



RAY NKONYENI LOCAL MUNICIPALITY
REVENUE ENHANCEMENT & COLLECTIONS STRATEGY

1. **PREAMBLE**

WHEREAS section 229(1) of the Constitution enjoins a municipality to impose rates on properties and surcharges on fees for the services provided by or on behalf of the municipality.

AND WHEREAS section 4 (1) (c) of the Municipal Systems Act provides that a municipality has a right to finance its affairs by charging fees for services, imposing surcharges on fees, rates on property and, subject to national legislation, other taxes, levies and duties.

AND WHEREAS section 5 (1) (g) provides that the members of the community have a right to have access to municipal services which the municipality provides; section 5 (2) (b) places a duty on the members of the community to pay promptly for services fees, surcharges on fees and other taxes, levies and duties imposed by the municipality.

AND WHEREAS section 95 of the Municipal Systems Act provides that the municipality must, within its financial and administrative capacity, establish a total responsive Customer Relations Management System to cater for:

- Positive and reciprocal relationship with the Rates Payers and Users of municipal services who are liable for payment thereof.
- Mechanism for Rate Payers and Users of municipal services to give a feedback on the quality.
- Informing the Users of services of the costs of services, the reasons for payment for services and the utilisation of the money raised from services.
- Measurement and accurate/verifiable quantification of consumption of services.
- Regular and accurate accounts to Rate Payers/Users of services, showing the basis of the calculation of the due to municipality.
- Accessible pay points and other mechanism for settling accounts including pre-payments for services.
- Query and Complaints management and procedure thereof for prompt response and corrective action on one hand and monitoring thereof on the other

AND WHEREAS section 96 of the Municipal Systems Act and section 62 (1) (f) of Municipal finance Management Act, place an obligation on the municipality to collect all money due and payable to the municipality. It is therefore for this purpose, that the municipality must adopt, maintain and implement a credit control and debt collection policy which is consistent with rates and tariff policies and compliant with the Act.

AND WHEREAS section 100 of the Municipal Systems Act places obligation on the Municipal Manager or the Service Provider to implement and enforce the

Municipality's Credit Control Policy and the By-law enacted in terms of section 98 of the Municipal Systems Act.

AND WHEREAS section 97 of the Municipal Systems Act requires that the said policy must provide for the:

- Credit control procedure and mechanisms
- Debt collection procedure and mechanisms
- Provision for the indigent debtors which is consistent with the rate and tariff policies and national policy on indigents
- Interest on arrears, where appropriate
- Extension of time for the payment of accounts
- Termination of services or restriction of services when the payments are in arrears
- Illegal consumption of services and damage to municipal infrastructure
- The credit control and debt collection policy may differentiate between different categories of ratepayers, users, debtors, taxes, services, service standards and other matters as long as the differentiation does not amount to unfair discrimination

AND WHEREAS section 102 of the Municipal Systems Act permits the municipality to consolidate the accounts of a debtor liable for payment to the municipality; credit payment from such debtor against any of the debtor's accounts; and implement any of the credit control and debt collection measures provided for in the Act in respect of any of the debtor's accounts which remains in arrears; subject to subsection 2 of the said section.

AND WHEREAS section 62 of the Municipal Systems Act, makes ample provisions for consumers or debtors to appeal decisions or actions of municipal officials in instances of disagreement with such decisions or actions.

AND WHEREAS section 98 of the Municipal Systems Act requires the municipality to adopt a By-law to give effect to the municipality's credit control and debt collection policy including its implementation and enforcement.

AND WHEREAS the municipality has adopted and is maintaining Credit Control and Debt Collection which is consistent with adopted rates and tariff policies.

AND WHEREAS the municipality has adopted Rates, Tariff and Credit Control and Debt Collection Bylaws to support the implementation of the said policies

NOW THEREFORE the Revenue Collection Strategy set out hereinafter is set of structured actions, within the said policy frameworks, aimed at the collection of current accounts and recovery of arrears. The actions are customer-specific, taking into account the debtor type, the debtor amount and the age of the debt.

