

REVENUE ENHANCEMENT STRATEGY

2016/17 – 2018/19





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ABBREVIATIONS AND ACRONYMS

AGSA	Auditor - General South Africa
BBBEE	Broad Based Black Economic Empowerment
BCP	Business Continuity Plan
CAPEX	Capital Expenditure
CFO	Chief Financial Officer
DCS	Debt Collection Support
DCU	Debt Collection Unit
GLM	Greater Letaba Municipality
NERSA	National Electricity Regulator of South Africa
MFMA	Municipal Finance Management Act
SME	Small Enterprises
EXCO	Executive Committee
SAPS	South African Police Service



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1. INTRODUCTION

The challenge of small municipalities is characterized by insufficient funding which seriously undermines and hampers the notion of a developmental local government. Across the country, small municipalities are dependent almost entirely on grants from national treasury, other national departments and provincial departments. This sad reality means that most municipalities including Greater Letaba Local Municipality barely exist. In general terms, these municipalities are unable to develop the local economy into a dynamic and strong driver for equality life of the citizenship as they are unable to maintain and expand the infrastructure to support new economy growth, amongst other things.

Whilst there are some very well run municipalities, the overall current state of local government in South Africa is precarious and is characterized by increasing debtors, financial statements not being timeously submitted to the Auditor-General, qualified audit reports, poor systems, poor long term planning, huge service delivery backlogs, increasing salary bills, unfunded mandates, government debt, concerns about sustainability, and greater demands and expectations by all stakeholders

Further, the situation of small municipalities is compounded by their general lack of capacity to collect even the meagre revenue that is due to them. Various reasons can be articulated as causes which include lack or poor systems, incapacity to expand and deliver quality services, lack of awareness for payment of services and in the case of rural municipalities the expansive nature of the area and the fact that many do not fall within the ambit of a municipality in a traditional sense of the word, presents additional changes.

The Municipal Finance Management Act (MFMA) has the following impact with regard to revenue and its collection:

- Must have realistic income projection
- Must have a balanced a fully funded cash budget which is cash baked and ensure sustainability
- 3-year budgeting must be in place
- All funds must be cash backed
- Adequate provision must be made for bad debts
- Must have an effective revenue collection system consistent with the Systems Act
- Expenditure management has to be strictly managed when revenue is anticipated to be less than projected

1.1 WHY REVENUE ENHANCEMENT

Revenue Enhancement is being undertaken by GLM so that it can among other things:

- Stabilize the financial and economic sustainability of GLM in order to broaden the income base and increase revenue.
- Reduce proportionally high costs, to affordable levels.



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- Create an environment which enhances development, growth and service delivery.
 - Financial impact from the fact that the municipality is not a water authority.

1.2 COMPARISON OF THE PRIOR YEAR ACTUAL AND BUDGETED REVENUE

We have analysed the actual revenue of different streams of revenue as this will be a point of departure for our Revenue Enhancement Strategy. The table below presents actual revenue during the 2015/16 financial year as well as the budget revenue, it then continues with the variances per each service offered and the reasons why in certain instances Greater Letaba Local municipality under-achieved the budget

Greater Letaba Municipality Revenue Enhancement Strategy 2016/17 – 2018/19



Type	Final Budget	Actual	Variance	Variance as a percentage	Reasons for variances
	2016/17	2016/17			
Sale of electricity	27 412 000.00	9 782 575.00	17 629 425.00	64%	Only 64% of the budgeted amount was actually billed, this is due to our consumers purchasing prepaid electricity in small amounts as well as the distribution losses and rebates for our indigents consumers. Furthermore the figures included are made of actual billings as at 30 June 2016 and do not entirely represent the actual monies collected.
Refuse removal	5 573 000.00	4 053 445.00	1 519 555.00	27%	Only 27% of the budgeted revenue was not collected
Other Income	5 388 532.00	1 239 860.00	4 148 672.00	77%	Other income was less than the budget amount by 77%. There is a need by the municipality to devise a strategy to enhance other income sources
Property rates	9 599 611.00	11 845 856.00	-2 246 245.00	-23%	Revenue for property rates was above the budget figure by 23% which is a good sign for the municipality.
Rental of facilities and equipment	250 057.00	142 097.00	107 960.00	43%	Revenue from rental of facilities and equipment was under achieved. There has to be a specific focus on this item to ensure that we charge what we have budgeted. Communities need to be urged to use the municipal infrastructures.
Interest received on outstanding receivables	7 778 083.00	9 162 216.00	-1 384 133.00	-18%	Interest charged on outstanding receivables was more than the budget amount. This is also an indication that customers are not servicing their municipal accounts on time. Although interest is being levied communities need to be urged to ensure that they service their accounts on time.
Income from Agency services	1 942 190.00	1 975 516.00	-33 326.00	-2%	What was budget to be billed has been billed, this an indication that GLM is working hard with issues relating to collection of income from agency fees.
Licences and permits	6 264 363.00	4 261 961.00	2 002 402.00	32%	Licences and permits are determined by a commission received from the department of transport; this is 20% of the total amount paid by the customer relating to the services rendered. This is a secondary revenue collection for the municipality and there shouldn't be really an emphasis in the enhancement strategy, however it should not be ignored.
Interest received on investment	4 033 870.00	5 885 924.00	-1 852 054.00	-46%	The municipality did not receive interest on investment as anticipated with negative 13% variance. New investments need to be explored to ensure that the municipality obtains returns on investments through interest.
Government Grants	271 490 000.00	270 846 324.00	643 676.00	0%	What was anticipated to be received for grants has been received, GLM needs to come up with strategy to ensure that more funding for infrastructure projects



