

Council Resolution CR98-30/05/23

2022/23 FY

Strategy

Revenue Enhancement



GREATER GIYANI MUNICIPALITY

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1. INTRODUCTION

Section 64 of the Municipal Finance Management Act prescribes the management of Revenue Management.

The collection of the consumer charges is of vital importance in determining the going concern status of the municipality. For the municipality to ensure sustainability of service delivery and infrastructure development, it needs a healthy cash-flow.

It is key that the municipality must have a credible, fair and transparent mechanism in its endeavours to increase/improve revenue collection from debtors.

Debt collection is at the end in the Value Chain. The debt collection programme must be focused on rehabilitating the debtor, not to punish him or her.

2. BACKGROUND

The development of this revenue enhancement strategy is a response to strategic risk identified by the risk assessment in the financial year 2014-2015

The risk assessment indicated that the low revenue base of the Municipality is a high risk threatening the survival of the Municipality.

The document is developed in house and may require annual adjustment based on changing socio-economic and political environment. Adjustments may be minimal unless the current national government funding formula changes.

3. OBJECTIVE

The purpose of the document is to provide a strategic framework of resolving the deep-seated financial challenges that undermine service delivery to Greater Giyani Municipality community.

4. LEGISLATIVE FRAMEWORK

(a) The revenue enhancement strategy is based on the current legislative framework that creates a conducive environment and uniform approach where:

(b) Section 64 of the MFMA states that the accounting officer must for the purposes of take all reasonable steps to ensure that the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy and that revenue due to the municipality is calculated on a monthly basis.

(c) Section 96 of the Municipal Systems Act requires all municipalities to collect all outstanding debts.

(d) Principles of the MFMA are incorporated into the strategy to ensure sound and sustainable revenue management.

(e) The Municipal Property Rates Act (MPRA) forms the basis of the revenue budget of a municipality and together with service charges for trading services the following bylaws and policies guides the revenue budget of the municipality:

- i. The tariff policy and by-law;
- ii. The Property rates policy and by-law;
- iii. The indigent policy; and
- iv. The Credit Control and Debt Collection policy

5. APPROACH TO THE STRATEGY ON REVENUE ENHANCEMENT AND DEBT COLLECTION

5.1. Turn-Around Strategy

Developing effective turnaround strategies generally requires the following four phased approach, this ensures that the desired revenue enhancement outcomes are achieved and sustained in the long term. The four phases are the following:

- (a) Phase 1: Status quo analysis
- (b) Phase 2: Problem identification
- (c) Phase 3: Project implementation
- (d) Phase 4: Analysis of new revenue sources
- (e) Phase 5: Review of dormant revenue streams
- (f) Phase 6: Operational phase

5.2. Phase 1: Status quo analysis

Levels of municipal debt from consumers undermine the long-term financial viability of the municipality:

Description	Budget	Revenue Collected	%
2016/2017	83,925,840.00	20,502,166.16	24%
2017/2018	95,326,363.00	15,825,360.24	17%
2018/2019	60,466,166.00	31,692,743.24	52%
2019/2020	68,067,106.00	27,693,887.20	41%

5.3. Phase 2: Problem identification

- 5.3.1. Escalating debt is a key indicator of non-performance.
- 5.3.2. Upon analysing the situation in the municipality, challenges have been identified around the following areas:

(a) Administrative reasons

- i. Incorrect billings due to incorrect consumption readings
- ii. Indigent register
- iii. Lack of implementation of credit control measures
- iv. Corrupt static data, such as customer names and addresses
- v. Inadequate staff training and revenue collection
- vi. Lack of personnel in the revenue section
- vii. General lack of capacity to handle customer complaints
- viii. Growing debt of indigent consumers, related to poor credit control measures
- ix. Combination of all the above

(b) Socio-economic reasons

- i. Inability of consumers to pay for services due to endemic poverty.

