



MARULENG LOCAL MUNICIPALITY

REVENUE STRATEGIES

1. Introduction

- 1.1. This revenue enhancement strategy is not a substitute for basic revenue management competencies. It is intended to supplement competencies and demonstrate innovative approaches.
- 1.2. The municipality is experiencing challenges that are inherent in the Local Government Sector (municipalities) in that municipality-generated revenue is not at the level where the municipality would like it to be. As a result, the municipality is embarking on a conscious revenue enhancement strategy.
- 1.3. This revenue enhancement strategy focuses on increasing revenue within existing revenue streams. The focus will also include extending existing service coverage to increase the collection base in the medium to long term. It includes revenue categories not ordinarily expected to derive substantial revenue in rand value terms and equally revenue categories where substantial revenue is expected. In other words it looks at actual and potential municipal revenue across the spectrum.

2. Approach taken in devising the strategy / plan

- 2.1. To ensure relevant and practical strategies are derived, the municipality elected to embark on a review of its debt situation to establish the reasons for the escalation of the debt and devise measures that can be applied to improve revenue collection from the existing revenue streams.
- 2.2. The predominantly rural nature of the municipality makes it not a viable option to introduce new revenue streams on a significant scale which may be classified under sundry revenue tariffs.
- 2.3. Some of the reasons identified are listed hereunder and corrective measures are discussed under ‘strategies’.
 - Poor implementation of the debt collection process
 - Lack of adequate capacity to manage the collection of outstanding debt
 - Lack of adequate debt collection administration system
 - Poor integration and coordination among the financial management, revenue & debt collection and service provision functions

3. Key assumptions

- 3.1. One of the key assumptions is that the municipality will do anything possible to enhance its revenue.
- 3.2. The theory of developed municipalities is that a municipality should not compete with business, yet these (developed) municipalities actively complement or provide an enabling environment for business to thrive yielding direct and indirect cash flows to these municipalities. Therefore, the municipality’s position is that it will do anything legal and within its scope to earn revenue, given that the municipality is at a developmental stage.
- 3.3. Optimal collection from the existing streams has the potential to improve revenue collection significantly.

4. Own revenue structure

4.1 The municipality pursues the objective to increase the level of revenue in the existing revenue streams.

5. Rates tariff

5.1. Currently, the municipality charges cents in the rand on the market value of property as per the gazetted ratios.

5.2. One of the major crucial issues is to perform annual valuations to ensure that all new, improved and reclassified properties are correctly valued so that the municipality does not lose additional and substantial revenue in this regard.

5.3. The municipality reports that property valuations are in progress.

5.4. The issue of dilapidated buildings. (Is there a manner in which the municipality can enforce a development of these properties through a bylaw?)

6. Refuse tariff(s)

6.1. Refuse tariff(s) need to be revised to ensure that at least they cover the cost of the service.

6.2. Current tariffs differentiate between residential and business (containers and cages) tariffs.

7. Rental income

7.1. Presently, the municipality has tenants operating from community facilities. Most of these tenants are not up-to-date with their payments, and rental agreements for some of them have either expired or are not on file.

7.2. The municipality also has tenants operating the market stalls on the periphery of Hoedspruit CBD. The tenants register is not up to date, and some of the operators still appearing on the register have left, giving way to others not appearing on the register to take over.

8. The collection rate for rates, refuse and rental billed

8.1. Are all properties in the designated town area included in the rates and refuse registers?

The municipality needs to have a positive confirmation that all properties including the indigents are included in the rates and refuse registers and that the municipality has the correct and accurate physical and postal addresses as well as the telephonic contact details in respect of each consumer debtor. This is to ensure that as a minimum all consumer debtors are being billed.

9. Sundry revenue categories

9.1. It is important to state that implementing any of these suggested new or revised tariffs will not be an easy process. The municipality must be prepared to face remarkable resistance and accordingly to defend its position.

9.2. Secondly, the integrity of the internal control systems responsible for ensuring that all monies received are recorded and that all recorded monies are banked is also dependent on the Internal Audit Function. The system of internal control must be designed that such that there are automatic means of independently verifying or ensuring that no sundry service will be rendered without a municipal official receipt (proof of payment) and that such proof of payment shall be collated independently of the cash receipting function to serve as double proof that receipts were issued for monies physically received.

10. Strategies

	Background & focus	Strategies	Office Responsible
10.1	Increase service coverage and strengthen current revenue base	Extend billing of refuse removal to businesses in the village at flat rate	Community Services
		Conduct audits of game-lodges and businesses using the municipality for refuse removal services in this regard. Establish how business areas where services were discontinued in the past deal with refuse removal	Community Services & Budget & Treasury.
		Development of a By-law to deal with illegal dumping	Community Services
10.2	Capacity to collect debt. Section 96 of the Municipal Systems Act states that a municipality must collect all money that is due and payable to it and, for this purpose,		

