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"Introduction to the new CEO"

The President of the Institute of Municipal Officers (IMFO), Ms Jane Masite, recently released a statement announcing the arrival of the newly appointed Chief Executive Officer, Mr Abbey Tlaletsi.

He arrived in August 2016, seven weeks prior to the commencement of the Annual IMFO Conference. He landed at the right time as IMFO is going through ground-breaking change via a new name as well as the opening of the new building.

Our Editor (Ocean Makalima) had time to trace the origin and background of the new CEO.

Editor: Mr Tlaletsi, welcome to IMFO. I trust you have made a well thought through decision to accept this prestigious offer of being the Chief Executive Officer for this Institute.

Abbey Tlaletsi: Thank you very much Madam for the warm welcome. Indeed, it's true that I did reflect and weigh up my options before accepting this offer.

Editor: People are always interested in knowing a bit more about any new comer's origin and background. Please shed some light in this regard.

Abbey Tlaletsi: Well briefly, I was born and bred in Jouberton, Klerksdorp many years ago! I completed my then junior certificate there and moved to Mahikeng for my secondary and tertiary education. I then settled in Mahikeng because of the hospitality and social warmth that I experienced in that historic town.

Editor: Tell us more about your tertiary education achievements.

Abbey Tlaletsi: I enrolled for my first degree on a part time basis whilst in full time employment. I succeeded in acquiring a Bachelor of Commerce degree with majors in Management and Industrial Psychology. I added a B.Com (Honours) and a Master of Commerce (Strategic Management) to my academic list. My mini dissertation topic for my honours studies was *"The importance of women in management of organisations"* whilst my masters' full dissertation was on *"The relative importance of setting standards and measuring performance as a control measure in management of organisations".* I must also indicate further that I went for a postgraduate certificate course for a month in Israel (He'Atid Institute) covering small business and cooperative development subjects.

Editor: What about your work career?

Abbey Tlaletsi: Well, It has been a long journey stretching over 34 years and is nearing an end in less than 10 years. I started as a Bank Clerk with FNB (then Barclays Bank), went through the ranks and ended this 15 years banking career as a General Manager for all the ABSA Branches in the North West Province. I spent 7 years at the North West Development Corporation, starting as a Trainee Business Counsellor and concluded as a Regional Small Business Development Manager. I then served the North West Provincial Government for 10 years as Chief Director (Sector Analysis, Research, Monitoring and Evaluation), Head of Department (Accounting Officer) for Economic Development and Tourism, as well as the Acting Director General for two years. I furthermore assisted the North West University as a part time Lecturer offering Management (third year and honours students), and Entrepreneurship & Business Opportunities (second year students) for two and a half years.

Conference Program: Tuesday 04 October 2016

Program Director: Bharthie Ranchoddas & Louise Muller

7:30 – 8:30	Viewing of Exhibition Stands	**Exhibition Hall**
08:30 – 08:40	Exhibitor Competitions in Plenary	**Plenary Hall**
08:40 – 09:00 **S10**	Good governance and strategic financial management for municipal viability	**MEC Nomusa Dube-Ncube,** CoGTA
09:00 – 09:25 **S11**	Land Reforms, Expropriations and the impact on Local Government and how to maximize income	**Chris Gavor,** Valuer General
09:25 – 09:45 **S12**	How to successfully project manage your mSCOA conversion	**Walter Muwandi,** CCG Systems
09:45 – 10:05 **S13**	Infrastructure as Economic Driver	**Faried Manuel,** DBSA
10:05 – 10:45	**Refreshments And Viewing of Exhibition Stands**	**Exhibition Hall**

Breakaway Session 1: 10h45 to 11h50 Earn 2CPD points per session

1. **Revenue Value Chain**
   Effective monitoring mechanisms to ensure that the revenue raising mechanisms to support the budget are being effectively implemented
   S14 - Sponsored by Crosscheck in Plenary
   Facilitator: Fathima Khan
   Presenter: Makhari Ndanduleni
   Panel: Venitah Haupt/ Sadesh Ramjathan, George van Schalkwyk, Peet du Plessis, Mfaniseni Ntombela, Pumla Maphisa – Crosscheck

2. **Role of Councillor to delegation System & Oversight**
   Responsibility of the Mayor and role of the Council in financial management (MFMA Circular 73)
   S15 - Meeting Room 11
   Facilitator: Faried Manuel
   Presenter: Louise Muller
   Panel: Paledi Marota, Bongani Ngcobo, MMC Khethiwe Ntombela

3. **Performance Management and Audit of Performance Information**
   Lessons learnt from the Audit of Pre-determined Objectives
   S16 - Hall 4A&B
   Facilitator: Cheryl Reddy
   Presenter: Nirmala Govender
   Panel: Graham Terblanche, Andre Delport, Indhren Perumaul, Priscilla Shanmugam

4. **The "mSCOA reporting pack"**
   New formats and additional detail
   S17 - Meeting Room 21
   Facilitator: Annette van Schalkwyk
   Presenter: Dumisani Mathambo
   Panel: Johanna Steyn, Elsabe Rossouw, Cornell Botha

Breakaway Session 2: 11h55 to 13h05 Earn 2CPD points per session

5. **Risk Management**
   Project Risk Assessment to maintain sustainable services
   S18 - Sponsored by Nedbank in Hall 4A&B
   Facilitator: Paledi Marota
   Presenter: Thoko Konyana
   Panel: Rampuru Setati, Phillip Ntsimane, Jamie Moodley, Nedbank - Remo Moyo

6. **Successful Public Participation Framework**
   Successful Public Participation Process conducted for the IDP and Budget
   S19 - Sponsored by Os Holdings in Meeting Room 11
   Facilitator: Louise Muller
   Presenter: Eddie Scott
   Panel: Piti Pambaniso, Nomthi Ngcobo, Sabelo Gwala, Nomsa Nteleko – Os Holdings