Fines	376 099.00	1 373 405.00	-997 306.00	- 265%	Fines were issued to the value which is more than the budgeted amount; however this should not be read alone as the collections of fines are normally less. This needs to be read together with the provision for doubtful debts relating to fines. In most cases the municipality fails to collect fines and a strategy needs to be put in place to ensure that fines issued are actually collected. This can be achieved through linking fines to licences and permits renewals wherein if an offender has a fine he/she will not be able renew until payment is made.
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1.3 KEY FOCUS AREA IN REVENUE ENHANCEMENT EFFORT

We have identified the following as the key focus areas for revenue enhancement strategy:

- **The Billing Chain**

This is of paramount importance for the reason that Greater Letaba Local Municipality's core function is to offer services and its main service is provision of electricity, refuse removal and property rates which is non-exchange revenue. However it should also be kept in mind that water and sanitation services are carried out on behalf of the District municipality. Although these services, water and sanitation, are carried out on behalf of the district, this still forms part of the core service being provided by the municipality as there is also a commission earned in this regard. Therefore there should be a special focus regarding the efficiency of billing process. More can be achieved if the municipality becomes a water service authority. The Challenges of the District Municipality not reimbursing GLM should be address both at administrative level and Council level. A full invoice with formal letter of demand should be written to the Municipal Manager with tight deadlines to make payments.

- **Cost cutting and cost containment measures**

Exploring ways of reducing and containing operational costs is also important. While this is not directly revenue enhancing, this contributes indirectly to revenue enhancement as this promotes operational efficiency. In a way this ensures that future revenue gains are utilized efficiently. Employee cost need to be controlled by redesigning the organisational structure and eliminate redundant positions. Where possible we have suggested ways to achieve this.

- **Grants, Subsidies and Donations**

GLM offers essential services to mainly poor communities. Government enables this through grants and subsidies such as Equitable Share, and The Municipal Infrastructure Grants among others. GLM should therefore ensure that it explores all avenues to maximise grants, subsidies and donations. We have as far as possible focus to this source of revenue.

- **Minimise loss in distribution**

Greater Letaba Municipality has electricity distribution license granted by National Electricity Regulator of South Africa (NERSA) in accordance with the Electricity Act, 1987 (Act No. 41 of 1987) to supply electricity in Modjadjiskloof town. ESKOM is responsible for distributing electricity to other areas except in Modjadjiskloof. Mokgoba village which is an extension of Modjadjiskloof is characterised with illegal connections which result with electrical shocks, fires, damage to infrastructure and loss of revenue by the municipality. Furthermore GLM entered into a contract with Greater Mopani District for the supply of Water and Sanitation which get exposed to illegal connection resulting in distribution losses.



- **Infrastructure Refurbishment**

Unaccounted water and water losses will continue to negatively affect the revenue enhancement effort. This is due to historical neglect of infrastructure and to continue on the same path may appear cheap in the short term but will prove to be very costly in the long run. The strategy gives a deserved focus on this aspect which will include new meter upgrades for electricity and water.

- **Community involvement (Publicity drive)**

The communities should be involved as they are the ones responsible for the payment of the services rendered by the municipality. Council to encourage their community to settle their account.

- **New sources of revenue**

GLM needs to maximize its revenue generation by exploring new sources of revenue.

From this point onwards, discussion focuses on the various aspects of the strategy as outlined above.

2. THE BILLING CHAIN

Efficiency in the billing chain is critical for GLM if it is to be able to collect its revenue efficiently. The following key elements impact on the billing chain and are discussed separately below:

- Meter readers-key information link.
- Tariff structure-determines how much is charged to consumers
- Indigent policy-influences policy on who gets free basic services.
- Bad debt Policy-influences the recoverability of debts

2.1 DEBT RECOVERY STRATEGY

The debt recovery for GLM should be prioritized. The amount of debt as of end of June was R102 million. The following should be considered:

- GLM may have to consider appointing debt collectors whose payment becomes omission based. The advantages of this option are that GLM will not incur additional staff costs and the Debt Collectors will be paid from the recovered debt income. This also eliminates the high costs associated with the use of legal attorneys to recover debt.
- Debt Factoring - GLM can also consider debt factoring whereby debt is sold at a discount to third parties who would then own the debt and initiate recovery effort. This can only be an option if the above option is not taken

GLM should adhere and adopt the following proposals,



- An effective billing and cash receipting system is required.
- Credit control and debt collection policies need to be strictly adhered to.
- Accurate meter readings need to be taken
- Accurate accounts that are simple to understand must be distributed as early as possible
- Introduce a facility that allows debtors to enter into arrangements to pay
- A good Debt Management Strategy needs to be in put in place. This strategy should include an emphasis on the monitoring of the Top 100 debtors (based on 80-20 principle);
- The pursuance of government debt with possible intervention by Provincial Structures and National Treasury.
- Enhance service delivery provision to encourage payment
- Refuse removal challenges at the villages
- Adequate deposits are held in respect of errant customers; and develop customer consciousness by fast action and effective communication

