



## STANDARD OPERATING PROCEDURES

### Project Title:

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Technical Support to the iLembe District Municipality for specific Siza Water Concession  
Contract Activities

Contract No.: VILP/I/035

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## Acronyms and Abbreviations

DWS	Department of Water and Sanitation
IDM	iLembe District Municipality
NT	National Treasury
PCU	Vuthela Programme Project Coordinating Unit
SDF	Spatial Development Framework
SP	Service Provider
ToR	Terms of Reference

# 1 INTRODUCTION

This report is the standard operating procedure for the contract VILP/I/035, Siza Water Concession Contract support, for the management of the Vuthela iLembe LED Support Programme. The Vuthela iLembe Project is aimed at addressing unemployment, poverty, and inequality in the iLembe District Municipality through ensuring future local economic growth and inclusivity. The Siza Water Concession Contract therefore details the principles that guide Siza Water to execute and manage provision of water and sanitation services on a concession basis, as part of the Vuthela iLembe LED Support Programme economy improvement initiatives. The period of the concession contract is 30 years and is scheduled to end in 2029. The appointed consultant (SMEC South Africa) is therefore required to review the technical, financial, and legal aspects of the contract, and provide support to the iLembe District Municipality, to ensure the contract is still effective and viable for implementation under current conditions.

## 1.1 Purpose

The purpose of this report is to serve as the Standard Operating Procedure to assist in capacitating the IDM officials and serve as guidelines for the continuation of the monitoring activities.

## 1.2 Objective

The aim of this this standard operating procedure is to translate the concession contract document into processes. However, it is to be noted that ultimately the legal and regulatory obligations of the concession contract should be fulfilled and take precedent should there be any variance between the SOP and the concession agreement. This report is in respect of sub-task 83 of the project programme which is also listed within the Terms of Reference (ToR).

The categories considered in this SOP are include:

- Physical (Infrastructure) Asset management
- Contract administration & management
- Communication management
- Technical Performance management

## 2 PHYSICAL (INFRASTRUCTURE) ASSET MANAGEMENT

STANDARD OPERATING PROCEDURE FOR ASSET MANAGEMENT PROCESS:	
OBJECTIVES:	<p>WHICH ASPECT OF CONTRACT MANAGEMENT IS THIS SOP ADDRESSING?</p> <p>This SOP addresses the management of the infrastructure assets of the concession in terms of the concession contract.</p> <p>The processes aim to improve strategic and tactical management of assets and are aligned with the existing concession agreement. This is intended to assess the operating performance of the assets to assist in supporting more informed decision making for the need to upgrade or rehabilitate the assets.</p>
FUNCTIONAL PROCESS/ ACTIVITY:	<p>WHAT ARE THE ASSOCIATED ACTIVITIES?</p> <ol style="list-style-type: none"> <li>1. Collect information and keep an up-to-date records of infrastructure asset register and inventory control data.</li> <li>2. Review the annual maintenance plan for infrastructure assets and monitor progress of scheduled maintenance and preventative maintenance tasks.</li> <li>3. Conduct spot checks on the infrastructures for independent verification of the asset conditions.</li> <li>4. Request and review the operating procedure of the concessionaire.</li> </ol> <p>WHAT NEEDS TO BE DONE FOR THIS SOP TO BE IMPLEMENTED?</p> <p>Collect all records from the concessionaire associated with the maintenance aspects of the water and sanitation infrastructure assets (e.g., as-built plans, historical records in respect of construction, repairs, and maintenance of the works) to ensure on-going capturing of asset information.</p> <p>Perform condition assessments of the water and sanitation assets to verify on-going planned and scheduled maintenance by the concessionaire. Look into utilizing a software (mobile app) for assessment of assets, for improved asset management techniques. Mobile app software that can automate inspections.</p> <p>Development of a plan for the maintenance management of infrastructure assets with the aim of providing specific levels of services in a cost-effective manner, covering present and future. Management techniques (including technical and financial) are combined to determine the aggregated asset life cycle needs (the need to upgrade or replace assets).</p>