7. **Budgeting**
   Optimizing Revenue to Support Credible and Sustainable Budgets
   S20 - Sponsored by EOH in Plenary
   Facilitator: George van Schalkwyk
   Presenter: George van Schalkwyk
   Panel: Peet du Plessis, Masheke Mukwamataba, Collin Pillay, EOH - Chris Nagooroo

8. **Costing and revenue generation in mSCOA**
   S21 - Sponsored by Vesta in Meeting Room 21
   Facilitator: Bharthie Ranchoddas
   Presenter: Khanya Nongogo
   Panel: Silma Koekemoer, Venita Haupt, Eduard Le Roux, Dewald Pretorius – Vesta

13:05 – 14:15	**Lunch and Viewing of Exhibition Stands**	**Exhibition Hall**

Breakaway Session 3: 14h15 to 15h20 Earn 2CPD points per session

9. **Internal Audit**
   Relationship between Internal Audit, MPAC and Audit Committee
   S22 - Sponsored by Sebata in Meeting Room 11
   Facilitator: Paledi Marota
   Presenter: Makhosandile Kwaza
   Panel: Bonga Mgoma, Philip Ntsimane, Ugen Moodley – KPMG, Nico de Cock – Sebata

10. **From IDP to mSCOA budget**
    Unpacking projects and functions mSCOA team
    S23 - Sponsored by Sebata in Hall 4A&B
    Facilitator: Annette van Sckalkwyk
    Presenter: David Mogofe
    Panel: Andre Bossert, Vincent Malepa, Templeton Phogole, Una Rautenbach, Sebata

11. **Funding infrastructure for basic services**
    Exploring alternatives of funding for infrastructure in the economic distress
    S24 - in Plenary
    Facilitator: David Garegae
    Presenter: Mmannini Mohloko
    Panel: Ramasela Ganda, Umar Banda, Gundo Maswime

12. **Identifying the correct line items related to mSCOA projects**
    S25 - Sponsored by Bytes in Meeting Room 21
    Facilitator: George van Schalkwyk
    Presenter: Trevor Chetty
    Panel: Kgomotso Baloyi, Ronnie Page, Bytes

Breakaway Session 4: 15h30 to 16h30 Earn 2CPD points per session

13. **Impact of financial reforms on ICT skills**
    The impact of the new financial reforms on the current municipal I.C.T skills
    S26 - Sponsored by CCG Systems in Plenary
    Facilitator: Khomotso Phelane
    Presenter: Monique Herselman
    Panel: Silma Koekemoer, Nomandla Jikwana, Paul van de Haar, Jordan Maja, Walter Muwandi CCG System

14. **Funding and finalizing the budget in mSCOA**
    S27 - Sponsored by Munsoft in Hall 4A&B
    Facilitator: Cheryl Reddy
    Presenter: Kashnee Sewnarain
    Panel: Andre Bossert, Pierre Gerrits, Willem Voigt, Sandile Mnguni, Peter Balt – Munsoft

15. **Good governance & oversight**
    Role of traditional authorities in rural municipalities (S81) and the impact on indigent policy
    S28 - in Meeting Room 11
    Facilitator: Fathima Khan
    Presenter: Jamie Moodley
    Panel: Tebogo Motlashuping, Nelisiwe Ntlhola, Traditional Affairs, Speaker

18:00 till late Sponsors Night, Evening of Leisure & International Dinner by Exclusive Invitation Only

October is all about pink, the more you know the less you fear.

Introduction to new CEO continued...

Editor: Wow! What an achievement! Now what did these academic qualifications and vast work experience build within you?

Abbey Tlaletsi: All these as well as the hardship I went through, have developed me to become a person who strongly believes in **"Doing the right things right the first time".** In any life situation, be it work, domestic, social conflict as well as violation and all other negative outcomes leading to retrogression, are experienced simply because one has in most cases failed to do the right things right. Life is about rules, whether implied, formal or informal. You should notice any audit processes will always investigate whether an organisation has done the right things right or not. So, it goes without saying that **"If you desire to obtain a Clean Audit with less hassles, then do all the right administrative imperatives right"**, meaning as per prescripts, easy neh!!! You should have convincing facts why it was life threatening for you not to follow rules, and it cannot be frequently repeated.

Corruption will be dealt with more effectively if we all do the right things right. In short if you engage in activities that you do not want anybody to know about, and you spend sleepless nights being worried that you will end up in trouble, then it is most probable that you did not *"do the right things right and klaar!!!".* I might thus be perceived as a very rigid Account Officer. Transgression is a no go area for me but I do allow for a positive results oriented deviation with valid rationale.

Editor: What is your reflection of IMFO during these first few weeks' and your approach to take this Institution forward?

Abbey Tlaletsi: IMFO, like most organisations, has gone through some difficult administrative experiences due to the absence of a substantive Accounting Officer (CEO). The Acting CEO, supported by the President, Vice President and Board Members, has succeeded in keeping this ship afloat. There are visible and tangible positive outcomes. My duty is simply to dot the I's and cross the T's on administrative processes, then focus on product development and fundraising initiatives. Sustainability of this institute is of paramount importance.

Editor: Mr Tlaletsi, I do realise that there is a lot of information you could still share with us. We will arrange more time and additional slots for further deliberations soon. Please conclude this discussion with a message to IMFO staff.

