



the dplg

Department:
Provincial and Local Government
REPUBLIC OF SOUTH AFRICA

Initiatives to Improve Revenue Collection in Municipalities

**Presentation to the Portfolio Committee on
Public Service and Administration
by Ms Lindiwe Msengana-Ndlela
Director-General: dplg**

**Wednesday, 6th September 2006,
Cape Town**

Five-Year Strategic Agenda for Local Government (KPAs)

- Municipal Transformation and Organizational Development
- Basic Service Delivery
- Local Economic Development
- Municipal Financial Viability and Management
- Good Governance and Public Participation

Local Government Fiscal Framework

Own Revenue

Grants/ Transfers

Donors

Short-Term Loans

Long-Term Loans

Sources:

- Service Charges
- Tariffs
- Rates and Taxes

National
Government

Foreign
Governments

Financial
Institutions

Financial
Institutions

Uses:

- Water
- Electricity
- Transportation
- Social services
- Public safety
- Environment
- General administration
- Recreation
- Sanitation
- Interest on general debt

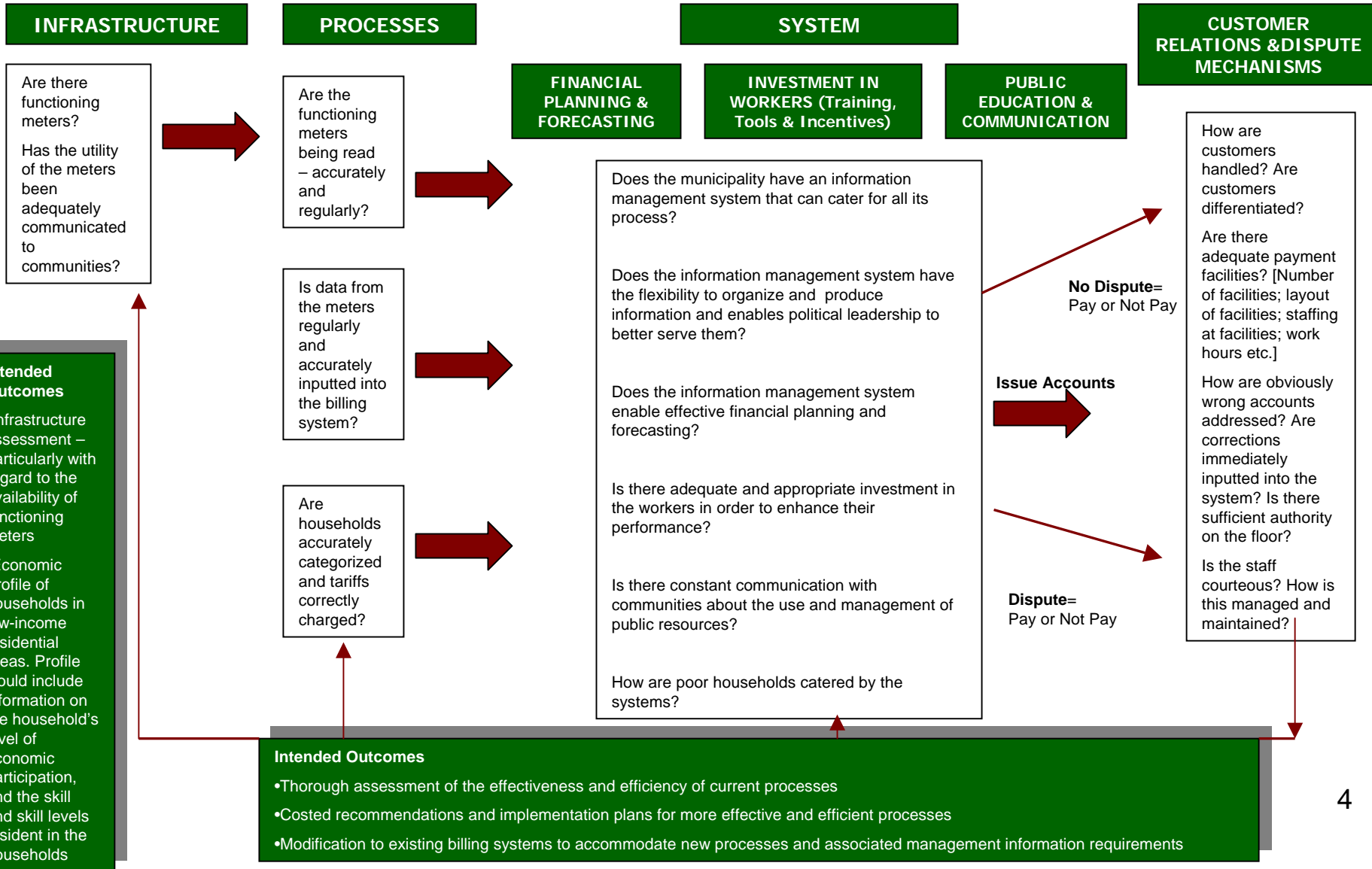
Typically used
To support poor
households and
to address
infrastructure
backlogs and
demands

Typically project
specific and focus
on capacity
building

- Bridge financing
- Overdraft facilities
- Some capital
expenditures

Long-term
infrastructure and
capital
expenditures

Revenue Collection Continuum

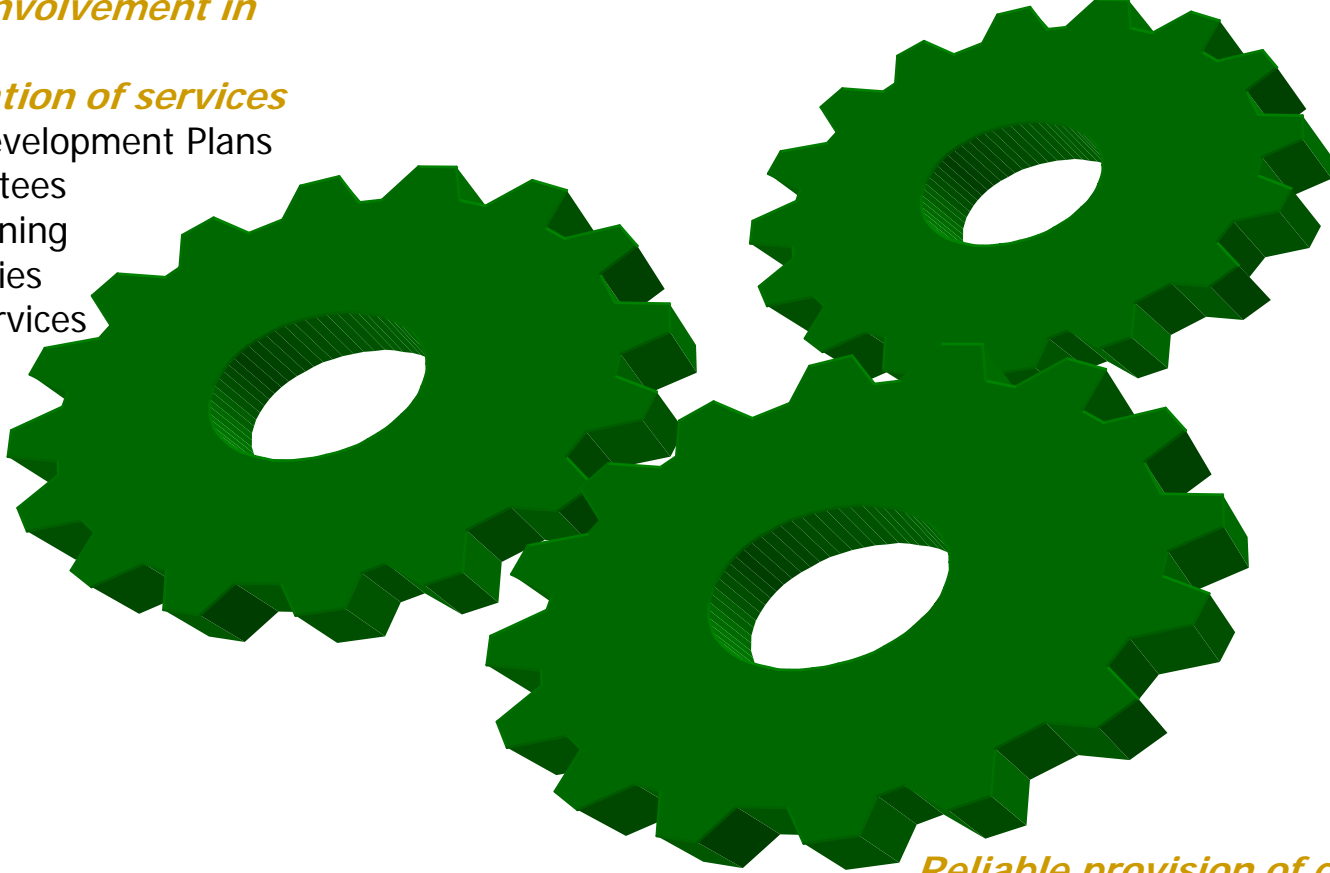


The Services Payment Cycle

Community involvement in planning and prioritisation of services

- Integrated Development Plans
- Ward Committees
- Financial Planning
- Indigent Policies
- Free Basic Services

