Initiatives to Improve Revenue Collection in Municipalities

Presentation to the Portfolio Committee on Public Service and Administration by Ms Lindiwe Msengana-Ndlela
Director-General: dplg

Wednesday, 6th September 2006, Cape Town
Five-Year Strategic Agenda for Local Government (KPAs)

- Municipal Transformation and Organizational Development
- Basic Service Delivery
- Local Economic Development
- Municipal Financial Viability and Management
- Good Governance and Public Participation
Local Government Fiscal Framework

### Sources:
- **Own Revenue**: Service Charges, Tariffs, Rates and Taxes
- **Grants/Transfers**: National Government
- **Donors**: Foreign Governments
- **Short-Term Loans**: Financial Institutions
- **Long-Term Loans**: Financial Institutions

### Uses:
- **Own Revenue**: Water, Electricity, Transportation, Social services, Public safety, Environment, General administration, Recreation, Sanitation, Interest on general debt
- **Grants/Transfers**: Typically used to support poor households and to address infrastructure backlogs and demands
- **Donors**: Typically project specific and focus on capacity building
- **Short-Term Loans**: Bridge financing, Overdraft facilities, Some capital expenditures
- **Long-Term Loans**: Long-term infrastructure and capital expenditures
Revenue Collection Continuum

**Infrastructure**
- Are there functioning meters?
- Has the utility of the meters been adequately communicated to communities?

**Processes**
- Are the functioning meters being read accurately and regularly?
- Is data from the meters regularly and accurately inputted into the billing system?
- Are households accurately categorized and tariffs correctly charged?

**System**
- Does the municipality have an information management system that can cater for all its process?
- Does the information management system have the flexibility to organize and produce information and enables political leadership to better serve them?
- Does the information management system enable effective financial planning and forecasting?
- Is there adequate and appropriate investment in the workers in order to enhance their performance?
- Is there constant communication with communities about the use and management of public resources?

**Public Education & Communication**
- How are obviously wrong accounts addressed? Are corrections immediately inputted into the system?
- Is there sufficient authority on the floor?
- Is the staff courteous? How is this managed and maintained?

**Customer Relations & Dispute Resolution Mechanisms**
- How are customers handled? Are customers differentiated?
- Are there adequate payment facilities? [Number of facilities; layout of facilities; staffing at facilities; work hours etc.]
- How are obviously wrong accounts addressed? Are corrections immediately inputted into the system?
- Is there sufficient authority on the floor?
- Is the staff courteous? How is this managed and maintained?

**Intended Outcomes**
- Thorough assessment of the effectiveness and efficiency of current processes
- Costed recommendations and implementation plans for more effective and efficient processes
- Modification to existing billing systems to accommodate new processes and associated management information requirements
The Services Payment Cycle

Community involvement in planning and prioritisation of services
- Integrated Development Plans
- Ward Committees
- Financial Planning
- Indigent Policies
- Free Basic Services

Voluntary payment for services

Reliable provision of quality Services
- Performance Management
- Infrastructure development
- Community engagement
- Infrastructure and Service Maintenance
# Target Municipalities

<table>
<thead>
<tr>
<th>Target Municipalities</th>
<th>Population</th>
<th>No. of Households</th>
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<tbody>
<tr>
<td>Mafikeng Local Municipality (NW)</td>
<td>259,478</td>
<td>64,674</td>
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<tr>
<td>Makhuduthamanga Local Municipality (LP)</td>
<td>262,903</td>
<td>53,156</td>
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<tr>
<td>Matjhabeng Local Municipality (FS)</td>
<td>408,170</td>
<td>120,288</td>
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<tr>
<td>City of Johannesburg (GP)</td>
<td>3,225,812</td>
<td>1,006,931</td>
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<tr>
<td>Tsantsabane Local Municipality (NC)</td>
<td>31,013</td>
<td>7,227</td>
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<tr>
<td>Greater Kokstad Local Municipality (KZN)</td>
<td>56,528</td>
<td>19,625</td>
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<td>Umngeni Local Municipality (KZN)</td>
<td>73,896</td>
<td>20,488</td>
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<td>Dr. J S Moroka Local Municipality (MP)</td>
<td>243,313</td>
<td>53,582</td>
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<td>Cederberg Local Municipality (WC)</td>
<td>39,326</td>
<td>10,366</td>
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<tr>
<td>Nelson Mandela Metropolitan Municipality (EC)</td>
<td>1,005,778</td>
<td>260,799</td>
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<td>Buffalo City Local Municipality (EC)</td>
<td>701,890</td>
<td>191,046</td>
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<tr>
<td>Moretele Local Municipality (NW)</td>
<td>177,905</td>
<td>43,008</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>6,486,012</strong></td>
<td><strong>1,851,190</strong></td>
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Focus of Programmes of Action

