



Joe Morolong
Local Municipality



RE UNGWELWA ROTLHE

JOE MOROLONG LOCAL MUNICIPALITY

REVENUE ENHANCEMENT STRATEGY

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1. INTRODUCTION

The municipality is experiencing challenges that are inherent in the Local Government Sector (municipalities) in that the level of municipal generated revenue is not at the level where the municipality would like it to be.

As a result, the municipality is embarking on a conscious revenue enhancement strategy (the strategy). This revenue enhancement strategy is a combination of bringing about additional revenue streams and also increasing revenue within existing revenue streams. It includes revenue categories not ordinarily expected to derive substantial revenue in rand value terms and equally revenue categories where substantial revenue is expected, in other words it looks at actual and potential municipal revenue across the spectrum.

The strategy includes short-term revenue enhancement goals, medium term and long-term goals. It will also focus on the factors affecting collection on the current streams.

2. APPROACH

To ensure relevant and practical strategies are derived, the municipality elected to embark on a research based approach looking at two locals in the District, Ga-Segonyana which has a part of tribal area and Gamagara municipalities.

Further to this, information regarding the Public Private Partnership was gathered as it is also another way in which Joe Morolong can increase its revenue.

This is discussed later on in this document.

3. KEY ASSUMPTIONS

- 3.1 One of the key assumptions is that the municipality will do anything possible to enhance its revenue.

The theory of developed municipalities is that a municipality should not compete with business, yet these (developed) municipalities actively complement or provide an enabling environment for business to thrive yielding direct and indirect cash flows to these municipalities. Therefore, the municipality of Joe Morolong's position is that it will do anything legal and within its scope to earn revenue, given that the municipality is at a developmental stage in terms of billing.

Before the transfer of the District Management Area (DMA) area which consisted of Hotazel, Vanzylsrus, Mines and Farming area, Joe Morolong had a very minimum own revenue base, hence the development of its billing system.

There is also a challenge in the billing process where information submitted by the District when the DMA was transferred, was incorrect and also insufficient.

