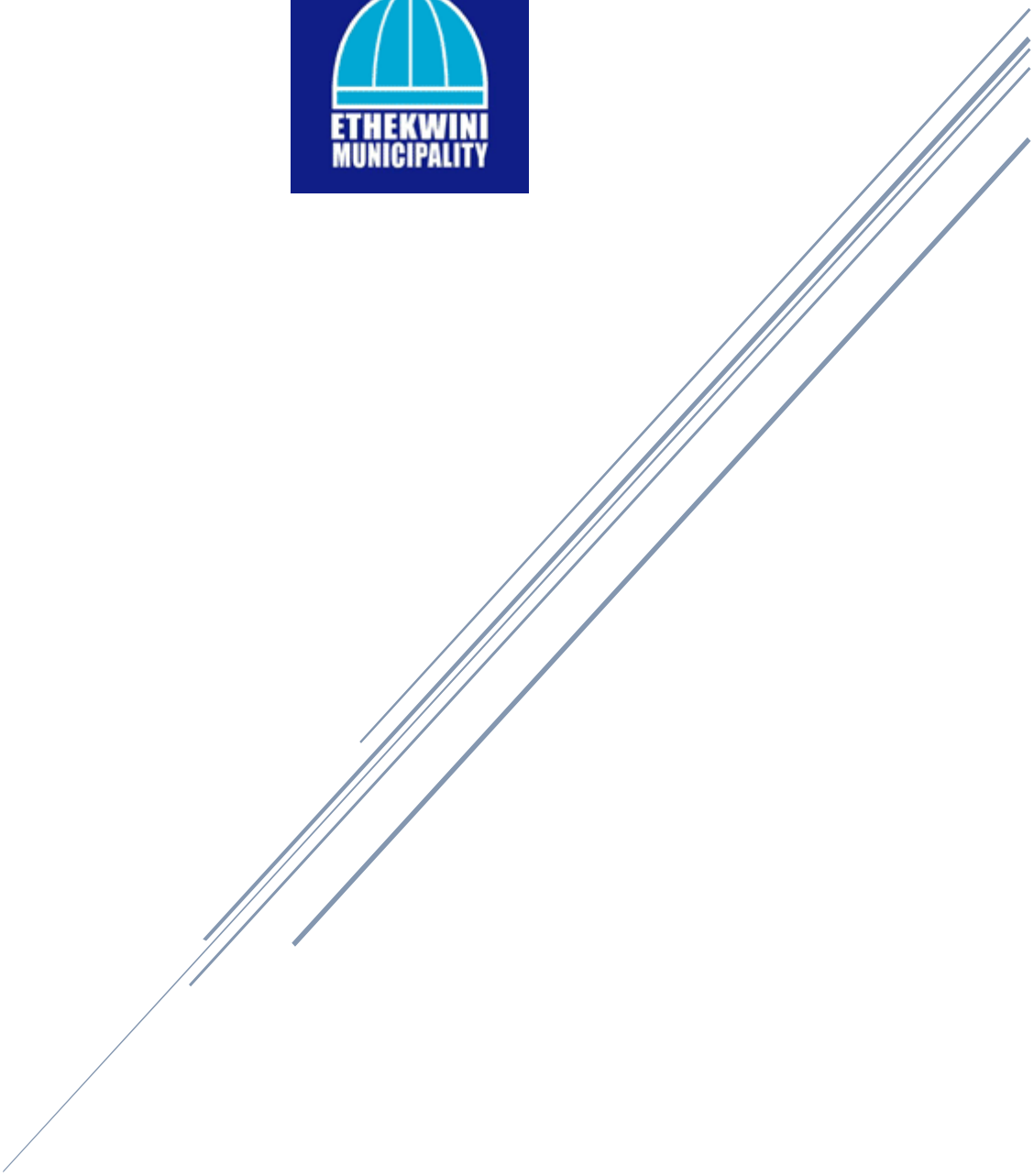
Annexure A1: eThekwini Electricity Trading Service Reform Institutional Roadmap

Version 1.2



eThekwini Municipality

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Abbreviations

CFO	Chief Financial Officer

EIA	Environmental Impact Assessment
EU	Electricity Unit
EPCPD	Environmental Planning and Climate Protection Department
EMA	EThekwini Municipal Academy
ERP	Enterprise Resource Planning
GRAP	Generally Recognised Accounting Practice
HC	Human Capital
HOD	Head of Department
HV	High Voltage
ICT	Information and Communication Technology
LV	Low Voltage
MSCOA	Municipal System Chart of Accounts
MTSP	Metro Trading Services Programme
MV	Medium Voltage
NERSA	National Energy Regulator of South Africa
NT	National Treasury
NWSC	National Water and Sewage Corporation (Uganda)
NYEWASCO	Nyeri Water and Sanitation Company
OHS	Occupational Health and Safety
RET	Radical Economic Transformation
RFQ	Request For Quotation
SCM	Supply Chain Management
SDE	Senegalese Waters
SLA	Service Level Agreement
SPoMA	Single Point of Management Accountability
TSRS	Trading Service Reform Strategy
WBS	Work Breakdown Structure

Definitions

Centralisation	The extent to which authority is concentrated at the top of the organisation.
Decentralisation	The delegation of power and authority from higher levels to lower levels of the organisation, often accomplished by small, self-contained organisational units.
Strategy	The direction and scope of an organisation over the long term, which achieves advantage to the organisation through the configuration of its resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations.
Management	A technique of extracting work from others in an integrated and co-ordinated manner for realising the specific objectives through productive use of material resources. Or “The art of getting things done through people”
Municipal Entity	(a) A company, co-operative trust, fund, or any other corporate entity established in terms of any national or provincial legislation, and which operates under the ownership control of one or more municipalities and includes in the case of a company under such ownership control, any subsidiary of. (b) A service utility
Operations Management	The designing and controlling the production of goods and services, ensuring that businesses are efficient in using resources to meet customer requirements. It is concerned with managing an entire production system that converts inputs into outputs. The administration of business practices to create the highest level of efficiency possible within an organisation. It is concerned with converting materials and labour into goods and services as efficiently as possible to maximise the profit of an organisation.
Value Chain	A set of activities that an organisation carries out to create value for its customers. Refers to the various business activities and processes involved in creating a product or performing a service. It can consist of multiple stages of a product or service’s lifecycle, including research and development, sales, and everything in between.

Executive Summary

The eThekwini Electricity Trading Service Reform Strategy aims to transform and enhance the performance of the electricity trading service in eThekwini Municipality. The strategy focuses on creating a viable organisation that meets service delivery needs, raises capital funding, and generates financial surpluses for reinvestment. Key factors identified for achieving and sustaining this reform include:

1. Establishing a Single Point of Management Accountability: Establishing clear management accountability to streamline operations and decision-making.
2. Turnaround in Cash Revenue: Improving financial performance to ensure a steady cash flow.
3. Financial Surplus: Generating surplus funds to reinvest in the service.
4. Defined Relationship with the City: Clarifying the relationship between the Electricity Unit (EU) and the municipality.
5. Fit-for-Purpose Organisational Structure: Creating an organisational structure that supports efficient service delivery.

The document outlines a roadmap to achieve goals 1, 4 and 5, focusing on:

1. Management Accountability: Establishing a single point of accountability within the electricity business unit.
2. Management and Technical Capacity: Addressing capacity deficits through recruitment, internal resource transfers, and external contracts.
3. Change Leadership: Implementing a structured approach to change management.
4. Governance Improvements: Proposing new governance arrangements to enhance management and oversight.
5. Financial Transparency: Introducing separate financial statements and transparent financial transactions.

From a metro perspective, the programme consists of compulsory and non-compulsory elements including incentivised parts. Trading services financial transparency requirements are compulsory: all metro municipalities will be required to provide separate comprehensive financial statements for their trading service, within their overall municipal financial statements. The requirements for this, including specimen financial statements, are being communicated separately by National Treasury. Access to the finance is not compulsory, but is incentivised, based on metro performance against institutional and operational targets set in Council-approved Trading Sector Reform Strategies (TSRS) and its annexures (A1, A2 and A3) that meet the criteria set out by National Treasury. Each metro will define their own performance improvement and associated institutional and operational performance targets, in line with the basic principles of the trading services reform (single point of accountability; financial transparency; etc).

At the extreme, a rejection of those principles renders the metro ineligible for the performance-based finance incentive. (National Treasury, 2024). Metros whose Trading Service Reform planning documentation is of insufficient quality, or otherwise does not comply with the requirements outlined by National Treasury, will not have access to the performance-based incentive. They will have the opportunity, with assistance, to improve their planning and to resubmit in subsequent years.

National Treasury has identified a structural problem related to the split responsibility and accountability of technical and commercial aspects of operating an electric utility. Trading services require not only the planning, budgeting, and management of technical aspects but also the integration of associated business aspects so that technical, commercial, and support functions are managed as a single package. It is essential for trading services to operate as businesses, given their nature and role in income generation (National Treasury, 2024). This document details institutional arrangements for the electricity trading service on how eThekwini Electricity intends to deliver a fit-for-purpose structure with a single point of management accountability. The municipality and CoGTA have initiated an institutional review of the eThekwini Municipality's macrostructure. Several major changes are nearing finalisation. The current macrostructure proposal does not sufficiently address the "essential characteristics of soundly managed trading service businesses" (National Treasury, 2024). Unfortunately, this review predates the National Treasury Metro Trading Services Reform Programme, therefore the current macrostructure proposals do not align with recent National Treasury guidelines regarding institutional reforms, hence creating a disconnect that needs resolution. Recommendations have been made to align the macrostructure project and the trading services reform programme. It is recommended that institutional structure be changed from a department to a business unit to establish a fit for purpose structure. The reporting line for the Head: Electricity is recommended to be amended to report directly to the City Manager. These recommendations are common to both the Water and Sanitation Unit and the Electricity Unit.

NT detailed four models for institutional structures for trading services, namely a department (supported by centralised services), a standalone business unit (with integrated support services and single point of management accountability), a municipal entity, and an external entity. The EU is technically a business unit; however, it is supported by centralised services. It is proposed that the EU be restructured to be a business unit in the full sense, with integrated support services and a single point of management accountability. This is consistent with the approach taken by eThekwini Municipality for the water and sanitation trading service.

An interim organisational structure is proposed. Previously, the Electricity Unit had various support services integrated into its structure before various centralisation initiatives. This proposed interim structure, is based on the former structure, demonstrates how these support services will be reintegrated. Moreover, the organisational structure is expected to evolve rapidly to adapt to the changing business environment. It is crucial for the Electricity Unit to have the flexibility to modify its structure rather than adhering to a fixed, predefined setup from the start. This evolution will continue until the electricity distribution sector in South Africa transitions from energy poverty to energy access.

It is proposed that for each devolved support service, the relevant corporate service retains its oversight and policy role. Should there be any infraction, this is to be taken up directly with the single point of management accountability (SPoMA). This creates a positive tension between those responsible for operations and those responsible for oversight.

The Water and Sanitation Unit at eThekwini Municipality has finalised a draft institutional road map setting the direction for trading services. Consequently, the Electricity Unit's Institutional Roadmap has been closely aligned with the Water and Sanitation institutional road map. Both roadmaps recommend:

1. Institutionalising a single point of management accountability.
2. Transforming its institutional structure from a department to a standalone business unit.
3. Amending the reporting line directly to the City Manager.
4. Changing the code of delegation of authority.
5. Decentralising support services, with focus on Human Capital (HC), Finance, Supply Chain Management (SCM), Customer Services, Information Communication Technology (ICT), Fleet and Security support services.

Porter's value chain model was used to analyse primary and support activities. Based on the value chain analysis support services within the electricity value chain that should be decentralised and placed under its direct control were identified. This position is informed by the National Treasury Guidance Note 3. The decentralisation aims to:

1. Address the structural issues highlighted by NT, particularly the split responsibility and lack of management accountability (National Treasury, 2024).
2. Enhance the linkages between support and primary activities within the value chain.
3. Increase agility and speed in decision-making.
4. Optimise support services by aligning them with core business needs.
5. Meet sector-specific requirements identified by NT (National Treasury, 2024).

From the value chain analysis, existing service level agreements, and existing service charters, 132 support services were identified. Of these 132 support services, it is recommended that 67 be decentralised to fall under the Electricity Unit's direct control, while the remaining 65 services should be reviewed to determine if they should be managed centrally through service level agreements (SLAs) or also be decentralised.

The statutory requirements for the institutional and governance reform roadmap, aimed at establishing a single point of management accountability, were reviewed. This included an examination of the Municipal Systems Act, Municipal Staff Regulations, Municipal Finance Management Act, Municipal Regulations on Standard Chart of Accounts, and the Municipal Supply Chain Management Regulations. This high-level review provides an indicative overview to identify areas requiring further scrutiny for the integration of support services.

Support services have been categorised into priority groups-critical, high, medium, and low-to facilitate their analysis. These classifications are qualitative and based on their relative importance to the value chain and their ability to support a successful reform. As previously mentioned, approximately 65 support services are proposed to remain centralised due to the following reasons:

1. The service was recommended by National Treasury to remain centralised.
2. The service meets the Electricity Unit's expectations and operates efficiently.
3. The service is not a key focus area in the reform strategy.
4. The EU's capacity to integrate the support service, considering the priority of tasks and urgent timelines.

It is proposed that a review of these support services be conducted to determine whether they should be managed centrally through service level agreements (SLAs) or decentralised. The decision to centralise or decentralise a support activity will be based on several factors, including statutory requirements, time constraints, resource limitations, current performance, costs, alignment of linkages, and the ability to govern effectively.

Developing and managing human resources effectively is an essential element of the reform. The Electricity Unit currently does not have enough human resources, or enough resources in particular areas of the business to effectively implement the reform strategy. The Unit intends to address these gaps through augmentation via secondments, transfers, fast tracking recruitment and the introduction of management and consultancy contracts.

Increasing capacity is a short-term solution. The Electricity Unit plans to launch a training and development programme aimed at fostering a sustainable reform. This programme will emphasise management, administrative, and additional technical capacity development by evaluation and training.

Effective change leadership is essential for advancing the governance and institutional reform within the Electricity Unit. To facilitate a structured and comprehensive implementation of these changes, an Integrated Change Leadership Management Framework has been established. Based on Kotter's Change Model, this framework is a key component of the organisation's change leadership strategy. It is designed to navigate the organisation through each stage of the transformation, promoting sustainable improvements and ensuring active engagement and alignment of all stakeholders throughout the process.

While a competent utility manager with sufficient autonomy is needed to start a turnaround, robust legal frameworks, and governance, including formal rules and structures, should be developed to establish and sustain the improvements achieved. The current governance arrangements were reviewed, and changes were recommended to improve governance. A three-step approach is embraced to address governance reform in the Electricity Unit. The first step is the definition of a governance framework, next is the development of an operating model for the framework and finally a plan to institutionalise the framework and its operating model. Effective risk management and a positive, productive organisational culture are central to the success of any organisation and form the core of this framework. Surrounding this core are four key spheres: business operations performance, human capital and remuneration, investment and finance, and organisational enablers. The governance structure is designed to encompass and address all four spheres while also managing risk and fostering a positive culture.

International studies on utility reforms have emphasised that political support is essential for successful reform. At eThekwini Municipality, the Executive Committee of the Council has delegated certain functions, including electricity and public lighting, to the Trading Services Portfolio Committee. It is recommended that the Chairperson of this committee, as a political champion, take on the role of supporting the reform. The Trading Services Portfolio Committee serves as the oversight body for the Electricity Unit and its reform strategy. The Electricity Executive aims to enhance its interactions with this committee to improve governance and management of the trading service.

Principle 5 of the King IV Code™ recommends that the Council should ensure that reports issued by the municipality enable stakeholders to make informed assessments of the municipality's performance and its short, medium, and long-term prospects. In line with this recommendation, the Electricity Unit intend to improve reporting to stakeholders as part of the governance changes.

A revision of internal governance arrangements has been recommended to enhance the coordination of activities and achieve other outcomes. The unit currently faces challenges as its structures are more functional in design rather than process oriented. The goal is to improve the governance of service delivery processes through committee structures. These committee structures aim to better integrate and coordinate work within the organisation by breaking down silos.

1.0 Introduction

EThekwini Municipality has drafted an eThekwini Electricity Trading Service Reform Strategy to turn around and improve the performance of its trading service, creating a viable organisation that meet service delivery needs, raise capital funding from the market and generate financial surpluses to reinvest back in the service. International experience and interaction with metropolitan municipalities highlights five factors that are essential to achieve and sustain such a business reform. These are:

i) A single point of management accountability.
ii) A turnaround in cash revenue.
iii) A financial surplus.
iv) A clearly defined relationship between the service and the city.
v) A fit-for-purpose organisational structure (National Treasury, 2024).

This document provides a roadmap on how items i, iv and v can be achieved. “At a metro level the institutional and governance reform is in many ways the heart of the reform process. It is necessary to address fundamental metro-level weaknesses in trading services performance, as well as to address new national regulatory requirements (National Treasury, 2024). This document unpacks the governance and institutional reforms that are required to successfully implement the eThekwini Electricity Trading Service Reform Strategy. The scope of this document includes the following four areas:

1. Plan of action to establish a single point of management accountability.
2. Initiatives to address management and technical capacity deficits.
3. Approach to change leadership to enable a successful turnaround strategy implementation.
4. Initiatives to improve management and governance.
5. Plan of action to establish financial transparency

A roadmap to achieving each of these prerequisites are discussed in the following sections of this document:

Section 2.0 - Establishing a Single Point of Management Accountability, discusses the proposed institutional changes, guided by National Treasury’s Metro Trading Services Reform Programme. An analysis of the electricity value chain identifies the necessary support services. A detailed process outlines the steps to realign these services within the value chain. Services proposed for decentralisation or centralisation are listed and prioritised as critical, high, medium, or low. Finally, plans and timelines are provided to complete the roadmap for the institutional reforms needed to establish an efficient structure managed by a single point of accountability.

Section 3.0 - Addressing Management Capacity Challenges, identifies some of the management and technical capacity requirements for the reform and details plans to augment and develop additional capacity. Augmentation activities focus on secondment and transfers of internal resources, recruitment to increase internal resources and the use of contracts to add external resources.

Section 4.0 - Change Leadership, details a structured and comprehensive approach to implementing changes. An Integrated Change Leadership Management Framework that has been developed is elaborated upon.

Section 5.0 - Reforming Management and Governance, examines the current management and governance arrangements and then proposes new approaches and initiatives to enhance the management and governance of the electricity trading service.

Section 6.0 - Road to Financial Transparency, outlines the necessary activities to achieve financial reform of the electricity trading service. It emphasises the introduction of separate financial statements and the creation of transparency in financial transactions between the electricity trading service and the municipality.

1.1 Prerequisites for a Utility Turnaround

A turnaround framework developed by the World Bank indicated that specific conditions need to exist before starting a utility turnaround. These necessary conditions include catalysts that provide space for change, a government leader who champions the required reforms, and a competent manager with sufficient managerial autonomy to implement changes. While the first two conditions are exogenous and offer an opportunity to start a turnaround, they do not by themselves ensure success (Soppe, Janson, & Piantini, 2018).

A government champion committed to reform is a politician who assumes a direct leadership role in championing reforms in the sector. All utilities identified in successful turnaround case studies undertaken by the World Bank had a government champion who gave the utility sufficient autonomy to deepen reforms without interference or predation from other parts of government. Other utilities analysed, including eThekwini, NWSC, NYEWASCO, and SDE, also

had a government champion who pushed for reform. Conversely, Scottish Water's reform efforts were hampered by the lack of political support for the utility's autonomy (Soppe, Janson, & Piantini, 2018).

In addition to these exogenous factors, evidence suggests that capable and entrepreneurial utility managers play a critical role in utility reforms. Every successful turnaround case had a competent manager, thereby raising the confidence of government authorities in the utility. A competent manager should guide the utility's staff in making critical changes from the very start of the turnaround process. That manager will identify early gains that will build credibility and instil confidence in the utility's staff that a turnaround is possible. Therefore, governance arrangements—whether established by law or through a political scheme—must give the relevant body the freedom to appoint a competent general manager for the utility (Soppe, Janson, & Piantini, 2018).

The following conditions have proven to be vital for a water utility to start a turnaround:

• A government champion committed to reform.

• A competent manager capable of leading change.

• A minimum level of managerial autonomy for decision making (Soppe, Janson, & Piantini, 2018).

1.2 Metro Trading Services Programme Framework

From a metro perspective, the programme consists of compulsory and non-compulsory elements including incentivised parts. Trading services financial transparency requirements are compulsory: all metro municipalities will be required to provide separate comprehensive financial statements for their trading services, within their overall municipal financial statements. The requirements for this, including specimen financial statements, are being communicated separately by National Treasury. Access to the finance is not compulsory, but is incentivised, based on metro performance against institutional and operational targets set in Council-approved Trading Sector Reform Strategies (TSRS) and its annexures (A1, A2 and A3) that meet the criteria set out by National Treasury. Each metro will define their own performance improvement and associated institutional and operational performance targets in line with the basic principles of the trading services reform (single point of accountability; financial transparency; etc).

At the extreme, a rejection of those principles renders the metro ineligible for the performance incentive. (National Treasury, 2024). Metros, whose Trading Service Reform planning documentation is of insufficient quality, or otherwise does not comply with the requirements outlined by National Treasury, will not have access to the performance-based incentive. They will have the opportunity, with assistance, to improve their planning and to resubmit in subsequent years.

1.3 Achieving Implementation Efficiencies in Metro Trading Services Reform

It is well known that the reform of electricity trading services forms part of the overall reform of metro trading services. National Treasury has highlighted that there are clear efficiency gains, for both eThekwini Municipality and the national assessment and support capacity, for metros seeking to advance trading sector reforms across two sectors at once. It may necessarily be the case that the institutional road maps (A1: IRMs) for Water and Sanitation, and Electricity and Energy will be equivalent, run in parallel, or even be identical (National Treasury, 2024).

The Water and Sanitation Unit at eThekwini Municipality has finalised a draft institutional road map setting the direction for trading services. As a result, the Electricity Unit's Institutional Roadmap has been closely aligned with the Water and Sanitation institutional road map. Thus far the Water and Sanitation Unit has been able to:

1. Commence the process of institutionalising a single point of management accountability.
2. Transform its institutional structure from a department to a business unit.
3. Define a continuum of institutional reform and confirming their intent to mature into a municipal entity.
4. Obtain approval to re-designate the position of Head of Unit to Executive Director,
5. Obtain approval to amend the reporting line directly to the City Manager.
6. Make recommendations to change the code of delegation of authority.
7. Commence decentralising support services, specifically Human Capital, Finance, SCM, Customer Services, ICT, Fleet and Security (eThekwini Water and Sanitation Unit, 2024).

It is intended for the electricity trading services reform to leverage of the work done and decisions taken to fast track institutional reform for its benefit.

2.0 Establishing a Single Point of Management Accountability

Service to customers clearly depends on technical and commercial operations, but not exclusively so. Other elements of sound utility management are organisation and strategy, human resource management (HRM), and financial management. Together, these promote effective and efficient commercial and technical operations-for instance, by increasing staff productivity and reducing losses. The legal framework and governance in which a utility operates shapes its governing environment. Figure 1 represents a success pyramid. Understanding the interactions and relations between the layers of the pyramid is important for developing and implementing a successful turnaround. The success pyramid illustrates the interdependencies and complexities for utilities trying to achieve sustained high levels of performance (Soppe, Janson, & Piantini, 2018).

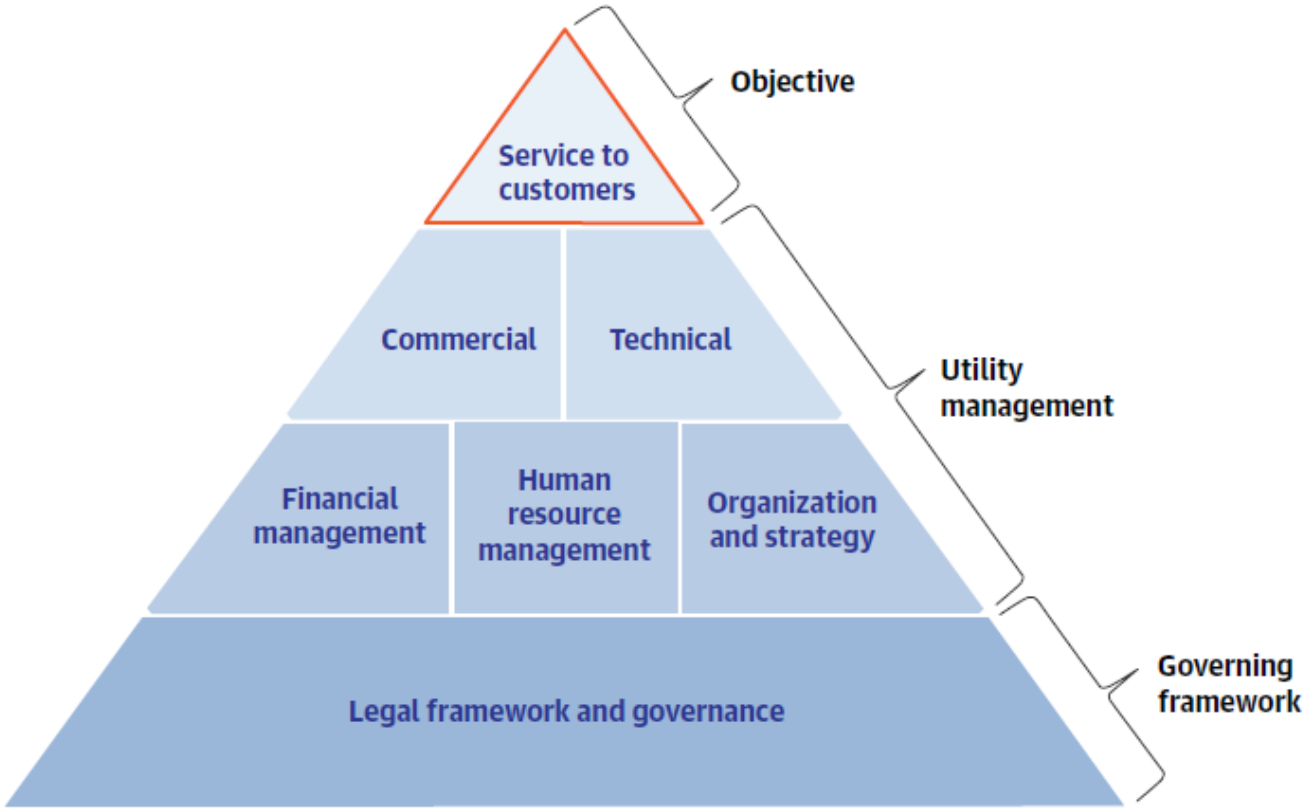

Figure 1 - Success Pyramid (Soppe, Janson, & Piantini, 2018).

The current electricity value chain has the City Manager as the single point of management accountability for electricity trading services. The proposed institutional and governance reform recommends restructuring to have the head of the electricity business unit as the single point of management accountability, reporting directly to the City Manager.

Naturally, the issue of decentralisation of support services is a sensitive topic as it entails redirecting accountability and related resources. This section of the document unpacks the approach to addressing the restructuring of the electricity value chain, specifically managing the issue of centralisation/decentralisation in a transparent manner.

2.1 Current Status

This section outlines the status of institutional arrangements for the electricity trading service, elaborating on the existing organisational structure and ongoing initiatives.

2.1.1 Problem Statement – Management of a Complicated Electricity Value Chain

The Water and Sanitation Unit Institutional Roadmap effectively identified institutional challenges that can be addressed by establishing a single point of management accountability. Similarly, the Electricity Unit previously operated successfully as a Business Unit, with the Head accountable to the City Manager for the Unit's performance and control over all support functions for operational purposes, while policy-making was centrally determined. However, over time, the Electricity Unit has been restructured to function as a regular Municipal Department, leading to conflicting and multiple sources of accountability. Currently, the City Manager is responsible for delivering the municipality's overall strategic results. For electricity (and public lighting), this responsibility is delegated to the Deputy City Manager: Trading Services, and further sub-delegated to the Head: Electricity. Additionally, many other functions

that support the electricity value chain have their accountability and delegations assigned to other Deputy City Managers and their direct reports. Major strategic support functions are centralised in other municipal clusters, resulting in inefficiencies (eThekwini Water and Sanitation Unit, 2024).Figure 2 below illustrates the organisational structure responsible for electricity trading services which covers primary and support activities.

