

INSTITUTE OF MUNICIPAL FINANCE OFFICERS



SARPA CONVENTION 2012

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HOSTED BY DRAKENSTEIN
MUNICIPALITY



REVENUE COLLECTION AND ENHANCEMENT STRATEGIES AND METHODOLOGIES

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Role Players in Credit Control in a Municipality

- The Municipal Council
- The Executive Mayor
- The Municipal Manager
- Communities, Ratepayers and Residents
- Ward Councillors

If all of the role players do not participate fully credit control cannot succeed.



The role of the Council

- To impose rates and taxes
- To approve the budget
- To provide funds for the poor
- To provide a bad debt provision
- To provide a policy framework for CC and DC
- To approve by laws to effect council policy
- To monitor the mayor i.t.o. of CC and DC



Role of Council (Continued)

- To revise budgets if income is too low
- To take action against clrs. and officials and agents that do not perform.
- To approve a list of debt collectors.
- To delegate the authorities to implement CC and DC to the Mayor, MM, service providers.



Role of Council continued

- To provide sufficient capacity in the finance dept for CC and DC or to appoint a service provider to do the function
- To assist MM to execute his duties.
- To provide funds for the training of staff.



Duties of the Mayor

- To ensure Councils budget, cash flow targets, for DC and CC are met and executed i.t.o. Council policy and by laws.
- To monitor performance of MM in implementing policies and by laws in CC DC
- To review and evaluate policies and by laws and to report to council.



Duties of the Municipal Manager

- To implement customer management systems.
- To implement Councils CC and DC Policy
- To maintain a proper accounting system
- To bill customers timeously
- To demand payments on due dates.
- To raise penalties for late payment
- To implement the credit control process promptly



Duties of the Municipal Manager (Cont.)

- To appropriate payments received.
- To collect outstanding debt
- To provide different payment methods
- To determine CC and DC Measures
- To determine all work procedures-disconnections, legal procedures.
- To instruct attorneys to proceed if necessary.



Duties of the Municipal Manager (Cont.)

- To set performance targets for staff
- To appoint staff to execute council policies and by laws according to council staff policy.
- To delegate certain functions to heads of departments.
- To determine control procedures



Duties of the Municipal Manager (Cont.)

- To monitor contracts with service providers regarding CC and DC.
- To report to the Mayor



Duties of Communities

Ratepayers and Residents

- To fulfil responsibilities brought about by the privilege to enjoy or right to use public facilities and municipal services.
- To pay service fees, rates and other taxes and duties imposed by the municipality.
- To observe the mechanisms and processes of the municipality exercising their rights i.e consolidation of municipal accounts



Duties of Communities Ratepayers and Residents

- To allow municipal officials access to their property to carry out municipal functions at times as mutually agreed upon.
- To comply with the by laws and other legislation of the municipality.
- To refrain from tampering with municipal services and property



Duties of Ward Councillors

- To hold regular ward meetings
- To adhere to and convey council policies to communities, residents and ratepayers.
- To adhere to the code of conduct for councillors.
- Ward committees will act in terms of roles and functions and by laws as approved by Council.



MUNICIPAL SERVICES

- GENERAL DUTY OF MUNICIPALITIES TO PROVIDE SERVICES
SECTION 73 OF THE CONSTITUTION
- SERVICES MUST BE EQUITABLE AND ACCESSIBLE AND EFFICIENT USE OF AVAILABLE RESOURCES TO IMPROVE STANDARDS OVER TIME
- SERVICES MUST BE PROVIDED IN A MANNER THAT IS FINANCIALLY AND ENVIRONMENTALLY SUSTAINABLE
- RENDERING OF SERVICES MUST BE REGULARLY REVIEWED TO UPGRADE EXTEND OR IMPROVE SUCH SERVICES



SERVICE TARIFFS

- ➡ A MUNICIPALITY MUST ADOPT AND IMPLEMENT A TARIFF POLICY TO ADDRESS THE FOLLOWING:
- ➡ THE EQUITABLE TREATMENT OF ALL USERS OF THE SERVICES.
- ➡ PROPORTIONALITY BETWEEN THE USE OF THE SERVICE AND THE AMOUNT PAID
- ➡ PROVIDE ACCESS TO POOR HOUSEHOLDS
- ➡ TARIFFS SHOULD REFLECT COSTS ASSOCIATED WITH THE RENDERING OF SERVICES
(CAPITAL, OPERATING, MAINTENANCE, ADMIN, REPLACEMENT COSTS, INTEREST CHARGES)



