

## 12. Designing an innovative way to support wsas to deliver water services in resources-poor municipalities

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### ABSTRACT

Water Services Authorities (WSAs) such as Cacadu and Siyanda District municipalities have the responsibility to ensure water services delivery in their area of jurisdiction. This has been mandated through the Municipal Water Services Act (Act 108 of 1997). However many of these municipalities, particularly those located in rural areas are resource-poor in terms of human capacity, their ability to attract and retain technical capacity to remote areas and their financial sustainability based on people's ability to pay for services. In addition to this, there is a worldwide and national scarcity of technical expertise including that of the water sector. Technical capacity in the form of engineers, planners, and technicians is very limited in the country as available capacity is either approaching retirement or very young with little or no experience.

Water services delivery is increasingly coming under scrutiny by the general public and the DWA as the national regulator as new projects are commissioned while existing infrastructure requires effective operation and maintenance. Since South Africa is a semi-arid country, water services require effective management and use to meet the increasing demand from the socio-economic and environmental sectors. Therefore the concept of the Shared Services Centre (SSC) in the context of water services delivery in the municipal sector is becoming an increasingly attractive option.

### 1. WHAT IS A SHARED SERVICES CENTRE (SSC)?

A SSC is regarded as a business unit that performs consolidated functions or services across municipalities or WSA boundaries. It brings together functions that are common to multiple business units under a single delivery organization (Bergeron 2003, Schulman et al 1999)<sup>1</sup>. These functions would include human resources, technical operation, procurement, financial management and equipment.

In the context of local government and specifically water services functions; a SSC forms a unit where scarce skills, capacity and services which are currently unaffordable by WSAs on their own can be made available. Skills and services such as engineering, strategic and project management, plant operators, financial and audit management can be made accessible to each of the participating WSAs with clear key performance areas (KPA) and key performance indicators (KPIs). Therefore the implementation of a SSC could be seen as one possible way to assist resource-poor municipalities to deliver on their mandate.

### 2. WHY SHOULD RESOURCE-POOR MUNICIPALITIES IMPLEMENT A SSC?

Resource-poor municipalities often require additional resources such as human capacity and additional funding to effectively improve service delivery. In a Water services unit, a SSC could provide such additional resources on a shared or part time basis, to support municipalities. SSCs are often established to improve services, manage costs

and improve organizational efficiency (Searle 2006)<sup>2</sup>. The survey conducted by A.T. Kearny in 2005, revealed that 70 % of senior executives have claimed success in the implementation of their Shared Services programmes. Further research conducted in New Jersey by BEA 2006 and Deloitte 2005 has revealed an increased demand for Shared Services in the public sector. The participating government institutions responded that Shared Services support their strategic goals and that more than half of the government agencies have implemented or are in the process of implementing a Shared Services Centre (A.T. Kearny 2005)<sup>3</sup>.

This research is largely based in the United States. However, being business sector orientated, the operational needs and challenges faced by both the private and public sector in South Africa are similar and cannot be ignored. Furthermore with the increasing encouragement by various spheres of government and the need for WSAs to manage water services as a business, while faced with capacity and affordability challenges, a SSC could be regarded as a possible solution. Therefore there is great potential for the establishment of a SSC to allow municipalities to access additional resources which would provide various opportunities such as cost reduction, process improvement, standardization and consolidation of goods and services, increased efficiency and quality of service, improved system control, the creation of a service orientated culture and better-trained employees.

According to Bergeron (2003)<sup>4</sup> the effective establishment and implementation of a SSC requires consideration of various key factors and lessons learnt from other public sector organizations which support sustainability and the positive impact of shared services.

### 3. KEY FACTORS FOR SUCCESSFUL IMPLEMENTATION OF A SSC IN THE PUBLIC SECTOR

International research conducted by Bergeron (2003) has identified key factors which create the foundation for a successful SSC. These include the following:

- Senior management support,
- Strong project management skills,
- Strong change management,

Furthermore, local research conducted by Van Der Linde TN et al (2006)<sup>5</sup> has revealed that another key success factor for a SSC is the adoption of a customer-driven focus; and that the success of a shared services unit is largely dependent on its ability to add value to the organization.

Conversely, South African research has identified challenges in the implementation of a SSC which are as follows:

- Lack of up-front investment which may cause the project to be under-funded;
  - Most WSAs lack funds to contribute to the establishment of a SSC
  - WSAs lack the required information to determine the type and level of technical and financial support needed.
- Lack of commitment to long-term change which may result from election cycles and or shifting political agendas;
- WSA change in both political and administration structures over a five year period. This often contributes to poor long term planning, where management such as Municipal Managers, Technical or Infrastructural Directors, Councillors and Mayors (the decision makers) leave the organization, thus affecting continuity.



