



# **FINANCIAL SUSTAINABILITY BEYOND THE COVID-19 DISRUPTION**

**CIGFARO PUBLIC SECTOR FINANCE SEMINAR**

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# INTRODUCTION

- Municipalities are mandated to deliver sustainable services informed by the community demands within the limited fiscal resources and capabilities
- Public officials have a responsibility to decode government policies into related activities and provision of sustainable services to the communities
- NT highlighted the deteriorating financial and cash flow performance and financial position for a number of municipalities (fragile fiscal and budgetary positions)
- Various strategies and plans have been developed by municipalities in response to the financial distress
  - Financial Recovery Plans
  - Revenue Enhancement Strategies
  - Cost Containments Strategies
  - Clean Audit Roadmaps
  - Turnaround Strategies
  - FMCMM
  - Financial Sustainability Plans
- Covid-19 impacted all economies, organisations (public and private) and all individuals

# COVID-19 PANDEMIC

- Proved to be the worst humanitarian crisis the world has faced
- Resulted in job losses, poverty, loss of lives, shranked economy etc
- Poor and vulnerable communities affected greatly – collapse of informal and service sectors
- Shaken the foundations of integrated as well as long term financial planning at all government levels
- Local government has limited capacity and competency to absorb and adapt (highly legislated environment)



# IMPACT OF COVID-19 PANDEMIC

- ❑ Disruption given the complexity and uncertainty
- ❑ Impacted all sectors simultaneously
- ❑ Municipalities were impacted in numerous ways as follows:
  - Low collection rates
  - Vulnerable revenue base
  - Need to augment existing service delivery levels (water, sanitation, social development, etc.)
  - Increased expenditure due to compliance regulations (PPE, Sanitisation etc.)
  - Increased indigent beneficiaries



# IMPACT OF COVID-19 PANDEMIC

❑ Municipalities were impacted in numerous ways as follows:

- Reduced grants allocations
- Opportunity costs – limited human capital due to rotation
- Reprioritisation of planned service delivery projects- social response service delivery projects targeting poor and vulnerable communities vs revenue generating projects
- Decline in economic growth ( $C + I + G + (X - M)$ )



