

UMDONI MUNICIPALITY



REVENUE ENHANCEMENT POLICY

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1. DEFINITIONS

“**Municipality**” means Umdoni Local Municipality

“**MFMA**” means the Municipal Financial Management Act (Act No 56 of 2003).

“**CFO**” means the Chief Financial officer of the Municipality.

“**Accounting Officer**” means the Municipal Manager of the Municipality.

“**Indigent Debtor**” means debtors that cannot afford to pay for services in terms of the indigent policy of Umdoni municipality

2. INTRODUCTION

The revenue enhancement policy aims to ensure that the Municipality implements a plan to increase its revenue/revenue base and also reducing its expenditure. This policy aims to set guidelines towards ensuring financial sustainability and viability over both the short and long-term.

3. OBJECTIVES OF THIS POLICY

The objectives of this policy are to:

- 3.1 Increase revenue and reducing expenditure without compromising of service delivery.
- 3.2 Creating viable and sustainable alternative sources of revenue.
- 3.2 Ensure that cash resources and reserves are maintained at the required levels to avoid unfunded liabilities.
- 3.3 To achieve financial sustainability and viability with acceptable levels of service delivery to the community.

4. ACCURATE BILLING

Accurate billing for services is a critical element of the municipal revenue management business model. Due to poor billing and revenue collection municipalities are becoming increasingly dependent on intergovernmental funding to balance their budget. This component specifically focuses on billing integrity as the basis of municipal revenue. The phrase “garbage in, garbage out” does apply in this instance. If the customer information and billing information is incorrect the municipality has no basis to effectively collect revenue. The key billing programs in this guide document are as follows:

- (a) Data Cleansing.
- (b) Billing
- (c) Customer Information Auditing

4.1. Data Cleansing

4.1.1 Why is data cleansing essential?

A very high percentage of revenue from municipalities are derived from Service charged (ie Rates, Refuse). It is a fact, however, that at present all municipalities in South Africa have a high and growing outstanding debtor's book. This is a cause for great concern since the principal source of municipal revenue is becoming increasingly threatened, and the financial viability of some municipalities is consequently being seriously questioned. At the same time, the cry for improved infrastructural services, faster housing delivery, and the need to improve social services is becoming ever louder. The responsibility for providing these services lies within the realm of local government, but if municipalities do not receive their rightful revenues they will not be able to meet these challenges.

Something has to be done; revenue has to be enhanced. Data cleansing is an important link in the redemptive process. It is the function of ensuring that the information on which the municipal billing system is based is accurate and up to date. Accurate and diligent billing is not only basic to sound accounting practice but is also absolutely essential to the financial well-being, and therefore viability, of all municipalities, since it achieves two critical objectives: the maximisation of revenue potential and the prevention of losses resulting from incorrect or inadequate information.

4.1.2 Legislative requirements

Due to the benefits of accurate billing resulting from data cleansing, municipalities are required by law to institute the process.

The Municipal Systems Act (Act No.32 of 2000) requires municipalities to:

S(95) *Customer Care and management*

In relation to the levying of rates and other taxes by a municipality and the charging of fees for municipal services, a municipality must, within its financial and administrative capacity-

(e) Ensure that people liable for payments receive regular and accurate accounts that indicate the basis for calculating the amounts due..

S(96) Debt collection responsibility of municipalities

A municipality-

(a) Collect all money that is due and payable to it, subject to this Act, and any other applicable legislation (Section 96 (a)).

4.1.3 How data cleansing is done

The data cleansing process is divided into three stages:

- (a) Database Data Cleansing.
- (b) Returned Mail Cleansing.
- (c) Physical Field Audit Surveys.

4.1.3.1 Database cleansing

Database cleansing is the first activity in the data cleansing process. It comprises checking all billing data held by the municipality for inaccuracies and anomalies. The purpose is to see that all the information the municipality has in its billing system is accurate and correct. Where mistakes are detected, they are to be rectified immediately; where anomalies arise, they are to be recorded for further investigation in the field. Each debtor must be checked against four criteria, as follows.

