

**SIYANCUMA
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1.INTRODUCTION

The objective of this strategy is to undertake an intervention at the Siyancuma Local Municipality to address financial and institutional challenges. The focus area is the formulation and implementation of a strategy to improve financial management and controls across the Municipality operations. The objective of revenue enhancement strategy is to improve the current payment levels and then to recover arrear debt. The total outstanding debt of Siyancuma Local Municipality is approximately R28,3 million as on the 30 June 2024. Although high levels of unemployment are definitely one of the factors, it should be noted that registered indigent debtors are subsidized; therefore, causes for non-payment must be identified. The current high levels of outstanding debt can likely be attributed to two key factors: the inadequacy of resources for implementing efficient debt collection and credit control, and the reluctance of capable consumers to settle their municipal accounts. Understanding the underlying reasons and dynamics of this situation is crucial for the development and implementation of an effective revenue collection system. This strategy is formulated on the assumption that the necessary systems, processes, and policies are already established and operational.

2. Legislative Framework for the Strategy

- **Municipal Finance Management Act, 2003 (Act No. 56 of 2003):**
 - o Chapter 5: Budgets and Revenue Management.
- Sections 95 to 107: Deals with revenue management, including the responsibilities of municipal managers in terms of revenue collection and the adoption of customer care management policies.
- **Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000):**
 - o Chapter 8 (Sections 95 to 118): Details provisions regarding municipal services, billing, and customer care, vital for revenue enhancement strategies.

- **Local Government: Municipal Property Rates Act, 2004 (Act No. 6 of 2004):**
 - o Relevant sections cover the imposition of property rates, exemptions, reductions, and rebates, which are crucial components of municipal revenue.
- **Consumer Protection Act, 2008 (Act No. 68 of 2008):**
 - o Various sections address consumer rights and the provision of services, which are important for ensuring ethical billing practices.
- **Public Finance Management Act, 1999 (Act No. 1 of 1999):**
 - o Applicable sections detail the financial management requirements for public entities, which can include municipalities.
- **Municipal By-laws and Policies:**
 - Specific to each municipality; these local regulations and policies must align with the national legal framework but are tailored to local needs and challenges.
- **Constitution of the Republic of South Africa, 1996:**
 - Chapter 7 (Sections 151-164): Sets out the framework for local government, outlining the roles, responsibilities, and rights of municipalities.
 - Each of these acts and their specific sections provide the legal foundation and guidelines for municipalities to manage their finances, implement revenue enhancement strategies, and ensure compliance with national standards and principles of good governance.

3. Current Revenue Collections Challenges in Siyancuma Local Municipality and Strategic Plans to resolve them.

The Siyancuma Local Municipality faces several challenges that impact its financial stability and service delivery. The strategic plan aims to address and resolve these issues effectively:

Challenge	Strategy
Non-Payment	- Implement robust awareness campaigns - Incentivize timely payments



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	- Enforce stricter penalties for defaulters
Indigent Management and Free Basic Services	- Revise and improve indigent policies - Ensure equitable distribution of basic services and support
Budgeting, Tariff Determination, and Revenue Planning	- Develop a more transparent and participatory budgeting process - Ensure tariffs are realistic and aligned with service costs
Little to No Growth in the Rates Base	- Encourage local economic development - Promote property investments to expand the rates base
Customer Data Accuracy	- Invest in data management systems - Implement regular data verification processes
Debt Management and Credit Control	- Strengthen debt collection processes - Implement fair but firm credit control policies
Call Centre & Customer Relationship Management	- Enhance call centre capabilities - Train staff for better customer service and engagement
Cash Flow Planning and Management	- Develop robust cash flow management plans - Monitor cash flow regularly
High Level of Outstanding Consumer Accounts	- Intensify collection efforts - Offer payment plans for long-term debtors - Consider legal action for chronic defaulters - Introducing incentives to encourage customers who are willing to pay their debts; Example, by writing off the interest on their accounts

4. APPROACH

Addressing the unique needs of each consumer category requires a tailored and strategic approach in debt recovery programs. These arrears, having accumulated over time, will necessitate an extended period for effective recovery. A significant challenge lies in the principle of linking service payments to service

provision. This creates a dilemma: while the municipality needs funds to deliver services, communities often expect these services before making payments.

To effectively tackle this issue, it's essential to address the root causes rather than just the symptoms. Key to this is the municipality's responsibility to generate accurate bills and ensure their timely delivery to the correct consumers. Robust systems should be in place to guarantee that payments are received and appropriately allocated by the due date. In cases of non-payment, immediate punitive measures, akin to those in other financial transactions and institutions, should be enforced. This comprehensive approach aims to streamline the process and ensure the municipality's financial stability.

