

MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT

LESSONS LEARNT WITH THE ESTABLISHMENT OF A MUNICIPAL ENTITY THROUGH THE FORMATION OF uTHUKELA WATER (PTY) LTD

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1. INTRODUCTION

Interest in regional provision of water through the establishment of a municipal entity such as a multi jurisdictional municipal service utility or a private company owned by multiple municipalities is growing. This approach is in line with the Department of Water Affairs and Forestry's policy as described in "Water is Life, Sanitation is Dignity". Several municipalities, receiving Municipal Infrastructure Investment Unit assistance, are interested in exploring this option.

Since uThukela Water (Pty) Ltd is currently the only such municipal entity that has been established to provide water to multiple municipalities, the Municipal Infrastructure Investment Unit would like to extract lessons learnt from its formation process and operation up to date. uThukela Water (Pty) Ltd is solely owned by Newcastle Local Municipality, Amajuba –, Umzinyathi – and Uthukela District Municipalities in KwaZulu-Natal.

2. BACKGROUND

The area of jurisdiction of uThukela Water more or less covers the drainage area of the Tugela River. The Department of Water Affairs and Forestry with support from Australian Government Aid considered the establishment of a water board, the Tugela Water Board, for this area. However, municipalities in this area wished to explore the feasibility to accommodate all water services related problems facing the municipalities in the region, including water supply to rural areas and previously disadvantaged communities and problems encountered with respect to sewage disposal.

These municipalities proceeded to develop a regional water services provider model based on the Water Services Act and the Municipal Systems Act that could assist to meet the needs of the people within the Tugela catchment, address sustainability of water services and ensure that the most cost effective system would be effected to achieve the RDP standards of water supply.

The approved model was originally set up as a partnership within a multi-jurisdictional district concept, but due to a review of the implementation strategy a private company, wholly owned by shareholder municipalities, was considered the better vehicle to address the problems in the region and was subsequently adopted and set up. In this report the former entity will generally be referred to uThukela Water Partnership (partnership) and the latter as uThukela Water (Pty) Ltd (company).

3. TERMS OF REFERENCE

This report includes interviews with key stakeholders, including uThukela Water, the participating municipalities, and other relevant parties, to describe and examine the following:

- Background to the proposed formation of a water board for the Tugela River catchment;
- The impacts that the following political interventions had on the formation of the proposed water board:
 - The establishment of the Thukela Joint Services Board in the Tugela River catchment,
 - The redemarcation of the area of jurisdiction of the Thukela Joint Services Board into the Umzinyathi – and Uthukela Regional Councils, and
 - The formation of the Amajuba –, Umzinyathi – and Uthukela District Municipalities over the combined area of jurisdiction of the Umzinyathi – and Uthukela Regional Councils.
- The impacts that legislation had on the formation of a water board in terms of:
 - The Water Services Act, and
 - The Municipal Systems Act, as amended.
- Record of the establishment of uThukela Water Partnership (multi-jurisdictional district); including but not limited to the following:
 - Appointment and responsibilities of the Board
 - Appointment and responsibilities of Management. Was an arms-length relationship between Management and the participating municipalities? Was there excessive interference in day-to-day management of the company?
 - Responsibilities of uThukela Water and participating municipalities (for example, who sets tariffs, who collects tariffs, what is the process for preparing and approving mid-term capital development plans, on what basis are payments made to uThukela Water?)
- Key transitional processes and the approach taken to minimize disruption of service or conflict, for example:
 - How was the transfer of personnel and assets addressed?
 - How was retrenchment (if any) addressed?
- Record and rationale for the conversion to uThukela Water (Pty) Ltd;
- Monitoring and regulation of uThukela Water's performance
- Benefits that have materialized so far as well as those that are anticipated to materialize in the future. Below is a list of benefits to be reviewed but not limited to:
 - Stronger management teams and staff
 - Better customer care
 - Lower costs (personnel, power, chemicals)
- What are key issues that are currently facing uThukela and the participating municipalities?
- Other lessons learnt through the establishment of uThukela Water (Pty).

4. GUIDING PRINCIPLES

Based on the experience gained with the establishment of uThukela Water (Pty) Ltd, the following principles can serve as guidelines to establish a water services utility to function in a multi-jurisdictional district:

- Principle 1: It must comply with legal requirements;
- Principle 2: It must demonstrate benefits of economy of scale;
- Principle 3: It must be effective in order to support participating municipalities meeting their long term goals;
- Principle 4: It must ensure increased efficiency in services provision;
- Principle 5: The participating municipalities must be capacitated to govern the establishment process and the long term water services provider agreement; and
- Principle 6: The need for cooperation by participating municipalities must be recognized over a broad base and it must provide the substance to ensure that a long term working relationship is sustained.

The latter principle is possibly the most important and experience, not only in the uThukela region, but also in the Zululand and Sisonke districts of KwaZulu-Natal, has shown that even where the first five principles are met, more than a “good idea” is required in order to bond individual municipalities together in a long term sustainable partnership. It requires the buy in of various stakeholders, including that of politicians, bureaucrats, labor and business. Community support is important, but can only be achieved if the first four stakeholders have bought in.

In the cases of Zululand and Sisonke, where there had been attempts, respectively, to establish multi-jurisdictional entities between the local and district municipalities, all criteria contained in principles 1 to 5 were attainable, but cooperation amongst local and district municipalities could be not obtained. Of note is that these attempts occurred prior to the finalization of powers and functions in terms of Government Notice No 842 of 13 June 2003 (Government Gazette No 25076 of 13 June 2003) whereby local municipalities in these districts were no longer authorized to perform water services functions, but the point is that even in a political coherent environment, cooperation could not be achieved.

Municipal officials can perceive a loss of power and employment through the outsourcing of a service and dealings with them must be managed discreetly. The loss of a particular function, as in the case of the transfer of water services provision to uThukela Water, can have a negative impact on the viability of the organizational structure. After the transfer of the water services function to uThukela Water, the organizational structure of Uthukela District Municipality had the appearance of an upside down pyramid, which is not a feasible structure.

This study will seek to provide some lessons learnt that can be applied to implement services provision in a multi-jurisdictional context.

5. HISTORICAL CONTEXT

5.1. TUGELA WATER BOARD

The Province of KwaZulu-Natal has been divided into three primary catchment areas namely Umgeni, Umhlatuzi and Tugela. Water boards operate within the Umgeni and Umhlatuzi areas and for the Tugela Catchment (Catchment V of South Africa) the Department of Water Affairs and Forestry promoted the establishment of a Tugela Water Board in the early 1990's. At a later stage, 1997 and 1998, the Department of Water Affairs and Forestry assisted Municipalities, through an Australian Government Aid (AUSAID) program, to assess the viability of a water board for the region. A document, no. 59007.001/5, was produced by the AUSAID team, indicating that a water board was viable based on certain assumptions and including that "bulk water tariffs are too low and for all the schemes considered, income does not cover the full cost of supply".

However, the formation of a water board for the Tugela river catchment has been suspended due to the formation of a water services provision municipal entity, uThukela Water (Pty) Ltd, in this area.

Appendix 1 demonstrates the layout of the Tugela river catchment.