- i. Meter numbers must be recorded correctly and linked to the corresponding property on the billing system;
- ii. Meters must be adequately maintained to minimise losses due to leaks or incorrectly measured consumption;
- iii. Meters must be read with regularity and accuracy so that the correct consumption information is recorded on the billing system;
- iv. Meter reading estimates must be minimised or at least undertaken in accordance with the municipality's Credit Control prescriptions.

The timeous and accurate reading of water meters is important to effective revenue enhancement in the municipality. A process to ensure rendering of credible and reliable accounts is of paramount importance. This includes controls and procedures to be drafted and implemented, detecting and follow-up of replacement of defective meters. The following are critical to maximising the potential of existing revenue:

(a) Meter Reading

The short term strategy must be implementable within 6 months and provide for quick gains

5.4.2.1. Short Term

- a. **Short Term** (strategic interventions to be implemented within 6 months);
- b. **Medium Term** (strategic interventions to be implemented between 6 and 18 months);
- c. **Long Term** (strategic interventions that will take longer than 18 months for implementation)

5.4.2. The plan will be implemented in stages and is therefore divided into implementation timeframes i.e.

- a. Property rates
- b. Vehicle licensing
- c. Refuse removal
- d. Vehicle registrations (agency fees)
- e. Confirmation letters
- f. Sale of tender documents
- g. Advertising & billboards
- h. Traffic fines
- i. Building plans
- j. Sale of grave-plots
- k. Hall reservations
- l. Registration & transfers
- m. Clearance certificate
- n. Use of libraries

5.4.1. The plan will focus on the own revenue component of revenue due to the municipality.

5.4.Phase 3: Project implementation

(b) The following corrective measures should also be implemented

All meters with no movement should be investigated and corrections made. Where consumers were not billed for the period, the meters should be replaced, averages taken for three months and these consumers should be billed. Disconnected meters should be reconnected and the consumer must make an arrangement to settle the account over a maximum period of twelve months.

(c) Revenue Billing

- i. Billing records must routinely be reconciled to the source of the billing data and customer data;
- ii. Perform reconciliations of input water and billed water to quantify losses and address variances
- iii. Billing queries must be resolved within reasonable timeframes;
- iv. Municipal functions must be adequately staffed with competency skilled individuals who understand the job requirements and how to deliver on it.
- v. A Systematic Dispute/Query Handling System (statutory requirement) to be introduced (or enhanced) to ensure that all queries are dealt with.

(d) Continuous Updating of the Indigent Register

It is of critical importance to determine with greater accuracy and reliability the municipality's database of who Indigent Debtors are. In the short term it is necessary that the indigent register be reconciled to ensure that indigents are registered in accordance with the classifications in the indigent policy.

These will be achieved by the following:

- i. Opening an Indigent registration re-evaluation process with a clear framework and criteria to ensure that only debtors that qualify are subsidized
- ii. An annual re-evaluation must be initiated and communicated to the communities to ensure that the Indigent Register is updated and debtor who no longer qualify are deregistered

(e) Data Cleansing

Accurate billing for services is a critical element of the municipal revenue management business model. Due to poor billing and revenue collection municipalities are becoming increasingly dependent on intergovernmental funding to balance their budget.

If the customer information and billing information is incorrect the municipality has no basis to effectively collect revenue. One of the key billing programs is consumer data cleansing.

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

- i. Is the customer information correct?
- ii. Is the account information correct?
- iii. Have the correct tariffs been applied?

Training and capacity building is an area that has not reached its full potential. Under staff and lack of training are some of the key challenges that the Revenue section is facing. Therefore the benefits of the appointment and training of staff cannot be over-emphasised.

(c) Training of Staff/ Knowledge Transfer

The back office will ensure that queries and complaints are centralized, and corrective measures are implemented. This office will also accelerate the collection processes, because debt collectors can now focus and manage on the collection processes only.

- i. Accuracy of accounts.
- ii. Solving of queries.
- iii. Ensure implementation of corrections, journals, etc.
- iv. Meter reading variances are addressed.
- v. Account delivery and debtors details are updated.
- vi. Improvement of the complete billing cycle, from meter reading, levying, accounts sorting and posting.
- vii. Providing account history, printouts and reconciliations.
- viii. Identify debtor's accounts to be followed up.