2.2 METER READERS

It should be noted that Meter readers are a critical component of the billing chain. Their failure to read meters correctly and timely affects the entire billing chain. The meter readers operations need to be monitored and they need to be consistently evaluated on their performance. Evaluation tools can be utilized to set agreed targets which will be assessed monthly by supervisors and quarterly by management. Performance bonuses and, promotions can also be linked to outcomes from these evaluations. The current meter readers are outsourced and this needs to be taken into account,

Meter reading challenges and possible solutions

- Meter reading is performed manually which poses a problem regarding the accuracy of the readings performed.
- Meter readers are not in service of the municipality and could pose a risk when the contract with the service provider expires.
- GLM should consider hiring meter readers on a permanent basis as this service is continuous and will also mitigate certain risks relating to use of service providers. This will also be an opportunity for GLM to create employment within the area.
- Meter readers report to the technical division whereas the information they collect goes to the revenue section
- The meter reading process also poses serious problems and 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.
- Where accounts were placed on “extension” it should be lifted and the consumer must make an arrangement to settle the account over a maximum period of six months.
- The monthly meter reading variance and exception reports must be analysed and referred to an official dedicated to this task. In order to have effective revenue



and debt management systems, the municipality needs to ensure that accurate and credible accounts are produced.

- GLM should introduce scanners for meter reading as this will be more efficient when the readings are being taken. The scanners also mitigate the risk of accurate reading being taken.
- GLM should consider a new reporting structure wherein the meter readers report directly to the revenue department to ensure efficiency of the billing process.
- To avoid possible strikes, management should strengthen supervision of employees
- Management should make assessment of cost versus benefits of temporary employees versus full-time employees for meter readings

2.3 TARIFFS

Expenditure and tariff reviews need to be in line with inflation and be realistic in terms of providing a reasonable level of service. Tariffs must be cost reflective.

2.4 INDIGENT POLICY

The approval process of indigent applications need be made shorter. Proper indigent registration will also assist in reducing the debt book which is growing by the day and is likely to be difficult to recover due to high levels of indigence.

The implementation of the policy criteria requires closer scrutiny to ensure that only eligible consumers' benefit from this policy.

The challenges and financial implications associated with the management of indigent debtors should be streamlined.

In the short term it would necessitate that the indigent register be recompiled and in accordance with the classifications in the indigent policy.

As a priority the indigent registration process must be reopened with a clear framework and evaluation criteria to ensure only qualifying debtors are subsidised.

It is imperative that the indigent register only reflect people that really qualify. In this regard, a cost effective way would be to subject all the indigent debtors on the register to a credit check through an agency or credit bureaus where their financial ratings and credit profiles can be determined.

This credit check provides valuable information on employment details, credit records and ratings, postal addresses, contact details.

It is also imperative that all applications will only be valid for the current financial year and those consumers renew their registration on an annual basis.

The registration process can be done in two ways, namely:-

- Requesting consumers to complete an application form and submit it to the municipality; or
- Conduct a house-to-house research where more than just indigent information is gathered. Social, economic, infrastructure planning, street names and numbers,



meter details, and more can be collected. This option is more expensive but in the long term it provides valuable information, which makes it worthwhile.

2.5 BAD DEBT POLICY

The distinction between irrevocable debt and neglected debt must be worked in greater detail. The credibility of the data of debtors and the management thereof is an important area of implementation of this policy. If not managed properly it could result in negligent debt being categorized as irrevocable debt. Management should implement the policy in full which include (disconnection and handover to debt collectors)

2.6 ENHANCEMENT OF THE DEBT COLLECTION UNIT

GLM currently does not have a dedicated debt collection unit. Staff members should be appointed on contract to focus on business and government debt. The staff members must dedicate their time and energy only on the allocated accounts, build the necessary relations with the respective debtors and ensure that the debts are recovered in the shortest possible time.

2.6.1 THE RESPONSIBILITY OF THE DEBT COLLECTION UNIT (DCU)

- The DCU must perform debt collection tasks only and not be burdened with accounting and administrative tasks. Their focus from 8 am to 4 pm should be to contact the debtor, get him / her to make an arrangement or to pay the outstanding account.
- They should not only use the traditional collection tools, but also employ methods such as phone, fax, e-mail, sms, registered mail, notices, personal visits, news paper articles to create awareness, notices at schools, churches, businesses, shopping centres, etc.
- This unit must prepare disconnection / cut off lists on arrear debt and liaise with the revenue unit on their current account disconnection / cut offs to ensure co-ordination.
- The unit must manage arrangements and extensions, but no arrangements must be allowed on current accounts, which must be paid monthly.
- Prepare notices to debtors notifying them of intention to black list them with the credit bureaus.
- Prepare the summonses and hand over the accounts to attorneys and debt collectors, where internal collection efforts have failed.
- The staff in the unit must be performance driven and clear collection targets must be set for each staff member.
- A project manager to be identified /appointed in the unit to drive the programme, prepares targets, produces management reports and liaises with other units and departments.