Voluntary payment for services



Reliable provision of quality Services

- Performance Management
- Infrastructure development
- Community engagement
- Infrastructure and Service Maintenance

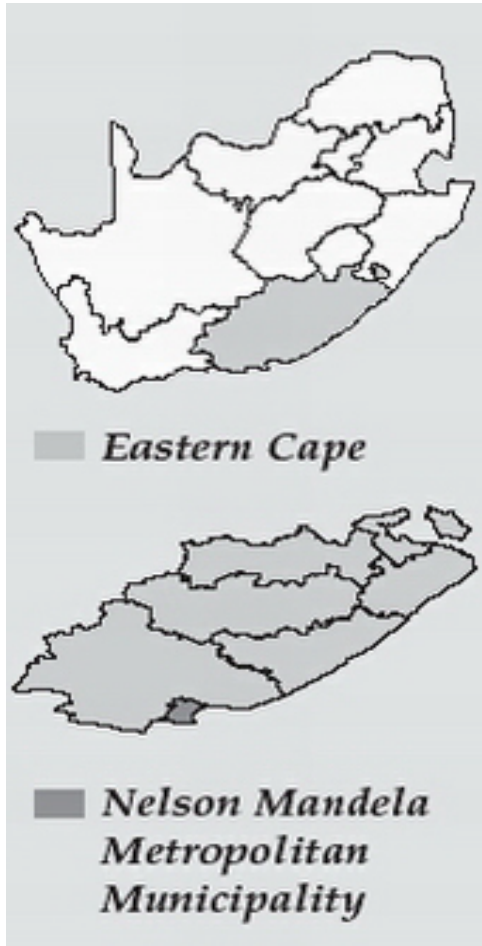
Target Municipalities

Target Municipalities	Population	No. of Households
Mafikeng Local Municipality (NW)	259,478	64,674
Makhuduthamanga Local Municipality (LP)	262,903	53,156
Matjhabeng Local Municipality (FS)	408,170	120,288
City of Johannesburg (GP)	3,225,812	1,006,931
Tsantsabane Local Municipality (NC)	31,013	7,227
Greater Kokstad Local Municipality (KZN)	56,528	19,625
Umngeni Local Municipality (KZN)	73,896	20,488
Dr. JS Moroka Local Municipality (MP)	243,313	53,582
Cederberg Local Municipality (WC)	39,326	10,366
Nelson Mandela Metropolitan Municipality (EC)	1,005,778	260,799
Buffalo City Local Municipality (EC)	701,890	191,046
Moretele Local Municipality (NW)	177,905	43,008
TOTAL	6,486,012	1,851,190

Focus of Programmes of Action

- **Improve the public and market confidence in our system of governance**
 - Paying particular attention to issues that have irritated the public and eroded the confidence in the municipality
- **Improve the financial and economic viability of municipalities**
 - Paying particular attention to levers and considerations that will enhance the financial and economic viability of the municipality
- **Improve operating and organisational systems**
 - Paying particular attention to improving the sense of accountability and performance in the municipality

Nelson Mandela Metropolitan Municipality



Public Confidence Initiatives

- Replace 90 hand-held meter reading devices
- Replace 45,000 non-compliant meters
- Consolidate customer care help line
- Improve indigent registration
- Outsourcing of meter reading
- Improve customer care management

Financial and Economic Viability Initiatives

- Update customer database
- Address water losses (30%)
- Audit water and electricity meters

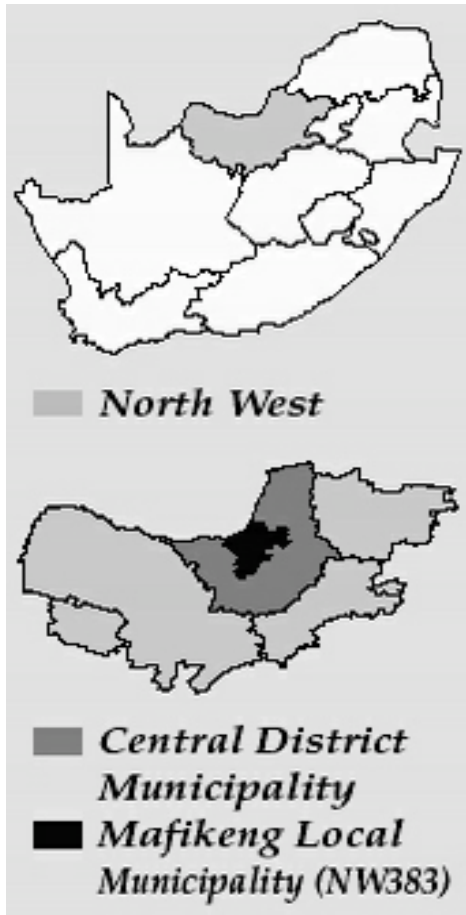
Organisational Systems Initiatives

- Formalised training through the University of Port Elizabeth
- Upgrade of billing system
- Update GIS system
- Reengineer meter reading operation

Collection Rate June 2005: 90%

Collection Rate June 2006: 96%

Mafikeng Local Municipality



Public Confidence Initiatives

- Establish customer care centre
- Develop service reliability programme
- Improve Community engagement through Ward Committees

Financial and Economic Viability Initiatives

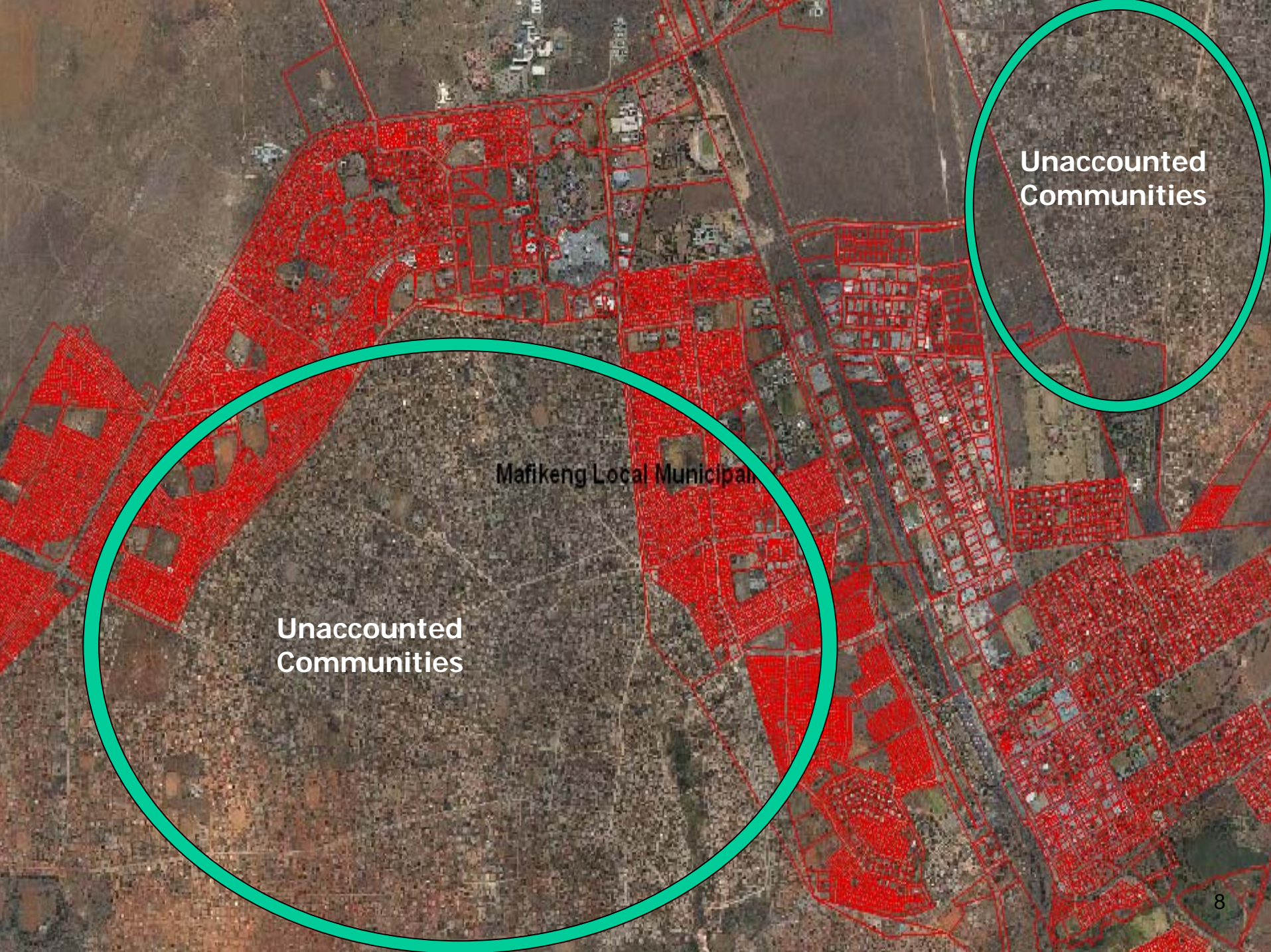
- Upgrade financial management system
- Increase revenue collection by R60 million by eliminating government arrears
- Address water losses (40%)
- Conduct economic profile of municipality
- Convert consumption metering system to prepaid metering

