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Learning Journeys

THE CONCEPT OF “SHARED SERVICES” IN DISTRICT MUNICIPALITIES

Cacadu DM Undertakes a Learning
Journey to Siyanda DM



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1.0 Introduction

District municipalities are required by law to oversee and take responsibility for planning, ensuring access to, and regulating the provision of water services within their area of jurisdiction. Faced with a mountain of challenges, these geographically vast municipalities keep struggling to make ends meet with the funding received from national and provincial government. Most of these rural municipalities are servicing communities faced with limited economic development, high rates of unemployment and poverty, and considerably high service delivery backlogs and inefficiencies.

The ability to tackle these challenges is hugely limited by lack of finance to afford and retain the required skills, which inevitably leads to a lack of appropriate planning, lack of strategic management, and operational and organisational instability.

This lack of required skills has led to staff being responsible for multiple portfolios and further encourages a heavy reliance on consultants, both of which are only short-term solutions that put a huge strain on the system.

Since 2003, Water Services Authorities (WSAs) in the country have been engaged in the process

of reviewing how water and sanitation services should be delivered to their communities, referred to as the Section 78 process. In their capacity as the WSAs, the municipalities must choose:

- To deliver the services themselves; or
- To contract with a water services provider; or
- To consider an optimal combination of both.

For District Municipalities (DMs), whichever delivery mechanisms they opt for, the technical skills gap coupled with the lack of finance to afford and retain the required technical skills has presented a further challenge to service delivery.

In trying to address this challenge, one of the solutions that have been considered is the concept of shared services, an approach commonly used in the business sector which favours the concentration of homogenous expertise, resources and tasks in a shared services center (SSC), in order to achieve economies of scale and a significant decrease in costs.

Siyanda DM in the Northern Cape has implemented the concept of a shared services center for its water services delivery, since 2007.

On the other hand, the Cacadu DM of the Eastern Cape has just undergone its section 78(3) process of reviewing its water service delivery mechanism, in which the challenges and needs in the current system have been assessed, and a shared services center similar to that implemented by Siyanda DM has been proposed.

Acknowledgement

This lesson document has been co-authored by Jeffares and Green Consulting Engineers, who organised and facilitated the learning journey. Jeffares & Green has been the service provider for Cacadu DM in implementing the Section 78(3) assessment for its water services delivery. The assessment has led to the proposed adoption of a Shared Services Center Model for the Karoo Cluster.

Author: Juliet Mwale
Editorial Team:
Ditshego K. Magoro, Juliet Mwale
Victor Moila, Albert Pule





The following presents lessons learnt through the learning journey undertaken by Cacadu DM to Siyanda DM in Upington Notheren Cape. The learning journey was conducted to get first hand exposure and learn about the Shared services Center that Siyanda has been running.

2.0 The concept of shared services

The concept of shared services is an increasingly popular business model based on the premise that an organization can achieve economies of scale and a significant decrease in costs by concentrating their homogenous tasks and expertise in a central shared services center.

The concept has worked well in the private sector and the factors that have driven its success and widespread adoption include centralised human resources administration and monitoring, standardisation of processes, improvements in quality of service and cost effectiveness, and consequently can lead to optimal resource use for improved service delivery.

For the public sector, the primary advantage in adopting the shared services approach lies in the potential for cost savings, due its focus on lowering costs, and increasing quality of service.

For South Africa, service delivery is an imperative at the highest level of government, and the delivery of

good quality water services in particular is high on the national government's agenda. It thus goes without saying, that the skills required to provide water services are highly specific, and as earlier alluded to, it is these skills that are a critical challenge for rural municipalities, who more are not financially viable enough to attract and retain the skills. The significant national technical skills gap further worsens this situation for rural municipalities.

In the light of the financial challenges and the national technical skills gap therefore, the concept of a shared services center offers tremendous gains for rural municipalities. While potential cost savings remain important, it is the injection of skills, particularly in the more remote areas, where the shared services concept can really add value to service delivery.

