

## 8. WATER SERVICES INSTITUTIONAL ARRANGEMENTS PROFILE

### 8.1 Water Services Authority assessment

The WSA has a number of functions and outputs that are mainly associated with governance and regulation. The situation within the ZDM is given in Table 8.1 (a) below.

**Table 8.1 (a): WSA functions and outputs within the ZDM**

WSA functions / outputs	In place? (yes/ no)	If no, when will it be in place?	Support required (yes/no)
<b>Policy development</b>			
Indigent policy	Yes	N/A	No
Free basic water policy (including equitable share)	Yes	N/A	No
Free basic sanitation policy (including equitable share)	Yes	N/A	No
Procurement policy	Yes	N/A	No
<b>Regulation and tariffs</b>			
Water services bylaws with conditions as required by the Water Services Act	Yes	N/A	No
Mechanisms to ensure compliance with bylaws	Yes	N/A	No
Tariff structure	Yes	N/A	No
Tariffs promulgated	Yes	N/A	No
<b>Infrastructure development (projects)</b>			
Mechanisms to undertake project feasibility studies	Yes	N/A	No
Criteria for prioritising projects	Yes	N/A	No
Mechanisms to assess and approve project business plans	Yes	N/A	No
Mechanisms for selecting, contracting, managing and monitoring implementing agents	Yes	N/A	No
Mechanisms to monitor project implementation	Yes	N/A	No
<b>Water conservation and demand management</b>			
Water conservation and demand management strategy	In progress	TBA	No
<b>Performance management and monitoring</b>			
Performance management system	Yes	N/A	No
Water service monitoring and evaluation (M&E) system	Yes	N/A	No
<b>WSDP</b>			
WSDP information system	Yes	N/A	No
Mechanisms for stakeholder participation	Yes	N/A	No
Mechanisms to monitor and report on WSDP implementation	Yes	N/A	No

**Table 8.1 (b): WSA functions and outputs within the ZDM**

WSA functions / outputs	In place? (yes/ no)	If no, when will it be in place?	Support required (yes/no)
<b>WSP institutional arrangements</b>			
Criteria to select appropriate WSPs	Yes	N/A	No
Mechanisms to contract, manage and monitor WSPs	Yes	N/A	No
Mechanisms to approve WSP business plans	Yes	N/A	No
<b>WSA overall capacity</b>			
Sufficient staff and systems to fulfil all WSA functions	Yes	N/A	No
Other (state)			

## 8.2 By-laws affecting water services

ZDM has worked extensively on the development of a water services policy and by-laws for the district. The documents were finalised by June 2008 and approved by Council. The by-laws have since been promulgated and are being enforced throughout. The documents are available on the ZDM website at [www.zululand.org.za](http://www.zululand.org.za) for information.

## 8.3 Water services providers' institutional arrangements

ZDM was awarded the Water Services Authority function in 2003 as part of the division of powers and functions amongst municipalities. The allocation of the water services function then resulted in a Section 78 investigation to be done to determine the most appropriate water services provider arrangements to provide water services in the district at the time and in future.

The investigation started off by determining the status quo with water services provision in the district at the time. A survey was done of all infrastructure assets, all costs related to water services were compiled and ring fenced, and staff organograms with vacant positions were drafted. It was known that the status quo situation was below the ideal and therefore an exercise was done to assess the current gaps and compile a model based on the existing WSP arrangements at the time, but only operating at the ideal level of service provision. This model was then compared with different scenarios of possible restructuring to determine the most appropriate long term WSP arrangement. The following WSP options were considered at the time:

- Option 1 (Internal WSP) – ZDM creates an internal department that is responsible for water services provision throughout the entire district
- Options 2 (Partly internal and partly external) – At the time two of the municipalities, namely Ulundi and Nongoma Municipalities, had insufficient capacity to perform the water provision function in their respective areas and it was clear that ZDM would have to take over the service in these areas in any event. The remaining three municipalities, namely uPhongolo, eDumbe and Abaqulusi did however pose potential to provide the service themselves and act in combination as an external WSP to ZDM. This option was therefore also considered and costed.

- Option 3 (Partly internal and partly external) – The option was also considered whereby the bulk services were separated out and the scenario considered where ZDM provides the bulk services throughout the district. The reticulation service would then be provided also by ZDM in the Ulundi and Nongoma municipal areas and again by the uPhongolo, eDumbe and Abaqulusi municipalities in their respective areas.