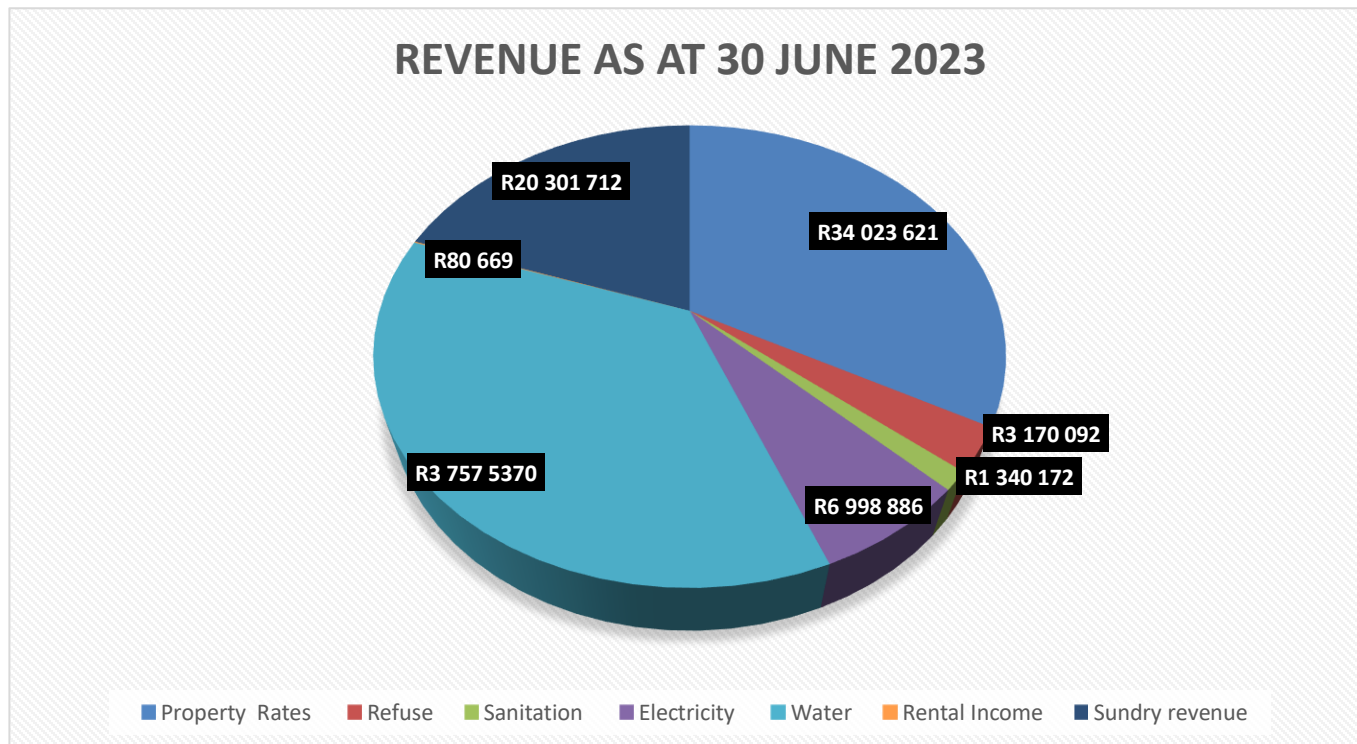


The other challenge was the capacity of finance officials regarding the new finance system (SEBATA FMS) the municipality acquired during 2011. Some of the transactions were incorrectly allocated which yielded the wrong billing records from the migration. Some journals were merged many times which resulted in the overstatement of revenue due to the municipality. The system itself doesn't have a built in system that can detect duplication of journals before they are merged. The data migrated from the previous financial system needs thorough clean up.

3.2 The current municipal revenue structure is as follows – year ended 30 June 2023:

Property Rates (billed but not necessarily collected)	R34 023 621.00
Refuse (billed but not necessarily collected)	R3 170 092.00
Sanitation (billed but not necessarily collected)	R1 340 172.00
Electricity (billed but not necessarily collected)	R6 998 886.00
Water (billed but not necessarily collected)	R37 575 370.00
Rental Income	R80 669.00
Sundry revenue	R20 301 712.00
TOTAL	R103 490 522.00

Revenue illustrated on a Pie Chart below:



As mentioned in the introduction above, the municipality has a twofold objective namely to increase the level of revenue in the current revenue streams and also to generate new revenue streams.

4. THE STRATEGY (IN PHASES / SECTIONS)

1.1. Data Cleansing

- **Activity** - Updating customer's information, Category of customer /Classification & Suspending printing of unknown accounts
- **Outcome** - Accurate Customer Information, Reduction cost on collection of debts, Reduction on Bad debts write off & Ensuring existence of the debtors
- **Progress** – Accounts are updated on an ongoing basis and developed a report in relation data cleansing. Furthermore, we inspected categories of business, government and industrial customers to ensure that they are accurately billed.
- **Challenges** – Customers not updating their details and incorrect categories not identified

1.2. Accounts Audit

- **Activity (1)** - Investigate all accounts which appear to have incorrect billings e.g. tenant accounts with assessment rates and accounts which are not billing all services e.g. owners accounts not billing property rates Reclassify debtors that are incorrectly identified on the billing system (for instance as business or residential) IN terms of the tariff.
- **Activity (2)** - Correct rates (tariffs) levied on accounts, Meter reconciliation performed monthly & Billing all services charge
- **Outcome** - Accurate billing of consumer accounts, reduce disputes from consumers & improve credibility on the billing system
- **Progress** – Accounts with negative billing errors are identified when the meter reading exception is reviewed and updated prior running the dummy billing.
- **Challenges** – The Revenue section had limited capacity (personnel) to perform accounts audit, when the Municipality changed the system from SEBATA to INZALO FMS,

1.3. Valuation Reconciliation

- **Activity** - Reconciling the valuation roll to the Financial Management System
- **Outcome** - Correct values and category has been captured on the system & Correct zoning has been used to levy property rates
- **Progress** - Valuation roll reconciliation conducted quarterly and annually & findings or variances are corrected and or included in the supplementary roll.

