



THULAMELA MUNICIPALITY

REVENUE ENHANCEMENT STRATEGY

1. BACKGROUND

Thulamela Local Municipality is one amongst four Locals, namely Makhado, Collins Chabane and Musina Local Municipality within Vhembe District Municipality in Limpopo Province and the boundaries covers 2 893.936 km², coordinates are 22° 57' S 30° 29' E.

Thulamela Local Municipality is a Category B municipality established in terms of Local Government Structures Act number 117 of 1998. Thulamela Local Municipality shares the boundary in the south east with Collins Chabane Municipality while sharing the border's with Musina Municipality in the north east and Makhado Municipality in the west.

Community survey 2016 (Stats SA) revealed that the population in Thulamela Local Municipality is 497 237. The population has decreased by 121 225 after the establishment of Collins Chabane Local Municipality and the de-establishment of Mutale Local Municipality.

The following are the powers and functions of the municipality as per the division in section 84(2) of the Municipal Structures Act:

Air pollution, Building regulations, Child Care Facilities, Local Tourism, Municipal Planning, Municipal Public Works, Storm-water management systems, Trading Regulation, Billboards and Display of Advertisements in Public Places, Cemeteries, Funeral Parlours and Crematoria, Cleansing, Control of Public Nuisances, Control of Undertakings that sells Liquor to the Public, Facilities for the accommodation, Care and Burial of Animals, Fencing and Fences, Licensing of Dogs, Licensing and Control of Undertakings that Sell Food to the Public, Local Amenities, Local Sport Facilities, Markets, Municipal Parks and Recreation, Municipal Roads, Pounds, Public Places, Refuse Removal, Refuse Dumps and Solid Waste Disposal, Street Trading, Street Lighting, Traffic and Parking.

Thulamela Municipality is predominantly rural and this contributes negatively to the revenue generation of the municipality. The municipality does not have strong revenue base and as a result it is highly dependent on grant funding for the operations.

The municipality is expected to operate efficiently, effectively and economically, therefore revenue, spending and asset management, are vital components to the sustainability 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 endeavors to increase/improve revenue collection from debtors.

The revenue collection should not be limited to debt collection but alternative revenue sources must also be considered.

The document may require annual review based on the changing economic conditions and political environment.

2. PROBLEM STATEMENT

The municipality have limited revenue base and this impact negatively on the capacity to collect revenue and limit the capacity to deliver the legislative requirements. The municipality is in rural area and the debtors are demotivated to pay their debts due to inaccessibility of services as a result of lack of infrastructure including roads, hence they are not motivated to pay the services.

This challenge is further exacerbated by the lack of leverage on collection of debtors as the municipality does not render water of electricity services.

3. SWOT ANALYSIS

Strengths	Weakness
<ul style="list-style-type: none">• Financial billing system• Computer equipment• In-service training• No Political interference on implementation of credit control• Political buy-in;• Availability of Legislation and regulations that governs the revenue and debt management processes;	<ul style="list-style-type: none">• Limited sources of revenue.• Lack of staff resources.• Inaccurate consumer Data• Insufficient collection of income from other municipal revenue sources.• Partial implementation of credit control policies.• Lack of leverage to enforce credit control.• Lack of office space• Poor coordination of revenue and debt management function;• Accurate and complete customer billing (Integrity of customer data);• No proper municipal structures in place that support revenue and debt management;
Opportunities	Threats
<ul style="list-style-type: none">• Training institutions are available in the country who can render training service.• A number towns and big businesses in municipal area	<ul style="list-style-type: none">• Inability to raise revenue in rural arrears.• Culture of not paying for municipal services by consumers and ratepayers.

<ul style="list-style-type: none"> • Tourism opportunities. • National Treasury revenue management initiative; • Capacity building programs from National Treasury; • • Availability of relevant stakeholders such as Universities and other private institutions; 	<ul style="list-style-type: none"> • Resistance by Traditional leaders to motivate the residence to pay for municipal services • Prescription Act that allows for specific debt to prescribe. • Poor working relations between public institutions; • No/poor implementation of resolutions from intergovernmental forums <ul style="list-style-type: none"> • Ineffective revenue and debt management forums; • Lack of controls over services rendered by other spheres of government eg. Water, SASSA grant
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4. PURPOSE

This strategy seeks to address the municipal failures particular on revenue and debt management and to enhance the revenue generation by the municipality. The strategy will also give particular attention to maximizing collection of direct income (other income) as well as revenue generating. This will ultimately improve municipalities' reliance on grant funding and any other external support to enhance their self-sustainability.