• **Improve the public and market confidence in our system of governance**
  - Paying particular attention to issues that have irritated the public and eroded the confidence in the municipality

• **Improve the financial and economic viability of municipalities**
  - Paying particular attention to levers and considerations that will enhance the financial and economic viability of the municipality

• **Improve operating and organisational systems**
  - Paying particular attention to improving the sense of accountability and performance in the municipality
Nelson Mandela Metropolitan Municipality

Public Confidence Initiatives
• Replace 90 hand-held meter reading devices
• Replace 45,000 non-compliant meters
• Consolidate customer care help line
• Improve indigent registration
• Outsourcing of meter reading
• Improve customer care management

Financial and Economic Viability Initiatives
• Update customer database
• Address water losses (30%)  
• Audit water and electricity meters

Organisational Systems Initiatives
• Formalised training through the University of Port Elizabeth
• Upgrade of billing system
• Update GIS system
• Reengineer meter reading operation

Collection Rate June 2005: 90%
Collection Rate June 2006: 96%
Mafikeng Local Municipality

Public Confidence Initiatives
- Establish customer care centre
- Develop service reliability programme
- Improve Community engagement through Ward Committees

Financial and Economic Viability Initiatives
- Upgrade financial management system
- Increase revenue collection by R60 million by eliminating government arrears
- Address water losses (40%)
- Conduct economic profile of municipality
- Convert consumption metering system to prepaid metering

Organisational Systems Initiatives
- Introduce and implement Performance Management System for senior managers in Finance Department
- Upgrade of billing system
- Update GIS system
- Staff training for preparation of annual financial statements and budget development and execution management

Collection Rate June 2005: 70%
Collection Rate June 2006: 92%
Unaccounted Communities

Mafikeng Local Municipality

Unaccounted Communities
Moretele Local Municipality

Public Confidence Initiatives
- Upgrade prepaid electricity system
- Rehabilitation of Rates Hall
- Community engagement through Ward Committees
- Skills training for customer care
- Improved indigent registration

Financial and Economic Viability Initiatives
- Update customer database
- Address water losses (45%)
- Remote meter reading for bulk users

Organisational Systems Initiatives
- ICT system integration
- Upgrade of billing system
- Update GIS system
- Reengineer meter reading operation

Collection Rate June 2005: 0%
Collection Rate June 2006: 21%
Makhuduthamaga Local Municipality

Public Confidence Initiatives
- Improve effectiveness of ward committees
- Improve indigent registration
- Improve community communication
- Provision of refuse bins for new refuse collection programme
- Provide street and high mast lighting in areas with high crime

Financial and Economic Viability Initiatives
- Develop revenue raising strategy
- Develop credit control policy
- Compilation of valuation roll
- Establish consumption metering operation
- Develop comprehensive infrastructure development plan
- Develop LED Strategy
- Develop Spatial Development Strategy

Organisational Systems Initiatives
- Upgrade of billing system
- Develop GIS system
- Implement PMS for Section 57 managers
- Establish internal audit function and oversight committee

Collection Rate June 2005: 5%
Collection Rate June 2006: 16%
Matjhabeng Local Municipality

Public Confidence Initiatives
- Improved meter reading operations
- Improved community engagement
- Convert pay points to customer care centres
- Improve quality of customer database
- Write off of interest accrued on municipal debt

Financial and Economic Viability Initiatives
- Establish credit control unit
- Recover R18 million of municipal services debt
- Improved management of commercial customers
- Address water losses (40%)
- Audit water and electricity meters
- Reconciliation of financial statements

Organisational Systems Initiatives
- Develop PMS for Finance Department
- Reengineering of Finance Department
- Address audit queries from OAG
- Performance management of service providers
- Staff training in accounting and customer care

Collection Rate June 2005: 53%
Collection Rate June 2006: 62%
Public Confidence Initiatives
• Make Joburg Connect a share-call or toll free number
• Improve functionality of customer care centres

Financial and Economic Viability Initiatives
• Address the refunds backlog and improve refunds processing

Organisational Systems Initiatives
• Develop and roll out training for Revenue Department
• Address backlogs in the opening and closing of customer accounts

Collection Rate June 2005: 87%
Collection Rate June 2006: 95%
Tsantsabane Local Municipality

