

BIG FIVE HLABISA MUNICIPALITY



REVENUE ENHANCEMENT STRATEGY

1. Preamble

In the past decade Big Five Hlabisa Municipality has become less sustainable as it confronted escalating uncollectible consumer debt and service delivery backlogs. The challenge facing this municipality is to successfully turn around the current declining position and to build sustainable municipality for the future, revenue enhancement is one of the arsenal of “turn around strategies” that can and should be used to address the challenge.

Implementing a revenue enhancement turn-around strategy can only be achieved by critically reviewing the current revenue management model and processes being applied within the municipality.

To effectively deal with the current challenges, the municipality must plan and implement effective and integrated revenue enhancement strategies. Revenue enhancement is a process focussed on the holistic improvement of municipal business model. To improve on the current business model it is important to identify all the critical elements that currently affect municipal revenue performance. The review process will provide a sound platform for effective planning.

The need for an integrated approach should not be taken lightly. Isolated projects that focus on symptoms like debt access to services, rather than root cause further compound the current crisis. For example, increasing service coverage into poor areas results in the further accumulation of debt from increased billing and non-payment as well as increased operational costs. In addition, debt collection in poor communities has not been successful because of the economic status of the individual debtors and the political implications of aggressive debt collection in these areas.

2. Municipal Sustainability

The municipal sustainability is based on the following critical elements:

- Communication Strategy
- Accurate Billing
- Revenue Collection (Debt and Credit Management)

The municipal revenue business models need to focus on maximising revenue collection, reducing inefficiency and costs, and reducing uncollectable debt. A holistic approach to the municipality sustainability is crucial to ensuring that all the above mentioned critical elements are simultaneously addressed.

2.1 Communication Strategy

A sound communication strategy is a critical element to building the municipality long term sustainability. It is only through communication that customer and municipal expectations can be clearly articulated and understood by all relevant parties. Communication is a two-way process and involves community participation, which is enshrined in our constitution and municipal systems act. The communication process should facilitate alignment between municipal goals and community expectations. Furthermore, it is also only through communication that the relationship between the municipality and its customer can be enhanced.

Effective communications is a cross cutting success factor in building sustainable municipality.

2.2 Accurate Billing

Accurate billing for services is a critical element of the municipal revenue management business model. Due to poor billing and revenue collection municipality is becoming increasingly dependent on intergovernmental funding balance their budget. This component specifically focuses on billing integrity as the basis of municipal revenue. The phrase “garbage in, garbage out” does not apply in this instance.

If the customer information and billing information is incorrect the municipality has no basis to effectively collect revenue. The key billing programs in this document are as follows:

- Billing
- Customer Information Auditing
- Data Cleaning

2.3 Revenue collection

Revenue collection is on the integrity of the above two components, communication strategy and accurate billing. The critical element includes collection of revenue, customer management, debt and credit management and indigent registration and management. A large portion of municipal customers are indigent and therefore cannot afford to pay for services this has to be factored into financial planning and strategy development.

It is critical for the municipality to understand its customer profile and to differentiate and to differentiate between those customers who can pay and who cannot pay. It is based on this customer profile that one can start planning strategies for free basic services implementation, indigent subsidisation, LED, indigent management, service delivery and services rollout, billing and revenue collection strategies and debt

collection. All these aspects will affect the municipal budget and the budgeting process.

The key revenue collection programs for this strategy are as follows:

- Debt Collection
- Credit Control
- Indigent Management
- Customer Care and Management

3. Implementation of a revenue enhancement project

Successful revenue enhancement program implementation is dependent on a structural planning and management implementation process.

The implementation process should take the Municipality through a simple but detailed strategic process.

- Understanding the problem
- Defining the desired outcome and objectives
- Documenting the plan on how it will be achieved
- Managing the implementation
- Managing performance

3.1 Understanding the problem

One of the biggest municipal challenges is converting data into accurate and useful information. Most of municipal planning is based on inaccurate and incomplete information. Once the municipality has performed a Data Extract and Analysis it will be in a position to understanding the problems that negatively affect the municipality cash flow.

A clear and concise understanding of the current status and an accurate problem statement is an important step to rehabilitating and improving municipal performance.

3.2 Defining the desired outcome and objectives

The intention of a strategy document is to ensure the sustainability as an organisation. The strategy will ensure that the municipality's future is not at risk, but viable as matter of choice and not chance. The key to this phase is to record the real functional problems affecting municipal performance and to develop a vision

and mission statement. This will lead to the setting of short term, medium term and long term revenue enhancement goals. Once these goals have been determined the municipality can proceed with the strategy or a road map of how these goals can be achieved.

It is necessary for the municipality to indicate the order in which the programmes should be implemented, possibly giving attention to programmes that might have the greatest impact on financial aspects first, followed by the socially oriented programmes. The status-quo assessment and the strategy will highlight the recommended order of priority.

3.3 Documenting the plan on how it will be achieved

It is important for implementation that detailed project planning take place. Some of the critical planning elements that need to be performed are as follows:

Tender Documentation if necessary (Terms of Reference)

- Background
- Scope of Work Definition
- Project Objectives
- Expected outcomes

Documented Detailed Scope of Work

- Detailed project Plan
- Resource Plan
- Budget

One of the key elements to this implementation phase is project management skills that can measure performance and perform quality control checks, it is this phase of work that will determine the quality and effectiveness of the project. The lack of detailed and documented planning will impact on the quality of the deliverable.

3.4 Managing performance

Emphasis must be given to performance management and long term sustainability. It is only during this phase the municipality can achieve sustainable service delivery. Critical issues to consider during this phase are the human resources financial resources allocated to the operations and maintenance program. Insufficient resources will jeopardise the sustainability of the service delivery. It's during this phase that key performance areas and indicators need to be determined, measured and regally evaluated.

4. Effective communication

4.1 Why is effective communication important to revenue enhancement?

Effective communication plays a key role in promoting awareness among the diverse communities living within a municipality's area of jurisdiction – of the need for municipal revenue enhancement, and an understanding of the implications and benefits deriving from such revenue enhancement for the people living there.

The importance of communication within local and national governance is enshrined in the Constitution of the Republic of South Africa and is given legal basis in Section 18 of the Municipal Systems Act.

4.2 What is effective communication?

Effective communication is a process of conveying the right message to the right person or people in the right manner and at the right time. While this definition may seem simplistic there are many complexities hidden within its simplicity.

The **right message** implies that accurate research has been done to determine what should be said and what should not be said. *It is pointless sending a message that the target audience is unable to understand. Communication construction must therefore be considered carefully.*

The **right person or people** imply knowing who should receive the message. It is a total waste of time and often counter-productive to send a message to the wrong person or people. Target audience identification depends on detailed research.