2. **DEFINITIONS**

CCSOP's	means Credit Control Standard Operating Procedure Manual
CFO	means the Chief Financial Officer of the Ray Nkonyeni Municipality
EXCO	means the Executive Committee of the Ray Nkonyeni Municipality
HCM	means the former Hibiscus Coast Municipality
MFMA	means the Municipal Finance Management Act No. 56 of 2003
MM	means the Municipal Manager of the Ray Nkonyeni Municipality
MSA	means the Municipal Systems Act 32 of 2000
SDIP	means Service Delivery Implementation Plan
PRA	means the Property Rates Act 6 of 2004
RNM	means Ray Nkonyeni Municipality
RM	means the Revenue Manager of the Ray Nkonyeni Municipality

3. **BACKGROUND**

In the past three financial years or so, the revenue collection rate against billing, has been dropping. This trend is of concern to the leadership of the municipality as it has a direct bearing on the ability of the municipality to deliver services; hence the decision of this strategy by the Municipal Manager.

With the creation of the following committees:

- (a) Revenue Management Steering Committee, chaired by the CFO
- (b) Technical Revenue Enhancement and Debt Collection Committee, chaired by the MM
- (c) Revenue Enhancement and Debt Collection Committee, chaired by the Honourable Madam Mayor.

the 2019/2020 financial year saw a decline in the collection rate in comparison to the previous three (3) years, mostly driven by the global pandemic that saw economical instability ensue.

The following is the snapshot of the municipality's revenue collection/performance in the past 5 years.

Billing vs Collection Report

Year	2016/2017 RNM	2017/2018 RNM	2018/2019 RNM	2019/2020 RNM	2020/2021 RNM
Billing	R540 124 650	R584 632 691	R620 784 820	R669 363 986	R705,135,814
Collection	R521 249 427	R544 934 168	R573 597 891	R599 014 576	R658,093,976
Rate	97%	93%	92%	89%	93%

The symptoms of a drastic drop in revenue collection in relation to billed amount initially became apparent in the second half of 2017/18, this was further impacted by the effects of the Covid – 19 “pandemic” which saw the National Government calling for a National Lockdown which impacted on the livelihoods of many South Africans. There were two areas highlighted in the “As Is Assessment report which was prepared for the municipality in May 2018, viz: a drop-in revenue **collection in percentage** and **a spike in debtors balances** as set out below:

APPLICABLE YEAR	COLLECTION RATE (%)	DEBTORS BALANCES
2016/2017 - RNM	97%	R154,746,915
2017/2018 – RNM	93%	R194,651,039
2018/2019 - RNM	92%	R240,065,051
After the “as is assessment report” of 2018		
2019/2020 – RNM	89%	R345 868 433
2020/2021 – RNM	93%	R360,374,747

Apart from the Revenue Steering Committee this strategy is divided into two parts:

- (a) Review of the Revenue Collection Systems (policies, processes and actions) with a view identifying challenges, weaknesses and/or gaps in the system
- (b) Action Plan: addressing gaps in the system to make it more resilient and effective

4. REVIEW OF REVENUE COLLECTION SYSTEMS

This strategy identifies various systems and procedures interlinked to revenue collection and will accordingly review the same in order to identify the strengths and weaknesses as well as strategies to remedy the identifiable gaps.

This review shall encompass the following systems and procedures of the municipality:

- 4.1. Credit Control & Debt Collection Policy
- 4.2. Billing and Consumer Statement of accounts
- 4.3. On-going management of the Debtors Book
- 4.4. Debt Collection Software System
- 4.5. Debt Recovery Action plan
- 4.6. Service Delivery Imperative
- 4.7. Financial Viability Improvement Plan

4.1 Credit Control & Debt Collection Policy

4.1.1. The general objectives of the Credit Control and Debt Control Policy of the Municipality can be summarised as follows:

- (a) Framework for the exercise of executive and legislative authority with regard to credit control and debt collection;
- (b) To ensure that all monies due and payable to the municipality are collected;
- (c) Framework for consumer customer care;
- (d) Credit control measures and sequence of events;
- (e) Debt collection and credit control procedures and mechanisms;
- (f) Setting of targets for credit control and debt collection.

The aforesaid objections are broad enough when read together with the oversight role of EXCO. The duties and functions of EXCO in terms of the policy include the review and evaluation of the implementation of the policy and bylaws in order to improve the efficiency of the municipality's consumer care, credit control and debt collection procedure, mechanisms and processes.

4.1.2. In order to improve the policy, the policy should make provision for two important aspects, viz:

- (a) A debtors age analysis report
- (b) A time threshold for credit control measures to kick in

These two provisions are important in that they share a symbiotic relationship between the notion of debtors' age analysis report and the time-threshold for credit control measures.

4.1.3. (a) The rationale of a report on debtors' age analysis is to trigger corresponding credit control measures for the different age levels of the debt across the organisation in an endeavour to recover the debt as soon as possible.

