

MUNICIPAL REVENUE MANAGEMENT *Workshop*

STRATEGIC VIEW:
BUILDING A SUSTAINABLE REVENUE
MODEL

BY PEET DU PLESSIS
HEAD: REVENUE MANAGEMENT
eTHEKWINI Municipality

PROBLEM STATEMENT

Municipalities are facing severe financial constraints due to the:

- Slowdown in the economy both locally and globally,
- Strikes within all sectors of the economy,
- Increasing cost of delivery services,
- Increasing cost of maintaining assets;
- Increasing cost of improving and constructing assets of the municipality,
- Increasing cost of trading commodities,
- Poor culture of our payment from all consumers.

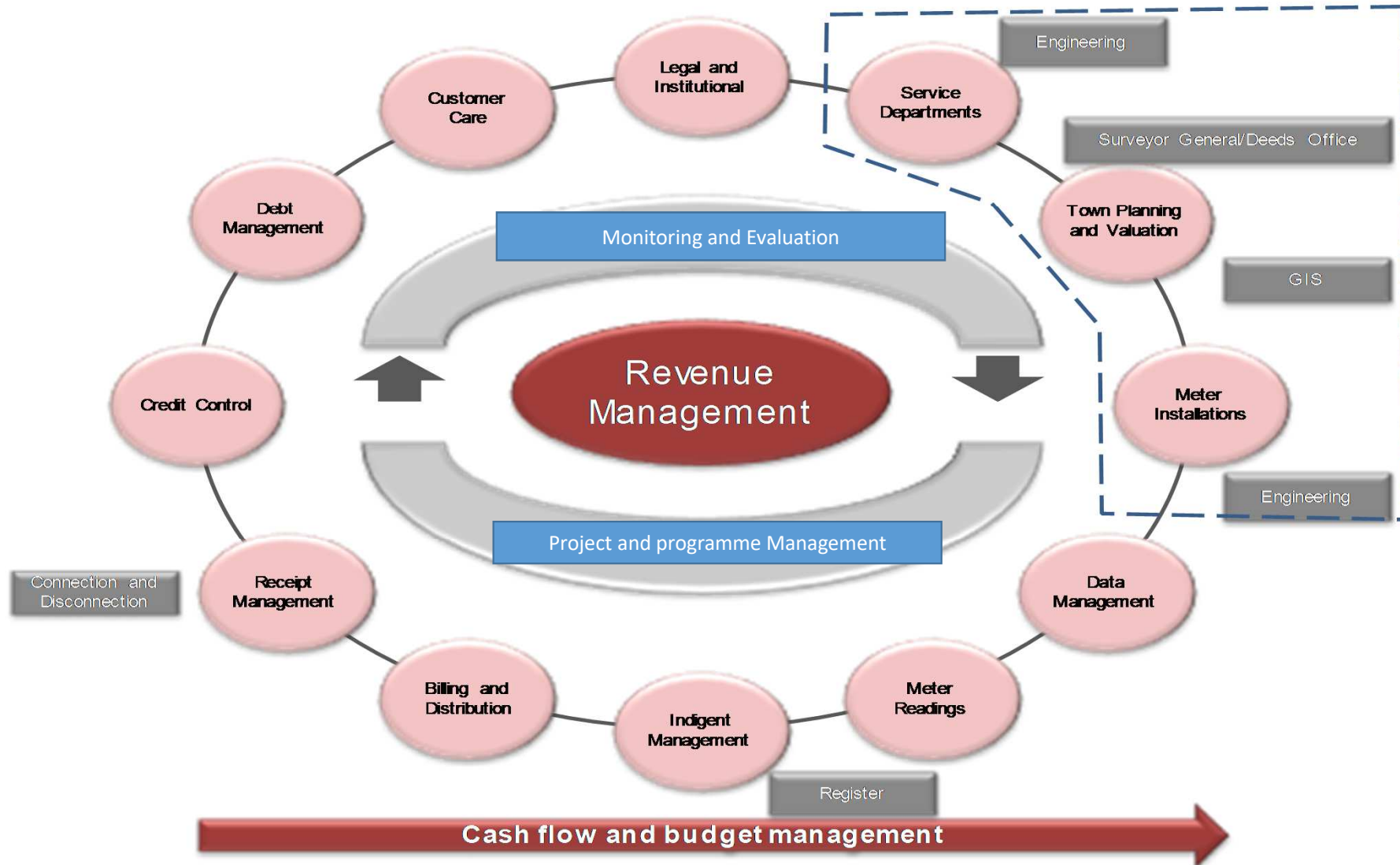
How do we improve Revenue to ensure the sustainability and viability of the municipality.