- The valuation reconciliation has been conducted accordingly.
- **Challenge** – The reconciliation is performed once a year due to lack of personnel

1.4. Indigents

- **Activity** - Registration process for 2019/20 was not finalized and the process is of verification of indigent registration is finalized.
- **Outcome** – To ensure that all qualifying customers are registered as indigents and receiving Free Basic Services (FBE), which also reduces the debt book.
- **Progress** – Indigent registration in an annual cycle, however the number of people registering is low.
- **Challenge** – (1) Low registration of customers who qualify to receive Free Basic Services, (2) No relevant personnel hired under the sub-unit

1.5. Inactive Accounts with Balances

- **Activity** - Close accounts with debit balances (un-favorable to municipality) & close accounts with credit balances (favorable to municipality).
- **Outcome** – To ensure that uncollectable debt is reversed /written off in line with the policy
- **Progress** - On going (A Request for Quotation will be issued for services of cleaning the debtors book
- **Challenge** – No budget available to write off inactive accounts

1.6. Meter reading

- **Activity** - Meter reading reconciliation to be performed on a monthly basis
- **Outcome** – Improve the accuracy of the billing of accounts
- **Progress** – Reconciliation is done, however, there are huge estimates identified due to damaged meters, straight connections, no readings
- **Challenge** – Lack of capacity (personnel) to ensure that meter reading exceptions are addressed accordingly with the meter readers and Technical department.

1.7. Disconnection /Restriction of services

- **Activity** - Services are disconnected and /or restricted for customers with arrears accounts
- **Outcome** - Improve Revenue collection & reduce bad debts write off.
- **Progress** – No disconnections are done currently

- **Challenges** – (1) Incorrect data on the system (i.e. physical address, contact numbers & etc.) (2) Lack of capacity of technician to assist with the disconnection and Centlec to be engaged on disconnections.

1.8. Arrangements

- **Activity** - Customer who are willing to pay for the services but cannot afford
- **Outcome** - ensure all charges for penalties on disconnections is charged on account
- **Progress** - All arrangements on the system will be reviewed & Ensure that defaults are followed up and disconnected
- **Challenge** – No arrangements are conducted on the system

1.9. Printing and delivery of statements

- **Activity** - Statements to be delivered to correct addresses (via Post office, MMS, Whatsapp and on the municipal website)
- **Outcome** - Ensure that statements are delivered in line with the Municipal Systems Act section 95 (e)
- **Progress** - Statements are sent by emails (Currently in progress to appoint a service provider for printing and delivery of statements through SMS, MMS, Whatsapp and on municipal website)
- **Challenge** – Large number of accounts with email and no correct contact numbers

1.10. Review of tariffs

- **Activity** - Tariff implemented for billing
- **Outcome** - Ensure that tariffs are reviewed prior to implementation
- **Progress** - Tariff to be implemented on accounts and reviewed
- **Challenge** – Rental houses, residential drain blockages and water leakages has no tariff

1.11. Property transfers

- **Activity** - Review of property transfers and clearance certificates
- **Outcome** - Ensure that application for clearance certificates are reviewed and approved prior property transfer is initiated
- **Progress** - Compilation of a report for all property transfers during the month
- **Challenge** – Lack of updating and opening of accounts for new owners and Deeds reconciliation

1.12. Cash control

- **Activity** - all cash collected must be banked to the main account
- **Outcome** - Ensure that cash collected is reconciled and banked on a daily basis
- **Progress** - Daily reconciliations are prepared for all cash collected and banked
- **Challenge** – Bank reconciliation not completed for the previous main account

1.13. Key Accounts

- **Activity** – A group of accounts has been developed (over 100 accounts are grouped and called key accounts)
- **Outcome** – Accurate billing, stable revenue base and improve revenue collection.
- **Progress** – Accounts are being emailed monthly and all accounts queries are prioritised. An additional group of account is in the process of being consolidated.
- **Challenge** – Due to the data on the system, some of the Key accounts can't be located by technical department (when enforcing Credit Control).