'Consumers should prioritize the municipality in their spending decisions, ensuring it is not relegated to the bottom of their financial obligations. The approach to credit control and debt collection should be balanced, maintaining fairness while enforcing strictness.'

5.STRATEGY

5.1 The challenge of recovering the substantial outstanding debt of over R28 million requires a methodical, phased, and focused approach, given that such a recovery cannot be achieved overnight. It is essential to refine and implement enhanced systems, policies, and processes, which inherently demands time. Despite this, the municipality cannot afford to delay action until all debtor records are reconciled and all systems are fully operational. Therefore, it's critical to initiate the revenue collection and enhancement strategy in stages. The initial phase should concentrate on securing short-term financial gains, stabilizing the municipality's financial standing, and refining systems and processes, while prioritizing the recovery of realistically collectible debts.

5.2. The proposed strategy is structured in multiple phases, allowing certain activities to progress concurrently, while others may be postponed. This approach is contingent upon adequate resources, including human, financial, and technological assets. It's imperative for the municipality to conduct thorough cost-benefit analyses. In scenarios where internal processes prove prohibitively expensive or less efficient, the municipality should consider more cost-effective and efficient external solutions.

This strategic approach aims to balance immediacy and practicality in enhancing the municipality's financial health.

A well-crafted strategy, comprehensive policies, and efficient processes are foundational, but their success hinges on the support of skilled and committed staff and service providers. Equally vital is the establishment of effective communication channels among Councillors, municipal officials, and the communities they serve. This communication should be initiated and well-established before the commencement of the programme, ensuring a cohesive and informed approach to implementation.

5.2. SHORT TERM STRATEGY (SIX MONTHS)

5.1.1 Top 200 Accounts As indicated above, the short-term strategy must provide for quick gains. An urgent reconciliation of accounts will result in a significant reduction in outstanding debt; either through payment or correction.

Step	Action
1	Start with priority areas in sequence: (1) Government, (2) Businesses, (3) Agriculture, (4) Residential, (5) Vacant Land, (6) Undetermined.
2	Analyse (reconcile) accounts for accuracy, contact details, etc.
3	For accounts > R100,000: Set up meetings with senior management for payment. For accounts < R100,000: Contact (call/visit), then issue demand letters if no response.
4	Issue demand letters requesting payment within seven days for non-responsive accounts.
5	After 28 days' notice, hand over accounts for blacklisting (owners, directors) with credit bureaus.
6	Institute legal proceedings to attach property for non-compliance.

Second and Third Group of Top 200 Accounts Upon completing step 3 we then draw a new list of the next "top 200" debtors and follow the same procedures. The process is then repeated with the next 200 debtors for a period of six months.

5.2.1 Updating the Indigent Register

The challenges and financial implications associated with the management of indigent debtors should be streamlined. In the short term it would necessitate that the indigent register be recompiled and indigents registered in accordance with the classifications in the indigent policy.

As a priority the indigent registration process must be reopened with a clear framework and evaluation criteria to ensure only qualifying debtors are subsidised. In terms of the proposed budget, free basic services will be subsidised. This process must be properly communicated and administratively the municipality must be able to handle and process the new applications effectively and efficiently.

It is imperative that the indigent register only reflect 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 bureaus 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 and those consumers renew their registration on an annual basis. The registration process can be done in two ways, namely: - _ Requesting consumers to complete an application form and submit it to the municipality; or _ Conduct a house-to-house research where more than just indigent information is gathered.

5.2.2. Writing Off Bad Debt

Bad debt write offs must be considered in terms of cost benefit; when it becomes too costly to recover and the chances of collecting the debt are slim, a write off should be considered. It is proposed that a committee responsible for writing off bad debts meets regularly. Time value of money is very important because the older (180 days plus) the debt becomes, the more difficult and costly it becomes to collect. Irrecoverable debt must be well defined to ensure that recommendations for write off are consistent, accurate, properly motivated and authorised.

5.2.3. MEDIUM TERM

The profiling of consumers is important, because resources are wasted and revenue is lost due to the fact that the municipality does not know their clients.

Consumers, both commercial and residential can be categorised into various types of debtors, i.e:-

“Gold Stars” - Regular Payers that pay their account every month, without excuses and delays.

“Silver Stars” – Regular payers but late or with complaints /excuses. With them you need to ensure that the accurate account is delivered on time to prevent the “if not pay not” attitude.

“Bronze Stars” - Bad / slow payers, they need to be reminded, through disconnection notices, warnings, etc. They wait for the last day or day thereafter before making payment. Makes direct payments on last day, pay with cheque, post cheques, “municipality to do its work” attitude.