Abbey Tlaletsi: I agree with you Madam, time is not on our side. I have already communicated my request and demand to staff. This revolves around a dire need to work together as a team without pretence. I have made a strong demand for RESPECT irrespective of rank, qualifications, colour or any other perception. We have to accept each other's weaknesses and provide support where required. This will lead to openness, transparency, equality and most importantly harmony. This is vital for positive productivity enhancement in any organisation. Laissez-faire' is however not allowed at all cost.

Together we will take this Institution to greater heights. I thank you.

Infrastructure as Economic Driver

By Lucky Leseane, SALGA-Gauteng Provincial Executive Officer

The major Metropolitan Municipalities in the world are undergoing various trends such as fiscal decentralization; political democratization, devolution to the sub-national as well as growing demands for urban services with the growth of urbanization in major cities around the world; and South African cities are not spared this challenge.

This challenge requires a new approach to helping municipalities finance large scale infrastructure projects. Increased spend on infrastructure funding which leads to improved urban infrastructure, for water supply, sanitation, urban transportation and solid waste management, has widely proven itself to be essential in encouraging and facilitating economic growth.

South Africa needs to learn from the empirical evidence which indicates that those countries most successful in sustaining high growth supported their cities with transformative investments to improve urban infrastructure that could accommodate rapid population growth in major economic centers. This evidence suggests that infrastructure has a strong "supply-side" orientation and in practice, it is the effects of infrastructure on "supply" that are most often emphasized.

There is also a strong "demand-side" aspect: individuals and businesses value the services that flow from the stock of infrastructure facilities and these demands should be (but are often not) considered in determining the appropriate level of infrastructure investment. In addition to the potential supply-and-demand-side impacts on economic growth, the services of infrastructure also play a significant role in the distribution of income.

Thus it is fair to state that any money spent on infrastructure be it in providing for the roads network, water and sanitation, waste removal, broadband etc., will, if planned correctly, lead to economic activity. Municipalities must also ensure that their capital infrastructure investments are part of their intergraded development plans so as to avoid investing for dormant white elephant projects.

We need to remember that we are public servants with a public administration; we are not here to serve ourselves but to serve South Africans from all sorts of backgrounds.

Deputy Mayor Fawzia Peer quoting
Finance Minister Pravhin Gordhan

PROGRAMME DIRECTORS

Louise Muller

Bharthie Ranchoddas

Please remember to participate on our social media platforms.

IMFO Twitter & Facebook accounts under the

#IMFO2016

Partnering with public sector to move South Africa forward.

Standard Bank

REPLACING YOUR FLEET – CASH VS FINANCING

Effective fleet procurement is a blend of a number of factors such as cash flows, timing, tax and VAT implications/benefits; and lastly your balance sheet. When you buy a vehicle you basically have two options; you can buy outright or via a lease option. The option whether to buy or lease is dependent on your needs and circumstances. It is important to consider factors such as:

- VAT;
- Tax;
- Funding costs;
- Balance sheet; and
- Risk.

Buying vehicles cash from a long term investment point of view might be the preferable option to consider. Depreciation of vehicles is probably one of the key aspects to consider when buying vehicles cash. This option is suitable where vehicles will be utilized over a longer life span. The positive spin offs are; no monthly repayments, no interest to be paid and lastly ownership of the asset. The negative aspects to consider will be the immediate depreciation of the asset as well as the loss of investment opportunities.

Leasing - it is important to understand the differences between the two lease options as the most suitable option will assist to save some money. Vehicle leasing does not burden your business with rapidly depreciating assets. It releases capital and improves cash flow and assists when forecasting vehicle expenditure. Optimal maintenance packages included will ensure that costs are fixed and ensure that inflation does not have an impact on your finances; specifically in relation to parts and labour related costs.

Finance Leases allows you usage of a vehicle rather than ownership. You may however choose to take ownership of the vehicle or return it to the Bank at the end of the finance period. Lease payments are tax deductible excluding VAT where input credit has been claimed in respect of VAT. This finance option is beneficial for assets where the useful life span is longer than the economic life span of the assets for example, yellow metal vehicles and equipment. Most of these assets will be financed over a 5 year period but can be used for 10 to 15 years if properly maintained on an ongoing basis in line with the prescribed service intervals as specified by the respective manufacturers. It is feasible to include a maintenance plan when procuring vehicles upfront as this will assist to plan and budget and at the same time ensure your fleet is properly maintained assisting to manage uptime.

Operating Leases gives you the right to use a vehicle for an agreed period. Monthly rentals are tax deductible. VAT is raised on each rental payment. Restrictions in terms of usage are imposed, like maximum kilometers allowed over the lease term. Penalties are raised on excess kilometers travelled. Maintenance costs relating to the assets will however not be your responsibility. A major benefit of this option is that vehicles can be replaced on a regular 3 year cycle.

Choosing the correct method could be hard; your decision should be based on the reduction of costs and the ability to provide an excellent service delivery to your community by having the right vehicle at the right time and at the right price.

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MUNICIPAL FINANCIAL SUSTAINABILITY IN TOUGH TIMES

Dr Clement Mulamba

Senior Economist: Local Government Finance Policy National Treasury

Disclaimer: Opinions expressed in this article are mine and not those of my employer.

Municipalities play an important role in promoting economic and social development in South Africa. They provide services that are essential for daily life, such as the distribution of water and electricity to households and businesses, and the collection and disposal of waste. The provision of these services depends, among others, on fiscal transfers and financial resources that municipalities generate from their own sources. During tough economic times, municipalities may find it difficult to collect taxes, fees and charges. But at the same time, they must provide quality services regardless of economic cycles. This raises the questions of financial sustainability, effective and efficient use of resources, and prudent budget projections within the revenue value chain by municipalities amidst economic distress. These guiding principles are clearly set out in the Municipal Finance Management Act (MFMA). This article attempts to give insight on these principles as useful guidance for ensuring municipalities' financial sustainability regardless of economic cycle. There is much more that could be said about these principles, but this article only focuses on long term financial strategy, municipal budgeting, and borrowing.

