

SARPA CONFERENCE – CAPE TOWN – 16 JULY 2009

INCREASING REVENUE IN MUNICIPALITIES –A RISK APPROACH

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PSU INTERNATIONAL

PUBLIC

SERVICES &

UTILITIES

PRACTICAL SOLUTIONS,
TANGIBLE RESULTS



FACTORS THAT IMPACT REVENUE

- TARIFF DETERMINATION
- ACCURACY AND COMPLETENESS OF INFORMATION
- CAPACITY (BOTH INTERNAL AND EXTERNAL)
- LEGISLATION
- CONSUMER BEHAVIOUR
- INTEGRATION OF INTERNAL PROCESSES

WHAT IS CURRENTLY HAPPENING WITHIN MUNICIPALITIES?

- HOW ACCURATE IS THE INFORMATION ON THE BILLING SYSTEM?
- ARE ALL THE PROCESSES WITHIN THE MUNICIPALITY EFFECTIVELY INTEGRATED?
- DOES THE MUNICIPALITY BILL EACH CUSTOMER ON TIME EVERY TIME
- DOES THE MUNICIPALITY BILL ALL CUSTOMERS EVERY TIME
- DOES THE CUSTOMER RECEIVE THE BILL ON TIME?
- DOES THE CUSTOMER UNDERSTAND THE IMPACT OF NOT PAYING THE BILL ON TIME?
- HOW MUCH IMPROVEMENT IS ACHIEVED THROUGH NORMAL CREDIT CONTROL AND DEBT COLLECTION PROCESSES?