The back office must deal with the following:-

For the effective management of debt, the municipality needs to train and motivate staff to ensure they are focused and dedicated. Debt collection staff should just focus on making contact with the debtor, getting the debtor to make payment or an arrangement / promise to pay. Administrative processes must be streamlined and geared to support debt collectors. In this regard, it is proposed that a back office be established to support the debt collection unit.

(b) Establishment and Responsibilities of a Back Office

- i. The escalating debt can also be attributed to the resources deployed to manage it. In terms of ratios it is impossible for the existing staff component to effectively manage the debtor's book.
- ii. Currently in house capacity does not exist and where it is more cost effective to outsource, such options should be considered.

(a) Resources in the Debt Collection Unit

5.4.2.2.Medium Term

A customer information cleansing process is therefore important to ensure that the municipality has the means to charge all its customers for the services it delivers as payment for services is a municipality's primary source of revenue.

- iv. Is the outstanding amount correct?
- v. Is the usage correct?
- vi. Meter readings
- vii. Property valuations
- viii. Have all outstanding credits been passed?
- ix. Does the customer still exist?
- x. Is the customer indigent?

disconnection notices, warnings, etc. They wait for the last day or day thereafter before making payment. Makes direct payments on last day, pay with cheque, post cheques, "municipality to do its work" attitude.

- iii. **Bronze Stars** – Bad / slow payers, they need to be reminded, through time to prevent the "if not pay not" attitude.
- ii. **Silver Stars** – Regular payers but late or with complaints/excuses. Without excuses and delays
- i. **Gold Stars** – Regular Payers that pay their account every month,

The profiling of consumers is important, because resources are wasted and revenue is lost due to the fact that the municipality does not know their clients. Consumers, both commercial and residential can be categorised into various types of debtors:

(f) The Profiling Of Consumers

- There is a need to educate communities on the components of the municipal bill so that they know what they are being charged for.
- This will be done through public participation processes including road shows and the use of media

ii. External: Community-

Staff: Staff will be trained so that they are able to handle queries by promoting the understanding of the municipal bill by consumers pay for services as this ensures effective service delivery.

i. Internal

Councillors: Councillors and political structures are utilized to educate the community members to be responsible citizens who are willing to pay for services as this ensures effective service delivery.

(e) Change Management

Change management is key if we are to reach our goal where the staff members and community share the vision and commitment of Greater Giyani Municipality.

(d) Clearance Certificate

A procedure manual for the issuing of the clearance certificates should be documented and implemented. This will ensure that all possible debt is identified before the clearance is issued.

- iii. Processes of applications, terminations of service, enquiries/queries in line with approved policies of the municipality.
- ii. Debt Collection and Credit Control Procedures;
- i. Relevant Legislation;

To effectively enhance revenue, all revenue staff is to be trained on the following:

Whenever a service provider is appointed to perform functions with regards to revenue management, the transfer of skill must be an integral part of the agreement.

The existing debt collection unit currently comprises of two collection employees. Additional staff members should be appointed on contract to focus on business and government debt.

(b) Debt Collection Section

- i. Provide the municipality's customers with timely water consumption information, in order to control water usage and costs.
- ii. Significantly enhance services to the municipal customers, including billing accuracy, faster customer responses and more efficient customer service, on-demand move-in / move-out remote meter reads and improved reliability
- iii. Improve the Municipality's operational efficiency and reduce costs through reliable interval data from water meter reads for right-sizing programmes, prompt notification of leaks, tampering, etc.