5. OBJECTIVES

- To identify weaknesses in the municipality's revenue and debt management function;
- To develop a practical approach to improve the overall own revenue base for the Municipality;
- To ensure that Thulamela municipality have credible own revenue and management frameworks (strategies and plans);
- Develop monitoring and reporting tools to sustain own revenue in Thulamela municipality;
- Determine practical methodologies of collecting revenue from debtors, including government debts.

6. LEGISLATIVE REQUIREMENTS

Section 64 of the Municipal Finance Management Act provides for the accounting officer to take responsibility for the management of the revenue of the municipality, particularly sub-section (f) that states that the municipality must have and maintain a system of internal control in respect of debtors and revenue, as may be prescribed.

Section 96 of Local Government: Municipal Systems Act, No 32 of 2000 provides for a municipality to collect all money that is due and payable to it, subject to the Act and any other applicable legislation.

Other key legislations relevant to these engagements, amongst others include:-

- Municipal Systems Act of 2000 (Act 32 of 2000);
- Municipal Structures Act;
- Municipal Fiscal and Functions Act;
- Municipal Property Rates Act;
- Intergovernmental Fiscal Relations Act of 1997;
- Intergovernmental Relations Framework Act of 2006 (Act 13 of 2005);
- Treasury Regulations;
- Division of Revenue Act;
- The Government Immovable Asset Management Act (GIAMA); and
- MFMA circulars.

All relevant legal prescripts, strategies, policies and guidelines other than the ones stated above relevant to this function are also acknowledged.

7. ROLE PLAYERS / STAKEHOLDERS

Stakeholder	Responsibility
Municipal Manager	Monitoring the implementation of strategy
Limpopo Provincial Treasury	Supporting the municipality on implementation of strategy
CoGHSTA	Supporting the municipality on implementation of strategy
Community for Thulamela Municipality	Consultation of strategy
Budget and Treasury	Facilitation and coordination Provision of accurate information and participation in meetings

Stakeholder	Responsibility
	Attend meetings and honor resolutions and agreements
All Municipal Departments	Provision of accurate information and participation in meetings Attend meetings and honor resolutions and agreements

8. INSTITUTIONAL ARRANGEMENTS

The successful implementation of this strategy will largely depend on the facilitation and collaboration by all municipal departments through submission implementation of the plan and reporting through submission of updates and attending of meetings. Therefore, the following role players are very central in the implementation of this strategy:

- The Municipal Manager
- Senior Managers
- Middle Managers

The facilitation of this strategy should also take place at Budget & Treasury (Revenue Division). Departments will be expected to make inputs on the implementation plan for this strategy and their activities should be identified.

Relevant forums should therefore be identified and informed of their roles as such. These among others are;

- Municipal council meetings;
- Finance Portfolio Committee Meetings;
- Municipal Managers' – Senior Management Meetings;
- Revenue Enhancement Meetings;
- Management meetings (Departmental).

The roles and functions of each of the forums above will be explicitly outlined in the implementation plan.

