

Service Delivery

Standards for municipal invoices: Towards a consistent approach

Municipal invoices can be an effective tool for communication between municipalities and their customers.

The municipal account: A make or break communication opportunity

The tax invoices or accounts that municipalities send out to consumers on a monthly basis are a key interface between local government and citizens. As such, municipal accounts offer a unique opportunity for municipalities to inform, educate and influence their customers and to establish communication which is clear, accurate and customer-friendly.

Actual communication effectiveness is reflected in customers' levels of understanding of the municipal invoices they receive. Local and international research has shown that customers, in both developed and developing countries, frequently struggle to understand their municipal invoices. This lack of understanding has a negative effect on customer awareness, participation and the regulation of water services. It also leads to distrust in the correctness of an invoice, which, in turn, could affect the consumer's willingness to pay.

Current status of municipal invoices

A study of current municipal account practices and an analysis of actual municipal accounts in South Africa revealed that municipal invoices require improvement in many areas before they can serve as an effective means of informing customers and influence them to use water resources sparingly and efficiently.

In particular, South African invoices:

- Are not standardised at all;
- Mostly do not meet regulatory requirements;
- Are barely legible, are not in plain and understandable language, are not user-friendly and customer-orientated and are in English only;
- Mostly do not encourage water conservation and effective water use, thus doing very little to reduce consumers' water and energy footprint;
- Mostly do not provide comparative or historical consumption information, which has been proved to positively influence consumer behaviour.

Regulation and best practice

The South African laws that regulate municipal domestic accounts are the Municipal Systems Act 32 of 2000, the National Credit Act 34 of 2005, the Value-Added Tax Act 89 of 1991, Municipal Property Rates Act 6 of 2004 and the Consumer Protection Act 68 of 2008. Regulation relates to both the information that should appear on accounts as well as the format. Internationally, other countries with VAT legislation require similar information on accounts as the South African VAT Act but, apart from that, few countries other than the USA appear to regulate the format of utility accounts.

By contrast, there has been a considerable amount of research done internationally on best practices relating to municipal accounts. A survey of local and international best practice revealed features that distinguish a user-friendly, customer-serving account. These features relate mainly to the clarity of layout of the account, key information content, use of plain and understandable language, clear breakdown and explanation of charges, catering for different language groups and different payment options.

International best-practice research also favours the incorporation of measures for positively influencing behaviour to successfully decrease consumers' water and energy footprint, i.e. to use water and energy more sparingly and efficiently. Such measures include provision of comparative information, targets, incentives (such as tax credits for energy-efficient home or business improvements) and education.

The EMI tool and model invoices

The EMI tool for the critical analysis and **E**valuation of **M**unicipal **I**nvoices or accounts was developed based on local and international regulation, local and international best practice and the Plain English Handbook commonly in use in the USA. The EMI tool computes an index which can be used to assess and compare municipal accounts with regard to various categories, including plain language usage as well as information content relating to (a) the legal obligation of the recipient to pay for goods and services delivered, (b) the integrity of the account and (c) the promotion of water conservation and effective water services.

In each assessment category, a number of criteria apply. These categories and criteria, in combination, have enabled the development of an 'ideal' or model municipal account that is easy to understand and user-friendly, adheres to policy and legislation, provides enough information to ensure client satisfaction and account validity and creates a platform for addressing water conservation and water management issues through influencing consumer behaviour.

Evaluation of the EMI tool and quantitative assessment of municipal accounts

The evaluation of 42 accounts using the EMI tool showed that, in comparison to international accounts, South African municipal accounts tend to score well in the payment information category but poorly in others, especially the category concerned with integrity of information. Many accounts for municipal services do not comply with legislation, because they do not show consumers how the amounts that they are expected to pay are calculated. Accounts that lack basic integrity may induce reluctance to pay for services. South African accounts also lag far behind international best practice in their failure to promote the reduction of consumers' water and energy footprint.

These results accord with those of a quantitative survey involving 2 500 urban respondents. The survey confirmed that the integrity of South African municipal invoices is in question, with 35% of consumers doubting the correctness of the invoices. Moreover, the ordinary South African consumer struggles to find basic information on municipal invoices, such as the amount owed from previous months, the meter reading date, water use and Free Basic Water received.

Consumers in lower LSM (Living Standards Measure) groups have greater difficulty in understanding their municipal accounts than those in higher LSM groups and may require special explanations or consumer training in order to enhance their understanding. Furthermore, the fact that most accounts are in English only impairs understanding for the 90% of South Africans whose home language is not English.

Standards for invoices

As an outcome of the various investigations into South African municipal invoices, a platform has been created for municipalities to work towards improved compliance with legal requirements and greater standardisation of domestic invoices. The aim has been to improve customers' understanding of domestic water invoices in accordance with South African regulatory requirements, enhance their trust in the validity of the invoices and change their behaviour with a view to reducing their water footprint.

Accordingly, a standards document or guide has been developed for the improvement and standardisation of municipal accounts. This document also explains the EMI tool and provides guidance for municipalities in the application of the tool to their own accounts. Finally, it presents model municipal accounts and provides examples of local and international best practice.

Policy implications

All municipalities need to assess their accounts with the EMI tool and make the necessary adjustments to improve content and clarity as required by legislation and in the interests of better communication with customers. Even simple changes can drastically increase the clarity of an account received by the consumer. The model accounts, which have tested well among a broad spectrum of consumers, can provide a sound basis for such changes.

There is a need in South Africa to regulate the format of municipal accounts in more specific terms. Currently, there is lack of clarity regarding the legal status of an account that does not comply with legislation.

In order to raise awareness of the need for improvement and standardisation of municipal accounts, it is recommended that the Guidelines towards standardisation which have been thoroughly researched and developed be made available to decision-makers in Treasury, the Department of Water Affairs and the Department of Local Government and Traditional Affairs, as well as to Municipal Managers and CFOs of all municipalities.

There is a requirement for a series of training workshops for municipalities, focusing on best practices and standards relating to municipal invoices.

A complete range of account templates in paper, electronic and SMS form, that provide municipalities with options of making selections to suit their special circumstances, should be developed. Clear and understandable accounts for consumers are not only a legislative requirement, but are also a very important for improving consumers' trust in the correctness of the information that the municipality has supplied and the general integrity of municipal accounts. Improved consumer trust could have a significantly positive impact on payment of accounts.

New software developments and technology that hold exciting possibilities for the design and communication of municipal accounts should be investigated and potential benefits exploited. For example, accounts could be generated and distributed via SMS, email and interactive websites, thereby saving municipalities large amounts on mailing costs. These distribution technologies could also be used to broaden the scope of communication uniquely offered by the municipal account. Other countries are already starting to fully exploit such opportunities in the quest for effective management of their critical resources.

Further reading:

To obtain the report *Towards standards for municipal invoices in South Africa* (**Report No: TT 459/10**), and/or *Guidelines on domestic water accounts – Towards a consistent application in South Africa* (**Report No: TT 457/10**) contact Publications at Tel: (012) 330-0340; Fax: (012) 331-2565; Email: orders@wrc.org.za or Visit: www.wrc.org.za to download a free copy.