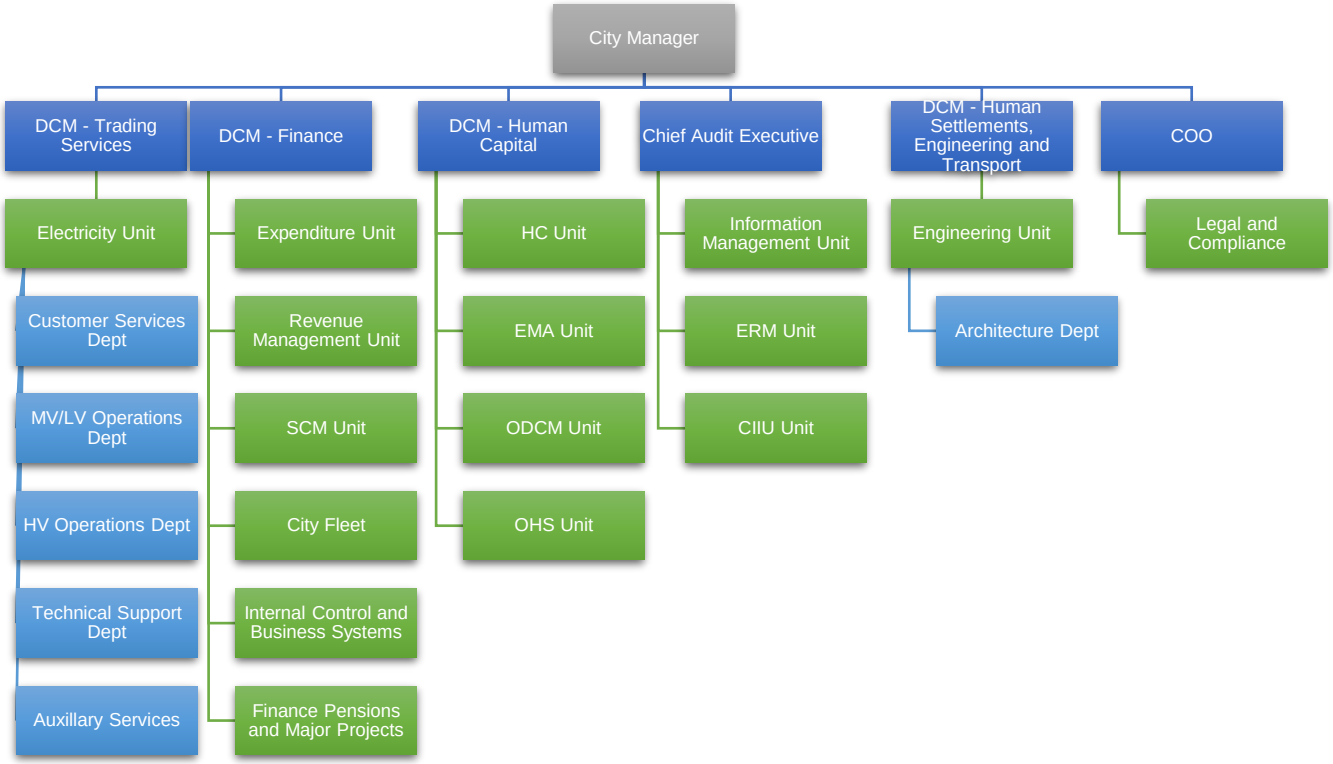

Figure 2 - Current Organisational Structure of Electricity Trading Services

In such systems of multiple, overlapping and often competing forms of accountability, many significant challenges are generated. Notably, these challenges are:

1. They create an accountability dilemma, that is, the dilemma of accountable agencies to resolve problems of many masters and manage government business under conditions of multiple accountability relationships and systems.
2. They increase the transaction cost and opportunity costs of managing a business.
3. They generate negativity as multiple actors tend to focus on fault-finding.
4. They invoke blame games and passing the buck onto others instead of focusing on organisational performance improvement.
5. They result in loss of control over key processes necessary for achieving results; and
6. They cause Multiple Accountabilities Disorder. This is an ambiguity about the notion of accountability, which contributes to organisational dysfunction. It hampers factors necessary for effective service delivery such as freedom to manage, long-term planning, innovation, flexibility, and risk-taking (eThekwini Water and Sanitation Unit, 2024).

In this situation, multiple points of accountability create serious bottlenecks resulting in work not being carried out which cause frustration to customers and stakeholders. They cause the unit to fail in its mission to manage the delivery of electricity and street lighting services efficiently. Its impact is outlined below:

1. The pace and progress in terms of delivery of services has slowed down leading to overall performance decline in different areas of the business.
2. EU is now depended on Rates and General Taxes for its survival; and
3. EU is failing to address the needs of its customers and stakeholders to discharge its constitutional mandate (eThekwini Water and Sanitation Unit, 2024).

Therefore, the need to re-institute a Single Point of Management Accountability has become extremely urgent to enable the Head of Electricity to have complete control and accountability for delivery of electricity and street lighting services.

2.1.2 Current Electricity Executive

Figure 3 below illustrates the organisational structure for the Electricity Unit Executive Management team. EE's Executive Management team has 10 posts, however, only 5 of these posts are currently filled by permanent incumbents. The Executive Management team is responsible for overseeing the operations and activities of EE and their respective Departments. They are also key to setting strategic direction and steering EE towards achieving its long- and short-term goals. The consequences of a high number of vacancies in these key strategic positions include a lack of effective leadership and decision-making, limited organisation accountability creating negative impacts on financial sustainability and a decline in service delivery outcomes.

Moreover, centralisation of functions has resulted in the Senior Manager: Human Capital reporting to and accountable to the Deputy Head: Human Capital (Trading Services) and has a secondary reporting line to the Head: Electricity, hence forms part of the EE Executive team. Some of the inefficiencies identified with the human capital service to EE includes the long turnaround time when filling vacancies (currently seven signatures are required in the approval process), unresponsive bureaucratic recruitment and selection processes and protracted institutional review processes. The Senior Manager: Finance has a secondary reporting line to the Head: Electricity, hence forms part of the EE Executive team.

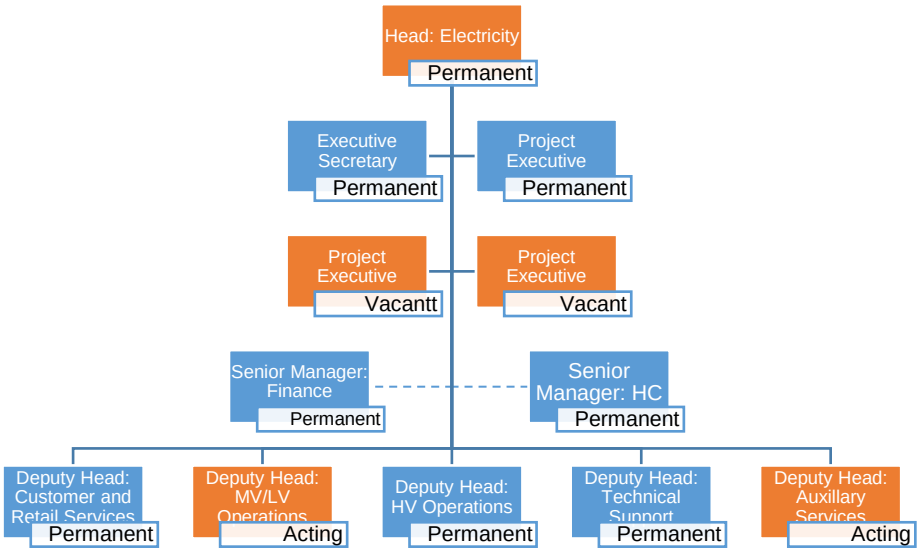

Figure 3 - Current eThekwini Electricity Executive Management structure

2.1.3 Institutional Changes in Progress

EThekwini Municipality is currently in the process of reviewing the organisational structure in line with the staff regulations. CoGTA is assisting the municipality in conducting the organisation / Institutional review and this review has commenced at the advanced stage. There are few major changes under finalisation. Unfortunately, this activity precedes the National Treasury Metro Trading Services Reform Programme. The current proposal by COGTA will be reviewed and application for exemption will be submitted if necessary in order to comply with the guidance notes. . National Treasury has noted a structural problem related to the split responsibility and accountability of technical and commercial aspects of operating an electric utility. Trading services not only require the planning, budgeting and management of technical aspects, they also require the integration of the associated business aspects so that the technical, commercial and support functions are managed as a single package. It is essential that trading services operate as businesses, given their nature and the role they play in income generation (National Treasury, 2024). This is illustrated in Figure 4 below. The current proposal is not sufficient to address the "essential characteristics of soundly managed trading service businesses."

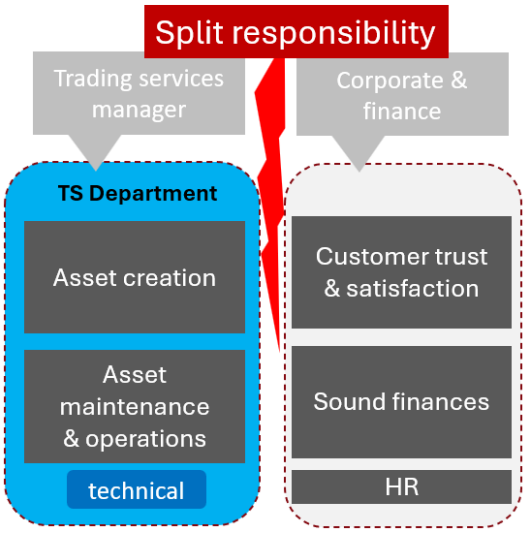

Figure 4 - Challenge of Split Responsibility

2.2 Proposed Institutional Changes

National Treasury issued “Guidance Note 3 - Institutional Arrangements for Reforming Metro Trading Services” to provide guidance to municipalities on organisational design changes that are required to support a single point of management accountability and to improve service delivery. This section of the document highlights some of the guidance provided and details how eThekwini Municipality intends to apply them to deliver a fit-for-purpose structure with a single point of management accountability.

2.2.1 Summary of National Treasury Guidance

1. Reform strategies for trading services not only require the planning, budgeting and management of technical aspects, they also require the integration of the associated business aspects so that the technical, commercial and support functions are managed as a single package. It is essential that trading services operate as businesses, given their nature and the role they play in income generation.
2. Treating a trading service as a business requires that a fit-for-purpose integrated institutional structure is in place to manage the business. It is this fit-for-purpose structure that must be arranged and managed through a single point of management accountability. This is necessary to ensure that all functions required to deliver the service (including the required support services) are effectively integrated and accounted for by a single individual who can be held accountable for the performance of the trading service.
3. The single point of management accountability (SPoMA) will be the head of the business, whether called Executive Director (ED), Head of Department (HOD) or Managing Director (MD) in the case of an entity.
4. To strengthen institutional accountability, the SPoMA must report directly to the Accounting Officer.
5. The SPoMA requires the management of the key features reflected in Figure 5 below to be managed as a single integrated system, with the head of the business accountable for all aspects of the business. The areas to be directly managed by the single point of accountability are contained in the five grey boxes (Asset creation; Asset maintenance and operations; Customer trust and satisfaction; Sound finances; Motivated people, systems and tools). The SPoMA needs to participate with the rest of the metro leadership in providing leadership, sound governance and supportive enabling environment without being directly and solely responsible (the blue boxes)) to optimise outcomes.
6. MFMA delegations and sub-delegations by the City Manager and CFO can be used to achieve the implementation of the SPoMA.
7. For each devolved support service, the relevant corporate service retains its oversight and policy role. Should there be any infraction, this is to be taken up directly with the SPoMA. This creates a positive tension between those responsible for operations and those responsible for oversight.
8. The fit-for-purpose structure may require either decentralising from the existing corporate structure or procuring services externally to enable proper functioning of the business.
9. Where technical functions are disintegrated and spread across the organisation, with the support functions located at a corporate level, the turnaround must design the process to create a business unit and rationalise all the disintegrated/centralised technical and support services functions into the relevant trading service (National Treasury, 2024).

Figure 5 - Seven Box Framework

2.2.2 Change of Institutional Structure

NT detailed four models for institutional structures for trading services, namely a department (supported by centralised services), a standalone business unit (with integrated support services and single point of management accountability), a municipal entity, and an external entity. The options are illustrated in Figure **6** below.

EE is technically a business unit; however, it is supported by centralised services. It is proposed that EE be restructured to be a business unit in the full sense, with integrated support services and a single point of management accountability through delegation or change in reporting lines. This is consistent with the approach taken by eThekwini Municipality for the Water and Sanitation Unit.

Establishing the Electricity Unit as a Business Unit in its true sense, lays the foundation for high levels of maturity in terms of the institutional structure. EThekwini Municipality can consider the option to progress the Electricity Unit from model 2 to model 3 i.e. a municipality entity upon completion of a successful reform or to adopt more corporate governance practices if the need dictates.

In line with the guidance provided by NT above, it is proposed that the position of Head: Electricity Unit report directly to the City Manager, which has similarly been approved for the Water and Sanitation Unit (eThekwini Water and Sanitation Unit, 2024) .

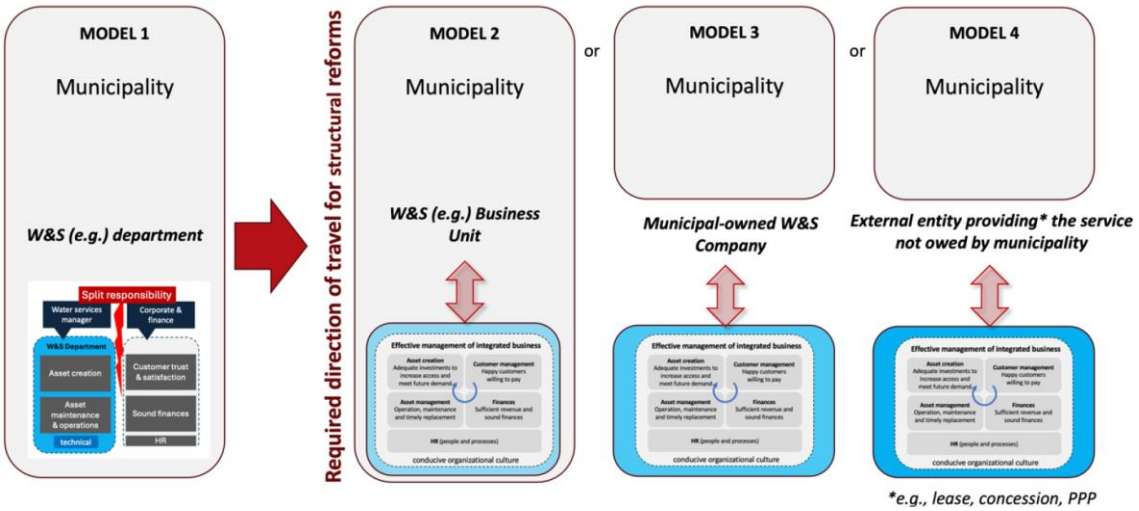

Figure 6 **- Institutional structure options**

National Treasury Guidance Note 3, also provides an indicative example of how the COGTA restructuring and the trading service reforms may be aligned. Figure 7 below illustrates the indicative example.

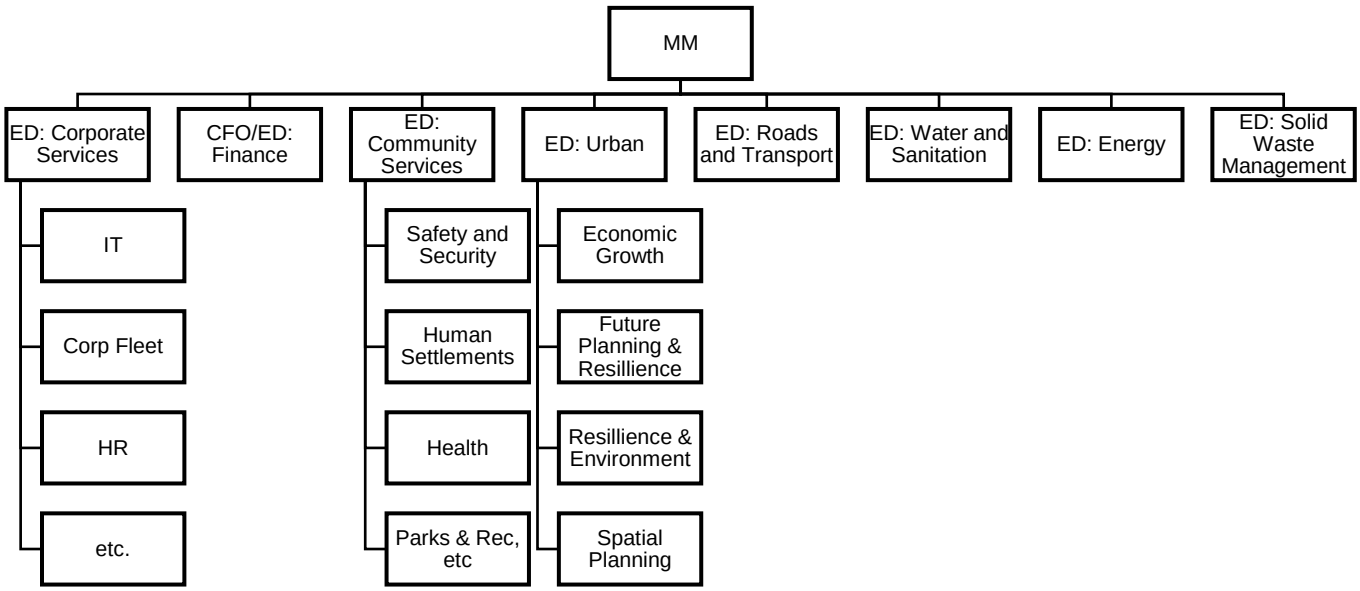

Figure 7 - Indicative example of macro-structure with trading services as business units

2.2.3 Role of Corporate Services

It is proposed that for each devolved support service, the relevant corporate service retains its oversight and policy role. Should there be any infraction, this is to be taken up directly with the SPoMA. This creates a positive tension between those responsible for operations and those responsible for oversight. The table below provides examples of how support service functions can be managed between the Electricity Unit and centralised corporate services (National Treasury, 2024).

Table 1 - Management of Support Services

Function	Corporate Service	Electricity Unit
Human Resources	•Ensure compliance with Council HR policies and national regulations.	•Responsible for recruitment. •Attending disciplinary cases. •Payment of employees. •Management of employee pay and leave; and •Talent management and staff training, as well as organisational design.
Corporate IT, Fleet, Facilities	•Ensure compliance with all relevant policies and regulations, through effective oversight.	•Manage requirements within policy •Procure, allocate, maintain assets
Customer Services	•Customer services staff from each trading service would also work from corporate customer services centres but be accountable to the trading service.	•A dedicated call centre that is closely linked to the back-office teams, as well as the business unit management, provides a responsive and effective level of customer service. •Customer services staff from each trading service would also work from corporate customer services centres but be accountable to the trading service.
Finance	•Raising consolidated bills to customers. •Managing the corporate bank accounts, •Raising loans and undertaking investments. •Consolidating the financial statements of the trading services into the corporate municipal accounts at year-end. •Ensuring the devolved finance operation complies with corporate financial policies.	•Critical revenue value chain functions including meters and metering, and management /oversight of credit control. •Creditors payment. •The production of management accounts, •Engaging with internal and external audit queries. •Posting of entries into the accounts. •Maintaining assets registers, etc; and

Function	Corporate Service	Electricity Unit
	•Publishing full trading services AFS statements annually and aggregated within metro AFS.	•Preparation and sign-off of trading service AFS.
SCM	•Ensure compliance with all relevant policies and regulations, through effective oversight; and •Bid Adjudication committee (handling of reports from the trading service).	•Manage stores. •Procurement, (setting up and implementing the bid specification and bid evaluation committees for the trading service); and •The preparation of reports for consideration by the bid adjudication committee.

2.2.4 Proposed Interim Organisational Structure

Figure 8 below is an example of a proposed interim organisational structure. The Electricity Unit previously had a range of support services integrated into its structure prior to centralisation. The proposal below is based on the previous structure. It illustrates how support services will be once again integrated into the organisational structure. The Branches highlighted in yellow require minor amendments to existing Branches whilst those highlighted in red are new additions to the existing structure. It is envisioned that the organisational structure will rapidly evolve to align with the changing business environment. It is more important for the Electricity Unit to have the control and ability to amend its organisational structure than to have a fixed predefined structure at the onset. Examples of amending the organisational structure include the transfer of resources within the business unit to optimise organisational effectiveness. The evolution of the unit's organisational structure will continue until the electricity distribution sector in South Africa completes its transition from energy poverty to energy access.

It is recommended that the macrostructure project scope be amended to align to the Metro Trading Services Reform Programme requirements similar to the Water and Sanitation Unit (eThekwini Water and Sanitation Unit, 2024).

The proposed interim organisational structure in Figure 8 below utilises a hybrid model which includes solid and dotted reporting lines. The proposed structure recommends a solid line to the Executive Director: Office of the City Manager and a dotted line to the City Manager. The dotted line reporting is for an employee to report to a secondary manager in addition to their direct manager, in this instance being the City Manager.

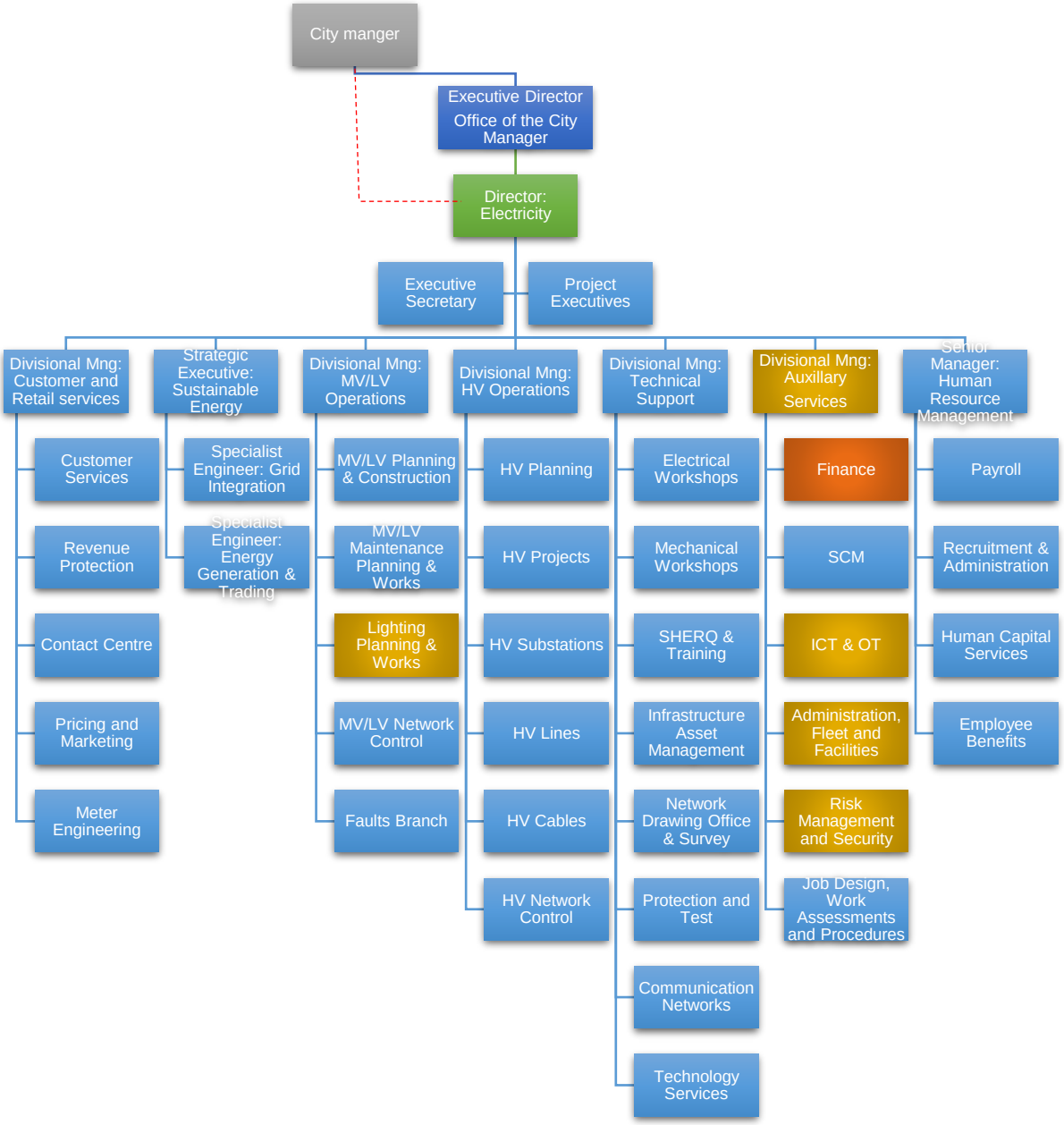

Figure 8 - Proposed Interim Organisational Structure for the Electricity Unit

2.3 Value Chain Analysis

This section explains the theory behind value chain analysis for the benefit of readers not familiar to this concept, and its application to the Electricity Unit and electricity trading services.

In essence, the electricity trading service is a collection of activities that are performed to design, produce, market, deliver and support its product/service i.e. electricity. In addition, the Electricity Unit is also responsible for the provision of public lighting as a secondary service which leverages off the electricity trading service value chain due to the synergies that exist.

Generally, the goal for an organisation is to produce the products/services in such a way that they have a greater value (to customers) than the raw inputs/products/services. The added value can be considered the profits or surplus and is often indicated as 'margin'. With the case of electricity, the value add to customers is the transport of electricity from the generation point to the customer premise, and transformation of electricity to the appropriate voltage level via an electrical distribution network.

This analysis also includes the construction of the electrical distribution network required to deliver electricity as this is a mandatory requirement.

A company gains competitive advantage by performing strategically important activities more cheaply or better than its competitors. Michael Porter's Value Chain model (Porter, 1985) helps disaggregating a company into its

strategically relevant activities, thereby creating a clear overview of the internal organisation. Based on this overview managers are better able to assess where true value is created and where improvements can be made. Porter's Value Chain model divides business activities into two categories:

- Primary activities that directly develop the product or service.
- Support activities that support the primary activities to make them efficient and effective.

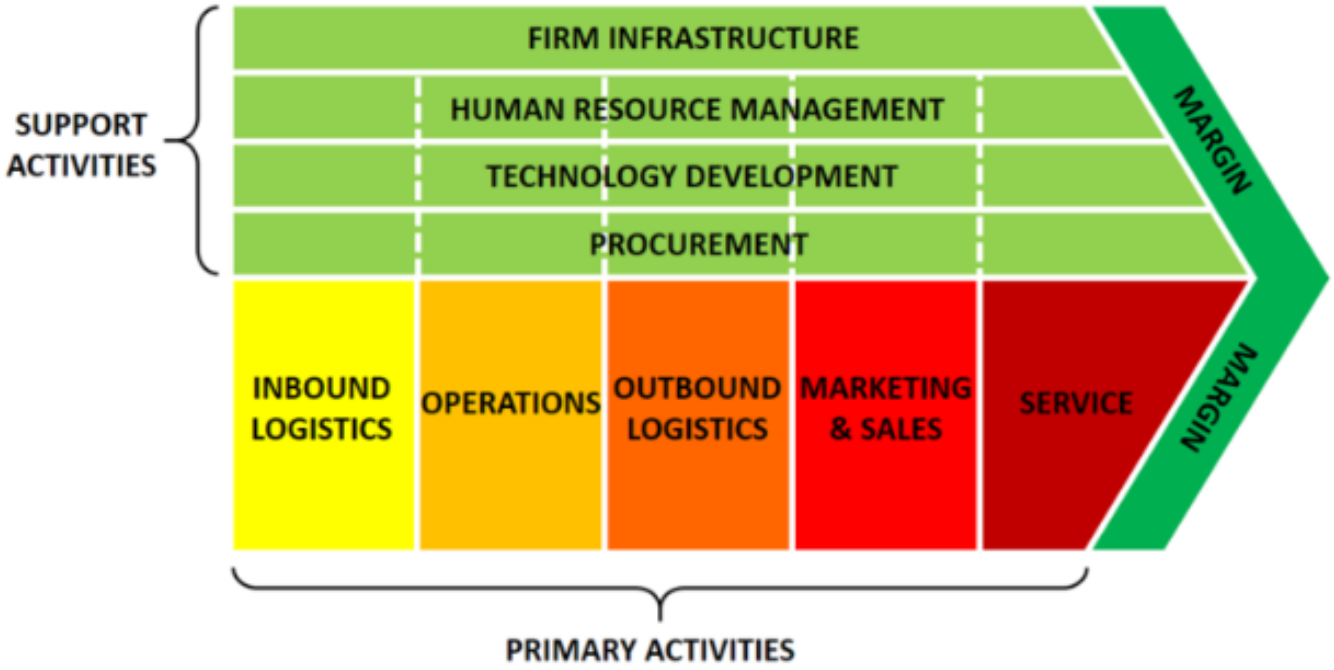

Figure 9 - Porter's Value Chain Model

The detailed value chain analysis can be found in Annexure 2. The analysis maps the electricity trading service value chain, organisational structure at eThekwini Municipality, and the status of the activity with Porter's model of activities. In addition, comments are included on what organisational changes are required to establish a SPoMA.

