



**Western Cape
Government**

Local Government

CFO Forum:
Status on the Implementation of
Shared Services
in the
Western Cape Province

December 2012

Strategic importance resulted in focussed support

- A growing shortage of key technical skills in the rural areas of the Province are being highlighted.
- These shortages impact directly and indirectly on service delivery to communities.
 - Typical areas: planning, engineering, legal services, internal audit, IT and finance
- Province: Urgency to look at possible solutions/strategies/support...
 - Attraction and retention policies and strategies
 - Other solutions... Sharing of services and resources
- The strategic importance of the “sharing of services between Municipalities” therefore resulted in this project being born
- Following a meeting with all the Districts, recipients were identified based on their current readiness and appetite to participate.

Shared Services project: Donor Support secured

- Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ-German Donor Agency) was approached to support the Department with a number of municipal specific support initiatives.
- Provincial Business Plans were developed for a number of projects.
 - One of the key focus areas of this support has been “Shared Services”.
 - Primary focus was put on a shared services project in the Eden and West Coast District municipalities, based on their readiness at that stage.
 - The Donor support was recently extended to the Central Karoo District.

Shared Services: Defined

“Shared Services refers to the consolidation and sharing of services by different units within an organisation or group or organisations in order to achieve economies of scale, make better use of scarce skills, provide information and services more efficiently and reduce cost of administration.” - A. Butler

The concept of shared services rests upon the following principles:

- Standardisation
- Consolidation
- Re-engineering
- Access to services that was not possible before
- Long term cost saving

Shared Services: The Rationale

Key drivers:

- Compliance with legislative requirements
- To reduce the cost of service delivery
- Lack of capacity
- Scarce skills not available
- Improved service delivery to communities
- To enhance “co-operative governance”

Benefits:

- Best practice processes shared
- Economies of scale by sharing processes and resources
- Service flexibility: Service level agreements and service costing
- Leverage specialist scarce skills
- Strengthen the capacity of Municipalities to manage their own affairs

Eden District Municipality: The History of Shared Services

- Eden District Municipality started with initial implementation of shared services.
 - Municipal Managers Forum was appointed during 2008 to drive this initiative.
 - The Municipal Managers signed a Memorandum of Understanding during August 2009.
- The Eden District Municipality then facilitated the implementation of shared services by:
 - Establishing and co-ordinating “Centres of Excellence”
 - Providing Bulk Services
 - Acting as enabler for resource mobilisation
- Eden Shared Services experienced a number of challenges and the process slowed down.
- Shared Services – in Eden existed, but with limited buy-in and application (informal, unstructured).

Eden District: Introduction of GIZ initiative

In collaboration with the Province, GIZ appointed a service provider to conduct a “Status Audit” in the Eden Region.

- to determine what worked well during the implementation and what the challenges were.

The Challenges highlighted in the Status Report were as follows:

- Shared Services in the District lost momentum
- All municipalities did not support specific initiatives

Reasons:

- Lack of understanding
- Lack of management buy-in
- Lack of business plans
- SLA's not signed
- Continuous change in “project champions”

Eden District: Way Forward

Proposed Next Steps for Eden District Municipality:

- Municipalities in the Region need to indicate if they wish to participate in “shared services” going forward.
- If, YES.... The District as a whole should develop a shared vision, principles and business case.
 - Identify implementation barriers
 - Determine communication strategy
 - Develop high level road map
- Go/no go decision

West Coast District: “The Start”

- Following an initiative by the West Coast District Municipality to initiate “shared services”, consultation took place at DCF level.
 - An inter-municipal agreement was reached to give structure to shared services in the area
 - It was agreed to undertake a “Readiness Audit”
- In collaboration with the Department of Local Government, GIZ appointed a service provider to conduct a “Readiness Audit” in the West Coast Region.

Approach to the Readiness Audit:

- Consider and agree on a Terms of Reference.
- Meet with role-players to collect data required.
- Meeting with municipal practitioners to discuss practicalities.
- Development of a business case.

West Coast District: Where are we now?

Shared Services Options identified for the West Coast Region

- Risk Management (preferred first service)
 - Legal Services
 - Town Planning (next step)
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- A “Business Operations Strategy” for Risk Management was developed and approved by the DCFTECH.
 - A Site location for Risk Management Shared Services was identified.
 - A cost benefit analysis was done on the implementation of a Risk Management Shared Services
 - Estimated cost saving of +- R1 200 000 per annum.
 - The budget of the shared services for the next three years was compiled.
 - An implementation plan, job description, advertisement and process flows were finalised.
 - The above documents will be considered at the next DCFTech for approval and implementation by January 2012.
 - Advertisement to start the appointment process was placed and started with the preparation of site activities.

Central Karoo: The Start

The District, in collaboration with Department of Local Government embarked on a Shared Services initiative.

- The initial focus was on an IT system..... Needs based approach,
- A “Presiding officer”, based in Beaufort West Municipality was appointed on a Shared Services basis for the entire District.
- Due to the successes already achieved in the other Districts, support was requested from GIZ to further institutionalize, formalize and implement Shared Services in the District.

Central Karoo: Next Steps

- GIZ and the Central Karoo District Municipality have appointed a service provider to assist with the formalization of shared services in the District.
- An introductory meeting with the DLG, Municipal Managers in the Central Karoo District and the Service Provider took place on 22 June 2012.
- A SLA for the Legal Services completed and agreed between the Municipal Managers.
- This legal services shared services will in future form part of the bigger shared services organisation.
 - The Municipal Managers also agreed to the development of business plans for internal audit and risk management (complete). (PT support secured)
 - The business plans, implementation plan, shared services organisational structure and budget was approved by the municipal managers.

IGR Support versus Shared Services

- It is important to understand the difference between “IGR Support”, “Inter-municipal co-operation” and “Shared Services”.
- All Districts in the Province provides and will continue to provide different levels of support to their Local Municipalities.
 - Value adding initiatives that support Municipalities on different levels of functioning
- IGR support will continue throughout the roll-out of the Shared Services projects.
- The Department will continue to support both these initiatives and the further roll-out of Shared Services.



Thank you