# IMPACT OF COVID-19 PANDEMIC



## Realized opportunities

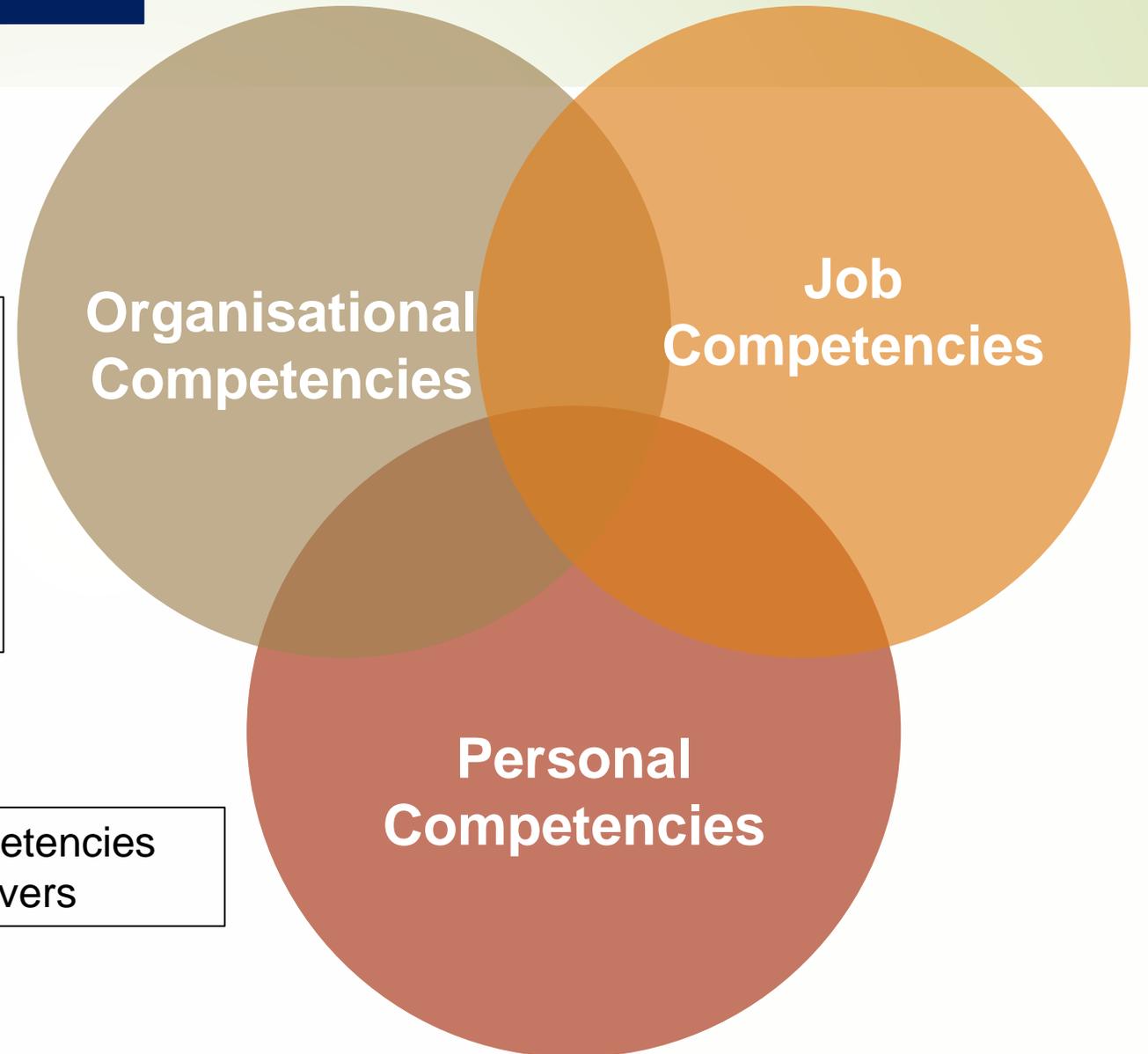
- ❑ Innovation in public sector/ local government – online platforms
- ❑ Organisational Agility – review strategies and plans for future disruption (Office bound vs remote working arrangements)
- ❑ Adaptive Leadership – Work deliverables driven
- ❑ Learned/ Explored new skills and competencies
- ❑ Crucible leadership – severe trial – resulting into something new

# COMPETENCIES REINFORCED

## Clusters of competencies

- ❑ OC – Organisational competitive advantage – service delivery
- ❑ JC – Effective job, roles, functions, tasks, duties etc
- ❑ PC – Ability to execute tasks or perform the activities- resilience

Covid-19 reinforced the importance of the competencies and how strong levers can compensate weak levers



❑ Financial resilience and financial sustainability – cause and effect relationship

❑ Resilience –

- how an organization/ system responds to particular shocks, turbulences and distresses, recovers from a crisis and adapts to new circumstances
- Investigates proactive initiatives – situation awareness, forecasting potential risks, managing key vulnerabilities (sustainability)
- “***Bouncing back and bouncing forward strategies***” response to crisis approach (Ahrens & Ferry, 2020)
- “Bouncing Back Strategies” – revenue enhancement strategies, cost cutting measures
- “Bouncing Forward Strategies” – anticipatory capabilities – embracing innovation, redefining core service delivery mandate, improving service delivery etc.
  - Embedded on organizational culture, leadership, enhanced internal controls, HR systems etc



# FINANCIAL RESILIENCE & SUSTAINABILITY

- Financial resilience – dealing with financial shocks and shaping vulnerabilities (ability to anticipate, absorb and react)
  - Anticipatory and coping capabilities to respond to shocks affecting public/ municipal finances
  - Understand the magnitude of the problem and develop financial resilience
- Collective approaches/ methodologies to build a collective strategy for financial resilience to external shocks such as the COVID-19 is fundamental
- Leadership and Management
- Stakeholder Management



# ORGANISATIONAL RESILIENCE



The Organisational Resilience Maturity Model (Gracey, 2020)