Primary activities include the five main activities. All five activities are directly involved in the production and selling of the actual product or service. The activities cover the physical creation of the product or service, its sales, transfer to the buyer as well as after sale assistance. The five primary activities are inbound logistics, operations, outbound logistics, marketing & sales, and service.

Support activities cut across the primary activities and aim to coordinate and support their functions as best as possible with each other by providing purchased inputs, technology, human resources, and various firm wide managing functions. The support activities can therefore be divided into procurement, technology development (R&D), human resource management and firm infrastructure. The dotted lines in Figure 9 above reflect the fact that procurement, technology development and human resource management can be associated with specific primary activities as well as support the entire value chain.

Although value activities are the building blocks of competitive advantage, the value chain is not a collection of independent activities. Rather, it is a system of interdependent activities that are related by complex linkages within the value chain. Decisions made in one value activity (e.g. procurement) will affect another value activity (e.g. operations). For example, procurement has the responsibility over the quality of the purchased inputs, it will affect the production costs (operations), inspections costs (operations) and eventually even the product quality. Unfortunately, these linkages are often very subtle and go unrecognised by the management thereby missing out on great improvement opportunities. The Electricity Unit acknowledges the significant room for improvement in the performance of primary activities. The performance of a range of support activities are transferring their in-efficiencies into the primary activities for electricity services. EThekwini Municipality has made the governance of the electricity distribution value chain complex.

2.4 Alignment to Acts and Regulations

The following acts and regulations were reviewed and have been taken into consideration when drafting the recommendations made in this Institutional Reform Roadmap for establishing a SPoMA:

1. Municipal Systems Act.
2. Municipal Staff Regulations.

3. Municipal Finance Management Act.
4. Municipal Regulations on Standard Chart of Accounts.
5. Municipal Regulations on Standard Chart of Accounts.
6. Municipal Supply Chain Management Regulations.

The review of the above acts and regulations are contained in Annexure 3 to Annexure 7 of this document.

Disclaimer: This high-level review was not done by a legal professional. It is merely an indicative review to highlight where more attention needs to be paid around implications related to the integration of support services. It is recommended that a legal opinion is obtained to confirm the contents of this section.

2.5 Process To Realign Support Activities in Value Chain

Following from the value chain analysis in Section 2.3, this section details the Electricity Unit's position on which support services within the electricity value chain should be decentralised to fall under the direct control of the Electricity Unit. The position is based on the guidance provided by the National Treasury Guidance Note 3 which was elaborated on in section 2.2.1. The focus of decentralisation is to:

1. Resolve the structural problem identified by National Treasury regarding the split responsibility and lack of management accountability (National Treasury, 2024).
2. Improve value chain linkages between support and primary activities.
3. Increase decision-making agility and speed.
4. Optimise support services by tailoring them to core business requirements.
5. Support sector specific requirements as identified by National Treasury (National Treasury, 2024).

Table 2 below details the quantification of support services. A total of 132 support services were identified from the value chain analysis, service level agreements and service charters. It is recommended that 67 support services be decentralised to fall under the control of the Electricity Unit, and the balance of 65 services be further reviewed to determine whether they should be performed centrally by managing via service level agreements (SLA), or decentralised.

Table 2 - Position on Support Services to be Decentralised/Delegated

Cluster & Unit	Centralise via SLA	Decentralise / Delegate	Grand Total
Audit	**12**	**17**	**29**
City Integrity and Investigations Unit	1		1
Enterprise Risk Management Unit	2		2
Information Management Unit	8	17	25
Audit	1		1
Community & Emergency Services		**3**	**3**
Disaster Management Unit		2	2
Security Management Unit		1	1
Corporate & Human Resources	**14**	**13**	**27**
eThekwini Municipal Academy	2	2	4
Human Capital Unit	9	9	18
Management Services and Organisational Development		2	2
Occupational Health and Safety Unit	3		3
Economic Development Planning and Invest Durban	**2**		**2**
Development Planning	1		1
EPCCD	1		1
Finance	**29**	**29**	**58**
City Fleet Unit	11	9	20
Energy Office		1	1
Real Estate Unit	3		3
Revenue Management Unit	2	2	4

SCM Unit	5	11	16
Expenditure Unit	5	6	11
Finance Pensions and Major Project Unit	3		3
Human Settlements, Engineering & Transportation	**2**	**5**	**7**
Engineering Unit	2	5	7
City Operations	**5**		**5**
Legal and Compliance	5		5
Governance & International Relations	**1**		**1**
Sizakala Centres	1		1
Grand Total	**65**	**67**	**132**

Support services have been classified into priority groups namely critical, high, medium and low to aid in their analysis. The classifications are qualitative and relatively estimated using their importance to the value chain and ability to support a successful reform as the basis. As mentioned above, there are approximately 65 support services that proposed to remain centralised either due to:

1. The service was recommended by National Treasury to remain centralised.
2. The service is performing to the Electricity Unit's expectations and is operationally efficient.
3. The service is not a key focus area identified in the reform strategy.
4. The ability of the Electricity Unit to integrate the support service given the priority of work to be executed and urgent timeframes.

It is proposed that a support service review be undertaken for these services to best decide on whether these services should be performed centrally by managing the services via service level agreements (SLA), or decentralised. The decision to centralise or decentralise a support activity will be based on several factors such as statutory requirements, time constraints, resource constraints, current performance, costs, alignment of linkages and the ability to govern effectively.

Section 2.6.4 elaborates on a proposed support services review process which is proposed to be undertaken per support activities group recommended to be centrally managed. It is intended that the review process will output an institutional review document per support activities group with a recommendation. Section 2.6.5 elaborates on the structure of the support services review document. The review process has 2 outcomes, either a recommendation to decentralise or centralise a support activity. Depending on the outcome, either a decentralisation implementation plan, including interim transition arrangements or a basic service level agreement for a centralised service will need to be developed.

2.6 Services to be Decentralised/Delegated

This section details the 67 services proposed to be decentralised.

2.6.1 Critical Priority Support Services

Critical priority support services can equate to "non-negotiable" support services that need to be decentralised due to their impact to the value chain and reform strategy implementation. Ten critical priority support services have been identified for decentralisation.

Table 3 - Support Services Ranked as Critical Priority

Cluster	External Unit - Service Provider	Service/Product	Porters Value Chain Role	Comment
Audit	Information Management Unit	Infrastructure Services – Network, Telephony, 2-way radios and Facilities - JD Edwards (ERP).	Firm Infrastructure - ICT	This service is primarily related to the supply, operation and maintenance of an integrated enterprise resource planning system. An ERP system is extremely critical, as it impacts the monitoring and control of business processes, resource management and decision making. Currently, the unit is using two separate systems namely JDE E1 and Ellipse, to perform these functions. Neither system is performing efficiently and effectively due to either integration challenges, or lack of features and functions on the JDE system, or reliability challenges.
Community & Emergency Services	Security Management Unit	Provide security personnel.	Firm Infrastructure - Security	Infrastructure theft, vandalism and security of personnel are major enterprise environmental factors that negatively impact the financial and operational performance of the unit. These factors are likely to remain in the long term. It is critical that robust and effective solutions are put in place to optimise CAPEX and OPEX utilisation. This support service needs to be tailored to the challenges experienced in the electricity distribution sector. In addition, solution development will need to occur rapidly for effective loss control. The provision of security personnel and technological solutions need to be integrated for effective mitigation of risks.
Corporate & Human Capital	Human Capital Unit	Recruitment, Selection and Appointment of Staff/ Attraction, Onboarding and Retention (Services Group) (MSR Chapter 3).	Human Resource Management	The recruitment process is highly in-efficient. Linkages within the value chain are poor. The support service unit has a high influence on the outcome, often with differing views on the financial and operational impact to the Electricity Unit. The ability to recruit staff efficiently and effectively is critical to the success of a business turnaround. A tailored process in line with municipal staff regulations can be put in place within the Electricity Unit, to ensure the unit has an appropriate workforce available to meet service delivery expectations.
Corporate & Human Capital	Management Services and Organisational Development	Provide productivity assessment service.	Human Resource Management	This support service has been unable to cope with requests from the Electricity Unit. Linkages within the value chain are poor. Productivity assessment is a critical activity for line management.
Corporate & Human Capital	Management Services and Organisational Development	Provide management services.	Human Resource Management	This support service has been unable to cope with requests from the Electricity Unit. Linkages within the value chain are poor. The support service unit has a high influence on the outcome, often with differing views on the financial and operational impact to the Electricity Unit.

Cluster	External Unit - Service Provider	Service/Product	Porters Value Chain Role	Comment
				The current challenge is that the Electricity Unit has not been supported to adequately evolve to meet the changing business environment. As a result, there is a disconnect which can only be resolved via a turnaround strategy. A tailored process in line with Municipal Staff Regulations can be put in place within the Electricity Unit to ensure the unit has a structure and workforce that can constantly adapt to meet service delivery expectations in a changing business environment.
Finance	Expenditure Unit	Capital investment decision making.	Firm Infrastructure - Finance	Decentralisation of this service is recommended, to align with establishing a SPoMA.
Finance	SCM Unit	Procurement of goods and services (other than RFQ or Tender).	Procurement	This support service has been unable to cope with requests from the Electricity Unit. Linkages within the value chain are poor. Committee decisions and timeframes sometimes do not align with operational requirements.
Finance	SCM Unit	Tender co-ordination and administration (BSC, BEC).	Procurement	This support service has been unable to cope with requests from the Electricity Unit. Linkages within the value chain are poor. Committee decisions and timeframes sometimes do not align with operational requirements.
Finance	SCM Unit	Administration and business systems- materials management.	Procurement	A supply chain forms part of operations, as a result, they need to be closely linked. This is service is currently decentralised.
Finance	SCM Unit	Administration and business systems – RFQ.	Procurement	A supply chain forms part of operations, as a result, they need to be closely linked. This is service is currently decentralised.

2.6.2 High Priority Support Services

A total of 19 high priority support services have been identified to be decentralised/delegated.

Table 4 - Support Services Ranked as High Priority

Cluster	External Unit	Service/Product	Porters Value Chain Role
Audit	Information Management Unit	Provide network and telecoms services.	Firm Infrastructure - ICT
Audit	Information Management Unit	Administration Services - Procurement of Computers, infrastructure, software, equipment and services.	Firm Infrastructure - ICT
Community & Emergency Services	Disaster Management Unit	Provide CCTV system components.	Firm Infrastructure
Corporate & Human Capital	Human Capital Unit	Service 3: Creation, of Job Description (Compensation Management) (MSR Chapter 2).	Human Resource Management
Corporate & Human Capital	Human Capital Unit	Service 7: Performance Management and Development (HC Transformation) (MSR Chapter 4).	Human Resource Management
Corporate & Human Capital	Human Capital Unit	Service 8: Integrated Talent Management (HC Transformation).	Human Resource Management
Finance	City Fleet Unit	Provide fleet procurement service.	Firm Infrastructure - Fleet
Finance	City Fleet Unit	Provide planned maintenance scheduling and implementation service.	Firm Infrastructure - Fleet
Finance	Energy Office	Provide IPP agreements.	Inbound Logistics
Finance	Expenditure Unit	Accounts payable.	Firm Infrastructure - Finance
Finance	Revenue Management Unit	Oversight of credit control.	Firm Infrastructure - Finance
Finance	Revenue Management Unit	Creditors payment.	Firm Infrastructure - Finance
Finance	SCM Unit	Customer service and supplier relations.	Procurement
Finance	SCM Unit	Contract management.	Procurement
Finance	SCM Unit	Logistics co-ordination and administration.	Procurement
Finance	SCM Unit	Provide compliance checks service.	Procurement
Human Settlements, Engineering & Transportation	Engineering Unit	Asset and facilities management.	Firm Infrastructure - Buildings
Human Settlements, Engineering & Transportation	Engineering Unit	Project and development management.	Firm Infrastructure - Buildings
Human Settlements, Engineering & Transportation	Engineering Unit	Construction and contract administration.	Firm Infrastructure - Buildings

2.6.3 Medium and Low Priority Support Services

A total of 25 medium priority and 13 low priority support services have been identified to be decentralised. The list of services can be found in Annexure 8.

2.6.4 Support Service Review

Figure 10 below details the proposed support service review process to determine if the 65 services should be performed centrally by managing them via service level agreements (SLA) or be decentralised.

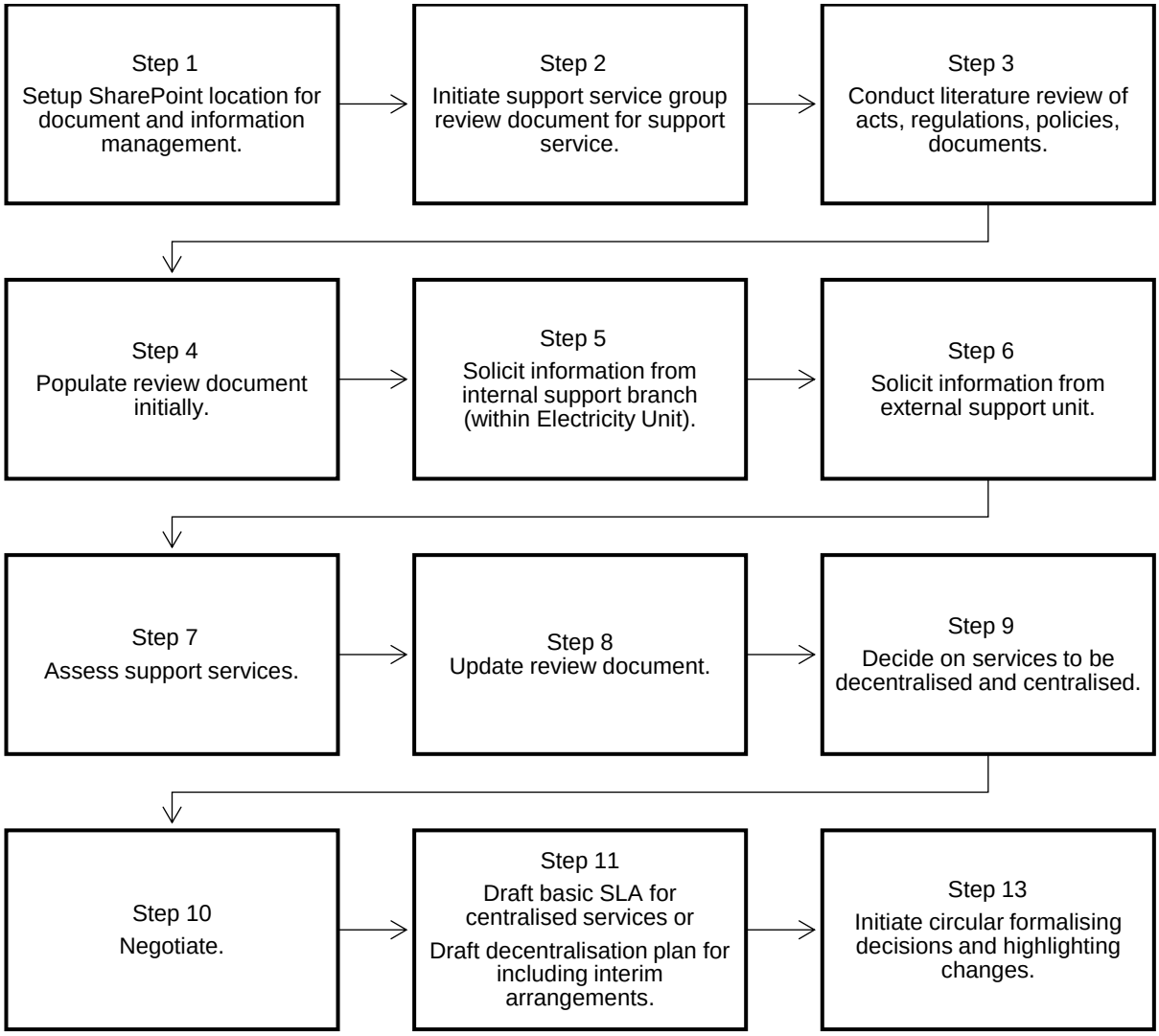

Figure 10 - Proposed support service Review Process

2.6.5 Review Document

Table 5 below details the information required for a review of support services.

Table 5 - Information Required for Review of a Support Service

	Information	Elaboration
1.	Introduction	Introduction of support service(s) under review.
2.	Service provided	List of service(s) or product(s) provided.
3.	Frequency and volume of service per annum	Details of the frequency and volumes per service per annum. This is to aid in future process/capacity design.
4.	Quality standards, professional bodies, professional registration, and voluntary associations	Details of quality standards, professional bodies, professional registration and voluntary associations relevant to the support services. An of example of a quality standard could be ISO 9001 accreditation or RMI approval for fleet activities.
5.	Performance standard and three-year performance history	A minimum three-year performance history per service. This information will indicate whether expectations related to the EU processes are being met or not. The information will also indicate whether the supporting unit is able to cope with the demands.
6.	Internal charge to provide service	Cost charged to the EU. It is noted that this information may reside with the Expenditure Unit. Any information relating to the determination of the charge or breakdown of charges will assist in determining the cost effectiveness of service as it can be compared to external suppliers, industry benchmarks, etc.

	Information	Elaboration
7.	Current governance arrangements	Outline of current arrangements to manage and govern the delivery of the support service to the Electricity Unit. Any information relating to the effectiveness of the arrangements will assist.
8.	Organogram structure of unit providing support service	Organogram structure of unit providing support service. This information will highlight functional or geographic division and categories of work.
9.	Actual staff providing support service for Electricity Unit	List of staff designations and numbers that provide the support service to the Electricity Unit. It is noted that there may or may not be dedicated staff assigned. In addition, management overheads are likely to be common resources.
10.	Ratio of staff providing support service	A ratio of staff providing the support service to the Electricity Unit vs total unit staff complement of the support service unit will assist in understanding resource requirements and associated costs.
11.	Business processes	Documented business processes that deliver the support services. This information should include any sub-processes used.
12.	Duty schedules	Duty schedules. This information will highlight the division of labour to implement the business processes.
13.	Standard operating procedures	Standard operating procedures which may elaborate on the implementation of steps detailed in the business process.
14.	Performance plans	Latest performance plan template per designation. This information will highlight KPIs relevant to the performance management of the support service.
15.	IT systems used	List of IT systems used in the execution of business processes to deliver the support service.
16.	External resources used	List of external resources used in the execution of business processes to deliver the support service. Examples include physical resources such as plant and equipment, and human resources such as contracted labour.
17.	List of contracts	List of tenders/contracts in place to deliver the support service.

2.7 Services to be Reviewed for Centralisation

This section details the 65 services proposed to be reviewed.

2.7.1 Critical Priority Support Services

Three services namely the provision of billing service and collections service offered via the Revenue Management unit, and the adjudication of contracts offered by the SCM Unit are recommended to remain centralised. While billing and collections are a primary activity in the value chain, the status quo is recommended to minimise impact to customers and provide a seamless customer experience.

Table 6 - Support Services Ranked as Critical Priority

Cluster	External Unit	Service/Product	Porters Value Chain Role	Comment
Finance	SCM Unit	Tender co-ordination and administration (BAC)	Procurement	Support service recommended to remain centralised to support compliance to the MFMA Supply Chain Management Regulations.
Finance	Revenue Management Unit	Provide consolidated billing service	Firm Infrastructure - Finance	Service to remain centralised to minimise impact to customers. The relationship between units will need to be closely managed as poor performance of this service introduces significant risk to the electricity business.
Finance	Revenue Management Unit	Provide consolidated collection service	Firm Infrastructure - Finance	Service to remain centralised to minimise impact to customers. The relationship between units will need to be closely managed as poor performance of this service introduces significant risk to the electricity business.

2.7.2 High Priority Support Services

A total of 13 high priority support services have been identified for review.

Table 7 - Support Services Ranked as High Priority

Cluster	External Unit	Service/Product	Porters Value Chain Role
Audit	Information Management Unit	Infrastructure Services – Network, Telephony, 2-way radios and Facilities - Revenue Management System.	Firm Infrastructure - ICT
Corporate & Human Capital	Human Capital Unit	Provide collective agreement services.	Human Resource Management
Corporate & Human Capital	Human Capital Unit	Service 3: Establishment of Job Description Standards (Compensation Management) (MSR Chapter 2).	Human Resource Management
Corporate & Human Capital	Human Capital Unit	Service 3: Reviewing and Grading Job Description (Compensation Management) (MSR Chapter 2).	Human Resource Management
Finance	City Fleet Unit	Provide fuel management system.	Firm Infrastructure - Fleet
Finance	Expenditure Unit	Manage corporate bank accounts.	Firm Infrastructure - Finance
Finance	Expenditure Unit	Ensuring the devolved finance operation complies with corporate financial policies.	Firm Infrastructure - Finance
Finance	Expenditure Unit	Raising loans.	Firm Infrastructure – Finance
Finance	Finance Pensions and Major Project Unit	Manage investments.	Firm Infrastructure - Finance
Finance	Real Estate Unit	Provide lease administration services.	Firm Infrastructure
Finance	Real Estate Unit	Procure land, servitudes and wayleaves.	Operations
Finance	SCM Unit	Database registration, accreditation, and monitoring.	Procurement
Finance	SCM Unit	Administration and business systems – Tender.	Procurement

2.7.3 Medium and Low Priority Support Services

A total of 24 medium priority and 25 low priority support services have been identified for review. The list of services can be found in Annexure 9.

2.8 Preliminary Decentralisation Plan

This section outlines a few suggestions on how decentralisation can be achieved for support services classified as critical and high priority.

Table 8 - Decentralisation Activities

Cluster	External Unit	Service/Product	Comment
Finance	City Fleet Unit	Provide fleet procurement service	1. The appropriate ratio of resources (human and physical) can be transferred from the City Fleet Unit to the Electricity Unit. An option includes ring fencing a fleet depot and dedicating it to the Electricity Unit. 2. The services can fall under the Electricity Unit Administration Branch until they can be consolidated into a Fleet Management Branch.
Finance	City Fleet Unit	Provide planned maintenance scheduling and implementation service	

Cluster	External Unit	Service/Product	Comment
Community & Emergency Services	Disaster Management Unit	Provide CCTV system components.	1. Authority can be delegated back to the E U to deploy tailored security solutions to meet the needs of the electricity sector. 2. The services can fall under the relevant departments within the EU.
Finance	Energy Office	Provide IPP agreements.	1. The appropriate ratio of resources (human and physical) can be transferred from the Energy Office to the EU. 2. The service can fall under the Strategic Executive: Sustainable Energy.
Human Settlements, Engineering & Transportation	Engineering Unit	Asset and facilities management.	1. Authority can be delegated to the EU to obtain architectural support services tailored to meet the needs of the electricity sector. 2. The appropriate ratio of resources (human and physical) can be transferred from the Engineering Unit to the EU. 3. The services can full under the relevant departments within the EU until they can be consolidated into a Facilities Management Branch.
Human Settlements, Engineering & Transportation	Engineering Unit	Project and development management.	
Human Settlements, Engineering & Transportation	Engineering Unit	Construction and contract administration.	
Finance	Expenditure Unit	Capital investment decision making.	1. The current ring-fenced Expenditure Unit resources from Senior Manager: Finance and below can be transferred back to the EU. This is a quick win as the reporting line can be transferred back across to the EU. The staff are already hosted within Electricity Premises. 2. The Accounts Payable Division and function can be reassigned to the EU. All staff prior to the merge can be transferred back.
Finance	Expenditure Unit	Accounts payable.	
Corporate & Human Capital	Human Capital Unit	Service 5: Recruitment, Selection and Appointment of Staff/ Attraction, Onboarding and Retention (Services Group) (MSR Chapter 3).	1. The current ring-fenced Human Capital Unit resources from Senior Manager: HC and below can be transferred back to the EU. This is a quick win as the reporting line can be transferred back across to the EU. The staff are already hosted within E U premises. 2. The recruitment policy and process need to be amended to delegate authority to the Head: Electricity to make appointments which is compliant to the Municipal Staff Regulations.
Corporate & Human Capital	Human Capital Unit	Service 3: Creation, of Job Description (Compensation Management) (MSR Chapter 2).	
Corporate & Human Capital	Human Capital Unit	Service 7: Performance Management and Development (HC Transformation) (MSR Chapter 4).	
Corporate & Human Capital	Human Capital Unit	Service 8: Integrated Talent Management (HC Transformation).	
Audit	Information Management Unit	Infrastructure Services – Network, Telephony, 2-way radios and Facilities - JD Edwards (ERP).	1. Authority can be delegated back to the E U to operate a dedicated ICT Branch. This is a quick win as majority of the branch has not been centralised. 2. Desktop support positions that were recently centralised can be transferred back to the Unit. This is a quick win.
Audit	Information Management Unit	Provide network and telecoms services	
Audit	Information Management Unit	Administration Services - Procurement of Computers,	

Cluster	External Unit	Service/Product	Comment
		infrastructure, software, equipment and services	
Corporate & Human Capital	Management Services and Organisational Development	Provide productivity assessment service	1. Authority can be delegated to the EU to oversee its own organisational design. 2. The E U already has a dedicated Works Assessment and Procedures Branch which covers productivity assessment. 3. The Unit intends on establishing a committee of experienced professionals to provide internal management services for organisational design tailored for the electricity sector.
Corporate & Human Capital	Management Services and Organisational Development	Provide management services	
Finance	Revenue Management Unit	Oversight of credit control	1.The appropriate ratio of resources (human and physical) can be transferred from the Revenue Management Unit to the EU
Finance	Revenue Management Unit	Creditors payment	
Finance	SCM Unit	Procurement of goods and services	1. This is a quick win area as majority of services are provided from by a dedicated Procurement Branch within the EU. 2. Authority can be delegated to the EU to establish independent bid specification and bid evaluation committees. The appropriate individuals from the relevant support services can participate as members. The appropriate ratio of resources (human and physical) responsible for compliance checks and other administrative activities can be transferred from the Supply Chain Management Unit to the EU.
Finance	SCM Unit	Tender co-ordination and administration (BSC,BEC)	
Finance	SCM Unit	Administration and business systems - materials management	
Finance	SCM Unit	Administration and business systems - RFQ	
Finance	SCM Unit	Customer service and supplier relations	
Finance	SCM Unit	Contract management	
Finance	SCM Unit	Logistics co-ordination and administration	
Finance	SCM Unit	Provide compliance checks service	
Community & Emergency Services	Security Management Unit	Provide security personnel	1. The appropriate ratio of resources (human and physical) can be transferred from the Security Management Unit to the EU. 2. The service can fall under the Risk Management and Security Branch.

2.9 Proposed Timelines

Figure 11 below provides an anticipated timeline to establish a single point of management accountability. The first milestone will be to complete the support services review of critical and high priority support services within the electricity value chain. The second milestone will be to complete planning for the decentralisation of critical and high priority support services. The third milestone will be to put SLAs in place for critical and high priority support services. The fourth milestone will be to complete the decentralisation of critical and high priority support services. The fifth milestone will be to complete the support services review of medium and low priority support services within the

electricity value chain. The sixth and seventh milestones will be the completion of centralisation of the relevant support services by putting SLAs in place for medium and low priority support services. The eighth and ninth milestones will be the completion of decentralisation by finalising the decentralisation of medium and low priority support services The final milestone is the achievement of a SPoMA due to the relevant services being decentralised or centralised.

A six-month contingency is included to allow for uncertainties. No work has been forecasted during the months of June, July and December to allow for financial and calendar year end activities. It is anticipated that all activities to establish a SPoMA can be completed by November 2026. This is on condition that activities start in November 2024.