(i) **Valuation rolls.**

The following pertinent information in respect of all properties owned within the municipality's boundaries is recorded in the municipal valuation rolls:

- (a) Name of the registered owner.
- (b) Current usage of the property.
- (c) How the property is categorized.
- (d) Size of the property.
- (e) Value of the property.

All of the above needs are to be checked for accuracy and their correct recording in the billing system must be confirmed. Two important results emanate from this.

- (a) With the correct information, it becomes possible to ensure that the correct bill is sent to the correct customer at the correct address.
- (b) By checking usage, the correct tariffs linked to each consumer are verified.

(ii) **Debtor types.**

It is important to understand that customers should be charged according to their debtor type and owner/tenant status. These categorisations should normally be taken from the application forms customers are required to complete when applying for services. However, many municipalities ignore this field, which means that they are not able to levy charges according to the correct debtor type and status. This could result in substantial potential revenue losses to the municipality, and, at the same time, existing revenues are not adequately protected. Data cleansing of the debtor type and owner/tenant status requires:

- (a) Ascertaining how the municipality bases its tariffs in respect of land usage ; and
- (b) Assigning the appropriate debtor type to each customer according to this information. This process will:
- (c) Correct and meaningful debtor types; and
- (d) Correct owner tenant information.

With this information, the correct charges can be determined for each customer.

(iii) **Tariff analysis.**

The next step is to compare the debtor type to the tariffs being charged. The purpose here is to highlight whether the following errors have occurred:

- (a) Owners of properties not being billed assessment rates and other owner-specific services.
- (b) Tenants being charged owner-specific services.

- (c) Business consumers being charged domestic tariffs.
- (d) Domestic consumers being charged business tariffs.
- (e) Free basic services not being applied.
- (f) Free basic services being applied in areas where there should be no free services.

(v) **Services.**

Once all the cleansing items described above have been completed, the next step is to confirm that each customer is billed correctly for each service received. Within Umdoni Municipality, there are established rules and procedures that determine the correct tariff for each debtor type. It is necessary to check that the correct tariffs are being applied to each customer and, if necessary, develop appropriate systems to ensure that this happens in future.

4.1.3.2 Returned mail

Non-delivery of accounts is a major problem in debt collection and has serious consequences for the municipality. It is therefore imperative that all returned mail be carefully analysed to determine why bills were not received by intended recipients. All returned mail should be split into the following categories.

- (a) The customer is no longer residing at the given address.
- (b) The postal address is incorrect.
- (c) The physical address is wrong.
- (d) The account is flagged inactive, while, in fact, it is active and therefore not being billed.
- (e) The account is wrongly flagged 'active'.

Once the reason for non-delivery has been established, contact should be made with the owner of the property. There are various ways in which this can be done.

- (a) Check the system for telephone numbers and make contact telephonically to clarify details, if possible.
- (b) If contact cannot be made telephonically, do a title deeds search to determine where the owner of the property is located.
- (c) Another method is to do a credit check on the customer through a credit bureau, which should reveal the customer's latest physical and/or postal address and, possibly, telephone number.
- (d) All the correct details should be captured in the system once the customer has been located.

Should this desk research prove fruitless, it will then be necessary to physically visit the property concerned to interview the current occupier in the hope that s/he could provide a forwarding address or advise on the current whereabouts of the missing customer. (See below for further details on field work methodology)

If an account is flagged 'active', it is important to check that no bills are sent out, as not only is this wrong, but it also distorts the outstanding debtor's figure. It is equally necessary to check that if it is flagged 'inactive' services are nevertheless being provided and not charged for. This should be rectified immediately.

4.1.3.4 Data cleansing fieldwork

Where neither the billing system nor desk research is able to resolve the situation regarding anomalous accounts, fieldwork may be necessary to determine what the situation is 'on the ground'. This should not be done in an ad hoc manner. Instead, it must be carefully planned, to save on resources, to ensure that the data obtained from field research is captured in the billing system as quickly as possible, and to mitigate against the risk of further corruption. The following fieldwork preparation is necessary.