The **right manner** requires knowledge of how the message should be communicated so that it is understandable and relevant to the target audience. *For example, it is of no use communicating in writing if the target audience is illiterate. Medium selection is critically important.*

There is a **right time** to communicate. There is little point informing your target audience too early, when they are not yet ready to receive or react to the message, or too late, when the opportunity to react has already passed. The right timing is essential to good communication.

4.2.1 What is needed to design an effective communication strategy?

4.2.2 Principal factors for a successful communication strategy

The principal factors on which a successful communication strategy should be based include the following:

Sound Policies. A communication strategy must be built on sound, forward-looking programmes, projects, and policies. No communication strategy can convert poor programmes into good ones.

- **Credibility.** Frankness and honesty are essential. Good news and bad news have equal value. The manner in which communication is delivered and the “messenger” also be credible.
- **Proven principles.** People will generally not accept things that they do not understand and in which they do not believe. It is therefore vitally important that management should construct policies, programmes, and projects in terms that are understandable to the general public, and they must be properly communicated to the respective target audiences. Its relevant to note that this is not intended to mean that only those principles that are immediately understandable to general public should be adopted, since with effective communication even obtuse principles can be explained and can become acceptable.
- **Strategic Planning.** Communication does not take place in a vacuum, it has to be managed within a predetermined strategic plan in terms of which target audiences are identified and a strategy must be devised on how best to reach those audiences.
- **Use of Appropriate Communication Methodology.** Methods of communication, timing and choice of media must be judiciously selected in order to achieve desired results.
- **The Need to be indigenous.** Most biologists take a dim view of exotic; so do good communicators. To be effective a good communication programme should be native, inherent, and natural – in other words at home in the environment in which the development programme is to take place or for which it is planned. Put another way, the communication programme must be relevant, recognisable and easy for the audience to identify with.
- **Simplicity Is Essential.** The communication strategy must take into account the levels of understanding in the target audiences levels. Communication will fail if members of the target audience do not understand what is being communicated.
- **Getting around Gatekeepers.** In many instances, and in particular in developing communities where the channels of both inward and outward communication are frequently restricted, a “gate” may be closed either intentionally by a person or persons in order to prevent or to control the flow of communication. This could either stop or totally negate the communication intention. A sound communication

strategy should therefore take into account potential gate-keepers and identify a methodology for getting around closed “gates”.

4.2.3 Relevant communication media

Information comics

Both practical experience and international research have shown that realistic comic stories, expressed in colloquial dialogue and reinforced by authentic, accessible visuals, are a highly effective way of communicating a basic framework of ideas and core concepts. Story-based information comics offer a number of unique communication advantages as follows:

- They mirror the way in which people naturally exchange information and attempt to make meaning of their environment, utilising the most ancient and tested communication technique: story-telling
- The message is delivered in simple language and is reinforced pictorially.
- They entertain and emotionally engage the reader.
- Being story-based and using a dialogic format, it is easy for comics to reflect the complexity of issues and give voice to the many different and conflicting points of view.
- They provide essential information and depict the development of practical skills within recognisable community-based structures and social environments. This enhances familiarity and common identity, thereby making it easier to empower the reader to engage in constructive action.
- Being such a transparent medium, they encourage critical evaluation.
- Comics are relatively inexpensive to produce and therefore can be printed in large volumes and given out free, making them easily accessible to poor communities.

Audiovisual/video presentations

It has been said that “a picture is worth a thousand words”. Audiovisuals are a powerful form of communication, since they are made up of a sequel of pictures arranged in logical order that are reinforced by a supportive text and appropriate music and sound effects. Audiovisual communications has become very popular because they provide a relatively inexpensive way of communicating with large audiences, the message is consistent, and presentation does not depend on a high level of skill. Audiovisual presentations can be made using either photographic transparencies or digital images. Their principal advantage is the dynamic support they can offer to a multimedia communication programme. As stand-alones, they have limited application.

Pamphlets

Pamphlets have the advantage of being relatively inexpensive to produce and easy to distribute, however market research done in the commercial sector has shown

that ideally a pamphlet should have little copy and maximum use should be made of graphics and illustrations. Therefore, for pamphlets to be effective, the reader should have some prior knowledge or a felt need for knowledge on the subject. In view of the complex perceptions people have toward water management, conservation, delivery, and payment, it is recommended that this communication medium be used only once a reasonably high level of awareness of the issues involved has been attained. Pamphlets would then provide an appropriate medium for reinforcing positive messages and for supplementing knowledge where certain identifiable gaps may exist.

Posters

The ideal use of posters is to remind people of something that they already know, **or** to heighten their interest in something about which they have some knowledge. For example, posters have been used to good effect in promoting safety in industry, something that most workers have some understanding of or feeling for. Workers are familiar with their work situation and therefore a poster depicting a careless action is something that they can identify with and the message will be understood. A poster reminding workers to wear protective clothing will have relevance if that is what the workers have been trained in and are required to do. It is unlikely that the posters will have the same result if the workers are unfamiliar with unseen dangers and company requirements regarding safety and productivity. Therefore, use of posters to effect behaviour change should be restricted to reinforcing what is already known. The very similar posters can therefore be utilised by the municipality to remind the members of the community to pay for the services rendered.

Community theatre

The use of drama to confront and offer solutions to social problems and to motivate changing attitudes and patterns of behaviour is not new. But it is only over the last 25 years or so that community theatre has been consciously used as a communication tool for popular education, community organisation, and development. Experience throughout the developing world has demonstrated the effectiveness of community drama as a communication medium. The municipality can approach drama personae to develop some sort of drama that can be staged in the theatre which would in turn motivate the members of the community to pay for services.

Workshop

Workshops are important forms of communication when properly facilitated and managed. They allow for challenge and discussion and, if well attended and properly promoted, are able to stimulate awareness quickly and cost-effectively. Indeed, at

the commencement of any programme of social intervention, workshops involving the community and its structures are an indispensable communication tool.

However, workshops do suffer from a number of limitations. Below are some of the most important:

- **The communication chain is easily broken.** Only a limited number of people are able to attend the workshops and participants may not pass the message on to their constituents or friends, either by default or on purpose.
- **Messages may become distorted, intentionally or unintentionally.** People attending a workshop may not like what they hear or alternatively they may not understand the message or they may misinterpret it as a result of their personal emotions, limitations, or hidden agendas. As a consequence, there is a possibility that they may pass on a distorted message.
- Due to the physical limitations imposed by the number of meetings that can be reasonably held and the size of the target communities involved, **workshops may be unable to reach depth into the four corners of community consciousness**; thus, their scope may be limited. Also, people excluded from the workshops may feel ostracised and not consulted, which could result in adverse consequences for the communication process.