2.6.2 DEBT COLLECTION SUPPORT UNIT (DCS)

- The DCS should be constituted to provide technical support to the DCU. The purpose is to provide GLM administrative and technical support to the DCU, in order to enable the latter to focus on debt collections only.
- The DCS must perform the analyses, reconciliations and the updating of missing information on debtors accounts, review deposits /security and hand over to DCU for collection. This unit becomes the back office of the debt collection programme.
- The analyses of the inactive and “return to sender” accounts can be reconciled by this unit and recommendations made on the finalisation thereof.
- Representatives can accompany the DCU to meetings with clients where queries are discussed.
- The unit must follow up the meter reading variances and inaccurate meters to ensure adjustments and corrections are effected on the system and debtors account.
- Follow ups must be made with the revenue section on the return to drawer (RD) cheques to ensure corrective measures are taken or the account is handed over to the DCU.
- Follow ups must be made monthly on the posting of accounts, to ensure all accounts are posted on time and “return to sender” accounts are eliminated.

3. GRANTS AND SUBSIDIES AND DONATIONS

At the outset municipalities need to ensure that income from grants and subsidies are maximized. They need to ensure that they are not missing out on any grants and subsidies. In addition, to local grants, they need to look at grants from international organizations, such as the European Union, etc.

4. MINIMISE LOSS IN DISTRIBUTION

There is currently significant loss in distribution due to illegal connections, meter tampering, and water and electricity infrastructure not being properly maintained.

To address this issue it is recommended that zonal meters for water should be introduced and need greater investment in water and electricity infrastructure. We also need to ensure that we adopt a zero-tolerance approach towards the theft of water and electricity. In this regard, the sanctions of our courts need to support us. Cost benefit analyses must be done before any possible solution is implemented. Electricity metering of own buildings.

4.1 ILLEGAL CONNECTION

Systems and processes needs to be improved to ensure that disconnection instructions are implemented and those consumers don't reconnect themselves.



A system where periodic spot checks are conducted is needed, and if found that illegal reconnections were made, the electricity cables should be removed and the consumer must pay for a new connection plus a penalty. This message must be clearly communicated and stricter enforcement is a matter of urgency. Illegal reconnections must also be reported to the South African Police Services (SAPS)

5. INFRASTRUCTURE REFURBISHMENT

Provision of electricity, water and sanitation remains the main source of revenue for GLM. It is therefore important that these services be rendered timeously and efficiently. Affecting the water and electricity services provision is the state of infrastructure. The infrastructure refurbishment plan need to be in place so that water assets are serviced in time. To this end GLM needs to have adequate budget for this expenditure.

5.1 INFRASTRUCTURE CHALLENGES FACED BY GLM

5.1.1 LACK OF INDUSTRIAL ESTATE

In terms of manufacturing, a major constraining factor is the lack of a defined industrial area in the municipality, with some manufacturing plants being located among the business premises in Modjadjiskloof. Furthermore, industrial plants in Greater Letaba Municipality do not receive preferential rates in respect of electricity and water, but are paying urban rates. The establishment of an industrial estate with incentives for development could attract factories and other manufacturing industries to the municipality. Politsi industries and surrounding areas were shifted to Tzaneen after the Municipal Boundaries Demarcation in year 2000.

5.1.2 LACK OF TOURISM INFRASTRUCTURE

GLM does not currently have a large range of accommodation, conference or tourism facilities, which hampers the development of the tourism sector in the municipality. The town of Modjadjiskloof also has very little to offer as a place to stop for refreshments or supplies. In addition, if a critical mass of attractive and innovative products are not created at Modjadji, and adequately marketed, the few products that have been created will fail to perform in the highly competitive situation that prevails in South African tourism as a whole. Furthermore, the lack of coordination in terms of an integrated tourism development plan for Modjadji is a serious threat, which could result in one of Limpopo's most important tourism icons never reaching its full potential.

5.1.3 LACK OF TOURISM AWARENESS

There are very low levels of awareness regarding the tourism industry amongst local communities, which results in communities not fully understanding the value of the tourism industry, not generally having a positive and friendly attitude towards visitors, and not being aware of what opportunities the industry presents in terms of SMME involvement. Valuable heritage resources such as historical sites, as well as the local legends, oral history and indigenous knowledge systems are in many instances also not



conserved and may be lost in the short term to the tourism industry and in the longer term, to the nation as a whole.

5.2 SUMMARY ON INFRASTRUCTURE STRATEGY

Activity	Objective	Benefits	Risks/Challenges
Infrastructure refurbishment plan (Electricity)	Improve and maintain water & electricity assets thereby reducing incidences of water losses	Robust infrastructure with increased lifespan	Cost Implications to fix the dilapidated infrastructure and budget constraints for continued refurbishment
Water Loss & Unaccounted For Water Management <ul style="list-style-type: none"> ▪ Developing and implementing loss management processes. ▪ Performing reconciliation of water quantities produced to quantities billed on a regular basis. ▪ Report on actual losses and take appropriate action to resolve or reduce these losses 	To improve management of water losses and to account for all the unaccounted for water & electricity	Improved loss control leading to cost savings and possible increase in revenue. Accurate statistics and information is made available for future developmental purposes.	Capacity and systems available to indentify losses and reasons.
New meters Installation <ul style="list-style-type: none"> ▪ New bulk meters in all zones and at all water works. ▪ Carry out feasibility study of possible new billable areas 	Increase chances of accounting for unaccounted for water. Create additional revenue.	Water movement, distribution and consumption can be tracked efficiently.	Budget constraints. Cost/benefit implications

6. NEW SOURCES OF REVENUE

GLM need to attract new business and create an environment to increase its revenue collection. In order to achieve this, GLM need to identify untapped revenue sources. The following areas of untapped revenue sources will be discussed:

- New township development/upgrade
- Extended electricity licence
- Prepaid electricity meters and system
- Informal trader rental



- Optimal use of the municipality infrastructures
- Development of new cemetery
- Fully Water Service Authority
- Public Private Partnership
- Tourism

The table below presents the municipality's demographics. The table will assist in interpreting how the municipality is currently providing services to its residents. From the table it can be noted that the population in GLM is 2 018 030 as at 2016.