It is imperative that the debt recovery actions must be linked to the thresholds in the debtors age analysis. This will prevent the debtors book from growing into years of existence without a credit control measure.

(b) Credit control measures are implemented at different levels of the municipality within the Institutional Delegation Framework. Therefore the different levels of officials shall be authorised to implement certain types of credit control measures for certain age levels of the debt. This type of authorisation needs to be set out in a debt recovery action plan which has specific time periods and becomes binding on both the Municipality and the public.

The critical period in any credit control and debt management is the 7 days after the due date.

4.1.4. Municipalities must take reasonable steps within a reasonable time period to collect what is due to it, in order to have a quick cash turnaround for the municipality and to avoid the prescription of debts for services.

4.1.5. Credit control should be guided by the following:

(a) Do not allow, by default or otherwise, the debtors' accounts to grow beyond the amount of the reach of the consumer/debtor; and beyond the debtor's appetite (i.e. the debt should not exceed two (2) months of accounts). Ideally this debt shall be reasonable to be satisfied either by a sale of movables of the debtor or by an emoluments attachment order.

- (b) Implement the debt recovery actions on a daily basis and not allow a period of time to lapse.
- (c) Credit control must be peremptory and not discretionary for the functions and performance of the officials.

4.1.6. It is recommended that the municipality develop a Standard Operating Procedure (SOPs) manual to deal with the collections of arrear accounts and the management of debt through the incorporation of timelines that will assist in effective collections processes.

4.1.7. In the Action Plan the recommendations are set out as to what reasonable steps needs are to be taken within a reasonable time period to collect outstanding debts.

4.2 Billing and Consumer Statement of Account

Billing of the Consumer account must be supported by data which is accurate and precise.

4.2.1. It is recommended that this process commences:

- (a) By obtaining accurate and precise meter readings which is recorded accurately from the consumers meters.
- (b) This starts with the compilation of the said data by the meter readers and is reviewed independently by officials within the municipality to verify the meter readings and to pick up any deviations and to correct the same, before this data is downloaded on to the billing system.
- (c) If the consumer account is an estimation of consumption, the statement of account must state so. The policy should state that the allowable intervals of estimation of consumption between exact reading of the consumer's consumption and the manner of adjustment thereof and should not exceed three (3) months unless circumstances justify an adjustment of the time period.

4.2.3. The Consumer Masterfile must also be both accurate and precise. It is recommended:

- (a) The municipality must invest in keeping the Consumer Masterfile up-to-date regarding the physical address, email addresses and telephone numbers; including the contact numbers of the next of kin and friends/associates.

- (b) The municipality should send consumer statement to a consumer via email and/or SMS's and/or post.
- (c) The municipality has provided consumers access to their municipal accounts by the use of passwords or their identity number on the RNM website.

4.3 On-Going Management of the Debtors Book

4.3.1. That the municipal finance department currently submits records on debtors to the municipal council on the debt size and management similar to that of a Section 71 (MFMA) report. The said report has broken down the book debt into the following age analysis:

- (a) 30 days- 180 days
- (b) 1 year old - over 1 year old (this debt could be between 1 and 30 years of age).

4.3.2. (a) In analysing the book debt of 1 year and over it was found that this accounted for between 60% to 70% of Ray Nkonyeni Municipality's total book debt

- (b) In the case of Ray Nkonyeni municipality as at June 2021, the debtors' book balance stood at R360,374,747 of which R254,703,888 was over a year old (64%).

4.3.3. In the last four years the annual debtors balance has been growing steadily; not just in percentage terms but also in actual rand value. These are the balances of the shortfall between the total billing for year and the total collection of the year.

- June 2017 ----- R18,875,223
- June 2018 ----- R39,698,522
- June 2019 ----- R47,196,929
- June 2020 ----- R70,349,409
- June 2021 ----- R47,041,837
- **Total----- R223,161,920**

4.4 Debt Collection Software System

4.4.1. The municipality has a debt collection software system to enhance the internal capacity on debt recovery. It is a complete debt collection management tool to track different facets of debt

collection actions. The tool is software with capabilities of generating all credit control and debt collection actions.