5.2. THUKELA JOINT SERVICES BOARD

Joint Services Boards were established in 1991, through the Kwazulu and Natal Joint Services Act, 1990 (Act No. 84 of 1990). The area of jurisdiction of Thukela Joint Services Board (JSB) covered the major portion of the Tugela river catchment and key to the Joint Services Board functions was that of bulk water supply, which conflicted with the main function of a water board, the provision of bulk water. Therefore, the JSB obstructed the Department of Water Affairs and Forestry to establish the Tugela Water Board and developed internal capacity to manage the water treatment schemes mentioned below on a regional scale and set up a section, Regional Water Services, in the organization with the staff component based at the Ngagane water treatment works at Newcastle.

This action formed the foundation for the establishment of a water services provider entity that could operate in the Tugela river catchment and across political boundaries in the future.

The JSB created the following regional systems, with the potential to expand their areas of water supply:

Name of scheme	Area of supply (1992/3)	Potential expanded area of supply (1992/3)
Ngagane Regional Water Services	Newcastle, Madadeni	All surrounding rural areas
Biggarsberg Regional Water Services	Dundee, Sibongile, Glencoe, Sithembile, Wasbank, Hattingspruit	All surrounding rural areas
Emnambithi Regional Water Services	Ekuvukeni, Waayhoek, Vaalkop (1), Limehill (1), eTholeni	Vaalkop (2), Limehill (2), eTholeni (2), Namakazi, Somshoek, Uitval, Kunene, Mhlabathini, Spandikron and all surrounding rural areas
Nquthu Regional Water Services	Nquthu town	All surrounding rural areas

The JSB resolved to extend the reticulation system of the Emnambithi Regional Water Services to all communities in its full area of supply, providing an additional 160,000 people with water, through loans from the Development Bank of Southern Africa. It was resolved that these loans would be funded through cross subsidization, mainly from Ngagane Regional Water Services.

However, the JSB was dissolved in 1997 and two Regional Councils were established over approximately the same area that comprised the area of jurisdiction of the JSB. The Ngagane Regional Water Services subsequently fell under the Umzinyathi Regional Council and Emnambithi Regional Water Services under the Uthukela Regional Council.

The subsidy mechanism introduced by the JSB could, therefore, not be applied.

Appendix 2 demonstrates the layout of the Thukela Joint Services Board region.

5.3. UMZINYATHI - AND UTHUKELA REGIONAL COUNCILS

The problems that faced Uthukela Regional Council to fund the loans mentioned above and the fact that the management capacity of the regional water services was based in the Umzinyathi region generated a working relationship between these two councils in relation to water services issues and ultimately led to the establishment of a multi-jurisdictional concept water services provider.

Umzinyathi Regional Council maintained the Regional Water Services capacity, set up by the JSB, and restructured it to a full department. This department continued to manage all the regional water services set up by the JSB as follows:

Name of Regional Water Services	Responsible Council	Basis of management
Ngagane	Umzinyathi Regional Council	Internal department
Biggarsberg	Umzinyathi Regional Council	Internal department
Nquthu	Umzinyathi Regional Council	Internal department
Emnambithi	Uthukela Regional Council	Agency agreement

Appendix 3 demonstrates the layout of the Uthukela - and Umzinyathi Regional Council regions.

5.4. ESTABLISHMENT OF DISTRICT MUNICIPALITIES

In 2000, regional councils were dissolved and replaced by district municipalities. In the case of the Uthukela and Umzinyathi Regional Councils, the following changes occurred:

- Uthukela Regional Council was replaced by the Uthukela District Municipality whose area of jurisdiction roughly covers the same area of jurisdiction as its predecessor.
- Umzinyathi Regional Council was replaced by two district municipalities as follows:

District Municipality	Local municipal areas previously under the Umzinyathi Regional Council	Area previously under another regional council
Umzinyathi	Endumeni, Nquthu and Msinga	Umvoti local municipality
Amajuba	Newcastle, Utrecht and Dannhauser	

Ngagane Regional Water Services became the responsibility of Amajuba District Municipality, who resolved to maintain the Regional Water Services department established under the Umzinyathi Regional Council and continued to manage all previous regional water services as follows:

Name of Regional Water Services	Responsible Municipality	Basis of management
Ngagane	Amajuba District Municipality	Internal department
Biggarsberg	Umzinyathi District Municipality	Agency agreement
Nquthu	Umzinyathi District Municipality	Agency agreement
Emnambithi	Uthukela District Municipality	Agency agreement

Fortunately most of the key political leaders that were elected to the regional councils maintained political positions in the district municipalities and the working relationship established by the regional councils was maintained.

Appendix 4 demonstrates the layout of the Amajuba -, Uthukela -, and Umzinyathi District Municipality regions and the four partners of uThukela Water (Pty) Ltd.

5.5. REGIONAL WATER SERVICES STUDY

On 11 June 1999 at a joint meeting the Uthukela and Umzinyathi Regional Councils, resolved to take the Australian Government Aid (AUSAID) report, mentioned earlier in the report, further, in order to explore the feasibility to accommodate all water services problems facing the municipalities in the region.

Although cross subsidization did not play a major part in this decision, the notion of economy of scale offered the potential of cutting costs and pooling of scarce human resources, making marginal schemes, such as Emnambithi Regional Water Services, more viable.

Subsequently, all municipalities in the Umzinyathi- and Uthukela regions and representatives of business, industry and labour participated in a workshop on 13 July 1999 and resolved to investigate the potential of cooperating on a regional basis across political boundaries. At this workshop a representative reference group was established consisting of political leaders and a working group was appointed consisting of officials to assist the reference group with technical work.

The reference group had to take responsibility to prepare a study, known as the Regional Water Services Study (RWSS) and would proceed to develop a regional water services provider model based on the Water Services Act and the Municipal Systems Act.

The model had to be designed to meet the needs of the people within the Tugela Catchment, address sustainability of water services and ensure the most cost effective manner to achieve RDP standards of water supply. The proposal for the establishment of a Tugela Water Board had to be evaluated and alternative options had to be considered for the establishment of a regional water services provider, where economic viability, sustainability and affordability of water to the end user would comprise key criteria in final selection.

6. THE REGIONAL WATER SERVICES STUDY

6.1. ASSESSMENT OF THE WATER SERVICES CHALLENGES FACING THE LOCAL MUNICIPALITIES IN THE TUGELA BASIN

6.1.1. Level of services

The following problem areas were identified in the water services sector within the Tugela river catchment area:

- Most rural people did not have access to water services at the required RDP levels and only an average of 15 liters of potable water per person per day was available with the following average walking distances to water points:

Average walking distance	Households within the category
0 to 200 meters	16%
201 to 400 meters	26%
401 to 600 meters	19%
601 to 800 meters	11%
801 to 1,000 meters	8%
Above 1,000 meters	20%

- Most water services schemes were not operated and maintained at sustainable levels;
- Staff at operational level required training and support; and
- Although the rural population made up more than 50% of the population in the area, these communities only utilized a fraction of all water consumed as set out below:

Towns	:	160,000 kl per day
Rural areas:		7,412 kl per day
Total consumption:		167,412 kl per day.

6.1.2. Capital investment requirements

The total estimated capital investment (designed for 25l/p/d) required for providing water at RDP standards in rural areas through a conventional treatment and reticulation system amounted to R1,104,863,444

6.1.3. Operational resources

Most of senior and strategic staff and other specialists as well as facilities required to ensure sustainable operations and adequate water quality were mainly located in the Amajuba district. There was a lack of adequate skills and experience to operate rural schemes in Umzinyathi and Uthukela districts. The unit costs for water supply in rural areas became exceptionally high due to low consumption levels. The sharing of the costs for regional resources support could impact on bulk water supply as indicated below:

LEVEL OF PARTICIPATION IN A REGIONAL ENTITY	URBAN WATER	RURAL WATER
All municipalities	Plus R0.20 per kl	Same cost as urban water
Rural and small towns only	None	Plus R5.04 per kl

This scenario made it a viable proposition to set up a regional water services provider entity.