Organisational Systems Initiatives

- Introduce and implement Performance Management System for senior managers in Finance Department
- Upgrade of billing system
- Update GIS system
- Staff training for preparation of annual financial statements and budget development and execution management

Collection Rate June 2005: 70%

Collection Rate June 2006: 92%

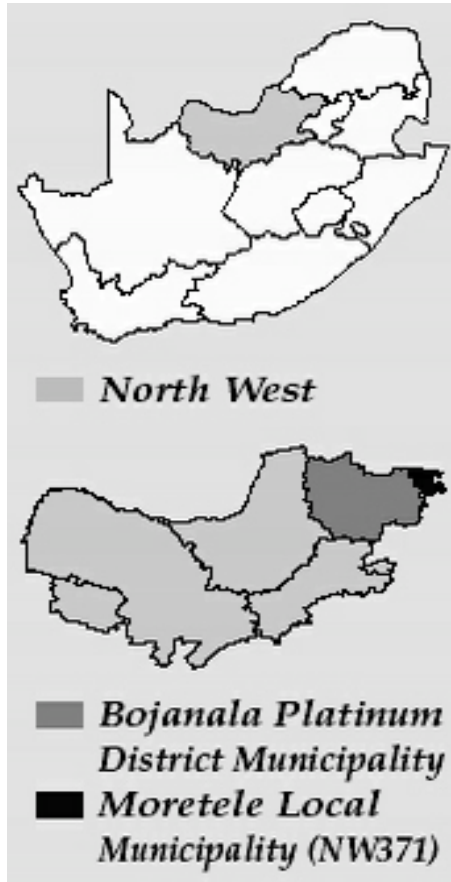


**Unaccounted
Communities**

Mafikeng Local Municipality

**Unaccounted
Communities**

Moretele Local Municipality



Public Confidence Initiatives

- Upgrade prepaid electricity system
- Rehabilitation of Rates Hall
- Community engagement through Ward Committees
- Skills training for customer care
- Improved indigent registration

Financial and Economic Viability Initiatives

- Update customer database
- Address water losses (45%)
- Remote meter reading for bulk users

Organisational Systems Initiatives

- ICT system integration
- Upgrade of billing system
- Update GIS system
- Reengineer meter reading operation

Collection Rate June 2005: 0%

Collection Rate June 2006: 21%

Makhuduthamaga Local Municipality



Public Confidence Initiatives

- Improve effectiveness of ward committees
- Improve indigent registration
- Improve community communication
- Provision of refuse bins for new refuse collection programme
- Provide street and high mast lighting in areas with high crime

Financial and Economic Viability Initiatives

- Develop revenue raising strategy
- Develop credit control policy
- Compilation of valuation roll
- Establish consumption metering operation
- Develop comprehensive infrastructure development plan
- Develop LED Strategy
- Develop Spatial Development Strategy

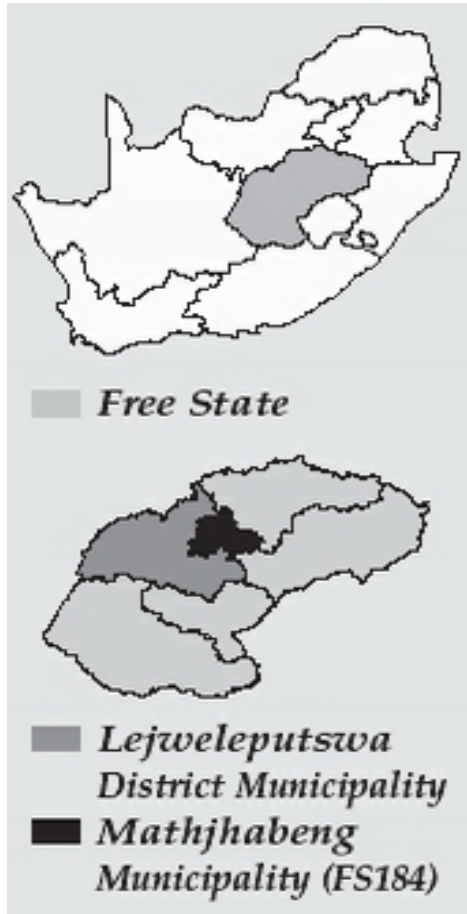
Organisational Systems Initiatives

- Upgrade of billing system
- Develop GIS system
- Implement PMS for Section 57 managers
- Establish internal audit function and oversight committee

Collection Rate June 2005: 5%

Collection Rate June 2006: 16%

Matjhabeng Local Municipality



Public Confidence Initiatives

- Improved meter reading operations
- Improved community engagement
- Convert pay points to customer care centres
- Improve quality of customer database
- Write off of interest accrued on municipal debt

Financial and Economic Viability Initiatives

- Establish credit control unit
- Recover R18 million of municipal services debt
- Improved management of commercial customers
- Address water losses (40%)
- Audit water and electricity meters
- Reconciliation of financial statements

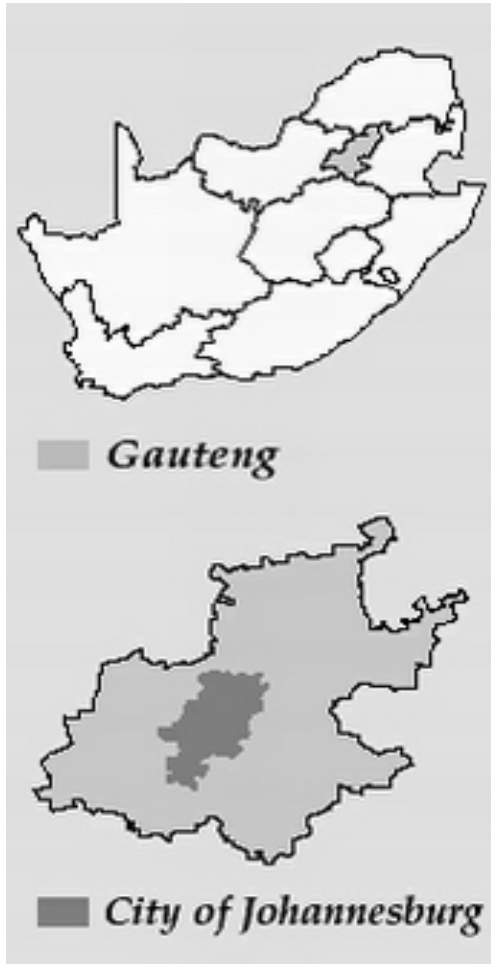
Organisational Systems Initiatives

- Develop PMS for Finance Department
- Reengineering of Finance Department
- Address audit queries from OAG
- Performance management of service providers
- Staff training in accounting and customer care