- (a) An appropriate fieldwork questionnaire should be designed to obtain the following information:
- (b) The customer's correct name and postal and physical address.
- (c) The correct owner/tenant situation.
- (e) Whether the tariffs levied on the property are correctly related to the type of property, e.g. domestic residential, commercial, municipal, industrial, religious
- (f) Whether the classification of the debtor is correct or not.
- (g) The correct stand number.
- (h) Verification of meter numbers and their correspondence with those registered in the revenue system.
- (j) Correct ward allocation.
- (k) Indigent status of the customer.
- (l) Confirmation of the services received by the customer.
- (m) Nearest pay station to the customer.
- (n) Recruit fieldworkers who meet the following minimum qualifications:
- (o) A regular reporting system must be instituted to ensure consistency and reliability.
- (p) Information must be regularly checked and comparisons made so that anomalies may be identified and explanations found.

4.2. Billing

4.2.1 Why is accurate billing essential?

A substantial portion of any local municipality's revenue is derived from the delivery of services. To facilitate this revenue generation, the municipality needs to bill its customers on a regular basis. It is imperative that the billing is done accurately, as invoices that do not reflect the true nature and quantity of services delivered will probably result in non-payment. The billing function is the principal mechanism that drives all cash flow, the main source of customer information, and critically fundamental to the success of any municipality.

4.2.2 Legislative requirements

The Municipal Systems Act (Act No 32 of 2000) requires that:

S (96) Debt collection responsibility of municipalities

A municipality-

- (a) must collect all money that is due and payable to it, subject to this Act and any other applicable legislation; and*
- (b) for this purpose, must adopt, maintain and implement a credit control a debt collection policy which is consistent with its rates and tariff policies and complies with the provisions of this Act.*

4.2.3 Critical elements of successful billing

A successful billing process is a function of both technology and accurate input.

The technology (in the form of financial software) must have the required financial integrity to process transactions accurately. Most financial software available on the market has this financial integrity. Successful billing is therefore mostly a function of the accuracy of the data input into the system. For this reason, it is important that relevant controls are put into place that to ensure complete and accurate billing.

- (a) Billing allows properties to be seamlessly tied to a service connection within a property to an individual, the customer. The customer is then responsible for the payment of the said bill.
- (b) It is critical that the property base of any municipality is accurate; without this accuracy, a customer cannot be billed and services cannot be connected.

Services are billed according to the services provided to a property. The key to successful billing relies on the software being able to provide reliable and accurate information on:

- (i) Accurate property information;
- (ii) Accurate customer information;
- (iii) Accurate tariffs associated to the properties, which can be done through various variables, including land usage, debtor type, land zone, and service type;
- (iv) Accurate ward information per property; and
- (v) Flexibility to meet the municipality's reporting needs.

Billing integrity

The integrity of billing can be enhanced by the following controls:

- (a) Preventative Controls.
- (b) Detective Controls.

Preventative Controls

Preventative controls are controls that relate to the system processes and are by definition designed to prevent errors occurring. They are vitally important to an efficient billing process, as preventing errors before they occur is less time consuming than making errors and then having to go back and fix them. If fewer mistakes need to be rectified, fewer staff are required. Below are two types of preventative controls:

- Access control to certain functionality on the software system.
- Password protection.

Detective Controls

Detective controls are controls that are put into place to identify potential errors. Before a final billing is processed, detective controls allow the overall results to be analysed before significant time, effort, and paper are expended.

These detective controls mainly focus on exception reporting , eg :

- Accounts not billed.
- Accounts with no valuations.
- Abnormal billings.

4.2.4 Billing processes

There are a number of system processes that need to be adhered to with regard to the finalisation of each billing cycle:

- Capturing of all receipts.
- Importing of any data files.
- Third party files.
- EFTs from financial institutions.
- Journals and credit notes.

The following IT processes need to be followed:

- Pre-billing reports.
- Variance reports.
- Backups.
- Bill.
- Produce audit reports.
- Verifying reports.
- Prepare file for bill print.
- Roll over to next period.

Billing periods

Billing periods/cycles need to be understood for each service.

- Assessment rates can be billed annually or monthly.