ASSOCIATED PROTOCOLS:	<p>WHICH PROTOCOLS ARE ASSOCIATED WITH THIS SOP?</p> <ol style="list-style-type: none"> <li>1. This is associated with the management, planning, and controlling of the asset lifecycle in terms of maintenance.</li> <li>2. Establish and maintain a standardised plan for managing infrastructure assets. This must include the following: <ol style="list-style-type: none"> <li>a. Document the nature, extent, age, and utilization</li> <li>b. Condition and performance of the assets</li> <li>c. Value of the infrastructure network (this will assist in assess capital and operational budget needs and funding implications).</li> </ol> </li> <li>3. Review the operations and maintenance reporting on existing concession quarterly reports against the annual planned and scheduled maintenance, to be able to clearly track maintenance performance progress for assets. Must be able to determine Operating &amp; Maintenance budget needs based on a structured O&amp;M plan.</li> <li>4. Conduct condition assessments of the water and sanitation assets for IDM to independently verify the on-going planned and scheduled maintenance by the concessionaire. The approach for determining condition needs must be standardised so that it can be consistently applied to enable benchmarking, trend monitoring and data aggregation.</li> <li>5. This is also associated with information and data collection. The asset register should be comprehensive enough to cover all infrastructure assets and provide data to support effective asset management.</li> </ol>
ACTIVITY OUTPUT:	<p>WHAT IS THE INTENDED OUTPUT OF THIS SOP?</p> <p>To ensure economic service of assets are maintained for as long as possible. To be continuously informed of asset condition and take decisive action before a critical stage is reached. This is also intended to recognise and deal with deterioration of assets before it causes operational difficulties.</p> <p>If this is well-maintained, IDM will be able to have a better and more detailed view of the concession, the requirements that will need to be planned for once the assets are handed back to IDM.</p>

<p>ROLES AND RESPONSIBILITIES:</p>	<p>WHICH PARTY IS RESPONSIBLE FOR WHICH PROTOCOL/ACTIVITY?</p> <p>Majority the activities will be initiated from the concessionaire. It will be their responsibility to provide for the information.</p> <p>Once this information is obtained, it will then be the responsibility of the IDM to ensure that the information is discussed, and addressed with the concessionaire, but also internally to ensure that the principles set out are achieved.</p>
<p>TIMING/FREQUENCY:</p>	<p>HOW OFTEN SHOULD THE PROCESS OUTLINED ABOVE BE IMPLEMENTED?</p> <ol style="list-style-type: none"> <li>1. Collection of operation and maintenance related information monthly.</li> <li>2. Asset register and inventory data records are updated on a regular basis, as and when changes occur.</li> <li>3. Review scheduled and preventative maintenance tasks annually and monitor the progress of maintenance tasks regularly to verify at every quarterly concession reporting.</li> <li>4. Condition assessments can be conducted at an annual interval, due to the concession reaching its maturity stages.</li> <li>5. Review the operating procedure of the concessionaire every 2 (two) years, to ensure relevant changes are reflected.</li> </ol>
<p>APPLICABLE DOCUMENTS:</p>	<p>THE RELEVANT GUIDING LEGISLATION, DOCUMENT, CONTRACTUAL CLAUSE, OR MUNICIPAL POLICY/BYLAWS THAT GOVERNS THIS ACTIVITY</p> <p>A requirement of the Municipal Financial Management Act No 56 of 2003 and Occupational health and Safety Act requires infrastructure asset register, maintenance, and safeguard of assets.</p> <p>Regulations of clause 62 (sixty-two) of the water &amp; sanitation concession agreement entered by IDM &amp; Siza Water permits IDM for collection of information, monitoring of conditions, performing inspections in respect of the water and sanitation services.</p>

### 3 CONTRACT ADMINISTRATION & MANAGEMENT

STANDARD OPERATING PROCEDURE FOR CONTRACT MANAGEMENT PROCESS:	
OBJECTIVES:	<p>WHICH ASPECT OF CONTRACT MANAGEMENT IS THIS SOP ADDRESSING?</p> <p>This SOP addresses the management of the contract and administration of the concession in terms of the concession agreement.</p> <p>It also puts in place administrative systems for managing documentation and records associated with the concession contract.</p>
FUNCTIONAL PROCESS/ ACTIVITY:	<p>WHAT ARE THE ASSOCIATED ACTIVITIES?</p> <ol style="list-style-type: none"> <li>1. Records of drafting, amending, negotiating, and signing of concession contract. Copies of all agreement and amendments thereto.</li> <li>2. Filing of the concession contract and contract related documents.</li> <li>3. Record management and the capturing of information on the Contract Register.</li> <li>4. Contract details of the concessionaire and contract monitoring staff.</li> <li>5. Verification and record keeping of sureties, guarantees, insurances and tariff rate increases.</li> <li>6. General advice and legal opinions on the concession contract, Council resolutions and applicable bylaws. Dealing with change (contract adjustment, dispute resolution and contract termination).</li> <li>7. Monitor and enforce contract compliance and service performance.</li> <li>8. Manage contract expiry and asset handover.</li> </ol> <p>WHAT NEEDS TO BE DONE FOR THIS SOP TO BE IMPLEMENTED?</p> <p>IDM needs to develop an internal contract administration system with reliable and comprehensive record keeping system for the concession contract to manage all documents and to provide control to contract reporting and effective document review control processes.</p>