“Grey Stars” – they are the consumers who don't want to pay, for various reasons, ranging from dissatisfaction with level of services, payment methods not convenient for them or believing the municipality won't do anything because of capacity problems.

“Blue Stars” – they are the consumers who can't pay even if they want to. These are our indigent debtors; they must be identified and managed, because they can play a vital role, for instance, in labour intensive projects, cleaning of streets and open spaces, etc. The debt collection strategy and programme must be focused on rehabilitating the debtor, and not to punish him /her. Through rehabilitation we want to move “grey” debtors to “**bronze**”, then to “**silver**” and “**gold**”.

In order to rehabilitate the debtor, you need to have systems and processes in place, you need to know and understand the behaviour of the debtor and then manage it accordingly.

5.2.3 Consumer education is a must in the medium term, and education campaigns can be launched to educate the public on municipal systems, processes, payment of services, maintaining infrastructure, assets, and more. A consumer profile can be done through house to house reviews during the development of the valuation roll, indigent debtors surveying, every time consumers visits /contacts the municipal

offices, etc. If the municipality knows its consumers it can manage them. An incentive scheme for prompt/ regular/ early payments and a debt reduction scheme should be properly developed and tested before they can be rolled.

6. DEBT RECOVERY STRATEGY

The debt recovery for Siyancuma Local Municipality should be prioritized. The amount of debt as of end of June 2024 was R28.3 million.

- The following should be considered:

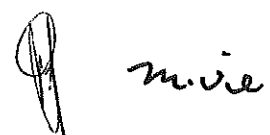
6.1. Siyancuma Local Municipality may have to consider appointing debt collectors whose payment becomes omission based. The advantages of this option are that Siyancuma Local Municipality will not incur additional staff costs, and the Debt Collectors will be paid from the recovered debt income. This also eliminates the high costs associated with the use of legal attorneys to recover debt.

6.2. Debt Factoring

Siyancuma Local 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 is not taken.

6.3. Siyancuma Local Municipality should adhere and adopt the following proposed strategic actions:

Step	Strategic Action
1	Implement an efficient billing and cash receipting system.
2	Ensure strict adherence to credit control and debt collection policies.
3	Distribute accurate, easily understandable monthly account statements.
4	Establish a facility for debtors to negotiate payment arrangements.
5	Develop a robust Debt Management Strategy, focusing on monitoring the Top 100 debtors.
6	Actively pursue government debt, seeking intervention from

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	Provincial Structures and National Treasury as needed.
7	Implement active deceased estate monitoring and collection from the estate.

6.4. THE RESPONSIBILITY OF THE DEBT COLLECTION UNIT (DCU)

- a) The Debt Collection Unit (DCU) should solely focus on debt collection activities during working hours (8 am to 4 pm), prioritizing contact with debtors to facilitate payment arrangements or immediate payment of outstanding accounts, rather than being encumbered with accounting and administrative tasks.
- b) The DCU must leverage a variety of collection methods beyond traditional tools, including phone calls, emails, SMS, registered mail, and notices. Additionally, they should engage in outreach through newspaper articles, notices in schools, churches, businesses, and shopping centres to enhance awareness.
- c) The unit is responsible for managing payment arrangements and extensions. However, it's important to enforce that current accounts must be paid monthly, with no exceptions for arrangements.
- d) The DCU should prepare notices for debtors, informing them about potential blacklisting with credit bureaus if their dues remain unpaid.
- e) In cases where internal collection efforts prove unsuccessful, the DCU is tasked with preparing summonses and transferring accounts to attorneys and debt collectors for further action.
- f) It's imperative for the staff within the unit to be performance-driven. Clear collection targets should be established for each team member to ensure accountability and effectiveness.
- g) A Project Manager should be appointed within the unit to spearhead the programme. Their responsibilities will include setting targets, generating management reports, and coordinating with other units and departments to ensure a cohesive collection effort.

7.. OTHER KEY FOCUS AREA IN REVENUE ENHANCEMENT EFFORT

Focus Area	Practical Measures
Cost Cutting and Containment Measures	• Implement cost reduction strategies. • Control employee costs by restructuring and eliminating redundant positions. • Review contracts for cost-effectiveness and implement energy-saving practices. • Adopt technology to automate processes. • Conduct regular audits to identify cost reduction areas.
Community Involvement (Publicity Drive)	• Engage community in revenue enhancement. • Launch publicity campaigns to educate on bill payment importance. • Organize community meetings, workshops, and outreach programs. • Collaborate with local leaders to foster a culture of prompt payment. • Use social media, newspapers, and bulletin boards for information dissemination.



