CITY OF MATLOSANA

IMPLEMENTATION PLAN FOR REVENUE ENHANCEMENT AND CASH FLOW IMPROVEMENT STRATEGY

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1 BACKGROUND

The municipality is facing serious financial constraints and adding to the problems is the fact that the municipalities debtors book has significantly increased during the last 5 years and as such a manageable progressive solution to address the problem is being sought.

One of the key areas that have been identified is the billing of the municipality as more and more consumers are declaring disputes with the municipality and on investigation it is found that in most instances there are grounds for the disputes declared. Key factors adding to the disputes declared may be added to the fact that the municipalities metering system is not up to standard and as such the municipality is in such a position that if a consumer comes and declares a dispute it cannot rely on the information on the system and is forced to send out a team to investigate. The mere fact that the team is deployed to investigate the dispute declared proof that no reliance may be placed on the metering system.

The collection of the arrears owed by debtors of the municipality is necessary to prevent cash shortages for the funding of the Council's planned activities which mainly consist of services delivery and maintenance, as summarised on its annual budget. Eskom provides electricity to three areas, namely Khuma, Kanana and Tigane within the boundaries of Matlosana, which makes it difficult to effect proper credit control in these areas.

Although the debtors are seen as an asset item on the financial statements of the municipality, slow collection or even non-collection of the value of this asset gives rise to the material risk that the figure becomes over stated. Over stating directly stems from the phenomenon that the longer the delay in collecting the amounts due to the municipality, the more difficult it becomes for the debtor to pay the amounts.

It must furthermore be borne in mind that, irrespective of the credit worthiness of municipal debtors, services are still rendered to them, for which service and property tax charges are added to their municipal accounts every month. This necessitates a process of diligent follow up to bring about improved collection of levies on debtor accounts on the one hand, as well as writing off those debts which are proven to be not collectable on a more regular basis, on the other hand.

Sufficient knowledge, capacity and effort must also be added to efficiently deal with the dynamic environment of debtors, which brings change and financial movement on a daily basis. These movements tend to outdate the completeness and validity of information which resides on the debtor system of the municipality.

The already existing processes and structure for administration of debtors and collection of cash must be enhanced and additional alternatives must be implemented to give full effect to the policies for credit control and debt collection and for indigent management. These enhancement initiatives are regarded crucial and are set out in this document.

2 MANAGEMENT INTERVENTIONS

The municipality must take the following steps to address the various aspects of the management of its debtors:

2.1 REVIEW POLICY

The policies for Tariffs and Rates, Credit Control and Debt Collection, Indigent management were extensively reviewed and approved during the finalisation of the 2016/2017 budget of the municipality. (Which, was concluded during the budget consultation process leading to the approval of the 2016/2017 budget). These policies must however be renewed on an annual basis with the approval of the budget

2.2 INCREASE CAPACITY

In order to effectively apply the reviewed policies, the relevant capacity of the administration has to be increased. It is regarded necessary that expert external assistance needs to be procured to achieve this objective.

Initiative have already been taken to ensure the Indigents as registered during the 2017/2018 financial year is verified and validated by means of ITC checking. This will afford the City of Matlosana the leeway of capitalising on the intake during the 2017/2018 financial year – as based on the outcome of the report when delivered to the municipality it will be clear as to whether or

not the total listed/registered indigents are legitimate and whether or not softly saying no fraud was committed.

2.3 EXPECT OUTCOMES

A two-phase prioritized plan is annexed to this report as ANNEXURE A. Detail of the roll-out of interventions is contained in the annexure.

The implementation of the plan requires additional capacity (if found to be needed) is expected to yield the following basic benefits for the municipality:

- An increase in incoming cash flow will be achieved to aid provision of the cash required to cover operational and capital expenditures.
- Effective collection of arrears will contribute towards decreasing the debtor balance.
- Reduction of arrear debtors will also be achieved by writing off those arrears which are not collectable. (This process will be assisted with an initiative submitted for consideration to the Acting / Municipal Manager and to Council ultimately for approval
- The debtor environment and especially those factors having an influence on debtors' data will be managed in such a way that inaccuracy of data is prevented.

