

Runda Water Limited



STRATEGIC PLAN

2018 - 2020

Runda Water Limited
92, Runda Grove, Runda Estate
P.O.Box 505 - 00621 Nairobi
Phone: 020 71 22 063 / 0722 207 081
Email: rundawater@rundawater.co.ke
Website: www.rundaestate.com

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ABBREVIATIONS AND ACRONYMS

RWL	Runda Water Limited
AWSB	Athi Water Services Board
CDF	Constituency Development Fund
GIS	Geographical Information System
NCWSC	Nairobi City Water & Sewerage Co.
ICT	Information Communication Technologies
KEBS	Kenya Bureau of Standards
M&E	Monitoring and Evaluation
MDG	Millennium Development Goals
MWI	Ministry of Water and Irrigation
NEMA	National Environment Management Authority
NRW	Non Revenue Water
NWCPC	National Water Conservation and Pipeline Corporation
SWOT	Strengths, Weaknesses, Opportunities and Threats
WAB	Water Appeals Board
WRMA	Water Resources Management Authority
WRUA	Water Resources Users Association
WSB	Water Services Board
WSP	Water Service Provider
WASRB	Water Services Regulatory Board
WSTF	Water Services Trust Fund
CSR	Corporate Social Responsibility

FOREWARD

Strategic Planning is a key governance pillar for any organization's growth and survival. With the recent and prevailing global and local turbulence in the business operating environment due to among other factors escalating raw material prices, international debt crisis, currency pressures, rising inflation, drought and famine, environmental degradation, global warming effects, there is even greater need for better planning now than ever.

Since the development of last Strategic plan, the operating environment in general, and the political, legal environment in particular have gone through major changes. The country has moved into Counties administration which will present challenges and opportunities for Runda Water Limited. The Board and Management decided to develop the 2018-2020 strategic plan that will allow RWL to remain focused on the future and fulfill its core mandate of creating value for the shareholders.

The development of this document is as a result of a highly participative process involving the Board, management and staff of RWL. It is therefore a document that captures the aspirations of all the stakeholders and builds consensus of where RWL is going. It has also set to clarify the key business priorities, formed the basis of focusing resources and gives a framework for decisions and securing support. This plan assists in benchmarking, monitoring performance and accountability. It is also expected to stimulate change and to form building blocks of future business plans.

It is my belief that this document will deliver RWL to become a high performing organization. It will help us focus on results and to respond to changes taking place in the business environment.

In order to maintain and remain focused in the implementation of this plan, I am calling on all the stakeholders to remain committed and encourage continuous involvement and awareness in all the stages of implementation. The Board gives its full support to the plan, its implementation and realization of the benefits envisaged in this plan.

Peter Wanday
Chairman
Board of Directors

PREFACE

I wish to express my gratitude and sincere thanks to the Board, management and staff of Runda Water Limited who participated and enabled the development and compilation of this document.

This document is as a result of a concerted effort by staff, management and the Board of Runda Water Limited.

The methodology we adopted for the development of the Strategic Plan is the System Thinking Approach. This is futuristic and focuses on where we want to get rather than where we are coming from. The other compelling factor for choosing the approach is that it is participative.

The benefits for any plan are realized through effective implementation. This corporate plan will form the basis of Department Business plans which will in turn form the basis of annual performance plans for each employee.

The strategy implementation will use Balanced Scorecard for performance reporting and communication across the Organization.

The content and spirit of this document is informed on the above developments and therefore aims to respond and also help among other things assist Runda Water Limited deliver on its core objective of water services provision to a larger majority of Runda residents.

The strategy will also focus on customer, people and technology to realize this overarching goal.

The customer value proposition focuses on Product Leadership. This will be delivered through customer service and effective processes.

This strategic plan provides clear guidelines in the management and application of resources for growth and sustainability.



Daniel I Methu
General Manager
Runda Water Limited

EXECUTIVE SUMMARY

This is the third strategic plan for Runda Water since inception. It serves as a road map and provides a guideline in establishing the annual goals that needs to be met. It also seeks to provide a basis from which Runda Water Ltd's Managers can focus on the highest priority issues and ensure that the Company lives to its mandate of efficient and economical provision of water services in its area of jurisdiction.

One of the major achievements in the previous plan period was the construction of a backwash recycling system which we can later upgrade o a full filtration plant.

The customer value proposition (CVP) remains the basis of the vision and mission of the Company. Runda Water Ltd's reason for existence is to offer accessible, quality and reliable water supply to our customers. This is what should differentiate Runda Water Ltd from other water service providers. The implication is that customers should be willing to pay a premium if this customer value proposition is provided. The dilemma at the moment is that we are charging a premium but not quite delivering the customer value proposition because of the challenges enumerated hereunder.

In order to deliver our CVP there is investment required and this is well set out in the appendix in the strategic plan.

Our low profitability and current indebttness however makes it difficult to make the investments required to meet the CVP.

Runda water Ltd Board has identified three key issues:-

- (i) We do not have a reliable bulk water supply. Our reliance on Ruaka River may not be tenable in the long run because of pollution and upstream use of the river water.
- (ii) Our cost of water production is high given our current circumstances.
- (iii) Our current indebttness and the interest payable monthly are also high. This is under the current interest rate regime. If the interest rates are deregulated again, our interest expense will shoot up.

The strategic priorities in Chapter 4 of the plan covering financials, customers, technical and technology, processes and ancillary business such as bottled water capture most of the issues at hand.

However,

1. **We should look at the alternatives beyond the water supply sources identified in the strategic plan.** We need to first validate how much water we actually need now and in the future. There are projections provided in the plan and this can be validated by a good water Engineer. We have also not considered finding out how much a neighbor like Two Rivers could provide (volume at what cost and over what period). Does Nairobi Water Company have the capacity to provide us with water in the short run and medium term? Is Kiambu County an option? What about applying for more raw water allocation by WARMA? We should also consider sinking our boreholes as the ones in the neighborhood have high yields.
2. **We should not complicate the strategic plan.** There is no point trying to get into marginal side businesses that divert management attention and time e.g plumbing,

electrical repairs etc. if water bottling is contributing to fixed costs, we could still keep it in the short run as a service to our residents but we should not invest more money in that business.

3. **We identify the investments that would provide us with the highest return in the short term.** One quick win is to replace the distribution infrastructure with PVC pipes so that we reduce water leakages and losses thus lowering non revenue water.
4. **We look seriously at the proposal to sell off part of our unused land.** If the amounts realized can help us invest quickly to allow us deliver our CVP and reduce cost, then we have a chance of raising tariffs because customers are less likely to object.
5. **We need to clarify the relationship between Runda Water Ltd and RA.** The billing and collection fees require RWL to spend Management time sorting out non water problems in addition to billing and collection and yet Runda Water Ltd is held accountable for water provision. This issue needs to be looked at soberly and we must all remember RA and RWL are completely related entities. It is in no-one's interest to have a win-lose situation.
6. **Staff retrenchments, although considered, may not be worthwhile** as they have high legal risk propositions which may not deliver the sustainable savings we are looking for.

It is anticipated that the implementation of this strategic plan will enable management team to execute its mandate to the customers, the government, citizens, employees and other stakeholders leading to a socially responsible company that seeks to improve the quality of life for Runda Residents.

CHAPTER 1.0

1.1 INTRODUCTION / CURRENT SITUATION

Runda Water Limited was founded in 1973 and registered under CAP 46 of the Laws of Kenya. This was occasioned by the inability of Nairobi City Council to supply water to Runda Estate. The need was first identified in 1972 by Mae Properties Limited. In 1975, the requisite investment in water infrastructure enabled Runda Water Limited to begin supplying piped water to the residents of Runda Estate. Mae Properties Limited sold 75% of its shareholding in Runda Water Limited to residents of Runda Estate through Runda Association in 2003.

Its core objective is to make the water services provision a commercial activity driven by motives to generate enough funds to sustainably run itself under the provision of the Water Act 2002. The company is answerable to the Athi Water Services Board (AWSB), Water Services Regulatory Board (WASREB) and Water Resource Management Authority (WRMA).

In addition to supply of water, RWL provides other ancillary services such as; plumbing, electrical, pest control and bottled water supply to Runda Estate Residents.

1.2 The core functions of RWL include (but are not limited to) the following:

- Abstraction, treatment, transmission and distribution of water.
- Maintenance and repair of the assets
- Development and management of programs for the advancement of the skills and competencies of persons employed by Runda Water Ltd.
- Establishment of mechanisms for promoting customer relations including the development of agreements with customers and the publication of each code as provided for in the agreements
- Provision and replacement of operating equipment
- Responsibilities for connections

Currently, RWL's service scope is confined to Old Runda, Runda Mimosa and areas surrounding Runda Estate. Its portfolio of customers largely comprises of domestic customers and a few commercial and institutional establishments within Runda Estate like private schools and hotels. The Company serves approximately 1,500 customers, with 99% comprising of domestic customers. This is estimated to be service coverage of 80% of its target potential customers.

1.3 Review of Strategic Plan 2013 to 2017

1.3.1 Key achievements of the strategic plan 2013-2017

- Increased the number of water connections from 950 to 1200.
- Maintained revenue collection to >90% of the billing within the 5 years
- Reduced and maintained NRW to <20%
- Have acquired additional water from NCWSC by having a bulk water connection
- In the process of regularizing tariffs which expired in 2014
- Developed, implemented and marketed the alternative revenue generation services like the bottled water supply.
- Identified areas with old water supply infrastructure and will start gradual replacement using internally generated funds
- Participates in the Nairobi International Trade fair annually in partnership with Athi Water Services Board.
- Has trained staff in the ISO 9001: 2008 Quality Management System
- Reviewed and updated the customer service charter
- Reviewed and updated the business continuity plan
- Has put in place the code of ethics and code of conduct for Board & Staff.