ASSOCIATED PROTOCOLS:	<p>WHICH PROTOCOLS ARE ASSOCIATED WITH THIS SOP?</p> <ol style="list-style-type: none"> <li>1. The contract administration and management SOP is associated with the following protocols: <ul style="list-style-type: none"> <li>• managing changes to the contract,</li> <li>• maintaining contract related documents,</li> <li>• addressing contract disputes,</li> <li>• and close out activities.</li> </ul> </li> <li>2. Overall, effective contract administration and management involves a combination of these protocols, as well as effective communication and collaboration among all parties involved in the contract.</li> <li>3. Negotiations on contract amendments for continuous improvement can be expedited as both the concessionaire and IDM will have a better understanding of the issues and good knowledge of the subject matter.</li> </ol>
ACTIVITY OUTPUT:	<p>WHAT IS THE INTENDED OUTPUT OF THIS SOP?</p> <p>This is intended to provide a robust administrative system for maintenance of all records relating to the concession contract and ensure service delivery conforms to the quality standards specified in the concession agreement.</p> <p>For IDM to recognise a stronger sense of ownership of the concession.</p>
ROLES AND RESPONSIBILITIES:	<p>WHICH PARTY IS RESPONSIBLE FOR WHICH PROTOCOL/ACTIVITY?</p> <p>Contract Management ensures that the terms and conditions of the contract are adhered to on a regular basis and breach of the contract and actions to be taken are reported to Project Management Steering Committee.</p> <p>Project is completed once a Close-Out Report is presented and accepted by the Project Management Steering Committee (PMSC). Contract Management closes the file and records it in the contract register as work completed.</p>
TIMING/FREQUENCY:	<p>HOW OFTEN SHOULD THE PROCESS OUTLINED ABOVE BE IMPLEMENTED?</p> <p>Record management and the capturing of information on the contract register should be done on a regular basis.</p> <p>Contract Management notifies the concessionaire of the expiration of the contract (termination letter) timeously within a minimum of six (6) months prior to the expiry date of the concession contract.</p>

APPLICABLE DOCUMENTS:	<p>THE RELEVANT GUIDING LEGISLATION, DOCUMENT, CONTRACTUAL CLAUSE, OR MUNICIPAL POLICY/BYLAWS THAT GOVERN THIS ACTIVITY</p> <p>The water and sanitation concession agreement entered by IDM &amp; Siza Water does regulate IDM to collect information in respect of the nature, operation, and viability of the supply of water services and the works. This is within clause 62 (sixty-two) of the concession agreement.</p>
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## 4 COMMUNICATION MANAGEMENT