9. CHALLENGES/ OR RISKS ASSOCIATED WITH MUNICIPAL REVENUE AND MANAGEMENT

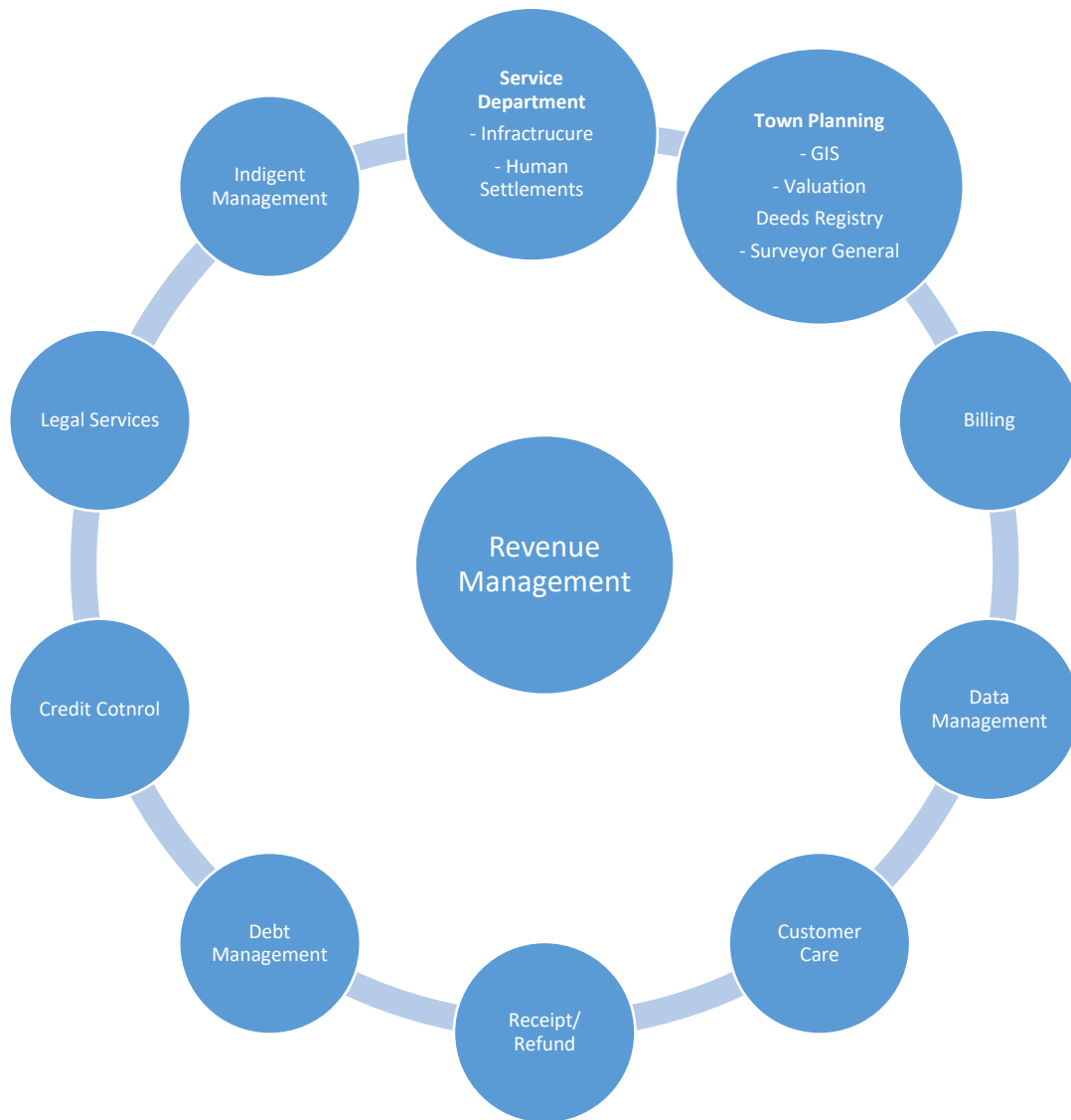
The following major revenue and debt management challenges/ or risks that affects the municipal revenue performances:-

- The credibility of consumer data that is reported;
- Inaccurate and incomplete billing;
- Low revenue collection which results in high reliance on grants;
- Lack of implementation of Credit Control policies and by-laws;
- Lack of capacity to roll out revenue and management policies and strategies;
- Poor or ineffective control environment relating to financial management;
- Illegitimate indigent customers due to inability to validate indigent subsidy beneficiaries;
- Unaffordability of consumers services;
- Unwillingness to pay by customers;
- Lack of municipal capacity to implement credit control;
- Un-coordinated function between Budget & Treasury, Town Planning and Technical departments of the Municipality.

10. REVENUE MANAGEMENT VALUE CHAIN

10.1. Revenue management Cycle

This is a significant tool of ensuring alignment and role clarifications across variety of related and dependent functions that are central in structuring and implementing revenue generation strategies within municipalities. This is a complex process that requires collaboration of stakeholders at various levels / or spheres of government.



The above table explicitly illustrates the interrelation of revenue generating functions within the local government administration.

10.2 SERVICE DEPARTMENT

Satisfactory service delivery by all departments

The responsibility for revenue enhancement lies with all departments within the municipality, as each municipal department have a role to play in order to achieve/maintain healthy financial status.

Revenue collected from billed services come with its serious conditions that may be difficult to fulfill on municipal side.

Once the residence are billed for municipal services, they generally starts to feel the financial burden imposed on them and begin to realize they are entitled to services.

The inability of the municipality to provide such services, may result in demonstrations by consumers, and many times this comes with conditions that before their complaints are attended to, there will not be any payments of municipal services.