	2016	2011
Population	218 030	212 701
Age Structure		
Population under 15	32.1%	34.5%
Population 15 to 64	62.2%	58.6%
Population over 65	5.7%	6.9%
Dependency Ratio		
Per 100 (15-64)	60.7	70.7
Sex Ratio		
Males per 100 females	82.7	81.2
Population Growth		
Per annum	0.56%	n/a
Labour Market		
Unemployment rate (official)	n/a	40.3%
Youth unemployment rate (official) 15-34	n/a	49.9%
Education (aged 20 +)		
No schooling	26.7%	27.0%
Matric	20.5%	17.7%
Higher education	6.2%	6.0%
Household Dynamics		
Households	67 067	58 261
Average household size	3.3	3.6
Female headed households	54.4%	56.8%
Formal dwellings	91.6%	91.9%
Housing owned	75.4%	46.1%
Household Services		
Flush toilet connected to sewerage	7.2%	6.8%
Weekly refuse removal	8.6%	8.5%
Piped water inside dwelling	4.9%	10.2%
Electricity for lighting	95.4%	90.8%



6.1 NEW TOWNSHIP DEVELOPMENT

- GLM has purchased 83 hectares farm for the development of township with 192 erven, open spaces and a Community hall. The municipality will be able to generate rental, property rates, and refuse removal revenue.
- Furthermore there is a proposed additional development on Vrystaat farm which will comprise of residential, parks and sectional land uses.
- These two developments will increase the revenue collection of the municipality in the next 5 years if development is prioritized.
- Revenue will be generated/ collected in the long run as development of a township is capital intensive.
- The establishment of these two townships will benefit all revenue streams
- There are also possible developments areas for Mokwakwaila and Sekgosese however there are challenges regarding the traditional leaders.
- Development of shopping complex which can enhance revenue related to property rates, and refuse removal

6.2 EXTENDED ELECTRICITY LICENCE

Currently GLM is only providing electricity in few areas within Modjadjiskloof, an extension of the electricity license to accommodate other areas will boost the revenue collection of the municipality.

The table below presents the number of households and non-domestic customers in which the municipality is providing electricity.

Electricity				
Is the municipality responsible to provide?	Yes	Yes	Yes	Yes
Does the municipality have infrastructure to provide?	Yes	Yes	Yes	Yes
Does the municipality actually provide?	Yes	Yes	Yes	Yes
Is the service outsourced/commercialised?	Yes	Yes	Yes	Yes
Number of households and non-domestic customers to which provided	61 500	59 080	56 905	56 310
Domestic households with access to free basic service	779	2 715	2 103	143

- The number of households and non-domestic customers to which the municipality is providing electricity is 61 500.
- This is translating to 28% of the population. The reason why only 28% of the population is being provided with electricity is the fact that major areas such as Kgapane are purchasing electricity from Eskom.
- It will be beneficial to the municipality if an extension for electricity license is granted.
- Should the license be granted there will also be a boost in other categories of revenue such as Property rates, sewerage and water?



- Provided that the license is obtained, a system can be installed that will only allow consumers to purchase electricity if their accounts are up to date. This will further be elaborated below.

6.3 PREPAID ELECTRICITY METERS AND SYSTEM

The municipal debtor's book is as follows as at 30 June 2017:

Description	Amount	debtors as % of the gross total
Electricity	17 621 675.00	11%
Refuse	39 712 981.00	25%
Rates	44 181 666.00	28%
Other	57 311 840.00	36%
Total	158 828 162.00	100%

From the table above it can be seen that Refuse and rates make up 67% of the outstanding receivables. Failure by the municipality to collect these monies can be attributed to a lot of different issues, however in overall there are no controls in place to ensure that customers are paying their accounts and on time.

One of the key focus areas that can assist in this regard is the introduction of the new prepaid electricity system. Although electricity only make-up 14% of the outstanding balance, it can play an important role in the collection of revenue.

There are new technologies in the market that can assist GLM with revenue collection.

There has to be an introduction of prepaid meters in areas where the conventional system is still being used. This will assist the municipality to ensure that revenue collection from the sale of electricity is maximised.

There is a system in the market that can be linked to customer's account; when a customer is owing other municipal services he/she will not be able to purchase electricity regardless of where they will be.

Subsequently a customer is now force to pay their bills so that they can be able to purchase electricity.

The system has to be in a way that it does not violate the rights of the residents within the GLM area.

This can be achieved by allowing a customer to only purchase electricity when part payment of the outstanding receivable is made.

The system will be beneficial to the municipality provided that a license is extended to other areas. This will boost revenue collection for electricity as well as other services provided by GLM.

6.4 INFORMAL TRADER RENTAL

One of the areas that can enhance the revenue collection of the municipality is through the introduction of rental of spaces belonging to the municipality.



Where there are residents selling goods in pavements or in an informal area, these areas can be developed and/ or formalised and the municipality can rent out the space to the street vendors.

The collection may not be that material, however if it is properly planned it can boost revenue collection.

