



CEDERBERG MUNICIPALITY REVENUE ENHANCEMENT POLICY STRATEGY

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Contents

1. Billing	2
1.1. Elements of successful billing	2
1.2. Successful billing relies on	2
1.3. Billing integrity	3
1.4. Common problems	3
2. Indigent Management	3
2.1. Challenges with indigent applications.....	3
2.2. How to manage indigent subsidy	4
3. Credit Control and debt collection.....	4
3.1. Policy	4
3.2. Monthly credit control reports.....	4
3.3. Requested data needed for debt analysis	5
3.4. Indigent debt.....	5
4. Data Cleansing.....	6
4.1. Desktop data cleaning.....	6
4.2. Returned mail cleaning.....	7
4.3. Physical field audit.....	7
5. Effective communication	8
5.1. Billing system.....	8
5.2. Indigent applications.....	9

1. Billing

- ✓ A substantial amount of income is from the delivery of service. It is therefore important that billing is done correctly, and bills be send out for all services delivered.
- ✓ The billing function drives the cash flow of the Municipality and is critical to the success of the Municipality.

1.1. Elements of successful billing

- ✓ Must have a system with financial integrity to process transactions accurately.
- ✓ Input of data must be accurate
- ✓ Relevant controls must be in place to ensure complete and accurate billing.
- ✓ It is critical that services are billed according to a property as base

1.2. Successful billing relies on

- ✓ Accurate property information
- ✓ Accurate customer information
- ✓ Accurate tariffs associated to property usage, debtor type, zoning and service type
- ✓ Accurate ward information per property

The following information is key to accurate billing:

- ✓ Erf number
- ✓ Street name and number
- ✓ Customer name
- ✓ Physical and postal address
- ✓ ID/Company registration/CC/Trust
- ✓ Classification
- ✓ Owner/Tenant

NB: IF ABOVE INFORMATION IS INCORRECT – NO SUCCESFUL DEBT COLLECTION

Council embarked on a data cleansing project, the scope of the work to be undertaken is as follow:

- ✓ Obtain Title Deed information per property
- ✓ Debtor information and debtor classification
- ✓ Verify account status (active / inactive) and include as reporting indicator
- ✓ Provide update customer information
- ✓ Consolidation of duplicated customer profile accounts
- ✓ Correctly categories each account according to the correct and responsible debtor
- ✓ Door to Door survey

- ✓ Annual customer data updating and data cleansing of billing samples for a period of 3 years

1.3. Billing integrity

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

- ✓ Access control to function on current Financial System
- ✓ Protection of passwords
- ✓ Authority levels on opening and closing of accounts or changing of account details
- ✓ Accounts not billed
- ✓ Accounts with no valuation
- ✓ Abnormal consumption
- ✓ Abnormal billing

1.4. Common problems

- ✓ Wrong reading
- ✓ Finger problem in data capturing
- ✓ Rollover/ Clock over of meter
- ✓ No valuations

The control on Credit journals must be closely monitored.

2. Indigent Management

- ✓ Our household consumers consist of consumers who can afford to pay and other who are indigent.
- ✓ It is unlikely that the same credit control and debt collection processes will be successful for both.
- ✓ This is evident in the high percentage outstanding debt in the previously disadvantaged communities and especially in the low cost housing communities.
- ✓ It is also important to ensure that people that can pay, claim that they are indigent, be picked up during the registration process.

2.1. Challenges with indigent applications

- ✓ Budgetary constraints
- ✓ Capacity shortage
- ✓ Inconsistent application of evaluation criteria when evaluating applications
- ✓ No verification of correctness of information supplied

2.2. How to manage indigent subsidy

1.2.1. Data capture

- ✓ Application process
- ✓ Survey

1.2.2. Verification process

- ✓ Site visit
- ✓ Verifying the accuracy of information contained, completion of questionnaire/application form
- ✓ UIF, Department of Welfare, ITC check, Credit Bureaus

1.2.3. Recommendations

- ✓ After verification completed final approval.

1.2.4. Indigent committee:

- ✓ The indigent committee that should consist of relevant ward committee member, Chief Financial Officer, Manager Treasury, verification offices, Accountant credit control official.
- ✓ This committee must meet regularly at least once per month.
- ✓ If application declined, applicants must be informed accordingly.
- ✓ If application successful, the indigent register must be updated.

3. Credit Control and debt collection

3.1. Policy

- ✓ Credit Control and Debt Collection policy plays an important role in the Revenue Enhancement plans.
- ✓ Review of this policy to identify and find solutions to problems identified.
- ✓ The following factors must be taken into account:
 - Defaulter may or may not be able to pay–consider actions
 - Get the support of councilor and ward committee
 - Equity in action taken

Section 96 of MSA requires that all money due and payable must be collected and must adapt and maintain a credit control & debt collection policy.

3.2. Monthly credit control reports

- ✓ Total debt outstanding, debts collected, arrangements, promises to pay, acknowledgement of debts and debts subjected to legal process.
- ✓ Prescribed debt, debt to be written off plus justification
- ✓ Accounts under query

- ✓ Progress reports on tracing
- ✓ Indigent report
- ✓ All financial aspects of debt collection, commissions, cost, etc.
- ✓ Proposed action plans for following month

3.3. Requested data needed for debt analysis

- ✓ Total debtors per age analysis
- ✓ Debtors per service type
- ✓ Debtors per zone type
- ✓ Debtor per ward/suburbs/ towns/ areas
- ✓ Debtors by indigent indicators
- ✓ Debtors per active and inactive indicator
- ✓ Debtor by valuation
- ✓ Payment for last 12 months

The data cleansing project performed will ensure that:

