

NYANDENI LOCAL MUNICIPALITY



REVENUE ENHANCEMENT STRATEGY

2015/16

INTRODUCTION:

Section 64 of the Municipal Finance Management Act prescribes the management of Revenue Management.

The collection of the consumer charges is of vital importance in determining the going-concern status of the municipality. For the municipality to ensure sustainability of service delivery and infrastructure development, it needs a healthy cash-flow.

It is key that the municipality must have a credible, fair and transparent mechanism in its endeavours to increase/improve revenue collection from debtors.

Debt collection is at the end in the Value Chain. The debt collection programme must be focused on rehabilitating the debtor, not to punish him or her.

Upon rehabilitating the debtors, consumers will have to be educated on municipal systems, processes, payment of services, maintaining infrastructure and more.

2. STRATEGIES FOR REVENUE ENHANCEMENT AND COLLECTION

2.1 Updating the indigent register

As a priority, the indigent registration process must be re-opened with the clear framework and evaluation criteria to ensure that only qualifying debtors are subsidised. This process must be properly communicated and administratively the municipality must be able to handle and process the new applications effectively and efficiently. It is also imperative that all applications will only be valid for the current financial year and those consumers renew their registration on an annual basis.

The indigent registration process and its verification will be championed by relevant department, and in this regard Community Services Department is the champion.

Upon updating the indigent register, all the relevant stakeholders will be expected to participate for example the Portfolio Head of the relevant Department, Ward Councillors and the community at large.

2.2 IDENTIFICATION OF INACTIVE ACCOUNTS:

The performance of reconciliation for the “inactive accounts” will have to be done. First identify all the accounts that are inactive. Where possible, the outstanding debtors should be investigated and collected in terms of the credit control and debt collection policy.

2.3 CLEARANCE CERTIFICATE

A procedure manual for the issuing of the clearance certificates should be documented and implemented. This will ensure that all possible debt is identified before the clearance is issued.

2.4 WRITING OFF BAD DEBT

Bad debt write offs must be considered in terms of cost benefit; when it becomes too costly to recover and the chances of collecting the debt are slim, a write off should be considered. It is proposed that a committee be established comprising of management, ward and portfolio Councillors and the debt collection supervisor. Time value of money is very important because the older (60 days plus) the debt becomes, the more difficult and costly it becomes to collect. Irrecoverable debt must be well defined to ensure that recommendations for write off are consistent, accurate, properly motivated and authorised.

2.5 INTERNAL CONTROLS

Collections are about strategy and negotiations. Convenience of payments (debit orders, stop orders, internet banking, and direct deposits) can improve collection rates, but internal controls need to be in place to prevent credit card and cheque fraud.

2.6 MANAGEMENT OF CUSTOMER DATA BASE

Updating consumer information like telephone numbers, ID numbers, etc. Profiling/ Classification of Debtors; Identifying prescribed debts and irrecoverable debts for write off. Identifying material debt for immediate collection; Revisit consumer application forms. We need to ensure that all tariffs and also the correct tariffs are charged. There are several debtors who are not being charged/fully /correctly charged and council loses income, which it cannot afford.

2.7 TRAINING AND MENTORING OF STAFF

Setting up and Training on Systematic Debt Collection and Credit Control Procedures, Processes, Legislation, Customer Care and Guidelines in line with approved policies. Training and capacity building is an area that has been neglected and has accounted for low morale.

3. EXPENDITURE MANAGEMENT:

As important as Revenue Management, is Expenditure Management which is also prescribed per Section 65 of the Municipal Finance Management Act.

In respect of Cash Outflow (Expenditure side) the following is also critical because how you spend is just as important as collecting revenue.

Responsible spending is important and the following, inter alia, are some of the questions to be considered:

- Is the expense budgeted?
- Does the expense provide value for money?
- Is the expense necessary?
- Is the expense to the benefit of the wider community?
- Would the expense, if not incurred create a health hazard or threaten lives?
- Is the expense a statutory requirement?
- Is it a funded mandate?
- Is there a contractual commitment?
- Is the expense income-generating?
- Is the expense the best option?