For WSAs, the shared services centre is a unit where scarce skills and capacity which is currently unaffordable to each of the WSAs on their own can be made accessible to each of the WSA and with clear key performance areas (KPIs) and indicators (KPIs). Ideally it would enable the attraction and cost-sharing of skills to enhance the current operational capacity on the ground. It does not take over neither the WSA function nor the WSP function but supports the WSP function as efficiently and effectively as possible. The local municipalities remain the WSA or WSP, as per the S78 decision.

Potential benefits for WSA's include:

- Ensuring sustainable maintenance practices decreases capital requirements in the longer term as well as refurbishment requirements in the medium term.
- Decreasing crisis management which informs a direct efficiency at a costing level as crisis intervention is costly
- Cost efficiency through a standardisation of equipment, by procuring in bulk, being able to share spares, etc.
- Postpone crisis through proactive intervention WSA's have access to direct support

10 Critical success factors for Shared Services Centres

1. Strong project management / leadership: accountability, addressing the “people” oriented challenges.
2. Simple service level agreements
3. Clear links between services costs and user satisfaction
4. Dispute resolution: Addressing non-performance based on the SLA and establishing an interactive framework to encourage continuous improvement
5. Metrics: quantifiable benefits and organisational impact of service delivery (performance measurement)
6. Optimised business process: shared business process for all benefiting organisations to maximise economies of scale
7. Change management: addressing people’s resistance to change and promoting organisational learning.
8. Communication and trust: Interaction internally in the shared services centre and between the shared services centre and the benefiting organisations
9. Culture: “create a new culture” from disparate previous cultures
10. External benchmarks: best practice targets

(Source: Jeffares & Green Consulting Engineers)

3.0 The Siyanda DM Case

Siyanda DM is located in the Northern Cape with Upington as its major urban centre. Six local municipalities (LMs) fall within its jurisdiction namely Kai Garib, Khara Hais, Kheis, Kgatelopele, Mier, and Tsantsabane.

The Siyanda DM area is characterised by small isolated communities with predominantly rural poor, living in a semi-arid environment. The four LMs have been faced with the following challenges:

1. Lack of technical expertise to operate and maintain plants;
2. Limited financial resources which make it difficult for LMs to attract and retain technical skills;
3. Sparsely located rural communities which increase operations and maintenance costs; and
4. Lack of Water and wastewater quality management expertise;

In order to address these challenges, the Siyanda DM began processes of establishing an Operations & Maintenance (O&M) Support Unit which is called the Siyanda DM Shared Services Centre (SSSC),

as a result of continuous technical support requests from the local municipalities in the area. The technical support needed included technical expertise for infrastructure repair, operation and maintenance; planning and water quality management.

The SSC was established to provide various technical support services including; engineering capacity support; water quality management specialist; repairs and maintenance; human capacity support; procurement of spare part; and water services planning support.