In order to achieve this, the following has to be taken into consideration:

- A survey has to be conducted to consider areas wherein the municipality can benefit from this exercise.
- Consultation with the hawkers has to be made to highlight the benefits of the informal trader rental.
- One of those benefits is that a trader will now have his/her own space that may not be taken by anyone since its now official.
- The rental collections have to be reasonable since this will be also trying to uplift the community.
- Operating permits for spaza shops and bakkies

6.5 OPTIMAL USE OF SHOW GROUND & COMMUNITY HALLS

GLM is currently planning to build a show ground that will benefit the community and also enhance revenue collection. This is also included in the 2016/17 budget as is also part of the Key Performance Area for local Economic Development.

The area can be used to rent out to the community and businesses that are interested in doing events.

There's also an opportunity to host annual festivals that will bring revenue injection to the municipality. There has to be a marketing strategy developed in order for the show ground to attract events. The show ground can also be used as a tourism attraction.

The show ground can also be used to show case and promote good farming within the area

Administration of community halls, proper furniture's for halls, control of facilities keys and refurbishment of facilities.

Communication on proper process to be followed on utilisation of community halls

6.6 DEVELOPMENT OF NEW CEMETERY

GLM has acquired land of which there are plans to develop a cemetery. This will also enhance the revenue collection of the municipality; as graves can be sold to the communities at developed communities.

Rates can be levied depending on whether the deceased is from within the area of GLM or not.



6.7 FULLY WATER SERVICE PROVIDER

The table below presents areas in which GLM is currently providing water:

Source	Benefiting areas
Politsi Water Supply Scheme	Mokgoba, Modjadjiskloof, Ga-Kgapane and surrounding farms
Modjadji Water Supply Scheme	
Upper Modjadji Rural Water Supply Scheme	Mamphakathi, Bodupe, Moshakga, Motsinoni, Ramphenyane and Mokwasele.
Worcester/Polaseng/Mothobeki Rural water supply	Matswi, Ditshosing, Shawela, Polaseng, Mokwakwaila, Ratjeke and other surrounding areas
Lower Molototsi Rural water Supply scheme	Jokong, Mpepule, Thlothlokwe, Mothele, Kuranta, Ramodumo, Buqa, Abele Taolome and the surrounding villages.
Middle Letaba Rural Water Supply	
	Sekgosese Area, Maphalle, Mohlabaneng, Jamela, Sefofotse, Bellevue, Mamaila Mphotwane, Nakampe, Refilwe and Makgakgapatse.

GLM is currently providing water to the residents on behalf of Mopani District Municipality.

Mopani District is responsible for the repairs and maintenance, covering employee costs and in turn should also pay GLM agency fees.

This arrangement is currently not working as GLM is incurring all costs associated with the provision of water services.

GLM needs to apply for a Water Service Authority and continue to provide water to the community.

6.8 PUBLIC PRIVATE PARTNERSHIP

A Public Private Partnership is an agreement between a public sector entity and a private sector entity. The following normally happens in this arrangement:

- Private party assumes substantial financial, construction, technical and operational risks in the design, financing, building and operation of a project
- Agreement may stipulate level of standards of service
- Private party assumes some or all of management of assets and related services
- Agreement may govern prices charged for design, building and financing of an asset
- Agreement may contain clause to transfer the assets at the conclusion

The PPP is more beneficial in projects that are capital intensive, like a development of a new township. This arrangement can be entered into with the developers so that the municipality does not incur excessive costs while developing the township.



This kind of arrangements can enhance the revenue collection of the municipality; furthermore it will enable the municipality to invest its resources in service delivery projects. The following PPP can be entered into:

PPP type	Brief description
Shopping complexes	GLM may consider other PPP options such as constructing a Shopping Complex which will rack in revenue to GLM for a long period to come.
Training Academy	GLM may consider establishing a Training Academy which will offer training to technical personnel. Training can include specialist courses for plumbers, electricians and other artisan professions. The Academy can also offer training in Leadership and Governance. The programmes will need approval by LGSETA. GLM will simply have to call for a database of Facilitators, Assessors and Moderators who will be called on to conduct the actual training. The Academy will charge fees for courses and programmes offered. GLM will then be able to train and develop personnel, and contribute to the development of the human resource within the Limpopo Province. GLM would also be in a position to access funds from the National Treasury Capacity Fund.
Fresh produce Market	GLM need to establish a fresh produce market where buyers of fresh produce can interface with farmers. GLM would get service fees from participants
Infrastructure Maintenance PPP	GLM can enter into a contractual arrangement with a private partner to maintain leaks on pipes on the water distribution chain. The service provider would be given a percentage of revenue gained due to quantified water loss savings. The advantage of this is that infrastructure will be maintained at a low cost over and above the recovered revenue. This option will however have merit if there are huge initial capital outlays to arrest the water losses.

6.9 TOURISM

GLM has an untapped tourism potential that can help enhance revenue collection. The following are the areas within the vicinity of the municipality.

- Rain Queen (Queen Modjadji);
- The biggest Baobab tree in Africa with a bar inside;
- The African Ivory route that passes through Modjadjiskloof;
- Modjadji Nature reserve, with the Modjadji (Encephalartos Transverse Cycad Forestry only found here);
- Modjadji Lodge (Lebjene);
- Modjadjiskloof waterfalls;
- ZZ2 Farms;
- Modjadjiskloof Lodge and caravan Park;



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- Ga-Kgapane Park;
 - Walking trails;
 - Montina tomato plantation;
 - Grootbosch;
 - Manokwe Caves;
 - Modjadji Museum;
 - Silver mist guest house
 - Shidila Lodge
 - Shilo Lodge
 - Nehakwe Mountains Lodge.