Public meetings

Public meetings are best suited for disseminating information, in other words for providing one-way communication and they therefore fulfil a very limited role in development communications, which require a free two-way flow of information. Other limitations include the following:

- Public meetings are easily “hijacked” by dissident elements.
- Public meetings allow for limited debate only and can easily get out of hand.
- Divergent views may not be expressed because people are often reluctant to voice their concerns or their views in public for fear of criticism or ostracism.
- Many people do not like or are too shy to speak in public and so their views are never aired.
- Public meetings are largely impersonal and therefore it is difficult to ensure personal commitment to any particular course of action.
- Public meetings suffer from the same disadvantages of workshops, which are intended for broad communication purposes.

Radio

Radio is ubiquitous and yet it is personal; this is its great strength. However, unless there is a popular local radio station aimed at a local listenership, its use will be very limited, as radio is best suited for more general communication purposes. It would be

therefore of utmost importance for the municipality to book slots at the local radio station where the members of the community would be taught and encouraged to pay for municipal services that would enhance revenue.

4.2.4 Empirical research: communication must be based on fact, not fantasies

South African municipal environments are not only highly stratified culturally, socially, and economically, they are also largely segmented into spatially separate communities as a result of previous apartheid legislation. It would thus be quite wrong to assume that a single communication strategy will be able to serve all segments of South African municipal society. Target audience identification is absolutely essential. Proper empirical research must be done to establish the following:

Who is the target audience? The ability to pay for services makes a difference

Due to different levels of social and economic development within municipal areas in South Africa, the ability to pay for services varies from one area or community to another. We need to know who can and cannot pay for their services and why they can or cannot pay.

- **Why do we need to know this?** For the simple reason that while purely administrative and technical revenue enhancement measures are likely to enhance debt repayment and revenue collection in more affluent areas (because ratepayers in these areas are able to pay and can be held accountable for their arrears), they are unlikely to have any real effect in those areas where people are unemployed and are too poor to be able to pay for their services other than, perhaps, on a nominal basis. Therefore, for effective communication, target stratification is essential to ensure that the right message gets to the right people in a manner that they understand and can react to.
- **How do we categorise target audiences? First socio-economic profiles need to be** compiled for the various communities in the municipal area. This will enable identification of target market segmentation by correlating repayments with socio-economic circumstances. Second, attitude and perception studies related to municipal services, service delivery, and payment for those services should be done in key target areas to identify and understand perceptions and attitudes, as well as misconceptions, prejudices, and community priorities.
- **Socio-economic profiles: The need to know the socio-economic circumstances of the different communities (suburbs) in the municipal area**
From information obtained in the status quo assessment, as well as municipal reports, income surveys, social surveys, and debtor records, socio-economic profiles should be drawn up so that target markets can be identified according to those

profiles. This information should then be used to design audience-specific communication strategies. In sum, socio-economic profiles are useful tools for identifying who should receive what communication message.

Attitude and perception analysis: How do people think and feel about municipal service delivery?

To be effective, all communication and developmental interventions by the municipality must take into account the contemporary perceptions and attitudes of the community. To ignore what the communities think and feel is both short-sighted and dangerous. It is important to know, for example, to what extent the culture of entitlement, implicit in supply-driven governance, still persists in communities today. These and other aspects need to be researched and brought into the design of the attitude and perception study so that the right information can be elicited on which to build an effective overall communication strategy with appropriate target community stratification. In sum, failure to address the contemporary attitudes and perceptions of the people within identified target markets is likely to result in communication failure.

Using the socio-economic profiles referred to earlier, a questionnaire should be compiled that would be used to determine, inter alia, the perceptions and attitudes of target communities in the following areas.

- To what extent do target communities identify poor service delivery and inadequate municipal infrastructure as a government problem to which they have no input?
- Why should people pay for a service when it was previously supplied free or at a nominal rate?
- To what extent do recipients understand the correlation between the supply and standard of services and payment for those services?
- How prevalent is the culture of entitlement in the target communities?
- What do respondents feel is a reasonable and what a municipality has to charge to remain financially viable?
- What are respondents' attitudes towards non-payment for services rendered?
- What action do respondents feel would be appropriate for the municipality to take against defaulters?
- Do people know what they are paying for? Are accounts fully understandable? Would a better understanding of how accounts are made up enhance payment?
- What do respondents consider to be the most important community needs?
- How effective are Ward Committees?

The questionnaire must be designed in such a way that there are checks and balances on the information obtained from respondents. The fieldwork must be done under careful

supervision by qualified fieldworkers, after which it should be statistically analysed in order to quantify key messages. These messages form the benchmarks on which the municipality's communication strategy should be structured.

With the information obtained from the socio-economic profiles and the attitude and perception analysis, it is possible to design an effective communication strategy that will promote an awareness of the need for revenue enhancement, at a grassroots level, among the diverse communities living within the municipal area.

4.2.5 Communication support for the financial aspects of revenue enhancement

Appropriate communication programmes should be developed to promote an understanding of the financial and technical aspects of revenue enhancement. These programmes can only be done once the status quo assessments have been done and recovery plans are put in place in respect of both aspects. However, typically, the following communication programmes are likely to be needed in respect of the financial aspect of revenue enhancement.

4.2.6 Indigent Policy

Once a municipality has decided on its indigent grant policy and procedures, it is recommended that an information pamphlet be produced in English and the predominant local vernacular language which is isiZulu.

The information pamphlet should cover the following:

- What is the purpose of the indigent grant?
- Who is eligible?
- What do people need to do to apply?
- Where can application be made?
- What information and documentation should the applicant supply?
- How long does the grant last?
- How much is the grant worth?
- What conditions apply?

The pamphlet should be distributed in conjunction with the promotion of a better understanding of service accounts.

Care must be taken to ensure that being a recipient grant does not stigmatise the beneficiary and his/her family. Ways and means should be investigated of couching the grant in some form of job creation function so as not only to avoid the possibility of social stigma, but also to ensure that there is a mechanism in place to sustain income should the grant fall away. Furthermore, normally, earning an income, as opposed to relying on a grant, enhances self-esteem and promotes a sense of dignity.

Training should be provided to Ward Committee members on all aspects of the indigent grant policy and procedures and material for members should be supplied to continue the awareness campaign with their community constituents.

Lastly, the information pamphlet should be published in community newspapers, if available.

