Tshwane University Innovation Challenge #2

Improving Revenue Collection in Residential Areas

**Deadline for Submission
27April 2020**
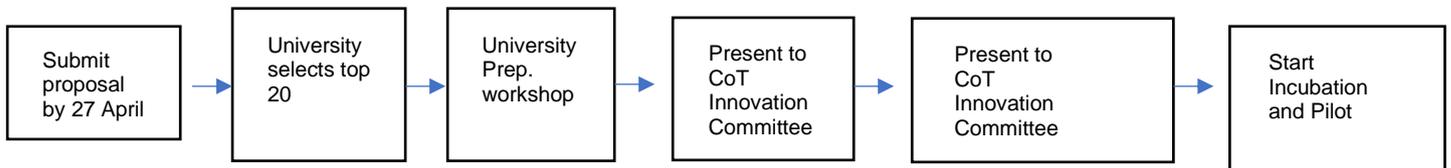
Challenge overview

The City of Tshwane's Revenue Management Division would like to improve the sustainability of cash flow in the City by inviting students to propose innovative approaches for encouraging homeowners and renters in residential areas to pay for the provision of electricity, water services and property rates on a regular basis.

What we are interested in

The City has implemented several measures to improve the quality of services and encourage wider and more consistent payment of municipal accounts. This has included improving the accuracy of billing and increasing the number of online and physical payment options. However, to expand the payment of municipal accounts on a wider scale, we would like students to propose ideas for engaging residents on the payment of rates and provision of electricity and water services in particular, such as through: creative billing and loyalty approaches, alternative billing or revenue collection financial models and novel payment channels or technologies.

Challenge process

| Submit proposal by 27 April | → | University selects top 20 | → | University Prep. workshop | → | Present to CoT Innovation Committee | → | Present to CoT Innovation Committee | → | Start Incubation and Pilot |

Evaluation Criteria

Novelty Is it something we haven't seen before?	**Feasibility** Can it be implemented within reasonable time and cost?	**Team** Do you and your team have the right mix of skills to do this?	**Impact** What is the potential impact on City service delivery or revenue?

Appendix A: Challenge Background

The City of Tshwane's Revenue Management Division is responsible for managing the City's income which includes the creation and maintenance of municipal accounts, billing on property rates and utilities, ensuring payment for services, and reporting on income and debt recovery. To improve on the reliability of revenue collected, and to reduce the debt owed by residents and businesses, the municipality has implemented several measures to encourage wider and more consistent payment of municipal accounts. This has included engaging directly with large businesses on outstanding payments, expanding the use of smarter meters and upgrading of billing systems to provide more accurate and consistent billing information, and providing more accessible online methods and physical pay points at municipal offices and supermarkets. The City has also implemented several strategies to reduce historical debt, such as offering repayment and settlement plans and writing off debt for indigent households.

What is the situation?

The City of Tshwane operates under the Municipal Systems Act and Municipal Property Rates Act, which allows the municipality to bill residents for property rates and for the provision of services, including water, waste removal, sanitation, and electricity. Due to non-payment for services, as of November 2019, the net total debt owed to the City was R12.7 billion. Most of the debt arises from residential properties at R7.1 billion (56% of total debt) and from businesses at R3.4 billion 27%); and mainly related to property rates (22%), interest (21%), water (20%) and electricity (13%). To address non-payment, the Revenue Management Division oversees formal collection processes on arrears, including issuing reminders, final demand letters and, eventually, the disconnect of services and court proceedings. However, these processes are costly for the City, are increasing the debt burden on residents (through accumulating interest) and reducing access to services.

What has been tried here and in other regions?

Management, financial and legal: The City continues to provide targeted subsidies and write-offs for lower-income households to encourage ongoing payments and discourage bypassing of meters or illegal connections. Other countries have done similar for specific times of the year to reduce billing shocks and debt burden, such as a winter fuel payment. Moreover, to broaden revenue collection (and reduce unlawful use of services), some research has argued that a flat-rate for services in lower-income areas can kick start payments by simplifying billing and aligning costs with affordability levels. What other financial, legal and management practices could be used?

Technology: The City has implemented various smart solutions for prepaid and post-paid metering, upgraded billing systems to provide more accurate and consistent billing, and provided online and telephonic options for paying accounts. In addition, the Revenue Recovery Centre has reintroduced an SMS campaign to remind and thank residents for payments. As outlined in Challenge 1, the City is also using remote monitoring and data analytics to identify revenue leakage via meter bypass.