6.1.4. Projects developed under the Masibambane programme of the Department of Water Affairs and Forestry

Numerous projects, implemented under the Masibambane programme of the Department of Water Affairs and Forestry and CMIP, in rural areas were designed to provide water to the poorest of the poor, but none were financially viable and as such placed enormous financial pressures on the authorities. It was resolved that these, where possible, should be included into regional or sub-regional schemes to reduce the

number of water treatment works over the region and to achieve the benefit of scale and regionalization.

6.2. RECOMMENDATIONS CONCERNING A WATER BOARD

Based on the following table, it was resolved that the most appropriate water services provider model would be a municipal based structure and a water board was therefore not considered further:

ACTIVITIES	WATERBOARD	MULTI-JURISDICTIONAL COMMITTEE
Establishment by	(WSA sect. 28. (1) (a)) The Minister of DWAF	(MSA sect. 86) Two or more municipalities.
Appointment of members by	(WSA sect. 35. (1)) The Minister of DWAF	(MSA Sect. 87. (1)) The involved municipalities
Appointment of a chairperson by	(WSA sect. 35. (1)) The Minister of DWAF	(MSA Sect. 87. (1)) The representatives of the involved municipalities
Primary activity	(WSA sect. 29) To provide water services to other water services institutions	(MSA Sect. 89. (1) (a)) Any of the powers relevant to the service provision that a municipality may exercise.
Setting of tariffs	(WSA sect. 31 (2) (b)) By the Waterboard	(WSA sect. 21. (1) (d)) By the Water Services Authority
Accountable to	(WSA sect. 44. (2) (b)) The Minister of DWAF	(MSA Sect. 89. (1)) The participating municipalities

6.3. MAIN BENEFITS OF A MULTI-JURISDICTIONAL SERVICE DISTRICT AREA FOR AMAJUBA, UTHUKELA AND UMZINYATHI DISTRICTS

The main benefits of a Tugela Water Partnership constituted in the form of a multi-jurisdictional service district area, to deliver sustainable water and sanitation services for Amajuba, Uthukela and Umzinyathi districts, were:

- The generation of adequate economy of scale to positively influence tariffs through regionalization, benefiting the poor;
- The creation of a political mechanism to jointly manage bulk water services systems crossing water services authority boundaries;
- The pooling of limited resources to provide cost effective services to rural schemes for the disadvantaged communities;
- Providing for a decision making mechanism to address cross subsidization and equity policy issues;
- Providing focused and expert water managers, engineers and scientists to be available to all municipalities participating in it, which could ensure that water related problems are addressed;
- Providing centralized water quality measurement control through a regional laboratory;
- The assembling of a customer care centre easily accessible to consumers; and
- Addressing equity by allowing “some for all” in the Tugela Catchment.

6.4. RECOMMENDATIONS OF THE REFERENCE GROUP

The RWSS reference group concluded their work on 1 March 2000 and the main resolutions passed were:

- That a Tugela catchment partnership be formed in terms of a multi-jurisdictional service district area as per the Municipal Systems Act;
- That a partnership committee be formed that would take responsibility to set up the legal entity and its work would include:
 - Identification of the details for the formation of a partnership;
 - Preparation of an implementation programme;
 - Employing transitional executive resource;
- The transfer of the regional water services to the partnership; and
- The establishment of the partnership by 1 July 2000

7. THE PROCESS OF ESTABLISHING THE MULTI-JURISDICTIONAL DISTRICT WATER SERVICES PARTNERSHIP

A partnership committee was set up to ensure that all the technical aspects were put in place in order for water services to be provided.

7.1. THE PARTNERSHIP COMMITTEE

The partnership committee was constituted and started to function by drawing up a memorandum of understanding indicating the process of co-operation amongst the participating municipalities and proceeded to prepare a constitution, powers and a name for the partnership. It also:

- Appointed transition resources and staff and identified sources for associated funding;
- Prepared a detailed program for implementation (including transfer of staff and assets) over a period of approximately 3 years;
- Applied for financial assistance from DWAF, DPLG and the MIU to set up the water services provider, including an administrative operational system; and
- Embarked on a campaign to inform all interested parties of the outcome of the regional water study.

7.2. EXCLUSION OF LOCAL MUNICIPALITIES FROM THE PARTNERSHIP

With the promulgation of Government Notice No 1269 of 28 November 2000 by the Minister of Provincial and Local Government, authorizing certain municipalities to be water services authorities (as defined in the Water Services Act, 1997 (Act No 108 of 1997)), whereby water services authority status was given to the district municipalities. Local municipalities, after the elections, would only proceed to provide water services in the areas they controlled, prior to the 2000 elections, in previous transitional local council areas. This latter arrangement would only be of effect until the district municipalities had developed the capacity to take on all water services functions. Based on this, local municipalities were excluded from the partnership agreement, which action offended them to a larger or lesser extent and made some of them quite obstructive with the implementation of the establishment process.

The matter of authorizations was clarified by Government Notices 56 of 3 January 2003 and 840 of 13 June 2003, whereby water services authority status was given solely to the Amajuba, Uthukela and Umzinyathi district - and Newcastle local municipalities.

The latter authorizations required a review of the partnership formation agreement to include Newcastle local municipality. Political pressure had to be applied to bring this municipality on board of the establishment process. Ultimately, Newcastle joined the partnership mainly in order to participate in the section 78 process, which was to be funded by uThukela Water partnership.

7.3. IMPLEMENTATION STRATEGIES

At a work session held on 5 May 2000 the partnership committee agreed on implementation strategies. The main strategies are listed below:

7.3.1. First order strategy

This strategy included:

- The development of a partnership formation agreement;
- The establishment of a project team to assist to set up the partnership and to act as senior management for the partnership for an interim period; and
- To establish the partnership in accordance with appropriate legislation and the Municipal Systems Bill, if and when enacted.

7.3.2. Second order strategy

This strategy included:

- Transfer of staff and assets from municipalities;
- Negotiation of services delivery agreements with municipalities; and
- To initiate the establishment of a client database for customer care purposes

7.3.3. Third order strategy

This strategy included:

- Entering into consumer agreements with new customers;
- Setting up full executive capacity for the Partnership; and
- The project team to train and mentor new staff.

In summary the strategy promoted the principle of starting small, with growth over the longer term. This would have occurred by taking on the management of the regional water services and that of smaller municipalities who could not cope with services provision. Over time, services could be accepted in the larger municipalities.

As will be seen in paragraph 7.3 this strategy was abandoned on recommendation of the establishment team of uThukela Water partnership, who promoted a “big bang” approach, whereby all services would be taken on simultaneously in terms of the partnership strategic plan, SP2030.