This is not a simple challenge but needs to be addressed from all angles – This paper endeavour to share some ideas

COMPLETENESS OF BILLING



Revenue Value Chain



PROPERTY AS DRIVER FOR BILLING

S118(3)

MSA determine charges for ***Municipal Services*** is a charge against property.

REVENUE VALUE CHAIN

- All property on Val roll
- All Services should be linked
- Right use/zone of property captured
- Correct tariff charged
- Exception reporting
 - No meter
 - No readings
 - Usage no payments
- Regular property inspection & Deeds office audits



PROPERTY IN 2004



Info Midvaal Municipality

PROPERTY IN 2010



The property when visit in 2010 by the Valuer and now with a Value of R3 320 000

METERED SERVICES

- Approved tariffs
 - Access to services including life line tariffs
- Meter audits
 - Conventional especially 3phase Electricity
 - CTs
 - Constant on billing system
 - Tampering
 - Illegal Connections
 - Location GPS coordinates
- Establish relationship with Magistrates' Court and Prosecutor to prosecute on theft
- Reconciliation of meters

BILLING

- Exception reports
 - Meter readings
 - Meters issued from stock not on billing system
 - Meters replaced but not removed from billing systems
- Meter inspections credit /Pre Paid
 - Electricity
 - Ct's
 - Constants of meter
 - Tampering
 - Water
 - Tampering with water flow devices
 - Bypass illegal connections

BILLING

- Adjustments
 - Exceptions reporting
 - Internal Control
 - Segregation of duties
 - Be Aware “Fraud & Corruption including Collusion”
- Over read Billing
- Printing and dispatching of Mail
- Consider electronic mail and or Cellphone
 - Cellphone Applications (APP)
- Check dormant accounts
- Check accounts with credit balances regularly

PROTECTING YOUR REVENUE BASE

LEGISLATIVE FRAMEWORK



Rules
of the
game

LEGISLATIVE FRAMEWORK

- Legislative Framework
 - Legislation & Policies
 - Judgements
- Implementation Policies
- Rates & Taxes tariff setting



COMMON LAW.....



**Referee of
the game**

DEFINITION

“Common law, also known as [case law](#) or precedent, is [law](#) developed by [judges](#) through [decisions](#) of [courts](#) and similar tribunals rather than through [legislative statutes](#) or [executive branch action](#). A "common law system" is a [legal system](#) that gives great precedential weight to common law, on the principle that it is unfair to treat similar facts differently on different occasions. The body of [precedent](#) is called "common law" and it binds future decisions. In cases where the parties disagree on what the law is, an idealized common law court looks to past [precedential](#) decisions of relevant courts. If a similar dispute has been resolved in the past, the court is [bound](#) to follow the reasoning used in the prior decision (this principle is known as [stare decisis](#)). If, however, the court finds that the current dispute is fundamentally distinct from all previous cases (called a "[matter of first impression](#)"), judges have the authority and duty to make law by creating [precedent](#). Thereafter, the new decision becomes precedent, and will bind future courts.”

Wikipedia

JUDGEMENTS

- Nobumba N.O. vs Nelson Mandela Bay Municipality (NCA)
- Jaftha v Schoeman & Others 2004 JDR 0601 (CCT 74/03) (Housing Sale)
- Mkhize v Umvoti Municipality (Housing Sale)
- PA Pearson vs Ethekekwini transfer of receipts
- Hartzenberg and 8 others vs. Nelson Mandela Metropolitan Municipality (Pre-paid no By-law))
- B G Beck & Others v Kopanong local Municipality (Pre-paid, Service provider, By-Law))
- Joseph v City of Johannesburg and others CCT 43/09 (14 days notice Tenant)
- Argent vs Ekurhuleni reasonableness of readings

JUDGEMENTS (s118)