Billing formulas

Billing can simplistically be broken down into three separate components:

- Customer.
- Tariff.
- Usage.

Each one of these components — independently or interrelated — is fundamental to accurate billing.

Customer

The customer is the key component to billing, i.e., no customer results in no billing.

The following attributes relating to a customer are key to accurate billing:

- Name.
- Physical and postal addresses.
- ID/company registration/CC/trust/number
- Classification.

If any of these is incorrect then the collection of the debt is impaired.

In addition to getting these attributes, the processes must be corrected around:

- creating a new customer; and
- closing a customer.

Tariff

A tariff is basically a rate that the customer gets charged for the service delivered.

The tariff:

- Is based on land usage;
- Varies per each service;
- Varies per customer classification;

If a customer is incorrectly classified, the wrong tariff could be used, which may result in incorrect billing.

Usage

The usage varies depending on the service that is billed. The usage per service is:

- Assessment rates: valuations.
- Refuse: land usage and/or bins.
- Sundries: normally fixed rates.

The usage is the component that probably causes the biggest problems to billing integrity.

Common problems are:

- Finger problems in capturing data;
- No valuations: site or improvements or both.

4.3 CUSTOMER INFORMATION AUDITING

Sustainable local government is based on several inter-linked activities. One such activity is the customer information audit, the process of establishing exactly who the municipality's customers are and what they are entitled to receive in terms of the municipality's commitment to service delivery. Customers can be categorised as residential and non-residential. Residential customers receive services (at least a basic level) based on fundamental rights enshrined in our Constitution. Non-residential customers are entitled to services based on the economic goods they produce. Without an accurate record of who a municipality's customers are, service delivery to customers becomes an arbitrary process, literally a matter of 'hit-and-run', hoping that all receive what they were promised, for which potentially very little revenue is received in return. Customer information audits are, therefore, important to ensure that a municipality has the means to charge all its customers for the services it delivers and for which the municipality is entitled to receive payment. Payment for services is a municipality's primary source of revenue, and without this income municipalities will not be able to deliver services and fulfil the socio-economic role that is expected from them in terms of law. Municipalities face many challenges. Some challenges are the result of the ongoing transformation of local government and the consolidation of municipal boundaries that has led to the amalgamation of various administrations into a single municipal administration. Another challenge relates to municipalities not having the necessary procedures in place to maintain the integrity of their customer information; they soon face the effects of out dated, or even obsolete, information. Customer information audits are, therefore, necessary for at least two reasons:

- (a) To ensure that a municipality keeps essential information on all customers in its area of jurisdiction; and
- (b) To ensure that this information is a true reflection of its customer profile.

4.3.1. Legislative requirements

The Municipal Systems Act (Act No 32 of 2000) requires:

95 *Customer care and management*

In relation to the levying of rates and other taxes by a municipality and the charging of fees for municipal services, a municipality must, within its financial and administrative capacity-

- (a) establish a sound customer management system that aims to create a positive and reciprocal relationship between persons liable for these payments and the municipality, and where applicable, a service provider,

The Municipal Finance Management Act of 2003 (Act No 56 of 2003) requires

Revenue management

64.(1) The accounting officer of a municipality is responsible for the management of the revenue of the municipality.

64 (2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure—

(e) that the municipality has and maintains a management, accounting and information system which—

- (i) recognises revenue when it is earned;
- (ii) accounts for debtors; and
- (iii) accounts for receipts of revenue;

4.3.2 Why municipal information systems currently lack integrity?

Unequal access to services in the past resulted in the majority of citizens receiving services without an obligation to pay, or for which payment was hard to enforce. In most instances, services were delivered to communities through communal infrastructure. Individual households, therefore, had no service identity and non-payment was often a collective, 'communal' response to this impersonalised service. Households resisted the communal approach to service delivery, demanding recognition of the household as the primary unit to which services should be delivered. The amalgamation of municipal administrations, the consolidation of the service delivery environment, as well as the constitutional imperative of equitable service delivery has brought to light the vast disparities in customer information systems. While service delivery could be improved relatively easily through the upgrading and expansion of services infrastructure, the management of these services and, more importantly, the sustainable delivery of such services through the collection of charges to a substantially larger customer base proved to be far more complex than initially imagined. As a result, gaps in base information have become evident and projected revenue streams based on extended billing failed to flow into municipal coffers.