Collection Rate June 2005: 53%

Collection Rate June 2006: 62%

City of Johannesburg



Public Confidence Initiatives

- Make Joburg Connect a share-call or toll free number
- Improve functionality of customer care centres

Financial and Economic Viability Initiatives

- Address the refunds backlog and improve refunds processing

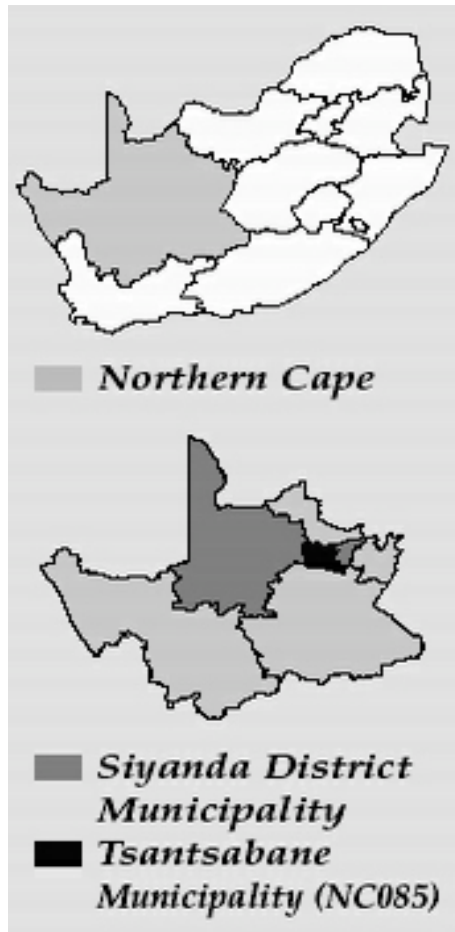
Organisational Systems Initiatives

- Develop and roll out training for Revenue Department
- Address backlogs in the opening and closing of customer accounts

Collection Rate June 2005: 87%

Collection Rate June 2006: 95%

Tsantsabane Local Municipality



Public Confidence Initiatives

- Provide Free Basic Services to 860 households not receiving any services
- Roll-out of Free Basic Electricity throughout municipality
- Improve community engagement strategy
- Upgrade sanitation system to waterborne system

Financial and Economic Viability Initiatives

- Conduct economic profile of municipality
- Improve customer database
- Review and implement credit control policy
- Develop comprehensive infrastructure development plan

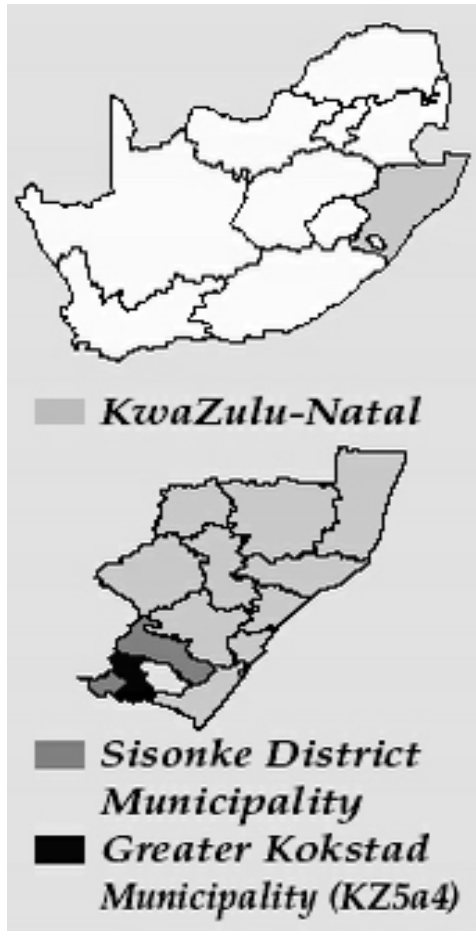
Organisational Systems Initiatives

- Upgrade of billing system
- Update GIS system
- Reduce overtime usage
- Purchase service delivery equipment

• **Collection Rate June 2005: 53%**

• **Collection Rate June 2006: 94%**

Greater Kokstad Local Municipality



Public Confidence Initiatives

- Upgrade prepaid electricity infrastructure
- Upgrade of storm water drainage
- Implement Customer Relations Management System
- Improve community communication

Financial and Economic Viability Initiatives

- Update customer database
- Address water and electricity losses
- Implement LED Strategy
- Implement credit control policy
- Develop comprehensive integrated development programme

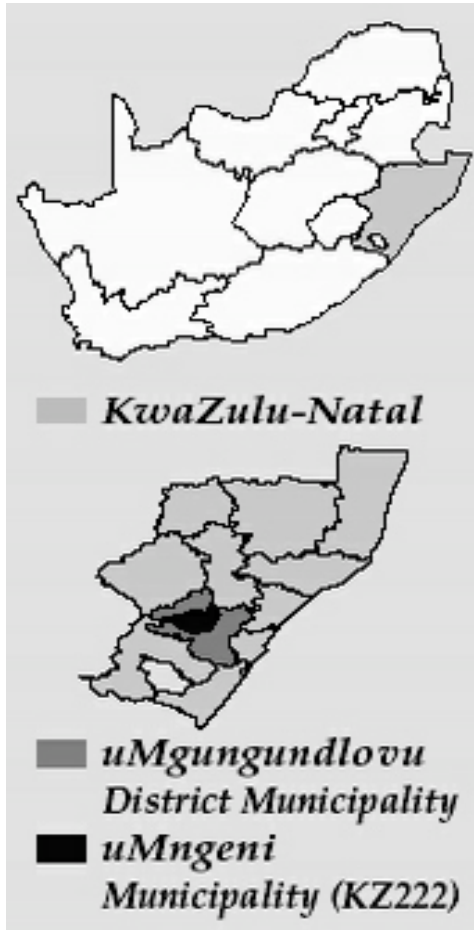
Organisational Systems Initiatives

- Upgrade of billing system
- Implement Human Resources Management Strategy
- Upgrade ICT infrastructure
- Introduce GIS system
- Reengineer and strengthen Finance Department
- Implement Performance Management System

Collection Rate June 2005: 60%

Collection Rate June 2006: 90%

uMngeni Local Municipality



Public Confidence Initiatives

- Improve community engagement
- Roll-out of Free Basic Electricity in Eskom-customer areas
- Upgrading of existing and establish new service centres

Financial and Economic Viability Initiatives

- Update valuation roll
- Address water losses (30%)
- Improve meter reading operations
- Implement credit control and debt management

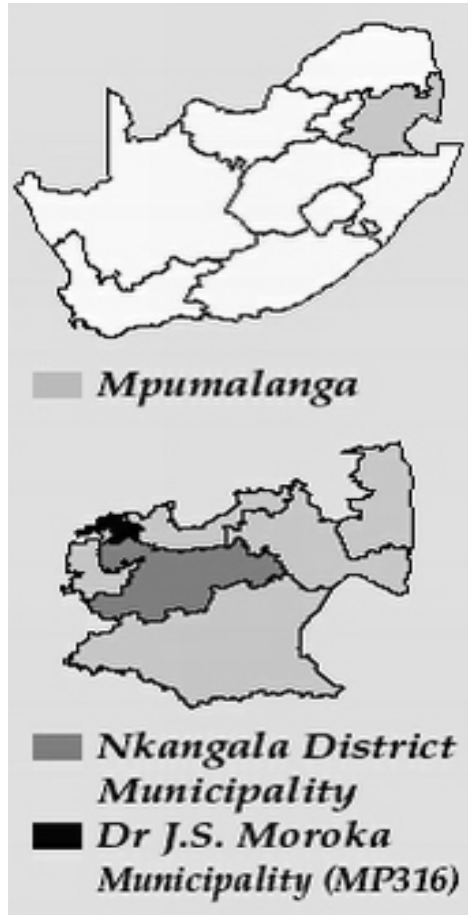
Organisational Systems Initiatives

- Onsite support and staff training for ICT system
- Implement PMS in Finance Department