7.3.4. KEY PERFORMANCE INDICATORS

The successful establishment of the partnership was to be measured by the following milestones:

MILESTONE	DUE DATE
Signing of a Memorandum of Understanding by Committee members	15/05/2000
Approval of a staff organogram	15/05/2000
Approval of a Partnership formation agreement	15/06/2000
Setting up core executive capacity	01/07/2000
Signing of water services agreements with initial participating municipalities	30/09/2000
75% of staff appointed	30/06/2001
Submission of the first catchment related Water Services Development Plan	31/10/2001
Completion of training of staff	30/06/2002
Completion of an assets register	31/12/2002
Completion of the client database	31/03/2003
Completion of the signing of all consumer agreements	30/05/2003
Dissolving of the Project Team	30/06/2003

Financial constraints delayed the implementation of establishing the partnership, but the the Municipal Infrastructure Investment Unit granted funds to the amount of R753,540 to initiate the process and the Department of Water Affairs and Forestry funded the establishment business plan to the amount of R18,5 million commencing in the financial year 2002/2003. The latter amount was later increased to over R23 million.

7.4. PARTNERSHIP FORMATION AGREEMENT

Due to the authorizations, mentioned in paragraph 6.2 above, local municipalities were excluded from the final partnership formation agreement, which was signed by the district municipalities by mid 2001.

8. THE ESTABLISHMENT OF uTHUKELA WATER (PTY) LTD

The partnership proceeded to function as a multi-jurisdictional district being a legal entity in its own right. The first board meeting was held on 21 September 2001. Board members, a chairperson and a chief executive officer were appointed. The board assumed full responsibility for implementation of the formation agreement which included all strategies devised by the partnership committee. It devised, as strategy, to take on water services functions on 1 July 2002.

8.1. ESTABLISHMENT BUSINESS PLAN

The Department of Water Affairs and Forestry, with financial support from the European Union, approved a business plan and its addendums to the amount of approximately R23 million to assist with the establishment of uThukela Water. The primary focus of this business plan was to set up a management structure, set up computerised management systems and take transfer of staff from municipalities. The business plan allowed for an establishment team that would guide the technical process of establishing the services provider over a 3 year period.

8.2. IMPLEMENTATION MANAGEMENT

The Board appointed an establishment team as set out in the business plan and structured this team as follows:

- Chairperson of the establishment team: Mr. J Wagner of Ceenex (Pty) Ltd (specialist advisor);
- uThukela Water staff: Mr. R Kieck, Mr. B Khumalo, Mr. C Johnston, Me S Brancken, Mr. K Pretorius and Me H Hickley;
- Ceenex (Pty) Ltd staff: Me M Jonker, Mr. J-D Gertenbach and Mr. I Viljoen.

The establishment team took responsibility for the implementation and project management of the business plan.

8.3. STRATEGIC PLAN SP2030

In March 2002 the board of the partnership adopted a strategic plan that would cover a 30 year period and named it “uThukela Water’s Strategic Plan (SP 2030)”.

The plan represents the “*strategic assessment, envisioning and design work done by the Establishment Team for the operationalization of the uThukela Water Services Provider. This plan addresses the real needs of the people and focuses on ways and means to fast track the eradication of the extensive water services backlog in the shortest possible time. The uThukela Water Strategic Plan SP2030 is a 30 year plan, based on a dynamic customer demand computer model. The model was calibrated against actual consumption, economy of scale curves for capital expenditure and fixed, as well as variable expenditure.*”

The following are extracts from the report produced by Ceenex (Pty) Ltd:

“The key assessment deliverables in terms of the proposed functional structure comprise Customer Services, Engineering, Operations, Environmental Services, Human Resources, Corporate Services, Finance, Technology and Strategy.”

Some of the salient features of the two engineering systems that were investigated are briefly outlined below:

8.3.1. *“Marginal solution:*

- *A basic service water connection only (standpipe) to the estimated 131 000 customers not presently serviced (52% of customers);*
- *A supportive basic service option (free water) in all areas where the density exceeds 24 customers per square kilometer.*

8.3.2. *Optimal solution:*

- *A low pressure/full pressure water connection to 98% of the uThukela Water customers;*
- *A supportive basic service option (free water) in all areas where the density exceeds 24 customers per square kilometre.*

The Total Cost of Ownership analysis for the provision of water and wastewater services concluded that the injection of capital to effect a centralized water infrastructure, would result in the lowest total cost of ownership over the 30 year design period (Optimal Solution). The results of the analysis are summarized below:

Services options	Decentralization	Centralization	Benefits
Marginal solution, 0% customer growth	R4,009m	R3,789m	R210m
Optimal solution, 0% customer growth	R5,257m	R4,735m	R522m
Marginal solution, 8% customer growth	R6,047m	R6,808m	R138m
Optimal solution, 8% customer growth	R8,469m	R7,449m	R1,020m

High priority should be placed on the task to procure appropriate funding for establishing the Optimal Solution Centralized water and wastewater infrastructure.”

To this end a donor funding business plan had to be prepared with the intent to raise funds for capital development through the “humanitarian forgivable loan” program in the United States of America. Such funding would have certain requirements attached to it, including that the structure through which funding will be channelled should not be political in nature and should be driven on business principles acceptable to the international business community. The multi-jurisdictional entity is a new concept whilst the international community is familiar with legislation that regulates companies in South Africa.

These conditions initiated the review of the multi-jurisdictional district concept. The board resolved that a private company should be adopted as the more appropriate entity for uThukela Water.

8.4. THE REVISED INSTITUTIONAL STRUCTURE

The water services provider was to be established as a Pty (Ltd) and would be fully and wholly owned by the water services authorities and it would be the sole water services provider for the region in terms of the Municipal Systems Act 2000 (Act No 32 of 2000). Water services authorities would “invest” their assets in the water services provider for which they would receive share certificates.

The Companies Act dictates guidelines for the structuring of a company. The Board would consist of non-executive Directors and Executive Directors, all of which will have voting powers as per the “Protocol on Corporate Governance publicised in the Government Gazette, 30 April 2002, Notice 637 of 2002”. In terms of the Protocol a Non-Executive Director should have skills to bring judgement to bear independent of

management on issues of strategy, performance and evaluation thereof, resources and standards of conduct.

The change in strategy from that of the partnership committee to the one adopted by the board of the partnership required that the partnership should eventually be disestablished.

The board then assumed the role of a transformation structure to bring into effect the new approach and as a new strategy resolved that the water services institutions, provider and authority, should be restructured in an integrated manner through the partnership. This was justified by the fact that the partnership would not be the water services provider, it was representative of all the water services authorities that would enter into an agreement with uThukela Water (Pty) Ltd and the board of the partnership was constituted of high ranking political representatives i.e. mayors, deputy mayors, speakers and executive committee members.

The new role of the partnership board was not submitted to the water services authorities for approval and a political decision making process was followed in lieu of the normal bureaucratic process where senior management consider matters and then makes recommendations to councils.

In order to bring into effect the new strategy, the establishment team proceeded with the design of restructuring the water services institutions in terms of the integrated approach. The municipal managers had a different interpretation of the strategy to restructure the water services authorities and proceeded to restructure the water services authorities, internally and jointly, in a manner that they deemed fit. These conflicting interpretations were only resolved in March 2003 at a joint meeting held between the four municipal managers and two members of the establishment team, where it was agreed to follow the integrated approach that was to be managed by the establishment team.

8.5. AMENDMENTS TO THE MUNICIPAL SYSTEMS ACT

The appointment of Directors to the Board had to be reviewed due to amendments of the municipal systems act, specifically in terms of section 93E and a new board, which is not political, was appointed accordingly after 1 July 2004.