3 CASH FLOW IMPROVEMENT: FIRST PRIORITY

As a first order financial survival item, operational funds need to be generated via collection of levies and arrears to the order of as close as possible to 85% of levies every month. In order to make a substantial impact in this regard, the following must take place and needs to be spearheaded by the prospective service provider appointed in unison with management and integrated with the normal on-going day to day debtor management activities:

3.1 CREDIT CONTROL PROCESS

A local operational office and data communication between the local debtor system and the credit control management software must be set up and is an absolute prerequisite for an integrated credit control process to start off. Prospective service provider appointed sees no alternative other than the focussed collection of levied revenue in a properly structured way. No interference from any sphere will be entertained and any variation in this plan may be approved by the Municipal Manager

Six focus areas are indicated on Annexure A in this regard. It is crucial that the debtor system be used in the following way, as a further strategic tool in ensuring additional cash flow:

3.1.1 Making Arrangements

Negotiating and entering arrangements for payment in monthly instalments with debtors with arrear accounts must be subject to a uniform interpretation of policy guidelines.

3.1.2 Invoicing of Arrangement Instalments

Arrangement instalments must be advised and added to the levies of monthly current accounts submitted to debtors to remind them of the exact amounts payable.

3.1.3 Automated Managing of Arrangements

Arrangements that are either fully settled or dishonoured when the next month's ageing process is done before billing takes place, must be automatically cancelled and such cancellation then reflected on the new account submitted to the debtor, i.e. zero arrears upon full settlement or the unsettled portion of the arrangement in full upon dishonouring.

3.1.4 Elimination of Inactive Tenant Accounts

All municipal accounts for a property must be for the owner of the property and new tenant accounts must preferably not be opened or done in line with the policy of the municipality. As far as practically possible, all levies for a specific property should be consolidated on the same account for the owner.

3.1.5 Meter Management

Meter details of pre-paid services which may be installed on a property must also reflect on the

debtor system record of the relevant property owner, with an optional zero-based levy tariff for management purposes. As in the case of credit type meters, the owner of any property must be regarded as the customer for these services. No such services can be connected to a property without the knowledge and consent of the owner or a duly appointed agent of the owner.

3.1.6 Installation of Intelligent meters

In order to fast track or assist the City of Matlosana with the credibility of meter readings it is advised that consideration be given to the implementation of Intelligent meters in Pre-identified areas.

If intelligent meters are installed after a comprehensive study (meter audit) has been done it may be found that it would be advisable to install these meters in identified arrears in order enhance the relationship between the municipality and consumers. This meaning, afford a paying consumer the opportunity to receive his/her account timeously and formulated correctly and payment is guaranteed. The responsibility of these actions rests with the relevant divisions namely water and electricity

3.1.7 Political Interference

In order to ensure that the processes run smoothly no political interference must be allowed.

QUICK GAINS IN DEBT REDUCTION

Extraction and analysis of debtor system data must be done in order to inter alia recommend amounts to be written off due to the risk of non-payment by debtors, to bring about focussed collection of debt in certain debtor categories and to inform the possible extensive review of policy for credit control, collection and write-off of arrears.

3.2 CLIENT INTERACTION MANAGEMENT

Actions for focussed levied revenue and arrear revenue collection will inevitably lead to an increase in account queries as well as capturing of payment extensions and payment arrangements on the local debtor system by finance staff.

An inter-departmental understanding of the reason and importance of these actions needs to be established, as service delivery will be affected by these actions and the inter-departments must respond speedily

Start date: After Council approval of this document.

4 REVENUE ENHANCEMENT: SECOND PRIORITY

4.1 LEVIES DATA MANAGEMENT

It must be ensured that information is gathered accurately and reflected on the debtor system for increased completeness of levies for all properties and residents. The actions which are to be taken in this regard are set out on annexure A.

Further examples of what needs to be achieved by these actions are the following:

- Completeness of the implementation of the Municipal Property Rates Act via ensuring that every property in the municipal area of jurisdiction with a title deed is registered on the debtor system via the valuation roll.
- Occupation and usage of un-formalised privately allocated land portions of properties must reflect on the municipality's debtor management system. (i.e. occupation by tribal communities and similar informal settlements).

It will inevitably be necessary to carry out information verification visits to stands if needed before information updating can be done on the debtor system and assistance will have to be requested from provincial government.

4.2 LAND INFORMATION ON DEBTOR SYSTEM

The true status of every known property on the debtor system must reflect accurately on the debtor system to enable finance to levy the correct tariffs for the various services and property tax. The actions to be taken are set out on annexure A.