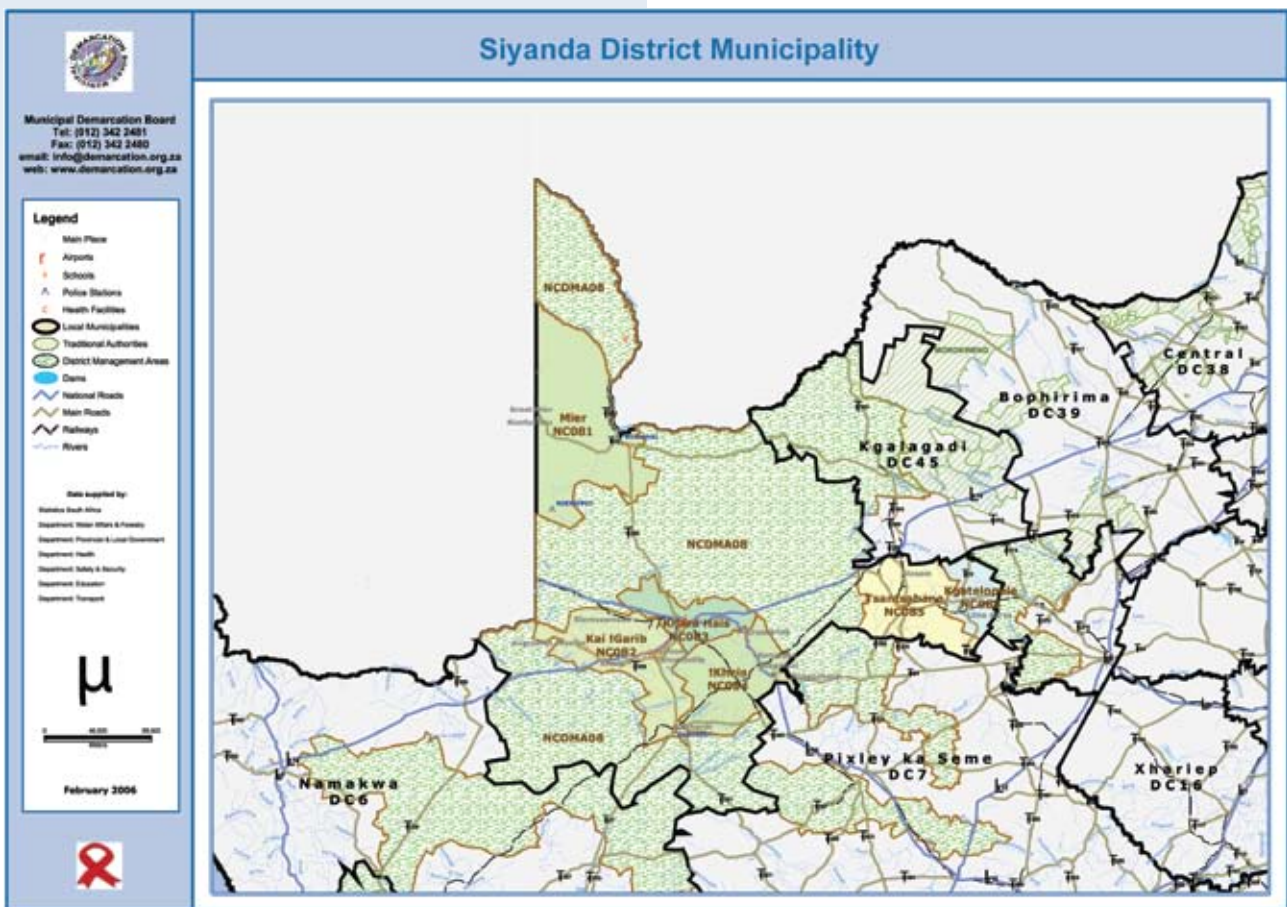
The SSSC had four out of its six local municipalities participating in the SSC programme which includes Kai Garib, Kgatelopele, Kheis and Mier; however Tsantsabane LM has also joined in to form part of the SSC. According to the Siyanda O&M Support Unit Business Plan, the project is a joint initiative between the Northern Cape Government, Department of Water and Environmental Affairs (DWEA), The Northern Cape Department of Housing, Local Government (Provincial), The Development Bank of Southern Africa (DBSA), The South African Local Government Association, the Swedish

institutions SIDA and SIPU International, and the Frances Baard District Municipality. However the primary funder has been DBSA as it has deployed staff to the unit.

The shared services being provided at Siyanda DM include engineering, water quality management, repairs and maintenance, procurement of spare parts, and water services planning.

The participating LMs are offered the following O&M support from the SSC:

- Engineer for planning, operation and maintenance services;
- Water quality specialist for operations and capacity building of plant operators; and
- On-site training on acceptable water quality standards