- (a) This software system is a useful internal tool to generate credit control and debt collection actions in order to generate the necessary pleadings to collect debt, i.e. (summons, judgment, etc).
- (b) The following are the statistics of debt recovery action taken by the municipality for the period 01 July 2018 – 30 April 2021

Action Type Issued	No of actions
Create Arrangement	927
Cut Notice	5829
Defer Action	1864
EAudit 1.1	1091
EAudit 2.1	255
EAudit 3.1	2
E-Cut1	1886
Email	1
FD By Hand	4
FD By Post	38765
Judgement	1571
Notes	3957
Pending Queue	27
Personal Interview	165
Place account on hold	2949
Print Judgement	881
Recon E_Cut1	35
Re-issue Sheriff - Summons	395
Reminder	82080
Sec 58 Judgement	12
Sheriff - Summons	3740
Sheriff - Warrant of Execution	2
Summons	4995

TelephoneCall	36
Warrant of Execution	670

(c) The summary of future actions to be taken as are set out in the Action Plan.

4.5 Debt Recovery Action Plan: December 2019 - Present

- 4.5.1. The debt recovery plan was predicated on the concept of Risk Matrix Targeting (RMT). The concept involve risk-profiling the debt book into certain categories and rating the categories to determine those categories which have “low hanging fruits” than those which will fall into the category of conventional debt collection.
- 4.5.2. The initial Debt Recovery Action Plan involved the Revenue section having to concentrate on certain debts which were low hanging fruits, this action was implemented. The current status of this action is as follows.
- Top 200 Commercial debtors - R 55, 538,241.92
 - Top 200 Government debtors - R 28, 383,193.07
 - Top 200 Other (Farmers) debtor - R16, 387,839.16
- Total: R100, 309, 274.20**
- 4.5.3. The future action of the low hanging fruits is set out in the Action Plan.
- 4.5.4. (a) The adjusted SDBIP collection target is between 85 - 90% whilst the National Treasury norm which is a guide is 95%.
- (b) The peculiar circumstances of Ray Nkonyeni Municipality may not match the norm of National Treasury due to the amalgamation of Ezingoleni Municipality and Hibiscus Coast Municipality.
- (c) Further the fact that the municipality does not enjoy the benefit of being a supplier of electricity to a greater part (90%) of the municipal area. Electricity is an effective lever of credit control measures and debt collection. The lack of

access to such institutional levers of credit control puts Ray Nkonyeni Municipality in extremely difficult position in comparison to other municipality's of the same size and grade who have access to such institutional levers such as electricity and water.

- (d) Comparatively speaking Ray Nkonyeni Municipality have a reasonable collection rate in accordance with National Treasury guide.
- (e) However, Ray Nkonyeni Municipality has embarked on a vigorous revenue collection programme and has put in place various strategies to try and achieve a 95 - 98% collection rate as was previously the norm.

4.6 Service Delivery Imperative

4.6.1. The RNM identified that the decline in the collection has been due in part to consumer complaints in respect of service delivery, for eg (poor state of roads, aging infrastructure, overgrown verges etc.).

4.6.2. These complaints prompted the municipality to adopt a customer service charter, the establishment of a service delivery cluster committee, the implementation of a complaints management system and the implementation of the infrastructure preventative maintenance plan (electricity) date February 2017

As a result of the adoption of the above, this has led, to a more direct interaction with the rate payer (customer) and the municipality in dealing with customer complaints.

4.6.3. A further safe guard on service delivery is that these complaints are escalated to the relevant portfolio committees which committees are made aware of the complaint and how the municipality is dealing with them.

Complaints statistics analysis

Year	Total complaints received	Total complaints resolved within a month of complaint	Total outstanding resolved after a month	Total resolved complaints	% resolved during year
2017	3349	955	1303	2258	67%
2018	2195	722	1077	1810	82%
2019	2329	707	978	1685	72%
Total	7873	2384	3358	5753	73%

4.7 Financial viability improvement plan : March 2018 – Present

- 4.7.1. The leadership of Ray Nkonyeni Municipality resolved in March 2018 on a financial viability improvement plan in order to ensure the delivery of quality of services to the citizen of Ray Nkonyeni Municipality. This financial viability improvement plan is for the municipality to practice financial prudence during the difficult financial times in order to ensure service delivery.
- 4.7.2. This financial viability improvement plan included the municipality becoming involved in the following:
- (a) Acknowledging and accepting National Treasury's recommendation that Nkonke Solutions assist the municipality in revenue enhancement and debt collection
 - (b) The creation of the following committees.
 - (i) Revenue Management Steering Committee, chaired by the CFO
 - (ii) Technical Revenue Enhancement and Debt Collection Committee, chaired by the MM
 - (iii) Revenue Enhancement and Debt Collection Committee, chaired by the Honourable Madam Mayor.
 - (c) Cost containment without sacrificing service delivery

5. ACTION PLAN

In the review process of the Action Plan we recorded under each system the deficiencies in such systems and what needs to be amended to improve the efficiency of the system.