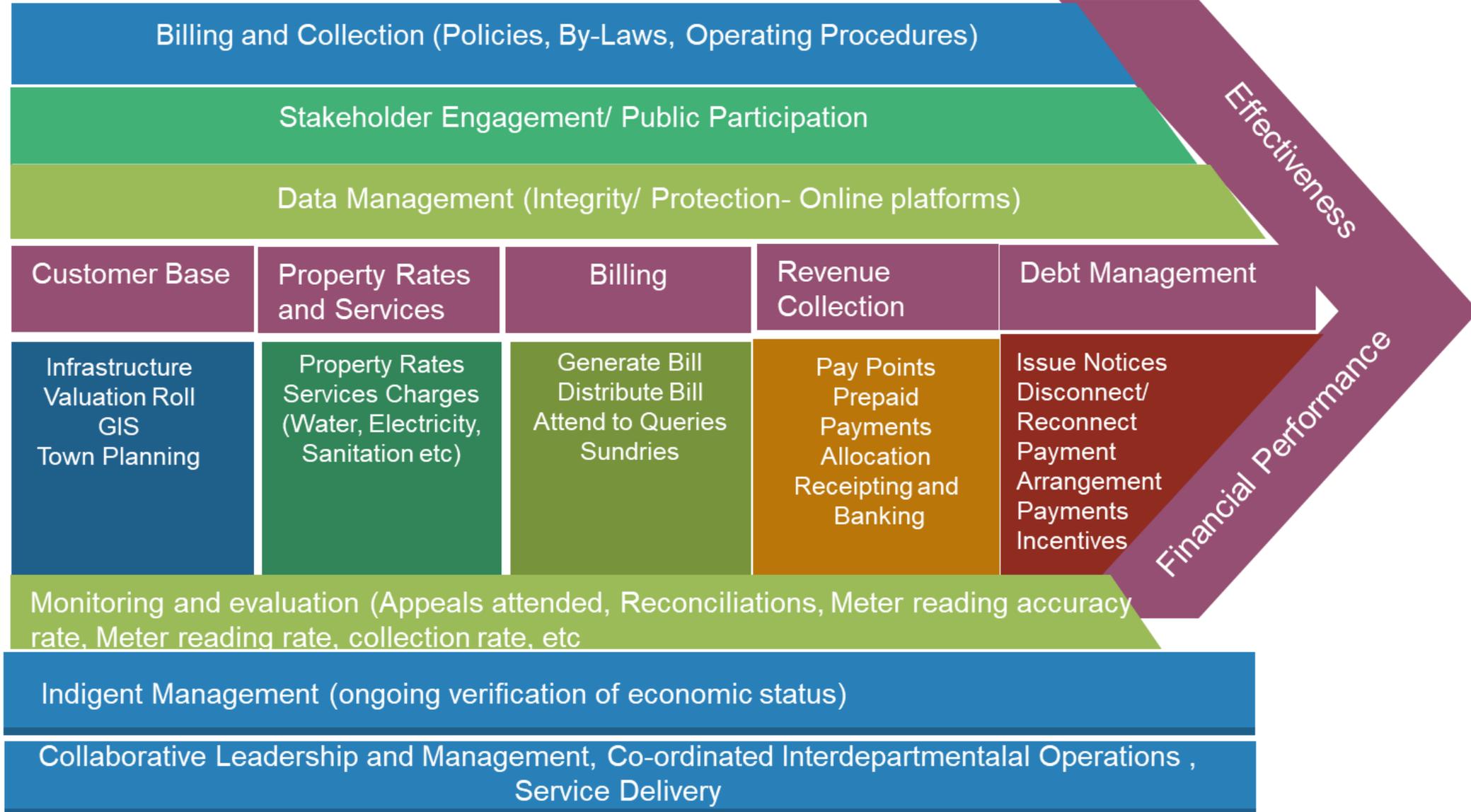
Business Assurance	Business Agility	Business Planning	Business Governance & Structure	Business Development
Internal & External situation monitoring and reporting	Adaptive decision making	Long Term Performance Planning	Roles and Responsibilities	Staff engagement & involvement
Risk Management & Planning	Security frameworks	Business Intelligence systems	Internal resources	Communication and Relationships
Identifying and analysing vulnerabilities				Research, innovation and creativity
Recovery Priorities				Staff talent and succession planning