4.3.3 The challenges that must be met

Customer information is dynamic. Changes to the data must be identified and captured in time in order to maintain the integrity of the billing system. Incorrect data results in undelivered municipal accounts or incorrectly addressed and, therefore, rejected municipal accounts. This results in unpaid accounts, triggered either by the consumer not receiving the account or the consumer becoming unwilling to pay due to incorrect information reflected on the account. The fundamental challenge that the customer information audit needs to address is, therefore, the growing municipal services debt burden that is exacerbated by the gradual decline in the integrity of the customer data system underlying the billing process. This in turn encourages payment avoidance and widespread service delivery dissatisfaction leading to the likelihood of collective resistance to payment for services and the development of a 'culture of non-payment', which is already prevalent in a number of communities in South Africa. Many municipalities have substantial debtor books in excess of 120 days. With the increasingly alarming situation that is developing, many municipalities have responded with a knee-jerk reaction, reasoning that a tough, blanket debt collection drive is the only way to collect the outstanding amounts. Results in these instances have been largely disappointing, since municipalities failed to understand that in our highly complex society debt collection should be based on a multi-faceted strategy that commences with a review of customer information to ensure that the basis for billing is sound.

4.3.4 What a customer information audit seeks to achieve?

A customer information audit seeks to establish a sound basis for the billing of service charges, which, in turn, facilitates the collection of revenue. More specifically, it seeks to:

- (a) Verify and rectify customer information for purposes of accurate billing; and
- (b) Collect additional information about consumer households that could improve customer service, for instance, the determination of consumer households' indigent status to facilitate services subsidies.

The ultimate objective of a customer information audit is to achieve customer satisfaction through the rendering of municipal services to consumers.

4.3.5 Programme scope

Against the background of legislative requirements and the importance of reliable customer information for a wide range of purposes, it is imperative that municipalities design appropriate data collection and maintenance procedures that meet basic legal

and functional requirements. To achieve this, the customer information audit is divided into three distinct, complementary parts. Depending on the data needs of a municipality, the data collection process could integrate all three parts into a single programme.

- (a) **Part A** is aimed at collecting basic customer information, as well as information on land use.
- (b) **Part B** is designed to develop an economic profile of each consumer household with the primary aim to derive an indigent indicator, hence the focus on questions around income and expenditure and asset ownership.
- (c) **Part C** is aimed at identifying skills within households that could be useful during the implementation of municipal works (capital projects, etc.). The primary aim of this part is to establish a basis for poverty alleviation programmes through job creation and local economic development initiatives.

Data collection is costly, and it is advisable to collect as much information as possible when a municipality decides to engage in a customer information audit. The following items should be collected as a minimum requirement:

- Stand data, including primary land use for purposes of classifying properties as residential or non-residential, as well as a ward number;
- Customer data, such as first names or initials and surname, contact telephone numbers, and ID number (the last is particularly important when verifying customer credit standing and other information that may determine a person's creditworthiness);
- Household data, such as combined household income (e.g., by using income brackets that would identify a household as indigent), primary sources of income, including pensions and other social grants;

One cannot be prescriptive on the implementation process. However, there are a number of key components to the process that should not be overlooked when embarking on a customer information audit.

The implementation timeframe for a customer information audit is largely dependent on the preparation of the field work and the participation of the municipality in this process. In formalised (urban) areas, the actual data collection is likely to be easier

than is the case in spread-out rural villages. The use of support tools, such as maps, is critical in informal rural areas but these are often not available. This hampers coverage checks and may result in incomplete customer information in certain areas.

5. INDIGENT GRANTS

It is important that Indigent Management is implemented in parallel with the Debt Collection and with Credit Control programmes.

A further requirement for managing indigents is that many people that can pay services simply do not pay claiming that they are indigent. This is normally picked up through the indigent registration process.