Financial sustainability refers to the ability of a municipality to achieve the provision of services without interruptions in the long run. One thing that can help a municipality to stay financially sustainable is to develop and implement a long term financial strategy and plan. This is because every decision taken by a municipality has financial implications not only today, but in future. For instance, for every infrastructure built or rehabilitated, there are costs that a municipality will incur to operate and maintain for the duration of that infrastructure. It is therefore necessary for a municipality to evaluate how its decision to invest in a particular infrastructure will affect its ability to achieve its primary objective in the long run, which is reliable and affordable service delivery. A municipality is able to make such a decision only if it has a long term strategy and plan that takes into account various aspects including the vision of the municipality, current, and anticipated socio-economic conditions.

Based on this long term strategy, the municipality should consider the following when taking the decision to invest in an infrastructure. First, the municipality should choose the appropriate infrastructure such that its operating and maintenance costs are affordable in terms of projected revenues. Second, it must choose the method of financing the facility that is affordable in terms of its current and realistically anticipated revenues.

National Treasury is currently working with two metropolitan municipalities to pilot a long term financial model that integrates financial, spatial and infrastructure planning. If this is successfully implemented, the model will be made available to interested municipalities for them to replicate and develop their own specific tailored models.

The White Paper on Local Government is the foundation for our laws regulating municipal finances. These have been crafted to promote effective and efficient use of resources by municipalities. The principle of effectiveness and efficiency is particularly enshrined in the MFMA's provisions related to municipal budgeting and borrowing to name just a few. Adherence and good application by municipalities of these provisions and practices will ensure that they become resilient to economic cycles and they continue to provide services.

From a strategic point of view, municipal budgeting is not just a compliance exercise, but rather the near term spending plan that is informed by long term financial strategy, current economic, and social realities. For instance, Section 18 of the MFMA establishes a budget rule indicating that municipal expenditure can only be funded by realistically anticipated revenues to be collected. This is to empower municipal councils to adopt budgets that are implementable because revenue projections have taken into account socio-economic conditions in municipal jurisdictions, revenue collection capacity, and the ability to pay of ratepayers and consumers.

A municipality that correctly applies this rule is unlikely to suffer unexpected impacts due to economic distress. On the contrary, the adoption of budgets, for which expenditure is not funded by realistically projected revenues, may lead to fiscal distress independently of economic conditions. Furthermore, the provision of Section 28 (2) (a) of the MFMA gives an opportunity to municipalities to adjust their revenue and expenditure estimates during budget execution if for example there is material under-collection of revenue. This implies that municipalities must monitor revenue collections in-year, and cut spending if it becomes clear that there is a short fall in revenues. The examples cited above are just two of many instances where the MFMA promotes the effective use of resources by municipalities through budget rules.

Chapter 6 of the MFMA provides rules related to municipal borrowing. In essence, these rules empower municipalities to leverage their current annual revenues in order to extend infrastructure more quickly than if they were saving up for big projects. Just like financing a house, this financing of durable infrastructure gives citizens benefits today, while they are paying for the infrastructure. Financing infrastructure through borrowing is an effective way of using municipal resources.

But, it is worth noting that borrowing limits the flexibility of future municipal councils, and tends to lock in strategic choices. This entails that municipal borrowing should be prudent and responsible. In this regard, the law establishes rules of long-term borrowing to ensure that municipalities are sustainable regardless of economic cycles.

To safeguard municipalities against cyclical downturns that may affect their ability to repay the debt, the MFMA provides that municipalities wishing to borrow must disclose the full cost of borrowing and invite written comments or representations from the public, provincial and national treasuries. It is also a good practice for a municipal council to adopt a borrowing policy that establishes limits and provides general direction to municipal executive officials in the planning and issuance of debt. While each actual long-term debt issue should be specifically approved by the council, developing an overall borrowing policy would ensure that relevant policy questions are considered from a broader perspective. In addition, the development of such a borrowing policy should consider other long-term planning and financial objectives of the municipality. A carefully crafted and consistently applied borrowing policy would signal to lenders and rating agencies that the municipality is committed to controlling its borrowing.

Some of the items that should be spelled out as a matter of policy are:

- **What are acceptable levels of short- and long-term debt?** The municipality must decide to what extent it is willing to give up future flexibility. Debt issuance involves a trade-off. In exchange for funds for current capital improvements, future spending is limited. The degree to which a municipality is willing to make these trade-offs will depend on the urgency of its capital needs, its expected rate of growth, economic tends, and the stability of its overall finances.

- **What are acceptable purposes for which debt can be issued?** To what extent must there be a public benefit? Must the improvement have a useful life of at least the term of the debt? Is water and sewer debt acceptable, but not debt for infrastructure that does not generate revenue?

Continued on page 7

October is all about pink, the more you know the less you fear.

- **To what extent, and for what purposes, will the municipality use general obligation debt vs. revenue debt?** Where the municipality can use revenue debt, it is less limiting of future flexibility. However, not all important projects generate reliable revenue streams to repay debt.

- **What covenants, pledges, or security interests is the council willing to consider to make borrowing possible, and/or lower its cost of borrowing?**

- **For what purposes will the municipality use "pay-as-you-go" financing, and for what purposes will it consider debt financing?** A municipality should not issue debt for ongoing operations and maintenance, nor for short-lived improvements or repairs as this is prohibited by the law. The municipality may want to shift infrastructure development costs to beneficiaries—through user fees, service charges, or developer financing—to the maximum extent possible.

- **Will the municipality use variable-rate debt or will it only issue fixed-rate obligations?** For instance, will the municipality consider fixed-rate long-term issues, which are not viable in a highly inflationary economy?