8.6. DATE FOR THE LONG TERM WATER SERVICES PROVIDER AGREEMENTS TO TAKE EFFECT

The transfer of functions to uThukela Water (Pty) Ltd only occurred on 1 July 2004 due to various interventions, but mainly due to the following:

- The completion of Section 78 of the Municipal Systems Act in order for the municipalities to enter into an agreement with uThukela Water (Pty) Ltd, as it is defined as an external entity in terms of the act; and
- The establishment of Newcastle Local Municipality as a water services authority as late as 13 June 2003 per Government Notice No 840 of 2003 by the Minister of Provincial and Local Government. This required an extensive effort to draw Newcastle into the partnership as they did not feel compelled to merely become a

partner without having considered all water services provider options available to them.

8.7. UTHUKELA DISTRICT MUNICIPALITY CANCELLING THE WATER SERVICES PROVIDER AGREEMENT WITH UTHUKELA WATER

In December 2004, Uthukela District Municipality and uThukela Water (Pty) Ltd could not resolve a dispute that arose from monies owed between them. This resulted in the district municipality withdrawing from the water services provider agreement with uThukela Water and is currently withdrawing as a shareholder through a process of mediation.

It should be noted that the top management, Municipal Manager, Chief Financial Officer and Water Services Authority Manager, of Uthukela District Municipality were replaced with other senior managers of the council early in 2004. Of significance is the fact that the new incumbents were not sufficiently familiar with the budgeting and tariff setting philosophies of uThukela Water (Pty) Ltd as developed by the establishment team.

The cause of the conflict between Uthukela District Municipality and uThukela Water (Pty) Ltd can possibly be ascribed to a number of matters including:

- A lack of understanding of the budgeting and tariff setting processes of uThukela Water (Pty) Ltd by the new top management of the council;
- As of 1 July 2004 the board of uThukela Water (Pty) Ltd was restructured with non-executive directors not holding political office. Subsequently decisions of the councils were following the normal bureaucratic processes with a top management now advising council who were not fully part of the establishment process of the water services provider; and
- The alleged lack of detailed budget information supplied by uThukela Water (Pty) Ltd.

8.8. THE POSITION OF THE OTHER PARTNERS OF uTHUKELA WATER

The resignation of Uthukela District Municipality from uThukela Water (Pty) Ltd will possibly not effect the position of the remaining partners.

Umzinyathi District Municipality benefited most out of the partnership with a reduction of close to R1 per kl in the cost of water in the municipal area of Endumeni and will possibly remain a shareholder for the full duration of the 30 year contract.

Newcastle, being the major shareholder, over and above economy of scale, also benefited by the offices of uThukela Water (Pty) Ltd being based in Newcastle and may remain a shareholder for as long as possible.

Amajuba, being the smallest partner, can only benefit out of the economy of scale generated by water services provided to Newcastle and have no reason to contemplate changing position.

9. THE WATER SERVICES AUTHORITIES

The Municipal Managers of the Water Services Authorities initiated attempts to ensure coordination at authority level and to spell out the various roles of the participation partners. In summary these were

9.1. THE WATER SERVICES AUTHORITIES

Each WSA would function as an independent authority and retain powers of decision-making that will include:

- Approval of policy, by-laws, tariffs, water services development plans, capital expenditure, operational expenditure, reports and the annual water services audit;
- Establishing and entering into agreement with water services provides;
- Receiving and allocating project and operational funding; and
- Entering into agreements with project implementing agents.

9.2. THE WATER SERVICES PROVIDER

In terms of water services provider functions, the role of the water services provider would be to draft and recommend to water services authorities policy, by-laws, tariffs, engineering designs for the water services development plans, capital expenditure, operational expenditure and the annual water services audit. The rationale behind the decision that the water services provider should provide the engineering input of the water services development plans was that they would be responsible for the day to day management of the water services works and would have a full understanding of the needs of customers as well as the need for upgrading and/or extending the water services works.

The water services authorities maintained the power to either procure the services of uThukela Water or any other services provider to prepare or review water services development plans.

The water services provider is responsible for customer care that includes billing and cash collection. However, these facilities were not fully in place on 1 July 2004 and support is still being provided by local and district municipalities. This service is improving, but it will most probably take a few years to be provided at acceptable norms and standards as it was not functioning effectively whilst under the care of the municipalities.

9.3. JOINT REGULATION

The notion was to have created a body to ensure coordination in the form of a joint WSA structure and with the main function to align and recommend to water services authorities policy, by-laws, tariffs, water services development plans, capital expenditure and operational expenditure.

The establishment of such a structure was put on hold pending the finalization of the restructuring of all water services institutions in an integrated approach as mentioned in paragraph 7.4. However, it is possible that this matter has landed on ice and the water authorities should consider to revitalise discussions about it.

10. LEGAL COMPLIANCE PROTOCOL

A compliance protocol was extracted out of the Local Government: Municipal Systems Act, Act 32 of 2002 and the Water Services Act, 108 of 1997 to ensure that the Water Services Authorities complied with the legal requirements whilst establishing uThukela Water (Pty) Ltd.

11. EVALUATION OF THE ESTABLISHMENT PROCESS OF uTHUKELA WATER (PTY) LTD

The evaluation of the establishment of uThukela Water (Pty) Ltd will take into account interviews held with the Municipal Managers of the Shareholders, the Director: Operations of uThukela Water (Pty) Ltd and attorneys that were directly involved with the establishment process and the withdrawal of Uthukela District Municipality from the company.

11.1. IMPLEMENTATION STRATEGIES

- 11.1.1. The implementation strategy developed by the reference group for the regional water services study was abandoned by uThukela Water partnership in lieu of SP2030 that promoted a “big bang” approach to include all water services elements to be taken on at once. Included in this was the possibility of raising between R3 to R5 billion to implement either of the centralized water and wastewater infrastructure solutions. Although this new strategy carried political support through the board of the partnership, the water services authorities had not officially approved of it, which gave rise to the fact that the change in implementation strategy from that of the reference group to that of the partnership board, the SP2030 and the formation of a company was never thoroughly workshopped with senior staff members.
- 11.1.2. The municipal managers of the shareholders of uThukela Water (Pty) Ltd were also board members of uThukela Water Partnership who was tasked to set up uThukela Water (Pty) Ltd. Therefore, the establishment team of uThukela Water (Pty) Ltd assumed that the municipal managers would communicate decisions of the board of uThukela Water Partnership back to their municipalities respectively. However, the municipal managers believed that they were simply performing functions as board members and that it was not necessarily their responsibility to communicate decisions back to their municipalities.
- 11.1.3. Once it was established that local municipalities would not receive water services authority status, the board of uThukela Water partnership resolved to exclude these municipalities from the establishment process. This proved to be nearly detrimental to the process as Newcastle local municipality later received such authority status, but felt alienated by the partnership and at the offset

wanted to test all water services provider options available to it. Some of the other local municipalities were also obstructive to a larger of lesser extent during the section 78 process and during the transfer of staff to uThukela Water (Pty) Ltd.

CONCLUSION:

Although the new implementation strategy adopted by the board of uThukela Water partnership carried political support, senior officials of the water services authorities were to a larger of lesser extent excluded from the restructuring and establishment processes. Once the strategy, as approved by the reference group, had been abandoned by uThukela Water partnership, the authorities should have taken cognizance of the new strategy, which could have had allowed them the opportunity to devise a strategy to remain informed about the process. In the end it did appear that the top officials of Uthukela District municipality were not satisfied with the budgeting process of the water services provider which led to a major conflict. This could have been avoided by the implementation of a sound communications strategy. **Officials perceived the transfer of the water services function, with associated project implementation, to uThukela Water as an erosion of the municipality's powers.**

The R3-R5 billion forgivable loan did attract the attention of some or maybe the majority of politicians, but unfortunately it did not materialize. This concept could have affected the judgment of politicians and should have been more cautiously managed in order not to have impaired the vision originally set.