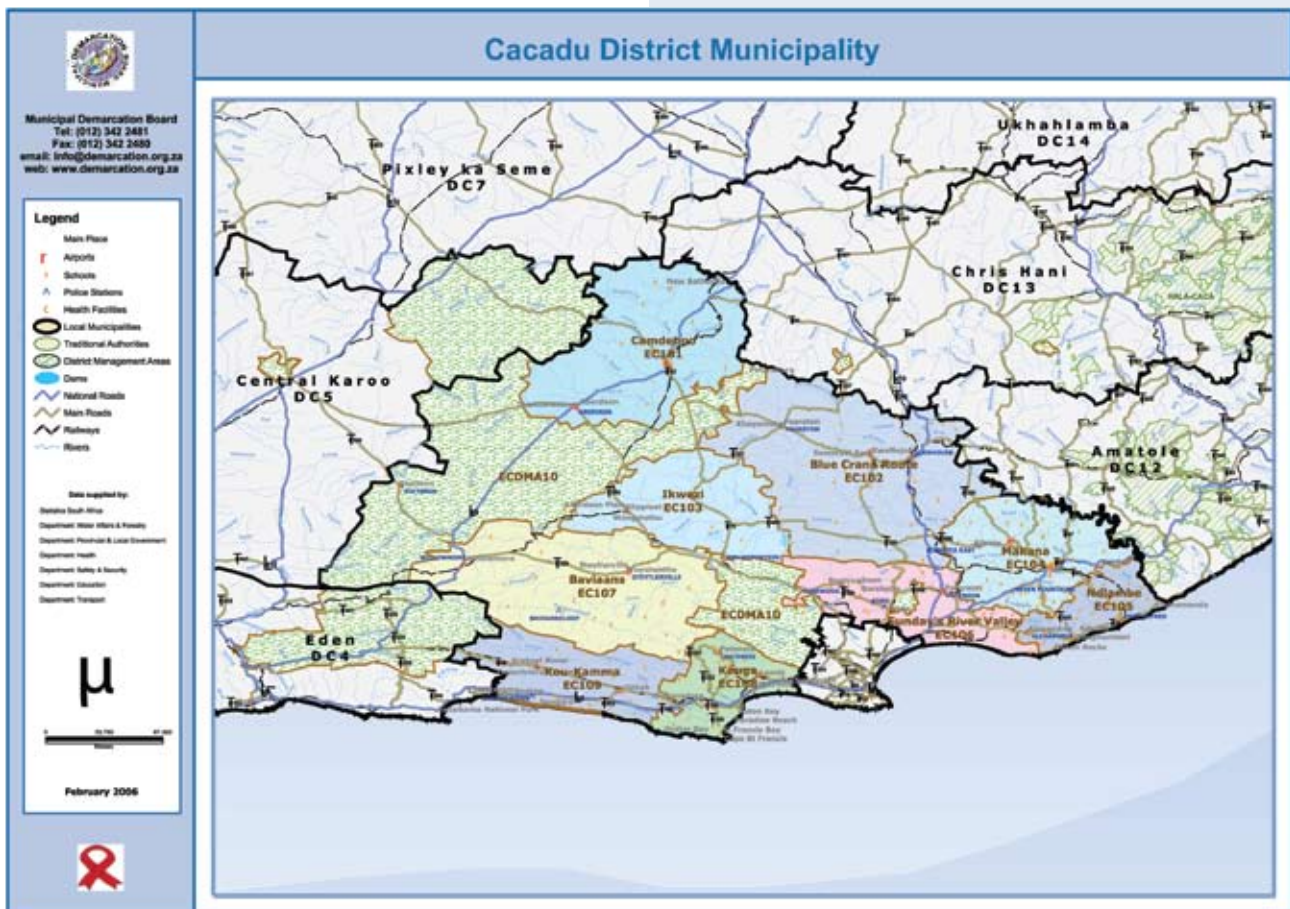
4.0 Cacadu DM Water Service Delivery Status

The Cacadu District Municipality, DC10, is located in the Eastern Cape Province. It is bordered by the Eden and Central Karoo District Municipalities to the West, the Pixley ka Seme District (Northern Cape) to the North, the Chris Hani and Amathole Districts to the North-East and the Indian Ocean to the South East. The Cacadu District surrounds the Nelson Mandela Bay Metro which contains the City of Port Elizabeth and the large town of Uitenhage. Because of the geography and socio economic characteristics of the district, the practice is to refer to three clusters – the Karoo Cluster, the Coastal Cluster and the Eastern Cluster. There are nine Local Municipalities (LMs) in the district and a District Management Area (DMA),

which are as follows:

- EC101 Camdeboo
- EC102 Blue Crane Route
- EC103 Ikwezi
- EC104 Makana
- EC105 Ndlambe
- EC106 Sundays River Valley
- EC107 Baviaans
- EC108 Kouga
- EC109 Koukamma
- DC10 Cacadu DMA

All nine LMs are designated WSAs and the DMA falls under Cacadu District Municipality (CDM) which is also a WSA for those areas not covered by the LMs. The Section 78(1) process has been completed in all ten areas, and seven have taken a Section 78(2) decision to explore external options, while three have made the decision



to adopt an internal option. These seven WSAs include Baviaans LM, Blue Crane Route LM, Cacadu DM, Ikwezi LM, Kouga LM, Koukama LM and Ndlambe LM.