Year	Case
2004	Mkontwana vs NMMM CCT57/03
2005	BOE Bank Ltd vs City of Tshwane MM SCA
2006	CoJ vs Kaplan NO SCA
2013	Steve Tshwete LM vs FEDBOND SCA
2013	City Tshwane MM vs Mathabathe SCA
2015	City Tshwane MM vs Mitchell SCA
2016	Jordaan and others v Tshwane and Ekurhuleni Metropolitan Municipalities

**THE CREDIT CONTROLLERS OF A
MUNICIPALITY SHOULD BE THE
RIGHT JOCKEY'S FOR THE JOB**



TARIFF SETTING AND MODELING



BUDGET



USER PAY PRINCIPLE

- Charges raised in respect of use of facilities on a user-pay basis
- Tariff must be affordable
- Accordingly cannot in some instances fully recover costs on a cost reflective basis
- Examples of services: community hall hire; cemeteries & crematoria; swimming pools; access to certain parks; use of stadia; and certain sporting facilities

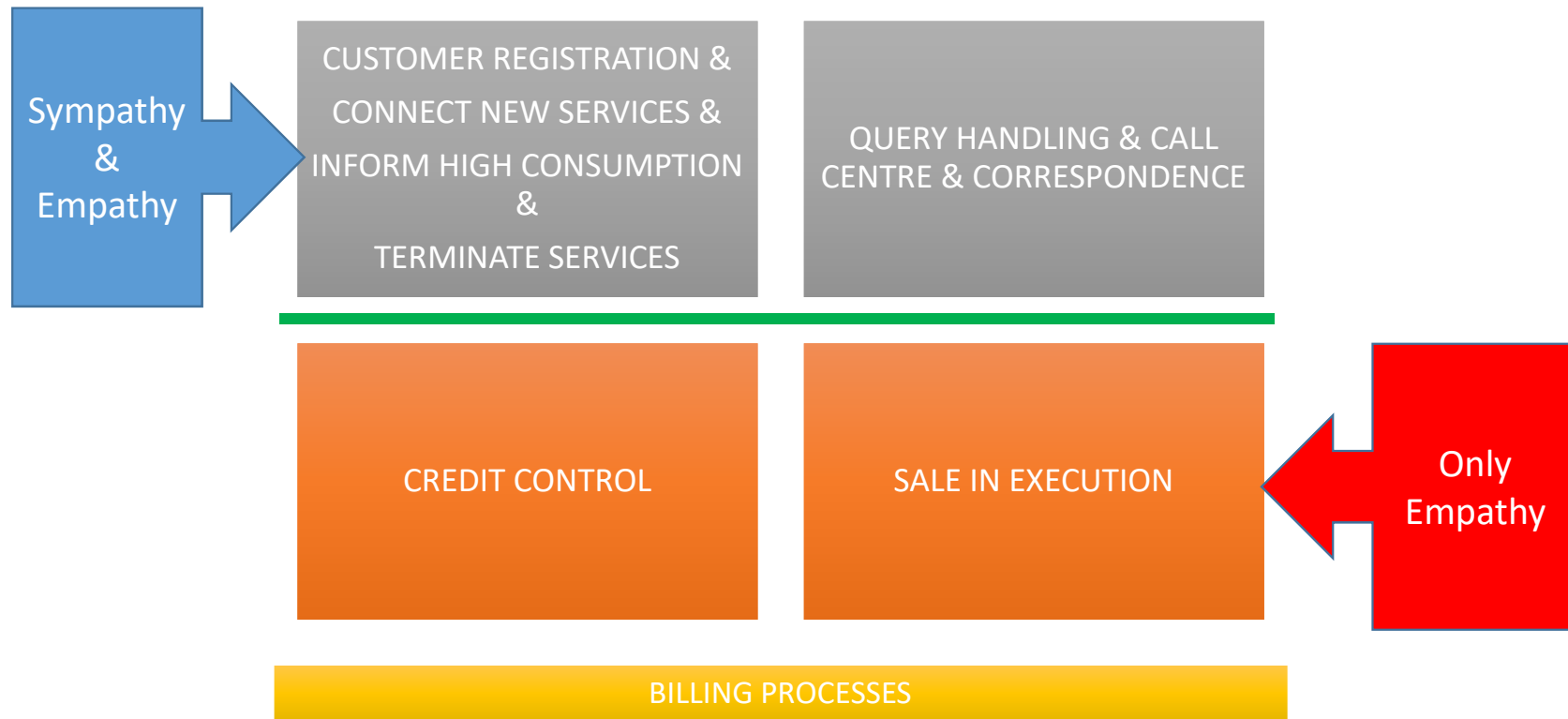


“Don’t be afraid of enemies who attack you, be afraid of friends who flatter you”