The Ray Nkonyeni Municipality has a legislatively compliant and efficient revenue collection chain, viz:

- Policies & Bylaws
- Budget& rate levy/tariffs book
- Property Valuation Roll
- Regular monthly billing for rates and services
- Municipal accounts go out to consumers regularly with explicit due date for payment
- Various forms of collection of revenue
- Credit control & debt collection system
- Credit control & debt collection tool

In order to address the gaps and shortcomings identified in the various systems and procedures followed by the municipality, the following recommendations are made:

5.1. Credit Control & Debt Collection Policy

- 5.1.1. In order to address certain credit control measures that needs to the implemented the municipality must develop a Credit Control Standard Operating Procedure (CCSOP) manual. The CCSOP's shall then incorporate timelines for effective credit control and debt management.
- 5.1.2. The following credit control measures and timelines should be incorporated in the CCSOP on default by a consumer.

5.1.2.1. Young debt (1 to 120 days)

- (a) Immediate notification (email/SMS) to the debtor informing the debtor that payment was not made on or before the due date and as such, the account, is in arrears. To then give the debtor a further seven calendar days to make payment or submit proof of payment; failing which, the account shall attract interest and services shall be terminated without further notice.
- (b) When the debt is between 7- 14 days old and no payment /arrangement have been made, notify the debtor and failing payment to terminate electrical services or in the case of prepaid meter, block the prepaid meter account.

- (c) If the service termination does not generate an appropriate response within seven calendar days, implement a more intensive cut of service in the form of removing the meter and other connection appliances and place the premises on a routine inspection list to ensure services remain disconnected at all times until payment/arrangement is made.
- (d) In the case of property rate accounts, it is recommended that, the service termination will take the form of reminders that the account is in arrears, demanding immediate payment.
- (e) In the event of payment not being made after a reminder is sent, then it is recommended that the municipality must engage in a time-linked credit control measure:
 - (i) 30-90 days: specify the type of debt collection action that must be implemented against debtors of this threshold. The action should include the termination of electrical service to the premises and/or a final letter of demand to make payment on or before a specified date; failing which the account will be handed-over for collection to institute legal proceedings for the recovery of the debt.
 - (ii) After 90 days: Commencement of the debt recovery legal proceedings.
 - (iii) The Revenue Manager must be authorised to handover debts in arrears to the municipality's service provider to collect the debt. The service provider must immediately institute court proceedings for the recovery of the debt. Monthly report on the progress of each case which is before the courts must be furnished to the municipality in order to manage the process.
- (f) It is imperative when dealing with a young debt that credit control follow the following guidelines:

- (i) Do not allow, by default or otherwise, the debtors' accounts to grow beyond the amount of the reach of the consumer/debtor; and beyond the debtor's appetite.
- (ii) The debt recovery legal action on arrears must be prompted when the debt is still small enough to be satisfied from the sale of immovable on the premises to avoid sale of immovable.
- (iii) Implement the debt recovery actions as routinely as the morning after a night.
- (iv) Credit control officials of the municipality must (by the Policy and Operating Procedure) to take credit control action appropriate to the debt on hand. It must not be left to discretion of an official or manager.

5.1.2.2. Old debt

The old debt is divided to two categories: medium term debt and long-term debt. The medium term debt is debt which is older than 120 days up to one year old. The long term debt is debt which is older than one year. It is proposed that the former (medium term debt) remains insourced in the credit control unit of the municipality; whilst the long term debt is outsourced to Attorneys as set out hereinafter.

It is recommended that the handover procedure for old debt should follow the following sequence:

- (a) The debtors' book must be profiled into Government, Business, Farmers (other) and Residents (households).
- (b) Each profile shall be segmented according to the size of the amount of arrears: biggest balance at the top of the list and the smallest balance at the bottom of the list
- (c) Slice-off the top 100 (200) debtors per each profile for hand-over to a service provider for immediate

debt recovery litigation on specific terms and conditions of performance.

5.2. Billing and Consumer Statement of accounts

5.2.1. In most instances the valuation roll, does not talk to the billing system.

5.2.2. It is our recommendation that:

- (a) The exercise undertaken by Nkonke Solutions in the data cleaning exercise in which exception reports were prepared that this exercise be completed so that the valuation roll is in sync with the billing.
- (b) During rate clearance in all conveyancing property transfers that the change of ownership form be amended to include the new consumer *domicilium citandi et excutandi*. This will assist in the service of legal documents on the consumer in the event that the consumer defaults, absconds or cannot be found.