Section 78 (S78) studies have been conducted to assess the current WSP institutional structures, and although challenges were identified at both an operational and strategic level, no physical WSP restructuring was recommended.

One of the recommendations of the S78 study was to consider the concept of a shared support services unit ("Support Unit") for Baviaans, Ikwezi and Blue Crane Route local municipalities to address their specific challenges, which are all similar in nature.

These municipalities form the majority of the Karoo Cluster, with only Camdeboo LM in the cluster falling out of scope. The concept has however, been structured such that Camdeboo LM could participate, should it elect to do so.

5.0 The Learning Journey

5.1 Goals & Objectives

The characteristics and challenges of the Siyanda DM are similar to that of the Cacadu - Karoo Cluster particularly in terms of capacity to operate and manage water services infrastructure, the inability to attract capacity to remote areas with resources constraints and scarcity of water resources in the area. Siyanda began their process in July 2007, and they have had two years of experience in establishing the unit which is similar to what is proposed for Cacadu DM. This suggests that important lessons could be tapped and applied to the Cacadu Shared Services development processes through understanding and exposure to current technical activities of the Siyanda SSC. The learning opportunity that Siyanda Unit could offer to Cacadu was assessed from the point of view of both the DM which is where the unit is "housed" and the LMs who are benefiting from the services. The main goal of the learning journey was therefore to identify opportunities, challenges, lessons learned and recommendations for the proposed Cacadu Shared Services Centre development process.



The Cacadu-Karoo Cluster embarked on the learning journey with the following objectives:

- 5. To understand the institutional arrangements within the SSSC**
 - Is there a separate structure to implement and manage the SSC?
- 6. To assess the capacity & skills development**
 - Are there technical resources procured under the SSC?
 - Where is the staff located; at LMs or in the District?
 - Is there a training and capacity development programme in place or is one being implemented?
- 7. To assess water services planning**
 - Is planning being encouraged and/or achieved?
 - How is water services planning achieved with the LMs?
- 8. To assess budget expenditure**
 - The Cacadu costing model does not allocate costs to specific WSAs, is this the case with Siyanda and if so how are the costs allocated?
 - How has funding been spent?
 - Can the DM manage the SSC without external funding?
- 9. To analyse water services delivery efficiency**
 - What are the functions of the SSC?
 - Has any impact been achieved with the implementation of a SSC on service delivery?

5.2 Learning from Siyanda DM

The learning journey was undertaken from 9th to 11th February 2010. It commenced at the Siyanda DM Head Offices in Upington, and subsequently visits to Kgatelopele, Tsantsabane, Kheis, Mier LMs were conducted. Both the DM and the LMs made presentations to the visiting team. In terms of the objectives of the learning journey, Siyanda DM shared the following information with the visiting team:



10. Institutional Arrangements

- Siyanda DM, which houses and coordinates the SSC, is in charge of water services planning support, water quality management support, repairs & maintenance, human capacity and procurement of spare parts for the LMs.
- The DM only has one MOU in place within the SSC which is with Kheis LM. The rest of the LMs are supported based on the broader support mandate of the district.
- There is no established separate structure exclusively providing services to the WSAs participating in the SCC. The sourced capacity in the SCC forms part of the existing technical services within the DM. However, there is an ongoing process of establishing a Municipal Support Unit which will be a separate structure offering support functions to LMs as requested. The support would include water services infra-structure planning, operations & maintenance, finance and other functions as requested by the LMs.

11. Capacity & Skills Development

- As earlier mentioned, prior to establishment of the SCC, the relevant capacity specifically for the center was not sourced, hence the support unit was not fully structured at the commencement of the implementation process. Therefore skills capacity still remains a challenge for the DM for it to effectively deal with the required support from the LMs. The skills sourced form part of the existent technical unit which is not exclusively for the SSC.
- The DM is planning a training and capacity development programme for Plant Operators in Siyanda. Further, the Department of Water Affairs funded a training workshop in 2008 aimed at developing qualified and registered Plant Operators for the District, and it was attended by Plant Operators from the participating LMs.
- While Siyanda DM is facing challenges in attracting and retaining skilled capacity, it has managed, through the SSC funding, to source two Civil Engineering Technicians based at Siyanda DM, and a Water Quality Officer based at Kheis LM which had major water quality management challenges.