CUSTOMER CARE & COMMUNICATION



CUSTOMER APPROACH



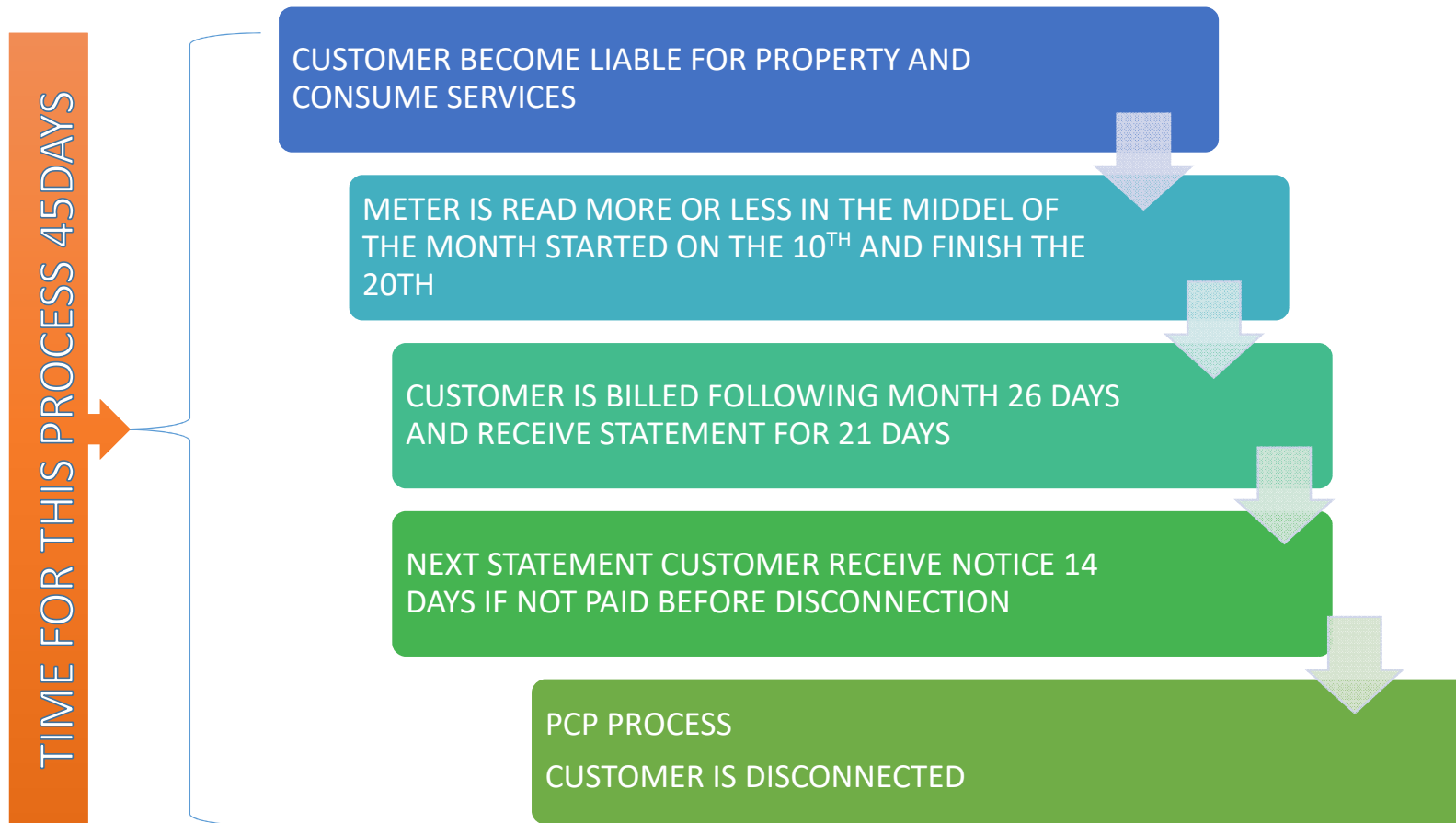
UNDERSTANDING YOUR CUSTOMER

- Management of key accounts - Prioritisation of accounts
- Collection Strategy per Type of Customers
 - Government employees collection?
 - Standardization of pre-paid meters
- Back Office Functions?
- Customer Care
 - Proactive vs. Reactive
- Key controls and exception reporting