The following areas must be well managed and in certain areas, improved:

- Ensure accurate payments, e.g. no over payments, deduction of discounts.
- Reconciling of Creditors' Accounts.
- Avoid payments before due date.
- Ensure value-for-money in spending.
- Strict Budgetary Control / Fiscal Discipline.
- Better returns on Investments without compromising safety of investments.
- More competitive prices / bidding.
- Supply Chain Management Policy adherence.

5. **OTHER INITIATIVES:**

- Letters of appreciation for good payers and possible incentives.
- Economic/Skills Profiling of Indigent Debtors to offer work to redeem debts instead of future write off.
- Ensure that unskilled debtors are identified for registration in Skills Development Programmes in relevant SETAS.
- Interest Write-off Incentive for non-indigent debtors (excluding Government, Councillors and Staff)
- Mayors' letter to consumers / rate payers informing them about Income and Expenditure of Municipalities and their responsibility to pay. Motivating consumers to pay and thanking those who are paying promptly.

- Newsletters will also be initiated in order to communicate with our clients and thereby improving the image of the municipality. Projects and other achievements will also be communicated to the public. Businesses could advertise in the newsletter to cover (at least partly) our newsletter and account rendering costs.
- Investigation/Audit of all Assessment Rates Accounts based on Land Value only as some property owners are not being charged for improvements. Valuator to expedite process.
- VAT and Creditor's Audit to recover unclaimed/underclaimed VAT and overpaid Creditors.

6. COMMUNICATION STRATEGY

The success of the revenue enhancement programme is based on three pillars, namely political and administrative buy-in, accurate data and effective communication. The development of a communication strategy is to ensure that roles, responsibilities and tasks are properly coordinated and managed. The communication strategy is focused on the revenue enhancement programme and the services that flow from it. The strategy must be incorporated into the municipalities existing communication programme with its stakeholders. This strategy does not replace existing communication methods and practices, but rather complements it.

6.1 The communication strategy will involve the number of stakeholder for information sharing.

The main stakeholders of the municipality have been classified into five main groups, namely residential consumers, management, council, government departments and the business community.

The various stakeholders have different information needs. The challenge in addressing their needs is to ensure that the right information is available at the right time for each stakeholder.

The objective of information sharing is also to gain specific action or decisions from each stakeholder. When information is given to management it is mainly two reasons; to inform and to obtain decisions. The same principle applies to most of the other stakeholders except for residents and for businesses. In this instance we want to communicate plans, programmes, decision of council and matters that can or will affect them. The approach here is to select the right platform, media and intervals.

The communication channels to be used will therefore differ between the stakeholders.

Communication channels will range from public meetings, ward committee meetings, management and council meetings, newsletters, flyers, articles in the local newspapers, publications in journals, national magazines, radio talk shows and even television coverage can be done. Strategies will also be employed to create an interest in the articles to be submitted.

6.2 Key stakeholders and the ways of communication

(a) Consumers

Information collection and dissemination

- Information on the revenue enhancement programme
- Informing them about the credit control, debt collection and indigent support programmes
- Information regarding the importance of paying services
- Information regarding actions to be instituted against non payment and defaulting clients
- Information of consumer complaints and feedback from public on how to improve services and client relation
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Communication Channels

- Local media, where on a fortnightly basis an article is published in the local newspapers.
- Newsletters and flyers are circulated before collection drive start to encourage consumers to come in and make arrangements / pay their accounts.
- Monthly a notice can be printed on the municipal account with different messages.
- Attendance at ward committee meetings where consumer complaints and suggestions are heard and attended to. This platform must also be used to communicate the importance of paying municipal accounts and actions to be taken against defaulters.

Programme

- Articles must be drafted for publication in the above mentioned newspapers.
- Dates for ward committee meetings to be obtained to present the objective and roll out of the revenue enhancement programme. Once dates obtained the consortium and municipal management should be present at these meetings.
- Flyers to be issued with the monthly accounts – flyers to inform consumers to come to municipality if they don't receive accounts, incorrect accounts and to make arrangements to pay account.