12. Water Services Planning

Due to the limited capacity at the LMs, Siyanda DM drives the water services planning in the district to ensure that effective water services planning takes place.

13. Budget Expenditure

- Siyanda DM facilitates the funding and budget spending of the SSC. The spending has mainly focused on operations and maintenance support to the LMs and this support is provided as per need or emergency.
- Currently, there is no agreed structured and systematic budget expenditure for operations and maintenance. The services procured by LMs through the SSC are invoiced to the District and the district then pays the LM.

14. Water Services Delivery Efficiency

Through technical and other support received via the

SCC, considerable impact on water services delivery has been achieved in Siyanda. Specifically, the following support has been given to the LMs:

- The rehabilitation of the Tsantsabane LM Wastewater Treatment Works which has also been financially supported by the local mines
- Making available the Water Quality officer at Kheis LM and the two Civil Engineering Technicians based at the DM
- Water & sanitation planning, water supply support and infrastructure upgrades

5.3 Challenges faced

The following challenges have been faced by Siyanda and its LMs in the establishment and operation of the shared services center:

- Poor cooperation from the LMs at the beginning of the project which could be attributed to lack of knowledge, lack of technical services leadership and lack of communication and consultation within and between the LMs and the DM;
- Poor departmental planning by LM technical units on their organograms and infrastructure maintenance;
- Senior technical staff at LM level provided poor support to the project at the beginning as they felt that their authority was being challenged and that their poor performance and execution of responsibilities was being exposed;
- Limited budget available at LMs did not allow for additional budget contribution to the SSC,



thus financial support could not be made available by LMs;

- High travelling and accommodation costs rather than O&M costs due to wide spread of local municipalities (Kgatelopele is 300KM away from Siyanda DM);
- Lack of monitoring of the programme by the DM and LMs; and
- Lack of reports for submission to council which would facilitate decision making and improve services delivery to communities

Lessons learnt for Cacadu DM

From the information shared by Siyanda DM, the following lessons were provided for Cacadu DM from the learning journey:

1. A SSC is a viable tool to improve services delivery in municipalities, particularly for those with limited financial and technical resources and vast geographical scope, as it pools resources and expertise in a single unit. With proper planning before establishment, it offers the potential to improve service delivery in such municipalities.
2. The shared services to be provided by the center need to be as wide as possible, and where possible much go beyond technical services to include corporate and financial support.
3. The involvement and buy-in of key institutions and stakeholders (such as DBSA, DWEA, CoGTA, LMs, DM, Mayor, MEC office, etc) is important for the successful implementation of the center. This entails developing and introducing clear objectives, roles, responsibilities and expectations from all stakeholders involved.
4. Additionally, the establishment must also involve strong buy-in and support from political structures including MEC, Mayors and Councilors in order to encourage faster decision-making. It would therefore be important to introduce the program through the Mayor's office rather than through the technical services unit or section of the municipality. This could speed up the signing of MoUs or Service Level contract approval between LMs and the DM.

Annex A: Fact sheet on Siyanda DM

1. Siyanda DM

- The DM houses and coordinates the SSC but its technical capacity to support all the WSAs is limited, as it only has two Civil Engineering Technicians at the DM office & one Water Quality Officer located at Kheis LM.
- Its main sources of water are the Orange River (surface water) and ground water.
- Key challenges faced include water scarcity, geographical vastness of the area, insufficient budget, high unemployment rate, lack of housing, and low capacity in the smaller municipalities.

2. Kgatelopele LM

- Facing a lot of challenges as it has no qualified technical skills for water services operations and management, e.g. it has no technical manager and no chief financial officer. It also has no municipal planning in place, and its water services infrastructure is old and needs replacement.
- Uses groundwater for water supply

3. Kheis LM

- Uses a bulk pipeline as the main source of water supply (Vaal Gamagara)
- Only has a Technical Services Manager & Water Quality
- Lacks adequate operational resources hence relies on support from neighbouring LMs Officer
- Has 70% indigent community Sustainability of the WSA is questionable owing to its need for constant support from the DM.