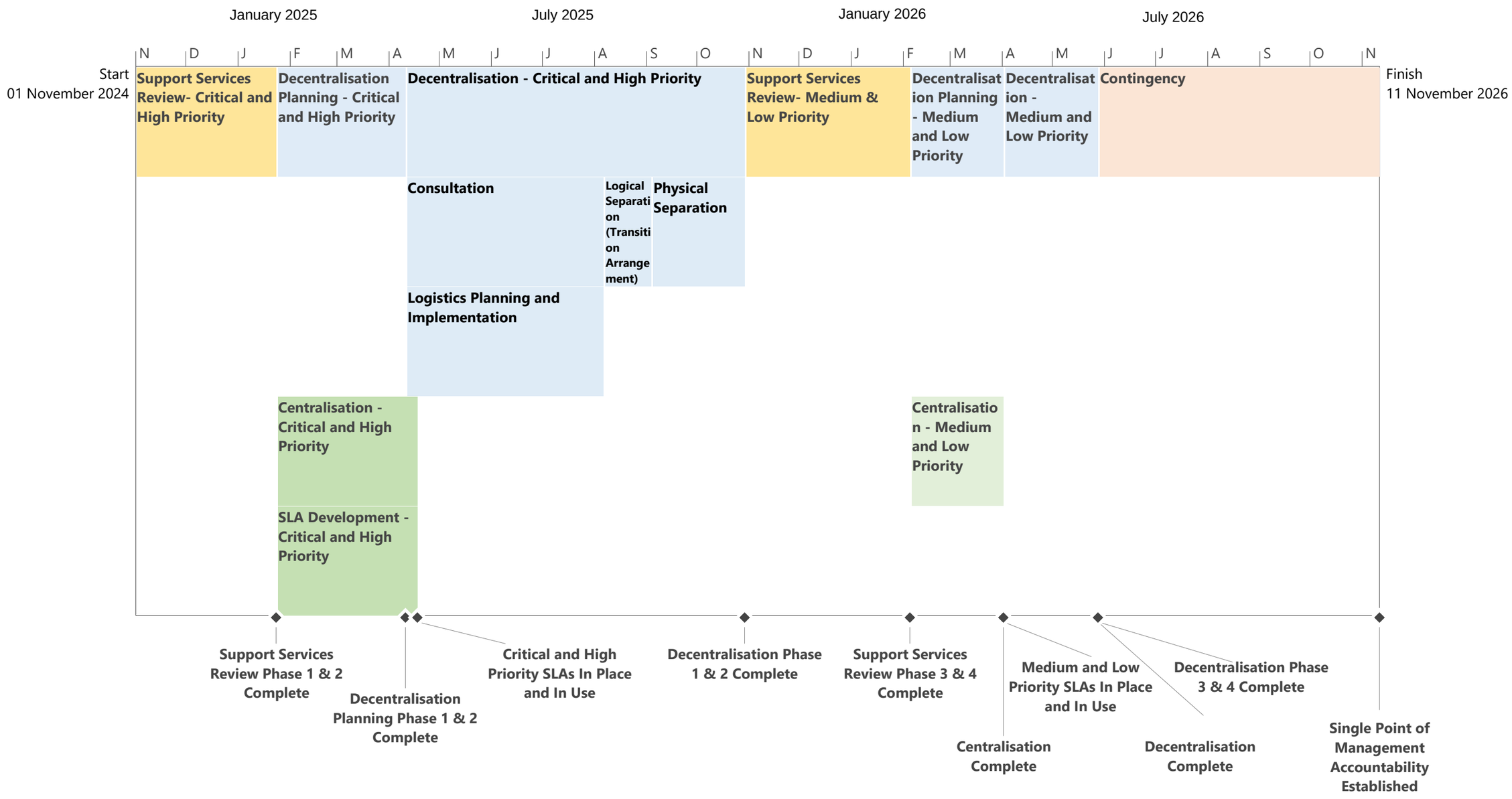

Figure 11 - Proposed Timelines to Establish a Single Point of Management Accountability

2.10 Logistics Management Plan for Support Services

The Electricity Unit intends improving its location strategy and office layouts with regards to support services, irrespective of the service being managed from a centralised or decentralised perspective. All support services should reside close to core business operations to improve efficiency, alignment, and communication.

It is proposed that services earmarked to be decentralised will first be "logically separated" from the respective support unit, with resources not being physically moved. The Electricity Unit will plan and implement a logistics management plan to establish a new physical location for the support services. The support services can then be "physically separated." This two-step arrangement is recommended to support a smooth transition. Presently the EU utilisea leases for the occupation of the PRASA building to host support services. It is likely that this arrangement will be expanded upon to host further support services. In addition, the unit is in the process of finalising occupation of two new floors constructed on the Control Centre Building.

3.0 Addressing Management Capacity Challenges

Developing and managing human resources effectively is an essential element of the reform. An important first step is to develop and implement a staffing plan that is consistent with the reform strategy. A staffing plan identifies the necessary composition, size, and structure of a utility's staff. A good staffing plan considers outsourcing initiatives, the introduction of new technologies, and the expected gains in labour productivity through training and development. All successful utilities developed staffing plans early in the reform process. DAWACO's staffing plan identified which staff should be trained and which jobs should be outsourced to carry out its strategic plan. AQUA used a similar approach (Soppe, Janson, & Piantini, 2018). This section of the document is equivalent to a staffing plan for the reform strategy.

3.1 Augmentation

The Electricity Unit currently does not have enough human resources, or enough resources in particular areas of the business to effectively implement the reform strategy. The Unit intends to address these gaps through augmentation via secondments, transfers, fast tracking recruitment and the introduction of management and consultancy contracts. Further details are provided in the sections below.

Notably, the Electricity Unit requires augmentation in the following areas:

1. Electricity Executive.
2. Turnaround strategy planning and implementation.
3. Business model and tariff design.
4. Programme and project management.
5. Retrofitment of meters at a large scale.
6. Engineering and implementation of ICT related systems namely, ERP, OMS/ADMS, AMI, and Spatial Planning.
7. ICT system support.
8. ICT application development.
9. Infrastructure asset management work planning and management.
10. Business analysis.
11. Industrial engineering.
12. Facilities management.
13. Fleet management.
14. Supply chain management specifically acquisition management.
15. Infrastructure security management including solution design.
16. Publications and integrated reporting.
17. Change management.
18. Strategy implementation.
19. Reviewing individual performance plans to align with reform strategy.

3.1.1 Making Space for Change – Secondments and Transfers

Secondments and transfers are the first resource optimisation option available to the Electricity Unit to direct existing resources to high priority activities. Secondment and transfer will be implemented on a needs basis when resources are required to ensure a successful reform.

3.1.2 Management and Consultant Contracts

The Electricity Unit will consider the use of management contracts if the need arises. Two potential management contracts include fleet management and facilities management. The table below details potential areas where contracts for external support may be introduced, subject to funding availability.

Table 9 - Potential Contracts for External Support

Area	Scope
ICT Consultants	1. ERP support. 2. Use of enterprise contract for GIS support.
Strategy Consultant for reform strategy	1. Adopt and implement integrated reporting. 2. Support the implementation of the turnaround strategy including change management. 3. Review and recommend governance improvement. 4. Independent bi-annual performance assessment.
Establishment of Project Management Office	Introduce a project management office. Scope to include: a. Proposed structure and business processes. b. Resources including software tools. c. Project Management training. d. Programme Management training. e. Portfolio Management training. f. Benefits Realisation Management training. g. Business Analysis training. h. Procurement training.
Establishment of Centralised Services SLA	1. Fleet management. 2. Facilities management
Asset Management	1. Bi-annual maturity assessment 2. Training
Skills Assessment	1. Competency assessment for recruitment. 2. Competency assessment for training and development 3. EQ/Personality assessments

3.1.3 Recruitment

The Electricity Unit has several key positions that need to be filled to ensure the organisation's stability. The unit plans to request the City Manager to delegate recruitment authority to the Head of Electricity, as permitted by the Municipal Staff Regulations. The goal is to implement an efficient and effective recruitment process in line with these regulations. A draft process has already been prepared, and it is anticipated that the unit will be able to recruit individuals within six months of a vacancy arising.

3.2 Management Capacity Enhancement – Development

Increasing capacity is a short-term solution. The Electricity Unit plans to launch a training and development program aimed at fostering a sustainable turnaround. The unit has a proven track record in developing Electricians, Technicians, Technologists, and Engineers. This program will emphasise management, administrative, and additional technical capacity development.

3.2.1 Bloom's Taxonomy

The unit has a pool of internal leadership and management skills. However, it's important to note that individuals with these skills are at various stages of learning, as depicted in the modern version of Bloom's Taxonomy. For instance, someone with a Master of Business Administration degree may not have advanced to the higher levels of learning stages. This highlights the need for ongoing development to unlock their full potential, even after initial training has been completed.

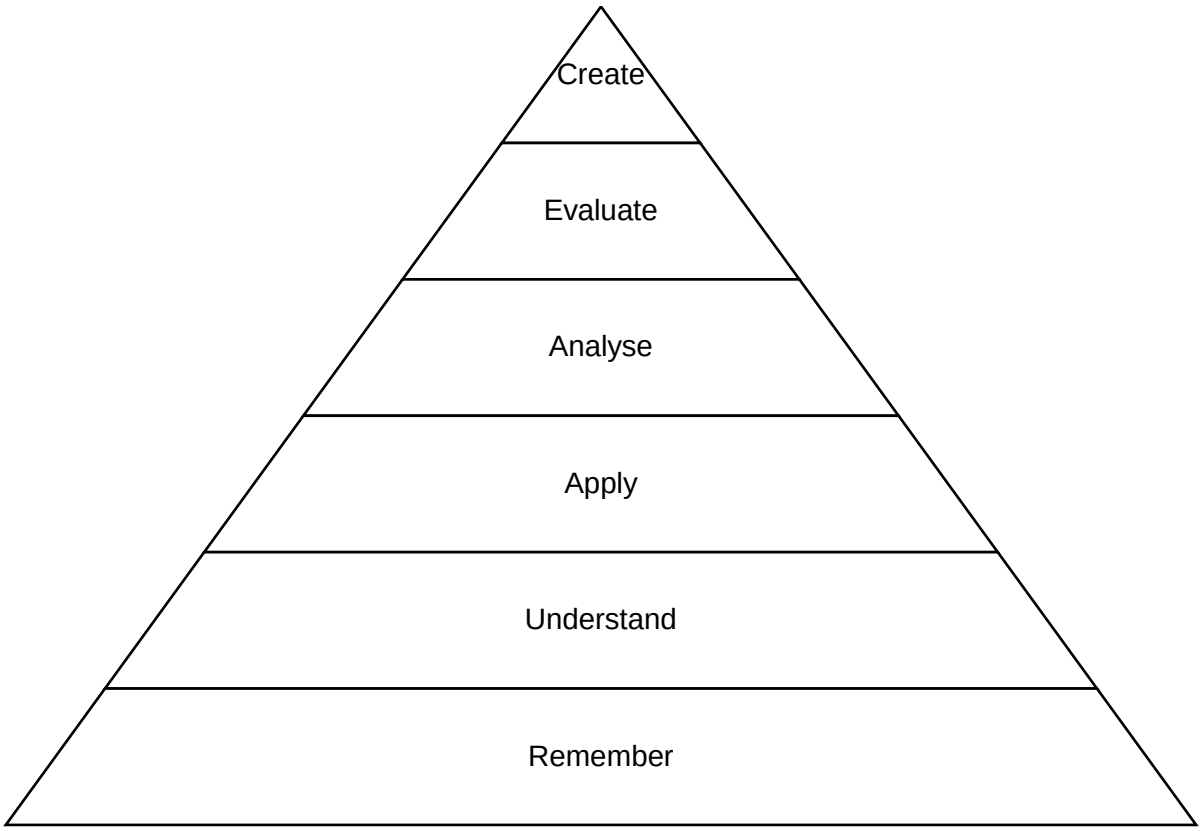

Figure 12 - Blooms Taxonomy

3.2.2 Staff Evaluation and Training

A training matrix exists for each post in each Branch of the Unit, where the training is aligned with the duties of the post. Learning plans are developed based on comparing what skills a new employee has and what training the employee needs to undergo to be able to competently perform the duties. Consideration must be given for the introduction of new psychometric assessments for all managerial posts, to identify soft skills shortcomings that Division Heads and Branch Heads are experiencing and develop interventions.

Training interventions generally take the following forms:

i) exposing employee to on-the-job training, where employee performs tasks under the direction of experienced colleagues or the direct supervisor.
ii) providing employee with internal documents (COPs, SOPs, policies, procedures, processes, etc.) for self-study.

Note: Each Branch Manager needs to undertake an analysis of the critical tasks within the Branch, which play a vital role to support the reform strategy, identify if the documented business process and associated SOP exist and if not, ensure the documentation is given priority and disseminated to Branch employees for self-study or via internal workshops.

iii) organising internal structured training courses/programmes based on available expertise within the Branch for technical skills or expertise across the municipality for management skills; and
iv) arranging external training courses only where 3.3.2 iii) above is not possible.

Note: Unfortunately, available external training for soft skills, are too generic in nature and not easily customisable to suit the municipal context.

To identify additional skills sets within the Unit, an exercise needs to be undertaken to record additional qualifications possessed by each employee, which knowledge can be utilised during the roll-out of interventions to support the strategy. The deployment of such employees must be weighed against existing operational demands.

3.2.3 Management Skills

Some of the identified management skills gaps are in the following areas:

i) operational and resource management.
ii) project management.

iii) personnel management, including productivity management and industrial relations training.
iv) finance management, including supply chain management; and
v) risk management.
vi) leading change

Customised internal training modules can be compiled by utilising experts from within the municipality, who have a wealth of knowledge and experience, to address these gaps and to deliver this training to Division Heads and Branch Heads. Mentoring programmes and periodic feedback sessions should be incorporated to confirm the knowledge is embedded and the outcomes achieved.

In the event, internal experts are not available, external training courses can be considered, provided the chosen academic institution is equal to or higher than the professional level of the Division Heads and Branch Heads. In terms of the timeframes, these shall be determined by the nature of the programmes or interventions employed.

3.2.4 Technical Skills

Some of the identified technical skills gaps are in the following areas:

i) smart grid technologies to improve network design, monitoring and restoration of outages, etc.
ii) smart metering systems for remote billing, identifying location of fault, facilitating communication with customer, managing load-shedding events, identifying bypassing of meters, etc.
iii) enterprise resources planning tool (Ellipse) to leverage additional functionalities for improved asset and financial management.
iv) IEC 61850 design and testing to ensure proper implementation, efficient fault finding within the digital landscape and easier replacement of intelligent electronic devices (IEDs);
v) renewable energy grid impact studies and network integration tools;.
vi) ISO 55000 aligned asset management training;
vii) Systems Engineering; and
viii) Industrial Engineering.

Generic external training courses readily exist to close these gaps, which have applicability within the municipal context, and can be arranged within the first three to six months, provided funding is made available. However, the train-the-trainer option must be considered during and after generic external training, where identified experts (e.g., Specialist Engineer: Protection Engineering) can offer this training internally (e.g., all Electricians, Technicians and Engineers who work with protection systems), which is adapted to suit Unit-specific philosophies, designs and settings/parameters.

To professionalise all management levels, it must become mandatory for all Division Heads and Branch Heads, as applicable, to meet the requirement of their posts to acquire professional registration. There are incumbents who have not satisfied this registration requirement for a very long time, which must be addressed.

4.0 Change Leadership

Effective change leadership is critical for driving the Governance and Institutional Reform (G&I Reform) within eThekwini Electricity. To ensure a structured and comprehensive approach to implementing these changes, an Integrated Change Leadership Management Framework has been developed. This framework is rooted in Kotter’s Change Model and is integral to the organisation's Change Leadership strategy. It is designed to guide the organisation through each phase of the transformation, fostering sustainable improvements and ensuring that all stakeholders are actively engaged and aligned throughout the process.

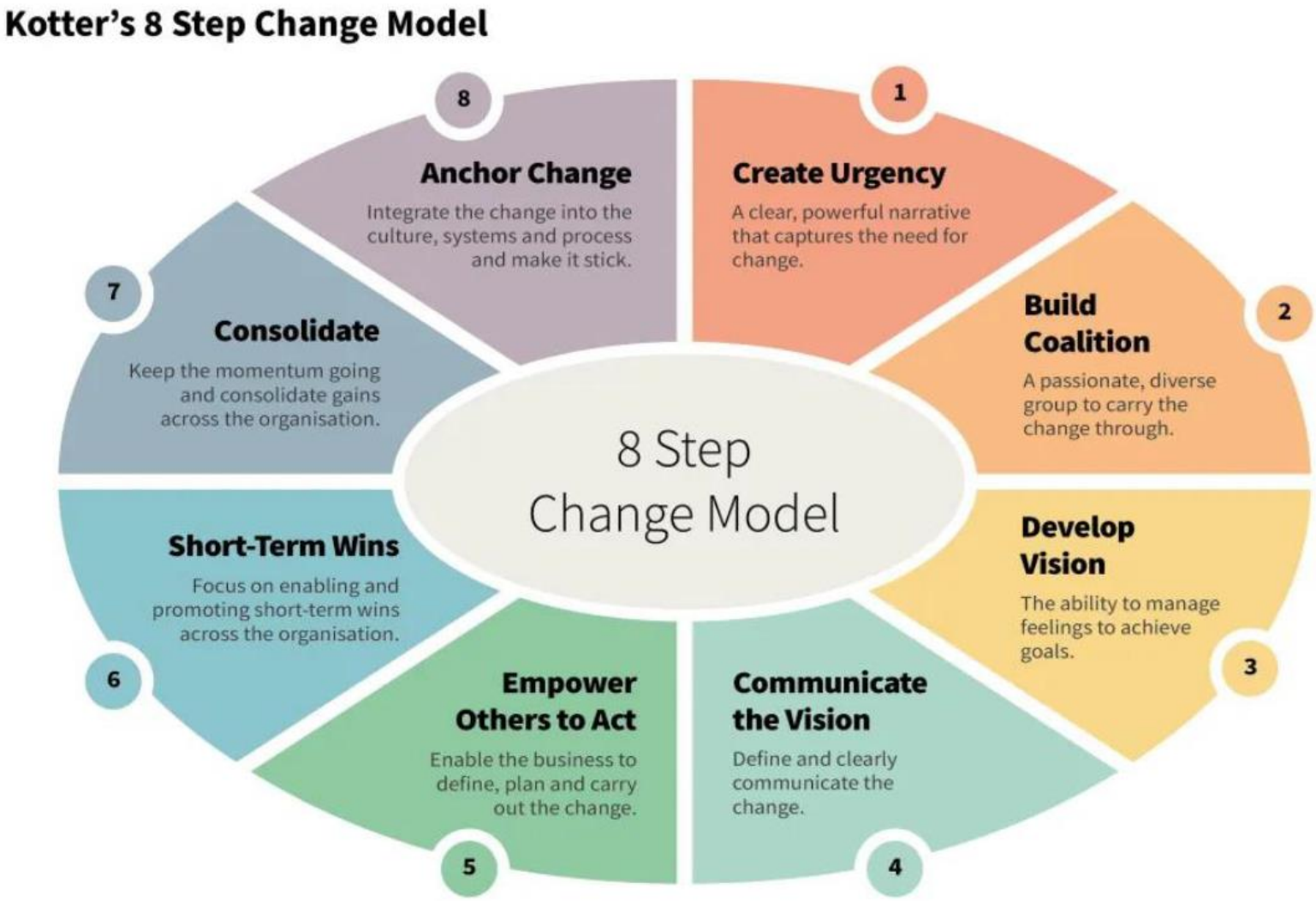

Figure 13 - Kotter's 8-Steps Change Model

To further enhance the effectiveness of the Governance and Institutional Reform at the EU, the change leadership approach also incorporates Lewin's Three-Step Change Model. By integrating these two models, the framework provides a robust structure to manage and sustain the transformation process. The integration is intended to move the organisation through the phases of unfreezing, movement, and refreezing, ensuring that the changes become deeply embedded within the organisational culture.

Figure 14 - Lewin's 3-Steps Change Model

4.1 Integrated Change Leadership Framework

The integrated change leadership framework combines Kotter's 8-Step Model with Lewin's Three-Step Model - Unfreezing, Movement, and Refreezing - to ensure that change is not only initiated and implemented but also sustained over the long term. Each step in Kotter's model is carefully mapped to the relevant phase in Lewin's model, ensuring a smooth and comprehensive change process that addresses the need for both momentum and stability.

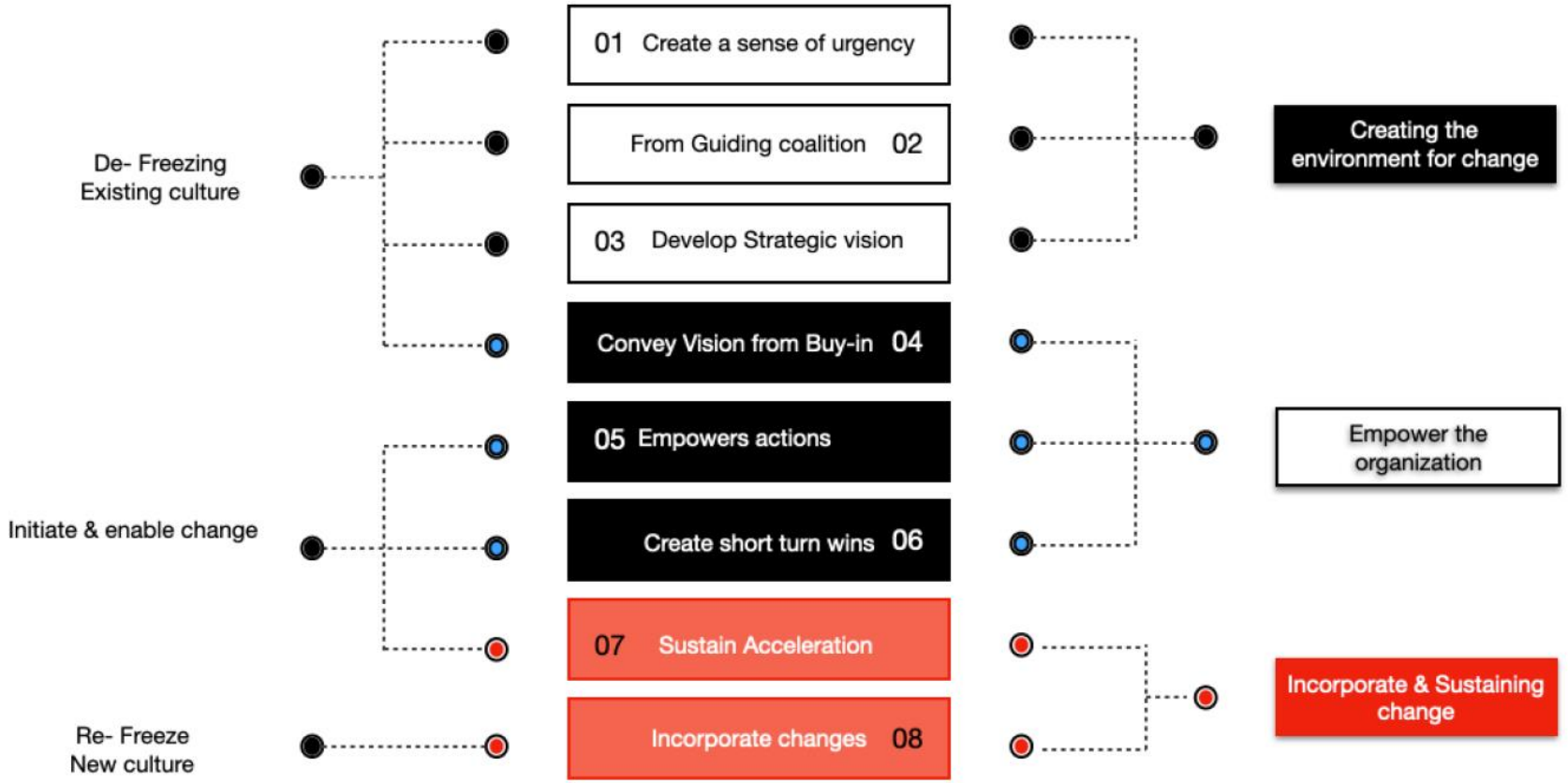

Figure 15 - Integrated Change Leadership Framework (Kotter and Lewin).

Table 10 below provides a guideline to implement the Integrated Change Leadership Framework for eThekwini Electricity's Governance and Institutional Reform.

Table 10 - Integrated Change Leadership Framework for the EU's Governance and Institutional Reform

Step	Objective	Key Actions	Expected Outcomes	Lewin's Model Phase
Step 1: Create a Sense of Urgency	To build awareness across the organisation about the critical need for change and the consequences of inaction.	• Communicate the current challenges and potential crises if reforms are not implemented. • Share data and reports highlighting inefficiencies and risks. • Engage with stakeholders to foster shared responsibility for change.	• Increased awareness and understanding of the need for change. • Stronger buy-in from staff and stakeholders.	**Unfreezing**
Step 2: Build a Guiding Coalition	To form a powerful group of leaders who are committed to driving the change forward.	• Identify key stakeholders and influential leaders across the organisation. • Form a coalition with representatives from all departments. • Establish regular meetings to align on goals, strategies, and progress.	• A unified team of leaders actively driving the change process. • Enhanced collaboration and alignment across departments.	**Unfreezing**
Step 3: Form a Strategic Vision and Initiatives	To develop a clear vision that outlines the desired future state of the EU, and the initiatives required to achieve it.	• Draft a vision statement that encapsulates the goals of the G&I Reform. • Identify and prioritise key initiatives to drive the vision forward. • Communicate the vision and initiatives across the organisation.	• A clear and compelling vision that guides the reform efforts. • Well-defined initiatives aligned with the strategic vision.	**Unfreezing**
Step 4: Enlist a Volunteer Army	To mobilise a large group of employees who are committed to supporting the change initiatives.	• Identify and engage employees enthusiastic about the reform. • Create platforms for employees to contribute ideas and feedback. • Recognise and reward those who actively participate in the change process.	• Broad-based employee engagement and support for the reform. • Increased morale and commitment to the change process.	**Changing**
Step 5: Enable Action by Removing Barriers	To eliminate obstacles that impede the progress of the change initiatives.	• Conduct a thorough review of existing processes and identify bottlenecks. • Decentralise decision-making where appropriate to increase agility. • Revise outdated policies and procedures that hinder progress.	• Streamlined processes facilitating change. • Increased operational efficiency and responsiveness.	**Changing**

Step	Objective	Key Actions	Expected Outcomes	Lewin's Model Phase
Step 6: Generate Short-term Wins	To create and celebrate early successes that demonstrate the benefits of the change efforts.	• Identify and execute quick-win projects aligned with the strategic vision. • Publicise the successes to build momentum and reinforce the change efforts. • Use early wins to motivate and encourage further progress.	• Visible, tangible results validating the reform efforts. • Boosted confidence and motivation among employees and stakeholders.	**Changing**
Step 7: Sustain Acceleration	To maintain the momentum of the change efforts and build on the early successes.	• Continuously review and refine strategies based on lessons learned from early wins. • Scale successful initiatives across the organisation. • Ensure ongoing communication to keep the momentum alive.	• Sustained momentum and continuous improvement. • Widespread adoption of the change initiatives across the organisation.	**Changing**
Step 8: Institutionalise New Approaches	To embed the changes into the organisational culture, ensuring long-term sustainability.	• Integrate new practices into standard operating procedures. • Provide ongoing training and development to reinforce the changes. • Establish performance metrics to monitor and sustain the new approaches.	• Permanent adoption of new practices and behaviours. • A transformed organisational culture supporting continuous improvement.	**Refreezing**

4.2 Recommendation-Utilisation of Change Management Consultants

The successful implementation of the Governance and Institutional Reform at the EU will require not only strong internal leadership but also specialised expertise in managing complex organisational changes. Given the scope and scale of the reforms, it is recommended that the EU engages experienced change management consultants to facilitate and/or support the process.

The following outlines the rationale and benefits of utilising external consultants for this critical initiative:

1. Expertise in Change Management Frameworks

Change management consultants bring specialised knowledge and experience in applying well-established change management frameworks, such as Kotter's 8-Step Change Model and Lewin's Three-Step Model, to complex organisational environments. Their expertise will ensure that these frameworks are effectively tailored and applied to the unique challenges faced by the EU, increasing the likelihood of successful reform implementation.

2. Objective and Unbiased Perspective

External consultants provide an objective, unbiased perspective that is often difficult to achieve internally. Their independence allows them to assess the organisation's current state, identify potential resistance points, and recommend strategies that may not be apparent to those within the organisation. This external viewpoint can be invaluable in overcoming internal barriers and driving the change process forward.