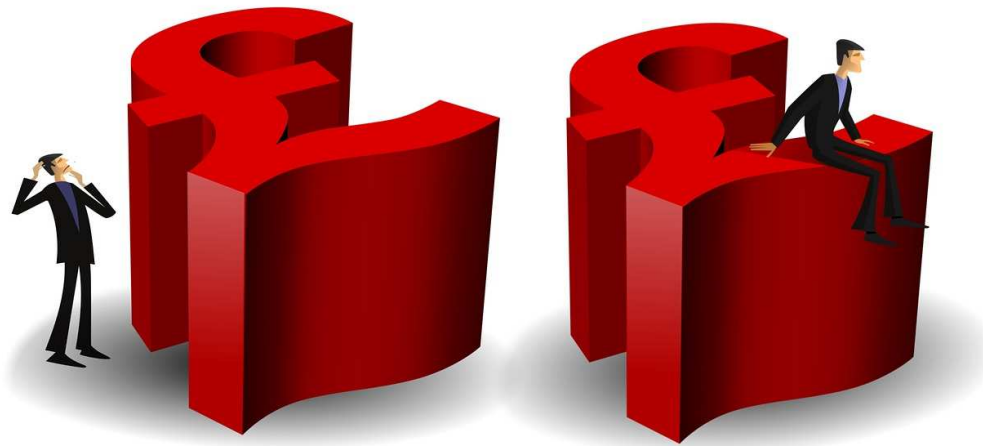
Know Your Customer (KYC)

- Profile customers according to:
 - Payment history
 - Consumption Patterns
 - Consumer type
 - Number of properties per Customer
 - Keep a record of “Bad Apples”
- Indigent customers
 - Re-look registration/targeting approach
 - Be aware of Fraud

What is the length of your billing cycle and how can you shorten it



REVENUE COLLECTION STRATEGY



CREDIT CONTROL - POLICY

- Policy is the basis of Collection Process
 - Problem identification & mechanisms
 - Indigents
 - Realistic Targets with 90% as minimum
 - S64 MFMA and interest on arrears
 - Extension time for payment
 - Debt Counseling
 - Disconnections & re-connections
 - Unauthorized consumption (S118) onus on Owners

**ENSURE
YOU HAVE
A BY-LAW
THAT
GIVES
EFFECT TO
YOUR
POLICY**

PROCESS OF DEBT COLLECTION

- Send a consolidated bill .
- Where no payment is received:
- Second bill with a disconnection notice is sent 14 days (Joseph Case).
- Raise interest 30days, NCA not applicable
- Disconnection of services
- A notice to redline is sent.
- A customer is redlined with Credit Bureau.
- A final demand is sent.
- Sale in Execution process starts afterwards.

REVENUE COLLECTION

- Heart of the Municipality
- Start day when property is transferred and or Account is opened
- Owners should be responsible for debt
- Analysis of debtors book
- Categorise debt 80/20
- Focus energy highest impact
- Create Customer risk profiles
- Innovative
- Use all remedies to disposal for collections
- Write off irrecoverable debt
- Disconnection strategies
- Regular Audits on credit arrangements
- e-NATIS check purchasing of vehicles

STRATEGY CONCEPTS APPLIED

- **ARREST A DEBT**

The approach is to prevent the debt to escalate and is an automated process of sending redline letters, redlining customers and final demands for all accounts that fall into arrears. This is to get the customers to pay whilst the debt is still affordable.

- **CONSOLIDATION OF ACCOUNTS ACCESS RISK PROFILE**

This process is ongoing where separate accounts belonging to one property are consolidated customer is linked with all accounts across multiple properties and business associates for effective credit control.