A number of key issues were identified during the assessment that had a significant influence on the eventual decision making process, as follows:

- Contracting the provision function out to an external provider (private sector or water board) was viewed as a potential risk in that such an institution would be focused on profit making rather than the long term preservation of the WSA assets. Such contracts are typically between 20 and 30 years and the risk is that assets are maintained only to the minimum level required during this time and that only the minimum required effort and money is spend on O&M activities and thereby maximising profits. This can be managed by the WSA to a large extend but only if the WSA have the systems in place to perform proper monitoring and evaluation of the provider. It was agreed at the time that ZDM would not be in an immediate position to do that.
- Due to the huge backlogs in the district ZDM is still in the middle of a massive infrastructure roll-out process and will be for the next 15 years still. During this time many old plants and schemes will be de-commissioned and taken over by new infrastructure from the regional schemes. This will therefore have a constant impact on staff and lead to regular restructuring taking place. The constant changing situation will therefore make it difficult to enter into long-term contracts for external service providers and it was felt that this transformation process could be more easily managed internally.
- Skilled senior management is needed at various levels in the organograms irrespective of which service provision options are being considered. These skilled personnel can only be attracted with the appropriate salary levels and due to the costs involved and the shortage of skills should be utilised as effectively as possible. There was a definite benefit in scale identified in applying costly resources over the biggest possible area. Therefore the ability of certain institutions, for instance a rural local municipality, to attract these skills were questioned and taken into consideration during the final decision making process.
- During the assessment it also became clear that certain specialised skills and functions should rather be outsourced than developed in-house. One example is mechanical and electrical expertise, which are needed on an ad-hoc basis and makes sense to contract in when needed.
- From the start there was a distinction made between bulk and reticulation infrastructure. In the case of water supply the bulk infrastructure was considered to be the abstraction, treatment and conveyance up to the main storage reservoirs. In the case of sewerage that bulk was considered to be mainly the sewage works. A split in the bulk and reticulation service provision was considered throughout and even with the internal option it made sense to keep the functions separate up to a certain management level.

- This district also poses physical constraints in terms of access routes from various places, travel times and other logistical considerations that had to be taken into account for all options that were considered.

Each of the options was costed and the results are shown in Table 7.3 (a) below. The table summarises the costs associated with each option that was considered and the estimates were done not only for the current year but forecasts were done up to year 5 and year x, where all consumers will have access to services.

**Table 8.3 (a): Summary of Costs**

		<b>Ops Costs</b>	<b>Pers Costs</b>	<b>Total Costs</b>
<b>YEAR 1</b>	Status Quo	R 44,304,250	R 28,611,470	R 72,915,720
	Comparator	R 52,294,431	R 49,781,179	R 102,075,610
	Option 1	R 80,923,910	R 15,388,264	R 96,312,174
	Option 2	R 52,168,593	R 51,058,679	R 103,227,272
	Option 3	R 85,530,263	R 16,228,825	R 101,759,088
<b>YEAR 5</b>	Option 1	R 84,298,424	R 16,960,203	R 101,258,627
	Option 2	R 52,163,074	R 50,882,541	R 103,045,615
	Option 3	R 83,991,628	R 17,684,455	R 101,676,083
<b>YEAR N</b>	Option 1	R 79,343,627	R 22,920,648	R 102,264,275
	Option 2	R 52,178,163	R 52,270,810	R 104,448,959
	Option 3	R 79,856,990	R 23,544,969	R 103,401,959

The different options were also rated in terms of the following selected criteria:

- Environmental sustainability
- Financial sustainability
- Efficiency of management proposed structure
- Efficiency of customer care
- Efficiency to perform maintenance of assets

On the basis of the above criteria it appeared that Option 1 was likely to achieve the best overall performance in terms of services delivery in the district. Option 3 followed with Option 2 being the least sustainable. As may also be noted one of the key determinants in this rating system related to personnel and institutional arrangements. Structural arrangements, staff numbers and staff levels proved to be more efficient in Option 1 due to it being a single entity. This results in minimisation of duplication which is not the case in Options 2 and 3 owing to the inherent geographical and institutional split in the services provisioning function.

On the basis of the above findings the following recommendations were accepted by Council:

- In terms of the findings of the Section 78 assessment all indications showed that the internal option (1) should be adopted by Council since it clearly provides the best option for services provision in the Zululand District;
- The implementation of Option 1 should be accompanied by the identification of aspects of the water business for possible outsourcing.
- An implementation strategy should follow from the Section 78 Assessment to enable implementation of the internal option

All Water Services Provider functions were taken over by ZDM in 2003 from the Local Municipalities, except for the urban reticulation services within the AbaQulusi Local Municipality. An agreement between ZDM and AbaQulusi LM (better known as the Natal Spa Agreement) was reached in 2003 where AbaQulusi LM would serve as the WSP for an interim period, ending in June 2006. The purpose of this agreement was for AbaQulusi LM to assist ZDM in the WSP function for an interim period up until ZDM could function as the WSP. This agreement has however been extended on an annual basis since June 2006, but is currently under review by ZDM.

The complete Section 78 Assessment Report is available on the ZDM website at [www.zuluand.org.za](http://www.zuluand.org.za) for information.