These tourism attractions need to be marketed strategically for that they can also boast the local economy. The rates to enter these sites need to be revised and aligned to what is in the market.

GLM can also introduce tourism levy payable by those who own lodges, hotels, and private holiday destinations.



6.10 SUMMARY OF NEW REVENUE MEASURES

Activity	Objective	Benefits	Risks/ Challenges
New township development	Create a sustainable long term source of income	This will generate economic growth within the area Sustainable housing for the community Future revenue generation from service charges	Resistance from Traditional leaders Lack of funding
Extended electricity Licence	To provide electricity in all areas under GLM thereby maximising profits	Revenue increases from the sale of electricity	Resistance from the community who would rather be supplied directly by Eskom NERSA may not approve
Prepaid electricity meters and system	To cut down distribution losses and provide an efficient system that will enable maximum collection of revenue	Reduction of receivables from conventional electricity Increase in revenue collection from other services as the system would be linked to other services	The new system could be costly
Informal trader rental	To regulate the informal trading industry	Well organised and manageable informal trading	Informal traders may not afford the rates levied Managing new traders who just appear Constant relocation of informal traders
Optimal use of the municipality	To promote sports, arts and	Show casing of the farming talent	Poor marketing



community infrastructures	culture.	Promotional of cultural activities within the area as well as neighbouring areas	Lack of interest from youth Lack of interest from stakeholders who can the area to bring in shows
Development of new cemetery	To provide proper burial site for the community at an acceptable rate	Providing decent service delivery to the community Managing burial areas to ensure that the deceased are not put to rest in any unauthorised areas	Refusal by Traditional Leaders to use municipal burial area Unauthorised use of the burial site by the community
Fully Water Service Authority	To supply water as an authority to all areas under GLM	Increase in revenue as there will be no involvement of the District.	Poor infrastructure as they have aged Resistance from the district
Enforcement of building plans approval	Supervision and inspection of buildings safety.	Increased revenue for licensing Reduces the risk of disasters	Optimal service provisions Resistance from communities
License and permits for businesses and dealers	Dedicated cahier for businesses and dealers Increase number of cashiers E-Natis	Increased revenue for licensing	Increase in employees cost.
Public Private Partnership			
Shopping complex	Create a sustainable long term source of Income	No immediate large capital outlay Risk passed on to the Private Partner	Complex relationship that could be difficult to manage Contract management expertise



		<p>Expertise in management and operations from private partner reducing the need to have internal capacity which translates into huge salaries</p> <p>Creation of employment</p>	needs to be in place
Training Academy	<p>To improve skills within Limpopo in Modjadji area</p> <p>Create a source of Income at low investment cost</p>	<p>A pool of high skilled personnel within the area</p> <p>Risk passed on to the Private Partner</p> <p>Expertise in management and operations from the private partner reducing the need to have internal capacity which translate into huge salaries</p>	<p>Competition from other established educational and technical institution</p> <p>Could take time before it becomes profitable</p>
Fresh Produce Market	To promote SME's and Agriculture as well as creating employment	<p>Risk is passed to the Private partner</p> <p>Expertise in management and operations from the private partner reducing the need to have internal capacity which translate into huge salaries</p>	Success dependant on cooperation of a number of stakeholders
Tourism	To promote tourism in Modjadji and the surrounding areas	<p>Increase in revenue through lodge/hotel levies</p> <p>Increase in economic development through job creation in the industry</p>	<p>Refusal of lodges to pay levies</p> <p>Poor marketing of tourism spots belonging to the municipality.</p>



7. COMMUNICATION STRATEGY

7.1 CONSUMERS

Information collection and dissemination

- Information on the revenue enhancement programme.
- Informing them about credit control, debt collection and indigent support programmes and policies.

Information regarding the importance of paying for municipal services

- Information regarding actions to be instituted against non payment and defaulting clients.
- Information of consumer complaints and feedback from the public on how to improve services and client relations.

Communication Channels

- Local media, where on a fortnightly basis an article is published in the local newspapers.
- Newsletters and flyers are circulated before collection drive start to encourage consumers to come in and make arrangements / pay their accounts.
- Monthly a notice can be printed on the municipal account with different messages.
- Attendance at ward committee meetings where consumer complaints and suggestions are heard and attended to. This platform must also be used to communicate the importance of paying municipal accounts and actions to be taken against defaulters.

Programme

- Articles must be drafted for publication in the above mentioned newspapers.
- Dates for ward committee meetings to be obtained to present the objective and roll out of the revenue enhancement programme. Once dates obtained the consortium and municipal management should be present at these meetings.
- Flyers to be issued with the monthly accounts – flyers to inform consumers to come to municipality if they don't receive accounts, incorrect accounts and to make arrangements to pay account.



7.2 MANAGEMENT

Information collection and dissemination

- Information on the revenue enhancement programme.
- Information about other programmes and support mechanisms. This will assist with coordination and integration of initiatives. Revenue Management is not a Finance Directorate function, but a function of management and politicians.
- Information of consumer complaints and feedback from the public on how to improve services and client relations.
- Information for management decisions to fast track the implementation and to unblock bottle necks.