- One of the major achievement during the plan period is the construction of a backwash recycling system which is about to be upgraded and transformed into a full water filtration plant.

1.3.2 Addressing continuing Challenges

These are;

- Frequent perception by our consumers that we should give them some credit or discount on water usage.
- Financial constraints to undertake expansion programs on water supply lines and water storage facilities.
- Payment of remuneration to several water sector regulators
- Under-utilization of the water bottling plant which is operation at 25% of the installed capacity due to limited demand for bottled water.
- Continuous issuance of borehole drilling permits to some of customers
- Continuous pollution of Ruaka river which is our primary source of water

Other challenges facing our organization are:

External Exposure areas.

For example, the pollution of River Ruaka is gradually increasing. Unless the regulators act on the people polluting the river, soon it shall be polluted to untreatable levels for human consumption. Although we have contacted the regulators, very little is being done.

- Current changes in the water sector regulation under the new Water Act 2016.
- Financial inability to fund some useful projects e.g. new dams and water resources.
- High cost of production due to high cost of chemicals and electricity
- Frequent leakage due to old system leading to Unaccounted for water
- Destruction of systems by other service providers e.g. communication companies
- High lending rates, rising inflation leading to increase in direct costs

CHAPTER 2.0

2.1 EXTERNAL ENVIRONMENTAL ANALYSIS

RWL's external environment is composed of a set of forces that are beyond the control of individual organization. This encompasses geographical, social, political, economic, technological ecological and legal forces.

2.1.1 Social Demographics Analysis

(i) Geographical, Social, Population

- (a) Runda Estate is surrounded by high class estates and this has led to demand for water services from the neighbouring areas of Kiambu, New Runda, Kigwaru and Evergreen Estate.
- (b) There is also a threat from the uncontrolled informal settlements and low income areas of Githogoro Village which lies within RWL area of jurisdiction.
- (c) The new constitutional dispensation (CoK 2010) brought in a general perception that water service is free or should be given at affordable rates. This has made some consumers to believe that our rates must be similar to our competitors, the Nairobi City Water and Sewerage Company.
- (d) Use of social media. Groups and individuals use social media such as facebook, twitter and others to raise concerns or critic water services in Runda Estate. Such social media posts could either positively or negatively affect RWL within the estate and its environs.
- (e) Demographic changes. Changes in human population also have negative or positive impact on the rate of water consumption.

In our supply area, the social demographic is largely constant as our supply area is almost full to its previously projected population. The only action that can have an impact demographically is the expansion of our supply area. This will be determined by factors like water production capacity, distribution capacity and other factors.

2.1.2 Customer and Stakeholder Analysis

RWL's customers fall into two categories. These are primary water consumers that consist of domestic clients in the homesteads spanning the estate; and commercial entities like hotels (e.g. Lord Errol) and institutions (e.g. Potterhouse School). The customers are affluent and expect quality service. They are expatriates and have travelled far and wide. As a result they are really enlightened and knowledgeable.

In our organization, shareholders expect a stable flow of revenue through the sale of bottled and piped water. On the other hand, our customers expect to be provided with high quality water with no or very minimal interruption. Through the running of our organization, the financiers e.g. bank expect a smooth servicing of the loans. Our suppliers who play a major role for business continuity expect to be paid in good time.

Stakeholders play an important role in supporting the role of RWL and ensuring that it achieves its mandate. The stakeholders comprise of those organizations, who may or may not be present customers, but who have an interest in the wellbeing and the success of RWL. This interest may arise either because they are regulators, overseers or delegators. The stakeholders include Nairobi City County, Athi Water Services Board, WASREB, NEMA, among others.

The company has 1,250 water connections in Old Runda, Runda Mimosa & Mumwe Estates. RWL is supplying water to 100% of its connected customers.

The market for RWL's services outside the jurisdictional estate is enormous. Neighboring estates mostly rely on Nairobi Water and Sewerage Company, where reliability and consistency may be a recurring issue. RWL can therefore tap into this market share. So far, the company has achieved kshs 4.0 million as monthly billing and it is growing.

2.1.3 Economic Analysis

The economic factors affecting Runda Water are;

- (a) The rising inflation rates which leads to high interest rates on our loans, affects our credit rating and makes it almost impossible for the company to apply for new loans.
- (b) The banking industry has equally experienced unstable interest rates with the trajectory that's unfavourable to commercial borrowers like Runda Water.
- (c) Due to inflation, the period between 2014 to date has seen unstable foreign exchange rates with the Kenya shilling weakening against major foreign currencies.
- (d) Multiple taxation regimes. There are taxation regime at the county, national government and the water sector regulators which have high implications on the pricing of water services and purchasing power of commodities.

2.1.4 Ecological Analysis

The ecological factors influencing Runda Water Ltd include;

- (i) The world is faced with global warming challenges and Kenya is no exception. These impacts on the vegetation and forest cover which affects the rainfall patterns. This leads to unpredictable climatic changes resulting in droughts and floods.
- (ii) Pollution. Due farming and other activities along the Ruaka River upstream, this has led to high levels of siltation, deforestation of catchment areas and environment degradation of areas like Ruaka shopping centre.
- (iii) Topography. The physical features that make up the landscape of Runda Estate like ridges, plains, hills, swampy areas and soils affects the installation of water supply infrastructure and facilities.

2.1.5 Technological Analysis

The Technological forces facing Runda Water include;

- (a) Rapid, dynamic and the ever changing technological advancements
- (b) Expensive technological options available in the water sector, for example the company has been unable to start its own website despite being prescribed as mandatory by WASREB.
- (c) Cloud computing. The cloud computing structure allows access to information as long as an electronic device has access to the web. If put in place, this type of system will allow employees to work remotely

2.1.6 Competitive Environment

These include;

- Direct abstraction from water sources
- Water bottling companies
- Neighbouring water service providers

- Private alternative water sources e.g. boreholes, springs and deep wells
- Rain water harvest

2.1.6 Water Sector Regulatory Framework - The Water Act 2016

The Water Act 2016 is now in operation. Under this new Act, several institutions have been put in place to regulate the provision of water and sewerage services at different levels. Their mandates and roles are different and complement each other.

(i) Water sector institutions and their roles/responsibilities

Institution		Roles and responsibilities
.1	Ministry of Water and Irrigation (MWI)	<ul style="list-style-type: none"> • Development of legislation, policy and strategy formulation, sector coordination and guidance, and monitoring and evaluation • Overall sector investments planning and resource mobilization
2.	Water Services Regulatory Authority (WASRA)	<ul style="list-style-type: none"> - Determine and prescribe national standards for the provision of water services and asset development for water services providers; - Evaluate and recommend water and sewerage tariffs to the county water services providers and approve the imposition of such tariffs in line with consumer protection standards; - Set license conditions and accredit water services providers; - Monitor and regulate licensees and enforce license conditions; - Develop a model Memorandum and Articles of Association to be used by all water companies applying to be accredited by the Regulatory Authority to operate as water services providers; - Monitor compliance with standards including the design, construction, operation and maintenance of facilities for the provision of water services by the water works development bodies and the water services providers; - Advise the Cabinet Secretary on the nature, extent and conditions of financial support to be accorded to water services providers for providing water services; - Monitor progress in the implementation of the Water Strategy and make appropriate recommendations; - Maintain a national data base and information system on water services; - Establish a mechanism for handling complaints from consumers regarding the quality or nature of water services; - Develop guidelines on the establishment of consumer groups and facilitate their establishment; - Inspect water works and water services to ensure that such works and services meet the prescribed standards;