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Activities	Start	End Date	Responsible Person
Ward community meeting	XXX	XXX	Public Participation Revenue section Ward Councillors Mayor
To sell properties which do not generate income for the Municipality. To donate properties under Siyancuma ownership being occupied by certain individuals.	Task team to provide the guidance		Finance and Planning Dept Planning and Finance(assets)
Increase payments channels for services. -Easy pay (stores)	Task team to provide the guidance		Steering Committee
Data Cleansing	XXX	XXX	Revenue Section
Send customer statements via SMS subject to payment to the service provider.	XXX	XXX	Revenue Section

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8. PROPOSED COMMUNICATION STRATEGY

The effectiveness of the revenue enhancement program hinges on a triad of foundational elements: robust political and administrative support, the accuracy of data, and the efficacy of communication. Crafting a well-defined communication strategy is crucial for ensuring a seamless coordination and management of roles, responsibilities, and tasks. This strategy, specifically tailored for the revenue enhancement program and its associated services, should be seamlessly integrated into the municipality's existing communication framework with its stakeholders. Rather than replacing current communication methods and practices, this strategy is designed to augment and enrich them, thereby enhancing overall effectiveness and coherence in messaging.

8.2.1 Consumers Information collection and dissemination _ Information on the revenue enhancement programme.

REVENUE MANAGEMENT STRATEGY

Communication Aspect	Communication Channels	Programme Implementation
Programmes and Policies Information	Local media articles (fortnightly), newsletters, flyers.	Draft articles for local newspapers, distribute newsletters and flyers.
Importance of Paying for Services	Monthly notices on municipal accounts, local media, community meetings.	Schedule and attend ward committee meetings, publish notices on accounts.
Actions Against Non-Payment	Information on municipal accounts, local media, community platforms.	Coordinate with municipal management for meeting attendances and notices.
Consumer Complaints and Feedback	Ward committee meetings, municipal accounts (flyers), local media.	Issue flyers with accounts, encourage feedback and account management visits.

9. OTHER REVENUE SOURCES

Revenue Source	Activities	Start date	End Date	Responsible Department
Hire of halls	- Renovation of municipal halls to be in a condition that is acceptable for hiring. - Development/ review of halls hire policy and approval of tariffs for all halls within the municipality.			Technical Services Community Services
Clearance certificates	- Good Standing of Rates be a requirement for a property to be transferred. - Good Standing of Rates for business licence applications. - Good standing of Rates requirement for building plans applications.			Planning Finance
Building control / Land Uses	- Amend the contravention notice to include paragraph (4) of section (4) of National Building Regulations of 1977, which states that if the person has been issued with contravention notice they will be charged R100 per day until submission of building plan.			Planning Corporate Services Planning
Illegal Developments Contravention Fines & Penalties	- Fine Calculated at a ratio in terms of Adjustment of Fines, 1991 (Act No. 101 of 1991) or imprisonment as per provisions of SPLUMA Bylaw (2017)			
Licensing of vehicles and DLTC Vehicle Testing Station (VTS)	- Propose of opening DLTC and Licensing on weekends. - Cost benefit analysis. - Renovation and Installation of new VTS equipment (brake roller).			Community services
Formalisation of business licences and	- By-laws gazetting			Planning

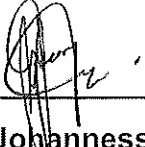
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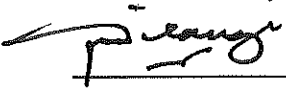
Informal traders	- Compilation of the database of all street vendors - Communication and issuing of Street vendors business licences. - Compilation of the database of all residential businesses - Residential business formalisation			
Merging of Land Audit and Valuation Roll.	- Land Audit deliverables to be obtained during the development of the General Valuation Roll, no need for the process. - Identification of sites suitable for disposal, lease and donation etc.			Planning Planning Finance
Finalisation of Land Audit	- Land audit on all municipal properties - Identification of vacant sites for business purposes - Follow MFMA regarding the disposal of vacant land and disposal thereof			Planning Planning Finance
Weigh bridge for dump site Tariffs for garden refuse	- Controlled access and tariffs for waste disposal.			Finance Technical Finance Community Services
Traffic fines	- Install speed cameras. - Issuing of Section 341 spot fines. - Issuing of warrant of arrests on targeted dates (15, 25 and 30). - To capture unpaid traffic fines to the eNatis System.	-		Community Services Finance

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10. Council Resolution Number: 30/06/2025/10.3

11. SIGNATORIES


Date: 30/06/2025
Johanness George
Speaker


Date: 30/06/2025
Madoda Vilakazi
Municipal Manager