5.3. On-going management of the Debtors Book

5.3.1. It is recommended that:

- (a) The Consumer Masterfile is to be updated regularly to include current details of the consumer, i.e. identity numbers; postal address; email address; cellphone numbers and next-of-kin contact details.
- (b) The Indigent register must include all consumers that are not billed for payment of rates on property that has a value of less than R100.000.00. This register must also include those consumers that Eskom has declared indigent.

5.4. Debt Collection Software System

- 5.4.1. The following are actions taken by the Municipality and that are still ongoing for the recovery of outstanding debt:

Available Now					
	Cut Notice	Issue Job Card	726	4,624,655.45	
	Cut Notice	Job Card Capture	726	4,624,655.45	
	EAudit 1.1	Issue Job Card	82	3,271,491.01	
	EAudit 1.1	Job Card Capture	82	3,271,491.01	
	EAudit 2.1	Issue Job Card	21	974,714.87	
	EAudit 2.1	Job Card Capture	21	974,714.87	
	E-Cut1	Issue Job Card	141	4,760,412.29	
	E-Cut1	Job Card Capture	141	4,760,412.29	
	Email	Issue Job Card	1	131,217.36	
	Extended Legal Supervisor Queue	Issue Job Card	9	456,552.38	
	FD By Hand	Job Card Capture	3	640,003.13	
	FD By Post	Issue Job Card	1,162	3,741,842.80	
	Judgement	Issue Job Card	883	25,776,076.23	
	Judgement	Job Card Capture	883	25,776,076.23	
	Legal Supervisor Queue	Issue Job Card	1	243,087.80	
	Monitor Arrangement	Issue Job Card	124	1,729,372.85	
	Monitor Arrangement	Require Verification	124	1,729,372.85	
	Print Judgement	Issue Job Card	59	1,732,337.12	
	Priority Supervisor Queue	Issue Job Card	10	769,627.67	
	Recon E_Cut1	Issue Job Card	100	621,127.97	
	Recon E_Cut1	Job Card Capture	100	621,127.97	
	Re-issue Sheriff - Summons	Issue Job Card	376	17,198,717.65	
	Re-issue Sheriff - Summons	Job Card Capture	376	17,198,717.65	
	Reminder	Issue Job Card	2,290	4,934,076.38	
	Sec 58 Judgement	Issue Job Card	191	5,451,629.93	
	Sec 58 Judgement	Job Card Capture	191	5,451,629.93	
	Sec 58 Sup Arrangement	Issue Job Card	229	4,335,323.16	
	Sheriff - Summons	Issue Job Card	40	2,171,543.09	
	Sheriff - Warrant of Execution	Issue Job Card	11	314,510.11	
	Sheriff - Warrant of Execution	Job Card Capture	11	314,510.11	
	Summons	Issue Job Card	6,927	146,040,222.52	
	Summons	Job Card Capture	6,927	146,040,222.52	
	Supervisor Arrangement	Issue Job Card	52	481,576.49	
	Temp Queue 2 - Council Flats	Issue Job Card	18	252,011.21	
	Temp Queue 3 - RCC	Issue Job Card	65	3,546,604.60	
	Temp Queue 4 - Covid19 Arrangements	Issue Job Card	11	125,691.51	
	Temp Queue 5 - Queries	Issue Job Card	3	157,442.25	
	Temp Queue 6 - Auxiliary	Issue Job Card	8	195,583.35	
	Temp Queue 7 - Defended Matters	Issue Job Card	28	2,634,517.35	
	Temp Queue 8 - Indigents	Issue Job Card	39	1,003,805.61	
	Warrant of Execution	Issue Job Card	648	31,195,453.39	
	Warrant of Execution	Job Card Capture	648	31,195,453.39	

5.4.2. The following are the legal processes which are currently being undertaken.

(a) **Accounts still to be available in workflow, currently in sub processes:**

Available For Future Date	Cut Notice	Issue Job Card	1	2,778.40
	Cut Notice	Job Card Capture	1	2,778.40
	EAudit 1.1	Issue Job Card	5	192,416.48
	EAudit 1.1	Job Card Capture	5	192,416.48
	E-Cut1	Issue Job Card	4	29,067.99
	E-Cut1	Job Card Capture	4	29,067.99
	Judgement	Issue Job Card	15	250,281.98
	Judgement	Job Card Capture	15	250,281.98
	Pending Queue		4	248,516.55
	Reminder	Issue Job Card	1	69,278.50
	Summons	Issue Job Card	10	103,042.51
	Summons	Job Card Capture	10	103,042.51
	Warrant of Execution	Issue Job Card	1	27,660.38
	Warrant of Execution	Job Card Capture	1	27,660.38