- The shift from a demand-driven philosophy to a supply-driven service culture proves to be hard to implement in a government sector;
- WSAs are often faced with a demand-driven society where services are to be provided to consumers free of charge. However, this demand-driven philosophy has also been exacerbated by the implementation of FBW policies which require review (Free Basic Water & Sanitation Policies in relation to indigent communities).
- Most WSAs have not implemented, or would find it difficult to implement business principles as political will and buy-in are not there. Thus there is no support for the need to drive water services as a business.
- The implementation of a shared-services business unit is in itself a daunting experience, as it requires the transformation of business and operational processes, people and technology.
  - Developing political buy-in and support from participating WSAs requires a great deal of time, particularly to introduce the SSC concept to ensure a common understanding and goal.
  - Additional resources such as human capacity, management systems, and leadership require more funding which affects time frames for implementation.

The implementation of a successful SSC is highly dependent on the above mentioned key success factors. Siyanda DM in the Northern Cape is one of the WSAs that has managed to overcome some of these challenges in the establishment of a SSC. Cacadu District in the Eastern Cape is another WSA which through their S78(3) assessment, is in the process of establishing a SSC for its Karoo Cluster WSAs, namely Blue Crane Route, Camdeboo and Ikwezi LMs.

#### 4. SIYANDA DISTRICT SSC CASE STUDY FOR WATER SERVICES DELIVERY

Siyanda DM is located in Upington in the Northern Cape, characterised by remote municipalities with communities being predominantly rural, living in semi-arid areas. Currently there are four out of six local municipalities participating in the Siyanda SSC programme. These are Kgatelopele, Kheis, Mier, and Tsantsabane LMs, all of which have WSA status. (Siyanda DM SSC Business Plan, 07) 6.

The establishment of the SSC has resulted through constant requests to the District Municipality by LMs to provide technical and financial support. The LMs face the common challenges of lack of technical expertise to operate and maintain plant, limited financial resources, which makes it difficult to attract and retain appropriate technical skills, sparsely located rural communities with low population a proportion of which is highly indigent. Kheis LM has 70% indigent population and contributes significantly to increasing operations and maintenance costs.

The establishment of the SSC is being managed and housed by Siyanda District Municipality with the objective of providing support to LMs for water services operations. The Siyanda SSC is a joint initiative between the Northern Cape Local Government, the Department of Water Affairs (DWA), the Northern Cape Department of Housing, the Development Bank of Southern Africa (DBSA), the South African Local Government Association (SALGA), the Swedish institutions SIDA, SIPU International, and the Frances Baard District Municipality. Funding was provided upfront over a three year period from 2007 to 2010. The funding amount declined each year from R1 million to R750 000 and

then to R500 000 with the difference expected to be made available by the DM. (Siyanda DM SSS Business Plan, 07).

Key components of this study are discussed below.

#### 4.1 Functions and opportunities

##### 4.1.1 Functions

The Siyanda shared services centre provides the following operations and maintenance functions to the four LMs:

- Provision of technical staff including engineers, plant operators (for operations and maintenance), planning and supervision;
- Water quality management specialist for operations and capacity building of plant operators and on-site training

##### 4.2 SSC opportunities

The support given by the district through the SSC has provided various benefits to participating LMs which include the following:

- The DM has managed to access financial support to effectively coordinate and support water services delivery to LMs which is their key role.
- The DM has sourced human resources to support the LMs which include the procurement of an engineer, one technician and a water quality specialist, all of whom are available to all four LMs.
- Formal arrangements have been developed with the four LMs for operational support through Service Level Agreements. One WSA has signed it at this stage.
- Opportunity has been provided for the DM to transfer skills to the LMs on financial management, technical services planning and human resources development.
- The DM, as the supporting municipality, has been able to build better relations and understanding of the technical needs and challenges of the LMs.

Although Siyanda DM has benefited from establishing a shared services centre for operations and maintenance services as outlined above, there are several challenges which have been encountered in the implementation processes.

##### 4.3 Siyanda SSC challenges

On the other hand, the establishment of the Siyanda SSC has experienced challenges which can be attributed to lack of knowledge and/or poor consideration of the identified key success factors. These challenges include the following:

- Poor co-operation and support from the LMs which led to lack of communication and participation. This could be linked to poor support from senior management, poor change management and lack of commitment to long-term change which may result from election cycles and or shifting political agendas;
- Limited project budget due to LMs being unable to make a contribution, due to lack of finance. Thus funding is limited to what is made available by project donors and this led to the programme being under-funded;
- Non existence of shared service payment plans for WSAs, which would identify resources and costs to be paid for, and thereby assist the programme to sustain itself and improve ownership by participating municipalities;
- Poor planning by LM technical units on their organograms and infrastructure maintenance. This could be attributed to lack of project management skills which led to poor coordination and

support from the DM.