4.2.7 The billing system

If the billing system is to be revised, the following suggested communication strategy **could** be employed:

- Research customer account layouts with a view to simplifying them, if necessary.
- Redesign them if necessary
- Launch a drive to inform the community on the billing system using an illustrated information pamphlet written in English and isiZulu. Advice should also be included on recommended conservation measures to help individual households reduce consumption and cost of services.
- Provide training toward Committee members on all aspects of billing system, including the compilation and layout of accounts. Supply committee members with sufficient copies of the pamphlets so that they are available for further distribution if and when necessary.
- Publish the information pamphlet in community newspapers, if available.
- Combine the above awareness campaign with the promotion of the indigent grant policy

4.2.8 Credit control and debt collection policy

The design of an effective credit control and debt collection policy is an important part of debt management and revenue enhancement, and solutions to the various problems identified in the status quo assessment need to be found. From the communication point of view, the following factors must be taken into account.

- A defaulter may or may not be able to pay. Consideration must be given to what action the municipality can take in the event of a defaulter due to, for example, genuine poverty or unemployment, being unable to react to the municipality's request for payment. Unless enforceable action can be taken against a defaulter, the exercise is likely to be futile or seriously counter-productive. Recent research has revealed that, at present, community sympathy is likely to rest with the defaulter and hostile community solidarity could be catalyzed through adverse reaction to the municipality's action.
- Notwithstanding the relatively high acceptance of the need for individual to pay for their services, a culture of entitlement exists in many townships in South Africa.

Where this attitude exists, it is normally deeply entrenched and will take time before it can be modified.

- Equity in action taken by the municipality is essential. Inequity or perceived unfairness is likely to be counter-productive.
- Ward councillor and ward committee support is essential, and therefore, they must participate in the process.

4.2.9 Communication support for councillors and officials on revenue enhancement and the importance and need for development local governance

Appropriate communication materials, as well as allied capacity building and training programmes, are required to communicate, educate and train municipal officials and ward councillors on all aspects of revenue enhancement and the need for development local governance. Important aspects to be covered include the following:

- Understanding the implications of the paradigm shift in local government from supply-driven local government to demand-responsive developmental local governance
- Understanding the institutional arrangements required in terms of the Municipal Structures Act with specific reference to the ward councillor system
- The strengths, weaknesses, opportunities and threats inherent in the system
 - Community entitlement and responsibilities
 - Ward councillor responsibilities
 - Municipal responsibilities
- Implementing the municipality's overall communication strategy and specifically targeted communication strategies
- Understanding the principles underlying effective communication and the development of relevant communication materials.

5. Billing

A portion of any local municipality's revenue is derived from the delivery of services. To facilitate this revenue generation, the municipality needs to bill its customers on a regular basis. It is imperative that the billing is done accurately, as invoices that do not reflect the true nature and quality of services delivered will probably result in non-payment.

The billing function is the principal mechanism that drives all cash flow, the main source of customer information, and critically fundamental to the success of any municipality.

5.1 Legislative requirements of successful billing

Section 96 of the Municipal Systems Act requires that municipalities collect all money that is due and payable and, for this purpose, must adopt and maintain a debt collection policy of which billing is an integral part.

5.2 Critical elements of successful billing

A successful billing process is a function of both technology and accurate input.

The technology (in the form of financial software) must have the required financial integrity to process transactions accurately. Most financial software available on the market has this financial integrity.

Successful billing is therefore mostly a function of the accuracy of the data input into the system. For this reason, it is important that relevant controls are put into place that to ensure complete and accurate billing.

- Billing allows properties to be seamlessly tied to a service connection within a property to an individual, the customer. The customer is then responsible for the payment of the said bill.
- It is critical that the property base of any municipality is accurate: without this accuracy, a customer cannot be billed and services cannot be connected. Services are billed according to the services provided to a property.

The key to successful billing relies on the software being able to provide reliable and accurate information on:

- Accurate property information;
- Accurate customer information: all customers sign contracts with the municipality for services to be delivered to the property on which they are registering the services for connection;
- Accurate tariffs associated to the properties, which can be done through various variables, including land usage, debtor type, land zonage, and service type;
- Accurate ward information per property; and
- Flexibility to meet the municipality's reporting needs.

Billing integrity

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

- Preventative Controls
- Detective Controls

Preventative Controls:

Preventative controls are controls that relate to the system processes and are by definition designed to prevent errors occurring. They are vitally important to an efficient billing process, as preventing errors before they occur is less time consuming than making errors and then having to go back and fix them. If fewer mistakes need to be rectified, fewer staff are required. Below are four types of preventative controls:

- Access control to certain functionality on the software system
- Password protection
- Authority levels on opening and closing accounts or changing account status

Detective Controls

Detective controls are controls that are put into place to identify potential errors. Before a final billing is processed, detective controls allow the overall results to be analysed before significant time, effort and paper are expected

The detective controls mainly focus on exception reporting:

- Accounts not billed
- Accounts with no valuations
- Abnormal consumptions
- Abnormal billings

5.3 Billing processes

There are a number of system processes that need to be adhered to with regard to the finalisation of each billing cycle:

- Capturing of all receipts
- Capturing of all meter readings
- Importing of an data files
- Third party files
- EFTs from financial institutions
- Journals and credit notes

The following IT processes need to be followed:

- Pre-billing reports
- Variance reports
- Backups
- Bill
- Produce audit reports
- Verifying reports
- Prepare file for bill print
- Roll over to next period.

Billing periods

Billing periods/cycles need to be understood for each service.

The municipality has to choose the billing cycle that is suitable to it.

In addition the services billing cycles can vary.

- Assessment rates can be billed annually or monthly
It is imperative that there is a degree of consistency in the cycles to ensure that customers are approximately the same amount each month (provided usage is consistent).

Billing formula

Billing can simplistically be broken down into three separate components:

- Customer
- Tariff
- Usage

Each one of these components whether independently or interrelated is fundamental to accurate billing

Customer

The customer is the key component to billing, i.e., no customer results in no billing.

The following attributes relating to a customer are key to accurate billing:

- Name
- Physical and postal addresses
- ID/company registration/CC/trust/number
- Classification
- Owner/tenant

If any of these is incorrect then the collection of the debt is impaired.

In addition to getting these attributes, the processes must be corrected around:

- Creating a new customer, and
- Closing a customer

Tariff

- Is based on land usage/zone
- Varies per each service
- Varies per customer classification;

- Can be stepped based on increased consumption; and
- Is normally reviewed each financial year.

If a customer is incorrectly classified, the wrong tariff could be used, which may result in incorrect billing.

Usage

The usage varies depending on the service that is billed.

The usage per service is:

- Assessment rates: valuations
- Refuse: land usage and/or bins
- Sundries: normally fixed rates

The usage is the component that probably causes the biggest problems to billing integrity.

Common problems are:

- Wrong readings
- Finger problems in capturing data
- No valuations: site or improvements or both.

