



Zululand
District Municipality

REVENUE ENHANCEMENT STRATEGY 2023/2024

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OFFICIAL SIGN-OFF

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ABBREVIATIONS AND ACRONYMS

AGSA	Auditor - General South Africa
BBBEE	Broad Based Black Economic Empowerment
BCP	Business Continuity Plan
CAPEX	Capital Expenditure
CFO	Chief Financial Officer
DCS	Debt Collection Support
DCU	Debt Collection Unit
MFMA	Municipal Finance Management Act
SME	Small Enterprises
EXCO	Executive Committee
SAPS	South African Police Service

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INTRODUCTION

The challenge of Zululand District Municipality is that it's characterized by insufficient funding which seriously undermines and hampers the notion of a developmental local government. In general terms, the district municipality is unable to develop the local economy into a dynamic and strong driver for equality life of the citizenship as they are unable to maintain and expand the infrastructure to support new economy growth, amongst other things. The district serves five local municipalities (Ulundi, Nongoma; Pongola, Edumbe and Abaqulusi), and they are all in deep rural areas of Zululand.

The Municipal Finance Management Act (MFMA) has the following impact regarding revenue and its collection:

- Must have realistic income projection.
- Must have a balanced and a fully funded cash budget which is cash banked and ensure sustainability.
- 3-year budgeting must be in place.
- All funds must be cash banked.
- Adequate provision must be made for bad debts.
- Must have an effective revenue collection system consistent with the Systems Act.
- Expenditure management must be strictly managed when revenue is anticipated to be less than projected.

WHY REVENUE ENHANCEMENT

Revenue Enhancement is being undertaken by ZDM so that it can among other things:

Stabilize the financial and economic sustainability of the municipality to broaden the income base and increase revenue.

Reduce proportionally high costs, to affordable levels. Create an environment which enhances development, growth, and service delivery.

KEY FOCUS AREA IN REVENUE ENHANCEMENT EFFORT

We have identified the following as the key focus areas for revenue enhancement strategy:

- **The Billing Chain**

This is of paramount importance because Zululand District Municipality's core function is to offer services and its main service is the provision of water and sewer which are non-exchange revenue.

- **Cost cutting and cost containment measures.**

Exploring ways of reducing and containing operational costs is also important. While this is not directly revenue enhancing, this contributes indirectly to revenue enhancement as this promotes operational efficiency. In a way this ensures that future revenue gains are utilized efficiently. Employee costs need to be controlled by redesigning the organizational structure and eliminate redundant positions.

- **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.

- **Infrastructure Refurbishment**

Unaccounted water and water losses will continue to negatively affect the revenue enhancement effort. This is due to historical neglect of infrastructure and to continue the same path may appear cheap in the short term but will prove to be very costly in the long run. The strategy gives a deserved focus on this aspect, which will include new water meters and upgrades.

- **Community involvement (Publicity drive)**

The communities should be involved as they are the ones responsible for the payment of the services rendered by the municipality. Council to encourage their community to settle their account and those that cannot afford to pay should apply for indigent and their status be renewed annually.

- **New sources of revenue**

ZDM needs to maximize its revenue generation by exploring new sources of revenue. From this point onwards, discussion focuses on the various aspects of the strategy as outlined above.

THE BILLING CHAIN

Efficiency in the billing chain is critical for the municipality to be able to collect its revenue efficiently. The following key elements impact on the billing chain and are discussed separately below:

- Meter readers-key information link.
- Tariff structure-determines how much is charged to consumers.
- Indigent policy-influences policy on who gets free basic services.
- Bad debt Policy-influences the recoverability of debts.

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.

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 SUCCESSFUL DEBT COLLECTION

Billing integrity

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

- ☐ Accounts not billed.
- ☐ Accounts with no valuation.
- ☐ Abnormal consumption.
- ☐ Abnormal billing.

DEBT RECOVERY STRATEGY

The debt recovery for Zululand District Municipality should be prioritized. The following has been considered:

- Zululand District Municipality has appointed a debt collector whose payments are commission based. The advantage of this option is that this will not incur additional staff costs and the Debt Collectors is paid from the recovered debt income. This also eliminates the high costs associated with the use of legal attorneys to recover debt.
- Debt Factoring – at a later stage the municipality can also consider debt factoring whereby debt is sold at a discount to third parties who would then own the debt and initiate recovery effort. This can only be an option if the above option does not materialize.

The municipality ensures that staff adheres to the following proposal:

- An effective billing and cash receipt system is always used and there are no deviations on billing and cash receipt systems.
- Credit control and debt collection policies are strictly adhered to.
- Accurate meter readings and the readings are verified by senior personnel afterwards.
- Introduce a facility that allows debtors to enter into arrangements to pay, this is to be extended to business clients as well due to so many factors such as Covid-19 that have distracted their operations.
- A good Debt Management Strategy has been put in place. This strategy includes an emphasis on the monitoring of the Top 100 debtors (based on 80-20 principle).
- The pursuance of government debt with possible intervention by Provincial Structures and National Treasury.
- Enhance service delivery provision to encourage payment.