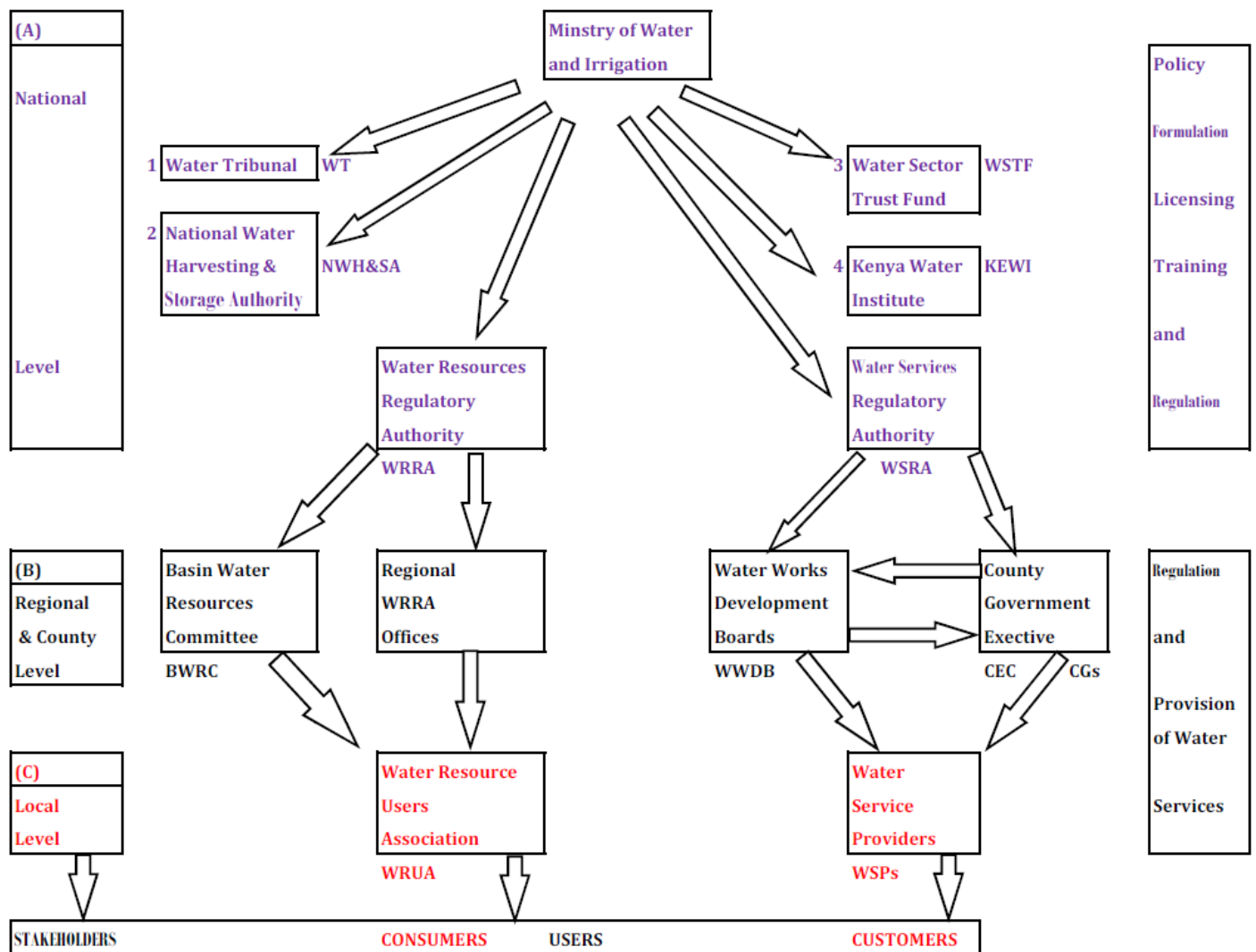
		<ul style="list-style-type: none"> - Report annually to the public on issues of water supply and sewerage services and the performance of relevant sectors and publish the reports in the Gazette; - Make regulations on water services and asset development which shall include business, investment and financing plans; in order to ensure efficient and effective water services and progressive realization of the right to water services; - Advise the Cabinet Secretary on any matter in connection with water services; and - Make recommendations on how to provide basic water services to marginalized areas.
3.	Water Works Development Boards	<ul style="list-style-type: none"> - development of national public water works for water services; - formulation of development and investment plans for rural and urban areas aggregated from the county development plans and established by the county water services providers and through the county government water services institutional structure for their designated areas; - provision of input to the national development and financing plan established by the Cabinet Secretary; - provision of technical assistance to the water services providers as county government agents for county asset development in consultation with the respective county governments; (e) hand over of developed public assets to the licensed county water services providers, cross county water-services providers or to the county water department in accordance with Regulations made by the Cabinet Secretary; • - facilitation of the establishment of cross-county water services providers
4.	Water Service Providers (WSPs)	<ul style="list-style-type: none"> • Provision of water and sanitation services, ensuring good customer relation and sensitization, adequate maintenance of assets and reaching a performance level set by regulation
5.	Water Sector Trust Fund (WSTF).	<ul style="list-style-type: none"> - Manage the resources of the Fund; - Mobilize additional resources for the Fund; - Formulate and implement principles, regulations and procedures in consultation with county governments for financing projects, including efficiency and effectiveness of funds; - Implement measures to ensure the efficient and equitable sharing of the resources of the Fund giving priority to resource allocation in - <ul style="list-style-type: none"> (i) rural and urban areas where access to basic water services is below the national average; and (ii) rural areas which are vulnerable to the degradation or depletion of water resources; - Monitor the implementation of projects; and - Maintain and make public available information on the projects financed and impact of such projects.

<p>6.</p>	<p>Water Resources Authority (WARA)</p>	<ul style="list-style-type: none"> - Formulate and enforce standards, procedures and regulations for the management and use of water resources and flood mitigation; - Regulate the management and use of water resources in consultation with the National Land Commission; - Enforce regulations; - Receive water permit applications for water abstraction, water use and recharge and determine, issue, vary water permits; and enforce the conditions of those permits; le) collect water permit fees and water use charges; - Determine and set permit and water use fees for issuance by the basin water resources committees; - Provide information and advice to the Cabinet Secretary for formulation of policy on national water resource management, water storage and flood control strategies; - coordinate with other regional, national and international bodies for the better regulation of the management and use of water resources; and - Advise the Cabinet Secretary generally on the management and use of water resources.
<p>7.</p>	<p>Water Resources Users Association</p>	<ul style="list-style-type: none"> -Voluntary membership associations made up of water users and riparian owners interested in proper management of their water resources. -Brings together communities that draw water from the source as opposed to an improved supply system
<p>.8</p>	<p>The Water Tribunal (WT).</p>	<ul style="list-style-type: none"> - The Tribunal shall exercise the powers and functions set out in this Act and in particular shall hear and determine appeals at the instance of any person or institution directly affected by the decision or order of the Cabinet Secretary, the Authority and Regulatory Authority or of any person acting under the authority of the Cabinet Secretary, the Authority and Regulatory Authority. - In addition to the powers set out in subsection (1)' the Tribunal shall have the power to hear and determine any dispute concerning water resources or} water services where there is a business contract, unless the parties have otherwise agreed to an alternative dispute resolution mechanism.
<p>9.</p>	<p>National Water Harvesting and Storage Authority</p>	<ul style="list-style-type: none"> - Undertake on behalf of the national government, the development of national public water works for water resources storage; - Maintain and manage national public water works infrastructure for water resources storage; - Collect and provide information for the formulation by the Cabinet Secretary of the national water resources storage and flood control strategies; - Develop a water harvesting policy and enforce water harvesting strategies; and - Advise the Cabinet Secretary on any matter concerning

		national public water works for water storage.
10.	Kenya Water Institute (KEWI)	- Training and research

(ii) **The authority structure** - Here is schematic representation of the institutional framework for the water sector under the Water Act 2016.

THE WATER ACT 2016 - INSTITUTIONAL FRAMEWORK/SET-UP



2.1.7 Technical Analysis

It is envisaged that at the secondary and more tactical level, RWL will convert the long term plans into a series of short term plans relating to sections of the long term plan. The short-

term plans progressively fulfil the strategy plan, and are meant to operationalize the long-term plans.

To enhance its production and quality, RWL will phase out the FC-708 pressure filters and replace them with gravity rapid sand filters. The company also plans to construct a 3000 cubic metre reservoir and enhance water availability to 24 hours. It will also speed up connections to be effected within 7 days after payments while reducing unaccounted for water. RWL will change from G.I pipes to PVC piping network as it replaces obsolete technology. The company also plans to phase out the current 70KVA genset and replace it with an 150KVA genset to match the power requirement of our systems and acquire portable residual chlorine testes for field surveillance.

Further, RWL will endeavour to train their employees on the latest technological advances to improve treatment processes and improve efficiency.

2.1.8 Technology (ICT) Analysis

This relates to the technological changes that affect the process framework of the industry. For the concept of customer intimacy to be owned, employees need to be equipped with the necessary tools that foster initiative and fast responsiveness. Basic IT infrastructure like computers and Internet will help engender this concept. The world is moving towards total customer convenience. Hence, Customer Relationship Management (CRM) software comes in handy in predicting the future needs of the customers, keeping abreast and also helps in devising new and more convenient ways of serving customers. GIS mapping software could also be very useful in improving operating efficiency. RWL will invest in leak detection pipe and appurtenances locaters and flow measuring equipment.

Some of the ways through which RWL can enhance customer service is by having e-bills and electronic bill payments, having the M-Pesa option, using Internet or short message services to remind people of due bills before disconnection. Investment in technology will go hand-in-hand with training on the best use of the software and hardware so as to obtain maximum benefits. It also behooves the company to be on the lookout for the global best practices which incorporate technology and replicate their localized version of successes back home. RWL's internal and external Information Services Team is currently involved in end user desktop support, the implementation and support of applications, network services, server administration and telecommunication services.

Chapter 3.0

3.1 STRATEGIC DIRECTION

Strategic planning is carried out so as to define and/or determine where an organization is going over the next five years as may be stipulated by the plan.

RWL uses strategic planning as a means to capture our organization's true potential and take advantage of opportunities for significant changes. We started this process by developing and understanding who our customers are and the value that we must deliver to these customers. This customer value proposition is what provided the guidance and clarity for the rest of the planning and strategy development process which underpins this document.

3.1.1 Customer value proposition

A customer value proposition is the sum total of benefits a customer is promised to receive in return for his or her custom and the associated payment (or other value transfer). A customer value proposition is promised by a company's marketing and sales efforts and then fulfilled by its delivery and customer service processes.