DATA INTEGRITY IS CORNERSTONE OF SUSTAINABLE LOCAL AUTHORITY

Completeness of data

Accuracy of data

Maintenance of data

Integration of internal processes



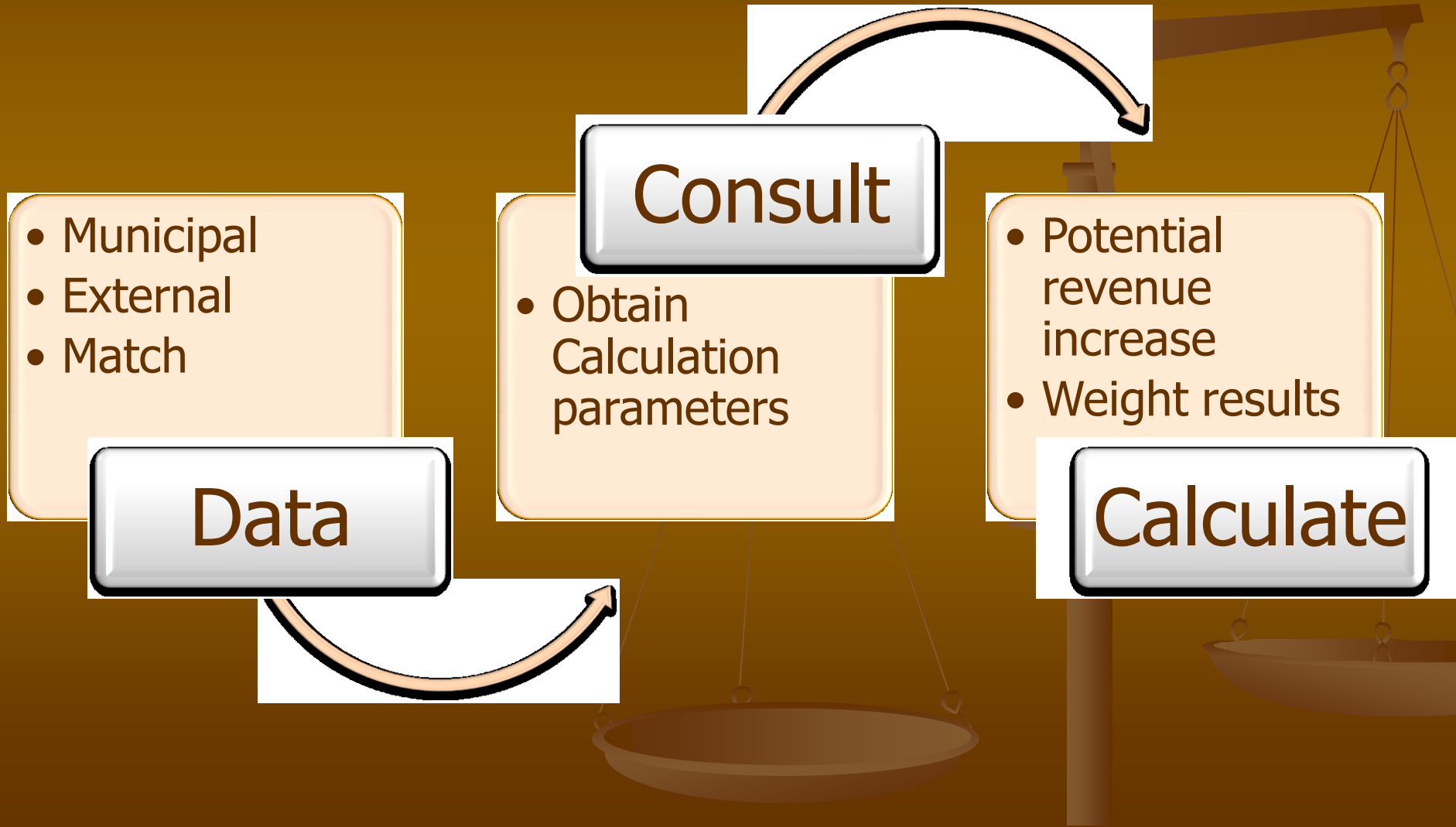
RISK APPROACH – THE BASIC PREMISE

- AT LEAST 10% OF REVENUE IS NOT BEING BILLED DUE TO INCOMPLETE AND INACCURATE DATA
- APPROXIMATELY 51% OF CUSTOMERS ON BILLING SYSTEMS DO NOT HAVE ID NUMBERS
- A SIGNIFICANT NUMBER OF CUSTOMERS HAVE INCORRECT OR NO ADDRESS INFORMATION ON THE BILLING SYSTEMS
- 50% OF HOUSING DEBT INCORRECTLY CLASSIFIED AS GOVERNMENT DEBT
- SIGNIFICANT AMOUNT OF GOVERNMENT DEBT BILLED TO INCORRECT DEPARTMENTS
- INCORRECT APPLICATION OF TARIFFS DUE TO MIS-CLASSIFICATION OF DEBTORS
- DEVOLUTION OF PROPERTIES NOT UPDATED ON BILLING SYSTEMS

RISK APPROACH – THE PROCESS

- ANALYSIS OF ACCURACY OF ACCOUNT INFORMATION (USING VARIOUS SOURCES, BOTH INTERNALLY AND EXTERNALLY)
- COVERAGE OF BILLING IN RELATION TO NUMBER OF PROPERTIES WITHIN THE JURISDICTION OF THE MUNICIPALITY
- ASSESSMENT OF COVERAGE OF PROPERTIES IN RELATION TO PROVISION OF METERED SERVICES
- ASSESSMENT OF PAYMENT IN RELATION TO BILLING
- A DEBT ANALYSIS BY DEBTOR TYPE, SERVICE , AGEING, ETC
- CONSUMPTION OF SERVICES AS IT RELATES TO BILLING AND PAYMENT
- ASSESSMENT OF ACCURACY OF TARIFFS APPLIED TO BILLING

Methodology



CASE STUDY – A LOCAL MUNICIPALITY

Service	Billing	Increase	Increase %
Rates	R 3 621 752	R 219 057	10.08%
Refuse	R 405 110	R 20 480	8.43%
Water	R 1 138 798	R 143 507	21.0%
Sewer	R 390 818	R 19 011	8.11%
Total (per month)	R 5 556 478	R 402 055	12.06%
Total (annualised)	R66,677,738	R8,041,109	12.06%

BENEFITS OF RISK APPROACH

- GAURANTEED RESULTS IN RESPECT OF IMPROVED REVENUE
- INTEGRATION OF ALL INTERNAL PROCESSES
- IMPROVEMENT IN COMPLETENESS AND ACCURACY OF DATA
- PARTICIPATION FROM OFFICIALS
- SKILLS TRANSFER
- SUSTAINABLE SOLUTION
- CONSUMER EDUCATION
- EFFECTIVE MONITORING
- EXIT STRATEGY