5.1 Legislative requirements

The Municipal Systems Act (Act No 32 of 2000) requires that:

S 74 Tariff policy

(1) A municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements, and which complies with the provisions of this Act, the Municipal Finance Management Act and any other applicable legislation. [Sub-s. (1) substituted by s. 10 of Act 44 of 2003.]

(2) A tariff policy must reflect at least the following principles, namely that-

(a) users of municipal services should be treated equitably in the application of tariffs

(b) the amount individual users pay for services should generally be in proportion to their use of that service;

(c) poor households must have access to at least basic services through-

(i) tariffs that cover only operating and maintenance costs,

(ii) special tariffs or life line tariffs for low levels of use or consumption

of services or for basic levels of service; or

(iii) any other direct or indirect method of subsidisation of tariffs for poor households;

(d) tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;

(e) tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned;

(f) provision may be made in appropriate circumstances for a surcharge on the tariff for a service;

(g) provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;

(h) the economical, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged;

(i) the extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed.

(3) A tariff policy may differentiate between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.

5.2 The challenges

In terms of the legal requirements referred to above, municipalities are obligated to implement strategies, policies, and procedures to give effect to the requirements of law. The main challenges to implementation include:

- Budgetary constraints;
- Capacity shortages;
- Inconsistent application of evaluation criteria when evaluating applications;
- No verification of the correctness of information supplied;
- Role confusion relating to the different aspects of the process, e.g., debates between Finance and Technical Departments on the responsibility of handling certain portions of the process;
- Large and growing number of backlogs of applications;
- High potential for fraud as no audit trail is in place to track applications, approvals, and payments;
- poor utilisation of the information obtained for the formulation of local economic development initiatives and other strategies.

5.3 How indigent grants should be managed

This is required to be addressed in the indigent policy of Umdoni Municipality.

6. DEBT COLLECTION

Debt collection and service delivery are the two greatest challenges facing local government in South Africa. Consumers owe local government billions of rand and the figure keeps growing at an alarming rate. The fact that not only household consumers but also businesses and the government itself are in arrears demonstrates that debt collection practices are inadequate and that the factors that underlie the reasons for and consequences of non-payment are not fully understood and have not been sufficiently addressed in a disciplined manner.

The high level of outstanding debt not only is having serious negative consequences on the cash flow of most municipalities, but also holds a much greater threat. Since the bulk of municipal income comes from payment for services, municipal incomes are becoming increasingly depleted. This means that municipalities are becoming increasingly unable to either sustain actual service delivery or maintain the existing service infrastructure, let alone undertake new development work to meet the needs of the poor. Thus, if the pattern of non-payment persists and discipline in the form of regular payments is not restored, municipalities will not be able to deliver on national developmental priorities on a sustainable basis and the consequences will jeopardise the very livelihood of the communities they are supposed to serve.

6.1 Legislative requirements

The Municipal Systems Act (Act No 32 of 2000) requires:

S(96) Debt collection responsibility of municipalities

A municipality-

(a) *Collect all money that is due and payable to it, subject to this Act, and any other applicable legislation*

6.2 Why is there a huge debt problem in local government?

The reasons for municipalities not collecting their debts are numerous and varied. Research and the collective practical information gained from the implementation of various debt collection projects and programmes undertaken throughout South Africa indicates that the main reasons for poor debt collection include the following:

- Lack of political will to enforce credit control measures, due to:
- Lack of accurate data on which credit control measures can be taken;

- Credit control measures being taken on indigent households; and
- Councillors influencing the operations of officials;
- Lack of skills and capacity to manage the collection of outstanding debt;
- Lack of adequate debt collection administration systems;
- Lack of integration and co-ordination among the financial management, credit control, and debt collection systems within municipalities; and
- Incorrect interpretation of legislation pertaining to credit control and debt collection procedures.

6.3 Delivery options

Municipalities have several options on how to address debt collection. The following are the most common.