RWL's customer value proposition is **product leadership**. This is because the company desires to grow and be identified by customers and stakeholders as being responsive to their needs. Currently, RWL is a model of Public Private Partnership in the region. At RWL, product leadership will be seen, felt and experienced in two main ways. These are:

- (i) **Reliability & accessibility:** Ensuring that the flow of water at the taps is continuous and that down-times are short, few or non-existent. Water services have to be accessible to everyone. Accessibility can be looked at in four overlapping dimensions: physical accessibility, economic accessibility, non-discrimination and information accessibility.
- (ii) **Quality:** providing water that is safe to drink and that meets international standards in terms of treatment, storage and distribution. The water must be free from micro-organisms, chemical substances and radiological hazards that constitute a threat to a person's health. Furthermore, water should be odourless and sparkling clear.

3.1.2 Vision Statement

In formulating the vision statement the RWL team reflected on the fact that the vision statement ought to be inspirational and have a call to action which motivates and encourages the RWL workforce.

Consequently, the unanimously agreed RWL vision is:

“To be a model water services provider”

RWL will achieve this vision by remaining true to its core objectives and supplying quality and reliable water to the residents of Runda without fail; by acting fast in resolving customer complaints; by being a market leader in technological and technical innovation; by adhering to strict corporate governance ideals and having zero tolerance on unethical practices like corruption and by having professional staff in all areas.

3.1.3 Mission Statement

The mission statement guides the purpose of RWL’s existence.

RWL’s mission is:

“To offer Efficient, Effective and Quality products and services to our customers”

Water is life. By virtue of being a supplier of water, RWL sees its tentacle-effect in almost all spheres of life. Its product is used from the most basic domestic level to the most advanced commercial level. The wholesome quality of life is improved when people have access to clean water. Institutions, hotels and indeed many businesses depend on water. RWL sees itself as an enabler of all these activities. This is what gives it a reason to exist and a mandate to carry out its roles.

3.1.4 Core values

The system of shared values and norms in an organization shapes the culture of that organization. RWL recognizes that having the right values will result in increased efficiency, higher productivity and better focus.

RWL developed the following four core values that will help them achieve and live out their vision and mission as an organization. The core values will be their pillar when conducting business and dealing with their stakeholders.

- a) **Integrity:** We will be dedicated to a standard of values that promote honesty and openness; maintain fair and equitable practices to enhance our professional groups; be dependable and consistent in actions that support meeting our customers’ needs. We believe it is vital that the people who deal with us trust us. We will adopt zero tolerance to unethical behavior. We strive to be honest, fair and ethical in everything we do and in all our dealings with customers, suppliers, investors, co-workers and our neighbors in the communities in which we operate.

- b) **Customer focused:** We will ensure customer satisfaction by providing the highest quality of products and services at a reasonable cost; understanding and fulfilling our customers' needs; putting customers' interests first and seeking and applying innovative approaches to serve our customers. We will always have a customer-first mentality and organizational culture; we will embrace initiatives that espouse the tenets of world-class customer care; we will treat customers with courtesy, respect and speed, and we will go a step further to exceed their expectations.
- c) **Innovation:** we will seek out new technology and applications to continuously improve our products and services. We will seek knowledge and technical expertise in pursuit of excellence. We will think outside the box. We will develop ingenious ways of serving our customers and delivering value. We will encourage and reward creativity and positive risk taking. We will continuously develop and apply creative and innovative managerial solutions towards improved service delivery.
- d) **Professionalism:** We will adhere to impeccable professional and personal standards in carrying out our duties and serving the clients. We will conduct ourselves with utmost dignity, our character will be beyond reproach and our professional expertise and attitude will be evident in the quality of our tasks and interactions with customers.

CHAPTER 4.0

STRATEGIC PRIORITIES

In line with the vision and mission of RWL and in order to take advantage of emerging business opportunities, the following five strategic themes will be pursued during the plan period and where necessary into the future.

The strategic priorities were defined as falling under the following thematic areas:-

- 1. Financials** – sound financial position whereby the company is able to meet all its financial obligations by optimizing asset functionality, condition and operations to provide “Best of Class” utility performance.
- 2. Customers** – use of effective customer service relationships and approaches to achieve excellence in customer satisfaction using professionally qualified and dedicated staff working as a team
- 3. Technical and technology** – provide technical and IT capabilities to realize benefits of improved organizational effectiveness and efficiency to ensure business continuity

- 4. Processes** – effective use of the infrastructure network, technology and operations to ensure maximum output at optimum costs.
- 5. Other Business** - reinforcement of existing and establishment of new ancillary services to augment the company's income

The above are the main outcomes that the organization aims to achieve during the plan period in order to realize its vision and fulfill its mission. They were identified as major drivers which will help the company meet its objectives in the next five years and beyond. They are recurrent and encompassed the overarching goals that RWL wants to attain. It is envisaged that they will give strategic direction and corporate identity, to the employees and the stakeholders/general public. The strategic priorities are:

4. 1 Financials: Achieve financial sustainability

One of the core objectives of RWL, in addition to the commercialized provision of water services, is to attain operational financial sustainability and post handsome returns for the key stakeholders. Financial sustainability calls for prudent management and utilization of funds, heightened collections and more customer acquisition. Currently, RWL is financially constrained owing to a 10-year loan procured from CBA. As a result, although the company makes a profit, after depreciation and other charges, the profitability is affected. It is noted that going forward, these constraints need to be addressed adequately. Further, there is need for continuous upgrading of systems and refurbishment of the existing but dilapidated structures.

Strategies

1. Improve profitability by 10% per year
2. Reduce operational costs by 5% and NRW by 10% per year
3. Increase commercial customer base subject to availability of water
4. Construct a 3000cubic meters RC reservoir
5. Renew water abstraction permit and sink more boreholes
6. Have stricter financial and credit control measures

4.2 Customers: Enhance Customer, key stakeholder and employee satisfaction

Government regulatory bodies, WASREB, WRA, AWSB, primary domestic and institutional consumers of water are all customers and stakeholders. It behooves RWL to ensure that these groups of people are satisfied for the sustainable success of the company.

RWL will strive to ensure that customers are satisfied not only with quality of their water but also with our customer interaction, our job efficiency, our response time and overall effectiveness.

Human resource will play an integral role in any organization. In order to attain its organizational objectives, RWL will need to seek out, attract, interview and hire the most competent workers in addition to up-skilling the current ones. Further, it will have to develop them in their respective areas of work and come up with ways of retaining them in the company for the long term. It will also have to develop innovative ways and incentives of keeping the employees motivated and working at their peak.

Strategies

1. Adopt customer-friendly procedures aided by CRM software and interactive website
2. Collect, analyze and effectively act on stakeholder feedback on periodic basis
3. Attract, hire, develop and retain the right people for the job through competitive packages
4. Have performance targets for the employees
5. Enhance lean and optimum operations through weekly meetings
6. Foster good governance anchored in a culture of accountability and responsibility
7. Establish communication channels to engage customers, stakeholders and employees

Strategies

1. Acquire GIS mapping software and maintain optimal IT life cycle
2. Recycling of backwash and waste water
3. Purchase leak detection equipment and ultrasonic flow measuring equipment
4. Ensure there is a generator on standby incase of power failure
5. Install 200 pre-paid meters per year and a billing software
6. Refurbish of existing works and plant maintenance
7. Ensure optimum state of the distribution network
8. Take care of the source of water by collaborating with WRUA and WRA
9. Develop a risk policy for both internal and external exposure areas
10. Regularly identify emerging technology trends and adjust technology based on changing business requirements

4.3 Process: Ensure operational efficiency and institutional strengthening

RWL has a duty to itself, its customers and stakeholder of ensuring that its systems and processes are streamlined and that the requisite procedures that facilitate operations are efficient. It is also prudent to ascertain that the organization as a whole has capacity to execute its mandate. More so, the organization should have mechanisms of scaling up its

operations as the need arises. Operational efficiency and institutional strengthening strategies and activities will help RWL to be equal to the tasks ahead.

Strategies and Activities:

1. Reduce energy (electricity) usage by 10% per annum
2. Change 20% of piping network from GI to PVC per year
3. Divide the estate into pumping zones and gravity zones
4. Identify and prioritize critical assets for repair and replacement
5. Have systems with capacity to meet future needs
6. Institutional strengthening in human resources, systems and structures, processes, policies, infrastructural development, efficiency and effectiveness in service delivery.

4.4 Profit augmentation: Engagement in other businesses

In addition to its core function of abstracting, treating and distributing water, RWL will engage in other side businesses. In the plan period, the company will adequately focus on these businesses with a view to making them more economically viable and profitable. RWL has established other businesses that fall under its scope of service delivery. The following ventures have been added onto the existing piped water supply businesses;

Ancillary ventures for profit augmentation

1. **Water bottling** - the existing infrastructure at the plant can easily support this venture with little capital expense.
2. **Exhauster services** -to be offered to the residents in partnership with people who own exhauster lorries
3. **Plumbing services** - RWL plumbers will engage in minor plumbing and repair services to the residents at a fee
4. **Electrical services** - RWL electricians to carry out minor electrical repairs and installations in the estate
5. **Petty errands** - paying of bills within the CBD for Runda residents; delivering of newspapers and other parcels (to and from) within Runda and the CBD
6. **Fumigation services** - this will be done in partnership with companies providing pest control services
7. **Cleaning customers' tanks** - the service to be offered to the residents of Runda and adjoining estates

5.0 INTERNAL ENVIRONMENT

5.1 SITUATIONAL (SWOT) ANALYSIS

SWOT is an acronym for **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats.

The situation/SWOT analysis is a tool used for getting a quick overview of a company's strategic position. The analysis consists of an evaluation of relevant factors in the organization environment (internal and external) in order to determine its internal strengths and weaknesses on one hand, and the availability of external opportunities and threats on the other hand. In doing this, the objective of the organization is to achieve a strategic fit between the organization's internal skills, capabilities and resources with external opportunities so as to minimize the threats to the organization.