3. Capacity Building and Knowledge Transfer

Consultants can play a crucial role in building the internal capacity of the EU team. By working closely with internal leaders and staff, consultants can transfer knowledge, tools, and best practices, empowering the organisation to manage future changes independently. This approach ensures that the benefits of engaging consultants extend beyond the immediate reform process.

4. Accelerating the Change Process

Given the urgency of the G&I Reform, consultants can help accelerate the change process by providing additional resources and expertise. Their experience in managing similar projects allows them to quickly identify and address potential challenges, keeping the reform on track and within the proposed timelines.

5. Enhancing Stakeholder Engagement

Consultants can facilitate effective stakeholder engagement, ensuring that all relevant parties are involved and informed throughout the reform process. Their experience in managing complex stakeholder environments can help mitigate resistance and build broad-based support for the changes, which is essential for long-term success.

6. Risk Mitigation

Change initiatives of this scale inherently involve risks, including resistance to change, misalignment of goals, and implementation delays. Experienced change management consultants can identify and manage these risks proactively, using proven strategies to minimise disruptions and ensure a smoother transition.

7. Focused Attention on Change Management

Given the extensive operational responsibilities of the EU leadership team, engaging consultants allows internal leaders to maintain focus on their core duties while ensuring that the change management process receives the dedicated attention it requires. This balanced approach helps maintain operational stability while driving transformational change.

Concluding Remarks

Engaging change management consultants is not just a recommendation but a strategic imperative for the successful implementation of the Governance and Institutional Reform at the EU. Their expertise, objectivity, and ability to accelerate and de-risk the change process will provide critical support to the internal leadership team, ensuring that the reforms are implemented effectively and sustainably. This investment in external expertise will contribute to achieving the organisation's long-term objectives and delivering enhanced value to stakeholders.

5.0 Reforming Management and Governance

While a competent utility manager with sufficient autonomy is needed to start a turnaround, robust legal frameworks and governance, including formal rules and structures, should be developed to establish and sustain the improvements achieved—by preventing predation and political interference., this in turn ensures success in the long run (Soppe, Janson, & Piantini, 2018). This section of the document focuses on detailing the current governance arrangements in place, summarising a self-assessment of the current governance arrangements, and finally recommending proposed changes to improve governance. The topic of governance is divided into governance related to interaction with stakeholders external to the EU, and internal governance of the EU.

Figure 16 below is an illustration of typical governing body responsibilities and outcomes expected from good corporate governance as recommended by the King IV Code.™ It is implied from the baseline of financial and operational performance detailed in the reform strategy that the governance of the electricity trading service has significant room for improvement to achieve better performance through implementing effective controls.

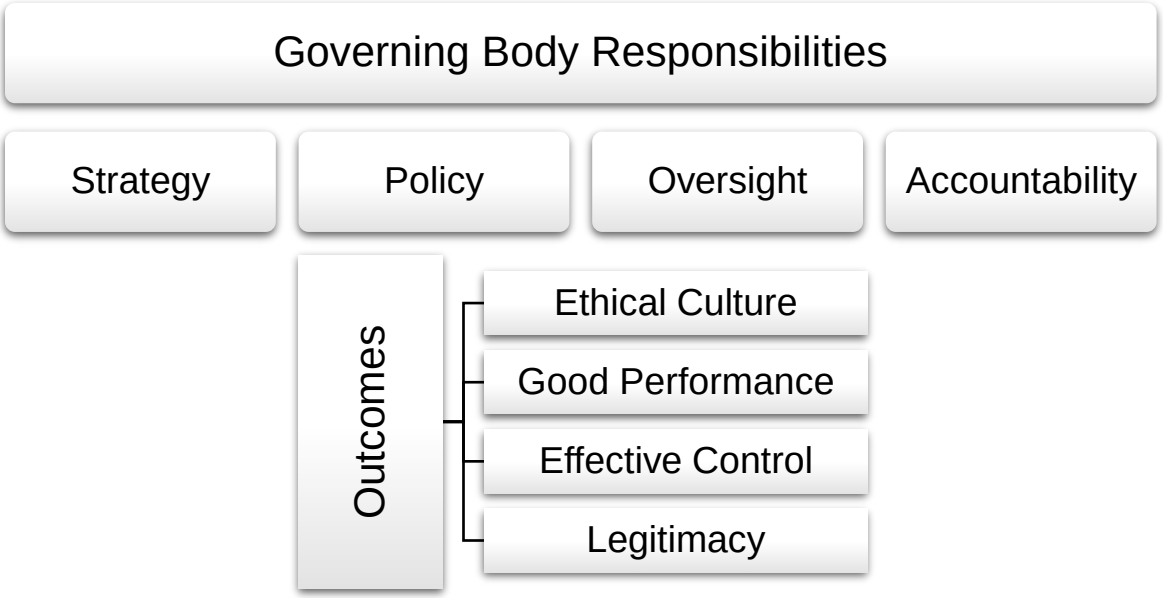

Figure 16 - Governing Body Responsibilities and Outcomes

(The Institute of Directors in Southern Africa, 2016)

5.1 Municipal Committees Relevant to Electricity Trading Services

The eThekwini Municipality is a Municipality with a Collective Executive System combined with a Ward Participatory System. This means the eThekwini Municipality's Executive Committee is comprised of members of the ruling party as well as the opposition parties. As such, the Executive Committee comprises four ANC Members; three DA; one ABC (until 12 December 2022); one (01) EFF and one (01) IFP Members. The Speaker; Whip of Council; and a Traditional Leader serve as exofacial Members in the Executive Committee.

Ward Committees represent a legislative structure of Council as having been appointed in terms of Section 73 of the Local Government: Municipal Structures Act 117 of 1998 to serve as an advisory body to Council on service delivery and related matters. The City Administration Unit is responsible for managing the interface between Ward Committees and Council (eThekwini Municipality, 2024).

eThekwini Municipal Council

EThekwini Municipal Council is the final decision-making body within the Municipality wherein the legislative and executive power is vested. The Municipal Council is central in ensuring the Municipality achieves its objectives as enshrined in Section 152 of the Constitution of the Republic of South Africa. The powers vested in the Municipal Council includes the following:

i) Governing the local government affairs to the satisfaction of the local communities.
ii) Approving Municipal Plans and Programmes.
iii) Exercising the Municipality's executive and legislative authority.
iv) Facilitating the financing of the Municipality by charging fees for services and imposing surcharges on fees and rates on property.
v) Raising loans where required to fund capital projects of the Municipality.

vi) Approving the Municipal budget every financial year; and
vii) Entering into Service Level Agreements with other stakeholders to pursue matters of mutual interest for the benefit of the local communities.

Executive Committee (EXCO)

The Municipal Council established an Executive Committee comprising ten (10) members. The Committee is composed in such a way that parties and interests represented in the Council are represented in EXCO in the same proportion. The Executive Committee is the Management or Principal Committee of the Municipality. It receives and discusses reports from other Committees of Council and must forward these reports together with recommendations to the full Council where it cannot dispose of the matter in terms of its delegated powers. The Committee supports the Municipal Council in performing its role of political oversight over the Municipality's functions, programmes and the management of the administration.

Portfolio Committees

The Council has five Committees supporting the Executive Committee. Every Councillor serves on one of the Committees. The Portfolio Committees are chaired by some of the Members of the Executive Committee. They are established to align with the Municipal Clusters to enable effective oversight role over the functions of the entire Municipality. This is to ensure that the needs of the eThekwini citizens are met (eThekwini Municipality, 2024).

The existing Portfolio Committees are as follows:
i) Economic Development & Planning Committee
ii) Community Services Committee
iii) Governance & Human Resources Committee
iv) Finance, Security & Emergency Services Committee
v) Trading Services Committee
vi) Human Settlements Committee

Table 11 summarises committees that are considered relevant to the electricity trading service.

Table 11 - Committees relevant to electricity trading services

Committee Name	Purpose
Council	This is a final decision-making body of the Municipality on issues pertaining to the affairs of the local community. Council holds executive and legislative power of the Municipality. The Council is established in terms of Section 18 of the Municipal Structures Act 117 of 1998. All Councillors of the Municipality serve on Council.
Executive Committee	This is a Principal Committee of the Municipal Council established in terms of Section 42 of the Municipal Structures Act 117 of 1998. The Committee guides Council to make decision on Municipal functions and programmes as well as the management of administration.
Committees Established in terms of Section 79 of the Municipal Structures Act 117 of 1998	
Municipal Public Accounts	Assists Council to hold the administration, municipal agencies and entities accountable for their management of municipal funds and assets to ensure the efficient and effective utilisation of Council resources.
Committees Established in terms of Section 80 of the Municipal Structures Act 117 of 1998	
Human Settlements & Infrastructure Committee	Considers and makes recommendations to the Executive Committee and Council on all matters pertaining to electricity, engineering, human settlements, transport, waste management and water & sanitation.
These are Committees established to perform specific functions in compliance with the provisions of legislation.	
Ethics Committee	The Committee was established by Council to ensure compliance with the Code of Conduct as set out in Schedule 1 of the Municipal Systems Act 32 of 2000.

Committee Name	Purpose
Ward Committees	A legislated structure promoting participatory governance for the local community to be involved in the affairs of the Municipality by contributing input and comments on programmes; plans; budget; as well as the performance of the Municipality.
Local Labour Forums	These committees are established as required by Section 11.8 the SALBGC Main Collective Agreement which guides their establishment and composition. The Local Labour Forums have the powers and functions to negotiate matters of mutual concern pertaining to the workplace. The SALGBC Main Collective Agreement sets out how LLFs are to function optimally. For this to be achieved, there must be co-operation between the employer and Labour. Councillors are members of the Employer delegation during negotiations with Union Representatives to ensure that Labour matters do not have an impact on Service Delivery
Administrative Committees **Committees established to ensure clean and accountable administration in the functioning of the Municipality and in terms of contract management.**	
Audit Committee	Advises Council, political office bearers, the City Manager and Management on matters relating to internal financial control and financial audits; accounting policies; the adequacy, reliability and accuracy of financial reporting and information; performance management; effective governance; enterprise risk management; compliance with the Municipal Finance Management Act, the Annual Division of Revenue Act and any other applicable legislation; and performance evaluation.
Bid Specification Committee	Compiles specifications for each public invitation for competitive bids, and where authority has been sought to invite bids, by the Municipality.
Bid Evaluation Committee	Evaluates bids in accordance with the specifications for a specific procurement; and the points system set out in terms of paragraph 27(2)(f) of the SCM Policy and as prescribed by the Preferential Procurement Policy Framework Act.
Bid Adjudication Committee	Considers reports and recommendations of the Bid Evaluation Committee; and either makes a final award or a recommendation to the Accounting Officer to make the final award; or makes another recommendation to the Accounting Officer on how to proceed with the relevant procurement.

5.2 Approach To Governance Reform

A three- step approach is embraced to address governance reform in the EU. The first step is the definition of a governance framework, next is the development of an operating model for the framework and finally a plan to institutionalise the framework and its operating model.

5.2.1 Proposed Governance Framework

Figure 17 outlines a proposed governance framework. Effective risk management and a positive, productive organisational culture are central to the success of any organisation and form the core of this framework. Surrounding this core are four key spheres: business operations performance, human capital and remuneration, investment and finance, and organisational enablers. The governance infrastructure is designed to encompass and address all four spheres while also managing risk and fostering a positive culture.

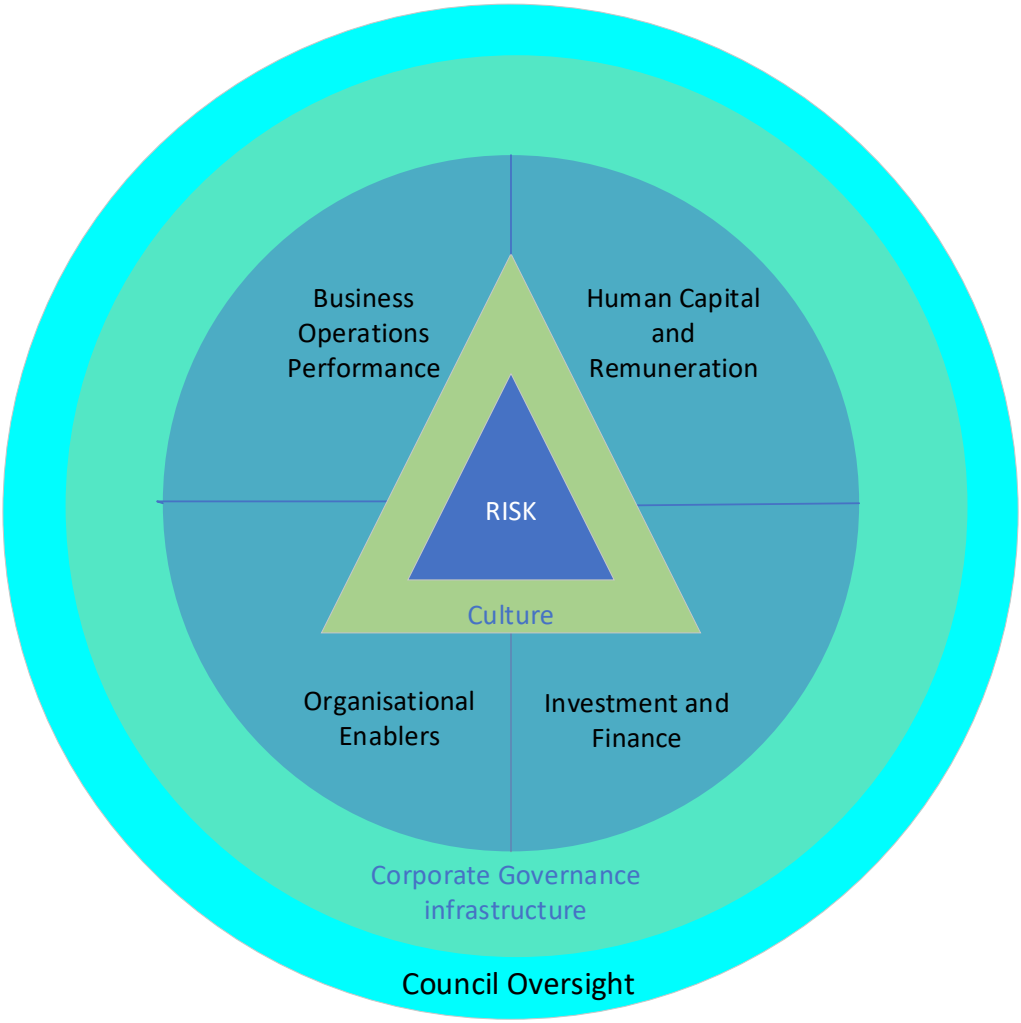

Figure 17 - Proposed Governance & Management Framework

5.2.2 Development of a Governance Operating Model

A project management approach is adopted to develop a governance operating model. At the highest level, the operating model entails defining a more detailed work breakdown structure for each of the four organisational spheres as well as risk and audit governance as indicated. The organisational enablers are referred to as auxiliary services henceforth to align to the proposed organogram for the unit.

ID		Task Mode	Task Name
1			**Governance Reform Institutionalisation**
2			Develop a governance framework
3			**Develop a governance operating model**
4			**Establish Risk and Audit Governance**
6			**Establish Business Operations Performance Governance**
32			**Establish Human Capital and Remuneration Governance**
65			**Establish Investment and Finance Governance**
69			**Establish Auxillary Services Governance**
186			Develop a governance institutionalisation plan

Figure 18 - High-Level Work Breakdown Structure for Developing a Governance Model

5.3 Proposed Governance Changes Involving Stakeholders External to The Electricity Unit

Embedding external alliances also plays a role in sustaining successful utility reform; alliances with customers, the government, development partners, and other stakeholders help build momentum for reform and are thus vital. These alliances can propose changes and protect it from predation once the utility has turned around.

5.3.1 Separation Of the Governance Role from Day-To-Day Operations and Management

Separating governance and management promotes accountability at all levels. It also provides a mechanism for good utility governance that focuses on stakeholder value by balancing performance and conformance. In line with the King IV report, Section 6.2: Supplement for Municipalities, the municipality is accountable to the community it serves. The role of local government including municipalities is entrenched in the constitution and is a foundation for our democracy. Furthermore, as a developing country, effective and efficient service delivery is a key enabler for economic growth and social stability. Good governance is essential for the success of the municipality and to ensure it meets its obligations to its community. Good corporate governance is an enabler for the effective functioning of the municipal leadership structures and provides a framework for defining the arrangements that allows the council to govern the municipality to achieve its constitutional objectives.

In alignment with the King IV Code™ recommendations, the municipal council is the governing body of the municipality, with the management of the municipality representing the management component and the shareholders being considered the community that is served by the municipality.

In this way management of operations and governance may be achieved.

5.3.2 Political Champion

At eThekwini Municipality, the Executive Committee of the Council have delegated the following subset of functions to the Trading Services Committee:

a) Infrastructure budgeting & construction
b) Electricity and gas reticulation
c) Alternative energies
d) Street lighting

Furthermore, according to its Terms of Reference, the chairperson of the Trading Services Committee should be a member of the Council's Executive Committee. To ensure clear oversight from the Executive Committee to the Electricity Business Unit regarding the Electricity Reform Strategy, it is recommended that the chairperson of the Trading Services Committee be engaged to serve as the political champion for the EU TSRS and its implementation.

5.3.3 Oversight committee

In line with the recommendation for the political champion, the oversight committee for the E U and its reform strategy specifically is the Trading Services Committee. It is the intent of the Electricity Executive to improve its engagements with the Trading Services Committee, particularly to utilise the following generic powers of this committee to:

a) make recommendations regarding the setting or revision of tariffs, taxes, levies and duties;
b) monitor the implementation of the IDP, budget, strategic objectives, policies and programmes and report thereon to the Executive Committee;
c) assess the performance of service delivery within the Committee's functional area;
d) identify, review, and evaluate the needs of the Municipality and to recommend programmes to address same to the Executive Committee; and
e) ensure stakeholder and public participation in the development of policy.

Some examples of improved engagement are the introduction of monthly performance reporting, routine feedback on the implementation of the turnaround strategy, and escalation of issues impacting the trading service.

An additional proposal for consideration is to establish a dedicated portfolio committee for Energy or Trading Services. The motivation for this proposal is that the current arrangements originated from when Human Settlements and Infrastructure was an independent cluster, however this has since changed at eThekwini Municipality. The workload and level of engagement required from portfolio committee members is also increasing, notably with all three trading services requiring the implementation of the reform strategies. Lessons can be learned from the City of Cape Town, which was ranked as the best metro municipality in SA by Ratings Afrika, May 2023, and only municipality to obtain a clean audit in 2024. City of Cape Town has thirteen portfolio committees opposed to five, with a dedicated Energy Portfolio Committee.

5.3.4 Reporting to Stakeholders

Principle 5 of the King IV Code™ recommends that the Council should ensure that reports issued by the municipality enable stakeholders to make informed assessments of the municipality's performance and its short, medium, and long-term prospects. In line with this recommendation, the EU Executives intend to improve reporting to stakeholders by introducing the following:

a) Quarterly report to the Trading Services Committee.
b) Modernisation of the Electricity Annual Report to towards integrated reporting practices.
c) Online Performance Dashboard for customers to access.
d) Bi-annual reporting to the Durban Chamber of Commerce, and other local economic development bodies.
e) Annual reporting to communities.

5.4 Reforming Governance of Primary and Support Activities

5.4.1 Status Quo

Figure 19 below summarises the current governance arrangements of the EU, which have been predominantly in place and utilised over the past decade. Notable defunct governance arrangements include the Smart Grid Workgroup with technical committees (Distribution Automation Committee, ICT/OT Committee, etc) , the Procurement Forum, the Materials Management Meetings, and fleet management meetings. Recently, attempts have been made to establish a Unit Investment Committee and related departmental investment committees. The unit has struggled to institutionalise this arrangement.

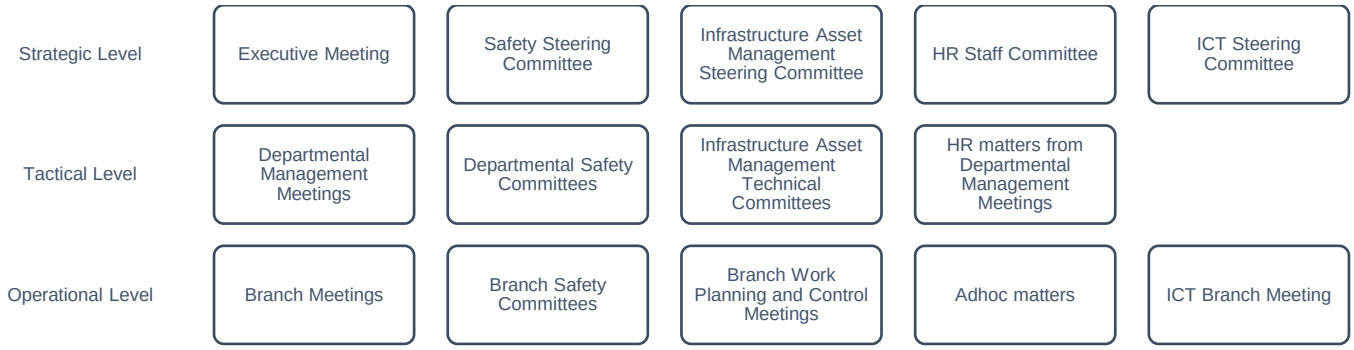

Figure 19 - Mapping of Current Electricity Unit Internal Governance Arrangements

5.4.2 Proposed Revision of Internal Governance Arrangements

Every organised human activity gives rise to two fundamental and opposing requirements, namely the division of labour into various tasks to be performed and the co-ordination of these tasks to accomplish the activity (Mintzberg, 1979). This subsection focuses on the revision of internal governance arrangements to improve the co-ordination of activities among other outcomes expected from good governance.

Five co-ordinating mechanisms to coordinate work are:

1. Mutual adjustment.
2. Direct supervision.
3. Standardisation of work processes.
4. Standardisation of work outputs.
5. Standardisation of worker skills.

Figure 20 and Figure 21 shown below are two proposed governance structures samples. The unit's current challenges are that its structures are primarily not process oriented but more functional in design. The intent is to provide better governance of processes that deliver services through committee structures. Committee structures are a linkage to better integrate the co-ordination of work in the organisation by breaking silos, almost mimicking a matrix structure. The unit intends to promote process ownership including related key performance indicators. It is intended that KPIs are aligned at individual, functional and committee level for clear line of sight to ensure the unit fulfils its mandate. This reform will take significant effort.

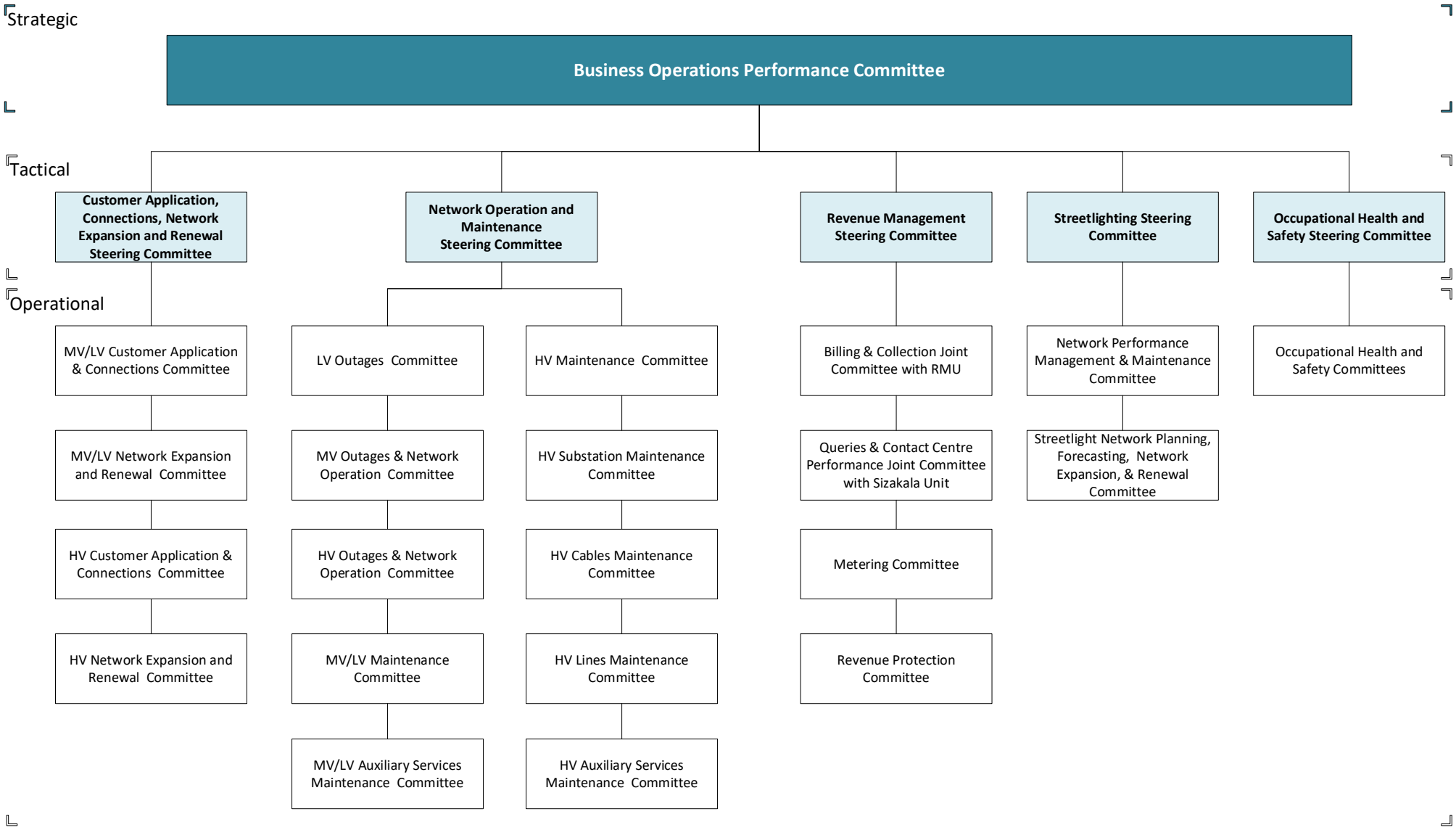

Figure 20 - Proposed Governance Structure for Business Operations Performance

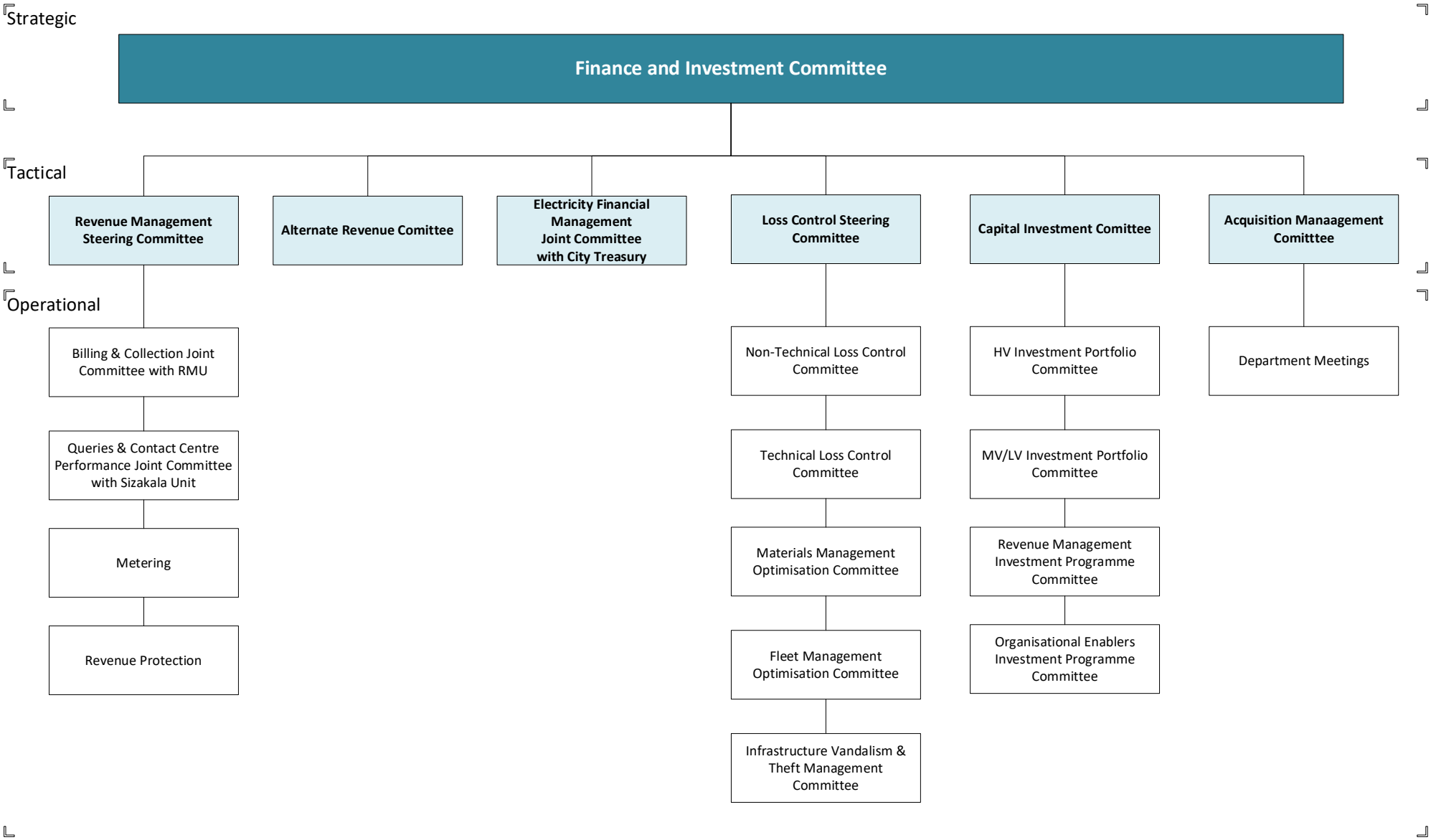

Figure 21 - Proposed Governance Structure for Finance and Investment

Furthermore, the proposed governance structures in Figure 20 and Figure 21 are visionary and serve as a guide but may diverge from the final practical and implementable solution for governance. This is addressed as part of the Governance Operating Model Work Breakdown Structure with the intent of unpacking the current governance arrangements to address strengths and reforms and outline a plan of tasks that need to be executed to determine what the reforms ought to be and how to achieve it. Each of the organisational spheres are expanded upon in the following paragraphs. The WBS for establishing an operating model is contained in Annexure 10.

