire Detection & Suppression System for the buildings | | RAP11.4 Annual Servicing of the Fire Fighting Equipment (Fire Extinguishers & Fire Hydrants) |

The response plans for the above risks will be implemented during the course of the financial year. The progress of implementation will also continuously be monitored and adjusted accordingly as circumstances change.

Assurance on the state of risk will be provided on a quarterly basis to the City's Risk Management Committee, the Audit Committee and eventually to the Council.

2. LEGISLATIVE (ONLY IF APPLICABLE TO YOUR DEPARTMENT)

Compliance with legislation that applies to the entity is critical to the existence and operations of ERWAT. Management and the board has identified and prioritised seven (7) key legislation for monitoring. Compliance risk management plans are developed to ensure that all the risks are mitigated. Any changes to legislation is aligned with internal policies and processes. The Regulatory Landscape consist of the following

1. Companies Act 71 of 2008
2. Municipal Systems Act 32 of 2000
3. National Water Act 36 of 1998

4. National Environmental Management Act
5. Municipal Finance Management 56 of 2003
6. Labour Relations Act 66 of 1995
7. Occupational Health and Safety Act 85 of 1993
8. Disaster Management Act 57 of 2005

SECTION 10: CONCLUSION

In the 2023/2024 financial period, ERWAT plans to refocus itself to the achievement of operational excellence in water care and resource recovery.

One of the key steps taken towards this objective is to continue to align our budget to our strategic objectives.

2020/2021, ERWAT has developed the **ERWAT 5-Step Budgeting Model** in order to guide the allocation of funds to the higher-risk areas and where we will get the greatest benefit from the expenditure.

The **ERWAT 5-Step Budgeting Model** is outlined as follows:

| NO COST | OPEX 1 | CAPEX 1 | OPEX 2 | CAPEX 2 |
|--|--|--|--|---|
| This refers to all the activities that can be executed without any cost, save for the time to be spent on doing such an activity. An example will be drafting of a plan or a SOP | This refers to the activities that can be executed using the approved Operational Budget. An example is purchasing of chemicals for the treatment process | This refers to activities that can be executed using the approved Capital Budget, being the allocated portion of the USDG | This refers to the activities that cannot be executed due to insufficient funding of the Operational Budget required to achieve the strategic objectives. An example is the repairs and maintenance budget | This refers to activities that cannot be executed due to insufficient funding of the Capital Budget required to achieve the strategic objectives. An example is the funding required to upgrade / expand plants |

The **ERWAT 5 Step Budgeting Model** has been integrated into the Strategic Risk Register, Operation Clean Audit Control Sheet (OPCA), the Internal Audit Tracking Tool, The Risk Abatement Plans (W2RAP) and Governance Assurance Model. ERWAT believes that this integrated approach will allow us to make progress towards the achievements of our strategic objectives, clearance of audit findings and managing risk. This will allow ERWAT to quantify aspects that cannot be addressed as a result of a lack of OPEX 2 and CAPEX 2. This then increases the business risk which must be monitored.

SECTION 11: ANNEXURES

ANNEXURE A: DETAILED 3 YEAR ROLLING CAPEX PLAN - See herein the embedded document



2023_2024_CAPEX_Rolling_Plan.xlsx

TABLE A - REVENUE BUDGET

| DEPARTMENT | 2022/23 Budget | 2022/23 to 2023/24 Increase Percentage (%) | 2023/24 Budget | 2023/24 to 2024/25 Increase Percentage (%) | 2024/25 Budget | 2024/25 to 2025/26 Increase Percentage (%) | 2025/26 Budget |
|---|---------------------------------|--|----------------------|--|--|--|--|
| | 2023/24 Increase Percentage (%) | | | | 2024/25 to 2025/26 Increase Percentage (%) | | 2024/25 to 2025/26 Increase Percentage (%) |
| REVENUE BY SOURCE | | | | | | | |
| INCOME NON-EXCHANGE REVENUE | | | | | | | |
| Government Grants and Subsidies | 70 000 000 | 14% | 80 000 000 | 25% | 100 203 057 | 24% | 124 050 000 |
| SUB TOTAL: NON-EXCHANGE REVENUE | 70 000 000 | 14% | 80 000 000 | 25% | 100 203 057 | 24% | 124 050 000 |
| INCOME EXCHANGE REVENUE | | | | | | | |
| Interest Income | 14 700 000 | -56% | 6 500 000 | 0% | 6 500 000 | 0% | 6 500 000 |
| Commercial Business | 34 000 000 | 5% | 35 700 000 | 5% | 37 485 000 | 5% | 39 359 250 |
| Service Charges | 1 336 988 475 | 2% | 1 359 429 724 | 6% | 1 440 828 966 | 6% | 1 533 207 280 |
| - Service Charges - CoE | 1 228 583 330 | 5% | 1 293 698 672 | 5% | 1 360 564 702 | 5% | 1 434 464 731 |
| - Service Charges - Lesedi | 21 237 123 | 11% | 23 573 206 | 8% | 25 459 064 | 8% | 27 495 788 |
| - Service Charges - JHB Water | 87 168 022 | -52% | 42 157 846 | 30% | 54 805 200 | 30% | 71 246 761 |
| Total Operating Revenue | 1 385 688 475 | 1% | 1 401 629 724 | 6% | 1 486 513 966 | 8% | 1 579 066 530 |
| GRAND TOTAL INCOME (Incl Grants) | 1 455 688 475 | 2% | 1 481 629 724 | 7% | 1 586 717 023 | 9% | 1 703 116 530 |
| DEPARTMENT | | | | | | | |
| | 2022/23 Budget | 2022/23 to | 2023/24 Budget | 2023/24 to | 2024/25 Budget | 2024/25 to | 2025/26 Budget |
| Expenditure Type | | | | | | | |
| Bulk purchases and materials | 332 024 644 | 21% | 400 254 021 | 11% | 444 911 769 | 9% | 483 268 555 |
| Debt Impairment | 1 742 850 | 6% | 1 856 135 | -6% | 1 742 850 | 0% | 1 742 850 |
| Depreciation and amortisation | 102 999 602 | 1% | 103 878 876 | 5% | 109 530 530 | 5% | 115 182 221 |
| Employee related costs | 513 441 864 | -5% | 488 794 290 | 4% | 507 802 435 | 5% | 533 075 674 |
| Finance costs | 26 188 054 | 7% | 27 929 554 | 5% | 29 327 508 | 6% | 31 013 839 |
| General Expenses | 203 987 935 | 9% | 223 102 982 | 1% | 226 236 662 | 4% | 234 307 356 |
| Repairs and maintenance - Contracted services | 205 303 526 | -24% | 155 813 866 | 7% | 166 962 212 | 8% | 180 476 035 |
| Total Operating Expenditure | 1 385 688 475 | 1% | 1 401 629 724 | 6% | 1 486 513 966 00 | 8% | 1 579 066 530 |