- **For what term will debt be issued?** For the near term, the market may be more of a limiting factor than any policy the municipality might develop. However, the municipality will want to avoid issuing debt for longer than the useful life of the improvement to be financed. At the same time, it will want to spread the debt over a long enough period that the payments due in any given year are manageable in light of the anticipated revenues.

- **Will debt be placed competitively or by negotiation?** If the latter, what safeguards will assure the municipality that it is borrowing at the lowest possible cost?

With regard to the above, it seems that there is a need to support municipalities in the development of borrowing policies. The Institute of Municipal Finance Officers could be a platform to consider and adopt model guidelines that can be used by municipalities, in particular those with limited capacity to develop borrowing policies tailored in line with their circumstances.

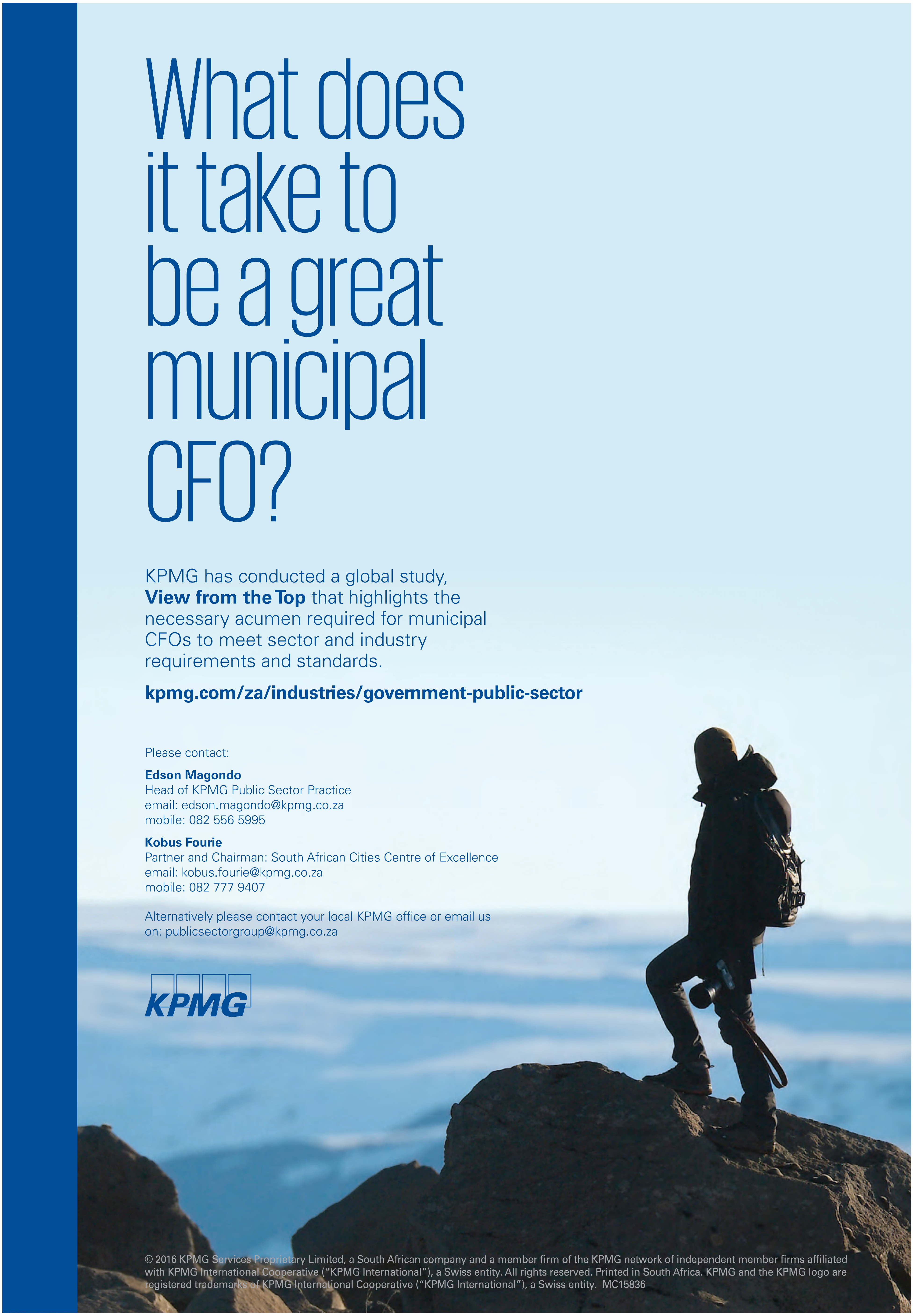
This article argues that financial sustainability is of utmost importance given the critical role that municipalities play in our daily life. Financial sustainability of municipalities cannot be achieved by just having good laws (i.e. MFMA). But rather, it is achieved through a combination of adherence to the law and good financial management practices with many other elements such as the good leadership and strong oversight by councils over municipal finances.

How do we ensure Municipal financial viability and sustainability?

- **Address the increasing unemployment, poverty & inequality**
- **Drive productivity**
- **Cut costs – "do more with less"**
- **Decrease debt by improving collection rates**
- **Service tariffs must be cost reflective and realistic i.e. value for money**

Deputy Mayor Fawzia Peer

CIGFARO
Chartered Institute of Government Finance, Audit & Risk Officers



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Tips to Municipal Financial Competence

Yusuf Aboojee – Senior Manager: Strategy & Special Projects – MBD

Municipal debt is rising. That is fact and the sooner we accept that, the easier it will be to come up with a workable solution that will benefit us all. With uncollectable debt escalating and municipalities becoming increasingly unsustainable, action is definitely needed to ensure that these do not get out of hand. This opinion piece will list the major challenges found to be hampering municipal progress and will offer some tips that can assist municipalities in addressing these challenges.