Services

The billing system needs to accommodate all the various attributes associated with the different services that are to be billed:

- Assessment rates
- Refuse
- VAT
- Interest
- Credit Notes
- Sundries

Credit control

Credit control is an integral part of any successful administrative function. The passing of credit notes is effectively a negative bill (and must therefore be seen in the context of negative revenue). The controls surrounding the processing of credit notes should be as stringent as those relating to the issuing of cheques.

6. Non-payment

6.1 Some reasons why people do not pay for their services

Escalating debt is a key indicator of non-performance. There are two main reasons why consumers do not pay for their services: administrative reasons and socio-economic reasons.

6.1.1 Administrative reasons

Non-payment can often be blamed on a number of issues related to internal administrative processes, including the following:

- Incorrect billings due to poor data input or incorrect consumption readings
- Poor implementation of credit control measures
- Corrupt static data, such as customer names and addresses
- Inadequate staff training and poor performance in key functions affecting revenue collection
- General lack of capacity to handle customer complaints
- Poor service delivery
- Growing debt of indigent consumers, related to poor credit control measures
- Combination of all the above

6.1.2 Socio-economic reasons

Socio-economic reasons relate to the inability of consumers to pay for services due to endemic poverty. These reasons are partially addressed through the provision of indigent and other social grants. But the problems of poverty are far deeper than these grants alone can address. Therefore, in terms of their developmental local governance responsibilities, the municipality must also implement socio-economic development programmes that will facilitate local economic development and thereby enhance consumers' ability to pay for services and improve their quality of life.

6.1.3 Legislative requirements

The imperative that municipalities collect all revenue due for the services it provides and to implement credit control measures to govern the process of collection are covered in several pieces of legislation as follows:

- Section 96 of the Municipal Systems Act requires all municipalities to collect all outstanding debts.
- The Municipal Finance Management Act regulates in Section 62(1), 64(1), and 96(b), the collection and management of municipal revenue.

7. Debt Collection

7.1 Why is debt collection essential

Debt collection and service delivery are the two challenges facing local government in South Africa. Consumers owe local government billions of rand and the figure

keeps growing at an alarming rate. The fact that not only household consumers but also businesses and the government itself are in arrears demonstrates that debt collection practices are inadequate and that the factors that underlie the reasons for and consequences of non-payment are not fully understood and have not been sufficiently addressed in a disciplined manner.

The high level of outstanding debt not only is having negative consequences on the cash flow of most municipalities, but also holds a much greater threat. Since the bulk of municipal income comes from payment for services, municipal incomes are becoming increasingly depleted. This means that municipalities are becoming increasingly unable to either sustain actual service delivery or maintain the existing service infrastructure, let alone undertake new development work to meet the needs of the poor. Thus, if the pattern of non-payment persists and discipline in the form of regular payments is not restored, this municipality will not be able to deliver on national developmental priorities on a sustainable basis and the consequences will jeopardise the very livelihood of the communities it is supposed to serve.

7.2 Delivery option

The municipality has several options on how to address debt collection. The following are the most common:

- **An “in-house” approach.** Using this approach, the municipality physically undertakes debt collection itself. In the long term, this is probably the most cost-efficient and sustainable solution. Rapid rising municipal debt as a result of current lack of capacity within the municipality and a foreseeable absence of trained personnel, experience, and appropriate debt collection systems remain in a serious challenge.
- **A “co-sourcing” approach.** With this approach, the municipality is assisted by outsourcing certain aspects of the debt collection process. A major benefit is the transfer of skills, thus enabling the municipality to build up a sustainable debt collection capacity in the longer term.
- **A “full-outsourcing” approach.** Here the municipality appoints a firm of professional debt collection. The main advantages of this approach are that it is short term, low cost, and low risk to the municipality, since the debt collector is only paid a commission on the monies that are collected. However, the full-outsourcing approach could be adjusted over time to a co-sourcing approach. With the experience gained through this process, together with skills transfer, an in-house approach could be developed and integrated within the municipality’s own accounting and management systems.

It is essential, however, that the debt collection process is integrated with the credit control and indigent grant management processes.

7.3 Important elements of the debt collection process

The intention of debt collection is twofold: to collect monies due to the municipality and to rehabilitate the debtor to ensure that the municipality reaps the benefit of the annuity cash flow going forward. The value of regular payments outstrips the value of part collections.

The municipality must engage in aggressive debt collection exercises with very little impact because of poor data. This process is both costly and time consuming for the municipality and could result in poor community council relations.

The ability to collect debt remains dependent on the accuracy of the debtor information. Inaccurate debt information results in poor debt collection process.

- Is the customer information correct?
- Is the account information correct?
- Have the correct tariffs been applied?
- Is the outstanding amount correct?
- Is the usage correct?
 - Property valuations
- Have all outstanding credits been passed?
- Is the customer indigent?

It is only once this information is correct that municipalities can implement action to collect the debt and communicate with the debtor. Debt collection without accurate information may result in partial collection, if any, and a debtor that is not fully rehabilitated could continue to default.

It is once the debtor information has been cleaned and it is established that the customer does exist and can pay that the municipality can effectively implement a credit control policy and debt collection process.

7.4 Debt Collection Process

The services that the debt collection department/service must be able to render include the following:

- Pre-legal debt collection – production and delivery of all required notices:
 - Overdue notice
 - Cut-off notice
 - Telephone call
 - Indigent assessment
 - Query resolution
 - Final legal demand
- Legal collections – from summons to warrant of execution:

- Summons according to council policy
- Communication with sheriffs
- Communication with courts
- Application for judgement
- Notification of Judgement
- Warrant of Execution
- Sale in Execution
- Electronic and physical tracing:
 - Inspection of household
 - Physical tracing
 - Tracing via credit bureaus
- Administration of Acknowledgements of Debts(AOA) and Promises to Pay(PTP):
 - Preparation of AODs and PTPs
 - Signature of AODs and PTPs
 - Monitoring of payment commitments
- Administration of Emolument Attachment Orders (EAOs):
 - Preparation of EAOs
 - Signature of EAOs
 - Liaison with employers
 - Monitoring of payment commitments

7.5 Key requirements for success

Essential to the success of the debt collection are the following:

- Full support from the municipality in resolving queries
- A partnership relationship with an external service provider
- Familiarity with the local municipal environment on the part of the service provider
- Education of constituents on the importance of paying for services (to be conducted by ward councillors), ward councillors informed of the debt situation in their wards, and assistance by ward councillors to the debt collection service provider when required.