STANDARD OPERATING PROCEDURE FOR CONTRACT MANAGEMENT PROCESS:	
OBJECTIVES:	<p>WHICH ASPECT OF CONTRACT MANAGEMENT IS THIS SOP ADDRESSING?</p> <p>This SOP addresses the management of communication in terms of the concession contract.</p> <p>Provides for improved communication to ensure that IDM are responsive to reporting submissions and queries from the concessionaire. This will assist in eliminating the risks of miscommunication.</p>
FUNCTIONAL PROCESS/ ACTIVITY:	<p>WHAT ARE THE ASSOCIATED ACTIVITIES?</p> <ol style="list-style-type: none"> <li>1. Normal day-to-day discussions and interactions between the concessionaire and Ilembe District Municipality.</li> <li>2. Organize and conduct formal technical meetings at pre-determined intervals with nominated personal from both parties the concessionaire and IDM for dealing with the planning, execution of monitoring and reporting.</li> <li>3. Arrange internal review meetings by IDM to discuss reports and plan feedback to the concessionaire.</li> </ol> <p>WHAT NEEDS TO BE DONE FOR THIS SOP TO BE IMPLEMENTED?</p> <p>Establishing a structure for communication between IDM and the concessionaire. This requires relationships at various levels of both parties from the more senior levels (if dealing with emerging problems with the concession contract), through those primarily responsible for contract management, to the day-to-day operational staff. Develop a well-defined communication plan.</p>
ASSOCIATED PROTOCOLS:	<p>WHICH PROTOCOLS ARE ASSOCIATED WITH THIS SOP?</p> <p>This SOP is associated with the processes of initiating communication management including establishing the project team, identifying key stakeholders, and setting up communication and reporting procedures.</p> <p>There must be regular standing meetings between the parties to deal with the planning and execution of monitoring and reporting, especially with regards to technical compliance. To improve regular contact between the parties (IDM and the concessionaire) as this will foster a good working relationship.</p> <p>It is important that formal channels of communication are established at all levels of the relationship between Ilembe and the concession, from the strategic level to the operational level. This will ensure that problems are identified and dealt with at the appropriate level before being escalated to higher levels. In this regard, the communication plan will eliminate risks of miscommunication. It will also establish accountability and transparency in the concession contract.</p>

ACTIVITY OUTPUT:	<p>WHAT IS THE INTENDED OUTPUT OF THIS SOP?</p> <p>Relationship management, for ensuring a positive working relationship between the parties and providing for effective communication processes, sharing of skills and resources and dispute resolution.</p> <p>To ensure that problems relating to the concession are identified and dealt with at the appropriate level before being escalated to higher levels.</p>
ROLES AND RESPONSIBILITIES:	<p>WHICH PARTY IS RESPONSIBLE FOR WHICH PROTOCOL/ACTIVITY?</p> <p>The Contract Manager is responsible for liaising with the concessionaire to establish a communication structure.</p> <p>The IDM technical team are responsible for conducting internal meetings.</p> <p>Regular meetings with the concessionaire should be attended by IDM technical monitoring team.</p>
TIMING/FREQUENCY:	<p>HOW OFTEN SHOULD THE PROCESS OUTLINED ABOVE BE IMPLEMENTED?</p> <ol style="list-style-type: none"> <li>1. Receive and answer queries within 14 (fourteen) days from the Concessionaire regarding any aspect of the concession area or the regulation of the supply of water services.</li> <li>2. Issue decisions within a maximum period of 5 (five) days concerning requests for authorization presented by the Concessionaire with a view to eliminating breaches committed by Customers that may result in the pollution of a watercourse or the natural water source or prejudice the supply of Water Services and/or the Works, operated by the Concessionaire.</li> <li>3. Conduct internal meetings on a quarterly and annual basis in review of the concession quarterly reports, annual service level reports, five-year plan, and situation reports.</li> </ol>
APPLICABLE DOCUMENTS:	<p>THE RELEVANT GUIDING LEGISLATION, DOCUMENT, CONTRACTUAL CLAUSE, OR MUNICIPAL POLICY/BYLAWS THAT GOVERNS THIS ACTIVITY</p> <p>The water and sanitation concession agreement entered by IDM &amp; Siza Water concession agreement does regulate IDM to co-operate with the concessionaire to facilitate implementation of the contract and in exercising its powers of monitoring, inspection and regulation in a reasonable manner having regard to especially the rights and interests of Customers. This is respect of clause 62.7 of the concession agreement.</p>