Risk and Audit Governance

Risk management being at the core of the governance framework,(Figure 17) implies that it needs to traverse all the organisational spheres. Hence, tracking and addressing risks is included in the governance operating model separately for each organisational sphere. It is also separately addressed in the model to determine the status quo for risk and audit governance and identify the reforms necessary for governing risk at the unit level and municipal level. This section is yet to be further developed in the governance operating model.

Business Operations Performance Governance

Business operations refer to core processes in terms of the value chain and service delivery. It may be noted that to determine the status quo it is necessary to perform a review and update of the business process documentation. To establish governance, it is also necessary to identify unit level KPIs that are derived from municipal goals and targets, determine KPIs for each business process and determine linkages between the two to ensure line of sight. Every process will also require a process owner who is responsible for tracking a reporting dashboard, which includes risks, challenges, highlights, KPIs and data integrity. The next element that needs to be established are monthly process review meetings chaired by the process owner. The outcome of this meeting will be a summarised dashboard for reporting at the executive and technical committee levels. Finally, as part of the operating model the accountability and authority of the various role players needs to be defined, and an upward reporting structure determined.

Human Capital Governance

Reforms in this sphere also addresses the possibility that some services may be decentralised. For human capital as part of the status quo review, the effectiveness of the current SLA between human capital and electricity units needs to be reviewed. Human capital also plays a significant role in the unit's and municipality's engagements with labour and the impact of this needs to be reviewed and taken into consideration when proposing reforms. Another area unique to human capital is the management of individual performance plans. It is necessary to review this role of human capital and determine reforms to link individual performance management to relevant service delivery performance KPIs identified from the organisational spheres and risk.

Organisational Enablers (Auxiliary Services) Governance

Auxiliary services are organisational enablers necessary for the functioning of the organisation but not core to the delivery of the services provided by the organisation. The auxiliary services included in the governance operating model are ICT, Fleet, SCM and Buildings, Facilities and General Administration. In terms of ICT Governance, the best practice is defined by the COBIT framework presented in Figure 22 and part of the reform review will include alignment to such industry best practices. The WBS for Fleet, SCM and Buildings, Facilities and General Administration are the same hence only Fleet is included in the figure. The general approach is to determine the status quo and determine reforms in line with the outcomes of the decentralisation process.

Finance and Investment Governance

Reforming investment and finance governance is both critical and complex as it the operating model is being developed in parallel with the business and investment plans and the decentralisation review and all three intersect. Significant research is required into the status quo. Next steps would then be the review of the investment and business and the decentralisation review. All three elements would then need to be critically assessed before any governance reforms can be proposed.

5.4.3 ICT Governance

EThekwini Municipality has an approved ICT corporate governance policy and framework. It is the intention of the Electricity Unit to apply the relevant policies. The framework particular focuses on the application of the COBIT framework which provides a guidance on IT governance, risk management and compliance. The latest version of the framework is COBIT 2019.

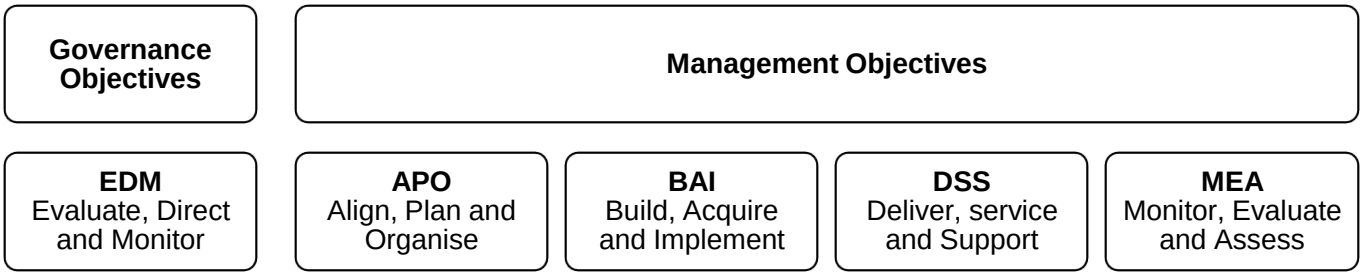

Figure 22 - COBIT 2019 Domains (ICASCA, 2018)

5.4.4 Consequence Management

The EU executives are committed to improving governance by taking steps to enhance employee and management accountability and responsibility through effective consequence management processes which incorporate components to encourage its employees to be innovative, perform their duties honestly, carefully, responsibly, and ethically. Consequence management will focus on positive reinforcements and remedial actions and reprimands. Positive consequence management will include recognising and rewarding individuals to encourage employees to be innovative, perform their duties honestly, carefully, responsibly, and ethically (City of Cape Town, 2023).

6.0 Road to Financial Transparency

Trading services financial transparency are compulsory requirements from National Treasury. All metro municipalities such as eThekwini Municipality will be required to provide separate comprehensive financial statements for their trading services, within their overall municipal financial statements. The requirements for this, including specimen financial statements, were communicated separately (National Treasury, 2024). This section details the changes required to achieve full financial transparency, including the steps to be taken and associated timelines.

6.1 Current Status

The Expenditure Unit generates non-GRAP compliant financial statements (statement of financial position and statement of financial performance) for submission to NERSA. To prepare a GRAP-compliant set of Annual Financial Statements, as required by section 122 of the MFMA, the Electricity Unit references the Annual Financial Statements prepared by the Corporate AFS team. The accounting reporting system currently holds information for the Unit, recognised at the company level. The main limitation to full GRAP compliance is the Cash Flow Statement, due to the absence of ring-fenced bank accounts for purely Electricity inflows and outflows. The current process, where the Corporate AFS team generates municipal-level cash flow statements, is easier to prepare as it considers the municipality-wide inflows and outflows reflected in municipal bank accounts.

There are limitations relating to having separate bank accounts for a business unit, as the business unit is not a municipal entity. MFMA requirements related to the parent municipality must be met.

6.2 Preparing And submitting a Separate Set of Financial Statements

Alignment must be made between the Municipality's Annual Financial Statements and the Annual Financial Statements of the Unit and to extract the relevant accounting policies for Electricity from the Municipality's Annual Financial Statements as these have already gone through the necessary vetting and approval processes.

Reports have already been created within the Financial System at an EU level for both Statement of Financial Position (Balance Sheet) and Statement of Financial Performance (Income Statement) therefore providing financial information would not be a challenge for reporting at year end.

Underlying records supporting financial information such as loans, investments, debtors currently fall outside the unit due to existing structures as finance/loan applications are done at a municipal level in the Investments Section and Revenue Management Unit dealing with collections of arrear accounts.

Another dependency is the Cash Flow statement which is a necessary component of the Annual Financial Statement, and the independent confirmation of that which currently resides in the Internal Control team so there must be a confirmation of take on balances of the true Electricity cash on hand aligning to the bank and cash.

Non- Financial data using existing processes should be able to be achieved as there is e.g. a Performance Management Unit already established which collate and verify performance data so there will be dependencies on this as Section 121 requires the preparation of the Annual Report which includes the Performance report.

Preparation for the Annual Financial Statements and Submission of the Annual Financial Statements for Audit must be aligned to those of the Municipality as these are already in process and legislated by the MFMA which includes amongst others compliance to the various sections of Chapter 12 of the MFMA covering Financial Reporting and Auditing the various sections from 121 to 134.

Other considerations will be is the terms of engagement with the Auditor General and whether there is a synchronisation of Audit engagements with the city-wide Audit engagement and Audit of the Electricity set of Annual Financial Statements and compliance with Audit and whether the Unit will be billed separately by the AG for these services.

The aspects covering the tabling of Annual Reports currently is done at a city-wide level and whether the Annual Report of the city will suffice or whether the financial reporting commitments ends once the Annual Financial Statements is presented for Audit, and this covers all oversight reports and submissions within the City as well as to external bodies and mechanisms such as at Provincial and National Treasury etc. Guidance will have to be sought from the various Finance technical committees to avoid non-compliance or duplication of submissions.

Figure 23 below details a high-level process to generate separate auditable financial statements.

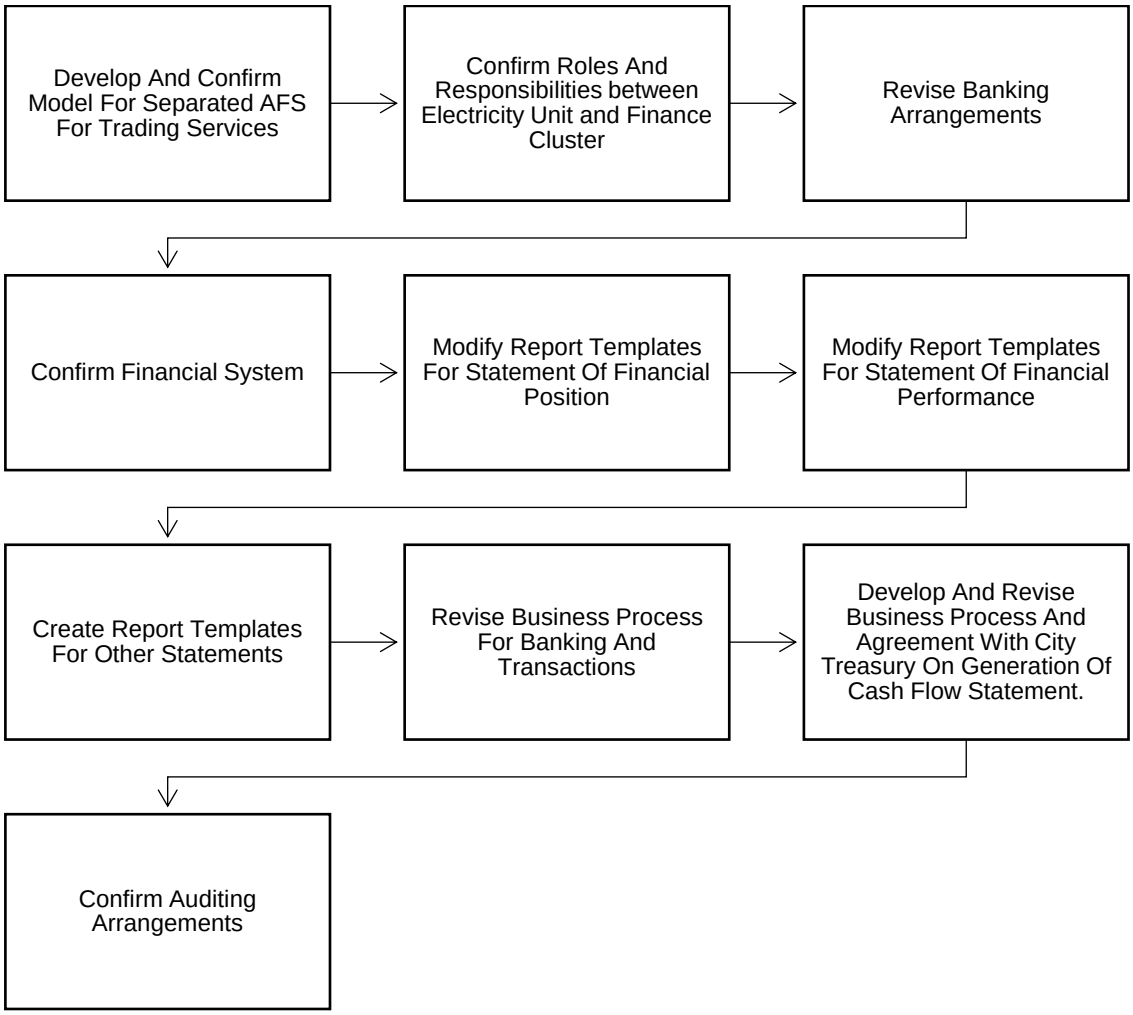

Figure 23 - High Level Process to Generate Separate Auditable Financial Statements

6.3 Agreement For Contribution to The Rates Account After True Operating Surpluses.

The CFO and Head of the Unit must agree about the ratio of contribution to rates as the budget process is currently controlled by the Budget Office within the structure of the CFO. An agreement outlining what will be the suitable contribution to the rates account, either as a percentage of surpluses or another suitable method will be reduced to writing and signed by all parties. This agreement needs to be finalised before the end of June 2025 since it is an input into the budget. The draft budget will be presented to Council for approval at the end of March 2025. Hence, a suitable target date must be determined for implementation in the 2025-26 financial year.

The Budget Office is a key stakeholder, and we must have an engagement with them. We need to finalise what that amount should be, how it would be allocated and utilised. The budgeting process will commence in October 2024. As a result, we need to finalise agreement by March 2025 for submission into the draft budget.

6.4 Agreement For Charges Related to Centralised Services

The CFO and Heads of Units must review the charges related to centralised services. It is envisioned that this review will take place as part of the institutional review process detailed in section 2.4 earlier in the document.

6.5 Allocation Of Shares of Equitable Share and Conditional Grants

Whilst the MFMA allows the setting up of many bank accounts, Section 8 of the MFMA indicates that there must be one primary account wherein all allocations to the municipality are made including income from investments. Prior to allocating direct grants, since the EU does not receive grants directly to them but from the municipal allocation given to eThekwini Municipality, the Municipal Budget Office in line with the grant receivers takes decisions on the allocations to all units. It is envisioned that this activity will be revised in line with the National Treasury reform of conditional grants, making this process easier as the funding will be specifically targeted to different infrastructure categories. Once this allocation is established and confirmed then amounts will then have to be transferred to an Electricity Bank Account.

An Electricity Bank Account, which currently does exist, can then be used to transfer allocations from the Primary Bank account however, there must be a duplication of the Internal Control Receipting function established in allocating the monies accordingly. This dependency happens at Council level for all banking receipts and therefore the discussion of this extends beyond the Expenditure Unit but also touches on roles and functions at the Internal Control unit.

Section 10 of the MFMA gives powers to the administering of municipal bank accounts to the Accounting Officer and this power can only be delegated to the Municipality's CFO so processes must be established through the office of the CFO. The MFMA does allow the CFO to delegate some of the responsibility to an appropriate individual. Therefore, in managing and controlling the bank accounts, consideration must be given to an SLA for this and having suitable structures to manage this process within existing cash and investment policies of the Municipality.

6.6 Allocation Of Other Revenue and Income to Electricity Unit

The CFO and Head of the Unit must on the allocation of other revenue and income due to the Electricity Unit.

6.7 Action Plan

The action plan below has primarily been adopted from the Water and Sanitation Institutional Reform Roadmap as the requirements are the same.

Table 12 - Action Plan for Achieving Financial Transparency

Key Performance Area	Performance Measurement	Timeframes	Responsible Person
Financial Ring-Fencing Policy Framework	A Financial Ring-fencing Policy Framework approved by Council	15 December 2024	CFO
Appointment of Ring-fencing Project Team	Project Team appointed by CFO to develop a project plan to identify and implement all processes and steps necessary for effective implementation of financial ring-fencing of the Electricity Unit	15 December 2024	City Manager, CFO & Head: Electricity
Cost of Supply and Tariff Design	Tariff approval by Council	31 May 2025	Head: Electricity
Agreement on Ring-fenced areas and formulas	Agreement reached on areas to be ring-fenced and protocols thereof by Council	31 March 2025	CFO Senior Manager: Finance
Budget Reform	Implement Ring-Fenced Budget Reforms	31 May 2025	CFO Council
Implementation of Ring-fencing Agreement	Effective date for commencement of ring-fencing agreement agreed by Council	1 July 2025	CFO Council
Management Accounts	Production of Management Accounts	Monthly & In-Year Reporting	Senior Manager: Finance
Financial Statements	Production of Separate Financial Statements for auditing by Auditor-General	Annually starting with 2024/2024	Senior Manager: Finance
Annual Report	Annual Report approved by Council and published to account to all stakeholders	Annually	Senior Manager: Finance

7.0 Conclusion

This document outlines the institutional and governance reforms needed to successfully reform electricity trading services within eThekwini Municipality. A value chain analysis was conducted to identify the necessary support activities. The activities required to establish a fit-for-purpose structure, managed by a single point of management accountability, were comprehensively unpacked. A total of 132 services were identified, with 67 recommended for decentralisation. The remaining 65 services were recommended for review to determine if they should be provided centrally and managed via service level agreements.

Effective development and management of human resources are essential elements of the reform. The document outlines plans to address gaps through secondments, transfers, fast-tracking recruitment, and the introduction of management and consultancy contracts. For the medium term, plans include launching a training and development program aimed at fostering sustainable reform. This program will emphasise management, administrative, and technical capacity development through evaluation and training.

A range of governance and management reforms were highlighted to create a supportive and enabling environment. Lastly a roadmap to achieve financial transparency was provided.

A concerted effort has been made to align this document with the principles outlined by National Treasury to ensure that eThekwini Municipality is eligible for the much-needed performance-based incentive available. Access to this incentive will significantly enhance the provision of trading services to the citizens of eThekwini Municipality.

8.0 Revision History

Date	Changes	Revision Number
2024/05/28	Draft Document initiated.	V0.0
2024/09/13	Initial draft released for comment	V0.1
2024/09/26	Section on establishing a single point of management accountability revised to align with NT Guidance note 3. Document aligned to Water & Sanitation Unit Institutional Roadmap.	V0.2
2024/10/21	Removal of direct report line to CM. Title changes made.	V1.0
2024/10/28	**Updates made by CFO and CSO.**	**V1.1**

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Annexure 1. eThekwini Macrostructure Proposal Prior to Metro Trading Services Reform Programme

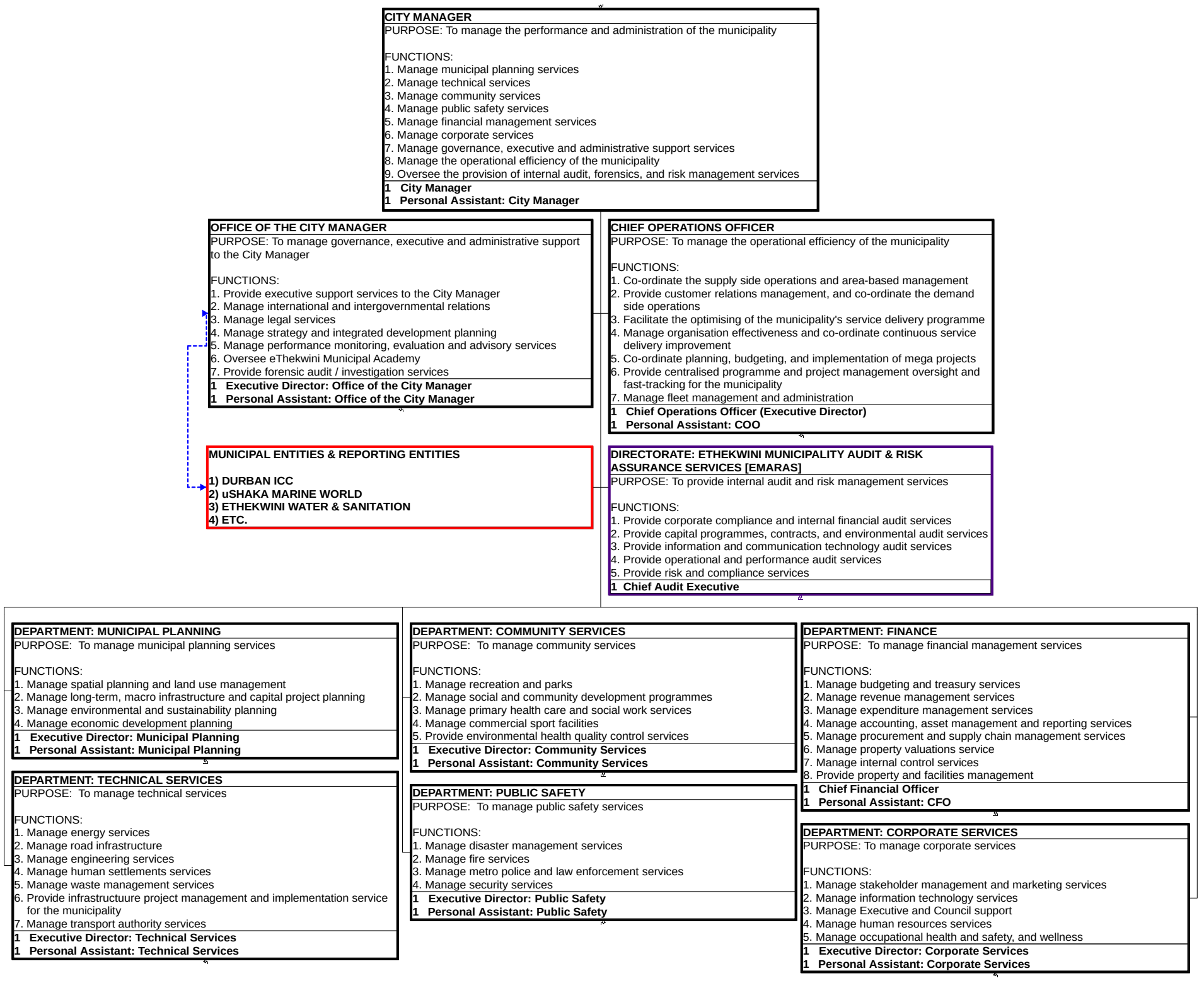

Figure 24 - eThekwini Municipality Macrostructure Proposal Prior to Metro Trading Services Reform Programme

DEPARTMENT: TECHNICAL SERVICES

PURPOSE: To manage technical services

FUNCTIONS:
1. Manage energy services
2. Manage road infrastructure
3. Manage engineering services
4. Manage human settlements services
5. Manage waste management services
6. Provide infrastructuure project management and implementation service for the municipality
7. Manage transport authority services

1 Executive Director: Technical Services
1 Personal Assistant: Technical Services

DIRECTORATE: ENERGY MANAGEMENT

PURPOSE: To manage energy services

FUNCTIONS:
1. Manage energy planning and sourcing
2. Manage network systems operations
3. Manage retail, connections, and technical consumption services

1 Director: Energy Management
1 Personal Assistant: Energy Management
1 Driver: Energy Management
1 Administrator: Energy Management

DIRECTORATE: ROAD INFRASTRUCTURE MANAGEMENT

PURPOSE: To manage road infrastructure

FUNCTIONS:
1. Manage road network control and co-ordination
2. Manage road construction
3. Manage road maintenance

1 Director: Road Infrastructure Management
1 Personal Assistant: Road Infrastructure Management
1 Administrator: Road Infrastructure Management

DIRECTORATE: ENGINEERING SERVICES

PURPOSE: To manage the provision of engineering services

FUNCTIONS:
1. Provide architectural and urban design services
2. Provide coastal storm water catchment management services
3. Provide development engineering services
4. Provide surveying and land information services

1 Director: Engineering Services
1 Personal Assistant: Engineering Services
1 Administrator: Engineering Services

DIRECTORATE: CAPITAL PROJECTS

PURPOSE: To provide infrastructuure project management and implementation service for the municipality

FUNCTIONS:
1. Facilitate infrastructure portfolio planning
2. Create, manage, and fulfil infrastructure contracts (procurement planning)
3. Package planning and definition (project organisation, setup, standards)
4. Facilitate design development and design documentation
5. Facilitate site activities and works handover
6. Facilitate projects closure i.t.o archiving information, updating portfolio, package completion
7. Conduct periodic in-use evaluation of infrastructure

1 Director: Capital Projects
1 Personal Assistant: Capital Projects
1 Divisional Manager: Capital Projects
1 Manager: Capital Projects
1 Specialist: Capital Projects
1 Co-ordinator: Capital Projects
1 Administrator: Capital Projects

DIRECTORATE: WASTE MANAGEMENT

PURPOSE: To manage waste management services

FUNCTIONS:
1. Manage public area cleansing services
2. Manage waste collection
3. Manage waste minimisation and disposal

1 Director: Waste Management
1 Personal Assistant: Waste Management

DIRECTORATE: HUMAN SETTLEMENTS

PURPOSE: To manage low-income housing provision

FUNCTIONS:
1. Provide formal housing services
2. Provide housing engineering services
3. Provide housing projects services
4. Provide housing administration services

1 Director: Human Settlements
1 Personal Assistant: Human Settlements
1 Administrator: Human Settlements

DIRECTORATE: ETHEKWINI TRANSPORT AUTHORITY

PURPOSE: To manage transport authority services

FUNCTIONS:
1. Manage public transport services
2. Manage transport service providers
3. Facilitate the building, and manage integrated public transport network operations and control
4. Manage transport systems support

1 Director: eThekwini Transport Authority
1 Personal Assistant: eThekwini Transport Authority
1 Administrator: eThekwini Transport Authority

Figure 25 - Technical Services Department Proposal Prior to Metro Trading Services Reform Programme

DIRECTORATE: ENERGY MANAGEMENT

PURPOSE: To manage energy services

FUNCTIONS:
1. Manage energy planning and sourcing
2. Manage network systems operations
3. Manage retail, connections, and technical consumption services

1 Director: Energy Management
1 Personal Assistant: Energy Management
1 Driver: Energy Management
1 Administrator: Energy Management

DIVISION: ENERGY PLANNING & SOURCING

PURPOSE: To manage energy planning and sourcing

FUNCTIONS:
1. Manage demand planning
2. Manage energy generation
3. Manage sourcing and contract management

1 Divisional Manager: Energy Planning & Sourcing

SUB-SECTION: DEMAND PLANNING

PURPOSE: To manage demand planning

FUNCTIONS:
1. Manage demand planning

1 Specialist: Demand Planning

SECTION: ENERGY GENERATION

PURPOSE: To manage energy generation

FUNCTIONS:
1. Manage energy generation

1 Manager: Energy Generation
1 Supervisor: Production Plant
1 Technician: Production Plant
1 Artisan: Production Plant
1 General Worker: Production Plant
1 Supervisor: Maintenance
1 Technician: Maintenance
1 Artisan: Maintenance
1 General Worker: Maintenance

SUB-SECTION: SOURCING & CONTRACT MANAGEMENT

PURPOSE: To manage sourcing and contract management

FUNCTIONS:
1. Manage sourcing and contract management

1 Specialist: Sourcing & Contract Management

DIVISION: NETWORK SYSTEMS OPERATIONS

PURPOSE: To manage network systems operations

FUNCTIONS:
1. Manage network control and protection
2. Manage high voltage network development (construction) and maintenance