1.14. Government Accounts

- **Activity** - Consolidated all correctly identified government accounts and properties (ensure all properties linked to government are listed), Verify that all service tariffs linked to government accounts are correct and in accordance with annual Council-approved tariff tables & Correctly categorize each account according to the responsible government department.
- **Outcome** - Accurate billing for all Government accounts & improve revenue collection
- **Progress** - Accounts are emailed to the departments and followed up for payments & Debt forum has just been for government accounts especially schools to facilitate revenue collection on departments
- **Challenge** – Not all Government departments are attending the debt forum and no payments is made for the Department of Education and Health at Provincial level)

1.15. Implementing of all by law

- **Activity** – We need to implement all the municipal by laws
- **Outcome** – Improvement of revenue
- **Progress** – Issued a public notice in relation rezoning of incorrect use of residential properties
- Issued letters to illegal flats in the residential
- **Challenges** – Full implementation of the By-laws is recommended to improve revenue collection

1.16. Call Centre (where applicable)

- **Activity** – Communication with customers on a daily basis is done
- **Outcome** – Good constant communication and collection of revenue
- **Progress** – Lack of communication with customers residing in town and Debt Collectors to assist with Township and Town customers
- **Challenges** – None
- **Proposal** – The municipality needs to have a Call center agency to constantly update customers on services they are utilizing and what they need to pay.

1.17. Monitor the billboards ensure there is no illegal billboards

- **Activity** – All Billboards must be known by the municipality.
- **Outcome** – An increase in revenue collection.
- **Progress** – Currently it is done by Town Planning department.
- **Challenges** – Currently we are not sure all the Billboards in the municipal area are legit and whether does the municipality have record of them.

2. PROPOSED SOLUTION TO ADDRESS THE LOW REVENUE COLLECTION

- The Municipality must develop a Technical Unit which will deal directly with disconnection, Reconnection and spot checking illegal connection.
- Replacement of damaged meters, straight connections, and leaking meters
- Continuous communication with customers to save water and report leakages
- Community to be encouraged to report on illegal connections and bridging water meters
- Continuous enforcement of Credit Control process.
- Capacitating of the Indigent Management Section & Encouragement of customers to register on the municipal indigent register.

Note – The above progress report is based on the Provincial Treasury Draft Revenue Enhancement Strategy

3. EMPLOYEES & COUNCILORS DEBTS



3.1. Introduction

In terms of the Municipal code of conduct, all municipal employees & councilors accounts should not be in arrears for longer than 3 months.

3.2. Status quo of the accounts

- **Employees** - Employees debts and currently we are ensuring that we deduct current account and that the debt doesn't grow, majority of employees whose accounts are in arrears for more than 3 months are general workers
- **Challenge** – Employees deductions not implemented accordingly and employees in municipal rental house not paying accurate rates
- **Councilors'** - Councilors accounts and the bulk of the debt is due to properties which councilors are residing in but not the owners of the accounts
- **Challenge** – We have councilors who are not the property owners and as such the law doesn't allow us to deduct for services. However, Councilors should ensure services are paid
- **Proposal** – Credit Control to write letters to the councilors (who are not making payments) to come make arrangements and start deducting for services consumed

4. NEW SOURCES OF REVENUE

- 4.1. **Property development** – The Municipality can purchase vandalized properties, renovate and can either resell or rent out.
- 4.2. **Business licenses** - the Municipality must implement a policy for licensing businesses and ensure /enforcement that all businesses are operating with a Business License.
- 4.3. **Commercial Advertising** - The Municipality can erect digital screen billboards after a thorough feasibility study to attract advertisers (can sell advertising space to local businesses or improvement of tourism is a concern).