## 5 TECHNICAL PERFORMANCE MANAGEMENT

OBJECTIVES:	<p>WHICH ASPECT OF CONTRACT MANAGEMENT IS THIS SOP ADDRESSING?</p> <p>This SOP addresses the management of the technical performance of the concessionaire in terms of the concession contract.</p> <p>This also addresses aspects to be considered in assessing the operating performance from a technical standpoint, to assess the technical and operational compliance of the concessionaire.</p> <p>To monitor and assess the implementation of the concession agreement including the performance of the concessionaire.</p>
FUNCTIONAL PROCESS/ ACTIVITY:	<p>WHAT ARE THE ASSOCIATED ACTIVITIES?</p> <ol style="list-style-type: none"> <li>1. Review of reports submitted by the concessionaire (quarterly concession reports, annual service reports, five-year plan, and situation reports).</li> <li>2. Certification of all planning, design, and construction work in accordance with the standards (audit testing procedures of the concessionaire and take samples of material for independent testing, inspect the workmanship at any time. Report any deviations from the standards to the concessionaire for corrective actions.</li> <li>3. Monitor the provision and conditions in respect to the supply of water services. Reviewing the performance of the concessionaire against its performance targets for the five-year term under review and its compliance with, the standards for water quality, sewage treatment, service interruptions, response times, customer satisfaction, maintenance processes and control of unaccounted for water.</li> <li>4. Arrangement of technical meetings between IDM and the concessionaire</li> <li>5. Conduct customer surveys for independent verification of customer satisfaction of service delivery, service interruptions and response times.</li> </ol> <p>WHAT NEEDS TO BE DONE FOR THIS SOP TO BE IMPLEMENTED?</p> <ol style="list-style-type: none"> <li>1. Provide continuous technical monitoring of the concession including random water quality samples, pressure tests and inspections of installations. This will assist in verifying the reports provided by the concessionaire by (identifying problems, making decisions, and providing feedback to the concessionaire).</li> <li>2. Appoint a registered professional engineer to act as a technical auditor to certify technical provisions of the contract.</li> </ol>

	<ol style="list-style-type: none"> <li>3. Conduct physical inspections of the works facilities and observing operations to monitor compliance.</li> <li>4. Set up regular technical meetings with the concessionaire to keep being informed on the on-going technical aspects of the concession.</li> <li>5. Provide a mechanism for monitoring customer satisfaction to ensure the end-user experience of service delivery.</li> </ol>
ASSOCIATED PROTOCOLS:	<p>WHICH PROTOCOLS ARE ASSOCIATED WITH THIS SOP?</p> <p>The technical performance management SOP is associated with the contract monitoring obligation as required by the concession agreement and legislation.</p> <p>This is also associated with the concession reporting requirements of the concession agreement. The overarching obligation of IDM, in terms of the concession agreement and the law is to supervise the concessionaire and monitor its activities towards water service delivery.</p> <p>This is also associated with contract monitoring which will keep the concessionaire effective in the service delivery because potential problems are identified and resolved early. Technical monitoring in review of the performance of the concessionaire against its performance target for the five-year term under review and its compliance with the standards for water quality, sewage treatment, services interruptions, response times, customer satisfaction, maintenance processes and control of unaccounted for water.</p>
ACTIVITY OUTPUT:	<p>WHAT IS THE INTENDED OUTPUT OF THIS SOP?</p> <p>To ensure service delivery management is achieved, which through regulation focuses on monitoring and ensuring the actual delivery of services according to the quality and performance specifications.</p>
ROLES AND RESPONSIBILITIES:	<p>WHICH PARTY IS RESPONSIBLE FOR WHICH PROTOCOL/ACTIVITY?</p> <p>Most of the activities will be initiated from the concessionaire. It will be their responsibility to provide for the information.</p> <p>Once this information is obtained, it will then be the responsibility of the IDM, in conjunction with relevant stakeholders to ensure that the information is discussed, and addressed with the concessionaire, and internally to ensure that the principles set out are achieved.</p>

TIMING/FREQUENCY:	<p>HOW OFTEN SHOULD THE PROCESS OUTLINED ABOVE BE IMPLEMENTED?</p> <ol style="list-style-type: none"> <li>1. Reports are reviewed as received on a quarterly and annually basis and every five years for the five-year plans and situation report.</li> <li>2. Certification of all planning, design, and construction work in accordance with the standards should be carried out on a continuous basis throughout the remaining duration of the concession contract.</li> <li>3. Physical inspections should be both on a regular and ad-hoc basis.</li> <li>4. Technical meetings can be at regular intervals and the frequency must be agreed by both parties (Concessionaire and IDM)</li> </ol>
APPLICABLE DOCUMENTS:	<p>THE RELEVANT GUIDING LEGISLATION, DOCUMENT, CONTRACTUAL CLAUSE, OR MUNICIPAL POLICY/BYLAWS THAT GOVERNS THIS ACTIVITY</p> <p>The following water and sanitation concession agreement entered by IDM &amp; Siza Water clauses governs the activities:</p> <ul style="list-style-type: none"> <li>• Clause 60 (sixty) and clause 62 (sixty-two)</li> <li>• Annexure B3, section 1.2</li> </ul> <p>Contract monitoring is also a legal requirement in terms of the Water Service Act.</p>