5.1.1 Strengths:

- Able and informed customers
- Efficient billing system
- Renewable water abstraction permit and existing infrastructure within reach for all customers
- Clearly marked jurisdiction and encroachment by any other WSP is not allowed
- RWL is able to provide water to its customers with spare capacity for emergency use
- All customers are metered i.e. RWL is able to compute all its water abstraction, supply, consumption and wastage/losses
- Proximity to a permanent river
- Proximity to the UNEP and other diplomatic missions e.g. Canada and USA`
- Reduced NRW
- Condensed sense of ownership amongst stakeholders
- Good relationship between RWL and water regulatory bodies
- A large community of residents and neighbourhood with similar characteristics (New Runda, Mumwe, Kigwaru, Evergreen, Ite & Whispers.
- An established platform (i.e. Runda Association) with structures.
- An almost fully built up estate

5.1.2 Weaknesses:

- Aged reticulation system, obsolete technology and rising cost of operation
- Water is pumped using electricity thereby raising the costs
- RWL is servicing huge bank loan with hefty interest rates - lacks subsidies from government
- Lack of proper legal systems of incorporation of ancillary services as part of the company business
- Runda has the most enlightened customers who are highly litigious

- RWL relies on river Ruaka as the only source of raw water
- RWL has a high number of employees. Instead of the required 8 employees per 1000 connection, RWL has 24 employees per 1000 connections
- New constitutional dispensation
- High payment of rates to NCC and water regulatory bodies
- No modern tools for operations
- Size of the population is small so RWL does not benefit from economies of scale
- Some customers feel they should be buying water from NCC which is cheaper due to economies of scale
- Over use of road reserves by communication service providers
- Weak perimeter fences at the RWL's Treatment and Intake point

5.1.3 Opportunities:

- Drafting winning proposals and engaging water regulatory bodies for funding e.g. WSTF.
- Getting more bulk water connections from NCWSC at a reduced cost.
- Introduction of sanitation services
- Large number of households estimated at one thousand in Runda and over three thousand in the neighborhood.
- Commercial opportunities like water bottling and a tanker to supply water to other estates
- RWL can expand its services to the neighboring areas subject to availability of water
- Goodwill from existing customers
- Availability of labor from the neighboring villages
- Need for a sewerage exhauster service/ servicing of septic tanks

5.1.4 Threats:

- Unreliable bulk water supply from NCWSC/AWSB
- Pollution of Ruaka River by developments upstream.
- Prolonged drought / over abstraction of water by other consumers upstream
- Change of users from residential to commercial
- Digging of private boreholes by individuals
- Litigation by customers
- Merger with other WSPs under the new water act
- Due to its size, RWL cannot expand rapidly due to limited resources at its disposal

CHAPTER 6.0**6.1 FINANCIALS**

RWL had formulated specific strategies that will ensure the company is able to meet its obligations to customers and stakeholders.

6.1.2 Projections**a. Assumptions**

The assumptions that underpin the comprehensive statement of income and statement of financial position below are;

- a)** Grow billing by 40% cumulatively within the next five years
- b)** Improve on collection efficiency to 98%
- c)** Increase customer base from 1,200 to 1,700 over the plan period
- d)** Reduce non revenue water from an average of 18% to 10% in the plan period.
- e)** Increase in population of 10% per annum that can readily access piped water.
- f)** Water volumes increase to 3,500m³ per day.

6.1.4 Strategies to raise funds

It is crucial that RWL ensure it has adequate resources to successfully implement the objectives outlined in this plan. The financing options available are a combination of the following;

a. Internally Generated Funds

The Company will finance part of its capital expenditure requirements through internally generated funds. Therefore, the Company will seek to retain a significant portion of its earnings that will be ploughed back to upgrade infrastructure and increase coverage.

b. Development Partners

Investment requirement for water supply infrastructure is normally very high but with low rate of return. There are a few Private organizations that are willing to invest in large projects because of lack of awareness of investment opportunities in this field. RWL could seek concessional loans for the development of water infrastructure.

c. Water Services Trust Fund

The Government of Kenya has established a Water Trust Fund whose core duty is to finance the provision of quality water and sanitation services. Although the fund primarily helps marginalized areas, RWL could try.

d. Public Private Partnerships

The government has been encouraging the uptake of Public Private Partnerships (PPP) and has formulated guidelines to manage such partnerships. RWL will continue to seek for partnerships with private firms that wish to invest in massive infrastructure projects to expand water network coverage. This infrastructure upgrade and layout requires enormous resources but can have handsome returns to investors in the long run.

CHAPTER 7.0

7.1 MONITORING AND EVALUATION

In order to ensure RWL is able to measure and track its progress on the strategies in this document, RWL's management team have developed a monitoring and evaluation process which will be adhered to religiously during the planning period.

Establish a Strategy Coordinating Team (SCT)

This document also proposes the establishment of a SCT, which will comprise of officers from each department, who will oversee the implementation of the plan at departmental level.

This team will coordinate the departmental plans and will report on a monthly basis to the Change and Strategy Committee.

The responsibilities of the SCT will include:

- ◆ Co-ordination of the action programs of the plan at departmental level;
- ◆ Monitoring the effective utilization of resources;
- ◆ Development of departmental linkages with other departments;
- ◆ Development of modalities for operation of the sub-units and sub-task forces; where and when one become necessary to be established;
- ◆ Monitoring implementation at departmental level
- ◆ Information dissemination and consultation on a quarterly basis;

- ◆ Evaluation and impact assessment at departmental level;
- ◆ Any other relevant duty at the departmental level that would facilitate effective plan implementation.

Implementation of the Balance Scorecard

Balanced Scorecard at RWL will also be implemented to facilitate strategy implementation, performance reporting and communication between the corporate office and RWL.

Balanced scorecard reports will be generated on a monthly basis

Expected Impact and Benefits

With the successful implementation of this plan, the expected benefits and impact to RUNDA WATER will be:

- ◆ Improved performance leading to increased productivity, efficiency and customer satisfaction;
- ◆ Improved motivation and work ethics of RWL staff;
- ◆ Improved corporate image and reputation of RWL;
- ◆ Improved business volumes, and;
- ◆ Improved profitability leading to increased return to the shareholder.

Performance Measurements

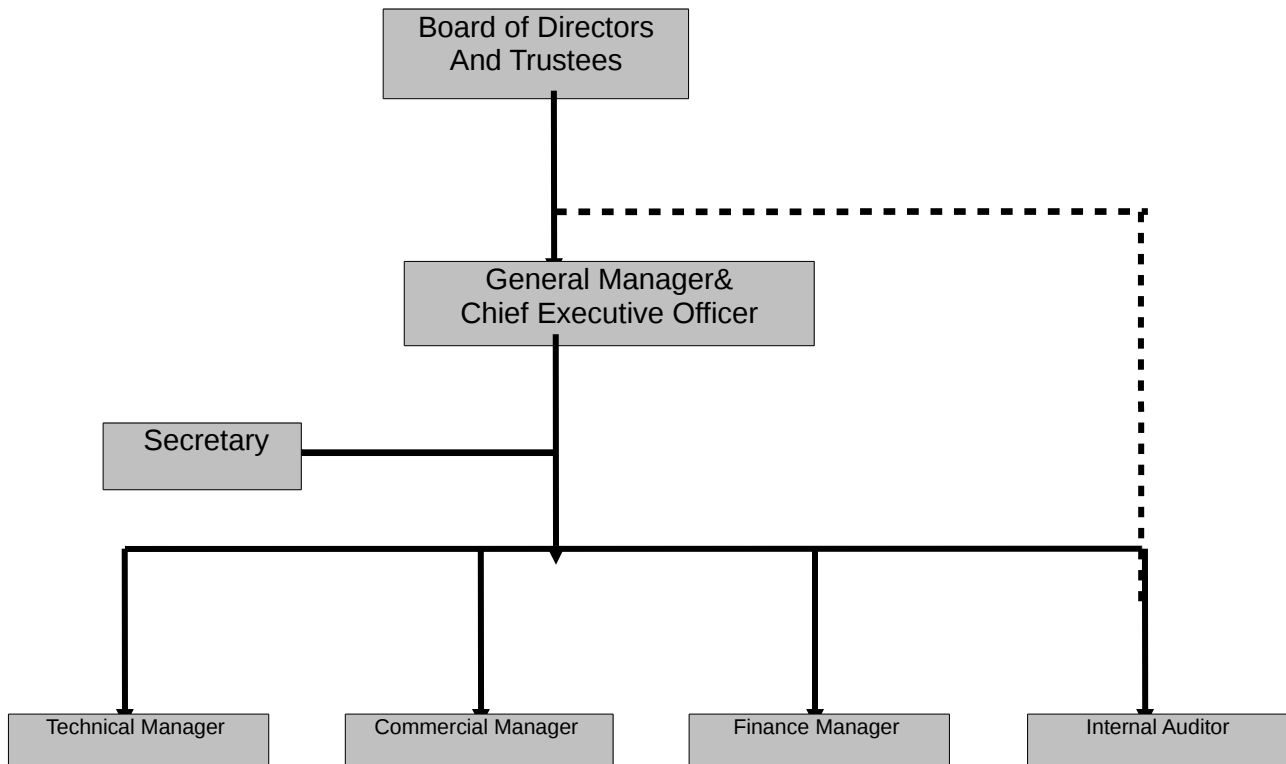
RWL's commercial department strategy teams have established some benchmarks which are our targets or assessments that help determine our performance as compared to other companies in the water industry, as well as other similar-sized organizations in our region.