The system is expected to further enhance the opportunity to improve revenue management through information technology which will:

The municipality has identified electronic meter reading as a long-term solution and the automated system will serve as a vital tool for achieving its vision as it moves forward

(a) Electronic Meter Reading

5.4.2.3. Long Term

- i. Bad debt write offs must be considered in terms of cost benefit; when it becomes too costly to recover and the chances of collecting the debt are slim, a write off should be considered.
- ii. It is proposed that a committee be established comprising of management, ward and portfolio Councilors and the debt collection supervisor.
- iii. Time value of money is very important because the older (120 days plus) the debt becomes, the more difficult and costly it becomes to collect.
- iv. Irrecoverable debt must be well defined to ensure that recommendations for write off are consistent, accurate, properly motivated and authorised.

(g) Writing Off Bad Debt

A consumer profile can be done through house reviews during the development of the valuation roll, indigent debtors surveying, every time consumers visits /contacts the municipal offices, through competitions, etc. If the municipality knows its consumers we can manage them.

- iv. **Grey Stars** – they are the consumers who don't want to pay, for various reasons, ranging from dissatisfaction with level of services, payment methods not convenient for them or believing the municipality won't do anything because of capacity problems.
- v. **Blue Stars** – they are the consumers who can't pay even if they want to. These are our indigent debtors; they must be identified and managed, because they can play a vital role, for instance, in labour intensive projects, cleaning of streets and open spaces, etc.

5.5.Phase 4: Analysis of new revenue sources

Other possible income sources

- i. Electricity distribution license
- ii. Recovery of excessive use of telephones
- iii. Tender documents prices to vary in relation to the value of the tender
- iv. Billing those consumers using boreholes as they are not currently being billed
- v. Implementation of Traffic back office for the issued penalties to motorists.
- vi. Billboards and advertisement on public places
- vii. Stadium Gate Takings
- viii. Buy and rent out market stalls at the stadiums
- ix. Recycling of refuse – Further engage with Disaster

5.6.Phase 5: Review of dormant revenue streams

- i. Traffic collection on behalf of Department of transport
- ii. Flats at Kremetart (Asking to install water meter per flat number)
- iii. Re zoning of stands
- iv. Impounding of Stray Animals (Implementation of by-laws)
- v. Enter into an agreement with Eskom to enforce the credit control measures – Disconnection of services.

5.7. Phase 6: Operational phase

1.1 REVENUE ENHANCEMENT STRATEGY SESSION - RESOLUTIONS 19-21 APRIL 2023

Items	Resolutions	Timeline	Responsible person
1. Market Related Tariff Structure	<ul style="list-style-type: none"> ➤ Office of the MM should facilitate a tariff structure review before council approval. ➤ Awareness campaign – municipal services 	<p>31 May 2023</p> <p>30 June 2024</p>	<p>Office of the MM</p> <p>BTO</p>
2. Optimisation of the current revenue streams	<ul style="list-style-type: none"> ➤ No municipal services should be rendered to customers in arrears. ➤ Water Meter Audit ➤ Signing of SLA between Mopani district and GGM 	<p>30 June 2024</p> <p>30 June 2023</p> <p>30 April 2023</p>	<p>BTO</p> <p>Technical Services and BTO</p> <p>Office of the MM</p>
3. New revenue streams and Dormant	<ul style="list-style-type: none"> ➤ Establishment of the credit control back office. ➤ Asset disposal ➤ Annual assets disposal Construction of market stalls Pound station ➤ Outsourcing the service. Disposal of vacant and unregistered stands Municipal Parking lot - Flat rate Billboards (Outdoor advertising) Tourism attractions ➤ Rezoning of golf course ➤ Appointment of Law Enforcement officers 	<p>30 June 2024</p> <p>30 June 2023</p> <p>30 June 2024</p> <p>30 June 2024</p> <p>30 June 2023</p> <p>30 June 2024</p> <p>30 June 2024</p> <p>30 June 2024</p> <p>30 June 2024</p> <p>30 June 2024</p> <p>30 June 2024</p>	<p>Assets Management</p> <p>Technical Services</p> <p>Community Services</p> <p>Planning and Development</p> <p>Technical Services</p> <p>Planning and Development</p> <p>Community Services</p>
4. Law Enforcement	<ul style="list-style-type: none"> ➤ To procure service provider to audit all outdoor adverts ➤ Massive awareness programme to all businesses ➤ Approval of By-Law ➤ Removal of all illegal hawkers 	<p>December 2023</p> <p>End June 2023</p> <p>December 2023</p> <p>December 2023</p>	<p>Planning and Development</p> <p>Planning and Development</p> <p>Planning and Development</p> <p>Planning and Development</p>
5. Outdoor advertisement			
6. LIBRA			
7. Sand mining			
8. Informal traders			