Research was conducted in order to determine the key factors leading to this unsustainability, and the following were found to be the major challenges experienced by Revenue Officials.

- Municipal officials lacked the skills and capacity to perform certain functions
- There were challenges with meter readings and meter management, leading to disputed billing
- Customer data was outdated or incorrect
- No proper revenue management system was available
- Queries logged by customers were not being resolved timeously or at all
- There was a lack of effective communication between the municipality and the customer being serviced.

Firstly, ensuring that a municipality has the right people, with the right skills and capacity, is imperative to the successful implementation of any management strategy. Too often we hear about replacement of high ranking individuals within months of them being hired. This is often due to mismatched skills and capacity, and often comes at a cost. These costs are through excessive salary agreements and training and induction not being properly conducted. Eventually this leads to retrenchment and more importantly the high cost of loss of productivity in a municipality.

Municipalities need to ensure that a proper workforce plan is put in place in order to ensure that these mistakes are rectified. Effective workforce planning ensures that municipalities have the right number of people with the right skills, experience, and competencies in the right jobs. In the long run it will ensure municipal viability during tough economic times. The right people will be motivated to perform effectively and will attain their stated objectives.

Secondly, there is nothing more frustrating than having an unresolved municipal query. It is the major reason for debtors not paying their accounts to public sector institutions. Approximately 42% of debtors withhold payment due to disputes and municipal errors. The types of queries logged are primarily meter reading and billing related. The research further shows that 80% of these debtors are willing to pay once their query is resolved.

Municipalities need to put effective and efficient query resolution processes in place, in order to ensure optimal client service and thus avoid reputational damage. Resolving outstanding queries could definitely result in an increase in revenue and ensure municipal viability through the difficult times.

Some municipalities have taken this to heart and have been implementing plans to address this challenge. These include municipalities embarking on training programmes for optimal client service as well the development of effective customer service centres.

Finally, correct customer information is absolutely essential. Databases should be kept updated so that current information on property owners and account holders is at all times correct. It seems as if many municipalities suffer from incorrectly captured data or outdated data. Municipalities need to put processes in place to regularly cleanse and identify incorrect customer information, ensure that the data base is accurate and actionable. Some municipalities have done this with success in recent months. This has resulted in improved customer relations, as well as an increase in revenue generated.

The sharing of success stories and best practices between municipalities can go a long way to improve the current situation.

"Darkness cannot drive out darkness; only light can do that."

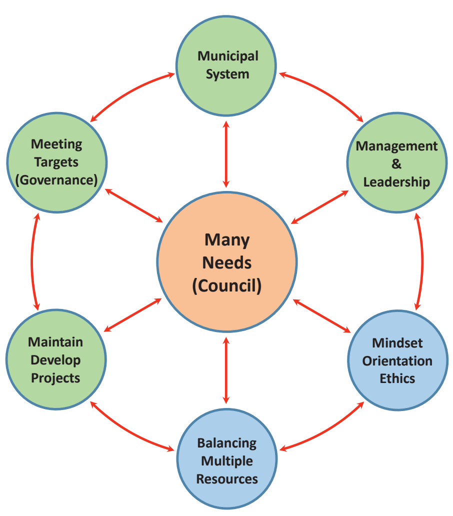
Deputy Minister of Cooperative Governance and Traditional Affairs, Mr Abed Bapela quoting Martin Luther King.

Managers, mindsets and balancing of resources

Professor André de Villiers, Project Support Group

Following up from my article yesterday titled "Sustaining Municipal Viability amidst the Economic Distress" and to continue exploring our 7M Municipal Model, we will now focus on the two circles in blue in the figure below, namely Mindset Orientation Ethics, and Balancing Multiple Resources.

7M Municipal Model



The word mindset invokes different concepts, relevant to management. Another word with much the same meaning is meme. Memes transfer ideas, common behaviours, styles, or everyday practices from one culture, group, or generation to another. A meme spreads or is transmitted through speech, writing, habits, fashions, gestures and rituals that are established and continued.

According to research by American professor Clare Graves, memes and race have no relationship. He identified eight different memes of individuals, some of which are listed below:

- **The Purple meme:** Traditionalist, conservative, group oriented, respect for a strong leader
- **The Red meme:** Egoistic, exhibitionistic, prefers to break free from tradition, does not like rules or laws
- **The Blue meme:** Goal driven, disciplined, lives according to strong principles, law abiding, seeks a future reward through good deeds
- **The Orange meme:** Materialistic, pragmatic, scientifically oriented, selfish and generally well educated
- **The Green meme**: Altruistic, democratically oriented, a systems thinker who realises the importance of diversity in social and ecological systems.

These memes are encountered every day in municipal environments. They affect the emotions, views and actions of managers and employees, and cause them to think and act in a certain way. Often people with different memes fail to appreciate and respect each other's viewpoints. This makes the reaching of consensus on issues difficult.

The public, with whom officials have to interact, are also affected by their respective memes. One person may see the reservoir as being half-empty, whilst another may see it as being half-full. For example, in most municipalities water consumption and solid waste disposal have become huge issues. Depending on a person's meme, it could be difficult to motivate such a person to cooperate and comply in municipal efforts to curb water usage and to sort household garbage.

Other typical daily issues that different councillors or managers with different memes may experience, are:

- How democracy should function within the council chamber of a municipality?
- Whether an issue is important in the short term or the long term?
- Whether a certain practice is sustainable or not?
- Whether a manager acted in the best interests of the municipality?
- Whether an issue should be discussed further and whether a firm decision needs to be taken?