Collection Rate June 2005: 60%

Collection Rate June 2006: 94%

Dr J S Moroka Local Municipality



Public Confidence Initiatives

- Implement Adopt-a-Ward Programme
- Implement community communication and education strategy
- Upgrade sanitation system
- Introduce refuse removal programme
- Install bulk water infrastructure
- Establish traffic control and management centre
- Reduce in-house water losses through community involvement
- Branding of municipality

Financial and Economic Viability Initiatives

- Update customer database
- Improve indigent registration
- Implement credit control policy
- Introduce consumption billing

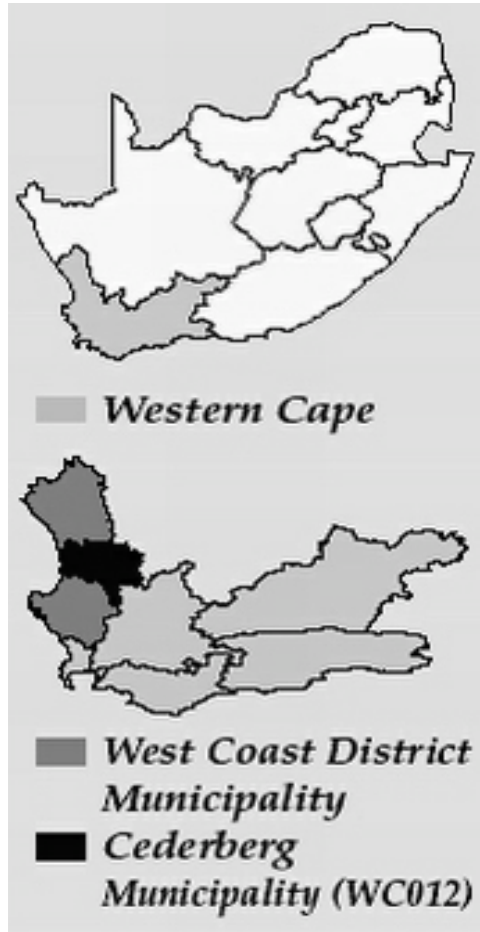
Organisational Systems Initiatives

- Establish internal audit function
- Revisit organisational structure to improve effectiveness and incorporate water services function

Collection Rate June 2005: 8%

Collection Rate June 2006: 68%

Cederberg Local Municipality



Public Confidence Initiatives

- Upgrade prepaid electricity system
- Rehabilitation of Rates Hall
- Community engagement through Ward Committees
- Skills training for customer care
- Improved indigent registration

Financial and Economic Viability Initiatives

- Update customer database
- Address water losses (45%)
- Remote meter reading for bulk users

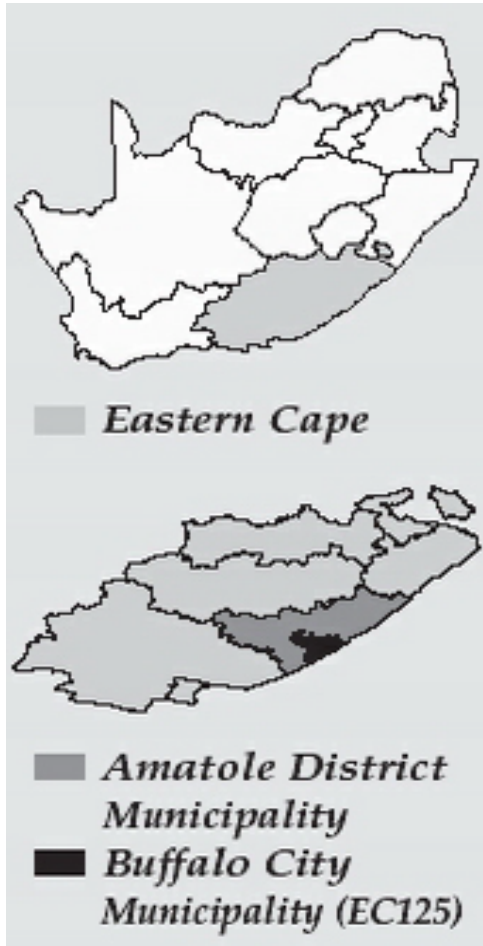
Organisational Systems Initiatives

- ICT system integration
- Upgrade of billing system
- Update GIS system
- Reengineer meter reading operation

Collection Rate June 2005: 64%

Collection Rate June 2006: 85%

Buffalo City Local Municipality



Public Confidence Initiatives

- Upgrade prepaid electricity system
- Rehabilitation of Rates Hall
- Community engagement through Ward Committees
- Skills training for customer care
- Improved indigent registration

Financial and Economic Viability Initiatives

- Update customer database
- Address water losses (45%)
- Remote meter reading for bulk users

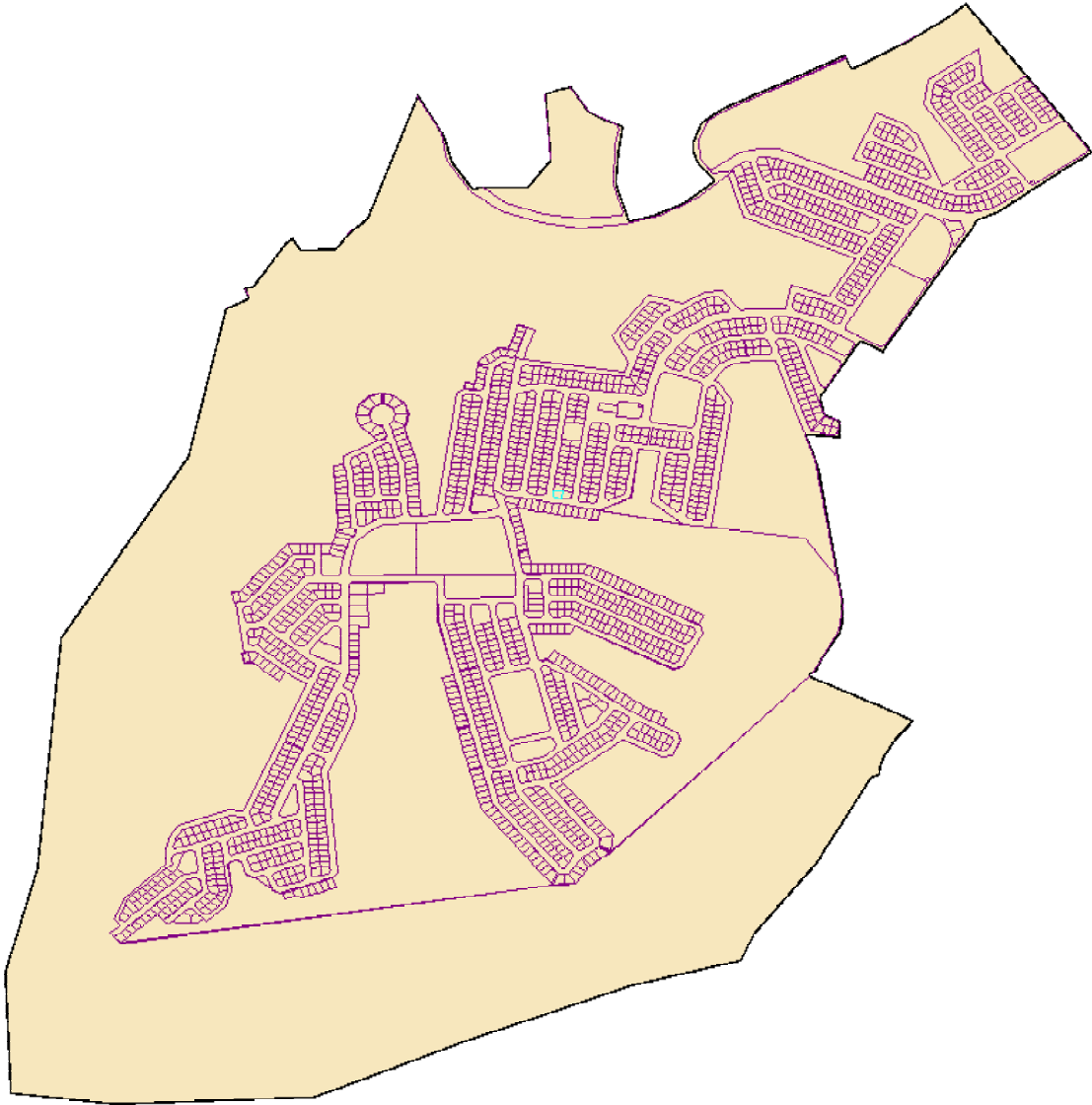
Organisational Systems Initiatives

- ICT system integration
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- Reengineer meter reading operation