9. Sale of sites	<ul style="list-style-type: none"> ➤ Finalize the servicing of sites and clearing of the place. 	December 2023	Planning and Development
10. Municipal houses	<ul style="list-style-type: none"> ➤ Improve the management of municipal housing by implementing rental policy. ➤ Investigate and confirm ownership of A-hostels and two-room houses. Sign rental agreements with the occupants of those properties 	December 2023	Planning and Development
11. Empty sites	<ul style="list-style-type: none"> ➤ Strengthening the policy /by law to discourage non development of sites. 	December 2023	Planning and Development
12. Township expansion	<ul style="list-style-type: none"> ➤ Fastrack the establishment of town Ngobe village 	June 2024	Planning and Development
13. Giyani information centre	<ul style="list-style-type: none"> ➤ Expediting the process leasing 	June 2023	Planning and Development
14. Extension of refuse collection to near areas – Risinga view, Eco Park and B9	<ul style="list-style-type: none"> ➤ Public participation process, then implement as per tariffs 	December 2023	Community Services
15. Extension to businesses and public spaces in 96 villages	<ul style="list-style-type: none"> ➤ Engage the relevant businesses 	December 2023	Community Services
16. *Current: examples Usaves at Thomo, *Long term: Others far away	<ul style="list-style-type: none"> ➤ Feasibility study 	December 2023	Community Services
17. Tariff for Sectors Services (clinics, schools), R7 per kilos as per policy	<ul style="list-style-type: none"> ➤ Implementation ➤ Indians' burial - Benchmark and review previous submission. ➤ Private burial - Benchmark 	December 2023	Community Services
18. Cemetery	<ul style="list-style-type: none"> ➤ Revamping, renovation, and maintenance of facilities 	December 2023	Community Services
19. Facilities (Golf course, Stadium, etc)	<ul style="list-style-type: none"> ➤ Adjustment and review of tariffs to be affordable for frequent use 	September 2023	Community Services
20. Tariffs	<ul style="list-style-type: none"> ➤ Appointment of Law Enforcement Support Services – Service provider. ➤ Appoint Traffic officers 	September 2023	Community Services
21. Speed check	<ul style="list-style-type: none"> ➤ Appoint Traffic warders (Law Enforcement) 	September 2023	Community Services
22. Pounding/ Tow truck	<ul style="list-style-type: none"> ➤ Engage Department of Justice to discourage reduction and cancellation of Traffic tickets 	December 2023	Community Services
23. Increasing under collection of Traffic fines	<ul style="list-style-type: none"> ➤ Engage Provincial Department to advice on the eNaTis system used by Metro 	December 2023	Community Services
24. Payment of Traffic tickets	<ul style="list-style-type: none"> ➤ Replacement of water meters by new smart or prepared meters to avoid complains of inaccurate billing. To engage MDM 	30 June 2024	Technical Services
25. Faulty Water Meters	<ul style="list-style-type: none"> ➤ Develop tariffs for municipal plant (machines) to rent out to schools and public entities. 	31 May 2023	Technical Services
26. Municipal plant (machines)			