These include:

- Providing first-rate customer service
- Opportunities for regional expansion
- Implementation and use of up to date technology
- A knowledgeable, competent and customer focused workforce

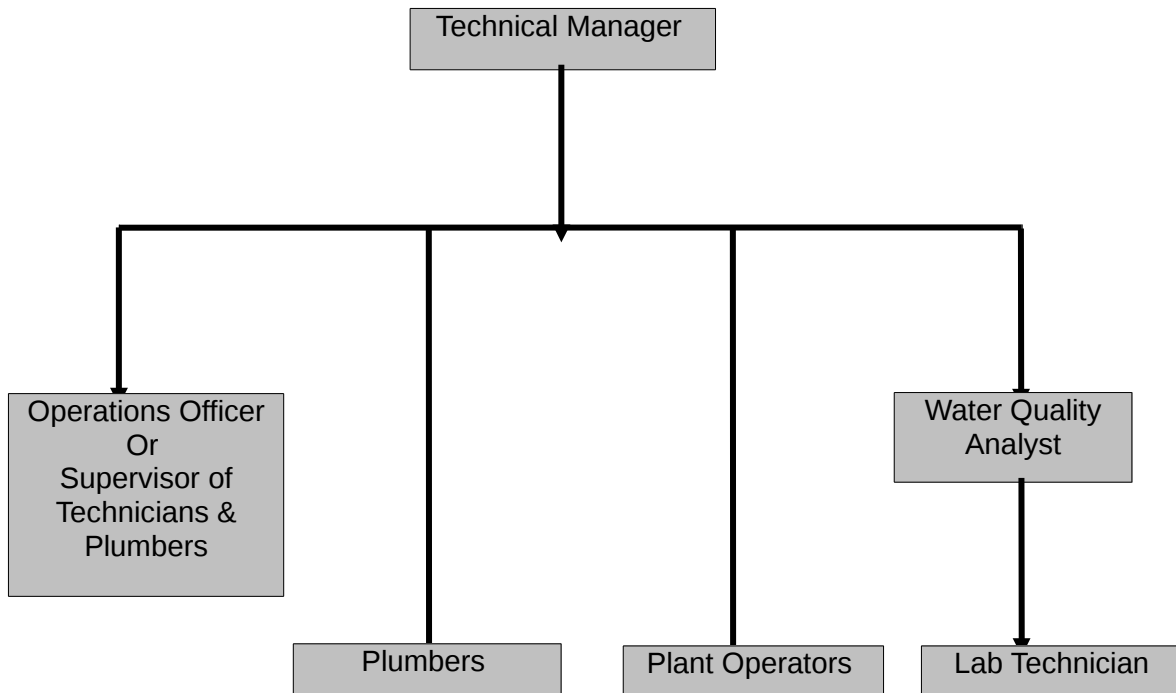
CHAPTER 8.0

8.1 Proposed Corporate Management Structure



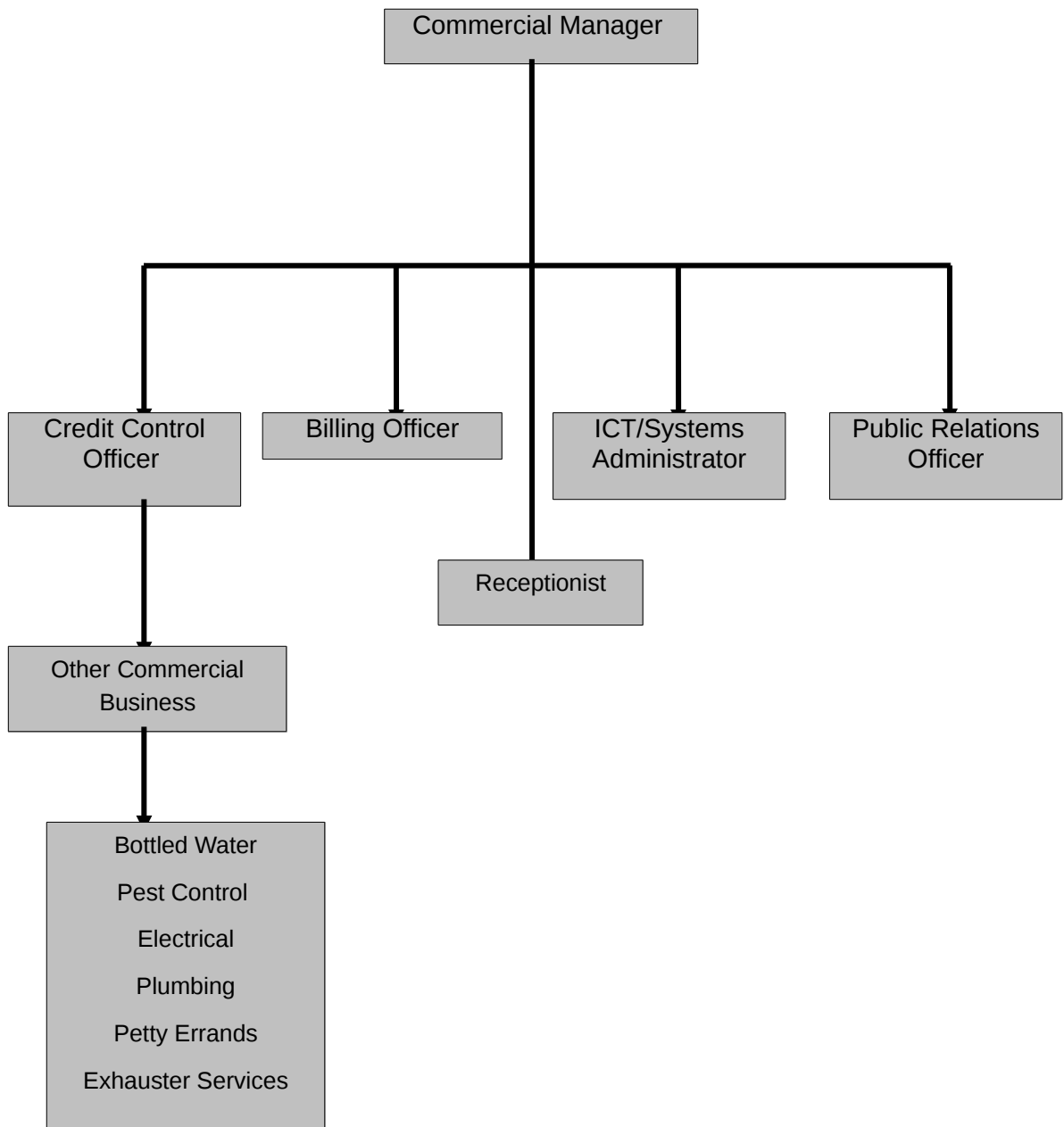
THE TECHNICAL DEPARTMENT

Proposed Technical Department Structure



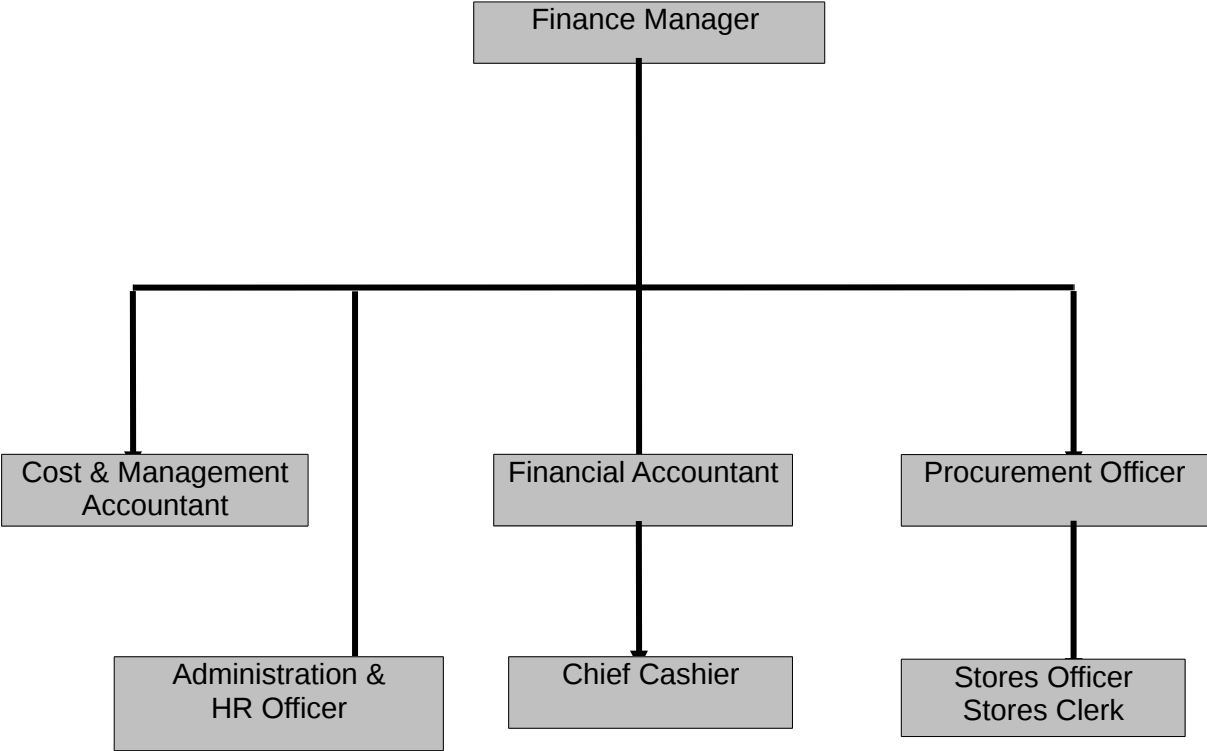
THE COMMERCIAL DEPARTMENT

Proposed Commercial Department Structure



THE FINANCE DEPARTMENT

Proposed Finance Department Structure



CHAPTER 9.0

9.1 RISK ANALYSIS

As with all businesses, RWL faces some risks and constraints as it seeks to embark on this strategic plan.