SERVICE TARIFFS CONTINUED

- FINANCIAL SUSTAINABILITY OF SERVICES SHOULD BE STRIVEN FOR (INCLUDING EQUITABLE SHARE)
- SURCHARGES MAY BE PROVIDED FOR
- LED CAN BE PROMOTED THROUGH SPECIAL TARIFFS (eg. DISCOUNT INCENTIVES TO LARGE CONSUMERS)
- ECONOMIC EFFECTIVE EFFICIENT USE OF RESOURCES
- FULL DISCLOSURE OF THE EXTENT OF SUBSIDIES TO POOR HOUSEHOLDS.
- TARIFF POLICY CAN DIFFERENTIATE BETWEEN DIFFERENT USERS AS LONG AS IT DOES NOT AMOUNT TO UNFAIR DISCRIMINATION.



BY LAWS

- MUNICIPALITIES ARE OBLIGED TO ADOPT BY LAWS TO GIVE EFFECT TO THEIR TARIFF POLICIES – SECTION 75 OF THE CONSTITUTION
- THE LEVYING, RECOVERY OF FEES , CHARGES AND TARIFFS
- THE PROCEDURE FOR ADOPTING THE AFORESAID BY WAY OF A COUNCIL RESOLUTION, WITH A VOTE BY A MAJORITY OF MEMBERS IS PRESCRIBED (SECTION 75A WAS ADDED THROUGH ACT 51 OF 2002)
- THE MUNICIPALITY HAS THE RIGHT TO CONSOLIDATE BILLING. THIS IS PROVIDED FOR IN THE MUNICIPAL SYSTEMS ACT AND THIS RIGHT HAS BEEN SUCCESSFULLY DEFENDED IN COURT ON VARIOUS OCCASIONS.



PROVISION OF SERVICES

- SECTION 76 ENVISAGES 2 BROAD CATEGORIES, AN INTERNAL AND EXTERNAL MECHANISM FOR SERVICE DELIVERY.
- AN INTERNAL MECHANISM REFERS TO AN ORDINARY MUNICIPAL DEPARTMENT
- AN EXTERNAL MECHANISM REFERS TO:
 - A MUNICIPAL ENTITY
 - ANOTHER MUNICIPALITY
 - AN ORGAN OF STATE (WSC, LICENSED SERVICE PROVIDER, TRADITIONAL AUTHORITY
 - A CBO OR AN NGO



EXTERNAL MECHANISM CONTINUED

- ➡ ANY OTHER INSTITUTION, ENTITY OR PERSON LEGALLY COMPETENT TO OPERATE A BUSINESS ACTIVITY.



WHEN SHOULD A MUNICIPALITY REVIEW THE APPROPRIATENESS OF A SERVICE DELIVERY MECHANISM

- ✦ WHEN PREPARING ITS IDP
- ✦ WHEN NEW MUNICIPAL SERVICES ARE PROVIDED
- ✦ AN EXISTING SERVICE IS UPGRADED, EXTENDED OR IMPROVED
- ✦ A MUNICIPALITY IS RE STRUCTURED ITO THE MSA



CONTINUED

- WHEN REQUESTED BY THE LOCAL COMMUNITY(CHAPTER 4 MSA)
- WHEN INSTRUCTED BY THE PROVINCIAL EXECUTIVE S139(1)(A) CONSTITUTION



DECISION TO USE A SERVICE DELIVERY MECHANISM (S77 CONSTITUTION)

- ITO S78 THE FOLLOWING MUST BE CONSIDERED:
- DIRECT AND INDIRECT COSTS AND BENEFITS, PLUS THE EFFECTS ON THE ENVIRONMENT, HUMAN HEALTH WELL-BEING AND SAFETY
- THE MUNICIPALITY'S CAPACITY AND FUTURE CAPACITY TO FURNISH SKILLS EXPERTISE AND RESOURCES NECESSARY TO PROVIDE THE SERVICE INTERNALLY



CONTINUED

- COULD THE SERVICE BE PROVIDED INTERNALLY BY A RE-ORGANISATION OF THE ADMIN OR DEVELOPMENT OF THE HUMAN RESOURCES
- THE IMPACT ON DEVELOPMENT, JOB CREATION, AND EMPLOYMENT PATTERNS IN THE MUNICIPALITY
- THE VIEWS OF ORGANISED LABOUR (NOT APPROVAL OR CONSENT)