Collection Rate June 2005: 91%

Collection Rate June 2006: 96%

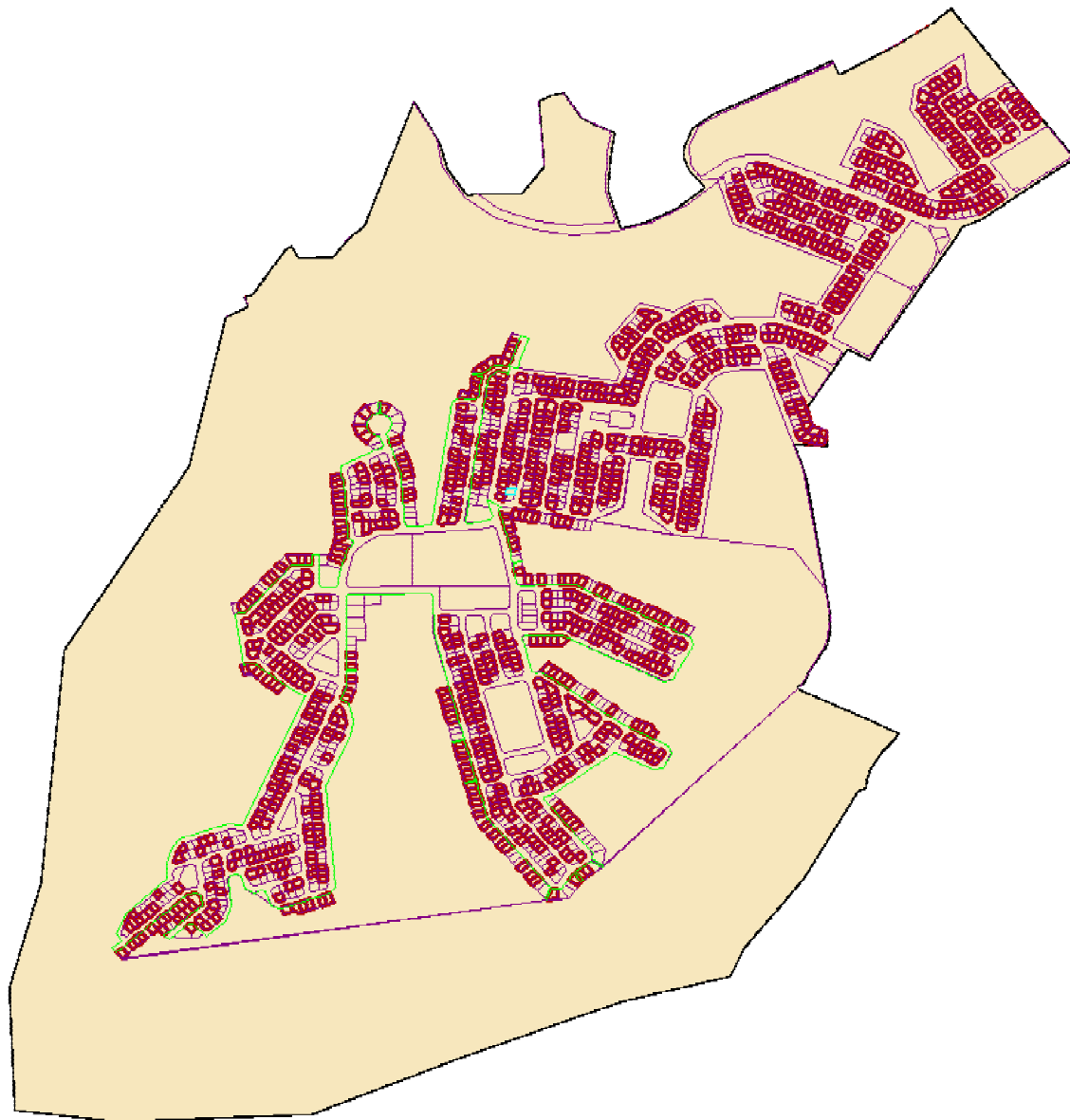
Cadastral Map of Ward 35 (Mdantsane)