The list below identifies the major risks identified and highlights how RWL intends to mitigate against these risks.

Identification		Quantity		Response/Mitigation		
	Risk	Control	Probability	Impact	Technique	Description
1	Major injury to core workers	Internal	Likely	Critical	Avoid	<ul style="list-style-type: none"> - Ensure and monitor strict health and safety procedures adherence - Educate workers on safety precaution - Ensure workmen's compensation is in place as well as a medical facility
2	Quality assurance of the water	Internal	Very Likely	Very Critical	Avoid	<ul style="list-style-type: none"> - Set up of Laboratory to monitor quality control processes - Integrate Total Quality Management (TQM) in Operational Processes
3	Increased competition	External	Even Chance	Moderate	Accept	<ul style="list-style-type: none"> - Ensure high water quality - Increase PR activities -Improve customer communication - Employ competent staff
4	Information Technology Risks	External & Internal	Likely	Critical	Adapt	<ul style="list-style-type: none"> -Updated IT Policies -Keeping abreast with IT changes. -Secure communication and network links -Disaster recovery & Business continuity plans -Regular testing of disaster recovery and business continuity plans
5	Lack of succession plans and training of staff with unique skills	Internal	Likely	Critical	Avoid	Putting in place succession plans and training for key areas especially in the plant.
6	Sabotage(e.g. deliberate water poisoning)	External	Likely	Critical	Control	<ul style="list-style-type: none"> -Proactive dealing with aggrieved employees. -Being alert and aware -Enhanced security
7	Escalating cost of doing business(Electricity, fuel, Exchange rate fluctuations)	External	Very Likely	Critical	Avoid	<ul style="list-style-type: none"> -Cost management strategies -Alternative sources of energy to supplement existing sources.
8	Breakdown of key machines in the water treatment plant	Internal	Even Chance	Critical	Control	<ul style="list-style-type: none"> -Preventive maintenance -Machine replacement policies. -Staff training and motivation
9	Fraud(Internal & External)	Internal	Likely	Critical	Control	<ul style="list-style-type: none"> -Develop anti-fraud policies -Strengthen security awareness and vigilance. -Proper vetting of prospective employees-background checks and references -insure against theft by employees

CHAPTER 10.1 BOTTLED WATER BUSINESS FORECAST

BOTTLED WATER - PROJECTED ANNUAL SALES FOR THE NEXT 3 YEARS (2018- 2020)

Description Brands	CURRENT YEAR 2017		YEAR 2018		YEAR 2019		YEAR 2020		
	Bottles	Amt Kshs	Bottles	Amt Kshs	Bottles	Amt Kshs	Bottles	Amt Kshs	Amt Kshs
0.5 Litres	20,349.00	508,725.00	23,401.00	702,030.00	26,911.00	107,644.00	30,948.00	1,392,660.00	1,779,500.00
1.0 Litres	3,238.00	129,520.00	3,724.00	186,200.00	4,283.00	256,980.00	4,925.00	320,125.00	396,480.00
5.0 Litres	768.00	89,856.00	883.00	110,375.00	1,015.00	131,950.00	1,167.00	163,380.00	194,590.00
19.0 Litres	7,400.00	2,590,000.00	8,510.00	3,404,000.00	9,787.00	4,404,150.00	11,255.00	5,402,400.00	6,472,000.00
20.0 Litres	1,163.00	407,050.00	1,337.00	534,800.00	1,538.00	692,100.00	1,769.00	849,120.00	1,017,000.00
TOTAL	32,918.00	3,725,151.00	37,855.00	4,937,405.00	43,534.00	5,592,824.00	50,064.00	8,127,685.00	9,859,570.00

PACKAGING AND RETAIL PRICE PER CARTON

(a) The above sales projections are based on the average sales price per bottle as detailed below for the next 3 years.

PACKAGING		AVERAGE UNIT PRICE PER BRAND PER YEAR				
Brand	Carton	2017	2018	2019	2020	2021
0.5 Litres	24 pcs	25.00	30.00	40.00	45.00	50.00
1.0 Litres	12 pcs	40.00	50.00	60.00	65.00	70.00
5.0 Litres	4 pcs	117.00	125.00	130.00	140.00	145.00
19.0 Litres	1 pc	350.00	400.00	450.00	480.00	500.00
20.0 Litres	1 pc	350.00	400.00	450.00	480.00	500.00

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(b) There is an annual increment of 15% on bottles sold from each brand every year. This means

that the litres and sales amounts are based on the number of bottles

(c) We expect a 20% to 50% increase in sales as the Government will start crackdown on illegal

and illicit bottled water in the market with effect from 1st October 2017 if the EGMS will be

operational by that time.

(d) The bottling plant has a capacity of 2,000 litres per hour and can produce 12,000 litres if it's

in operation for a minimum of 6 hours daily. This means that the RWL Bottling plant has

a minimum annual production capacity of 1,872,000 litres.

(e) The pricing of bottled water will be reviewed annually hence the increase shown in the

increase shown in the table.

CHAPTER10.2

THE TECHNICAL STRATEGIC PLAN

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1. Water Abstraction

(a) Intake - Catchment Management and protection.

Monitoring of water quality at the intake shall be done regularly in liaison with Water Resources Management Authority (WRMA) to detect any pollutants from developments upstream.

Physical surveillance will be conducted on regular basis in order to detect any anomaly in water quality before its development. The company shall look for ways of improving the efficiency of the existing pre-sedimentation tanks by introduction of series of membranes.

(b) Other water sources

The company will explore the possibility of sinking another borehole on plot 794.

An additional bulk water connection/s from NCWSC/AWSB will be applied for.

The Company will keep abreast on progress of water sector reforms in line with the constitution and other legislations that will be aimed at increasing its capacity.

2. Production

(a) Refurbishment of Existing Works and Plant Maintenance

- Even after acquiring water from other sources eg. NCWSC/AWSB, our system shall remain at its best working condition.
- Pumps will be replaced as their useful lives come to an end and more efficient units will be installed

(b) Production Efficiency

- We shall reduce units of power consumed per pumped cubic meter of water by improving efficiency of power usage and ensuring the power factor is at its optimum level always.

3. Storage

- The company will construct a 3000m³ R.C reservoir and continue making maximum utilization of the available storage facilities.

4. Distribution

(a) Supplies and Services

- Restoration of supply after a breakdown will be done within six hours.
- Alternative supply eg tankers in case of high water demand ,breakdown or for business will be considered during the plan period
- Information to customers on breakdown or any information affecting normal operations will be relayed immediately for those with e-mail addresses.
- Adequate water pressure in the supply system to individual customers will be maintained .
- Our customers will be advised to have water storage facilities as precaution for peak demand periods and other interruptions.

(b) New Water Connections

- New paid connections to be effected within 7 days
- The customer/consumer will have to meet the requirements for new connection.

© System Development

- Feasibility studies to extend water to neighbouring estates will be undertaken after construction of a 3000m³ R.C reservoir, getting additional water from AWSB as proposed on the draft bills and renewal of water abstraction permit.. Approval will be sought from Athi Water Services Board (AWSB)
- Re-defining of zone boundaries shall take place and sub zoning will be done for areas particularly those adjacent to our supply boundaries.

(c) Planning and Record keeping

- Latest WARIS analytical program shall be acquired and be used for analysis and record keeping.
- Unaccounted for water strategy is to reduce the loss to below the current 13% or up to the best economical level after purchasing detection equipment that will be used to detect leakages on all transmission and service lines.

(d) System Maintenance

- All imperial sized pipes will be phased out within this plan period and be replaced by metric sized pipes in order to alleviate problems encountered while doing repairs.
- All G.I pipes that will be found leaking after leak detection exercise in more than one point at six metre interval will all be replaced with equivalent size of uPVC.

(e) Servicing of Reservoirs

- Cleaning of water reservoirs will take place once every three months and customers will be given a notice in advance of the supply interruptions through the mentioned communication channels.
- Cleaning of storage tanks and elevated water towers will be carried out as per a timetable.

(f) Unaccounted for Water

- Leak detection equipment shall be acquired. These are; Water leak Correlator, pipe locator and Data loggers instead of outsourcing this service.
- Automatic production and supply water meters fitted with digital display screens mounted on areas to be identified shall be installed to attain the utmost accuracy in production and supply.
- All water wasted through backwashing of filters and cleaning of reservoirs shall continue to be recycled.
- All consumer water meters that are far inside the residential compound shall be re-located.
- Due to the expanding supply area, zoning and even sub zoning with clear zonal boundaries shall be re-defined.
- Reticulation improvements will be a routine exercise.

5. Registration and Inspection

- KPLC housing which has a sewage treatment plant, as well as other developments upstream shall always be closely monitored to avoid introduction of pollutants to our water source.