2.2 METER READERS

It should be noted that Meter readers are a critical component of the billing chain. Their failure to read meters correctly and timely affects the entire billing chain. Therefore, meter readers operations need to be monitored and they need to be consistently evaluated on their performance.

Meter reading challenges

- Old meters in some of the potential areas that sometimes have wrong readings as a results consumers are billed with (interim) estimates.
- Finger problem in data capturing and no valuation.
- Rollover/ Clock over of meter.

2.3 TARIFFS

Expenditure and tariff reviews need to be in line with inflation and be realistic in terms of providing a reasonable level of service. Tariffs must be cost reflective meaning the cost charge should cater for all costs involved during the means to supply water.

2.4 INDIGENT POLICY

- The approval process of indigent applications is made shorter within a three-month period. Proper indigent registration assists in reducing the debt book which is

growing by the day and is likely to be difficult to recover due to high levels of indigence.

- The implementation of the policy criteria requires closer scrutiny to ensure that only eligible consumers benefit from this policy. This also includes all policies guiding the verification process.
- The challenges and financial implications associated with the management of indigent debtors should be streamlined.
- The indigent register is recompiled in accordance with the classifications in the indigent policy.
- As a priority the indigent registration process is reopened with a clear framework and evaluation criteria to ensure only qualifying debtors are subsidized and are subsidized in a correct manner.

It is imperative that the indigent register only reflects people that really qualify. In this regard, a cost-effective way would be to subject all the indigent debtors on the register to a credit check through an agency or credit bureau where their financial ratings and credit profiles can be determined.

This credit check provides valuable information on employment details, credit records and ratings, postal addresses, contact details.

It is also imperative that all applications will only be valid for the current financial year therefore consumers renew their registration on an annual basis.

The registration process for Zululand District Municipality is done in two ways, namely: -

Requesting consumers to complete an application form and submit it to the municipality; or

Conduct house-to-house research where more than just indigent information is meter details, and more can be collected. This option is more expensive but in the long term it provides valuable information, which makes it worthwhile.

2.1 BAD DEBT POLICY

The distinction between irrevocable debt and neglected debt must be made in greater detail. The credibility of the data of debtors and the management thereof is an important area of implementation of this policy. If not managed properly it could result in negligent debt being

categorized as irrevocable debt.

2.2 ENHANCEMENT OF THE DEBT COLLECTION UNIT

The municipality currently does have a dedicated debt collection unit or Credit Control Unit. Staff members focus on all debts. The main aim of these section staff members dedicates their time and energy only on the allocated accounts, build the necessary relations with the respective debtors and ensure that the debts are recovered in the shortest possible time. A debt collector called Amanquhe Data Doctors was appointed in 2021/2022 financial year to assist the municipality collect from its debtors. The appointment is for a period of three years (36months terms).

2.6.1 THE RESPONSIBILITY OF THE DEBT COLLECTION UNIT (DCU)

The Debt Collection Unit (DCU) must perform debt collection tasks only and not be burdened with accounting and administrative tasks. Their focus from 8 am to 4 pm should be to contact the debtor, get him / her to arrange or to pay for the outstanding account.

They should not only use the traditional collection tools, but also employ methods such as phone, fax, e-mail, SMS, registered mail, notices, personal visits, newspaper articles to create awareness, notices at schools, churches, businesses, shopping centers, etc.

This unit must prepare disconnection / cut off lists on arrear debt and liaise with the revenue unit on their current account disconnection / cut offs to ensure co- ordination. The Unit is to work together with the billing team in terms of highest owing debts down to the list owing debts, customers billed with interim charge and more.

- The unit must manage arrangements and extensions, but no arrangements must be allowed on current accounts, which must be paid monthly.
- Prepare notices to debtors notifying them of intention to blacklist them with the credit bureaus. This is done after all means of collections have been exhausted the Unit is to ensure that notifications are sent prior to taking the action of blacklisting.
- Prepare the summonses and hand over the accounts to attorneys and debt collectors, where internal collection efforts have failed.
- The staff in the unit must be performance driven and clear collection targets must be set for each staff member and the monitoring of such targets by the senior staff is to be done.
- A project manager to be identified /appointed in the unit to drive the Programme. prepares targets, produces management reports and liaises with other units and departments.

