



REVENUE ENHANCEMENT STRATEGY

2017/2018

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1. Introduction

According to MFMA Circular No. 41, revenue enhancement consists of two components. The first being national policy developments that give rise to additional sources of revenue for local government while the second component encompasses the ability of the municipality to grow its own revenue base. The Dr Nkosazana Dlamini Zuma Local Municipality's (NDZ LM) revenue enhancement strategy will focus in generating revenue and improving debt collection.

2. Background

Most of the population within the Dr NDZ LM area are indigent due to socio economic conditions. DNDZ Local Municipality has been diagnosed to have significant challenges in revenue collection and there are significant amounts of money owed to the municipality by its clients. The amount has accumulated over a period of time due to lack of effective controls in revenue collection.

The objective of this document is to address the financial and institutional challenges faced by the municipality. The document focuses in the formulation and implementation of strategies to improve financial management and controls within the municipality.

3. Purpose

The aim of the revised revenue enhancement strategy is:

- To increase debt collection on municipal property rates and other service charges
- To develop other sources of income to minimise municipal grant dependency

4. Location

Dr NDZ Local municipality is located inland in the Southern portion of Kwazulu-Natal. The Municipality has four branches that perform different functions, that is:

- Creighton, Municipal head office
- Bulwer, commercial and services node

- Donnybrook, commercial,
- Himeville, satellite office (full range of services except SCM)

It is underdeveloped and spatially disconnected from major economic centres to attract investments. The growth of Creighton is further hampered by its location on a tertiary road that is not easily accessible to the entire municipal population.

5. Revenue enhancement

5.1 Proposed revenue enhancement projects

5.1.1 Property development

The Municipality is currently negotiating with Transnet to permit the Municipality to acquire 36 houses in Donnybrook. These houses have been vandalised and occupied illegally by individual citizens. The Municipality could potentially generate approximately R1, 2 million per annum on rental income.

With the introduction and completion of the Dr NDZ LM Spatial Development Plan, which indicates which land use is allocated for which areas. The Dr NDZ LM can plan more efficiently and allocate projects to increase revenue in relevant geographical areas.

5.1.2 Traffic department

The Municipality has planned to complete the renovation of the transport building and ensure that it meets the requirements of the Department of Transport to qualify as a traffic and learner licence station. The revenue for licensing and testing will be incorporated into the municipal revenue.

NDZ LM must investigate installing pay stations for parking so that parkers can purchase parking thus increasing revenue from the traffic department. There may be a personnel cost involved as additional resources would be required to empty cash points.

5.1.3 Business licences

All businesses at (former) Ingwe operate without business licences and thus the Municipality must implement a policy for licencing businesses. Currently, the (former) Kwa Sani Local Municipality has/does issue business licences to all traders in the (former) Kwa Sani Municipal area. This is being managed successfully under the Local Economic Development Office and NDZ LM should have another local office in Creighton as well as Himeville. The business owners from Bulwer could visit either venue to obtain their licences. All business owners would have to be contacted and informed of the requirement to licence their businesses with the Dr NDZ LM.

The Municipality has planned to generate revenue of R20, 000 per annum when 100 businesses are levied.

5.1.4 Commercial Advertising

The Municipality will erect digital screen billboards after a thorough feasibility study to attract advertisers. These advertisements will improve tourism of the entire Dr NDZ LM and nearby areas. It is a revenue stream as Dr NDZ LM can sell advertising space to local businesses or tourism concerns.

5.1.5 Private Partnership

The Municipality may enter into a public- private partnership agreement, but only if the Municipality can demonstrate that the agreement will provide value for money to the Municipality; be affordable for the Municipality and transfer appropriate technical, operational & financial risk to the private party. The Municipality should invite property developers and investors in the jurisdiction of Municipality to develop productive and economic projects to generate municipal revenue and increase employment.

As the Himeville area is so rich in eco-tourism and natural heritage, improvements can be noted in the Tourism programs currently underway. It could be a worthwhile avenue to explore International advertising and tourism outreach programmes as foreign investment would be welcomed in the NDZ LM area.