(b) Accounts in Hold Queues to be monitored:

Hold Queue 1 - Gcotela Attorneys	13	582,098.98
Hold Queue 10 - Estate Late	148	7,372,895.22
Hold Queue 2 - Inactive Electricity Accounts	4	26,017.13
Hold Queue 3 - Government	909	22,230,633.11
Hold Queue 4 - Vacant Stands	5,569	63,174,488.47
Hold Queue 5 - Tracing	50	275,991.19
Hold Queue 6 - Indigent Accounts	360	810,969.94
Hold Queue 7 – Liquidation	19	4,095,973.97
Hold Queue 8 - Monitor Attorney	211	21,355,047.06
Hold Queue 9 - Low Cost Housing	500	4,776,509.90

5.5. Debt Recovery Action plan

5.5.1. The following proposals could be considered to deal with low hanging fruits of the top 200 commercial and government debtors and top 100 farmers debtors:

- (a) Debts that fall between R1.00 and R200 000.00 shall be instituted by the municipality in the Magistrate's Court by the internal credit control software system of the municipality.
- (b) Debts that fall between R201 000.00 and R400 000.00 shall be instituted by the municipality in the Regional Court by the internal credit control software system of the municipality.
- (c) Debts in excess of R400 000.00 shall be handed over to Council's panel of attorneys for institution of legal proceedings in the High Court.

5.5.2. The municipality's Revenue section currently has issued **4995** summons

- (a) Through the issuing of summons there would have been multiple payments that were received by consumers.
- (b) For those payments which were not received the next step would be to obtain judgment and thereafter to execute to collect the judgment debt.

5.5.3. The following is a schedule of actions that are currently available to be taken post summons:

<u>Action</u>	<u>Status</u>	<u>Number of accounts</u>	<u>Value of debt</u>
Judgement	Issue Job Card (future date)	15	R 250, 281.98
Warrant of Execution	Issue Job Card (future date)	1	R 27, 660.38
Judgement	Issue Job Card (Available Now)	883	R 25, 776 076.23
Warrant of Execution	Issue Job Card (Available Now)	678	R 31, 195,453.39

- 5.5.4. In order to expedite the collection of these debts further steps needs to be taken, i.e. execution, emoluments attachment orders, garnishee and Section 65 debtors enquiry.
- 5.5.5. In order to achieve a quick turnaround time it is recommended that these judgments be allocated to Council's panel of attorneys to proceed with the aforementioned debt recovery procedures on a 10% contingency basis, i.e. the attorney will only be paid the collection commission of 10% (which is legally permissible and which is paid by the debtor) based on performance of recovery.

5.6. Service Delivery Imperative

The tariff on all services may not be cost reflective of the service being provided. A proper tariff modelling exercise needs to be undertaken.

5.7. Referral of Old Debt to service providers

5.7.1. It is recommended that for the recovery of old debt, the following should take place:

- (a) The entire old debt (more than 1 year old debt) shall be distributed to the approved service providers on "purpose-fit"

terms and conditions decided by the management and agreed to with the Attorneys/Sheriff/Debt Collectors.

- (b) The terms shall include regular intervals of reports by Attorneys/Sheriff/Debt Collectors to management, performance expectations and withdrawal of the brief in the event of under-performance
- (c) The assignment brief to service providers must set out clearly the performance targets on the debt collection; failing which, instant start of the legal process and progress of the legal process in terms of the applicable Court Rules
- (d) Regular review of the service providers performance in terms of the agreed expectations

5.8. Debt Recovery Schemes

5.8.1. In the past the municipality has had debt recovery incentive policy of one kind or another which included writing-off of the interest component of the debt if the pays off the principal capital amount.

5.8.2. It is recommended that management explore the following debt recovery incentive schemes:

- (a) “Rand For Rand” (R4R) debt recovery incentive scheme is for old consumer outstanding debts (electricity, refuse etc). This incentive scheme simply means for every rand the debtor pays against the balance of her/his arrears, she/he gets a credit of a corresponding amount against debt balance; i.e. if she pays R100 towards her/his debt balance, she/he gets an additional credit of the same amount (R100) against the debt balance instantly. The condition however is that the current account must be paid in full.
- (b) The R4R incentive scheme is based on the fact that about 70-80% of the debt book is older than one year; and that the prospects of recovery of such debt is remote.
- (c) Further in the majority of cases the balance of the arrears on the consumer’s account becomes an obstruction to the payment of the current account.
- (d) In all cases, the balance of the arrears on the consumer’s statement is far greater than the amount due on the current account. The standard consumer does not draw a distinction

between the current account amount and the amount of the arrears. The consumer simply calls it the municipal account. Consumers are thus driven into “debtor delinquency” by the fear of the municipal account. The consumer instead of paying the current account fails to do so for fear of the arrear account.