Communication Channels

- Project Steering Committee that meet/ sits fortnightly.
- Management Meetings on a monthly basis.
- Attendance of ward committee meetings, meetings with the local business chamber, meetings with government departments, and other stakeholders where issues affecting the revenue enhancement programme is discussed.
- Radio Interviews.

Programme

- Project Steering Committee meetings should be held every second week, dates to be determined.
- Management meetings for 2016/17.
- Dates for ward committee meetings to be obtained to present the objective and roll out of the revenue enhancement programme. Once dates obtained the consortium and Municipal Management should be present at these meetings.
- Radio Interview accompanied by Senior Politicians.

7.3. COUNCIL

Information collection and dissemination

- Information on the revenue enhancement programme.
- Informing Council about credit control, debt collection, and indigent support programmes and policies. Council resolutions needed.
- Information regarding the importance of paying for municipal services. Councillors advocating payment for services and support for the revenue enhancement.



- Information of consumer complaints and feedback from the public on how to improve services and client relations.

Communication Channels

- Attendance at ward committee meetings where consumer complaints and suggestions are heard and attended to. This platform must also be used to communicate the importance of paying municipal accounts and actions to be taken against defaulters.
- Standing item of EXCO and council agendas where progress, problems and decisions needed should be communicated.

Programme

- Dates for Ward Councillor public meetings to be obtained to present the objective and roll out of the revenue enhancement programme.
- Committees, EXCO and Council meetings scheduled for 2016/17.

8. GOVERNMENT

Information collection and dissemination

- Information on the revenue enhancement programme.
- Informing on outstanding government debt.
- Information on disputes on ownership of land / buildings and amounts.
- Information on staff employed in departments.

Communication Channels

- Meetings with responsible officials and management to develop open communication channels.
- Sending accurate accounts to the right department and responsible official for payment.
- Presenting information and accounts in the required formats.
- Sending confirmations of payments received, and correct allocation / receipting. (unallocated deposits, incorrect receipts, etc)
- Placing an article in newspaper about how government debt was resolved and support received from the relevant department.

Programme

- Weekly visits to the affected departments to address queries and complaints.
- Daily follow ups until all queries addressed and payments affected.
- Monthly hand delivery of accounts to identified official and manager for prompt payment.

9. BUSINESS

Information collection and dissemination

- Information on the revenue enhancement programme.



- Informing business about credit control, debt collection, and indigent support programmes and policies.
- Information regarding the importance of paying for municipal services.
- Information regarding actions to be instituted against non payers and defaulters.
- Information of complaints and feedback from the business on how to improve services and client relations.
- Information on staff employed in business, branches, etc.

Communication Channels

- Meeting with Business Chamber to brief them and obtain buy in.
- Newsletters and flyers for possible advertisement and sponsorship by business.
- Monthly accounts to be reviewed to make provision for adverts and marketing by local and national business.
- Attendance of monthly business chamber meetings.

Programme

- Meeting with business chamber initially and thereafter monthly.
- Newsletters and flyers.
- Monthly accounts to be redesigned.

There has to be a continued publicity drive to educate consumers on the perils of interim accounts as well as the inconveniences of power supply suspension. The ease with which the municipality handles feedback from the community is also a priority. Communication must flow between GLM and the community to ensure that better services are provided.

A possible publication of projects that is ongoing in respective wards or success stories within the community/ ward. For example, in a community or ward there can be a public notice relating to completion of a road or a clean-up project is due to start to show the community what we are doing with their money. This information can also be inserted in the newsletters sent to account holders.

The following information can be included in the newsletters as it is important to the community as they are our consumers:

- Information on the revenue enhancement programme
- Informing them about the credit control, debt collection and indigent support programmes
- Information regarding the importance of paying services
- Information regarding actions to be instituted against non payment and defaulting clients
- Information of consumer complaints and feedback from public on how to improve services and client relation



The following communication channels can be used to disseminate the above information:

- Local media, where on a fortnightly basis an article is published in the local newspapers.
- Newsletters and flyers are circulated before collection drive start to encourage consumers to come in and make arrangements / pay their accounts.
- Monthly a notice can be printed on the municipal account with different messages.
- Attendance at ward committee meetings where consumer complaints and suggestions are heard and attended to. This platform must also be used to communicate the importance of paying municipal accounts and actions to be taken against defaulters.

In order for this to be achieved all the stakeholders need to play their part, this includes Management and Council.

10. CONCLUSION

The bottom line is that municipalities will not be able to address their huge service delivery backlogs and meet the growing needs and expectations of its communities and other stakeholders if income is not effectively collected. Hence there is a burning need to be innovative, effective and efficient with regard to revenue generation and collection. It is also time to get tough with regard to outstanding debt and the containment of expenditure.

The following measures need to be put in place and adhered to:

- A strong credit control and debt collection policy is definitely required, and it must be strictly adhered to
- The above needs to be balanced with an adequate level of indigent support to contain the cost of debt collection
- To maintain or increase payment levels the underlying issues of poverty and unemployment need to be addressed
- Asset management plans need to be implemented (maintenance)
- Need to reduce water and electricity losses in distribution with defined targets
- Need to fund capital budgets from internal funds
- All expenditure and tariff increases need to be in line with inflation and be realistic in terms of providing a reasonable level of service
- Certainly need to be innovative, and identify and implement new taxes and levies