IF AN EXTERNAL SD MECHANISM IS DECIDED UPON

- GIVE NOTICE TO THE LOCAL COMMUNITY OF ITS INTENTION
- ASSESS THE DIFFERENT SERVICE DELIVERY OPTIONS

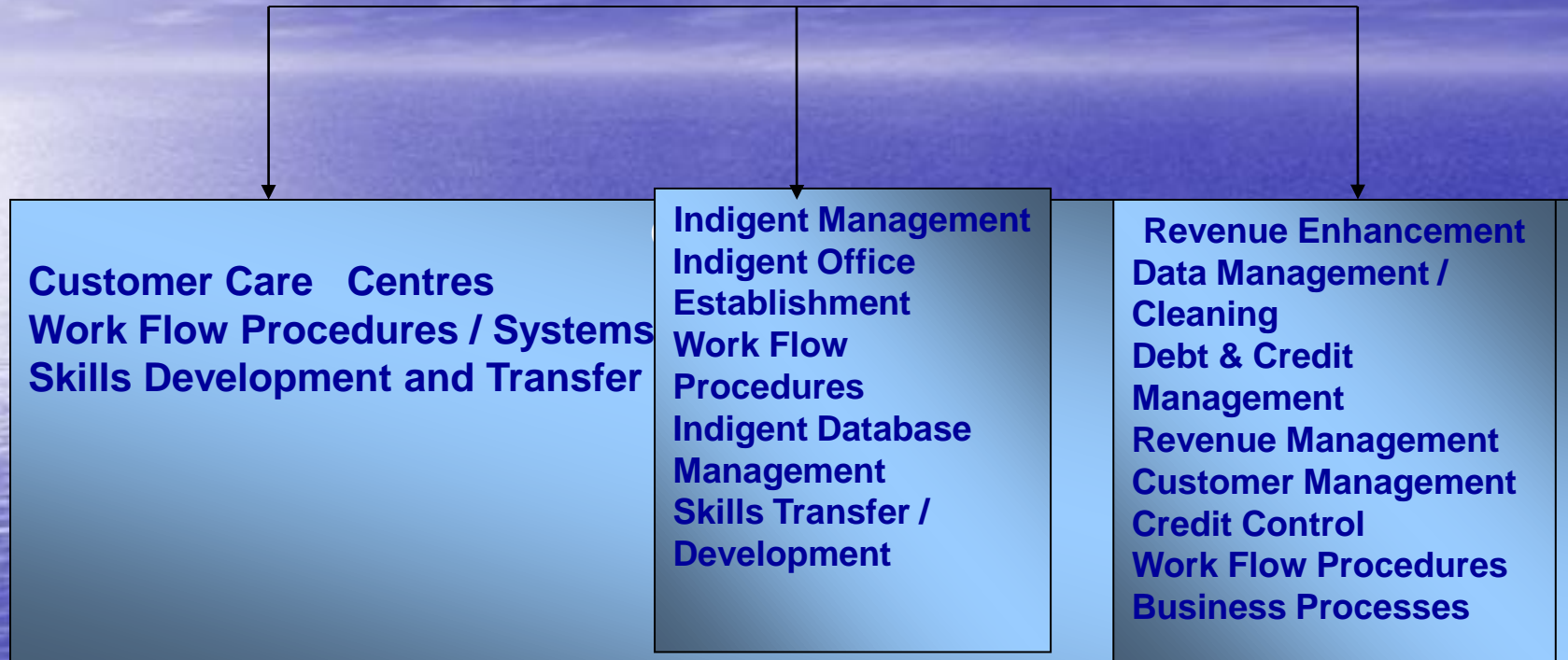


THE FOLLOWING SHOULD THEN BE TAKEN INTO ACCOUNT

- THE DIRECT AND INDIRECT COST BENEFITS
- THE CAPACITY OF THE SERVICE PROVIDER TO FURNISH THE SKILLS, EXPERTISE AND RESOURCES NECESSARY
- THE VIEWS OF THE LOCAL COMMUNITY
- IMPACT ON DEVELOPMENT AND EMPLOYMENT PATTERNS IN THE MUNICIPALITY
- VIEWS OF ORGANISED LABOUR (NOT APPROVAL OR CONSENT)