# **REVENUE OPTIMISATION MEASURES**

# REVENUE OPTIMISATION: B2B

**Organisational Systems**  
(Structure, ICT, HR Systems, Management Processes, Organisational Culture)



- Tailor made revenue enhancement strategy
- Develop short, medium and long term revenue optimisation initiatives
- Integrated approach to revenue management
- Stakeholder engagement and buy- in
- Review revenue management policies and By-Laws, SOP's, Job Descriptions
- Review revenue management delegations of authority
- Revenue management, an IDP developmental priority, KPI on SDBIP,
- Organisational PMS
- Billing - Innovative municipal accounts distribution measures
- Metering Management- innovative meter reading platforms
- Valuation Roll – reconciliations VR, BS, PMF, TP applications property records
- Debt Collection- Incentives to encourage payment



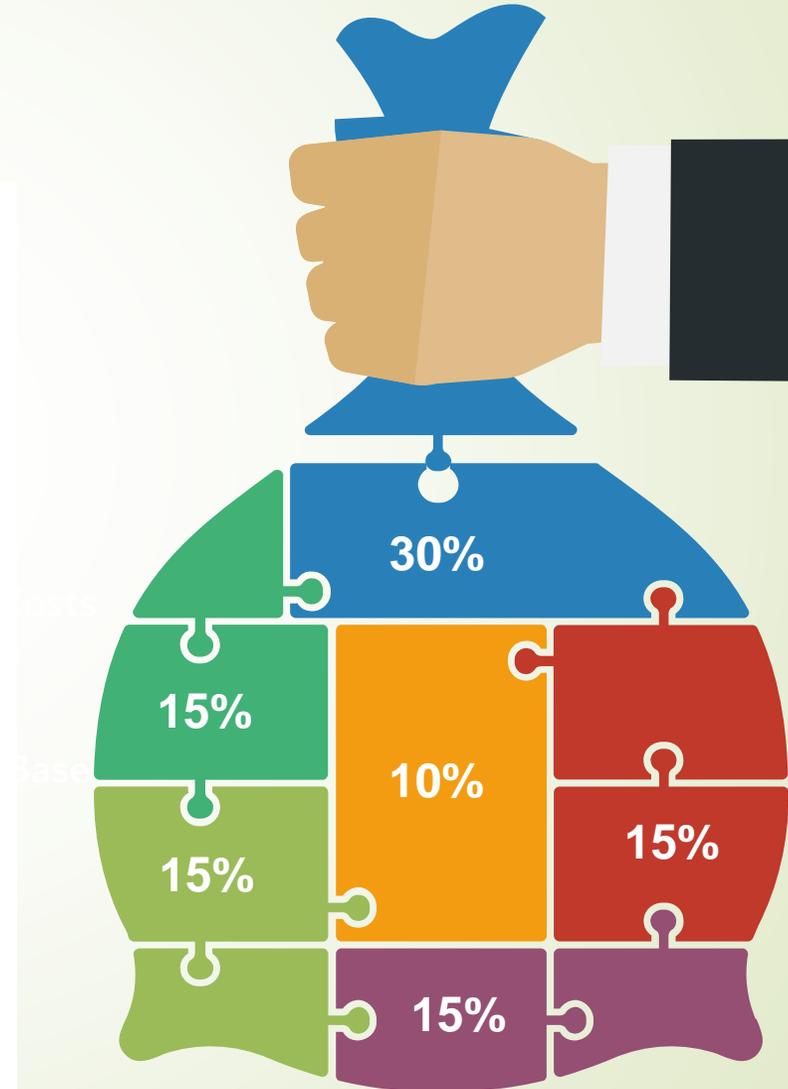
Immediate Revenue Optimisation/ Enhancement Initiatives		
Area of focus	Project	Purpose/ Objective
Revenue Protection	Meter Audit and Replacement Program	To identify all faulty meters - minimise losses and enhance electricity and water revenue
	War on Leaks Program	To reduce high water losses
Data Integrity	Consumer Billing Database	To cleanse the billing database for accurate and credible customer billing database
Data Analytics	Reconciliations and exceptions management	To ensure that all zero consumptions/ significant variances on consumptions are attended
Revenue Budget & Tarriffs Structure	Modelling Cost Reflective Tarriffs	To recover all costs associated with the service rendered
Revenue Collection	Recovery of outstanding municipal accounts from suppliers (90 days)	CSD data analysis - Property description, ID numbers of company directors etc.
		Recovery of municipal accounts at various gate keepers/ stages by issuing Certificate of Debt :
		Issuing of purchase orders/ appointment letters
		Expenditure Management- Invoice capturing and payment on existing contracts Intergrated Systems/ Sub systems (SCM, Revenue, Expenditure, GIS etc)