With the Himeville satellite being so close to Lesotho; the Tourism department should look at a possible partnership with one or more of the operational and licensed tour guides and offer tours around and up to Lesotho. Revenue could be

gained from this for the Dr NDZ LM. There are many sporting events that happen in the Dr NDZ LM but none of them bring revenue for the municipality. It could be advantageous for the NDZ LM to host a sporting event where there is an entrance fee as well as high return on investments like food and alcohol stalls. This would have to probably be professionally managed though which could reduce the revenue returned. This could be a good example of a workable Public-Private partnership.

5.1.6 Recycling

Currently, there is a Transfer station at Himeville and a Refuse Dump at Bulwer. Creighton takes its waste to the Bulwer dump. There is much revenue to be made in recycling consumables. The 4 major items to consider recycling and where there is a market that buys are:

1. Glass
2. Paper
3. Plastic
4. Metals

There are companies in Pietermaritzburg that buy almost all recyclable goods as long as they are sorted correctly. The goods are usually sold on a Mass basis. The current rate for purchase of recyclables is (as at October 2016):

Cardboard =	R1.00p/kg
Office Paper =	R1.50p/kg
PET (2lt colddrink bottles etc) =	R1.60p/kg
HD Bottles (White Milk Bottles) =	R1.20p/kg
Newspaper & Magazines =	R0.40p/kg
Tetrapak (Long life cartons) =	R0.70p/kg
Colour Plastic =	R1.00p/kg
Clear Plastic =	R1.80p/kg
Shrink =	R0.70p/kg
Steel Cans =	R0.20p/kg
Aluminium Cans =	R10.00p/kg

****Please note prices are including VAT and are based on products delivered to our premises. Prices are subject to change depending on market conditions**

The better sorted and compacted recycle materials are, the easier it is to resell them. There would have to be an initial outlay on the NDZ LM's part to purchase a compacting machine as well as a bobcat or TLB to move the waste around. Recycling stations should be set up around the municipal area with igloos or wheelie bins available for the public to deposit recycling items.

The revenue generated from sales of recyclable materials could, if properly managed, turn those 2 sites (Bulwer and Creighton) into self-sustaining – meaning that the income generated from sales of rubbish could cover the operational costs of the 2 sites, including personnel and consultant costs. A buy back scheme should be initiated where ordinary members of the public can collect recyclable items and return it to the recycling centre in exchange for money. This will promote keeping the municipal area clean of rubbish and being paid for waste will incentivise people to pick up rubbish. There would be no significant extra costs to the municipality as all recyclables will be sold and the more recyclables the municipality has sorted, the more revenue will be generated.

Different coloured bags should be introduced for all residents to separate recyclable from household non-recyclable waste and the recyclables will be sorted by employees at the recycling station. Different pickup schedules could be implemented for collection of different types of waste. If households separate effectively, the non-recyclable waste reduces dramatically. The use of bio-degradable bags should also be introduced.

5.1.7 Woodlot

A woodlot is an area in a forested area that is demarcated for a small scale production of forestry products such as wood fuel, sawlogs etc. it can also be created into an area for nature lovers and offer birdwatching, hiking and other eco-tourism opportunities. As the entire NDZ LM has areas of forestation, this could turn into a viable revenue stream for the municipality.

5.1.8 Data cleansing exercise

In order for a Municipality to generate revenue and sustain its financial performance, it needs to bill its customers correctly and on a regular basis. It is imperative that the billing is done accurately. Section 96 of the Municipal Systems Act requires that

municipalities collect all money that is due and payable and, for this purpose, must adopt and maintain a debt collection policy of which billing is an integral part.