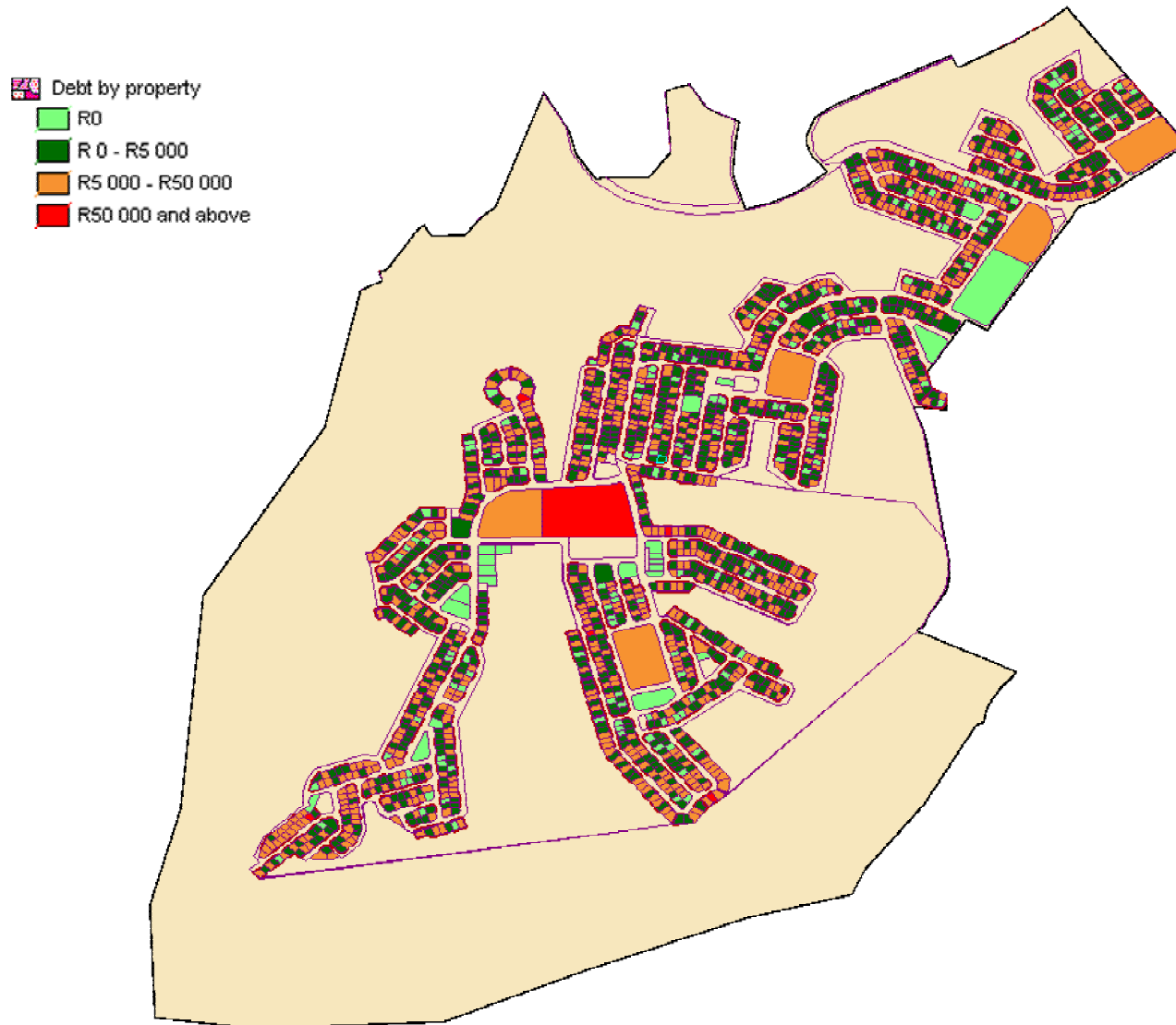
Aerial Map of Ward 35



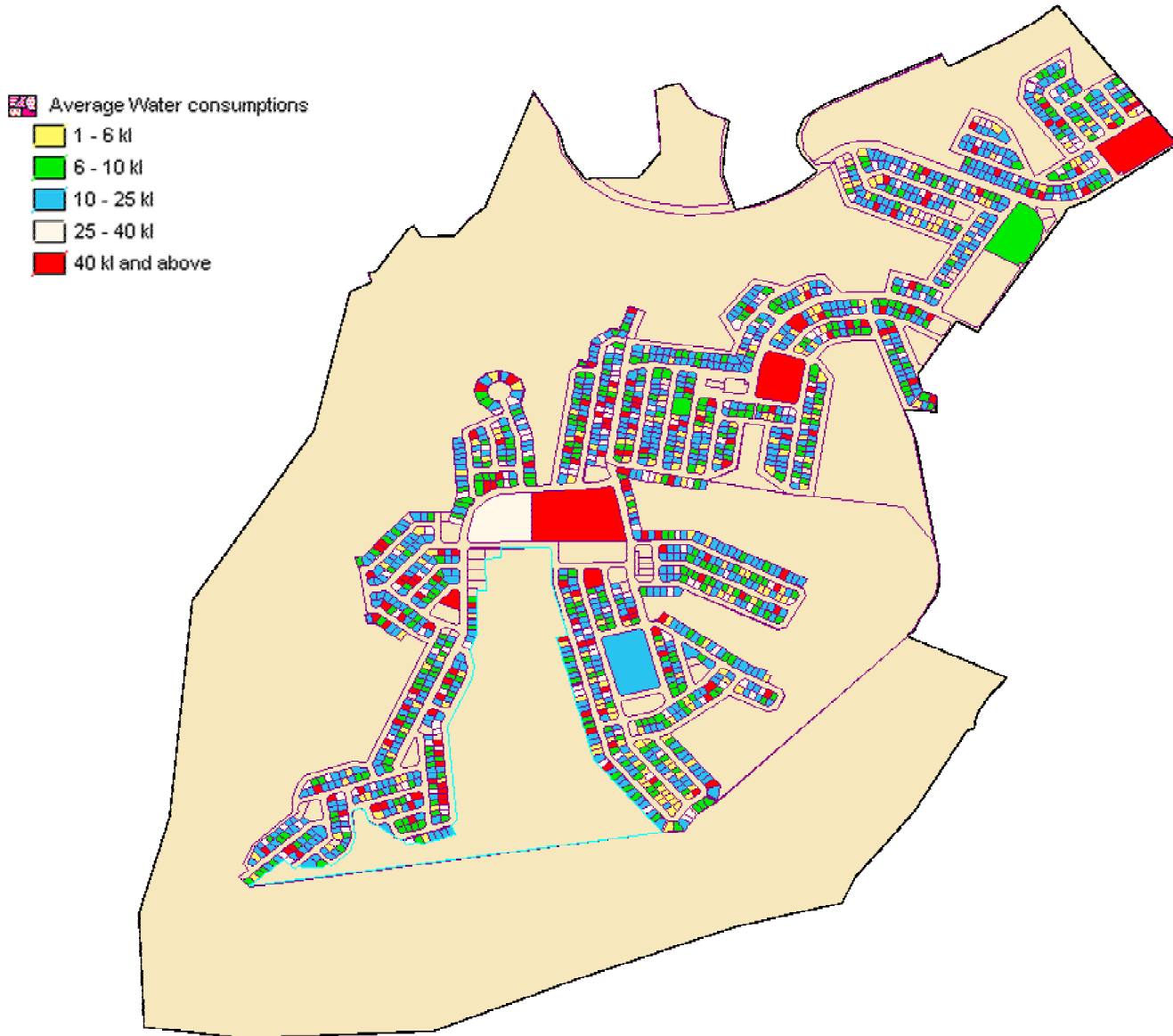
Registered Indigent Households in Ward 35