Immediate Revenue Optimisation/ Enhancement Initiatives		
Area of focus	Project	Purpose/ Objective
Revenue Collection	Credit Control measures	Enforcement of credit control measures to ensure all arrear amounts below the debt collection threshold are collected.
	Credit Control measures	Collection of debts owed by landlords from tenants S 28 MPRA
	Debt Collection measures	Recovery of arrear amounts above 180 days that have been handed over.
Indigent Management	Review economic status of beneficiaries Subscribe to Credit Bureau Agencies	To ensure that all indigents beneficiaries meet the qualifying criteria for the social relief packages

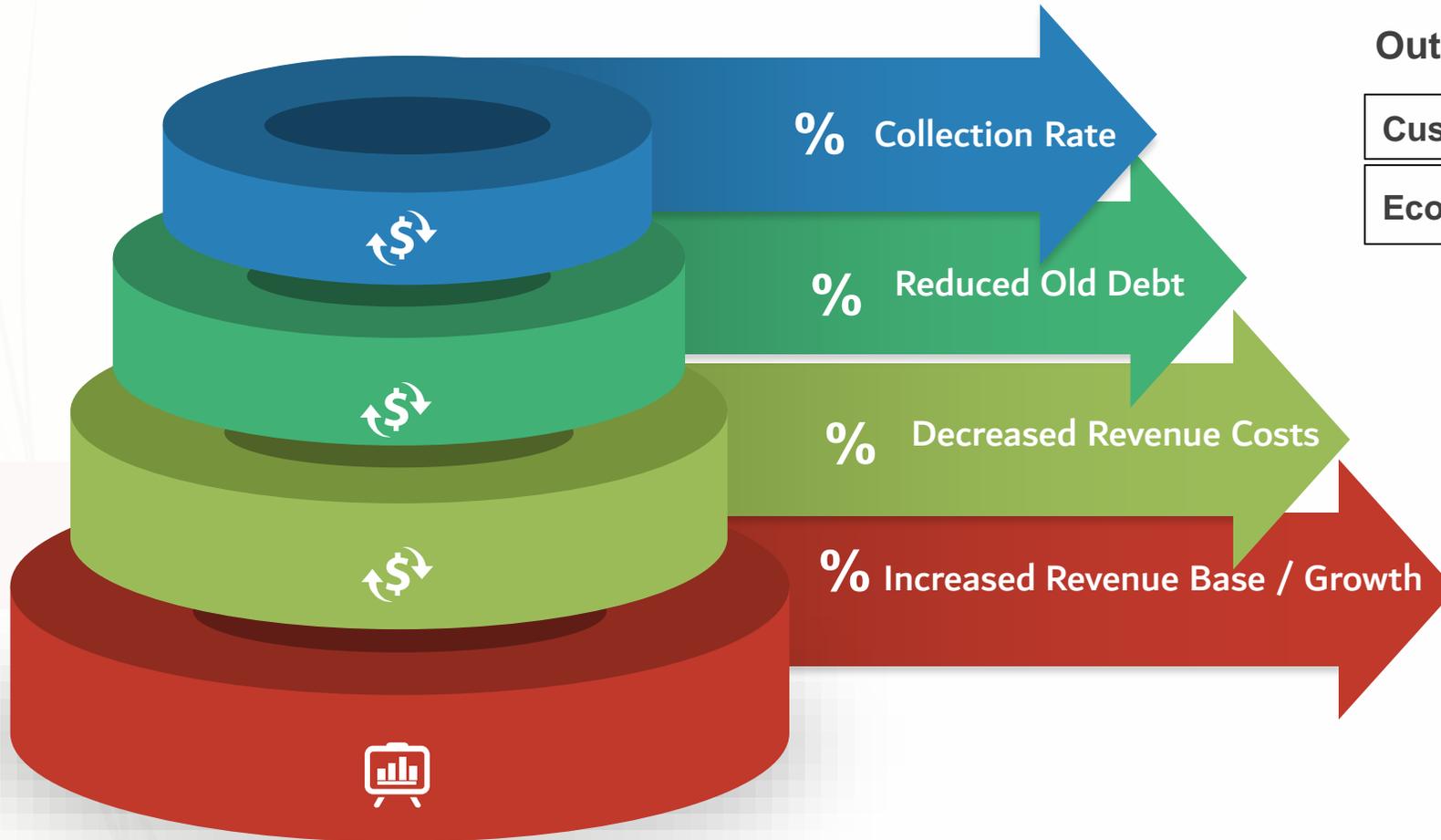
Develop / Review long term financial plan