The value system in place and the ethics practiced within a municipality are obviously affected by memes. Some managers may like to bend the rules and cut corners, whilst others will do things strictly according to regulation. Views on corruption will vary according a person's meme.

When moving to the blue circle dealing with the balancing of multiple resources, the first requirement is to fully understand the type of resources that a municipality should manage. Assets such as roads, reservoirs, water reticulation systems, sewerage systems, buildings, vehicles and equipment are extremely important in ensuring service delivery. Unless these assets are maintained on a regular basis, they will ultimately fail and cause huge problems. Whilst we experience a huge drought, it is unacceptable that water gushes out of a broken water main for more than twenty hours. This defeats the purpose of motivating residents to use water sparingly.

However, to activate and utilise the above assets, certain intangible assets are essential. In recent years most municipalities have seen a serious depletion of their intangible assets. Skilled employees such as engineers, chemists, microbiologists, legal experts, and even competent financial managers have left municipalities.

The quality of water in our streams and rivers is rapidly declining. Recently it was stated that our food safety is being compromised because poorly treated sewerage water is released into streams and rivers. Municipalities need to control the quality of their effluent from sewerage plants and this requires qualified officials who continuously monitor the effluent. It is evident that municipalities in South Africa are putting the broader public at risk.

The Green Scorpions are intensifying their efforts to bring to book all companies and municipalities who do not comply with environmental laws. Not having the required intangible assets, such as engineers and water experts, a municipality will increasingly run the risk of a heavy fine. A timely assessment of the state of intangible assets and recruiting and developing such assets, seem to be essential. The whole bitter saga around clean audits has been with municipalities for many years. In July next year, mSCOA kicks in and this will require significant competence.

To conclude this article in the words of Pravin Gordhan: "Integrity is doing the right thing, even if nobody is looking."

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For R1400: Answer the following question From Today's Newspaper:

"What four letter word best describes a mindset or way of thinking?"

Answer: ....

Name ....

Municipality ....

Please place entry in Box 2 at the CIGFARO Stand in the Exhibition Hall before 10 am on 5 October 2016

1					5			4
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October is all about pink, the more you know the less you fear.

Municipal Pressures
in times of economic stress By Karen Heese

Local government is a particularly susceptible victim of economic pressure in the current economic climate. On the one hand, it needs to collect revenue from financially pressurised consumers (that is, those residents who are able to pay rates and utility charges) and, on the other, it faces rapidly escalating input costs (via spiralling bulk utility fees and wage demands).

While the economic recession may be old news, its legacy continues to bite hard into South African pockets, even some of the deeper ones. Credit bureau, Compuscan, recently found that even wealthier mortgage holders are struggling to keep up with their mortgage repayments.

While the financially pressured South African consumer squeezes council revenues from the one direction, above inflationary input costs put a vice grip on the other. All the while municipalities are subject to ever-more demanding political mandates and election promises for delivery, with the demand for free basic services remains un-abating.

The national fiscus is of course subject to similar macro pressures and is unable to extend support to local government. The #FeesMustFall demands give clear evidence of the multitude of conflicting demands on the national budget and the intense contestation for nationally-collected revenue.

It is instructive to consider how these pressures have manifested by looking at National Treasury's aggregation of local government's revenue and expenditure for the fourth quarter of the 2015/16 financial year (or more simply, as of the end of June this year). Treasury's In-year Management, Monitoring and Reporting System for Local Government, in terms of Section 71 of the Municipal Finance Management Act (MFMA), is now well entrenched and provides a useful sense of trends in the sector.

One of the most immediate concerns raised by the aggregated data is that local government (as a whole) continues to underspend – with 88.7% per cent, or R335.9 billion, of the total adjusted expenditure budget of R378.6 billion accounted for at the end of the 2015/16 financial year. Capital underspending is even more pronounced; with R54.7 billion or 80.5% of the adjusted capital budget spent. Secondary cities are especially slow on capital expenditure; underspending by over 30% of the adjusted capital budget.

These figures suggest that finances are only an element of local government's delivery challenges; capacity to deliver on budgets remains a major impediment.

But the headline figure is always aggregate municipal consumer debt; which amounted to R113.5 billion in the fourth quarter of the 2015/16 financial year (up from R108.6 billion in the third quarter) for which households account for 65.2%. R22.9 billion of this debt is less than 90 days and considered collectable. Municipalities are, to some extent, tackling significant historical debt, with R4.1 billion written off as bad debt, but it is clear that the strains of indebtedness on South African households are feeding into local government's financial position.

Another headline-maker, which is indirect through the frequent repossessions of council property (with Thabizimbi's Mayor taking charge of an empty office, for instance) is monies owed to creditors - R38.9 billion, as of 30 June 2016, a year-on-year increase of R6.4 billion from the fourth quarter of 2014/15.

So where do solutions lie? Larger municipalities have learned to leverage off a more diverse base of sources through the issuing of paper. Bonds (long-term marketable and short-term non-marketable) now-account for 28% of local government's R60 billion of borrowing tallied at the end of June this year.

More efficient revenue collection, through cleaning up valuation rolls for instance, still presents an opportunity to enhance revenue. Providing access to more accessible repayment plans for financially burdened residents could facilitate a diminished, but not choked flow of repayment from indebted consumers.

Placing officials in the shoes of indebted consumers could therefore be a valuable exercise for finance departments – how can debt be restructured and ultimately cleared, and how can information on costs and potential savings (for instance around peak tariffs or efficient energy use) be better communicated?

Section 71 MFMA returns suggest that there is probably room for these gains in secondary cities, which reported an 88.4% collection rate (whereas metros reported a 93.9% collection rate which in itself could also be augmented to a 95% target). Curbing graft, where corrupt officials are paid to exempt wealthy rate payers, is a further component of revenue enhancement.