4.3 REVENUE COLLECTION EFFICIENCY

Initiatives set out on annexure A must be taken to correct probable inefficiencies which have an impeding influence on notifying the debtor of the amount owed.

4.4 CLIENT INTERACTION MANAGEMENT

Assistance in the form of additional capacity to improve the first line contact with the municipality by its residents must be created as set out in annexure A.

4.5 REVENUE PROTECTION

In order to prevent revenue from being lost via either unmetered leakages and service losses or statements for high consumptions to debtors who cannot afford to pay high amounts, the actions to be taken as set out on Annexure A are regarded as crucial.

4.6 COMMUNITY AWARENESS

Raising an understanding within the local communities of the absolute necessity for taking actions for financial survival is regarded as of crucial importance. Assistance with this process is dependent on the specific requirements of the municipality relating to debtor management from time to time.

An informative brochure must be developed by the Communications Section to explain the reason and mechanism of credit control to the community, as well as supplying contact procedure to those who may be affected. This information should also be published in the local newspaper and placed on Councils web site

Councillors can be informed of the pending initiatives, how it will affect residents and which procedures will be followed, which must be disseminated by the councillors at their ward meetings. Officials from the relevant departments must attend the meetings to clarify any problems

ANNEXURE A: STRATEGY DEVELOPMENT FOR DEBTOR MANAGEMENT:

FIRST PRIORITY INTERVENTIONS

CASH FLOW ASPECTS	PROCESS FOCUS AREAS	ACTIONS TO BE TAKEN
Credit Control and Debt Collection	Take credit control & debt collection actions for collection of arrears and manage the processes and the data.	Implement the appointed service provider or relevant council section credit control software and management system, including history build-up on debtor system of actions taken and their status as well as levying for actions carried out successfully. Additional capacity for debt collection support must be created and maintained by the appointed service provider or relevant council section. The software supporting system, a dedicated administration clerk and the services of a service provider must be deployed.
	Arrears enquiries, payment extensions and payment arrangements.	The appointed service provider or relevant council section to assist in compiling of delegations of authority by the Municipal Manager to staff according to their roles in debtor administration. Debtor system must be set up in such a way that only specially trained and delegated officials have access to the arrangements function. Debtor system must also be set up to cancel such arrangements as soon as either they have been fully honoured, or they are not honoured by payment of the account submitted (current plus instalment) after 30 days after the due date on the accounts sent out, or by the time that the next month's account is processed, whichever comes first.
	Properties ownership transfers counter to collect arrears before issuing of clearance certificates.	Training, motivation and follow-up necessary via debtor system software vendor.
	Building plans sign-off & issuing of certificates of occupancy only if arrears are fully paid.	Add to required procedure before authorizing switch-on of newly installed services.
	Arrears of municipal employees & councillors to be deducted from salary / allowance payments.	Council to implement the Credit Control policy accordingly
	Creditors of the Municipality with arrear municipal debt to receive payment less the debt amount.	Council to implement the Credit Control policy accordingly

CASH FLOW ASPECTS	PROCESS FOCUS AREAS	ACTIONS TO BE TAKEN
Arrears collection efficiency gains	Re-actively report inactive accounts & recommend actions.	The appointed service provider or relevant council section must analyse the debt book and verify the collectability of all accounts and recommend write-off of un-collectable arrears.
	Verify top 100 accounts and focus on arrears collection.	The appointed service provider or relevant council section must analyze the top 100 accounts for collectability and promote collection.
	Data purification on government & schools accounts and focus on arrears collection.	The appointed service provider or relevant council sections to assist arrears collection staff to analyze / verify, reconcile & link and prepare submission to the relevant government departments.
	Review credit control and debt collection and write-off policy and draft a revised document for Council approval with the 2017/2018 budget	The appointed service provider or relevant council section to include best practice into the review of the credit control, collection and write-off policy.
Client interaction and relations management	Accounts queries, service interruption reconnection requests and inter departmental unity promotion.	Training, motivation and follow-up necessary via a customer care software vendor which should be appointed. Promotion of understanding the inter-departmental dependency to bring about efficiency and accuracy must be effected and applied in daily administration. The service for management of credit control and debt collection by the appointed service provider or relevant council section must include assistance with internal communication and capacity building.