Medium to Long Term Revenue Optimisation Measures identified (targeted formalisation)

Explore other revenue potential measures & funding mechanism (Funding mix)



## ORGANISATIONAL WIDE SMART KPI's FOR REVENUE MANAGEMENT



### Outcomes:

Customer Satisfaction

Economical , Effective and Efficient Operations

# **COST OPTIMISATION MEASURES**

# COST OPTIMISATION DRIVERS/APPROACHES

Integrated Long  
Term Planning

Zero Based  
Budgeting approach  
Balance Sheet  
Budgeting approach

Funded and  
Credible  
Budgeting

Effective Project  
Management  
System

Contract  
Management

Eliminate Financial  
losses - MI

Investment in  
revenue generating  
programs  
(X approach)

Non Priority  
Spending eliminated

Stakeholder  
Engagement and  
Buy-in

Employees  
Productivity

Eliminate UIF&W

Innovation

# COST OPTIMISATION INDICATORS

Reduction/  
Elimination of UIF &  
W (0%)

R & M as a % of PPE  
(8%)

Efficiency - Net  
Operating Surplus  
Margin

Budget  
Implementation  
Indicators  
(95%- 100%)

Electricity Distribution  
Losses (7%-10%)

Water Distribution  
Losses (15%-30%)

Contracted Services  
as a % of total OPEX  
(2%- 5%)

Remuneration as a %  
of total OPEX  
(25%-40%)

# REGULATORY & OTHER MEASURES

- ❑ Transparency and Accountability - IDP and Budgeting, IYM, Accounting and Reporting Requirements (AFS, APR), Audit Process (AGSA),
  - ❑ Adaptive risk management – undertaken with planning and budgeting processes
    - Adjustments budget- undertake risk management process?
  - ❑ Governance structures –
    - Internal Audit
    - Audit Committee
- 16 Principles of King IV** (Ethical culture, performance & value creation, adequate & effective control)
- Section 79 / 80 committees (MPAC etc.)

## Governance is King!



# LEADERSHIP APPROACHES BEYOND COVID-19

- ❑ Combination of leadership approaches
  - Adaptability and Agility
  - Leadership creates failing or successful institutions
- ❑ Building Coalition
- ❑ Enrol into the same organisational vision and objectives
- ❑ Leadership competencies- soft skills
  - Problem analysis
  - Decision making
  - Emotional Intelligence
  - Developing others
- ❑ Stakeholder engagement and Buy- In



## OTHER APPROACHES BEYOND COVID-19

- Situational Analysis
  - 360 Degrees assessment of the impact –situational analysis (root cause)
  - Identify problem statement / gaps where revenue is foregone or can be unlocked
  - Embrace the problem : Take ownership of the situation
- Willingness to change organisational culture
- Review / Reinvent long term plans and strategies
- Bridge the gap between executive and middle management (avoid push/pull syndrome)
- Compliance with legislation
- Monitoring & Evaluation - Effective PMS
- Consequence Management