11.2. LEGAL COMPLIANCE

The decision that uThukela Water Partnership would be the most appropriate and preferred water services provider was taken prior to the promulgation of the Municipal Systems Act, Act 32 of 2000, and subsequently the necessity to comply with section 78 of the act, was not an issue at that stage.

CONCLUSION:

By eventually complying with section 78 of the act, the process came under heavy criticism from certain quarters especially in Newcastle as most councils in the Tugela rive catchment had already resolved that uThukela Water was the preferred water provider mechanism prior to the assessment being done. This situation was aggravated by the fact that the establishment team of uThukela Water partnership did the section 78 technical analysis. Similar situations may always arise once the mechanism providing the service has to be reviewed in terms of section 77 of the act and the section 78 process has to be applied.

11.3. COMMUNICATIONS

The Municipal Systems Act requires that the community and organised labour should be informed about the assessment processes in terms of section 78 of the act and their views should be considered. However, objectivity became increasingly difficult as the decision to accept uThukela Water (Pty) Ltd as the preferred mechanism to provide water services was taken prior to the application of section 78. However, by simply complying with the communications requirements set out in the act is not sufficient.

The lack in communications was clearly perceived once the section 78 process was being applied. For instance at the Newcastle public hearings the technical aspects, especially the financial implications were challenged and as it was deemed a forgone conclusion that uThukela Water (Pty) Ltd would be appointed in any event, the process was not accepted as legitimate by at least a certain portion of that community.

Although organised labour was informed that uThukela Water (Pty) Ltd was the preferred water services provider, staff and labour unions at a local level were not informed via normal labour channels. This was clearly demonstrated that when the transfer process was initiated, staff in general, but especially senior management, challenged the technical aspects, but more specifically the financial implications. Local municipalities in certain instances boycotted public hearings as they felt that they were excluded from the process, but that most staff to be transferred to uThukela Water (Pty) Ltd was employed by them.

Although national government departments, particularly the Departments of Water Affairs and Forestry and Provincial and Local Government were informed throughout the process, they did not display real interest.

CONCLUSION:

Authorities applying the section 78 process should adopt an open and inclusive communications strategy with specific reference to detailed information and engaging in detailed discussions with national and provincial government departments, senior staff in municipalities, labour at municipal level and regularly inform the broader public of the process in the media.

11.4. DECISION MAKING

Members of the establishment team of uThukela Water (Pty) Ltd recognised the need for political buy in of the establishment process, which was reinforced by the fact that municipal managers and members of the establishment team disagreed on the communications role of the municipal managers in the board of uThukela Water, as mentioned in 10.1.2. In order to obtain political buy in of the process, the chairperson and members of the board played a key role in communicating with political representatives at caucus level. However, information dissemination following this strategy was flawed, as certain decisions taken by the board of uThukela Water partnership were not sufficiently communicated, including:

- That uThukela Water partnership would assume full responsibility for transforming all water services institutions, including the water services authorities.
- The SP2030 and all its implications were only considered by the municipalities towards the middle of 2003 as part of the water services development plan.
- The change of uThukela Water from a multi-jurisdictional partnership to a Pty (Ltd) was only approved by the municipalities with the approval of the SP2030; and
- The articles of association of the Pty (Ltd) were only approved in December 2003 by the municipalities, although it had already been approved by the registrar of companies approximately 6 months prior to that.

The strategy to drive decision making politically, but without a comprehensive communications strategy in place, alienated senior staff members, especially those of Uthukela District Municipality. Once top management was replaced in this municipality agreement concerning technical matters, mainly finance, after the implementation of the long term agreement with uThukela Water (Pty) Ltd on 1 July 2004, could not be reached. This resulted in this municipality withdrawing from the long term agreement in December 2004, not even 6 months after its implementation.

CONCLUSION:

Although the decision making process around the establishment of the water services provider followed a political protocol, information sharing remains important and although it would have required additional resources to acquire it, the net result may have been worth the effort especially if it may have prevented Uthukela District Municipality from withdrawing from the agreement with the company.

11.5. POLITICAL EXPLOITATION

The appointment of directors to the board of uThukela Water (Pty) Ltd occurred in accordance with section 93E of the Municipal Systems Act, as amended, but the integrity of the appointment process is questionable and the following issues highlight such concerns:

- Questions asked at meetings to establish the credentials of non-executive directors, may not have not been held totally confidential;
- A senior politician of Uthukela District Municipality, a non-executive director of uThukela Water (Pty) Ltd prior to 30 June 2004, was appointed to a position of Executive Director of uThukela Water (Pty) Ltd; and
- A senior member of organized labour, who was extensively involved in the negotiating phase, was appointed to senior management in uThukela Water (Pty) Ltd.

CONCLUSION:

The establishment of an external municipal entity should be an open and transparent process in order to avoid undue negative criticism, as it is impossible to please all.

11.6. COMPLIANCE WITH THE LONG TERM WATER SERVICES PROVIDER AGREEMENT

The following matters were critical for the shareholder municipalities to ensure that the obligations of the water services provider were performed in terms of the long term water services provider agreement.

11.6.1. Providing information

The water services provider had to ensure that it conducts its financial affairs in terms of information management systems that will enable it to provide i.e. unaudited financial information to the municipality within five days from the date on which such information is requested.

The system mentioned was provided for in the establishment business plan and allowed for an integrated management system that links the digital data essential for efficient operation to various independent systems including: management information, planning, transaction, project management, geographic information management, customer care and operational systems, but it appears that the system is not functioning effectively.

11.6.2. Budget

The annual water services budget had to be submitted by the water services provider to the municipality not later than the 31st day of December of each year. This did not occur in December 2003 as the water services provider agreements were only signed in April 2004. A budget was approved prior to the commencement of the financial year in order for the water services provider to execute its obligations in terms of the agreement. However, in the dispute with Uthukela District municipality it appears that the services provider could not provide detailed accounts for amounts claimed from the municipality.

The section 78 process demonstrated that costs should be lower, but large increases in tariffs in certain municipalities created the perception that the contrary was rather true. Some of the municipalities could not decipher the budgeting process of uThukela Water and could not evaluate it against the guidelines set out in the long term water services provider agreement.

11.6.3. Business plan

In terms of the water services provider agreements, the water services provider had to submit an annual business plan with the submission of the draft budget. The business plan had to be prepared in accordance with the water services development plan of the municipality and SP2030 and had to include the water services budget, recommendations in respect of water services tariffs to be set, inter governmental financial transfers, other income provision, capital expenditure, operational expenditure, debtor management and cashflow. According to Uthukela District municipality the business plan was not submitted for 2004/2005.

11.6.4. Cashflow advance invoices

In terms of the agreement all amounts payable by the municipality to the water services provider is payable on a monthly basis, 30 days from the date on which the municipality receives an invoice from the water services, save that the invoice for the first month of the contract term should have been delivered by the water services provider to the municipality at least 30 days prior to the effective date of 1 July 2004. This did not occur for 2004/2005.

11.6.5. Monitoring and evaluation

In terms of the agreement the municipality maintained the right to regulate water services in its respective area of jurisdiction. However, the ability of the municipality to execute this is questionable, especially the technical performance of the services provider.

