

Smarter Cities of the Future
Working Paper: Revenue Optimization



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1. Introduction

It is estimated that global urbanization will reach 70% by 2050 and with that comes a multitude of ramifications on municipal structures within which individuals and businesses reside. One challenge involves sound financial management, specifically optimized revenue recovery.

The future of municipal financial management lies in viewing all aspects of a municipality from a holistic standpoint; the days of operating in isolation are gone and have ushered in a need for an approach which embraces collaborative value creation with a human centered design approach.

This white paper highlights some of the challenges faced by municipalities with regards to revenue recovery and draws attention to three key approaches which leading municipalities are embracing in their effort to transition their districts from good to great.

2. The Challenge

Municipalities and other public organizations in South Africa are under threat of increased debt caused by various factors including a culture of non-payment which is the result of poverty, institutional distrust and poor revenue collection systems. The implications of this build-up of municipal debt is far reaching and impacts not only the municipalities concerned but society as a whole.

Research indicates that South Africa is not alone in the challenges it faces regarding municipal revenue recovery, with numerous countries in Africa facing similar problems. Locally a strong emphasis, in the form of the Municipal Systems Act, as well as the Constitution, is placed on the collection of revenues through the adoption, implementation and maintenance of a debt and credit recovery process which ensures municipalities are able to provide quality services to communities in a sustainable manner.

Despite municipalities, and the services they provide to business and households, forming the foundation for a city's success, societal dependence on them is often overlooked. Never has the need to achieve sustainable municipal entities been more important than now and in order to achieve this objective, municipalities need to continue evolving to meet human ambitions. The only way this can be achieved is through collaborative community and business participation, innovative thought processes and customer centric solutions.

The challenges faced by municipalities, including the arduous task of having to operate in an ever changing and multifaceted environment, with a limited and at often time's unstable budget, is cumbersome. Given this dynamic, three practices have been identified which effective municipal leaders and sustainable leading cities implement in order to overcome the above-mentioned challenges and achieve operational excellence in revenue optimization and financial management.

Revenue Optimization & Financial Management challenges



Fig. 1 Revenue optimization and financial management challenges.

3. Solutions

3.1 Technology + People = Solutions



Experience has shown that **manual processes and procedures, coupled with outdated systems, have led to the demise of many municipal debt recovery projects.**

Additional findings have indicated that a lack of societal buy-in and stakeholder engagement intensify this already cumbersome challenge that numerous municipalities face.

Considering this, it's imperative that the future of revenue optimization within the municipal realm relies on a combination of technology and human centered approaches. One of the challenges emerging from these trends is the deluge of information which will be made available, and the encumbrance around decision making which will evolve because of such large quantities of data.

However, successful municipalities, in their endeavour to overcome this challenge, are **open to adopting technological tools which provide a consolidated view, are evidence based, cut through all the clutter and get straight to the heart and solution of the problem.** This, coupled with a humanistic approach will be the foundation for successful revenue recovery strategies.

3.2 Dashboards & Beyond



Successful municipalities appreciate the need for an increased volume of data collected in the building up of their municipal account databases; after all, **knowledge is power** and the more information they have the easier it is to assess municipal trends, success and areas of concern.

Dashboards, which lay out this information, are replacing manual processes and procedures as they become the foundation for future municipal revenue strategies and senior management decisions. By utilizing custom-designed dashboards, leading municipalities can manage, track and prioritize their fieldworkers and contractors so that customers receive the best service possible.

Not only do these **automated processes reduce overall costs and improve efficiencies** but they provide municipal management teams with **concrete data** on account holders with a detailed real-time list of available contractors for ease and convenience. Great municipal leaders recognize that increased and **improved customer satisfaction**, as a result of speed of service delivery, has a **direct saving on time and labour costs.** Successful municipalities recognize the need for this as the basis for sound contractor management.

3.3 Collaborative Partnership



A critical success factor and attribute which embodies the most successful municipalities and municipal leaders is recognizing that the process of **revenue optimization and financial management is a journey which cannot be completed alone**. Even the most skilled and motivated leaders require guidance to make their vision a reality whilst simultaneously doing more with less. **The key to success lies in municipal leaders building on their values and having experts add to their bank of knowledge.**

Experience has shown that successful municipal leaders recognize the need to collaborate with the communities within which they operate, leverage off custom technology, apply a customer centric vision and complete the journey of revenue optimization and financial management with an experienced partner who can guide them towards achieving their objective of collecting, managing, and spending resources effectively.

“At Boffin & Fundi, our collaborative journey with municipal leaders has resulted in a transformed landscape which has allowed us to empower our clients.

4. Conclusion

The pressure for municipalities to excel in their delivery of services is substantial and, when viewed against the challenges of operating in an ever-changing environment on a limited budget, it can be daunting. However, **successful leaders, specifically those within municipalities are piloting the way with their vision of a future where revenue optimization is based upon human-centered solutions coupled with renewed and sophisticated technology all while operating in partnership with experienced consultants.**

At Boffin & Fundi, our collaborative journey with municipal leaders has resulted in a transformed landscape which has allowed us to empower our clients and equip them with made-to-measure instruments which are more than capable of carrying out revenue optimization tasks, even beyond the completion of the project.

Not only has our suite of tailor-made solutions enabled municipalities to **address the critical areas affecting financial management** such as improved revenue recovery and increased customer service but provides streamlined and evidence-based processes which has empowered all stakeholders within the municipal realm to adapt, grow and thrive.

5. References

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6. Acknowledgements

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A teal-colored line graphic that starts from the left edge, dips down, rises to a peak, and then dips down again towards the right edge.

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