7.6 Monthly reports

The debt collection department or service provider must provide the following monthly reports:

- The number of debts handed over, debts collected, arrangements, promises to pay, acknowledgements of debts, and debts subject to legal process
- Debts identified as having prescribed or need to be written off, plus justification;
- Accounts requiring reconciliation or investigation;
- Progress reports on tracing actions;
- Assistance with the identification of indigents from within the arrears database;
- All financial aspects of debt collection, including detailed commission reports; and
- Proposed action plans for the following mon

7.7 Debt Collection Protocol

Within the debt collection industry, a “protocol” (set of requirements) has been developed that ensures best practice. There are three aspects to the debt collection protocol:

- Information supply
- People and processes
- Technology

Information

Debt collecting agents, both internal and external, can perform only according to the quality of information supplied to them. The better the quality of information supplied by the municipality, the better the chance of collecting the outstanding debts. At a minimum, the information should include:

- Complete debtor’s information: name. Physical address, postal address. And erf and telephone number
- Full financial information regarding the arrears account: value outstanding, period to which the account relates, category of service to which the debt relates, and details supporting metered services if any.

People and processes

Even though external suppliers may be engaged by the council, the municipality has an obligation to ensure that:

- The debt collecting agents act according to the agreed Service Level Agreement
- The debt collecting agents report to the municipality in a manner that will give its officials full information on the accounts handed over for collection;
- All queries raised by debt collection agents are attended to and resolved in a timely fashion; and
- All amounts recommended for adjustment and write-off are considered and activated.

Technology

The debt collection department or service provider must be technically equipped to, at a minimum:

- Provide a full history of actions taken by the debt collector
- Provide an accounting for payments and adjustments to the debtor’s account;
- Enable the debt collector to manage and account for actions by other third parties, such as tracing agents, sheriffs, etc.;

- Provide a comprehensive suite of reports that enable municipal officials to monitor and account for the assets entrusted to the debtor;
- Deal with volumes of accounts in a efficient and effective manner; and
- Be flexible to enable the management of different categories of debt and therefore different collection protocols and report accordingly.

In turn, the municipality should be technically equipped to, at a minimum:

- Identify and flag accounts handed over to debt collectors;
- Accept payments and correctly allocate payments on accounts already handed over;
- Deal with and activate corrective action on debtors queries;
- Perform electronic extraction of information required by the agent; and
- In the case of an in-house application, ensure that its internal IT capacity is of sufficient quality and capacity to drive an in-house debt collection system and that it provides proper management and support of the system.

8. Indigent Management

In the first economy, municipal revenue management (debt collection and the reduction of wastage through inadequate infrastructure and poor management) is a matter of maximising administrative, financial, legal, and technical efficiencies. But in the second economy, improved debt collection procedures are of little help because unemployment rates are high and poverty is endemic. This is evidenced by the high percentage of outstanding debt in previously disadvantaged communities. Therefore, financial support is necessary through indigent and other social grants. While these grants are no panacea for addressing all the problems of poverty, they do nevertheless help lift the burden and therefore they have an important place in our transforming society.

It is important that Indigent Management is implemented in parallel with the Debt Collection and with Credit Control programmes. Persons receiving an indigent grant services are not subjected to cut-off of services, as he is only receiving a basic level of service, or be subjected to collection of outstanding debt.

A further requirement for managing indigents is that many people that can pay services simply do not pay claiming that they are indigent. This normally picked up through the indigent registration process.

8.1 Legislative requirements

In terms of Section 74 of the Municipal Systems Act, municipal councils are required to adopt and implement a tariff policy. In Sections 74(i) and 74(ii)c, each

municipality is required to take into account the subsidisation of poor households. To do so, an indigent grant support policy must be put in place.

8.2 The challenges

In terms of the legal requirements referred to above, municipalities are obliged to implement strategies, policies and procedures to give effect to the requirements of law. The main challenges to implementation include:

- Budgetary constraints
- Capacity shortages
- Inconsistent application of evaluation criteria when evaluating application;
- No verification of correctness of information supplied;
- Role confusion relating to the different aspects of the process, e.g., debates between Finance and Health Departments on the responsibility of handling certain portions of the process;
- Large and growing number of backlogs of applications;
- High potential for fraud as no audit trail is in place to track applications, approvals and payments;
- Non-reusable format for information gathered from applications and on-site assessment; and
- Poor utilisation of the information obtained for the formulation of local economic development initiatives and other strategies

8.3 How indigent grants should be managed

Since a number of departments in the municipality are involved in different aspects of indigence, indigent grants should be managed as part of a holistic approach to the problem so that maximum coordination and sharing of information can be achieved.

There are three important aspects to the management of indigent grants:

- **Acquisition and Management of All Relevant Information.** In consultation with all departments of the municipality involved in indigent management, agreement must be reached on the detail and types of information required. The required information should be a combination of the standard categories of information normally obtained for statistical purposes as well as service related information. During the indigent registration and re-registration process, the municipality is provided with an ideal opportunity to obtain all relevant information on those households that require attention from the municipality in terms of subsidies, services, and support. It is important that this information is stored in reusable form for future use.
- **Practices and Processes.** There are two current practices that should be reviewed to speed up processing of indigent grants. First, the municipality has to review indigent grant re-registration during June and/or July. Since this is often the year-end period for the municipality, extra burden is placed on all municipal departments involved,

but especially on the Finance Department. Second, in many instances the annual review is being handled as a new application each year. This burdensome process could be sped up if better use was made of the information supplied during the previous application.

- The municipality should also consider the management of indigent grants as a continuous process that could be integrated into the normal day-to-day operations of the municipality. This would optimise the use of current staff. Two ways in which this should be achieved would be to:
 - Utilise staff currently responsible for credit control measures to also handle indigent grant applications while in the field; and
 - Utilise leadership structures within the community to communicate the availability of indigent grants and the appropriate application procedure.

The municipality has several options on how to manage the indigent grant process:

- **In-house.** Under this option, the municipality physically undertakes the full management of the indigent grant process.
- **Co-sourcing.** With this option, the municipality is assisted by outsourcing certain aspects of the indigent grant management process.
- **Full outsourcing.** Here, the municipality appoints an outside service provider to manage the entire indigent grant management process.
- **Technology.** Full use should be made of available computer technology to capture, process, review, evaluate, and store information. This information should be used to facilitate re-registration, achieve better control, and offer broader application through integration into other systems, such as financial management and credit control.

9. Customer Information Audit

9.1 Why customer information audits important?

Sustainable local government is based on several inter-linked activities. One such activity is the customer information audit. This is the process of establishing exactly who the municipality's customers are and what they are entitled to receive in terms of the municipality's commitment to service delivery. Customers can be categorised as residential and non-residential. Residential customers receive services (at least basic level) based on fundamental rights enshrined in our Constitution. Non-residential customers are entitled to services based on the economic goods they produce.