In terms of operational matters, the writer is of the opinion that uThukela Water does have the ability to manage in terms of the contract. However, the section 78 process did demonstrate that the state of operations under the municipalities was not in accordance with acceptable norms and practices. It will therefore take some years for the water services provider to improve the level of operations to the specified level.

CONCLUSION:

The dispute between Uthukela District municipality and uThukela Water arose from invoices charged to the municipality. The municipality considered the amounts charged unreasonable and requested detailed financial information from the services provider, which allegedly could not be provided or at least that what was provided could not be substantiated. This led to a major dispute between the two parties and subsequently involved the other three shareholders as well. The business plan for the establishment of uThukela Water allowed for an effective information management system to have been developed and it will appear that this was not the case in December 2004, when Uthukela District municipality withdrew from the agreement. This council was the responsible agent for the implementation of the establishment business plan of the water services provider, on behalf of the Department of Water Affairs and Forestry and it appears as though the business plan was not sufficiently executed.

When establishing a services provider mechanism, it must be ensured that the authorities are empowered to manage the agreements. In the case of uThukela Water it will appear that too much emphasis was placed on the establishment of the services provider, but that the capacity of the authorities to oversee establishment or regulate agreements was not sufficiently developed.

11.7. TRANSFER ARRANGEMENTS

The principle that all staff members to be transferred to uThukela Water (Pty) Ltd may not have been worse off than with their previous employer applied. Therefore, all

accumulated leave was transferred and staff remained members of their municipal pension fund through a slight adjustment to the constitution thereof.

The transfer of staff occurred according to legal procedures. No legal problems were experienced. However, the transfer of staff did occur at a very late stage with the result that salaries were not effectively paid out at the end of July 2004. It will appear that information concerning staff was not up to standard and that certain local municipalities attempted to transfer large numbers of staff that were not employed in the water services sections. All such matters were eventually satisfactorily dealt with.

uThukela Water took over all staff in the water services sections and very little or no retrenchments occurred.

Most of the operational staff remained in their original positions and office and only in a few instances were any transferred to other areas which occurred mainly with management staff.

11.8. MANAGEMENT

The section 78 process reflected that management and operational resources under municipalities did not measure up to acceptable norms and standards. uThukela Water inherited this legacy and is currently developing and optimizing the expertise available.

CONCLUSION:

Unfortunately, the services provider is still heavily dependant on consultants to provide support where a lack of expertise exists and has not succeeded in overcoming this to date.

11.9. COMPANY MANAGEMENT

The board plays a decision making role and the executive directors are responsible for implementation of decisions of the board. No direct political interference in the administration of uThukela Water (Pty) Ltd is being experienced, but party political positioning, pending the forthcoming municipal elections, is certainly playing a role and is placing political pressure on the current executive directors, including the managing director, who is perceived to be politically aligned.

Procurement and tender processes follow approved procedures at present.

11.10. BENEFITS TO DATE

The employment of a long term water services provider will only demonstrate benefits in the longer term and one is dependant on the section 78 assessments to consider such benefits. The reason for this is that such a services provider must firstly deal with the

legacies of the past and only after that can it achieve the set goals. However, the following are certainly short term benefits:

- The services provider had to take on the responsibility of water services systems with its staff and assets. The long term agreement requires that these are managed within acceptable norms and standards. The services provider had to demonstrate what had to be corrected before it could take on the function and had to be critical in the evaluation of the systems. This did highlight the areas where poor levels of operations of the water services facilities prevailed in the region and has created a willingness from the authorities to improve it.
- The development of an integrated management system that links the digital data essential for efficient operation to various independent systems including: management information, planning, transaction, project management, geographic information management, customer care and operational systems will improve services provision considerably and enable the authorities to provide information accurately and timeously.
- The benefits of economy of scale will only be exploited over time, but there is no doubt that it will occur.
- The pooling of scarce resources is a real factor that will also develop over time. The ability to pay higher salaries due to a pooling of resources will provide the services provider with the necessary ammunition to attract better qualified staff than what the municipalities can do.
- Staff members working for an organisation that is lesser exposed to political influencing will have a better opportunity to specialise and be more focused.

12. KEY ISSUES TO BE ADDRESSED

The following issues still need attention:

- uThukela Water, as a matter of urgency, should complete the integrated management system;
- uThukela Waters dependency on dedicated specialist consultants needs to be overcome. Up till quite recently one executive director position was still occupied by a member of the specialist team;
- uThukela Water will have to adhere to the conditions of the long term agreement and provide information accordingly; and
- The municipalities must take control of the monitoring and evaluation of the long term water services provider agreement and hold the services provider accountable accordingly.

13. KEY LESSONS LEARNT

Key lessons learnt are:

13.1. SUSTAINABLE LONG TERM COOPERATION

- In the original partnership concept, bonding of the four participating municipalities into a long term relationship for sustainable cooperation was enabled through historical regional political and technical cooperation due to the management of the four regional water services. This would have formed the base for eventually extending the water services provider functions to include waste water and

reticulation over the longer term. This concept carried the support of the majority of local and district municipalities in uThukela Water region. However, as this approach was abandoned, its viability remains untested, but it did hold the relevant parties together from 1991 to 2002.

- In 2002 the board of uThukela Water partnership adopted the Strategic Plan, SP2030, which promoted the optimal solution for centralized water and wastewater infrastructure and by implication required a full transfer of all water services provider functions to uThukela Water (Pty) Ltd at the offset in lieu of the original partnership concept. This new strategy carried political support, but the senior officials and technical advisors of the municipalities believed that the raising of R3 to R5 billion was unattainable and considered the transfer of all water services provider functions to uThukela Water simultaneously, as impractical. Although, the new approach was based on sound business practise, it did not provide the substance to hold the participating municipalities together and proves that a good idea will not necessarily hold a partnership together. This point was clearly confirmed whilst considering similar ideas in the Zululand and Sisonke districts of KwaZulu-Natal.
- It is therefore deemed necessary that municipalities, when considering cooperating in a multi-jurisdictional concept, should from the offset establish a sound base for cooperation, with political support possibly being the most important. Officials and other technical advisors of municipalities should, concerning regional cooperation, advise councils in terms of sound business and developmental (IDP) principles.

13.2. COMMUNICATIONS

One has to go the extra mile in communications and this must include staff, other municipalities, other interested groups and the community.

13.3. GOVERNANCE

- Political leaders and senior staff need to be capacitated in their role as authorities before considering employing the services of an external mechanism.
- National and provincial government should actively become involved in such processes.
- The participating authorities should ensure that coordination is in place before embarking on such a venture. In the case of uThukela Water implementation became the role of the partnership committee which was groomed to eventually become the water services provider.