- (e) This incentive scheme places premium on the current account even at the cost of losing out on the arrears. At any rate, the debt is money lost already; there is no risk in losing what one has lost already. The scheme uses the debt money as bait to incentivise the payment of the current account. The benefit to the municipality is guaranteed payment of the current account and possible reduction of the balance of the arrears. The latter is just a bonus as the objective of the scheme is hedging the current account, using the very debt money to do so. In this sense the debt becomes means to collect 100% of our current account (billing). The R4R scheme is more of a revenue collection strategy than a debt recovery scheme because it is focused on money in the bank rather than money that the municipality hopes to recover.

5.8.3. The benefits to the consumer are multi-fold:

- (a) Protection from service disconnection
- (b) Protection from legal action
- (c) Protection from interest on capital amount from the date of the commitment agreement to the scheme
- (d) The liberty to pay off the debt as when one can pay regardless of the amount of the debt.
- (e) Guaranteed write off against the debt of the amount equal to the amount the debtor pays his/her balance of the arrears

5.8.4. The condition of the scheme is that there must an agreement between the consumer/debtor and municipality to the effect that the consumer will pay her/his current account in full all the time without falling into arrears. If the consumer/debtor fails to pay her/his current account in full, the scheme and protections thereof, fall away.

5.9 Automatic deductions of amounts in arrears from staff and Councillors

Council has taken a resolution, which encourages staff and councillors to pay for rates and other Municipal services and in terms whereof:

- (a) A list of both staff and councillors owing payment for services or rates to the Municipality Revenue Enhancement and debt collection committee on monthly basis
- (b) Automatic deduction of amount owed from staff and councillors not exceeding 25% of the salary at a time until the debt is paid

5.10 Courtesy calls to top 100 paying customers

The Customer care and stakeholder relations Manager together with Revenue, CFO, Municipal Manager and political leaders shall randomly call top 100 paying customers thanking them about their unwavering support.

5.11 Meetings Top 100 debtors

The Customer care and stakeholder relations Manager together with Revenue, CFO, Municipal Manager, and political leaders shall time to time meet with the top 100 hundred in order to encourage them to understand why they are not paying and encourage them to pay.

5.12 Meetings with Communities and other key stakeholders within the boundaries of the Municipality

- (a) The customer care and stakeholder relations manager, revenue Manager, CFO, Municipal Manager and political leadership to attend community meetings organised by Councillors to encourage communities to pay for Municipal services
- (b) The customer care and stakeholder relations manager, CFO, MM and political leaders to hold meetings with key stakeholders such as KZN South Coast Ratepayers Association; Port Shepstone Business Forum; Margate Business Forum etc. within the boundaries of the Municipality soliciting their support in encouraging their members to pay for rates and other municipal services

5.13 MBD – Declaration in tenders

It is recommended that the valuation committee should obtain a written report from the finance department before finalisation of the valuation in order to determine whether the tenderer (sole proprietor, director, member or trustee) has made a truthful declaration on the payment of his/her municipal consumer account.

If such tenderer has lied he will be disqualified.

5.14 Creditors

It is further recommended that if a creditor is owed money by the municipality for services rendered and such creditor is indebted to the municipality for municipal services then the municipality shall be lawfully entitled to deduct the amount due for the services to the municipality, prior to payment being made to the creditor.

5.15 Bylaws Infringements

It is recommended that the schedule of fines for Bylaw infringement be examined to establish whether it is sufficient enough to act as a deterrent for future violations.

5.16 Services by Municipality

It is recommended that prior to business licences or any other permission being granted or licence being issued for motor vehicles that all outstanding municipal debt be paid.

5.17 Arrangement to pay

In cases where debtors have made arrangement to settle the debt, it is recommended that the debtor pay a minimum deposit of between 20 and 50% in respect of the debt and to pay the balance of the debt for a period not exceeding twenty-four (24) months.

The decision on determining the deposit and the payment arrangement shall be at the discretion of the Revenue Manager taking into account applicable policies.