1 Divisional Manager: Network System Operations

SECTION: NETWORK CONTROL & PROTECTION

PURPOSE: To manage network systems operations

FUNCTIONS:
1. Manage network systems operations

1 Manager: Network Control & Protection
1 Specialist: Network Control & Protection
1 Technician: Network Control & Protection

SECTION: HIGH VOLTAGE NETWORK DEVELOPMENT & MAINTENANCE

PURPOSE: To manage high voltage network development (construction) and maintenance

FUNCTIONS:
1. Manage high voltage network development (construction) and maintenance

1 Manager: High Voltage Network Development (Construction) & Maintenance
1 Supervisor: Network Development
1 Technician: Network Development
1 Artisan: Network Development
1 General Worker: Network Development
1 Supervisor: Network Maintenance
1 Technician: Network Maintenance
1 Artisan: Network Maintenance
1 General Worker: Network Maintenance

DIVISION: RETAIL, CONNECTIONS & TECHNICAL CONSUMPTION MANAGEMENT

PURPOSE: To manage retail, connections, and technical consumption services

FUNCTIONS:
1. Manage retail management
2. Manage low voltage development (construction), installation, and maintenance
3. Manage energy technical consumption services

1 Divisional Manager: Retail, Connections & Technical Consumption Management

SECTION: RETAIL MANAGEMENT

PURPOSE: To manage retail management

FUNCTIONS:
1. Manage retail management

1 Manager: Retail Management
1 Supervisor: Retail Management
1 Practitioner: Energy Efficiency
1 Practitioner: Retail Management
1 Co-ordinator: Retail Management

SECTION: LOW VOLTAGE DEVELOPMENT & MAINTENANCE

PURPOSE: To manage low voltage development (construction) and maintenance

FUNCTIONS:
1. Manage low voltage development (construction), installation and maintenance

1 Manager: Low Voltage Network Development (Construction), Installation & Maintenance
1 Supervisor: Development
1 Technician: Development
1 Artisan: Development
1 General Worker: Development
1 Supervisor: Installation
1 Technician: Installation
1 Artisan: Installation
1 General Worker: Installation
1 Supervisor: Maintenance
1 Technician: Maintenance
1 Artisan: Maintenance
1 General Worker: Maintenance

SECTION: ENERGY TECHNICAL CONSUMPTION MANAGEMENT

PURPOSE: To provide energy technical consumption management services

FUNCTIONS:
1. Provide energy consumption protection
2. Provide energy meter reading

1 Manager: Energy Technical Consumption Management
1 Specialist: Energy Consumption Protection
1 Practitioner: Energy Consumption Protection
1 Supervisor: Energy Meter Reading
1 Meter Reader

Figure 26 - Energy Management Directorate Proposal Prior to Metro Trading Services Reform Programme

Annexure 2. Value Chain Analysis

Table 13 - Value Chain Analysis of Primary Activities

Porter's Model	eThekwini Municipality Application	Status	Single Point of Management Change Required	Intended Outcome
Inbound logistics	**eThekwini Municipality Centralised Activities** Nil at present, however the Energy Office is introducing alternate bulk electricity suppliers in future. **Electricity Unit Activities** Bulk electricity is procured by the Pricing and Marketing Branch. There is a project-based supply of high voltage infrastructure via HV Projects Branch. MV,LV components are supplied via the Procurement Branch.	There is a shortage in bulk supply of electricity due to a national shortage in electricity generation resulting in load shedding. Alternate bulk sources of electricity are required. HV - SCM delays are experienced impacting service delivery, and project quality issues are experienced in providing new equipment. MV/LV – There is a lack of forecasting, resource shortages and quality control issues are experienced.	Bulk electricity purchases would need to be decentralised to Electricity Unit.	The Unit is accountable for bulk electricity supply input.
Operations	**eThekwini Municipality Centralised Activities** The Revenue Management Unit provides electricity billing and collection services. The Architecture Department (Engineering Unit) is responsible for construction of substation buildings. The Real Estate Unit is responsible for land acquisition and leases. The EPCPD is responsible for EIAs undertaken when planning new construction. **Electricity Unit Activities** Operations are divided into: • HV Operations • MV Operations	The core processes to meet service charter expectations are: •Application for electricity connection – Service performance is below standard. •Provide an electrical connection - Service performance is below standard. •Provide an electricity bill –Issues with customer billing are experienced. •Resolve electricity outage – Service performance is below standard. •Provision of lighting - Service performance is below standard. •Restore lighting outages – Service performance is below standard. Secondary processes to meet service charter expectations include: •Planning & construction of HV/MV/LV electrical infrastructure	The following activities would need to be decentralised: • Electricity billing • EIAs • Procurement of land • Construction of buildings.	The Unit is accountable for all primary operations related to the supply of electricity and provision of public lighting.

Porter's Model	eThekwini Municipality Application	Status	Single Point of Management Change Required	Intended Outcome
	• Customer Services • Technical Support • Administrative Support	•Planned maintenance of HV/MV/LV electrical infrastructure •Continuous improvement •Revenue protection •Disconnections/Reconnections •Billing queries The Electricity Unit is not meeting the service charter expectations. Support to construct new buildings is below expectation.		
Outbound Logistics	**eThekwini Municipality Centralised Activities** N/A **Electricity Unit Activities** N/A. Electricity supplied to the customer premise.	Delays are experienced in the provision of new supply to certain customer categories.	Nil	
Marketing and Sales	**eThekwini Municipality Centralised Activities** Bulk sales are indirectly done via Development Planning when linked to economic development. **Electricity Unit Activities** Quotations are done via the Customer Services Branch.	We are not encouraging sales to due bulk supply shortage. We are encouraging less usage of our product/service. Opportunities to create new products/services to market/sell exist.	Nil	
Service	**eThekwini Municipality Centralised Activities** The Revenue Management Unit provides electricity billing services and addresses queries including administration of connections/disconnection, payment plans, etc. Activities are underway to centralise customer services and call centre activities. **Electricity Unit Activities**	The Electricity Unit has not modernised its outage management processes. Automated load shedding is in place and in use to provide a level of certainty to customers. The Electricity Unit is not meeting service charter expectations.	Accountability for electricity billing and account management would need to be decentralised.	Streamlined management of billing and revenue management.

Porter's Model	eThekwini Municipality Application	Status	Single Point of Management Change Required	Intended Outcome
	After sales service is managed by the Customer Services Branch. The Call Centre Branch provides services to log outages and queries. Outage restoration is supported by HV and MV/LV Operations Departments. The Revenue Protection Branch implements connections and disconnections. The Network Drawing Office, HV Planning Branch and Administration Branch offer a wayleave application service.			

Table 14 - Value chain analysis of support activities

Porter's Model	eThekwini Municipality Application	Status	Single Point of Management Change Required	Intended Outcome
Procurement	**eThekwini Municipality Centralised Activities** The SCM Unit supports the introduction of contracts in the tender range. The Real Estate Unit is responsible for the procurement of land and leases.	Procurement activities are one of the largest "input" bottle necks across the organisation. The municipality (and Electricity Unit) struggles to procure timeously and ensure value for money. A range of procurement for support activities are blocked due to corporate policies related to the delegation authority to	Decentralise all procurement activities related to Electricity Operations.	The Unit is accountable for all procurement activities related to the supply of electricity and provision of public lighting.

Porter's Model	eThekwini Municipality Application	Status	Single Point of Management Change Required	Intended Outcome
	The City Fleet Unit is responsible for the procurement of the fleet used by Electricity Unit and fleet management. The Information Management Unit is partially responsible for the procurement of ICT resources. The Legal Services Unit is responsible for procuring legal services. The Architecture Department is responsible for procuring facilities and facilities management. The Security Management Unit is responsible for procuring security services. The Disaster Management Unit is responsible for procuring CCTV system. The Finance Cluster is responsible for procuring a MSCOA compliant ERP system. The Human Capital Cluster is responsible for procuring HR ICT systems. **Electricity Unit Activities** The Electricity Procurement Branch is responsible for procurement with RFQ limits, and materials management for MV/LV Operations Department. The Technology Services Branch is responsible for the introduction of contracts for materials used by the MV/LV Operations Department.	support units with no SLA in place and or in use with the Electricity Unit. Value for money challenges is due to implementation of RET policies, inability to procure from open platforms (forced to only consider solicited bids), inability to use online procurement platforms.		The Unit is fully accountable to apply the transformation process model to process inputs into outputs. A fit for purpose organisational structure is established. Removal of centralised in-efficiencies (synergy deficits) impacting primary activities.

Porter's Model	eThekwini Municipality Application	Status	Single Point of Management Change Required	Intended Outcome
	Various branches in the Electricity Unit are responsible for the procurement of goods and services related to their operation.			
Technology Development (R&D)	**eThekwini Municipality Centralised Activities** The IMU is responsible for selection of a MSCOA compliant ERP (ICT) system used to monitor and control business processes including materials management. The IMU is responsible for ICT technology. **Electricity Unit Activities** Technology Development is fragmented across the unit with no central co-ordination. R&D has no formal structure. Dedicated Technology Branches: • Communication Networks Branch • ICT Branch • Technology Services • HV Projects	The unit is unable to timeously design and deploy technology to respond to enterprise environmental factors. No system level co-ordination is present. Opportunity for improvement to introduce technology to solve business problems and leverage opportunities to improve financial position.	ICT activities would need to be decentralised.	Remove centralised in-efficiencies (synergy deficits) impacting primary activities.
Human Resource Management	**eThekwini Municipality Centralised Activities** The Human Capital Support Branch is assigned to Electricity Unit. There is a range of HR services provided by Human Capital Cluster. The Human Capital Unit is responsible for: • Supporting recruitment and onboarding of staff. • Processing of payroll. • Application of performance management for employee motivation. • Supporting IR matters.	There is a poor linkage between primary activities and HRM, often with decisions taken not linked to operations due to no SLA in place or in use. Training and development activities are fragmented across 3 structures still resulting in inadequate support to line management. HR activities are one of the largest "input" bottle necks across the organisation.	Decentralise all HR activities related to Electricity Operations.	The Unit fully accountable to apply the transformation process model to process inputs into outputs. A fit for purpose organisational structure is

Porter's Model	eThekwini Municipality Application	Status	Single Point of Management Change Required	Intended Outcome
	• Providing employee wellness programme. • Compensation Management. • Collective agreements. The eThekwini Municipal Academy is responsible for: • Submission of work skills plan. • Arrangement of internal training courses. • Arrangement of selected external training courses. • Processing of assisted education. The Organisational Development and Change Management Unit (ODCM) is responsible for: • Productivity studies and process improvements. • Institutional review (changes to organisational structure and capacity). • Change management for large changes. • Talent management. The Occupational Health and Safety Unit is responsible for: • OHS Policy. • Fire safety. • Employee medical assessments. **Electricity Unit Activities** The SHERQ and Training Branch is responsible for: • OHS professional support services. • Electricity Unit specific training and facilitation of OHS specific competency assessment. • Apprenticeship, Candidate Technician & Candidate Engineer development.			established allowing greater agility. Remove centralised in-efficiencies (synergy deficits) impacting primary activities.

Porter's Model	eThekwini Municipality Application	Status	Single Point of Management Change Required	Intended Outcome
Firm Infrastructure **Management**	**eThekwini Municipality Centralised Activities** Various Executive Management are responsible for support activities (>30?). DCM: Trading Services City Manager **Electricity Unit Activities** Electricity Executive Team	Centralised Services Executives do not actively or directly participate in Electricity Unit "Executive Management" activities. Accountability gaps exist. There are many instances whereby the value chain is not understood, or in dispute. Within the Electricity Unit the Deputy Head: Administration, Deputy Head: MV/LV Operations, Two Project Executives posts vacant. Unit Head is currently suspended. Electricity Executive Organogram is based on based on past practise, not the future.	Decentralise all support activities.	A fit for purpose organisational structure is established. Single point of management accountability is established.
Firm Infrastructure **Planning**	**eThekwini Municipality Centralised Activities** • Strategy Office • Development Planning **Electricity Unit Activities** Dedicated Branches • HV Planning • MV/LV Planning & Construction • Lighting Planning • Infrastructure Asset Management • MV/LV Maintenance Planning and Works	Opportunity to improve gaps in strategy management, specifically implementation. Opportunity to improve gaps in forecasting within Electricity Unit.	Decentralisation of support services will improve agility in planning and forecasting.	
Firm Infrastructure **Finance**	**eThekwini Municipality Centralised Activities** The Expenditure unit is responsible supporting for: • Departmental (Managerial) Accounting • Financial Accounting • Accounts payable • Financing The Finance Pensions and Major Project Unit is responsible supporting for: • Managing investments	The external units have no service level agreements and an unclear role in value chain. There are many instances whereby the value chain is not understood, or in dispute. An external cap is placed on funding by Finance Cluster. This may or may not be linked to ring fenced business.	Decentralise all support activities from the Expenditure Unit Retain centralised service for investment management	Re-establish a direct link between operations and finance activities.

Porter's Model	eThekwini Municipality Application	Status	Single Point of Management Change Required	Intended Outcome
	• Insurance	There are challenges in ability to budget and agility to make budget adjustments to meet enterprise environmental factors due to centralised policies and decision making. There are gaps in investment management and decision making specifically for within Electricity Unit.	and insurance via a service level agreement.	
Firm Infrastructure **Quality Management**	**eThekwini Municipality Centralised Activities** Quality Assurance – DCM's Office **Electricity Unit Activities** No dedicated resources.	ISO 9001 standard adopted. No dedicated resources assigned to implement.		
Firm Infrastructure **Fleet**	**eThekwini Municipality Centralised Activities** The City Fleet Unit under the Finance Cluster is responsible for: • Procurement of a fleet • Fleet management. **Electricity Unit Activities** Electricity Unit has a dedicated Administration Branch to act as an intermediary with City Fleet.	Fleet Management services have consistently underperformed impacting productivity to primary activities. Electricity Unit Administration Branch is under-resourced and under skilled (16% of organogram is full).	Decentralised fleet management.	Remove centralised in-efficiencies (synergy deficits) impacting primary activities.
Firm Infrastructure **Buildings**	**eThekwini Municipality Centralised Activities** Engineering Unit - Architecture Department Real Estates Unit **Electricity Unit Activities** The Electricity Unit has a dedicated Administration Branch to act as an intermediary for building maintenance activities for selected centralised services.	Leasing managed by Real Estates Unit. Long delays in lease renewals. Building repairs undertaken by Architecture Department. Service delivery issues impacting productivity of primary activities and damage to reputation. Substation building construction undertaken by Architecture Department. Major service delivery issues impacting primary activities.	Decentralise facilities management.	Remove centralised in-efficiencies (synergy deficits) impacting primary activities.

Porter's Model	eThekwini Municipality Application	Status	Single Point of Management Change Required	Intended Outcome
		Budgeting challenges within Electricity Unit.		
Firm Infrastructure **PMO**	**eThekwini Municipality Centralised Activities** PMO Unit **Electricity Unit Activities** • Project Executives • HV Projects Branch • ICT Branch – Project Officers	The PMO Unit is non-functional at present. It is a new concept. Electricity Unit Project Executives scope does not cover PMO governance activities. ICT Branch Project Officers are entry level project management positions. Opportunity for an internal structure to be created.		
Firm Infrastructure **Information Management and ICT**	**eThekwini Municipality Centralised Activities** Information Management Unit. Unit mandates use of ArcGIS platform and Microsoft Office. **Electricity Unit Activities** The unit has fragmented activities with respect to information management. Branches include: • Network Drawing Office • Technology services Branch • ICT Branch • SHERQ & Training Branch • Various branches	There are no major issues with respect to centralised information management as there is minimal dependency. There is an opportunity for internal restructuring to improve efficiency and reduce costs. ICT corporate governance gaps related to the Electricity Unit have been left unaddressed, with a few audit findings. The ICT Branch within Electricity Unit requires an injection of skills and resources. Opportunity for internal consolidation between ICT and OT skills to reduce costs and improve efficiencies.	Continue to maintain decentralised information management within Electricity Unit.	Status quo.
Firm Infrastructure **Security**	**eThekwini Municipality Centralised Activities** Security services are centralised and provided by the Security Management Unit. **Electricity Unit Activities** Deployment of security technology by • HV Network Control Branch	The quality of centralised security services is often questioned. Lack of security technology and response teams/mechanisms across Electricity Unit.	Decentralised security management.	Remove centralised in-efficiencies (synergy deficits) impacting

Porter's Model	eThekwini Municipality Application	Status	Single Point of Management Change Required	Intended Outcome
	• Business Risk • Revenue Protection			primary activities.
Firm Infrastructure **Risk Management**	**eThekwini Municipality Centralised Activities** Enterprise Risk Management Unit (ERM) services are centralised and provided by the Audit Unit. **Electricity Unit Activities** Business Risk Branch provides: • facilitation of business risk and business management activities at a strategic level. • selected risk mitigation solutions. • Intermediary role between Electricity Unit and ERM.	The ERM Unit appear to be disconnected from primary activities seemingly unable to influence risk management with risk to the Electricity Unit. This perception could be attributed to the buffer provided by the Business Risk Branch. Executive Management from ERM do not participate as part of the Electricity Executive team. Risk management activities at a tactical, operational and project level need further support to be effectively implemented.	Retain central service or decentralise for consistency.	
Firm Infrastructure **Audit**	**eThekwini Municipality Centralised Activities** Audit services are centralised and provided by the Audit Unit. **Electricity Unit Activities** SHERQ and Training Branch conducts safety audits	No major concerns.	Nil. Retain independent audit activities.	Retain independent audit activities.
Firm Infrastructure **Investigations**	**eThekwini Municipality Centralised Activities** Integrity and investigations services are centralised and provided by the City Integrity and Investigations Unit (CIIU). **Electricity Unit Activities** • Investigations services related to electrical infrastructure is provided by the Business Risk Branch	Throughput of CIIU does not meet expectations, often impacting primary activities. Throughput of internal investigations are impacted due to shortage of security technology.		
Firm Infrastructure	**eThekwini Municipality Centralised Activities** Nil		Nil.	

Porter's Model	eThekwini Municipality Application	Status	Single Point of Management Change Required	Intended Outcome
Electrical Workshops	**Electricity Unit Activities** Electrical Workshops provides services related to electrical testing and transformer oil.			
Firm Infrastructure **Mechanical Workshops**	**eThekwini Municipality Centralised Activities** Nil **Electricity Unit Activities** Mechanical Workshops provides services related to fabrication of components, rigging and welding.	Opinion that mechanical workshop services do not offer value for money. Opportunity for productivity improvement by application of operations management principles.	Nil.	
Firm Infrastructure **Operational Technology**	**eThekwini Municipality Centralised Activities** Use of National Treasury Transversal contract for cellular services via Information Management Unit. **Electricity Unit Activities** HV Network Control is responsible for SCADA system. Communication Networks branch is responsible for utility telecommunications (with exception of metering). ICT Branch is responsible for the provision of telecommunications. Protection and Test Branch is responsible for intelligent electronic device management (Protection Relays).	Opportunity for internal consolidation between ICT and OT skills to reduce costs and improve efficiencies.	Nil.	

Annexure 3. Review of Municipal Systems Act

The table below summarises a review of the Municipal Systems Act 32 of 2000.

Table 15 - Review of Municipal Systems Act

Chapters and Subsections	Comment
Chapter 2: Legal Nature	No implications identified.
Chapter 3: Municipal Functions and Powers	No implications identified.
Chapter 4: Community Participation	No implications identified. Note to ensure relevant documents are made public. Use official website for making documents accessible.
Chapter 5: IDP	No implications identified.
Chapter 6: Performance Management	No implications identified.
Chapter 7: Local Public Administration and Human Resources ***Part 1: Basic principles*** 51. Organisation of administration ***Part 3: Delegation System*** 59. Delegations ***Part 4: Staff Matters*** 66. Staff establishments	A reform will hopefully produce better alignment to section 51, promoting the themes of accountability and performance orientation. Section 51 subsection (1) clause (k) states "A municipality must within its administrative and financial capacity establish and organise its administration in a manner that would enable the municipality to delegate responsibility to the most effective level within administration." This is the essence of establishing a single point of management accountability. With regards to Section 59 subsection (4), it is noted that "any delegation or sub-delegation to a staff member of a power conferred on a municipal manager must be approved by the municipal council in accordance with the system of delegation referred to in subsection (1)". Implications are noted with regards to Section 66 staff establishments. Subsection (1) stipulates that the revised staff establishment will need to be submitted for council approval.
Chapter 8: Municipal Services ***Part 1: Service tariffs***	Implementation of the turnaround strategy inclusive of institutional and governance reforms will hopefully result in better compliance to Chapter 8 Municipal Services Section 73, particularly subsection (2). Municipal services must - 1. be provided in a manner that is conducive to prudent, economic, efficient and effective use of available resources.

Chapters and Subsections	Comment
73. General duty ***Part 2: Provision of services*** 76. Mechanisms for provision of services 77. Occasions when municipalities must review and decide on mechanisms to provide municipal services 78. Criteria and process for deciding on mechanisms to provide municipal services 79. Provision of services by municipality through internal mechanism 80. Provision of services through service delivery agreements with external mechanisms 81. Responsibilities of municipalities when providing services through service delivery agreements with external mechanisms	2. be financially sustainable. It is noted that implementation of the turnaround strategy will have implications to Chapter 8 Part 1 Service tariffs. Particularly the tariff policy will need to be revised in line with the revised business model. It must be noted that there are no implications to Chapter 8 Part 2 Provision of services, particular Sections 76 and 78, as there is no intention to change the delivery mechanism. Implementation of the turnaround strategy will still retain the use of an internal mechanism. An internal mechanism is defined as: 1. a department or other administrative unit within its administration. 2. any business unit devised by the municipality, provided it operates within the municipality's administration and under the control of the council in accordance with operational and performance criteria determined by the council; or 3. any other component of its administration; or It is noted that Section 79 Provision of services by municipality through internal mechanism, that if an internal mechanism is used, the sufficient allocation of human, financial and other resources must be made for the proper provision of the service.
Chapter 9: Credit Control and Debt Collection	Implementation of the turnaround strategy inclusive of institutional and governance reforms will hopefully result in better compliance to Chapter 9 Credit Control and Debt collection, and better performance.

Annexure 4. Review of Municipal Staff Regulations

The table below summarises a review of the Municipal Staff Regulations.

Table 16 - Review of the Municipal Staff Regulations

Chapters and Subsections	Comment
Chapter 2: Staff Establishments, Job Descriptions, and Job Evaluation 4. Human Resource Planning 5. Determination of staff establishment 6. Procedure for determining staff establishment 9. Job evaluation	Sub regulation (4) highlights the need for a municipal council to determine its staff establishment necessary to perform its functions by preparing a human resource plan. Sub regulation (5) provides guidance on organisation design metrics for a category A municipality: 1. Structural layers – 6 to 7. 2. Structural shape – 0.2 to 1% Strategic, 1 to 20% Managerial/Specialist and 80 to 90% Operational. 3. Span of control – 7 to 8 for Municipal Manager, 6 to 7 for Directors, 5 to 6 for Divisional Managers, 5 to 6 for Managers, and 9 to 15 for Supervisors. 4. Core to support employee ratio of 70:30 based on actual headcount. Sub regulation (6) highlights the need for the Municipal Manager to review the staff establishment and submit a report for Council approval of the proposed staff establishment. Sub regulation (9) stipulates the need for all jobs to be graded through a job evaluation process.
Chapter 3: Recruitment, Selection and Appointment of Staff 10. Principles 11. Determination of recruitment needs 16. Selection Panel 20. Appointment 23. Probation 28. Acting appointment	Sub regulation (10) makes references to a Municipal Employment Equity Plan, which all recruitment, selection and appointment must comply to. An exception is allowed for specialised scarce skills. Sub regulation (11) refers to the municipal manager delegating functions to approve the filling of a post. Sub regulation (16) refers to the municipal manager delegating functions to appoint a selection panel. Sub regulation (20) refers to the municipal manager delegating functions to consider recommendations from the selection panel and decide whom to appoint and their terms and conditions of employment. Sub regulation (16) refers to the municipal manager delegating functions related to extension of the probation period or approval of dismissal. Sub regulation (28) refers to the municipal manager delegating functions related making acting appointments.
Chapter 4: Performance Management and Development System 31. Establishment of performance management and development system	Sub regulation (31) requires a municipality to adopt a performance management and development system. The key role players being the staff member and supervisor. Sub regulation (38) advises that the municipal manager may exempt categories of staff from maintain a portfolio of evidence.

Chapters and Subsections	Comment
38. Performance evaluation 39. Performance moderation	Sub regulation (39) advises that the municipal manager must establish departmental performance moderation committees, which must convene annually. The sub regulation also requires the municipal manager to establish a municipal moderation committee to provide oversight.
Chapter 5: Skills Development ***Part A: Objectives*** ***Part B: Skills Development Planning*** ***Part C: Implementing Skills Development*** ***Part D: Reviewing Skills Development*** ***Part E: Payment for Skills Development Programmes***	No implications, reference is simply made to the municipality opposed to specific designations.
Chapter 6: Dispute Resolution 57. Grievances	Grievances must be dealt with in terms of the collective agreement concluded with the appropriate bargaining council.
Chapter 7: Disciplinary Code and Procedures 58. Discipline	Discipline must be dealt with in terms of the collective agreement concluded with the appropriate bargaining council.
Chapter 8: Remuneration and Related Matters 59. Remuneration	Remuneration must be dealt with in terms of the collective agreement concluded with the appropriate bargaining council.
Chapter 9: General	No implications.

Annexure 5. Review of Municipal Finance Management Act

The table below summarises a review of the Municipal Systems Act 32 of 2000.

Table 17 - Review of MFMA

Chapters and Subsections	Comment
CHAPTER 2: SUPERVISION OVER LOCAL GOVERNMENT FINANCE MANAGEMENT 5. General functions of National Treasury and provincial treasuries	Improved financial transparency may support better application of Section (5) by National Treasury and KZN Provincial Treasury.
CHAPTER 3: MUNICIPAL REVENUE ***Part 1: Municipal bank accounts*** 7. Opening of bank accounts 8. Primary bank account 9. Bank account details to be submitted to provincial treasuries and Auditor-General 10. Control of municipal bank accounts 11. Withdrawals from municipal bank accounts	Section (7) allows for the opening of more than one bank account. A separate account can be opened per trading service. Section (8) stipulates the requirement for a primary bank account to be declared, and that the following moneys must be paid in the primary account: (a) All allocations to the municipality, including those made to the municipality for transmission to a municipal entity or other external mechanism assisting the municipality in the performance of its functions. (b) all income received by the municipality on its investments. (c) all income received by the municipality in connection with its interest in any municipal entity, including dividends. (d) all money collected by a municipal entity or other external mechanism on behalf of the municipality; and (e) any other moneys as may be prescribed. Section (9) stipulates the need for the Accounting Officer to submit information related to opening a new bank account within 90 days. Section (10) highlights the requirement for the Accounting Officer to control bank accounts. The Accounting Officer may delegate duties referred to Sections (7), (8) and (11) to the Chief Financial Officer only. Section (11) indicates that the Accounting Officer may delegate to the CFO or any other senior financial official via written authority to withdraw or authorise withdrawal of money from bank accounts.
CHAPTER 3: MUNICIPAL REVENUE ***Part 2: Cash, investment, and asset management***	No major implications.
CHAPTER 4: MUNICIPAL BUDGETS	No major implications as duties are assigned to either the Council, Mayor or Accounting Officer. Changes will be required for internal co-ordination of activities between the Electricity Unit and other business units.

Chapters and Subsections	Comment
19. Capital projects 28. Municipal adjustments budgets 33. Contracts having future budgetary implications	It is noted that may be improvements in application of Section (19), (28) and (33) through implementation of the turnaround strategy. Efficiency improvements with respect to Section (33) requires support from National Treasury who have indicated a willingness to support where practical.
CHAPTER 5: CO-OPERATIVE GOVERNMENT 34. Capacity building 41. Monitoring of prices and payments for bulk resources 42. Price increases of bulk resources for provision of municipal services	Section (34) highlights the requirement for National Treasury to support the municipality to identify and solve financial problems and assist in building the capacity of municipalities for efficient, effective, and transparent financial management. Further attention must be paid to compliance to Section (41), and (42) should the municipality introduce any other sources of bulk resources from another organ of state.
CHAPTER 6: DEBT	No major implications
CHAPTER 7: RESPONSIBILITIES OF MAYORS 52. General responsibilities	Section (52) highlights that the role of the mayor, in that the mayor must provide general political guidance of the fiscal and financial affairs of the municipality.
CHAPTER 8: RESPONSIBILITIES OF MUNICIPAL OFFICIALS ***Part 1: Accounting officers*** *Financial management* **62. General financial management functions** *Reports and reportable matters*	Section (62) stipulates that the accounting officer of a municipality is responsible for managing the financial administration of the municipality. Changes will be required for internal co-ordination of activities related to the Electricity Unit.