- The company in conjunction with WRMA will form a WRUA which will be responsible for protection of the river. Incentives e.g provision of seedlings to WRUA members shall be introduced to encourage members observe soil and water conservation practices.

6. Meter Strategy

- All consumer water meters that are installed far inside the residential compound shall continue to be relocated..
- Disconnections for non-payment will be a monthly exercise and will apply to all customers of the company who are in arrears.

7. Emergency Planning / Risk Management

- The company shall develop a comprehensive risk management policy that will address both internal and external exposure areas.
- During dry spells, customers will be advised not to water their lawns and to use laundry water for cleaning their cars and paved surfaces.
- Measures to guarantee supply to critical customers will involve acquiring a tanker within the plan period.

8. Water Quality

(a)Quality Standards

- High quality water meeting WHO standards, free from visible suspended matter, colour, taste, odour and bacteria will be maintained all the time.
- Automatic portable residual chlorine testers shall be acquired for field surveillance.
- Bacteriological testing at Water Treatment Plant will be a routine exercise throughout the period.

(b)Treatment

- Digital weighing machine for allum , soda ash and a separate unit for calcium hypochlorite shall be purchased.
- Chemicals received will be subjected to standardization regularly.
- Development of hygiene and system management will require all water treatment operators to be issued with the right uniforms and protective gear all the time.
- Medical check-ups will be carried out on operators every six month.

© Water Analysis

- Laboratory will continue to be equipped to examine samples from raw water, supply and distribution points.

- Monitoring of catchment areas for potential toxic hazards will require a routine patrol to be established along the catchment areas regularly.
- Separate independent laboratory analysis for detection of certain elements and organic compounds will continue in public laboratories.
- Laboratory services to third parties will be offered at economical cost recovery arrangement.

(d).General Hygiene

The following measures will be put in place.

- Personal hygiene including medical screening and repeat tests for workers every six months.
- Limitation of access to water facilities by un-authorized individuals.
- By-laws enforcement to prevent pollution.
- Use of materials and chemicals fit for the purpose.
- Cleaning sumps, sedimentation tanks, filters, clean water tanks and service reservoirs as per programme.
- Flushing of mains per pre-arranged programme.
- On sterilization of new, repaired and dewatered mains, washout valves will be opened after the works have been done to clear any sediments from the distribution system.

(e).Training and Development

The company will undertake the following:-

- Conduct a comprehensive training needs assessment to the employees.
- In-house training of staff at plant level.
- Keep abreast on Scientific and technological advances to improve treatment processes and improving efficiency.

WATER SUPPLY AND DEMAND PROJECTION FOR THE NEXT 3 YEARS

Description	Current Year 2017	2018(m3)	2019 (m3)	2020 (m3)
Available water for abstraction	985,500	985,500	985,500	985,500
Abstraction	743,312	749,792	756,272	762,752
Production (Allowing 10% UFW)	668,981	674,813	680,645	686,477
Other Sources				
NCWSC	10,000	10,500	11,000	11,500
Total Production	678,981	685,313	691,645	697,977

Projections				
Water Demand (10 new connections p.a)	666,600	673,080	679,560	686,040
Water invoiced	552,000	558,656	564,035	569,413

<u>INVESTMENTS REQUIRED FOR THE PLAN PERIOD</u>		
	Description of projects to be undertaken	Estimated Costs in Kshs
1	Construction of a clean water reservoir with a capacity of 2700-3000M ³	25,000,000.00
2	Purchase of new water abstraction and supply and filter pumps	5,000,000.00
3	Additional bulk water connection from AWSB/NCWSC	5,000,000.00
4	Construction of additional raw water tanks to increase retention time	8,000,000.00
	Purchase of leak detector and pipe locator	2,500,000.00
5	Phasing out imperial sized pipes and infrastructure development for new connections	10,000,000.00
6	Consultancy services for the above projects (12% of the projects cost)	6,660,000
	Total Estimated Costs	62,160,000

10.3 THE FINANCIAL IMPLICATIONS OF THE STRATEGIC PLAN 2018- 2020

(all figures in KES 000's unless mentioned)					
			2018	2019	2020
Increase of business	Increase Rate		2%	2%	2%
Interest Rate			15%	15%	15%
Income tax rate			30%	30%	30%
Overhead			29,407	30,227	31,076
Salaries and staff expenses	6%		21,049	21,470	21,899
Advertisement			-	-	-
Rent / Rates	5%		163	182	191
Insurances	8%		417	626	677
Office exp (Mail, Tel, Stationary etc)			5,289	8,265	8,690
Telephone	2%		208	228	233
Director's fee	5%		588	630	662
Internet - e-mail	2%		13	128	130
Stationery	5%		208	639	671
Bank charges	6%		561	330	349
Licenses	6%		1,957	1,852	1,963
Miscellaneous	5%		1,755	4,458	4,681
Professional Fees	5%		784	1,445	1,517
Travel & Entertainment	3%		119	94	97
Utilities (Light, Water etc.)			-	-	-
Maintenance / Equipment (incl. vehicles)			1,585	3,417	3,622
		NBV 2017			
Capital Expenditure		101,201	7,463	18,200	28,115
Land		80,829	(3,737)		
Buildings		14,494		17,000	26,000
Water Works		3,748	5,600	200	300
Office Equipment		254		-	65
Office Furniture & Fittings		515		-	50
Vehicles		425		-	-
Machinery		936	5,600	1,000	-
Non tangible Assets		-		-	-
Depreciation schedule	Year s	-	4,497	6,135	7,034
Land	0		828		
Buildings	20		725	1,739	2,952
Water Works	5		1,870	2,833	2,326
Office Equipment	3		76	138	116
Office Furnitur & Fittings	8		64	76	73

Vehicles	4		106	400	300
Machinery	3		827	585	392
Amortisation of intangible Assets	3			204	136
INCOME STATEMENT					
Sales revenue	2%		56,164	57,288	58,433
Bottled Water revenue	15%		3,834	4,409	5,071
Operating Costs	6%		19,534	19,925	20,323
Operating Costs of Bottled Water	15%		3,016	3,076	3,138
Gross Profit			37,448	38,696	40,043
GP Margin			62%	63%	63%
Overheads			29,407	30,227	31,076
EBITA			8,042	8,469	8,967
Depreciation			4,497	4,485	4,354
Profit before interest			3,545	3,984	4,612
Interest earned			-	-	-
Profit from sale of land			46,263		
Interest paid on loans			0	0	0
Net profit before tax			49,808	3,984	4,612
Income Tax			3,377	1,195	1,384
Total Tax			3,377	1,195	1,384
Net profit after tax			46,431	2,789	3,228
CASHFLOW STATEMENT					
Operating activities					
Net profit after Tax			46,431	2,789	3,228
Plus depreciation			4,497	4,485	4,354
Plus income tax expense			3,377	1,195	1,384
Change in working capital			(1,795)	(3,816)	(1,229)
Total Operating Cashflow			52,510	4,653	7,738
Investing Activities					
Capital Expenditure			7,463	2,800	8,960
Proceeds from disposal					
Financing Activities					
Long Term Loan			(29,745)	-	-
Equity					
Total Financing Activities			(29,745)	-	-
Net increase in cash & Cash equivalents			15,302	1,853	(1,222)

Opening Balance cash & cash equivalents	634	15,936	17,789
Closing Cash and cash equivalents	15,936	17,789	16,567
BALANCE SHEET			
Fixed assets	207,738	210,538	219,498
Accumulated depreciation	103,487	107,973	112,327
Deposit for purchase of land			
Deferred Tax asset	586	586	586
Net Fixed Assets	104,837	103,151	107,757
Current Assets			
Tax recoverable	-	-	-
Debtors	9,948	10,747	11,138
Bank balances	15,936	17,789	16,567
Total current assets	25,884	28,536	27,705
Current liabilities			
Creditors	11,793	12,152	12,510
Tax Payable	3,377	1,195	1,384
Bank overdraft			
Total current liabilities	15,169	13,347	13,893
Net current assets	10,715	15,189	13,812
Total employment of capital			
Shareholders' Funds			
Share capital	19,532	19,532	19,532
Retained profits	96,018	98,807	102,035
Revaluation reserves	-	-	-
Shareholders' funds	115,550	118,339	121,567
Long term bank loan	-	-	-
Total capital employed	115,550	118,339	121,567

A detailed analysis of the gross profit in terms of the various service centres of the company

(Including the staff costs for each of the departments) are as follows:-

	2018	2019	2020
Water & Water connection & Meter protection & rental	18,167	18,531	18,901

Bottled Water	818	1,333	1,933
Total Gross profit	18,985	19,864	20,834

THE PROPOSED CAPITAL EXPENDITURE - YEAR 2018 TO 2020

Item	2018	2019	2020
Buildings			
Raw Water tanks			8,000,000
Consultancy			960,000
Total Buildings	-	-	8,960,000
Waterworks			
Bulk Water line from NWSC/AWSB	5,000,000		
Leak detector and pipe locator		2,500,000	
Consultancy	600,000	300,000	
Total waterworks	5,600,000	2,800,000	-
Machinery & Equipment			
Water abstraction and supply and filter pumps	5,000,000	-	-
Consultancy	600,000	-	-
Total Machinery & Equipment	5,600,000	-	-
Totals	12,600,000	2,800,000	8,960,000

The funds to purchase the assets will be sourced from sale of part of the idle land at the intake works.