Public Confidence Initiatives
• Provide Free Basic Services to 860 households not receiving any services
• Roll-out of Free Basic Electricity throughout municipality
• Improve community engagement strategy
• Upgrade sanitation system to waterborne system

Financial and Economic Viability Initiatives
• Conduct economic profile of municipality
• Improve customer database
• Review and implement credit control policy
• Develop comprehensive infrastructure development plan

Organisational Systems Initiatives
• Upgrade of billing system
• Update GIS system
• Reduce overtime usage
• Purchase service delivery equipment

• Collection Rate June 2005: 53%
• Collection Rate June 2006: 94%
Greater Kokstad Local Municipality

Public Confidence Initiatives
• Upgrade prepaid electricity infrastructure
• Upgrade of storm water drainage
• Implement Customer Relations Management System
• Improve community communication

Financial and Economic Viability Initiatives
• Update customer database
• Address water and electricity losses
• Implement LED Strategy
• Implement credit control policy
• Develop comprehensive integrated development programme

Organisational Systems Initiatives
• Upgrade of billing system
• Implement Human Resources Management Strategy
• Upgrade ICT infrastructure
• Introduce GIS system
• Reengineer and strengthen Finance Department
• Implement Performance Management System

Collection Rate June 2005: 60%
Collection Rate June 2006: 90%
uMngeni Local Municipality

Public Confidence Initiatives
- Improve community engagement
- Roll-out of Free Basic Electricity in Eskom-customer areas
- Upgrading of existing and establish new service centres

Financial and Economic Viability Initiatives
- Update valuation roll
- Address water losses (30%)
- Improve meter reading operations
- Implement credit control and debt management

Organisational Systems Initiatives
- Onsite support and staff training for ICT system
- Implement PMS in Finance Department

Collection Rate June 2005: 60%
Collection Rate June 2006: 94%
Dr J S Moroka Local Municipality

Public Confidence Initiatives
- Implement Adopt-a-Ward Programme
- Implement community communication and education strategy
- Upgrade sanitation system
- Introduce refuse removal programme
- Install bulk water infrastructure
- Establish traffic control and management centre
- Reduce in-house water losses through community involvement
- Branding of municipality

Financial and Economic Viability Initiatives
- Update customer database
- Improve indigent registration
- Implement credit control policy
- Introduce consumption billing

Organisational Systems Initiatives
- Establish internal audit function
- Revisit organisational structure to improve effectiveness and incorporate water services function

Collection Rate June 2005: 8%
Collection Rate June 2006: 68%
Cederberg Local Municipality

Public Confidence Initiatives
• Upgrade prepaid electricity system
• Rehabilitation of Rates Hall
• Community engagement through Ward Committees
• Skills training for customer care
• Improved indigent registration

Financial and Economic Viability Initiatives
• Update customer database
• Address water losses (45%)
• Remote meter reading for bulk users

Organisational Systems Initiatives
• ICT system integration
• Upgrade of billing system
• Update GIS system
• Reengineer meter reading operation

Collection Rate June 2005: 64%
Collection Rate June 2006: 85%
Buffalo City Local Municipality

**Public Confidence Initiatives**
- Upgrade prepaid electricity system
- Rehabilitation of Rates Hall
- Community engagement through Ward Committees
- Skills training for customer care
- Improved indigent registration

**Financial and Economic Viability Initiatives**
- Update customer database
- Address water losses (45%)
- Remote meter reading for bulk users

**Organisational Systems Initiatives**
- ICT system integration
- Upgrade of billing system
- Update GIS system
- Reengineer meter reading operation

**Collection Rate June 2005: 91%**
**Collection Rate June 2006: 96%**
Registered Indigent Households in Ward 35
Debt Owed by Household in Ward 35
Water Consumption by Household in Ward 35

- Average Water consumptions
  - 1 - 5 kl
  - 6 - 10 kl
  - 10 - 25 kl
  - 25 - 40 kl
  - 40 kl and above
Property Value by Household in Ward 35
Average Payment by Household in Ward 35
Conclusion

• Revenue Collection can be improved – especially if focus is given to the full continuum

• Special attention must be given to knowing and understanding communities, providing reliable and quality services, and adequately responding to disputes

• New initiatives should seek to reinforce intent of existing legislation and support programmes

• Lessons and experiences from Project Consolidate will be framed and publicised for the benefit of other municipalities

• Strong need for continued practical hands-on support and ongoing monitoring and evaluation to enhance performance and accountability
Thank you!