REVENUE MANAGEMENT

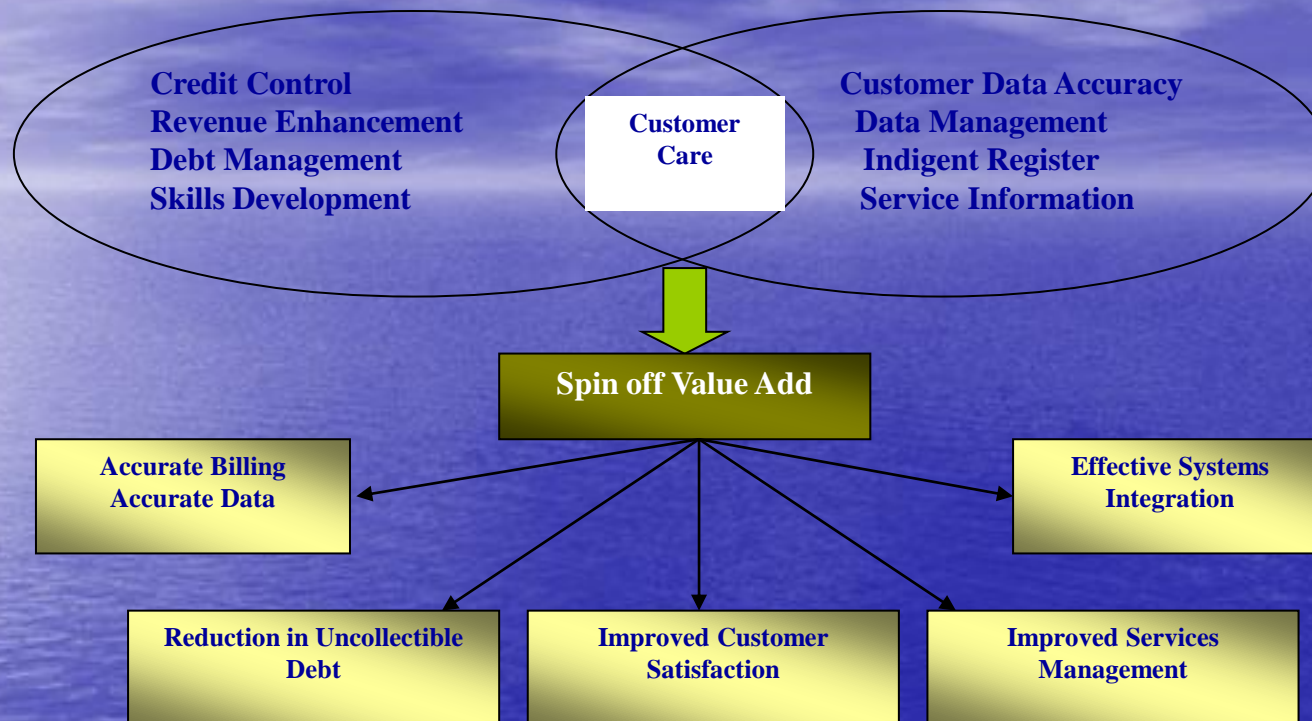


RECORDING OF TRANSACTION

- ALL TRANSACTIONS MUST BE COMPLETE
- ALL TRANSACTIONS MUST BE VALID
- ALL TRANSACTIONS MUST BE TIMOROUSLY RECORDED
- ALL TRANSACTIONS MUST BE AUTHORISED I.T.O. LEGISLATION.
- INSTITUTIONAL CAPACITY MUST BE TAKEN SERIOUSLY AND IMPLEMENTED EFFECTIVELY.



REVENUE ENHANCEMENT



IMPLEMENTATION METHODOLOGY

- **Diagnostic**
- **Strategic Approach**
- **Project Identification**
- **Project Plans maybe Out Sourced**
- **Project Management Options-Municipal or Outsourced Implementing Agent**
- **AT ALL TIMES THERE MUST BE STAKEHOLDER COMMUNICATION**



MUNICIPAL DIAGNOSTIC ANALYSIS

- ANALYSIS OF CUSTOMER INFO, DEBT BOOK AND DEBT AGE ANALYSIS
- REVENUE MANAGEMENT PROCESS ANALYSIS
FOCUSSING ON BILLING, CREDIT CONTROL, BUSINESS PROCESSES, WORKFLOW PROCEDURES AND SYSTEMS.
- THE STRATEGY AND PROJECT PLANS MUST BE PRIORITISED WITH THE REVENUE ENHANCEMENT GOALS OF THE MUNICIPALITY.
- STAKEHOLDER COMMUNICATION MUST BE ONGOING THROUGHOUT THE PROCESS TO ENSURE BUY IN.



Conclusion

- Thank You and enjoy the rest of the convention