	<p>must adopt, maintain and implement a credit control and debt collection policy that is consistent with its rates and tariffs policy. The municipality does not have internal capacity to handle legal debt collection matters – from summons to warrant of execution</p>	<p>While building internal capacity, the municipality should consider using external collecting agents.</p>	<p>Budget & Treasury</p>
<p>10.3</p>	<p>Customer care Section 95 of the Municipal Systems Act states that, in relation to the levying of rates and other taxes by a municipality and the charging of fees for municipal services, a municipality must, within its financial and administrative capacity,</p> <ul style="list-style-type: none"> – establish a sound customer management system that aims to create a positive and reciprocal relationship between persons liable for these payments and the municipality, and where applicable, a service provider – provide accessible mechanisms for dealing with complaints from such persons, together with prompt replies and corrective action by the municipality 	<p>Establish online systems for the accounts sending, dealing with customer enquiries on their accounts and lodging of any complaints. (Efficient customer care management is likely to improve collection and willingness to pay on the part of customers).</p>	<p>Budget & Treasury</p>

10.4	<p>Merging of accounts. Section 102 of the Municipal Systems Act provides for the municipality to consolidate any separate accounts of person liable for payments to the municipality, credit a payment by such a person against any accounts of that person; and implement any debt collection and credit control measures to arrears on any of the accounts of such person.</p>	<p>To improve accounts control, consolidate any separate accounts for the stands and not approve applications by of tenants for services with the municipality. Owners of properties have to take responsibility of the risk of non-payments of service accounts by their tenants.</p>	<p>Budget & Treasury</p>
10.5	<p>Communication. Communication should play a role in promoting awareness of the need for municipal revenue enhancement. Due to different levels of social and economic development within the municipality, the ability to pay for services varies from one area or community to another. Furthermore, it is only through communication that the relationship between the municipality and its customers can be enhanced.</p>	<p>Create awareness on the implications and benefits deriving from revenue enhancement for the people living within Maruleng municipality, including leadership and both internal and external stakeholders.</p> <p>Policies and bylaws should be properly communicated to the public in general and the target audience/customers.</p> <p>Identify target customers identification. (The municipality should know who can and cannot pay for their services and why they can or cannot pay).</p> <p>Have stakeholder engagements as a part of public participation and not only campaign based.</p>	<p>Budget & Treasury & Mayor's Office</p>
10.6	<p>Communication support tools for revenue enhancement</p> <ol style="list-style-type: none"> 1. Indigent policy 	<p>Update indigent policy regularly. Provide ward councillors with training on essential aspects of the indigent register, including the compilation and layout of accounts.</p>	<p>Budget & Treasury, Technical services &</p>

	2. The billing system	<p>Launch a drive to inform customers about the billing system.</p> <p>Provide ward councillors with training on essential aspects of the billing system, including the compilation and layout of accounts.</p>	<p>Community Services.</p> <p>Budget & Treasury & Corporate Services</p>
	3. Credit control and debt collection policy/bylaws	<p>Policies and bylaws should be properly communicated to the public in general and the target audience/customers. (Among other things, customers should be made aware of what action the municipality can take in the event of defaulting).</p>	<p>Budget & Treasury</p>
10.7	Improving internal (pre legal) collection.	<p>Negotiate <i>memoranda of understanding</i> with the relevant <i>bodies corporate</i> to facilitate rates collection from farm estates or sectional title schemes.</p> <p>Intensify monitoring of the accounts of the large consumers. Prompt and appropriate action should be taken where any of them defaults, to ensure that they do not fall behind.</p> <p>Attend to all reported account problems urgently.</p> <p>Arrange customer engagement meetings, involving political leadership to promote a good working relationship.</p> <p>Effective use of e-statement and sms messages to communicate account information (balances, due dates etc).</p>	<p>Budget & Treasury</p>
10.8	Improving rental management	<p>Tenant registers should be updated urgently by conducting an audit of the tenants register and updating of lease agreements.</p> <p>Collection of rental should be improved through enforcement of debt collection measures (including the use of external collection agents).</p> <p>A responsible person be identified to manage the service.</p>	<p>Budget & Treasury & Community Services</p>
10.9	Solid waste management (refuse)	<p>Stakeholders engagement meeting be called with consumers of the service to discuss problems and way forward.</p> <p>Every consumer to sign service level agreements with the municipality.</p>	<p>Budget & Treasury & Community Services</p>

		<p>A plan be developed as to how to deal with seasonal operations within the municipality.</p> <p>Appoint external collection agents and assess the collectability of historic debt with the consumers without service agreements with the municipality.</p>	
10.10	Land for development. Due to its predominantly rural nature, the municipality's scope for increasing existing services, and introducing new revenue streams is limited.	As part of strategic planning, the municipality should identify and plan for acquiring land for development to create the potential for extending and increasing revenue streams.	Budget & Treasury, Technical Services & SPED
10.11	The credit control and debt collection functions are currently combined under one section staffed by one officer.	Improve the effectiveness of revenue collection by separating credit control and debt collection and assigning the two function to different individuals.	

11. Conclusion

- 11.1. It is important to state that implementing any of these suggested new or revised tariffs will not be an easy process. The municipality must be prepared to face remarkable resistance and accordingly to defend its position.
- 11.2. The municipality will take an undertaking to collection method of door to door in reference to verifications of data on consumer's accounts and to try and negotiate with non-payers on farms for property rates as there is no service that is being rendered for that category.
- 11.3. Secondly, the integrity of the internal control systems responsible for ensuring that all monies received are recorded and that all recorded monies are banked is also dependent on the Internal Audit Function. The system of internal control must be designed that such that there are automatic means of independently verifying or ensuring that no sundry service will be rendered without a municipal official receipt (proof of payment) and that such proof of payment shall be collated independently of the cash receiving function to serve as double proof that receipts were issued for monies physically received.