This last measure is an important one as it not only provides the opportunity to enhance revenue collection, but also bolster the credibility of local government as an institution. Similarly, addressing non-essential spending, such as extravagant budgets mayoral vehicles or curbing luxury travel, while not necessarily saving that much in Rands and cents, sends a tremendously valuable message of frugality to stakeholders, including unions when wage moderation is urged across the negotiating table.

As has always been the case, there is no elegant solution to address the financial stress faced by South African municipalities, but rather a raft of strategies are needed – improving efficiency, addressing non-essential spending and crafting sympathetic solutions to indebted consumers.

Heese is Municipal IQ's Economist

**"It was the best of times,
it was the worst of times,
it was the age of wisdom,
it was the age of foolishness,
it was the epoch of belief,
it was the epoch of incredulity,
it was the season of light,
it was the season of darkness,
it was the spring of hope,
it was the winter of despair,
we had everything before us,
we had nothing before us....."**

Deputy Minister of Cooperative Governance
and Traditional Affairs, Mr Abed Bapela
quoting Charles Dickens.


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Presidents Dinner







Competition

• **Starts 2 Oct at 10:00** • **Ends 5 Oct at 10:00**

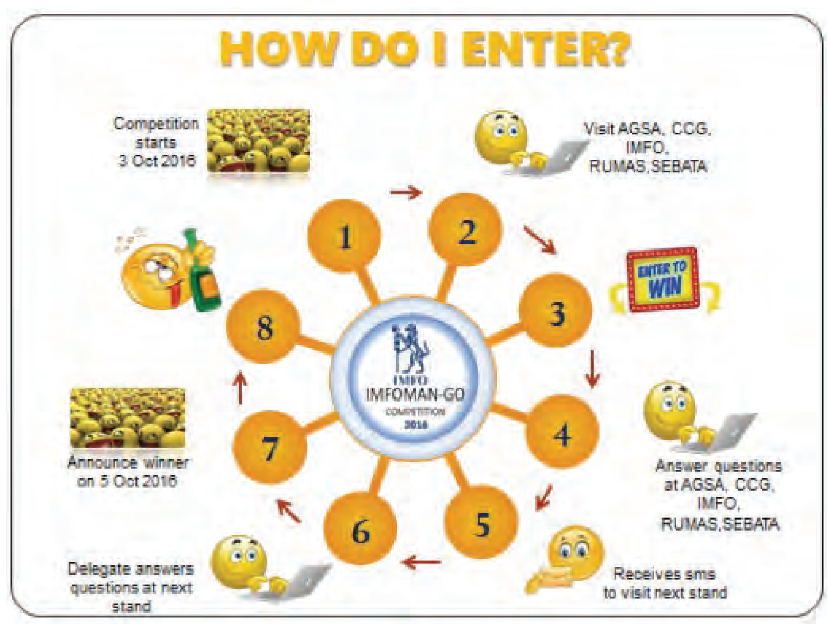
PRIZE DRAW ON 5 OCT AT MOTIVATIONAL SPEAKER SESSION

This is yet another initiative from IMFO to improve the value IMFO delivers to its exhibitors. The objective is to attract delegates to participating stands, plenary sessions and to read the daily IMFO Newspaper.

The ultimate vision is to offer an opportunity for all exhibitors to participate in the competition. This competition is run as a pilot in 2016, with only the major sponsors and stakeholders.

Organisations participating this year

CIGFARO IMFO · AUDITOR-GENERAL SOUTH AFRICA · CCG SYSTEMS · rumas · SEBATA



In summary the process will be as follows:

1. Visit and enter the competition with your mobile number at any of the stands of the participating Exhibitors (IMFO, AGSA, CCG, RUMAS and SEBATA).
2. Each participating Exhibitor's questionnaire will have about five questions with possible answers – please note that it has either a single or multiple correct answers. You are encouraged to enter into a discussion with the exhibitor representatives for the correct answers.
3. Upon completion of the questionnaire, contestants will receive a SMS informing them to which stand to proceed to next. This will continue until the contestants have completed the questionnaires of all 5 participating Exhibitors. You will receive a sms confirming your completion of the questionnaires. (You should complete these 5 questionnaires by 17:00 on 3 Oct 2016 (day 2) of the conference.
4. On day 3 of the Conference contestants must visit any one of the participating Exhibitor's stands to complete the final questionnaire (focused on IMFO related matters). You will receive a sms reminding you to complete the final questionnaire.
5. Once all these questionnaires are completed, eligible contestants will be considered for the price.
6.Final price draw will be at the Motivational Speaker session on 5 Oct 2016 by the IMFO President.

Further details about the competition rules

1. The competition is open to all IMFO registered delegates
2. No director, employee, agent or consultant of participating Exhibitors, their spouses, life partners, business partners or immediate family members, or the supplier of goods and services in connection with this competition may participate.
3. By entering this competition each entrant acknowledges that he/she has read the rules applicable to this competition and agrees to be bound thereby.
4. The entrant is reminded that their submissions may be used by participating Exhibitors in contacting the entrants subsequent to the IMFO Conference.
5. Eligible winners are contestants who visited all stands, completed all the questions on all the questionnaires correctly and did so within the allowed time.
6. Multiple entries will be disqualified.
7. IMFO is not liable for the failure of any technical element relating to this competition that may result in an entry not being successfully submitted.
8. The winner must collect his/her price in person. Should he/she not be present, a runner up will be drawn from eligible winners by the organisers.
9. Winners must identify themselves by means of an ID document or other acceptable identification means and confirm receipt of their prize.
10. The judges' decision will be final and binding and no correspondence will be entered into.