- High travelling and accommodation costs rather than actual O&M costs due to the widespread location of the local municipalities (Kgatelopele municipality is 300km away from Siyanda DM);
- Lack of progress reports for submission to council which would facilitate decision making, financial support and improve services delivery to communities; and
- Lack of programme monitoring and evaluation by the DM and LMs to assess the impact and value of the SSC.

These challenges have provided lessons to the Siyanda SSC participants from which to improve their shared services implementation process with the rest of the LMs, as well as benefiting other municipalities which may be interested in establishing a shared services centre.

#### 4.4 Siyanda SSC lessons learnt

The lessons learnt from the establishment of the Siyanda SSC have provided insight into the processes involved in implementing a shared services centre within local government. These lessons are as follows:

- The establishment of a SSC requires more time for project/concept introduction to LMs than the initially planned 12 months. This has resulted due to the fact that it took over 2 years to get all four LMs to understand and support the shared services centre; and only one LM has managed to sign the services contract with the DM. Factors which contributed to the delayed establishment of the SSC include the following:
  - Lack of knowledge and understanding of the objective of establishing a SSC.
  - Political boundaries where other WSAs would not be comfortable to share resources with neighbouring WSAs.
  - Lack of understanding that the powers & functions of WSAs are not affected.
- Key factors which would contribute to the effective establishment of a SSC of local government water services delivery include
  - Sourcing political buy-in, including mayor and provincial officials, and council resolution which would promote decision making by LMs;
  - Identifying the required services, support, and training needs and budgeting for them as part of the O&M budget,
  - Developing clearly defined roles, responsibilities, and expectations (LMs, DM, Mayor, MEC office, DBSA, DWA and other stakeholders);
  - Developing an effective communication system to raise and resolve issues.
  - Establishing, implementing and monitoring service level agreements.

#### 5. CACADU DM PROPOSED SSC

The Cacadu District in Port Elizabeth is in the process of establishing a SSC which has been recommended through S78(3) options assessment. A SSC is one of the options which have been identified as a potential solution for the Cacadu DM - Karoo Cluster WSAs in supporting water services delivery and self sufficiency going forward.

The Cacadu DM-Karoo Cluster of LMs comprises Baviaans LM, Blue Crane Route LM and Ikwezi LM. They all have the WSA status but with limited capacity. This cluster of LMs faces challenges similar to those of Siyanda DM. These include remote and sparsely populated municipalities, inability to afford payment for services and to attract

and retain appropriate skills, lack of planning and strategic management skills, lack of water quality management expertise and lack of operational backup (J&G S78(3) Options Assessment Report 2009)<sup>7</sup>. The proposed Cacadu - Karoo Cluster SSC would be a unit where water services scarce skills and capacity, which are currently unaffordable to each of the WSAs independently, can be made accessible to them with clear key performance areas and indicators.

The DM has an established District Information Management Systems (DIMS) to which all LMs have access. Therefore centralization of resources has already been introduced which should add value to the proposed water services shared services centre for the Karoo Cluster.

#### 5.1 Why should the Cacadu – Karoo Cluster establish a SSC?

The Cacadu-Karoo Cluster requires additional resources to improve its water services delivery. These include technical skills such as engineers, water quality specialist, financial and planning management, and plant operators. These WSAs are category B3 rural, low salary scale level municipalities which makes it difficult for them to attract and retain appropriate skills. The municipalities are located far from one another which leads to high operational costs due to travelling and accommodation. They have high water resources management issues, and water and wastewater quality management resources are critically required in order to ensure delivery of water to appropriate standards. The establishment of a SSC at Siyanda DM has produced positive outcomes where the DM has managed to achieve the following, which are some of the resources that the Cacadu DM-Karoo Cluster intends to access:

- Sourced and co-ordinated funding to support LMs in their water services delivery needs;
- Sourced human resources to support the LMs which include the procurement of an engineer (made available by DBSA - Siyenzamanje Project), a technician and a water quality specialist, all of whom are available to the participating WSAs ;
- Developed formal arrangements with the four LMs for operational support through Services Level contracts;
- Developed strategic systems to transfer skills to LMs on financial management, technical services planning, and human resources development; and
- Developed better relations and understanding on water services needs between the DM and the participating LMs.

#### 5.2 Cacadu DM-Karoo Cluster Proposed SSC

Taking into account the identified key success factors and lessons learnt from Siyanda DM SSC establishment, the Cacadu District in the Eastern Cape is in the process of establishing a SSC for its Karoo based WSAs to assist them improve water services delivery.

This Cacadu-Karoo Cluster SSC is being proposed with the aim of attracting and sharing the cost of skills to enhance the current operational capacity on the ground. However, the success and sustainable establishment of this cluster would need to take into account the key success factors identified above as well as lessons learnt from the establishment of the Siyanda SSC.