SECOND PRIORITY INTERVENTIONS:

REVENUE ASPECTS	PROCESS FOCUS AREAS	ACTIONS TO BE TAKEN
Levies data management	All land portion properties in the municipality's jurisdiction must reflect on the debtor system.	The appointed service provider or relevant council section must assist by verifying stands via a demographic analysis of the area of jurisdiction of the municipality to identify properties which may not exist on the debtor system. Such properties to be visited to gather complete information of additional debtors.
	Ensure that tariff types for different service levies per property are applied consistently.	The appointed service provider or relevant council section support to management via stand data verification to ensure consistency.
	Meters must be read accurately every month.	Implement the appointed service provider or relevant council section meter reading system and management model to achieve improved data management and management of meter reading exceptions and damaged installations. Meter reading difficulties must be referred to technical staff to ensure diligent repairs the appointed service provider or relevant council section to manage the process.
Land information	New properties, consolidations and sub-	Inter departmental procedures will be formalised to increase accuracy of levies on debtor

REVENUE ASPECTS	PROCESS FOCUS AREAS	ACTIONS TO BE TAKEN
data on Debtor system	divisions and properties Zoning & usage changes must be advised to finance for changing debtor records and correct tariffs on accounts.	accounts. Implement formal town planning data Acquisition notification and sign-off procedure to advise all properties information to Finance & Town Valuer. Developers, Building section and housing department to submit information of new owner of each property upon sale/ transfer of ownership.
Revenue collection efficiency.	Correction of postal addresses of inactive accounts returned as un-delivered by the post delivery service and of active accounts with insufficient postal addresses.	The appointed service provider or relevant council section will obtain postal addresses and advise debtor management staff to correct them on the debtor system.
	Short message (SMS) amounts invoiced & account balances to owners.	Short messaging (SMS) of amounts invoiced & account balances to debtors must be included into the credit control solution of the appointed service provider or relevant council section.
Client interaction management.	Call centre to assist switchboard operator with calls and support system to be created	Transfer of skills, basic training and additional capacity must be created in unison with management.
	Customer Care Centre and e-mail (internet) enquiry facility as well as Internet capability to enquire online about accounts must be capacitated.	Implement query resolution registers and create a website and e-mail address with staff dedicated to resolution of enquiries. Follow up to ensure completeness of query resolution. Facility to be created in unison with management.
	Short-message (SMS) meter readings to account holders.	Will be part of the appointed service provider or relevant council section meter reading service at Council cost.
Revenue protection.	Ensure an accurate indigent register to support the income grant application to Province.	Implement the appointed service provider or relevant council section system for management of the Indigent, including evaluation of indigent status applications and compilation & maintenance of an indigent register.
	Ensure that registered indigents do not exceed the Municipality's affordability levels of services.	The appointed service provider or relevant council section to review Indigent Policy to accommodate the restriction by the appointed service provider or relevant council section of services to indigents who are consuming materially more services (i.e. 50% and higher) than the affordability levels allowed by the municipality.
	Meter installation and meter removal data must be complete on Debtor system.	Ensure accurate meter data transfer to the debtor system by implementing registers and documentary flow with meter information of removed or installed meters between departments. Documents to be captured by dedicated officials.
	Prepaid meter information must be indicated on debtor	Acquire prepay services data from prepay system/s and ensure future submission of

REVENUE ASPECTS	PROCESS FOCUS AREAS	ACTIONS TO BE TAKEN
	system.	installation details to Finance for indicating the presence of such services on the debtor system property record. The data is needed for debtor profiling to improve customer care as well as to enhance the arrears collection strategy.
	Water leak detection and repair service.	The appointed service provider or relevant council section to do audits to pro-actively discover and repair water leaks on the supply network. The appointed service provider or relevant council section to do a meter audit to detect and repair metering by-passes and installation tampering The appointed service provider or relevant council section to implement a water leakage repair service for registered indigent households to even further increase the affordability of their municipal accounts and to promote payment of accounts through visually improved service delivery.
	Repair & maintenance of meters reported as faulty by meter readers and of meters reported via prepay installations inspections must be regularly done	The appointed service provider or relevant council section to do inspections and to correct reported faults and manage the flow of data emanating from such actions via the appointed service provider meter reading software and service.
	Electricity Distribution loss management.	Deploy the Electricity section or appointed service provider model for electricity meter audits and to pro-actively discover and repair electricity losses on the supply network and to manage the flow of data emanating from such actions.
Relations.	Community awareness and communication must empower processes.	Management of credit control and debt collection by the appointed service provider or relevant council section must include assistance to the municipality with external communication and capacity building.