5. 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.

6. DEBT COLLECTORS

Data Wash/Data Analysis

- Determining Contact ability and Un-contact ability
- Potential Collectability (LSM groupings, Property Ownership Number Verification and Fixing, Income Estimate, Age of the Debtors, etc.)



- Credit /Risk Analysis (monthly liabilities, default information, payment propensity, etc.)
 - Potential Write off (prescription, fraud alert, Deceased, etc.)
- Note** – Below is the attachment of the debt handed over vs the amount collected by the debt collectors. The collection per month is less than 5% of the debt handed over.

Calls and Letters

- Blended calls campaigns (outbound and inbound calls)
- SMS, MMS, #USSD
- Demand letters, civil notices and section 129 notices
- Listing with credit bureaus
- Debt Review and Administration orders

Payments platforms

- Direct bank deposits to dedicated trust account
- EFT
- Easy pay
- Whatsapp pay
- Pay@ facilities (linked to localised groceries stores, retailers and hardware stores)
- Debit Orders (AEDO and NAEDO)-Telephonic and Physical through Real Pay

Legal Process

- Sectional 129 Registered mail (Physical and electronic)
- Acknowledgement of Debt-Sec 57/58
- Summons
- Default Judgement
- Warrant of Execution-Sec 65J

Outcome of the debt collection:

- Some consumers are refusing to pay water & sewage because they claim that they do not receive such services.
- Some consumers indicate that they were informed not to pay by their respective councilors.
- Consumers do not have title deeds for their houses.
- Some consumers are indigent but the approval of indigent status takes time.

Customers Contactability:

- Contactability is a major issue. Some accounts have invalid ID's or No ID's and no valid company registration numbers.
- Incomplete and incorrect customer data and lack of ID numbers create a challenge in obtaining correct information. (Data Centers and Credit Bureaus have a set of standard requirements which are mandatory for an effective and positive feedback).

Deceased customers:

- Most of next of kin (third generation) that reside in the property of the deceased claimed to be unemployed. These accounts have a major impact because they are utilizing services for free, as a result the debt book is increasing due to monthly billings and there is no revenue.



- The municipality should block electricity purchase or restrict water to households that still receive services. This will possibly make the person residing at the property to come forward for opening of new account

Recommendations/Solutions:

a). Data Cleansing:

- The municipality should consider appointing a service provider to conduct data cleansing for the following simple reasons:
- Accurate data is a critical ingredient that determines the integrity of the entire revenue management chain.
- Accurately identifying a customer enables a municipality to determine the category the customer falls into (household/business), the tariff it will be levied for services, how to contact and communicate with the customer and where bills should be addressed to. If such data is inaccurate and not updated regularly, the entire revenue management chain will be compromised.
- The importance of ensuring that the accuracy of this type of master data be verified and updated monthly.
- It is recommended that the Municipality should establish a national working group or project team that will include the Deeds Office and the Department of Home Affairs to drive the development of key municipal customer data.

b. Consumer awareness workshop/education campaign:

Municipality should promote education drive that highlights the need for households, particularly the indigents, to control and conserve water and electricity use. This would assist in ensuring that indigents do not use above their prescribed free basic amounts that would result in payment to the municipality. The campaign should also cover the issue of Free Basic Services and the need to pay for municipal services.

c. Municipality and Eskom and Contour:

The Municipality should consider having an agreement with Eskom to restrict purchasing of electricity to consumers that are not paying for services especially water and /or deduct at least 40% of electricity purchases towards Municipal services.

d. Deceased Customers:

The Municipality must consider writing-off the deceased debt, however, before they write-off, they should embark on campaign to inform the next of kin that resides in the property to come forth to open the accounts in their own names as part of Estate.

5.5. Water Restrictions

We hereby recommend that the municipality should restrict water supply on consumers that are not paying their accounts).