27. Municipal facilities	<ul style="list-style-type: none"> ➤ Maintenance and cleaning of municipal facilities to attract customers. 	30 June 2024	Technical & Community Services
28. Service delivery	<ul style="list-style-type: none"> ➤ Improve rendering services (maintenance and refurbishment) to the township to encourage the customers to pay for services. 	Ongoing	Technical Services
29. Building Division	<ul style="list-style-type: none"> ➤ Capacitate Building Division to have additional Building Inspector to do random inspection for modified houses to be billed accordingly. 	30 June 2024	Corporate Services
30. Development of taxi and bus rank	<ul style="list-style-type: none"> ➤ Apply land for development of taxi and bus rank to pay levies and build offices and business to rent out. 	30 June 2024	Planning & LED, Community, and Technical Services
31. Municipal Houses	<ul style="list-style-type: none"> ➤ Maintenance of rented municipal houses for better rent tariff. 	Ongoing	Technical Services
32. Water Consumption	<ul style="list-style-type: none"> ➤ Traders selling water to the community be billed by municipality (MDM). 	30 June 2023	Technical Services
33. Parking Lot	<ul style="list-style-type: none"> ➤ Confirmation of ownership of Mopani Spar parking lot for development of meter parking. 	30 June 2024	Planning and Technical Services
34. Wayleave applications	<ul style="list-style-type: none"> ➤ Create a standard tariff for wayleave application of once off payment of R20 000.00 	Immediately	Technical Services
35. Electricity license	<ul style="list-style-type: none"> ➤ Electricity supply to be piloted from CBD and Kremetart. 	30 June 2024	Technical Services
36. Electricity generation	<ul style="list-style-type: none"> ➤ Apply land for solar farm to generate electricity for distribution. Conduct feasibility study. 	30 June 2025	Technical Services
37. Electricity generation	<ul style="list-style-type: none"> ➤ Install solar panels in the municipal buildings and facilities to reduce operational expenditure. 	30 June 2024	Technical Services
38. Water Service level agreement	<ul style="list-style-type: none"> ➤ Amendment of SLA for water to favour GGM to increase the transactions. 	immediately	MM

1.2 ACTION PLAN TO ADDRESS CHALLENGES IN REVENUE ENHANCEMENT

Action Plan to address challenges in revenue section			
ITEM	ACTIVITY	SUB-ACTIVITY	OUTCOME
(a)	Customer payment incentives	Offers incentives for payment arrangements i.e., interests relief on settlement of outstanding debt and Freezing of interest charges in line with the signed Debt Acknowledgement form	Enhancement of debt collection

(b)	Review the credit control policy and by-laws.	The credit control and debt collection policy as well as the indigent policy to be reviewed to ensure alignment between the two polices and effective debt collection procedures.	Enforcement of the Credit Control measures
(c)	Elimination of Revenue leakages	Monthly Reconciliation of all billable services against the general valuation roll and tariff structure.	Completeness of revenue
(d)	Frequency of data clean up	Customer information should be regularly updated at least once a year	Accurate Customer Information
(e)	Customer relationship management policy	Develop and implement the Customer relationship management policy	Positive experience with consumer and build long-term relationships
(f)	Speed at which customer queries are resolved	Customer queries to be resolved within period of a month or less	Consumer satisfaction and build long-term relationships
(g)	Communication platforms used	The municipality to use more than two (2) communication	Positive experience with consumer and build long-term relationships
(h)	Indigents	Municipality should adopt a proactive approach in reaching out to customers who meet the indigent criteria	Indigent Management Register that will support the Municipalities LED strategy and Free Basic Services implementation

6. CONCLUSION

- (a) This strategy serves as an engine to ensure that the municipality is in a good standing to ensure independence from grants, and that it is potent enough to deliver services to municipality so that it continuously improves the quality and standards of living to the citizens of the municipality.
- (b) The municipality should therefore inherit the implementation plan and continuously review the extent to which the strategy is given effect to, and furthermore evaluate the impact of the implementation plan in terms of output-process (efficiency) and outcome (effectiveness).
- (c) This revenue enhancement strategy will be reviewed annually as the municipal and socio-economic conditions change continuously.

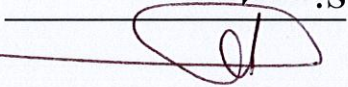
7. SHORT TITLE

This policy shall be called the "Revenue Enhancement Strategy".

Signed by:

**Mayor: Cllr Zitha T
Surname & Initials**

Signature



Date

30/05/2023