- **STERILISE PROPERTY AND PERSON**

This process endeavors to prevent services to a property if there is outstanding debt s118(3) and the second part is to get judgment debt ASAP.

CREDIT CONTROL



CREDIT CONTROL

- Reallocate payments
- Issue notices in terms of MPRA
- Staff and Councillor arrears –Salary/bonus/back-pay etc. deductions
- SCM: Tenders are not considered / awarded to tenderers who have debt owing to a municipality
- Building plans not to be approved for property owners who have debt owing to your municipality
- Business Licences should not be granted to those who have debt owing to your municipality
- Payment to suppliers must be withheld from those who have debt owing to your municipality

CREDIT CONTROL – EVALUATING SUCCESS

- Success is evaluated by comparing actual results against set objectives and targets
- It is vital to the long term financial viability of any municipality that it collects the revenues due to it for services rendered
- Credit control and debt collection policy therefore aims at defining and providing the framework, mechanisms, procedures etc. to facilitate the timely collection of the revenues due to the municipality.
- Set targets (consistent with the policy) against which to measure, e.g. monitoring



CREDIT CONTROL – EVALUATING SUCCESS

Departments	Staff
Debtor payment days on monthly basis against debtors days target.	Success/improvement will be indicated by a reduction in your debtors days
Trends in defaulters.	Indication of success/improvement will be the reduction in defaulters
Trends in debts written off or provided for.	Indication of success/improvement is the reduction in bad debts or provision thereof



CREDIT CONTROL – EVALUATING SUCCESS

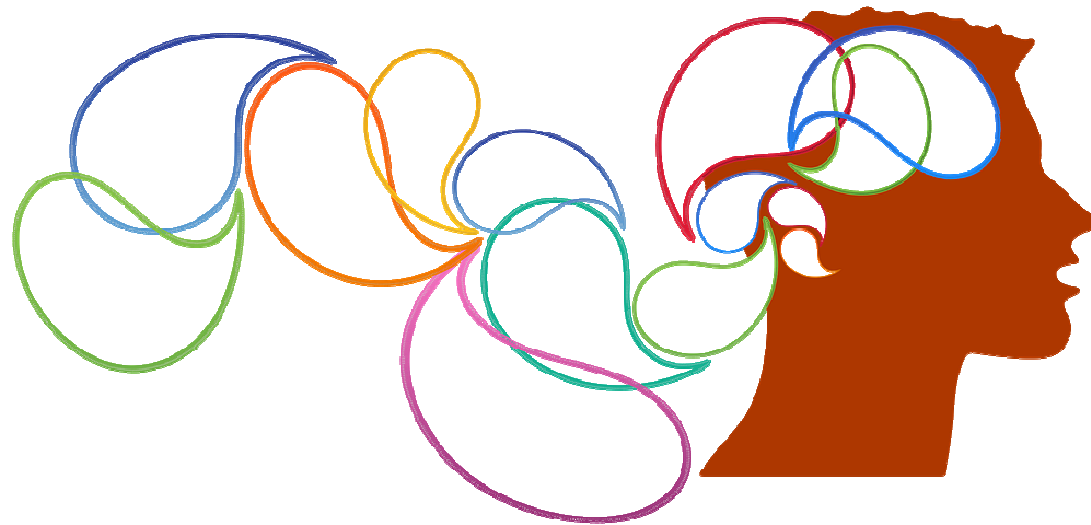
Departments	Staff
Trends in interest levied on arrear accounts.	Indication of success/improve is the reduction in interest as this means that debtors are complying with payment terms
Trends in cash in/outflows.	Indication of success/improvement is positive cash inflows as this means you collecting more than you are payments
Trends in the number of termination of services.	Indication of success/improvement is a reduction in the number of service terminations as this means debtors are complying with payment terms



THE ROAD AHEAD



KEY THOUGHTS



KEY THOUGHTS

- Communication
- SCM – Control
- Indigent Management
- Contracting with owners only
- Collecting all outstanding debt on a property from the owner
- Training of staff
- Designing of tariffs

KEY THOUGHTS

- Get political buy in
- Encourage a culture of payment
- Implement an ERP Solution
- Analyse the debtors book
- Collective responsibility towards Debt Collection
- Target the debt of big businesses and Government first
- Target staff and Councillor arrears

THE BEGINNING