Without an accurate record of who a municipality's customers are, service delivery to customers becomes an arbitrary process, literally a matter of "hit-and-run". A municipality might be hoping that all receive what they were promised but only to find that very little revenue is received in return. Customer information audits are,

therefore, important to ensure that a municipality has the means to charge all its customers for the services it delivers and for which the municipality is entitled to receive payment. Payment for services is a municipality's primary source of revenue, and without this income the municipality will not be able to deliver services and fulfil the socio-economic role that is expected from them in terms of law.

The municipality faces many challenges. Some challenges are the result of the ongoing transformation of local government and the consolidation of municipal boundaries that has led to the amalgamation of various administrations into a single municipal administration. Another challenge relates to municipality not having the necessary procedures in place to maintain the integrity of its customer information audits are, therefore, necessary for at least two reasons:

- To ensure that a municipality keeps essential information on all customers in its area of jurisdiction; and
- To ensure that this information is a true reflection of its customer profile.

9.2 Why municipal information system currently lack integrity

Unequal access to services in the past resulted in the majority of citizens receiving services without an obligation to pay, or for which payment was hard to enforce. In most instances, services were delivered to communities through communal infrastructure. Individual households, therefore, had no service identity and non-payment was often a collective, "communal" response to this impersonalised service. Households resisted the communal approach to service delivery, demanding recognition of the household as the primary unit to which services should be delivered.

The amalgamation of municipal administrations, the consolidation of the service delivery environment as well as the constitutional imperative of equitable service delivery has brought to light the vast disparities in customer information systems. While service delivery could be improved relatively easily through the upgrading and expansion of services infrastructure, the management of these services and, more importantly, the sustainable delivery of such services through the collection of charges to a substantially larger customer base proved to be far more complex than initially imagined. As a result, gaps in base information have become evident and projected revenue streams based on extended billing failed to flow into municipal coffers.

9.3 The challenges that must be met

Customer information is dynamic. Changes to the data must be identified and captured in time in order to maintain the integrity of the billing system. Incorrect

data results in undelivered municipal accounts or incorrectly addressed and, therefore, rejected municipal accounts. This results in unpaid accounts, triggered either by the consumer not receiving the account or the consumer becoming unwilling to pay due to incorrect information reflected on the account.

The fundamental challenge that the customer information audit needs to address is, therefore, the growing municipal services debt burden that is exacerbated by the gradual decline in the integrity of the customer data system underlying the billing process. This in turn encourages payment avoidance and widespread service delivery dissatisfaction leading to the likelihood of collective resistance to payment for services and the development of a “culture of non-payment”, which is already prevalent in a number of communities in South Africa.

The municipality has substantial debtor books in excess of 90 days. With the increasingly alarming situation that is developing, the municipality has responded with a knee-jerk reaction, reasoning that a tough, blanket debt collection drive is the only way to collect the outstanding amounts. Results in these instances have been largely disappointing, since the municipality failed to understand that in our highly complex society debt collection should be based on a multi-faceted strategy that commences with a review of customer information to ensure that the basis for billing sound.

9.4 What a customer information audit seeks to achieve?

A customer information audit seeks to establish a sound basis for the billing of services charges, which, in turn, facilitates the collection of revenue. More specifically, it seeks to:

- Verify and rectify customer information for purposes of accurate billing; and
- Collect additional information about consumer households that could improve customer service, for instance, the determination of consumer households’ indigent status to facilitate services subsidies.

The ultimate objective of a customer information audit is to achieve customer satisfaction through the rendering of municipal services to consumers.

10. Data cleansing

It is a fact, however, that at present the municipality has a high and growing outstanding debtor’s book. This is a cause for great concern since the principal source of municipal revenue is becoming increasingly threatened. At some time, the cry for improved infrastructural services, and the need to improve social services is becoming ever louder. The responsibility of providing these services lies within the

realm of local government, but if the municipality does not receive its rightful revenues it will not be able to meet these challenges.

Something has to be done; revenue has to be enhanced. Data cleansing is an important link in the redemptive process. It is the function of ensuring that the information on which the municipal billing system is based on accurate and up to date records. Accurate and diligent billing is not only basic to sound accounting practice but is also absolutely essential to the financial well-being, and therefore viability of the municipality, since it achieves two critical objectives: the maximisation of revenue potential and the prevention of losses resulting from incorrect or inadequate information.

10.1 Legislative requirement

Due to benefits of accurate billing resulting from data cleansing, the municipality is required by law to institute the processes. The Municipal Systems Act requires the municipalities to:

- Ensure that people liable for payments receive regular and accurate accounts that indicate the basis for calculating the amounts due (Section 95(e); and
- Collect all money that is due and payable to it, subject to this Act, and any other applicable legislation (Section 96(a).

10.2 How data cleansing is done

10.3 The cleansing process is divided into three stages:

- Desktop Data Cleansing
- Returned Mail Cleansing
- Physical Field Audit Surveys

10.3.1 Desktop cleansing

Desktop cleansing is the first activity in the data cleansing process. It comprises checking all billing data held by the municipality for inaccuracies and anomalies. The purpose is to see that all the information the municipality has in its billing system is accurate and correct. Where mistakes are detected, they are to be rectified immediately, where anomalies arise, they are to be recorded for further investigation in the field.

Each debtor must be checked against four criteria, as follows:

- **Valuation rolls.** The following pertinent information in respect of all properties owned within the municipality's boundaries is recorded in the municipal valuation rolls:

- Name of the registered owner
- Current usage of the property
- How the property is zoned
- Size of the property
- Land and improvement value of the property

All of the above needs are to be checked for accuracy and their correct recording in the billing system must be confirmed. Two important results emanate from this.

- With the correct information, it becomes possible to ensure that the correct bill is sent to the correct customer at the correct address.
- By checking usage and zonage, the correct tariffs linked to each consumer are verified.

- **Debtor types.** It is important to understand that customers should be charged according to their debtor type and owner/tenant status. These categorisations should normally be taken from the application forms customers are required to complete when applying for services. If the municipality ignores this field, it would mean that it is not able to levy charges according to the correct debtor type and status. This could result in substantial potential revenue losses to the municipality and at the same time, existing revenues are not adequately protected.

Data cleansing of the debtor type and owner/tenant status requires:

- Ascertaining how the municipality bases its tariffs in respect of land usage and land zonage, and
- Assigning the appropriate debtor type to each customer according to this information

The process will:

- Correct and meaningful debtor types; and
- Correct owner/ tenant information.

With this information, the correct charges can be determined for each customer.