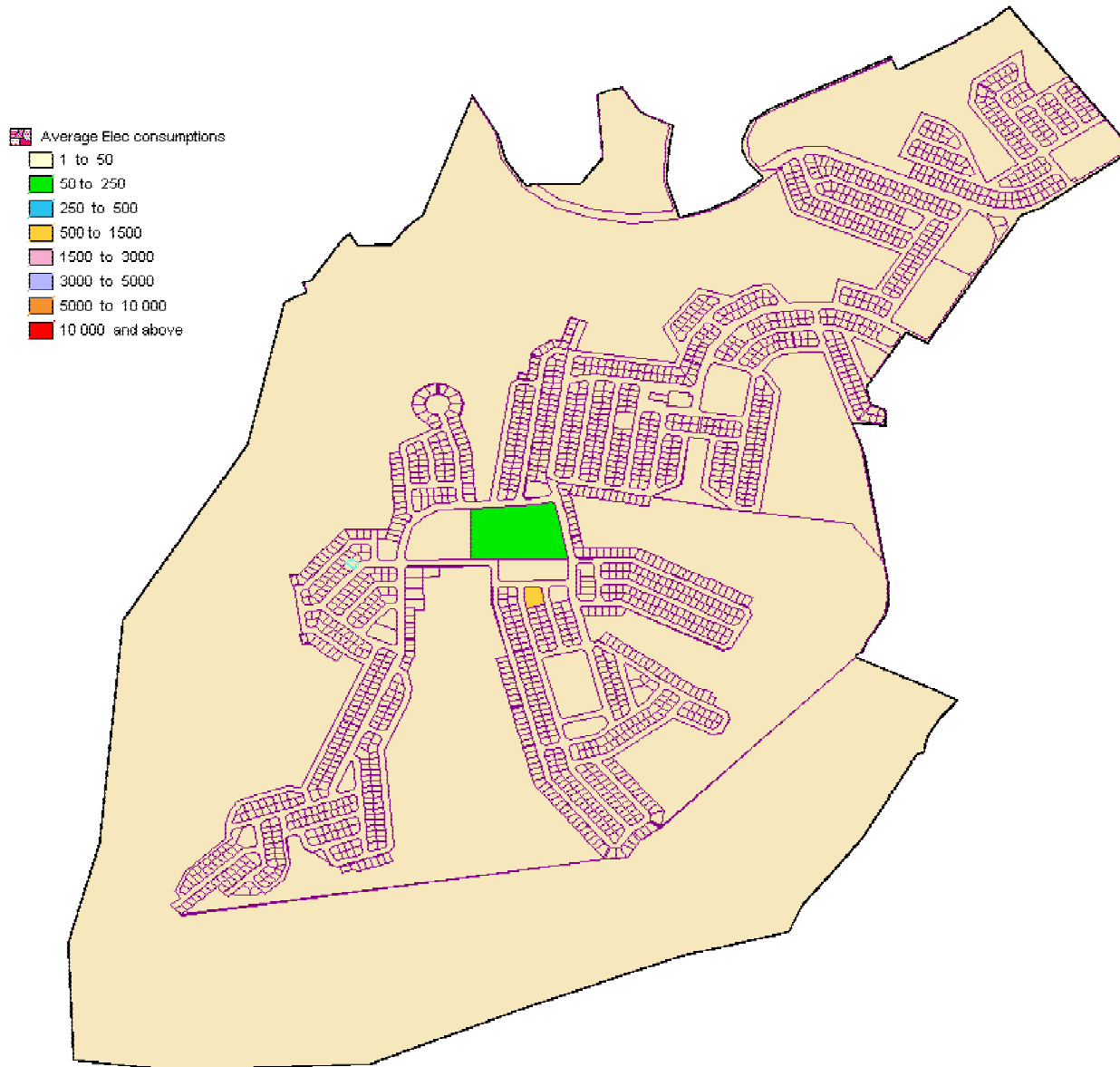
Debt Owed by Household in Ward 35



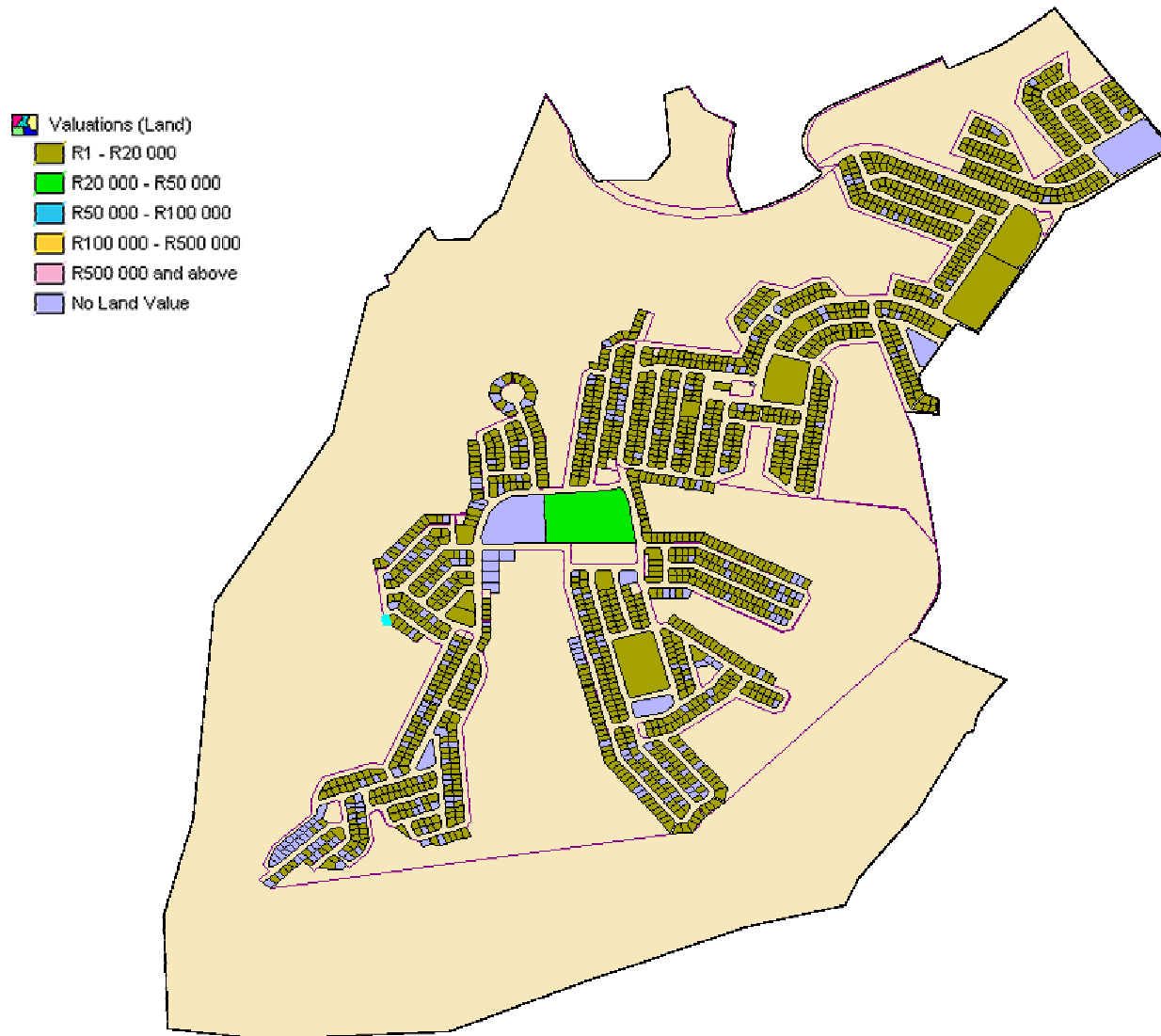
Water Consumption by Household in Ward 35



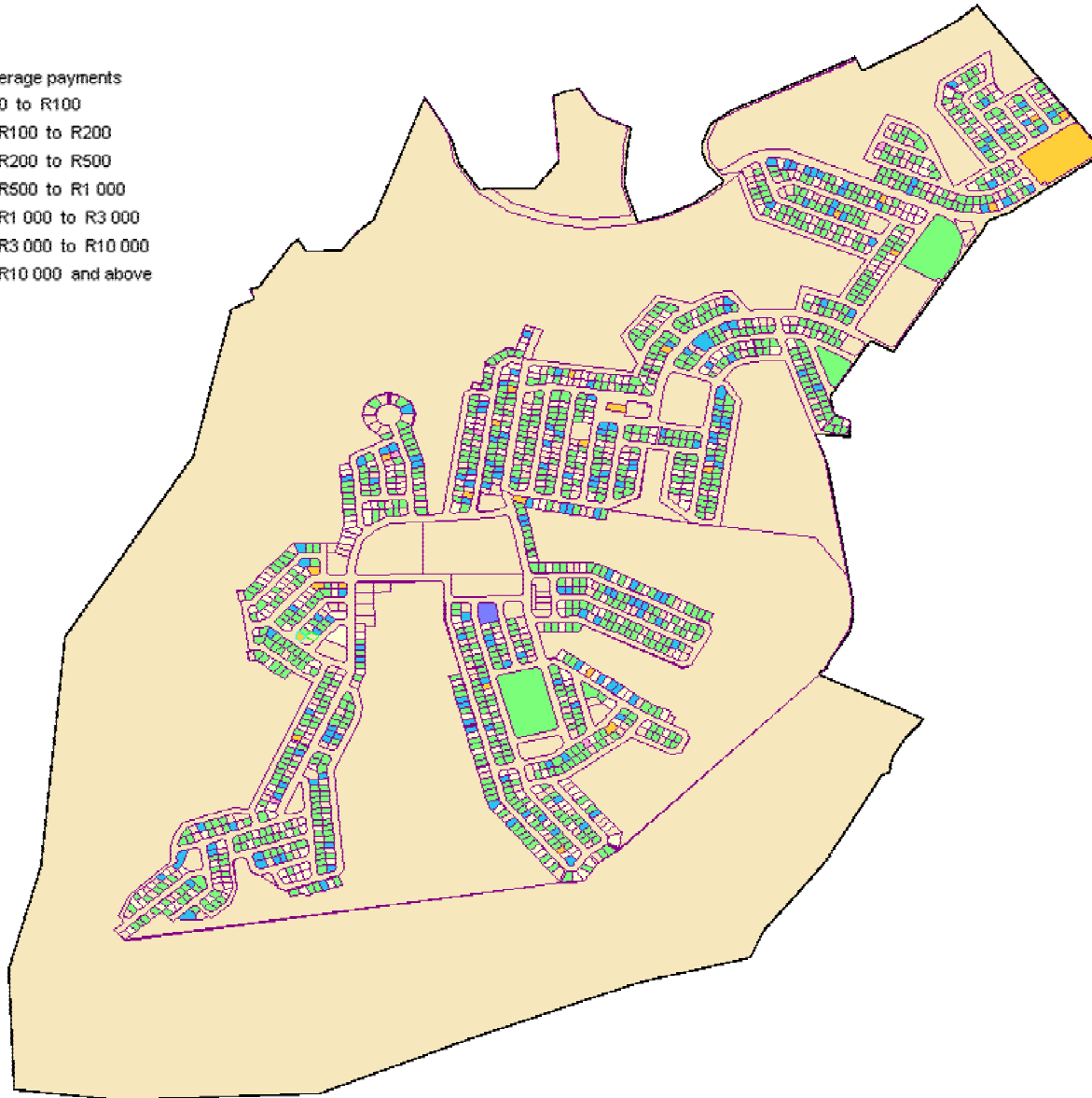
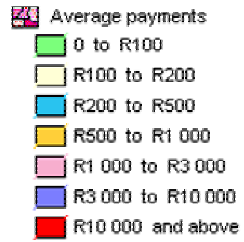
Electricity Consumption by Household in Ward 35



Property Value by Household in Ward 35



Average Payment by Household in Ward 35



Conclusion

- Revenue Collection can be improved – especially if focus is given to the full continuum
- Special attention must be given to knowing and understanding communities, providing reliable and quality services, and adequately responding to disputes
- New initiatives should seek to reinforce intent of existing legislation and support programmes
- Lessons and experiences from Project Consolidate will be framed and publicised for the benefit of other municipalities
- Strong need for continued practical hands-on support and ongoing monitoring and evaluation to enhance performance and accountability

Thank you !