The Municipality will conduct a data cleansing exercise whereby the following procedures will be conducted:

- The billing system must correctly reflect all billing data and customer data that is required for the issue of accurate invoices to the relevant customer timeously. Data collection exercises should be initiated to collect more customer data such as cell phone numbers, email addresses, spouses information, to name a few.
- The services offered by the South African post office are very poor, with account delivery being made late most months. A new online bill view should be investigated so that owners can view and/or download their own invoices and make payments timeously.
- All properties within the municipality's area of jurisdiction must be correctly valued whether in the General Valuation Roll or Supplementary Valuation Rolls; and the billing system must be updated with any change in property ownership. This is necessary to grow and protect the municipality's property rates base. As we are in the process of implementing the next phase of the General Valuation Roll, it is anticipated that all properties will be correctly valued and categorised and thus correctly billed. This implementation is for the end of June 2017.
- Effective business processes will be implemented to ensure that new property development and improvements to existing properties are valued as required and that billing records are updated accordingly. This requires good working relations between the municipality's town planning, building control, valuations and revenue management functions.
- Review that there is correct categorisation of properties in terms of the Municipal Property Rates Policy as this impacts usage and property rates tariffs applied to the properties. As we are in the process of implementing the next phase of the General Valuation Roll, it is anticipated that all

properties will be correctly valued and categorised and thus correctly billed. This implementation is for the end of June 2017.

- Property usage must be correctly recorded so that the relevant property rates tariff is applied to the property; changes to property usage must also be communicated to the revenue function so that the billing system is updated. As we are in the process of implementing the next phase of the General Valuation Roll, it is anticipated that all properties will be correctly valued and categorised and thus correctly billed. This implementation is for the end of June 2017
- All dormant or inactive accounts should be investigated and if there is residual debt, the credit control and debt collection policy needs to be followed in an attempt to recover the outstanding debt.
- Rates Clearance Certificate process should be well documented as this is a good opportunity to recover debt against an Erf and owner.
- Refuse and sanitation service charges must be included in the billing records; these services are often neglected as a source of revenue; in fact, some municipalities operate refuse removal services at a loss. Recycling initiatives should be introduced as there is revenue to be attained from waste.
- Billing records must be routinely reconciled to the source of the billing data and customer data.
- All irrecoverable and bad debt should be investigated and analysed in terms of effort to recover instead of writing off the debt. The longer time period the debt exists, the more difficult it is to recover. The effort of recovery must be investigated and in cases where little to no hope of recovery exists, the debt should be recommended to Council for write-off.
- Billing queries must be resolved within reasonable timeframes. This assists with timeous payments as well as the general reputation of the NDZ LM.

- Municipal functions must be adequately staffed with competently skilled individuals who understand the job requirements. Officials need to be trained on debt collection and credit control management to ensure that the best effort is made to recover outstanding debt.

5.1.10 Updating the Indigent Register

As a priority, the indigent registration process must be re-opened with a clear framework and evaluation criteria to ensure that only qualifying debtors are subsidised. This process must be properly communicated and administratively the municipality must be able to handle and process the new applications effectively and efficiently. It is also imperative that all applications only be valid for the current financial year and those consumers renew their registration on an annual basis.

The indigent registration process and its verification will be championed by the relevant department, and in this regard the Community Services Department is the champion.

Upon updating the indigent register, all the relevant stakeholders will be expected to participate for example the Portfolio Head of the relevant Department, Ward Councillors and the community at large.

5.1.11 IDENTIFICATION OF INACTIVE ACCOUNTS:

The performance of reconciliation for the “inactive accounts” must be done. First identify all the accounts that are inactive. Where possible, the outstanding debtors should be investigated and collected in terms of the credit control and debt collection policy.

5.1.12 MANAGEMENT OF CUSTOMER DATA BASE

Updating consumer information like telephone numbers, ID numbers, etc. Profiling/ Classification of Debtors; Identifying prescribed debts and irrecoverable debts for write off. Identifying material debt for immediate collection; Revisit consumer application forms. We need to ensure that all tariffs and also the correct tariffs are charged. There are several debtors who are not being charged/fully /correctly charged and council loses income, which it cannot afford.