- **Tariff Analysis.** The next step is to compare the debtor type to the tariffs being charged. The purpose here is to highlight whether the following errors have occurred:
 - Owners of properties not being billed assessment rates and other owner-specific services
 - Tenants being charged owner-specific services
 - Business consumers being charged domestic tariffs
 - Domestic consumers being charged business tariffs
 - Free basic services not being applied

- Free basic services being applied in areas where there should be no free services.
- Services. Once all the desktop cleansing items described above have been completed, the next step is to confirm that each customer is billed correctly for each service received. Within the municipality there are established rules and procedures that determine the correct tariff for each debtor type. It is necessary to check that the correct tariffs are being applied to each customer and, if necessary, develop appropriate systems to ensure that this happens in future.

10.3.2 Returned mail

Non-delivery of accounts is a major problem in debt collection and has serious consequences for the municipality. It is imperative therefore that the returned mail be carefully analysed to determine why bills were not received by intended recipients. All returned mail should be split into the following categories:

- The customer is no longer residing at the given address
- The postal address is incorrect
- The physical address is wrong
- The account is flagged inactive, while in fact it is active and therefore not being billed
- The account is wrongly flagged active”

Once the reason for non-delivery has been established, contact should be made with the owner of the property. There are various ways in which this can be done:

- Check the system for telephone numbers and make contact telephonically to clarify details if possible
- If contact cannot be made telephonically do a title deeds search to determine where the owner of the property is located.
- Another method is to do a credit check on the customer through a credit bureau, which should reveal the customer’s latest physical and/or postal address and possibly the telephone number
- All the correct details should be captured in the system once the customer has been located.

Should this desk research prove fruitless, it will then be necessary to physically visit the property concerned to interview the current occupier in the hope that a forwarding address could be provided or advise on the current whereabouts of the missing customer.

If the account is flagged “active” , it is important to check that no bills are sent out, as not only is this wrong, but it also distorts the outstanding debtor’s figure. It is equally necessary to check that if it is flagged “inactive” services are nevertheless being provided and not charged for. This should be rectified immediately.

10.3.3 Data cleansing fieldwork

Where neither the billing system nor desk research is able to resolve the situation regarding anomalous accounts, fieldwork is necessary to determine what the situation is on the ground. This should not be done in an ad hoc manner. Instead, it must be carefully planned, to save on resources, to ensure that the data obtained from field research is captured in the billing system as quickly as possible, and to mitigate against the risk of further corruption.

The following fieldwork preparation is necessary:

- An appropriate fieldwork questionnaire should be designed to obtain the following information:
 - The customer's correct name and postal and physical address
 - The correct owner/tenant situation
 - Whether the tariffs levied on the property are correctly related to the type of property, e.g. domestic residential, commercial, municipal, industrial, religious
 - Whether the classification of the debtor is correct or not
 - The correct stand number
 - Verification of meter numbers and their correspondence with those registered in the revenue system
 - Correct ward allocation
 - Confirmation of the services received by the customer
 - Nearest pay station to the customer
- Recruit field workers who meet the following minimum qualifications:
 - Must be literate
 - Must be properly trained in interviewing techniques and be able to record accurately all the information obtained
 - Must be personable and be able to win the confidence of interviewees
 - Must be reliable, conscientious, and be able to work independently of close supervision
- Fieldwork management:
 - A regular reporting system must be instituted to ensure consistency and reliability.
 - Spot checks must be done on a systematic, but unpredictable basis
 - Debriefings should be done from time to time to share experience³ and enhance collective wisdom
 - Teamwork should be encouraged and motivation sustained
 - Information must be regularly checked and comparisons made so that anomalies may be identified and explanations found.

11. Customer care and management

The principle that people must come first is fundamental to our democracy. It is enshrined in Chapter 7 of the constitution, which states various objectives of local

government including the injunction to encourage the involvement of communities and community organisations in the matter of local government. In fulfilment of this commitment, government has adopted Batho Pele principles (White Paper on Transforming Public Service Delivery, 1997).

Those relevant to customer relations include the following:

- **Consultation (principle 1).** Citizens should be consulted about the level and quality of the public services they receive and, whenever possible, should be given a choice about the services that are offered.
- **Service standards (principle 2).** Citizens should be told what level and quality of public services they will receive so that they are aware of what to expect
- **Information (principle 5).** Citizens should be given full, accurate information about the public service they are entitled to receive.
- **Redress (principle 7).** If the promised standard of service is not delivered, citizens should be offered an apology, a full explanation, and a speedy and effective remedy and when complaints are made, citizens should receive a sympathetic, positive response.
- **Value for money (principle 8).** Public services should be provided economically and efficiently in order to give citizens the best possible value for money

11.1 The challenge that must be met

If the interface between a municipality and its customers is not carefully managed, customer disappointment and disillusionment with service delivery develops easily. This inevitably result in customers perceiving the services for which they are being charged as being inadequate. The ultimate outcome is poor payment for municipal services and a gradual decrease in service quality due to insufficient funds. This gives rise to more dissatisfaction, and a vicious and destructive cycle of discontent begins to escalate. To break that cycle is the great challenge facing the municipality.

11.2 What must be done

The key success factor for a customer care function is communication. Customers have a right to know what they can reasonably expect in terms of service delivery. They also have a right to know when and how changes, either temporary or permanent will be implemented and how these changes will affect them. These rights are entrenched in the Constitution. Dissemination of information therefore is a must. Furthermore, it must be done in a manner that facilitates understanding and transforms consumers into knowledgeable service users.

Communication in this context is two-sided. Mutual rights and obligations must be clarified so that there is no ambiguity around roles and responsibilities. For instance, consumers have a right to a reliable and consistent service, but forfeit this

right when they neglect their responsibility to pay for the services they use. To meet its obligations a municipality requires:

- An information system that accurately stores the details of consumers;
- A billing system that is accurate and that produces detailed bills that are easy to read and understand
- A customer relationship management capability that monitors satisfaction levels in relation to the delivered services, and
- A physical environment that is presentable, convenient and that reflects order, system, and enhances consumers' confidence in the municipality's capability.

Periodic assessment of performance of the customer care function in a municipality is a regulated requirement. Meeting customer expectation is the targeted objective, but exceeding expectations creates a strategic advantage from a service provider perspective. The extent to which targets are met and exceeded is measured by means of a service quality assessment that measures three key areas of customer care.

- Communicating with customers on issues they need to know
- Addressing customer concerns in a manner that seeks to resolve the matter promptly
- Appraising the municipality the municipality's customer care performance regularly.

12. Conclusion

In order to make sure that revenue is enhanced within the municipality, issues that relate to it should be included as key performance indicators in the job descriptions of all relevant staff, as well as service units. Individuals in the organisation must be accountable for achieving municipal objectives.