Chapters and Subsections	Comment
CHAPTER 8: RESPONSIBILITIES OF MUNICIPAL OFFICIALS ***Part 2: Financial administration*** 77. Top management of municipalities 79. Delegations	Section (77) identifies Top management as: (a) the accounting officer. (b) the chief financial officer. (c) all senior managers who are responsible for managing the respective votes of the municipality and to whom powers and duties for this purpose have been delegated in terms of section 79; and (d) any other senior officials designated by the accounting officer. Section (79) allows to delegate the follow to a member of top management: (i) any of the powers or duties assigned to an accounting officer in terms of this Act; or (ii) any powers or duties reasonably necessary to assist the accounting officer in complying with a duty which requires the accounting officer to take reasonable or appropriate steps to ensure the achievement of the aims of a specific provision of this Act; and Authority is allowed for the Accounting Officer to delegate to the Head: Electricity as a senior manager within top management. The delegation must be in writing.
CHAPTER 9: MUNICIPAL BUDGET AND TREASURY OFFICES 80. Establishment 81. Role of chief financial officer 82. Delegations 83. Competency levels of professional financial officials	Section (80) stipulates that a municipality must have a budget and treasury office which consists of a CFO and other officials. Section (82) allows for the CFO to subdelegate with concurrence from the Accounting Officer duties referred to in section 81(1)(b),(d) and (e). The following duties in section 81(1) cannot be sub-delegated: (a) is administratively in charge of the budget and treasury office. (c) must assist the accounting officer in the administration of the municipality's bank accounts and, in the preparation, and implementation of the municipality's budget. Section (83) requires the delegated official to meet the prescribed financial management competency levels.
CHAPTER 10: MUNICIPAL ENTITIES	No implications as this section is not applicable.
CHAPTER 11: GOODS AND SERVICES ***Part 1: Supply chain management*** 111. Supply chain management policy	Section (111) stipulates the requirement for municipal supply chain management policy. Section (115) stipulates the requirement for the accounting officer of a municipality or municipal entity must implement the supply chain management policy.

Chapters and Subsections	Comment
115. Implementation of system 116. Contracts and contract management 119. Competency levels of officials involved in municipal supply chain management ***Part 2: Public-private partnerships***	Section (119) stipulates the requirement for the accounting officer and all other officials of a municipality or municipal entity involved in the implementation of the supply chain management policy of the municipality to meet the prescribed competency levels.
CHAPTER 12: FINANCIAL REPORTING AND AUDITING 121. Preparation and adoption of annual reports 122. Preparation of financial statements	The requirements for the annual report referred to in Section (121) need to be factored into any governance and institutional reform changes. Further guidance will be required from National Treasury regarding the preparation of independent and consolidated financial statements to ensure compliance to Section (122).
CHAPTER 13: RESOLUTION OF FINANCIAL PROBLEMS ***Part 1: Identification of financial problems*** 135. Primary responsibility for resolution of financial problems 137. Discretionary provincial interventions 138. Criteria for determining serious financial problems ***Part 2: Provincial interventions*** ***Part 3: Debt relief and restructuring*** 151. Legal rights 152. Application for stay of legal proceedings	It is noted that Section (135) states that if a municipality encounters a serious financial problem or anticipates problems in meeting its financial commitments, it must immediately notify the MEC for local government and the MEC for finance in the province. Section (137) highlights discretionary provincial interventions such as support to develop a financial recovery plan if the financial problem/s are sufficiently serious. Section (138) defines the criteria for determining serious financial problems. The definition are specifically targeted at a municipal level, however can be used as an indicator for an individual trading service, in which case the electricity trading service would be considered in serious financial problems as the actual current expenditure of the trading service has exceeded the sum of its actual current revenue plus available surpluses for at least two consecutive financial years; and the trading service had an operating deficit in excess of five per cent of revenue in the most recent financial year for which financial information is available. Part 3 Debt relief and restructuring highlight that all legal proceeds relating to claims are processed at a municipal level.

Chapters and Subsections	Comment
Part 4: Municipal Financial Recovery Service	
CHAPTER 14: GENERAL TREASURY MATTERS 163. Liabilities and risks payable in foreign currencies 164. Forbidden activities 165. Internal audit unit 166. Audit committees	Section (165) stipulates that each municipality must have an internal audit unit responsible to prepare a risk-based audit plan and advise the Accounting Officer of matters relating to (i) internal audit. (ii) internal controls. (iii) accounting procedures and practices. (iv) risk and risk management. (v) performance management. (vi) loss control; and (vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation; and Section (166) stipulates that each municipality must have an audit committee who must act as an independent advisory body which must advise the municipal council, the political office-bearers, the accounting officer, and the management staff of the municipality on matters relating to— (i) internal financial control and internal audits. (ii) risk management. (iii) accounting policies. (iv) the adequacy, reliability and accuracy of financial reporting and information. (v) performance management. (vi) effective governance. (vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation. (viii) performance evaluation; and (ix) any other issues referred to it by the municipality or municipal entity.
CHAPTER 15: FINANCIAL MISCONDUCT ***Part 1: Disciplinary proceedings*** ***Part 2: Criminal proceedings*** ***Part 3: General***	Chapter 15 primarily highlights that the person delegated to by the Accounting Officer and CFO for the financial management of the electricity trading service is subject to disciplinary and criminal proceedings as defined in the act.
CHAPTER 16: MISCELLANEOUS	No implications.

Annexure 6. Review of Municipal Regulations on Standard Chart of Accounts

The table below summarises a review of the Municipal Regulations on Standard Chart of Accounts.

Table 18 - Review of Municipal Regulations on Standard Chart of Accounts

Chapters and Subsections	Comment
Chapter 2: Standard Chart of Accounts for Municipalities and Municipal Entities Implementation Requirements	Electricity Executives need to note the implementation requirements detailed in sub regulation (5) should authority be given to implement additional systems.
Chapter 3: Minimum Business Process and System Requirements	Electricity Executives need to note the minimum business processes and system requirements.
Chapter 4: Technical Committee for Standard Chart of Accounts	No implications.
Chapter 5: Implementation of Standard Chart of Accounts 13. Responsibility of Accounting Officers	Sub regulation (13) allows for delegation of necessary powers and duties to ensure the regulation is implemented.
Chapter 6: General 14. Access by National Treasury	It must be noted that any business and financial application used to implement this regulation must all free access to their general ledgers for information purposes to any person authorised by the Director-General.

Annexure 7. Review of Municipal Supply Chain Management Regulations

The table below summarises a review of the Municipal Supply Chain Management Regulations.

Table 19 - Review of Municipal Supply Chain Management Regulations

Chapters and Subsections	Comment
Chapter 1 Establishment and Implementation of Supply Chain Management Policies 2. Supply chain management policies 3. Adoption and amendment of supply chain management policies 4. Delegation of supply chain management powers and duties 5. Sub delegations 6. Oversight role of council of municipality or board of directors of municipal entity 7. Supply chain management units	A single SCM policy is required for a municipality. When preparing or amending its supply chain management policy, a municipality must take account of the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses. Delegation of powers are from council to the Accounting Officer. Sections 79 and 106 of the MFMA apply to the sub delegation of powers and duties delegated to an accounting officer in terms of sub regulation (1). The power to make a final award above R10 million (VAT included) may not be subdelegated by an accounting officer. The power to make a final award exceeding R10 million (VAT included), may be subdelegated to a Senior Manager or a bid adjudication committee of which the chief financial officer or a senior manager is a member. An official or bid adjudication committee to which the power to make final awards has been subdelegated in accordance with sub regulation (2) must within five days of the end of each month submit to the official referred to in subsection (4) a written report containing particulars of each final award made by such official or committee during that month. The council of a municipality and the board of directors of a municipal entity must maintain oversight over the implementation of its supply chain management policy. Sub regulation 7 stipulates that an SCM Unit should be established to implement the SCM policy. Sub regulation 7 stipulates recommends that a supply chain management unit must, where possible, operate under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act.
Chapter 2 Framework for Supply Chain Management Policies *Part 1: Demand management*	It is noted that there may be improvements in application of Part 1: Demand Management.

Chapters and Subsections	Comment
Chapter 2 Framework for Supply Chain Management Policies *Part 2: Acquisition management* 11. System of acquisition management 14. Lists of accredited prospective providers 17. Formal written price quotations 26. Committee system for competitive bids 29. Bid adjudication committees	It is noted that there may be improvements in application of Part 2: Acquisition Management. Sub regulation (14) highlights the need for a single list of accredited prospective providers of goods and services. Prospective providers must be allowed to submit applications for listing at any time. A designated official referred to in sub regulation (1)(c) must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that sub regulation. Sub regulation (26) stipulates that a supply chain management policy must provide for the attendance or oversight process to committees by a neutral or independent observer appointed by the accounting officer when this is appropriate for ensuring fairness and promoting transparency. Sub regulation (29) stipulates a bid adjudication committee must consist of at least four senior managers of the municipality or municipal entity which must include: 1. the chief financial officer or, if the chief financial officer is not ·available, another manager in the budget and treasury office reporting directly to the chief financial officer and designated by the chief financial officer. 2. at least one senior supply chain management practitioner who is an official of the municipality. 3. a technical expert in the relevant field who is an official of the municipality, if the municipality has such an expert.
Chapter 2 Framework for Supply Chain Management Policies *Part 3: Logistics, Disposal, Risk and Performance Management* 39. Logistics management 40. Disposal management	It is noted that there may be improvements in application of Part 3: Logistics, Disposal, Risk and Performance Management.
Chapter 2 Framework for Supply Chain Management Policies	No implications.

Chapters and Subsections	Comment
Part 4: Other matters	

Annexure 8. List Of Medium and Low Priority Services to Be Decentralised.

Table 20 - Support Services Ranked as Medium Priority to be Decentralised

Cluster	External Unit	Service / Product	Porters Value Chain Role
Audit	Information Management Unit	Infrastructure Services – Network, Telephony, 2-way radios and Facilities - Service Desk	Firm Infrastructure - ICT
Audit	Information Management Unit	Infrastructure Services - Collaborative Services - Unified Communications (Voice, communication and audio visual)	Firm Infrastructure - ICT
Audit	Information Management Unit	Infrastructure Services - Collaborative Services - Desktop Services (End User Computing Services)	Firm Infrastructure - ICT
Audit	Information Management Unit	Infrastructure Services – Network, Telephony, 2-way radios and Facilities - Data Centres	Firm Infrastructure - ICT
Audit	Information Management Unit	Infrastructure Services – Network, Telephony, 2-way radios and Facilities - Internet	Firm Infrastructure - ICT
Audit	Information Management Unit	Application Services - Geographical Information Systems – Desktop Service	Firm Infrastructure - ICT
Audit	Information Management Unit	Professional Services - Project Management	Firm Infrastructure - ICT
Audit	Information Management Unit	Professional Services - Information Security Services	Firm Infrastructure - ICT
Audit	Information Management Unit	Professional Services - Customer Relationship Management	Firm Infrastructure - ICT
Community & Emergency Services	Disaster Management Unit	Maintenance services for CCTV	Firm Infrastructure
Corporate & Human Resources	Human Capital Unit	Service 4: Remuneration Services, Compensation and Benefits (Compensation Management) (Collective Agreement)	Human Resource Management
Corporate & Human Resources	Human Capital Unit	Service 10: Employment Relations, Dispute Resolution Grievance, AWOL, Abscondment, Desertion of duty (Main Collective Agreement)	Human Resource Management
Corporate & Human Resources	Human Capital Unit	Service 11: Human Capital Compliance, Risk Management and Business Continuity (Employment	Human Resource Management
Corporate & Human Resources	Human Capital Unit	Service 12: Business Communication and Engagements: (ULF)	Human Resource Management
Corporate & Human Resources	Human Capital Unit	Service 4:Provide payroll services	Human Resource Management
Finance	City Fleet Unit	Provide breakdown response service	Firm Infrastructure - Fleet
Finance	City Fleet Unit	Provide vehicle repair service	Firm Infrastructure - Fleet
Finance	Expenditure Unit	Departmental (Managerial) Accounting - The production of management accounts.	Firm Infrastructure - Finance

Cluster	External Unit	Service / Product	Porters Value Chain Role
Finance	Expenditure Unit	Financial Accounting - Preparation and sign-off of trading service AFS.	Firm Infrastructure - Finance
Finance	Expenditure Unit	Engaging with internal and external audit queries;	Firm Infrastructure - Finance
Finance	Expenditure Unit	Maintaining assets registers	Firm Infrastructure - Finance
Finance	SCM Unit	Supply chain performance monitoring	Procurement
Finance	SCM Unit	Supply chain risk management	Procurement
Human Settlements, Engineering & Transportation	Engineering Unit	Feasibility assessments, framework planning, value management and facility needs analysis.	Firm Infrastructure - Buildings
Human Settlements, Engineering & Transportation	Engineering Unit	Creative architectural and engineering design, documentation and procurement.	Firm Infrastructure - Buildings

Table 21 - Low Priority Support Services to be Decentralised

Cluster	External Unit	Service / Product	Porters Value Chain Role
Audit	Information Management Unit	Infrastructure Services – Network, Telephony, 2-way radios and Facilities - Fire Detection System	Firm Infrastructure - ICT
Audit	Information Management Unit	Infrastructure Services – Network, Telephony, 2-way radios and Facilities - Alarm System	Firm Infrastructure - ICT
Audit	Information Management Unit	Infrastructure Services – Network, Telephony, 2-way radios and Facilities - Building Access Control System	Firm Infrastructure - ICT
Audit	Information Management Unit	Infrastructure Services – Network, Telephony, 2-way radios and Facilities - Wireless	Firm Infrastructure - ICT
Audit	Information Management Unit	Infrastructure Services – Network, Telephony, 2-way radios and Facilities - Remote Access	Firm Infrastructure - ICT
Corporate & Human Resources	eThekwini Municipal Academy	Capture WSP	Human Resource Management
Corporate & Human Resources	eThekwini Municipal Academy	Recover work skills levy	Human Resource Management
Finance	City Fleet Unit	Provide vehicle disposal service	Firm Infrastructure - Fleet
Finance	City Fleet Unit	Provide vehicle modification service	Firm Infrastructure - Fleet
Finance	City Fleet Unit	Provide vehicle cleaning service	Firm Infrastructure - Fleet
Finance	City Fleet Unit	Tyre Management Service	Firm Infrastructure - Fleet
Finance	City Fleet Unit	Dedicated on-site mechanical support team for non-starts and fieldwork.	Firm Infrastructure - Fleet
Finance	SCM Unit	Disposal of assets	Procurement

Annexure 9. List Of Medium and Low Priority Services to Be Reviewed for Centralisation

Table 22 - Support Services Ranked as Medium Priority to be Reviewed

Cluster	External Unit	Service / Product	Porters Value Chain Role
Audit	Information Management Unit	Infrastructure Services - Collaborative Services - Email & Calendaring	Firm Infrastructure - ICT
Audit	Information Management Unit	Infrastructure Services – Network, Telephony, 2-way radios and Facilities - Public Facing Systems	Firm Infrastructure - ICT
Audit	Information Management Unit	Application Services - All Applications	Firm Infrastructure - ICT
Audit	Information Management Unit	Application Services - Geographical Information Systems – Web Service	Firm Infrastructure - ICT
Corporate & Human Resources	Human Capital Unit	Service 4:Provide payroll system	Human Resource Management
Corporate & Human Resources	Human Capital Unit	Service 1: Develop and Review of Employment Policies & SOPs	Human Resource Management
Corporate & Human Resources	Human Capital Unit	Service 2: Human Capital Information Systems (HCIS), Data Integrity, and Administration (Compensation Management)	Human Resource Management
Corporate & Human Resources	Human Capital Unit	Service 6: Employment Equity/ Transformation, Diversity & Inclusion (HC Transformation) (EE Act, EE Policy and EE Plan and Strategy)	Human Resource Management
Corporate & Human Resources	Human Capital Unit	Service 12: Business Communication and Engagements: (LLFs, HRD)	Human Resource Management
Economic Development Planning and Invest Durban	EPCCD	Provide service to provide environmental oversight.	Operations
Finance	City Fleet Unit	Provide vehicle usage/authorisation administration service	Firm Infrastructure - Fleet
Finance	City Fleet Unit	Provide fleet management system	Firm Infrastructure - Fleet
Finance	City Fleet Unit	Provide vehicle monitoring system	Firm Infrastructure - Fleet
Finance	City Fleet Unit	Provide vehicle tracking, recovery and investigation service	Firm Infrastructure - Fleet
Finance	City Fleet Unit	Provide vehicle utilisation reports.	Firm Infrastructure - Fleet
Finance	Expenditure Unit	Consolidating the financial statements of the trading services into the corporate municipal accounts at year-end	Firm Infrastructure - Finance
Finance	Expenditure Unit	Publishing full trading services AFS statements annually, and aggregated within metro AFS	Firm Infrastructure - Finance
Finance	Finance Pensions and Major Project Unit	Undertaking investments	Firm Infrastructure - Finance
Finance	Finance Pensions and Major Project Unit	Provide insurance services	Firm Infrastructure - Finance
Finance	Real Estate Unit	Procure buildings	Operations

Cluster	External Unit	Service / Product	Porters Value Chain Role
Finance	SCM Unit	Statistical information	Procurement
Finance	SCM Unit	Provide SCM policy and implementation guidelines	Procurement
Governance & International Relations	Sizakala Centres	Provide facilities for customer service	Marketing and Sales
Human Settlements, Engineering & Transportation	Engineering Unit	Professional architectural advice to the Municipality	Firm Infrastructure - Buildings

Table 23 - Support Services Ranked as Low Priority to be Reviewed

Cluster	External Unit	Service / Product	Porters Value Chain Role
Audit	Audit	Audit services	Firm Infrastructure - Audit
Audit	City Integrity and Investigations Unit	Provide ombudsman services	Firm Infrastructure - Investigations
Audit	Enterprise Risk Management Unit	Provide risk management framework	Firm Infrastructure - Risk Management
Audit	Enterprise Risk Management Unit	Provide business continuity management framework.	Firm Infrastructure - Risk Management
Audit	Information Management Unit	Infrastructure Services - Collaborative Services - Print, Scan, Fax	Firm Infrastructure - ICT
Audit	Information Management Unit	Infrastructure Services - Collaborative Services - Two-way radio system	Firm Infrastructure - ICT
Audit	Information Management Unit	Infrastructure Services – Network, Telephony, 2-way radios and Facilities - Intranet	Firm Infrastructure - ICT
City Operations	Legal and Compliance	Litigation services	Firm Infrastructure
City Operations	Legal and Compliance	Legal support services	Firm Infrastructure
City Operations	Legal and Compliance	Employment law services	Firm Infrastructure
City Operations	Legal and Compliance	Legislative drafting services	Firm Infrastructure
City Operations	Legal and Compliance	Compliance services	Firm Infrastructure
Corporate & Human Resources	eThekwini Municipal Academy	Assisted education administration services	Human Resource Management
Corporate & Human Resources	eThekwini Municipal Academy	Provide non-technical training courses	Human Resource Management
Corporate & Human Resources	Human Capital Unit	Service 9: Employee Wellness —(HC Transformation)	Human Resource Management
Corporate & Human Resources	Occupational Health and Safety Unit	Provide medical assessment services	Human Resource Management
Corporate & Human Resources	Occupational Health and Safety Unit	Provide OHS Policy	Human Resource Management

Cluster	External Unit	Service / Product	Porters Value Chain Role
Corporate & Human Resources	Occupational Health and Safety Unit	Fire Safety management	Firm Infrastructure
Economic Development Planning and Invest Durban	Development Planning	Provide bulk sales service via developments	Marketing and Sales
Finance	City Fleet Unit	Hiring of plant and vehicles	Firm Infrastructure - Fleet
Finance	City Fleet Unit	Refuelling support for plant	Firm Infrastructure - Fleet
Finance	City Fleet Unit	Movement of specialised construction equipment	Firm Infrastructure - Fleet
Finance	City Fleet Unit	Repairs and maintenance of small plant	Firm Infrastructure - Fleet
Finance	City Fleet Unit	Provide vehicle accident repair service	Firm Infrastructure - Fleet
Human Settlements, Engineering & Transportation	Engineering Unit	Architectural research and development.	Firm Infrastructure - Buildings

Annexure 10. WBS For Reforming Internal Governance

Business Operations Performance Governance

The WBS for establishing an operating model for business operations performance governance is presented in the figure below.

ID	Task Mode	Task Name
6		**Establish Business Operations Performance Governance**
7		**Business Process Review**
8		Identify currently documented business processes
9		Perform a gap analysis to determine further business processes that are not documented
10		Review documented processes to determine alignment to the Unit Strategy
11		Develop and update through a system of prioritisation outstanding and out of date business processes
12		**Business Process Performance Reporting**
13		**Business Process Performance KPIs**
14		Identify Unit Level(EXEC level) KPIs from SDBIP and IDP
15		Determine a set of KPIs to measure performance of each business process
16		Determine upper level KPIs that the business process KPI feeds into to ensure line of sight
17		**Develop a reporting dashboard to be tracked by the process owner**
18		Track Risks
19		Track challenges
20		Track highlights
21		Track KPIs and data integrity
22		**Establish a process review monthly meeting chaired by the process owner**
23		Determine and set standing appointment for role players
24		Review Dashboard at meeting
25		Determine escalation items to process owner's deputy head
26		Summarise detailed dashboard for reporting at tech - com / exec level meetings
27		Determine the upward reporting structure
28		**Business Process Role Players Authority and Accountability**
29		Identify role players for a process
30		Determine the authority of the role player
31		Determine the accountability of the role player

Figure 27 - Work Breakdown Structure for Establishing Business Operations Performance Governance

Human Capital Governance

The WBS for establishing an operating model for Human Capital governance is presented in the figure below.

ID	Task Mode	Task Name
32		**Establish Human Capital and Remuneration Governance**
33		**HC Status Quo**
34		Look at current governance arrangements through meetings and reporting and how it rolls up to Corporate HC reporting – including HC managers meeting TOR
35		HC SLA review and highlights, challenges with its implementation
36		Labour Forum Governance Review
37		Review HC organogram for Electricity to use it to determine governance
38		**Performance management**
39		Review electricity unit performance management
40		Review individual performance management
41		Identify linkages between unit and individual performance management
42		**HC Reforms**
43		Make recommendations for proposed centralised services governance based on an SLA
44		**Make recommendations for proposed decentralised services governance with organisational structure**
45		Review proposed HC structure
46		Based on status quo, who has the authority to make the decision within the unit
47		Based on status quo, who has can be accountable for the decision
48		**HC Service Performance KPIs**
49		Identify Unit Level(EXEC level) KPIs from SDBIP and IDP
50		**Determine a set of KPIs to measure performance of each service**
51		Link Individual Performance Management to Unit KPIs
52		Develop a HC Dashboard for reporting at Exec level
53		**Develop a reporting dashboard to be tracked by the HC senior mananger**
54		Track Risks
55		Track challenges
56		Track highlights
57		Track KPIs and data integrity
58		**Establish a service review monthly meeting chaired by the Senior HC manager Electricity**
59		Determine and set standing appointment for role players
60		Review Dashboard at meeting
61		Determine escalation items via SLA
62		Determine escalation items to Head: Electricity
63		Summarise detailed dashboard for reporting at tech - com / exec level meetings

Figure 28 - Work Breakdown Structure for Establishing Human Capital and Remuneration Governance

Finance and Investment Governance

The WBS for establishing an operating model for Finance and Investment governance is presented in the figure below.

ID	Task Mode	Task Name
64		**Establish Investment and Finance Governance**
65		**Determine Finance and Investment Status Quo in terms of governance**
66		Identify the regulations governing the financial processes
67		Identify compliance requirements
68		Determine reporting requirements external to the municipality eg Reprioritisation reports to HSI
69		Obain the organogram for treasury cluster and finance staff for trading services
70		Determine the current governance within finance organogram structure
71		Determine what are strategic workflows for finance that either are documented or need to be captured
72		Determine key timelines and submission dates in the financial year that impact financial approvals and service delivery
73		Identify meetings pertaining to Finance at level external to the unit and the TORs for meetings
74		Review of investment and business plans developed to date
75		Critically assess the proposed business and investment plan in terms of the status quo findings
76		**Assess impact of decentralisation on status quo proposed business and investment plans**
77		What KPI/KPA for finance need to be available to the Head Elec if he is the designated single point of accountability
78		Propose governance reforms based on findings

Figure 29 - Work Breakdown Structure for Finance and Investment Governance Establishment

Organisational Enablers (Auxiliary Services) Governance

The WBS for ICT and Fleet are presented in the figure below.

ID	Task Mode	Task Name
68		**Establish Auxillary Services Governance**
69		**Establish ICT Governance**
70		**Determine ICT Governance Status Quo**
71		Document specific gaps and improvement areas for alignment with corporate ICT governance charter
72		Engage with IMU on ICT-related processes and governance structures
73		Provide requested documentation (terms of reference, SLAs, risk register)
74		**Address Governance Reforms**
75		Identify gaps where terms of reference or SLAs need to be developed or obtained
76		Review list of ICT services planned for centralization/decentralization
77		Document key ICT risks, mitigation strategies, and alignment with regulatory frameworks
78		**Performance Metrics**
79		Define key performance indicators (KPIs) for ICT governance
80		Establish mechanisms for regular performance measurement and reporting
81		Align ICT metrics with overall business performance indicators
82		**Technology Adoption**
83		Implement new tools or systems to support improved governance
84		Ensure integration with existing systems and processes
85		Provide adequate support and training for new technologies
86		**Monitoring and Evaluation**
87		Regular monitoring and evaluation are essential to ensure the effectiveness of the new governance framework.
88		Establish mechanisms for ongoing monitoring of governance practices
89		Regularly evaluate performance against defined objectives and KPIs
90		Gather feedback from stakeholders on the effectiveness of new practices
91		Identify areas for further improvement or refinement
92		**Continuous Improvement**
93		ICT Governance Reform is an ongoing process, not a one-time event.
94		Establish processes for regular review and update of governance practices
95		Stay informed about evolving industry standards and best practices
96		Continuously align ICT governance with changing business needs
97		Foster a culture of innovation and continuous improvement
98		**Alignment with Business Strategy**
99		Ensure all ICT governance practices support overall business objectives
100		Regularly review and adjust alignment as business strategy evolves
101		**Regulatory Compliance**
102		Stay informed about relevant laws and industry standards
103		Ensure ICT governance practices meet or exceed compliance requirements
104		**Stakeholder Engagement**
105		Identify and engage all relevant stakeholders throughout the reform process
106		Maintain open communication channels for feedback and suggestions
107		**Establish Fleet Governance**
108		**Fleet Status Quo**
109		Look at current governance arrangements through meetings and reporting and how it rolls up to Corporate Fleet reporting
110		FLEET SLA review and highlights, challenges with its implementation
111		Review Fleet organogram for Electricity to use it to determine governance
112		**Fleet Reforms**
113		Make recommendations for proposed centralised services governance based on an SLA
114		**Make recommendations for proposed decentralised services governance with organisational structure**
115		Review proposed Fleet organisational and resource structure
116		Based on status quo, who has the authority to make the decision within the unit
117		Based on status quo, who has can be accountable for the decision
118		**Fleet Service Performance KPIs**
119		Identify Unit Level(EXEC level) KPIs from SDBIP and IDP
120		Determine a set of KPIs to measure performance of each service
121		Develop a dashboard for reporting at Exec level
122		**Develop a reporting dashboard to be tracked by the Fleet mananger**
123		Track Risks
124		Track challenges
125		Track highlights
126		Track KPIs and data integrity
127		**Establish a service review monthly meeting chaired by the Fleet manager Electricity**
128		Determine and set standing appointment for role players
129		Review Dashboard at meeting
130		Determine escalation items via SLA
131		Determine escalation items to Head: Electricity
132		Summarise detailed dashboard for reporting at tech - com / exec level meetings
133		**Establish SCM Governance**
159		**Establish Buildings, Facilities and Administration Governance**

Figure 30 **- Work Breakdown Structure for Establishing Governance of Auxiliary Services**