2.6.2 DEBT COLLECTION SUPPORT UNIT (Revenue Steering Committee)

- The DCS should be constituted to provide technical support to the DCU. The purpose is to provide administrative and technical support to the DCU, to enable the latter to focus on effective debt collection.
- The DCS performs the analyses, reconciliations, and the updating of missing information on debtor's accounts, review deposits /security and hand over to DCU for collection. This unit becomes the back office of the debt collection Programme.
- The analyses of the inactive and "return to sender" accounts can be reconciled by this unit and recommendations made on the finalization thereof.
- Representatives can accompany the DCU to meetings with clients where queries are discussed.
- The unit to do follow up the meter reading variances and inaccurate meters to ensure adjustments and corrections are affected on the system and debtor's account.
- Follow ups must be made with the revenue section on the return to drawer (RD) cheques to ensure corrective measures are taken or the account is handed over to the DCU.
- Follow ups must be made monthly on the posting of accounts, to ensure all accounts are posted on time and "return to sender" accounts are eliminated.

GRANTS AND SUBSIDIES AND DONATIONS

At the outset municipalities need to ensure that income from grants and subsidies are maximized. They need to ensure that they are not missing out on any grants and subsidies.

MINIMISE LOSS IN DISTRIBUTION

There is currently a significant loss in distribution due to illegal connections, meter tampering, and water infrastructure not being properly maintained.

To address this issue, it is recommended that zonal meters for water should be introduced and greater investment in water infrastructure. We also need to ensure that we adopt a zero-tolerance approach towards the theft of water through illegal connections after being disconnected in this regard, the sanctions of our courts need to support us. Cost benefit analyses must be done before any possible solution is implemented.

4.1 ILLEGAL CONNECTION

Systems and processes need to be improved to ensure that disconnection instructions are implemented, and those consumers don't reconnect themselves.

A system where periodic spot checks are conducted is needed, and if found that illegal reconnections were made, the meter should be removed, and the consumer must pay for a new connection plus a penalty. This message must be clearly communicated, and stricter enforcement is a matter of urgency. Illegal reconnections must also be reported to the South African Police Services (SAPS).

INFRASTRUCTURE REFURBISHMENT

Provision of water and sanitation remains the main source of revenue for ZDM. It is therefore important that these services be rendered timeously and efficiently. Affecting the water services provision is the state of infrastructure. The infrastructure refurbishment plan needs to be in place so that water assets are serviced in time. To this end ZDM needs to have adequate budget for this expenditure.

6.COMMUNICATION STRATEGY

6.1CONSUMERS

Information collection and dissemination

- Information on the revenue enhancement programme.
- Informing them 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 nonpayment and defaulting clients.
- Information on consumer complaints and feedback from the public on how to improve services and client relations.

Communication Channels

- Local media, or any radio slots.
- Newsletters and flyers are circulated before the collection drive starts 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 program. Once dates are 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 the municipality if they don't receive accounts, incorrect accounts and to plan to pay account.

6.2MANAGEMENT

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 on 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

- Revenue Steering Committee that meets/ sits quarterly.
- Management Meetings monthly.
- Attendance of ward committee meetings, meetings with the local business chamber, meetings with government departments, and other stakeholders where issues affecting the revenue enhancement Programme is discussed.
- Radio Interviews.

6.3COUNCIL

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 on 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 items of EXCO and council agendas where progress, problems and decisions needed should be communicated.

Programme

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

7.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 the 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.

8.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 Chamber to brief them and obtain buy in.
- Newsletters and flyers for possible advertisement and sponsorship by business.
- 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.

There must be a continued publicity drive to educate consumers on the perils of interim accounts. The ease with which the municipality handles feedback from the community is also a priority. Communication must flow between the municipality and the community to ensure that better services are provided.

A possible publication of projects that is ongoing in respective wards or success stories within the community/ ward. For example, in a community or ward there can be a public notice relating to completion of a road or a clean-up project is due to start to show the community what we are doing with their money. This information can also be inserted in the newsletters sent to account holders.

The following information can be included in the newsletters as it is important to the community as they are our consumers:

- Information on the revenue enhancement program.
- 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.

The following communication channels can be used to disseminate the above information:

- 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.

For this to be achieved all the stakeholders need to play their part, this includes Management and Council.

9.CONCLUSION

The bottom line is that the municipality will not be able to address their huge service delivery backlogs and meet the growing needs and expectations of its communities and other stakeholders if income is not effectively collected. Hence there is a burning need to be innovative, effective, and efficient regarding revenue generation and collection. It is also time to get tough regarding outstanding debt and the containment of expenditure.

The following measures need to be put in place and adhered to:

- A strong credit control and debt collection policy must remain in place, and it must be strictly adhered to
- The above needs to be balanced with an adequate level of indigent support to contain the cost of debt collection.
- To maintain or increase payment levels the underlying issues of poverty and unemployment need to be addressed.
- Asset management plans need to be implemented (maintenance).
- Need to reduce water losses in distribution with defined targets.
- Need to fund capital budgets from internal funds.
- All expenditure and tariff increases need to be in line with inflation and be realistic in terms of providing a reasonable level of service.
- Certainly, need to be innovative, and identify and implement new taxes and levies.