A five year strategic plan is proposed, which would guide and facilitate the establishment of its shared service from year one and beyond. The plan includes mandatory areas of support, human resource and capacity development (technical, financial, and administration); facilities and support unit costs.



The areas of operational support that have been identified are:

- Water and waste water quality management,
- Infrastructure inventory development,
- Revenue enhancement,
- Water demand management,
- Coordinated planning for Karoo Cluster with respect to water services,
- Material standardisation and efficiency ( bulk procurement), and
- Monitoring and evaluation of service delivery.

The proposed five year plan has recommended a financial contribution from each participating WSA which could be an upfront nominal fee sourced from Equitable Shared or grant funding into the programme. This nominal fee would increase each year based on an agreed operational contract for the first five year period. Thereafter, a membership fee is recommended from the participating WSAs. A draw down list of services would be available to participating and non-participating WSAs at different costs. A SSC has a strong potential to address the existing water services challenges within the Cacadu - Karoo Cluster as the process could be more positive and productive in relation to that of Siyanda DM. A SSC could promote a move towards the development and enhancement of sustainable water services practices by the LMs.

### 6. HOW COULD A SSC BE ESTABLISHED BY RESOURCE-POOR MUNICIPALITIES?

Figure 1 below represents the process which could be followed by WSAs to establish a SSC. Starting from the bottom, council ownership of the project is key to the success and sustainability of the project. Then identification of water services needs would have to be conducted by a WSA with agreed key performance indicators. An agreement would need to be in place - Service Level Agreements - in order to clarify roles, responsibilities and expectations between the two parties. Reporting, monitoring and evaluation would then be required to assess the impact of the established SSC.

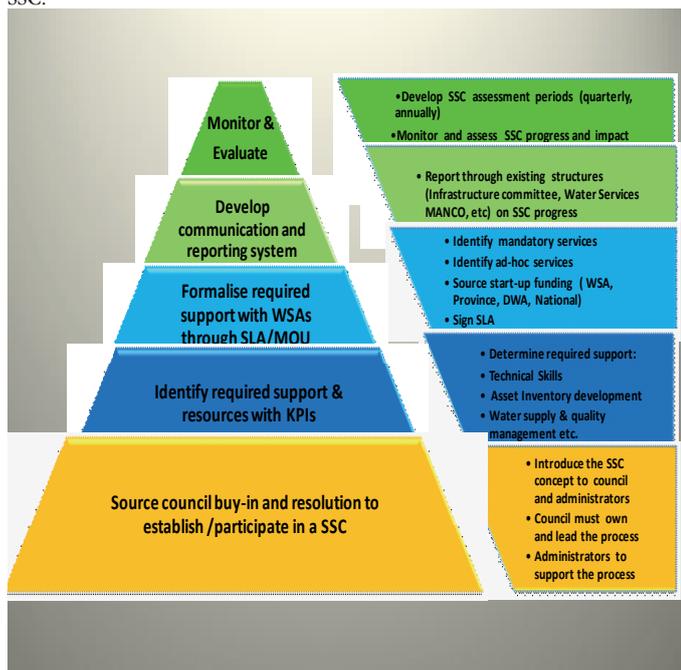


Figure 1: Proposed SSC Establishment Process for local government (WSA)

### 7. CONCLUSION

Based on a review of international literature, there is strong evidence that a SSC could greatly improve water services delivery in resource-poor municipalities. This has been evident at Siyanda where the four participating WSAs, namely Kgatelopele, Kheis, Mier and Tsantsabane have benefited and improved water services delivery through the establishment of the Siyanda DM SSC. The four participating municipalities have had challenges, including lack of technical expertise for plant operation and maintenance, limited financial resources (which hinders attraction of appropriate technical skills), sparsely located rural communities which increase operations and maintenance costs, small population with high proportion of indigent communities unable to pay for services, and lack of water and wastewater quality management expertise.

The Siyanda SSC has provided various resources to address the water services operational needs of the participating LMs such as the sourcing of budget to enable LMs to deliver their water services functions, the provision of technical skills (such as an engineer and a water quality specialist) for operations and maintenance, planning and management and water quality management, as well as the acquisition of additional equipment for infrastructure repairs and maintenance. Furthermore the SSC has provided opportunities for all stakeholders, particularly the DM and the participating LMs, to develop formal Service Level Agreements rather than ad hoc LM support, to transfer skills to the LMs on financial management, technical services planning, and human resources development issues; and allowed the DM to build better relations and understanding of the technical needs and challenges of the LMs as the supporting municipality.

The incorporation of the identified key success factors and lessons learnt from the establishment of the Siyanda SSC (such as the need for political buy-in for effective decision making, clearly defined roles and responsibilities for stakeholders, the implementation of service level agreements and the development of effective communication system to address water services issues), has given clear evidence that the establishment of a SSC is a viable, practical and recommended option for resource-poor municipalities to improve water services delivery.

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