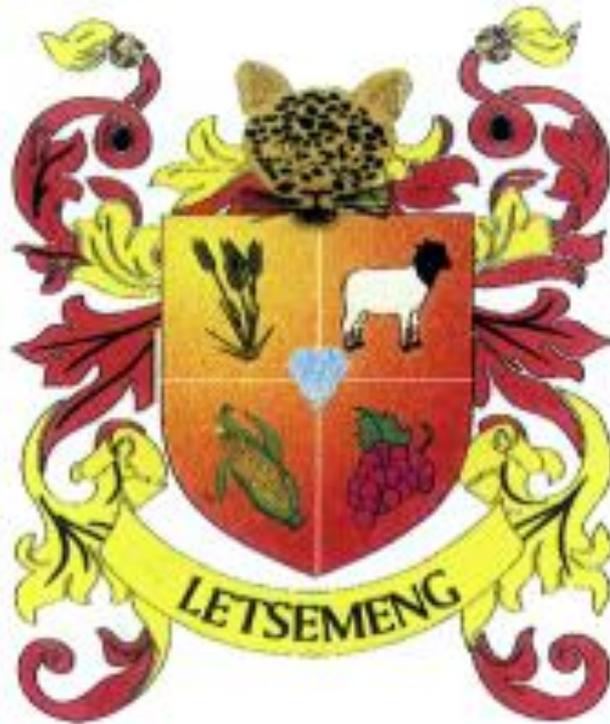


LETSEMENG LOCAL MUNICIPALITY



REVENUE ENHANCEMENT STRATEGY 2016/17

Purpose

The purpose of this report is to present to Management methods on how to improve the revenue of Letsemeng Local Municipality.

Background

Letsemeng Local Municipality debtor's book is over **R118 million** by mid-year of financial year of 2016/17 and this creates a burden as we depend on unconditional grants to deliver a service or to carry out operational obligations of the municipality.

It is of utmost importance that Letsemeng try to recover some of the debt owed in order to improve the revenue of the municipality.

Proposed recommendation to address low revenue collection.

- Amending of **Indigent and Subsidy Policy** to the current pension amount received for both pensioners from **R3 040** so that more community members qualify for the subsidy.
- Adoption of **Provision for Bad Debt and Write Off Policy** to allow irrecoverable amount to be written off in order to reduce the debtor's book after Section 79 Committee has satisfied itself that the amount won't be recovered.
- Amending of Property Rates Policy for household to the value of **R45 000** (amended to R84 000) and also first **R15 000** be exempt (amended to R25 000) as a way of encouraging rate payers to pay their rates and all house owners of RDP to be exempt of property rates to reduce debt book
- To install water meters and electric meters to households that still don't have meters
- Monitor electricity bypass monthly
- Print accounts on time; confirm addresses of farmers with the association to ensure delivery to each farmer.
- Debtors report to be submitted to each councillor per ward so that they can assist during public meetings to urge community to pay

Strategies be put in place

1. Cut-off

The Revenue section together with the Technical department starts the process of cutting-off electricity for all the consumers who are using conventional and pre-paid electricity who are not paying for services.

Letters to alert the consumers on the cutting-off of services to be hand delivered monthly month to enhance revenue collection. Pre-paid Electricity has being blocked on the system for all the consumers whose accounts are in arrears meaning no prepaid purchases shall be accepted until the outstanding arrears have been settled or an acceptable arrangement made for the payment of the arrear account which should be signed off by chief financial officer or manager budget and revenue .

The services will be reconnected once the arrear account has been paid in full, including the interest raised on such account; or an acceptable arrangement has been made with

the municipal manager for the payment of the arrear account, including the interest raised on such account.

The rationale behind this is to treat conventional and pre-paid consumers equitably.

The **Credit Control & Debt Policy** includes NERSA recommendation that Prepaid Electricity users can be blocked and makes arrangement to pay the debt before we allow them to purchase Electricity as the current practice it is prohibited because it doesn't appear on our policy.

2. Mayoral Operation Patala

The honourable Mayor introduced an incentive scheme called operation patala, where by all consumers can settle their outstanding balance and qualifies for 50% discount the policy was adopted last financial year by council however not effectively communicated to community, through IMBIZO's communities can be aware and take opportunity to settle their debts that is over 3 years till end of June 2017 .The cashiers to inform consumers about the scheme when they come to the municipal offices.

- Introduction of **Letsemeng Debt Incentive Scheme** where all registered indigents who qualifies the debt is written off 100% and resident, Sec 21 schools, Churches and NGO whose debt is older than a year not exceeding 3 year 50% to be written off provided they pay the other 50%. Any debt 3 year or older will be written off provided that they stick to the agreement by the end of financial year 2016/17.

3. Government debts

Municipality to be in close engagements with government to realise all outstanding debts. Meeting needs be set up with Senior Managements of institutions to present details and request payments.

4. Ensure monthly billing exception reports are properly checked

We need to improve our accuracy of billing; it is a risk area that requires our constant monitoring. Key to this is the integrity of our data. A data clean up exercise is needed to identify inaccurate data.

5. Water Meters

The meter reading process also poses serious problems and all meters with no movement should be investigated and corrections made.

The monthly meter reading variance and exception reports must be analysed and referred to an official dedicated to this task. In order to have effective revenue and debt management systems, the municipality needs to ensure that accurate and credible accounts are produced. All broken meters should be replaced in order to obtain the accurate readings.

6. Increase Current Collection Rates

Current account management must be a proactive approach, where the debtor is notified before due date that the payment is expected. This can be done through sms, telephone call, fax, notice, reminder/ flyer, notice boards, etc. The objective is to inform and remind the debtor to pay.