4. Mier LM

- Has two technical personnel
- Poor infrastructure but bulk pipeline upgrades are underway
- Has an asset register in place

5. Tsantsabane LM

- Has a Technical Director, but the overall human & operational capacity in the LM is limited.

5. It is important to structure, resource and capacitate the SSC prior to implementation for it to effectively provide the required support to municipalities. Skills need to be sourced upfront, as well as the budget required to effectively run the centre. Further, training and skills development needs to be made part of the program, so that vital O&M capacities such as plant operators are continually capacitated.
6. Implementation of a Shared Services Programme requires more start up period with a sufficient budget. The Siyanda SSC project/concept introduction to LMs took more than the initial planned 12 months. The programme has taken over two years to get all four LMs to understand and support the shared services centre.
7. In order to encourage ownership and more effective participation and communication in the programme, Local Municipalities need to be allowed to contribute to the project budget based on agreed arrangements between the LMs and the DM.
8. The introduction of the program/center needs to be seen by all stakeholders as an option to improve service deliver and should be introduced as such, and not as enforcement program.
9. In establishing such a unit, learning from others that have implemented the program is important as it provides the opportunity to see and understand what works, what doesn't, and the pitfalls to avoid.

6.0 Lessons for Siyanda DM

The interaction with the Cacadu team during the learning journey afforded the host municipality to learn the following:

1. A shared services center could potentially offer more than just Operation and Maintenance support to the local municipalities, to include which is what Cacadu DM may be looking at. For Siyanda DM, the additional services will be offered under the recently established Municipal Support department and will include disaster Management, LED, Tourism and Performance Management.

2. The visit has made Siyanda DM to realize that it may need to discuss and properly structure the support the SSC is rendering to local municipalities.
3. Through the visit, Siyanda was reminded of its responsibilities as a DM, and the mandatory support it needs to give to local municipalities to ensure efficient water services delivery in the area.

7.0 Conclusion

The shared services concept for the municipalities specifically serve as an integral strategy to access centrally located capacity to supplement capacity gaps in the individual municipalities. In this way, municipalities would ensure that both service and delivery take place in the most cost effective manner.

While notably this concept has some implications for measuring the KPIs in municipalities, as the impact of the shared services is dependent on counter performance from the WSA/WSP, it still offers considerable gains for WSAs particularly those worst bitten by the technical skills shortage in the country, like Siyanda and Cacadu.

Learning experiences such as this learning journey undertaken by Cacadu are especially of value in the search for lasting solutions to service delivery challenges.

Going forward, Cacadu will be in a better position to make decisions on

- Exactly what needs to be offered (the KPAs of the SSC)
- Rights and obligations of the WSAs
- Who will do it (specifying the skills required)
- How it will be done – logistical arrangements
- How it will be funded (costing and potential sources of funding)
- How performance of both the WSAs and the SSC will be monitored



- There is infrastructure and spatial development planning in place
- Relies on boreholes as the main source for water supply
- The municipality is exploring the cooperative governance and intergovernmental support with different government institutions and the local mines, which are identified as potential sources for funding for water

RELATED ARTICLES:

1. WIN-SA Lesson: Shared Legal Expertise in the North West

This lesson looks at the unique intervention set up by the Bojanala Platinum District Municipality (BPDM) in the North West Province, in which it has successfully incorporated scarce government legal resources into a shared services structure called the BPDM Legal Task Team. The team produces generic municipal policies and by-laws of a high standard in a very cost-effective manner for the benefit of all participating municipalities.

2. Gert Sibande DM Water Lab

The lab is to be launched in 2010, and is a shared service for the DM. Gert Sibande is not a WSA, but has established the water lab as one of the initiatives under the DMs broader mandate of ensuring effective water services delivery in its area.



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Contacts

WIN-SA

Tel. +27 (0) 12 330 0340

E-mail: info@win-sa.org.za

www.win-sa.org.za