- **An 'in-house' approach.** Using this approach, the municipality physically undertakes debt collection itself. In the long term, this is probably the most cost-efficient and sustainable solution. Rapid rising municipal debt arrears — as a result of a current lack of capacity within most municipalities throughout South Africa — and a foreseeable absence of trained personnel, experience, and appropriate debt collection systems remain a serious challenge.
- **A 'co-sourcing' approach.** With this approach, the municipality is assisted by outsourcing certain aspects of the debt collection process. A major benefit is the transfer of skills, thus enabling the municipality to build up a sustainable debt collection capacity in the longer term.
- **A 'full-outsourcing' approach.** Here the municipality appoints a firm of professional debt collectors, who should be registered members of the Council for Debt Collectors, to undertake all debt collection. The main advantages of this approach are that it is short term, low cost, and low risk to the municipality, since the debt collector is only paid a commission on the monies that are collected. However, the full-outsourcing approach could be adjusted over time to a co-sourcing approach. With the experience gained through this process, together with skills transfer, an in house approach could be developed and integrated within the municipality's own accounting and management systems.

It is essential, however, that the debt collection process is integrated with the credit control and indigent grant management processes.

6.4 Important elements of the debt collection process

The intention of debt collection is twofold: to collect monies due to the municipality and to rehabilitate the debtor to ensure that the municipality reaps the benefit of the annuity cash flow going forward. The value of regular payments outstrips the value of part collections.

Many municipalities engage in aggressive debt collection exercises with very little impact because of poor data. This process is both costly and time consuming for the municipality and could result in poor community council relations.

The ability to collect debt remains dependent on the accuracy of the debtor information. Inaccurate debt information results in poor debt collection. The following information is critical to the collection process.

- Is the customer information correct?
- Is the account information correct?
- Have the correct tariffs been applied?
- Is the outstanding amount correct?
- Is the usage correct?
- Property valuations
- Have all outstanding credits been passed?
- Does the customer still exist?
- Is the customer indigent?

It is only once this information is correct that municipalities can implement action to collect the debt and communicate with the debtor. Debt collection without accurate information may result in partial collections, if any, and a debtor that is not fully rehabilitated could continue to default.

It is only once the debtor information has been cleaned and it is established that the customer does exist and can pay that the municipality can effectively implement a credit control policy and debt collection process.

6.5 Debt collection process

This is required to be detailed and implemented in accordance with the municipalities debt collection policy.

7. Grant Funding

7.1.1 Existing Grants

In order to ensure that conditional grants are continuously being received the municipality must ensure that all requirements, conditions, and legislations relating to grants are totally met. To ensure this the user department must develop and implement a detailed action plan and ensure that all the necessary requirements and controls are being adhered to.

7.1.2 Applications for additional Grant Funding

Umdoni Municipality should always be in the lookout and continuously have strategies and plans in place to secure grant funding. This should be a collective approach and a "thinking out of the box" approach should be used.

8. ALTERNATIVE REVENUE SOURCES.

8.1 One of the key fundamentals in ensuring developmental local government is to ensure that developmental infrastructure is in place for provision of services and to support Local Economic Development in the Municipality.

8.2 To maximise infrastructure investment beyond both the equitable share and MIG allocations, the Municipality will adopt a 'Rain Maker' approach to finding alternative sources of capital funding. This will be done by identifying programs/projects in the IDP and commission either internally or externally experts to source funding for such projects from different funders.

8.3 To ensure sustainability however clear guidelines for business plan development will be issued to ensure that proper consideration is given for the following;

- Implications of such projects/programs of future revenue,
- Implications on maintenance and
- Implications on operational budget.

8.4 Sale of vacant residential land with conditions attached to the buyer to erect dwellings within six (6) to nine (9) months; and thereafter the consumer debtor's account be created for billing to commence. Land to be revalued as per the asset management policy; and be disposed on the latest market related prices provided the municipality will not incur loss on disposal.

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8.5 To ensure that leases on municipal properties are based on market related costs and the escalations reflects to the current inflation forecasts and for the medium term period.

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9. CREDIT CONTROL POLICY

An important aspect of revenue enhancement is having a good Credit Control Policy which is compiled with.

10. POLICY ADOPTION

This policy has been considered and approved by the Council of **UMDONI LOCAL MUNICIPALITY** on this day.....of.....2014.