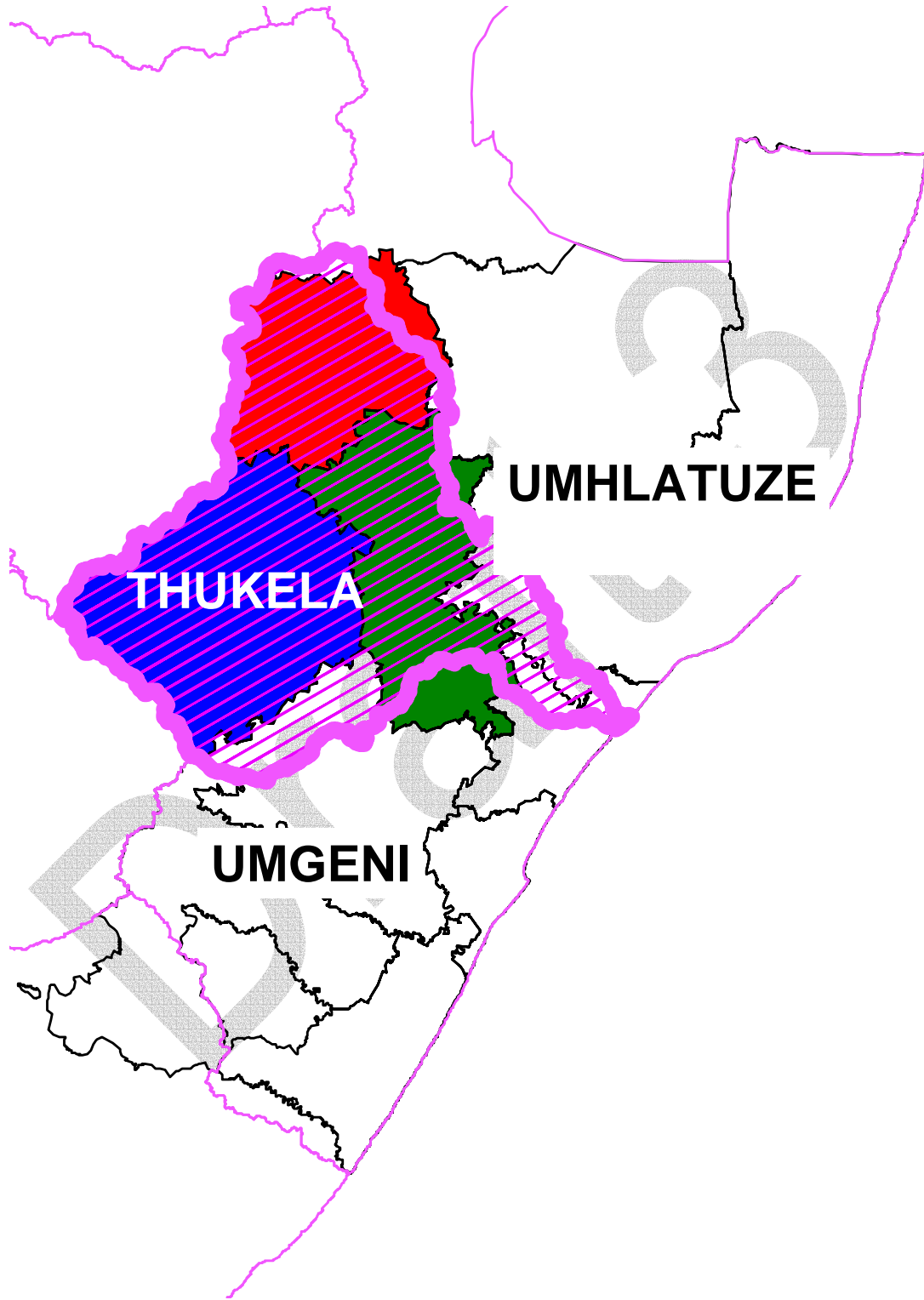
13.4. PROCUREMENT OF SPECIALIST SERVICES

The procurement of specialist services should follow approved chain management prescripts of the participating municipalities.

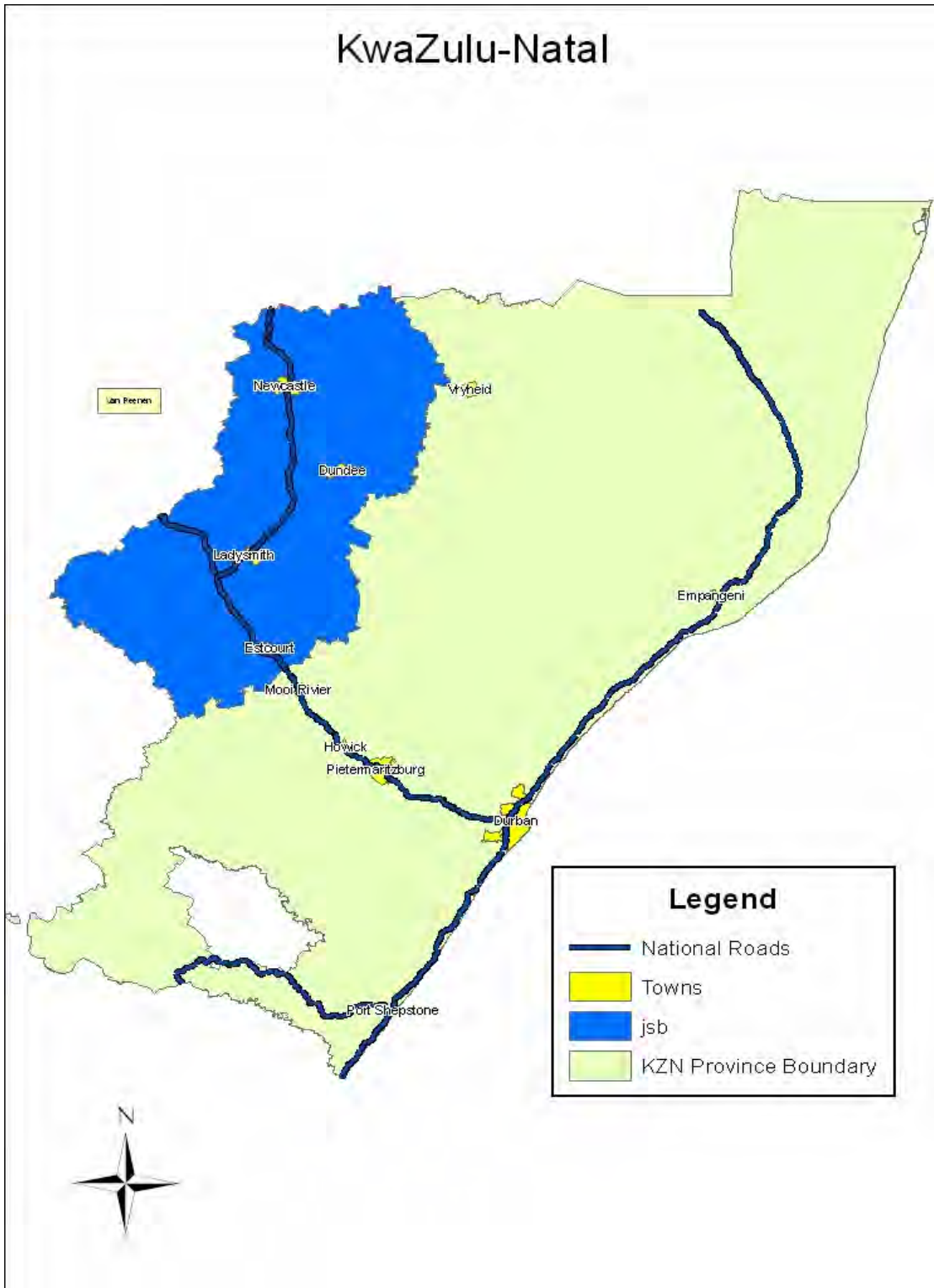
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**APPENDIX 1
TUGELA RIVER CATCHMENT**



**APPENDIX 2
THUKELA JOINT SERVICES BOARD REGION**



**APPENDIX 3
UMZINYATHI AND UTHUKELA REGIONAL COUNCIL REGIONS**



**APPENDIX 4
PARTNERS OF uTHUKELA WATER (Pty) Ltd.**

KwaZulu Natal Province