All departments must render satisfactory services to consumer or do their part regarding service delivery as customer pay for services that they have seen.

10.3 TOWN PLANNING SERVICES

The Town Planning unit of the municipality plays a critical role in ensuring that land zoning is done and serviced in accordance with applicable legislation and in collaboration with the office of Surveyor General. Of equal importance is Geographic Information System (GIS) which enable the municipality, community, and prospective investors to know the possible land available for development in a particular municipality.

On purchase of a land parcel, the municipality, the customer and the Deeds Registry office should again collaborate in ensuring that the customer acquires title deed of the purchased property for further development. The process of obtaining supplementary valuations for all new developments is critical in ensuring that the property rates revenue in not overlooked.

The Town Planning unit of the municipality will ensure that all construction work done within the municipality is in accordance with approved building plans. This activity is very critical to municipalities despite capacity challenges facing municipalities and provincial departments, particularly for infrastructure programmes. Compliance to building requirements and specifications gives a property its original value and this impact significantly on the rates and taxes to be levied by the council.

11. STRATEGIC FOCUS AREAS

No	Key Performance Area	Specific Strategies
1.	Deeds Register	<ul style="list-style-type: none">Updated property ownership;All sites sold must be registered with the Deeds on purchaser's names
2.	Geographic Information System (GIS)	<ul style="list-style-type: none">Regularly updated GISInterfacing the GIS with financial system for accurate billing

No	Key Performance Area	Specific Strategies
3.	Town Planning	<ul style="list-style-type: none"> Complete zoning of land parcels
4.	Valuation	<ul style="list-style-type: none"> Up to date municipal valuation roll; Complete Valuation roll
5.	Infrastructure	<ul style="list-style-type: none"> Maintenance of infrastructure
6.	Billing	<ul style="list-style-type: none"> Accurate, timeous and complete customer billing (Integrity of customer data); Use of MMS, emails and SMS to send statements
7.	Credit Control Management	<ul style="list-style-type: none"> Effective implementation of policies and by-laws; Improved revenue collection function; Debtors motivated to pay their accounts
8	Clearance	<ul style="list-style-type: none"> Smooth and legal transfer of ownership of properties
9.	Collections and Payment Receipting	<ul style="list-style-type: none"> Timeous allocation of receipts from customers;
10.	Customer Care Management (Communication)	<ul style="list-style-type: none"> Effective customer services and convenient customer environment Functional customer service desk, where all queried are recorded, followed-up and feedback provided.
11.	Indigent Management	<ul style="list-style-type: none"> Up to date indigent management register; Realistic and reasonable indigent budget; Verification of indigent beneficiaries
12.	Institutional Arrangements	<ul style="list-style-type: none"> Capacity building initiatives for improving revenue collections; Establish relevant municipal structures;
13	Refuse services	<ul style="list-style-type: none"> Availability of complete and accurate list of sites where refuse services are rendered
14	Tariffs	<ul style="list-style-type: none"> Tariffs are cost reflective
15	Data Management	<ul style="list-style-type: none"> Correct and complete consumer data on GIS and financial system

No	Key Performance Area	Specific Strategies
16	Receipting	<ul style="list-style-type: none"> All receipts are correctly recorded in the financial system and banked.
17	Legal	<ul style="list-style-type: none"> Establishment and legalization of municipal by-laws.
18	Other revenue/Direct Income	<ul style="list-style-type: none"> Control measures to maximize collection of direct income.
19	Expenditure management	<ul style="list-style-type: none"> Implementation of cost containment strategy

12. CONCLUSION

This Revenue Enhancement Strategy takes effect from date of Council approval and a Revenue Enhancement plan will be developed for implementation of this strategy.

13. APPROVAL

The strategy was approved by the Thulamela Council at the Council meeting held on_____

RESOURCES:

LIMPOPO PROVINCIAL TREASURY: MUNICIPAL REVENUE AND DEBT MANAGEMENT STRATEGY

MUNICIPAL FINANCE MANAGEMENT ACT, NO 56 OF 2003

TREASURY REGULATIONS

MFMA CIRCULARS

MUNICIPAL SYSTEMS ACT OF 2000 (ACT 32 OF 2000)

MUNICIPAL STRUCTURES ACT (ACT 117 OF 1998)

MUNICIPAL FISCAL AND FUNCTIONS ACT (ACT 12 OF 2007)

MUNICIPAL PROPERTIES RATES ACT (ACT 6 OF 2004)