



Local Government Brief: 06/2013

The need to improve on fiscal capacity against fiscal effort: Revenue Management Eff

Local Government Briefs are monthly electronic updates for municipalities on critical areas of law, policy, facts and data affecting the sector

1. Background

The legislative range governing revenue management are the Constitution, Municipal Finance Management Act, Municipal Systems Act, Municipal Property Rates Act, Water Act, and Electricity Act.

2. Discussion

However, there are challenges in general in the application of these legislative frameworks. These challenges are:

Billing Process: Distribution of municipal account statement, credibility and accuracy of Municipal Account Information, consolidation of Billing Information

Town Planning: Certificates of Occupation, coordination & Communication of information - relevant to billing, proclamation of development - Deeds Office

Metered services: Time frames for meter reading, exception reports & process for verification, service & maintenance on meters, meter consumption, information & Data Credibility and accuracy

Property Rates: Accuracy and credibility of the Property Information, tariff setting & modelling

Property Rates: effectiveness of the Property Rates Policy

Property valuations: coordination & Communication of information - relevant to billing, accuracy and credibility of property information & Values - valuation roll, delays in resolving disputes & objections in property valuations - negative impact in the MTREF Budget process, results & performance of the service provider - contracted by the Municipality

Refuse collection: Uncertainty on no. of properties that service is provided & billed

Municipal accounts: Opening & closing municipal accounts, process in obtaining municipal clearances, arrear Municipal Services Debt - not paid in full settlement - clearance, -protracted legal challenges

Undefined or uncertainty - functionality of the Costumer Care Service: Time frames in resolving municipal account, queries, inadequate or weak human, technical and other relevant resources - sustain effective functionality of the Costumer Care Service, ineffectiveness in coordination & communication

3. Implications

The following are fundamental to maximising the potential existing revenue sources:

- The billing system must correctly reflect all billing data and customer data that are required to issue an accurate invoice on time to the relevant customer.
- Billing records must be routinely reconciled to the source of the billing data and customer data.
- Billing queries must be resolved within reasonable timeframes.
- All properties within the municipality's area of jurisdiction must be correctly valued whether in the
- General Valuation Roll or Supplementary Valuation Rolls; and the billing system must be updated with any change in property ownership. This is necessary to grow and protect the municipality's property rates base.
- Correct categorisation of properties in terms of the Municipal Property Rates Policy; this impacts usage and property rates tariffs applied to the properties.
- Property usage must be correctly recorded so that the relevant property rates tariff is applied to the property; changes to property usage must also be communicated to the revenue function so that the billing system is updated.
- Effective business processes to ensure that new property development and improvements to existing properties are valued as required and that billing records are updated accordingly; this requires good working relations between the municipality's town planning, valuations and revenue management functions.
- Water and electricity meter numbers must be recorded correctly and linked to the corresponding property on the billing system.

- Water and electricity meters must be adequately maintained to minimise losses due to leakages or incorrectly measured consumption.
- Water and electricity meters must be read with regularity and accuracy so that the correct consumption information is recorded on the billing system; meter reading estimates must be minimised or at least undertaken in accordance with the municipality's Credit Control Policy prescriptions.
- Refuse and sanitation service charges must be included in the billing records; these services are often neglected as a source of revenue; in fact, some municipalities operate refuse removal services at a loss.
- Municipal functions must be adequately staffed with competently skilled individuals who understand the job requirements and how to deliver on it.
- To achieve and sustain a minimum 95% Revenue rate & standard
- To implement initiatives to strengthen the Institutional Capability within the Key Components for the
- Role-Players to sustain the high revenue collection standard & debt management
- To implement initiatives to limit & monitor water & electricity losses
- Acquire a continuous conceptual understanding of the Challenges that is encountered by Key Components
- To achieve effective and efficient coordination & communication between all role players within the Revenue Value Chain.

References

National Treasury's presentation in the 6th National Municipal Managers Forum held at Moses Mabhida Stadium, 22-23 AUGUST 2013.