- ✓ Reflect areas per account according to ageing and by service
- ✓ Analyse the arrear debt in the municipal books in order to determine whether there are accounts that are untraceable, inaccurate, etc. and require some writing-off or any adjustments
- ✓ Prepare a list of all accounts that may require to be written off for a Council approval

3.4. Indigent debt

- ✓ Indigent debt is regarded as non-collectable and should be excluded from debt collection processes. Debt indicated as indigent are unlikely to be recovered;
- ✓ The following problems may contribute to debt collection problems
- ✓ 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 taken on indigent households
 - Councilors influencing the operations of officials
- ✓ Lack of skills and capacity to manage the collection of outstanding debt
- ✓ Lack of adequate debt collection administrative systems
- ✓ Lack of integration and co-ordination among the financial management, credit control and debt collection systems within municipalities
- ✓ Incorrect interpretation of legislation pertaining to credit control and debt collection procedures

In terms of a data cleansing tender, households will be verified:

- ✓ Verify households in need of indigent support from the Indigent Register and include as a reporting indicator

4. Data Cleansing

- ✓ Data cleansing is an important link in the revenue enhancement process.
- ✓ It is important that the information on which the municipal billing system is based is accurate and up to date.
- ✓ This is essential to the financial wellbeing and viability of the municipality
- ✓ The objective is the maximization of revenue potential and the prevention of losses resulting from inadequate or incorrect information

Legislative Requirements

The MSA requires municipalities to:

- ✓ Ensure people liable for payments receive regular and accurate accounts that indicate the basis for calculating the amounts due (Section 95(e))
- ✓ Collect all money due and payable (Section 96(a))

4.1. Desktop data cleaning

- ✓ All billing data must be checked for inaccuracies and anomalies, mistakes must be rectified, anomalies must be recorded and investigated.
- ✓ Use the following criteria
 - Valuation roll
 - Name of owner
 - Zoning of property
 - Size of property
 - Valuation
 - Debtor type
 - Customer should be changed according to debtor type/zoning
 - **THE BASIS OF TARIFFS IN RESPECT OF LAND USAGE AND LAND ZONING MUST BE DETERMINED.**
 - Tariff analysis
 - The debtor type(usage/zoning) must be compared to tariff charged;

The following errors may occur:

- Owner not charged all services
- Tenants charged by owner services
- Business uses charge domestic tariff
- Domestic users charge business tariff
- Free basic services apply

- Services
 - ✓ Once all the above has been done, ensure that all services are connected to a customer/erf.

- Data Cleansing scope of work currently undertaken is as follow:
 - ✓ Investigate all accounts which appear to have incorrect billing, e.g. tenant accounts with assessment rates

- Comprehensive data cleansing of properties to ensure billing integrity
 - ✓ Verifying service coverage per site, through assessing billing status per registered ERF against scheme coverage and level of service
 - ✓ Review service and tariff code structure and provide documentary support to the validity and completeness of all billable charges per debtor as it related to the financial year
 - ✓ Identify account holders meters that have not been read for a long time
 - ✓ Identify and report houses operating as businesses and provide information
 - ✓ Analyse data on pre-paid systems and ensure that all customer details are captured and match customer information in the billing system and erf files
 - ✓ Identify and verify accounts in the pre-paid systems that are redundant and have not made any purchases over a period of time and make recommendation for such

4.2. Returned mail cleaning

- ✓ Returned mail is a big problem in debt collection processes. It is important that returned mail be analyzed for reasons why the accounts are returned.
- ✓ It must be split as follows:
 - Customer no longer at given address
 - Postal address incorrect
 - Physical address incorrect
- ✓ Once reason for non-delivery has been established, contact should be made to consumer by either:
 - If telephone number is available; contact telephonically to clarify detail
 - If telephone/cellphone contact not possible do ITC/Title deed search to contact owner/tenant
 - Ensure that correct detail is captured on system once customer has been located

4.3. Physical field audit

- ✓ Field audit become necessary if desk research is not able resolve anomalous accounts
- ✓ It must be carefully planned

- ✓ The following preparation is necessary
 - Appropriate fieldwork questionnaire to obtain following
 - Customers correct name, postal address and physical address
 - Correct erf number
 - Classification of debtor
 - Verification of meter numbers
 - Ward allocation
 - Indigent status

- ✓ The data cleansing project includes a door to door survey to ascertain critical billing information. The following information will be verified:
 - Obtaining infrastructure details and linking it to individual properties (Verifying meter installation – domestic, commercial, industrial, through assessing meter information as per billing system against meter audit data per registered ERF)
 - The following information will be verified and obtained from each property per site visit:
 - Property information
 - Occupant information
 - Owner information
 - Electricity Meter
 - Water Meter
 - Refuse Bin information
 - Access to property

5. Effective communication

- ✓ Make public aware of the Action Plans for Revenue Enhancement.
- ✓ Communication must be credible, it is essential to be honest, good and bad news have equal value.
- ✓ People must understand the message
- ✓ The target audience must understand what is communicated.
- ✓ Way of communication :
 - Pamphlets
 - Posters
 - Ward Committee
 - Workshops
 - Public meetings
 - Radio
 - Newspaper

5.1. Billing system

- ✓ Inform community on the layout of customer accounts by using household information.

- ✓ Provide training to ward committee on all aspects of Billing System
- ✓ May combine the campaign with promotion of Indigent grant policy.

5.2. Indigent applications

- ✓ Purpose of grant
- ✓ Who is eligible?
- ✓ What people need to do to apply
- ✓ Where applications can be made
- ✓ What information and documentation should be supplied
- ✓ How long the grant lasts
- ✓ How much the grant is worth
- ✓ What conditions apply
- ✓ Must provide training to ward committee members on all aspects of Indigent Policy and procedures.
- ✓ Information must be published in Community newspaper.