5.1.13 TRAINING AND MENTORING OF STAFF

Setting up and Training on Systematic Debt Collection and Credit Control Procedures, Processes, Legislation, Customer Care and Guidelines in line with approved policies. Training and capacity building is an area that has been neglected and has accounted for low morale.

5.1.14 OTHER INITIATIVES:

- Letters of appreciation for good payers and possible incentives.
- Mayors' letter to consumers / rate payers informing them about Income and Expenditure of Municipalities and their responsibility to pay.
- Motivating consumers to pay and thanking those who are paying promptly.
- Newsletters will also be initiated to communicate with our clients and thereby improving the image of the municipality.
- Projects and other achievements will also be communicated to the public.

5.1.15 COMMUNICATION STRATEGY

The strategy must be incorporated into the municipalities existing communication programme with its stakeholders. This strategy does not replace the existing communication methods and practices, but rather complements it.

- Key stakeholders and the ways of communication

(a) Consumers

- Information 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 relationships.

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 notice that can be printed on the municipal account with different messages.

b) GOVERNMENT

- 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 confirmation of payments received, and correct allocation / receipting. (Unallocated deposits, incorrect receipts, etc.)
- Placing an article in the newspaper about how government debt was resolved and the support received from the relevant department.

(e) BUSINESS

- Meeting with Business fraternity to brief them and obtain buy in

- Newsletters, flyers, for possible advertisement
- Monthly accounts to be reviewed to make provision for adverts and marketing by local and national business.
- Attendance of monthly business chamber meetings.

5.1.17 Resources in debt Collection

New and improved technology and streamlined processes needs to be introduced. Various software packages are available to make the management of debt more effective and cost efficient. Where no in house capacity exists and where it is more cost effective to outsource, such options should be considered.

5.1.18 Establishment and Responsibilities of a Back Office

For the effective management of debt, the municipality needs to train and motivate staff to ensure that they are focused and dedicated. Debt collection staff should only focus on contacting the debtor, getting the debtor to make payment or an arrangement / promise to pay.

Administrative processes - This 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. The back office must deal with the following:-

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

5.1.18 Debt Collection Unit (DCU)

- Staff members should be appointed to focus on business, residential 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.
- Other staff members should be allocated a portfolio or group account.
- 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 arrange 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, newspaper articles to create awareness, notices at schools, churches, businesses, shopping centers, etc.
- 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 summons 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, prepare targets, produce management reports and liaises with other units and departments.

5.1.19 Debt Collection Support Unit (DCS)

The DCS should be constituted to provide technical support to the DCU. The purpose is to provide administrative and technical support to the DCU, in order to enable the latter to focus on debt collections only. The DCS must perform the analysis, 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 analysis of the inactive and “return to sender” accounts can be reconciled by this unit and recommendations made on the finalisation thereof.

5.1.19 List of outstanding debt per ward to be provided to the Speaker

This information will be disseminated to the Ward Councillors who will then hopefully convey this information to their respective constituents. This information must also be submitted to the Finance Committee Meeting in the hope of creating a little competition amongst the Councillors.

5.1.20 Physical field audit

Field audit becomes necessary if desk research is not able to resolve irregular accounts. It must be carefully planned. The following must be included on the questionnaire.

- Customers correct name,
- postal address and physical address
- Correct erf number
- Classification of debtor
- Verification of meter numbers
- Ward allocation
- Indigent status

5.1.21 Other mechanisms

- Implementation of deductions from both officials and councillors in terms of rates and services (Corporate services)

- Implementation of tariffs for billboards and/or signage (Community Services)
- Appointment of a service provider (at risk) to verify all data on our systems. (Finance)
- Regular handing over of debtors older than 90 days. (Finance)
- Implementation of Traffic back office for the issued penalties to motorists (Community)
- Recovery of excessive use of telephones (Corporates)

6.Conclusion

The revenue enhancement strategy will be revised annually and adopted by Council. The strategy will need to be facilitated to relevant municipal officials accordingly before implementation. Monthly progress report on the implementation will be sent to the Council.