(b) Management

Information collection and dissemination

- Information on the revenue enhancement programme.
- Information about other programmes and support mechanisms. This will assist with coordination and integration of initiatives. Revenue Management is not a Finance Directorate function, but a function of management and politicians.
- Information of consumer complaints and feedback from the public on how to improve services and client relations.
- Information for management decisions to fast track the implementation and to unblock bottle necks

Communication Channels

- Project Steering Committee that meet/ sits fortnightly.
- Management Meetings on a monthly basis.
- Attendance of ward committee meetings, local businesses, meetings with government departments, other stakeholders where issues affecting the revenue enhancement programme is discussed
- Radio interviews

Programme

- Project Steering Committee meetings should be held every second week, date to be determined.
- Dates for ward committee meetings to be obtained to present the objective and roll out of the revenue enhancement programme. Once dates obtained the consortium and Municipal Management should be present at these meetings.
- Radio Interview accompanied by Senior Politicians.

(c) COUNCIL

Information collection and dissemination

- Information on the revenue enhancement programme.
- Informing Council about credit control, debt collection, and indigent support programmes and policies. Council resolutions needed.
- Information regarding the importance of paying for municipal services. Councillors advocating payment for services and support for the revenue enhancement.
- Information of consumer complaints and feedback from the public on how to improve services and client relations.

Communication Channels

- Attendance at ward committee meetings where consumer complaints and suggestions are heard and attended to. This platform must also be used to communicate the importance of paying municipal accounts and actions to be taken against defaulters.
- Standing item of EXCO and council agendas where progress, problems and decisions needed should be communicated.

Programme

- Dates for Ward Councillor public meetings to be obtained to present the objective and roll out of the revenue enhancement programme.
- Committees, EXCO and Council meetings scheduled for 2013.

(d) GOVERNMENT

Information collection and dissemination

- Information on the revenue enhancement programme.
- Informing on outstanding government debt.
- Information on disputes on ownership of land / buildings and amounts.
- Information on staff employed in departments.

Communication Channels

- Meetings with responsible officials and management to develop open communication channels.
- Sending accurate accounts to the right department and responsible official for payment.
- Presenting information and accounts in the required formats.
- Sending confirmations of payments received, and correct allocation / receipting. (unallocated deposits, incorrect receipts, etc)
- Placing an article in newspaper about how government debt was resolved and support received from the relevant department.

Programme

- Weekly visits to the affected departments to address queries and complaints.
- Daily follow ups until all queries addressed and payments affected.

- Monthly hand delivery of accounts to identified official and manager for prompt payment.

(e) BUSINESS

Information collection and dissemination

- Information on the revenue enhancement programme.
- Informing business about credit control, debt collection, and indigent support programmes and policies.
- Information regarding the importance of paying for municipal services.
- Information regarding actions to be instituted against non payers and defaulters.
- Information of complaints and feedback from the business on how to improve services and client relations.
- Information on staff employed in business, branches, etc

Communication Channels

- Meeting with Business fraternity to brief them and obtain buy in
- Newsletters, flyers, for possible advertisement
- Monthly accounts to be reviewed to make provision for adverts and marketing by local and national business.
- Attendance of monthly business chamber meetings.

Programme

- Meeting with business chamber initially and thereafter monthly.
- Newsletters and flyers.
- Monthly accounts to be redesigned

Examples of information on Posters/Banners and Flyers

- “With great power comes great responsibility”. Paying for municipal services not only puts the power in your hands, but also in your home.
- By paying on time, you won’t waste a dime.
- If you pay your account, the interest won’t mount
- Don’t be a slouch, open that money pouch – Pay your account.
- Why wait and risk being late? An account in arrears only brings tears.
- By paying for municipal services, you help us make your life more comfortable.
- Let your word be your bond – Pay your account.
- Every right has a responsibility – please pay for your municipal services.
- Pay on time to ensure effective municipal services.
- Payments on time will save you.
- Help the municipality to help the community.
- You want delivery – deliver your payment at your local municipal offices

FINAL