

# ABAQULUSI LOCAL MUNICIPALITY



U M A S I P A L A  
M U N I C I P A L I T Y  
M U N I S I P A L I T E I T

## REVENUE ENHACEMENT STRATEGY

# **REVENUE ENHANCEMENT STRATEGY**

## **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 ABAQULUSI Local Municipality's revenue enhancement strategy will focus in generating revenue and improving debt collection.

## **2. Background**

Some of the population within the ABAQULUSI Local Municipality's area are indigent due to socio-economic conditions. ABAQULUSI Local Municipality's 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. Revenue enhancement**

### **4.1 Proposed revenue enhancement projects**

#### **4.1.1 Establishment Revenue Steering Committee**

To enable the Finance Department to do this, we need cooperation from the municipality on three levels:

- Steering Committee (Task Team) – Chaired by Senior Municipal Official meet weekly  
Chaired by Head of Income or CFO
- Communicate with other department to increase revenue come with strategy.
- Review successes and adapt strategy Steering Committee meetings

#### 4.1.2 Unbilled Property

To facilitate this revenue generation, the municipality needs to bill its customers on a regular basis. Property which was previously not billed for services must be identified and appropriate tariff codes must be allocated to them to enable the municipality to start billing for them and reconcile billing on monthly basis.

Political intervention is urgently required in areas where access is denied for meter readings taking and furthermore the electricity and water unmetered areas. Public consultative sessions should be undertaken to sensitize the communities that were never billed for services previously. i.e. Emondlo, Corronation and Hlobane townships. The following programme for public consultative sessions is recommended taking into considering the municipality approaches festive season.

- On Monday, the 12<sup>th</sup> of December 2022 – Corronation township
- On Tuesday, the 13<sup>th</sup> of December 2022 – Hlobane township
- On Wednesday, the 14<sup>th</sup> December 2022 – Emondlo township

#### 4.1.3 Debt Recovery Summary

The debt collection is the primary focus: business debt can be targeted first; business debt can be viewed per suburb, and the suburb with the biggest business debt can be selected; and business debt can be further viewed by services, and a particular service can be targeted.

In addition, the 'Top-200' debtors (the first 200 debtors with the highest amount of debt) can be extracted for review by their total debt or by Service; debtor types; active/inactive status; suburb; and indigent status.

- Import all accounts into the collection wise system
- Categorize accounts: Domestic, Business, Government, Schools, Churches, Top200, etc.
- Decide on strategy for each category and start implementation. This includes all normal credit control and debt collection actions, legal procedures and assistance with awareness campaigns and incentive projects.
- Decide on strategy for each category and start implementation. This includes all normal credit control and debt collection actions, legal procedures and assistance with awareness campaigns and incentive projects.
- Suspension of services to all outstanding account will be implemented in the following manner:
  - Team 1 will suspend electricity for all revenue categories outstanding on due date. ( SP monitored by a member of our internal credit control team)

- Team 2 make follow-ups on all suspended accounts, physically check reconnections and illegal reconnections done. (Our team comprised of internal credit control team and our electricians). The second team should be monitors by the debt competent office.

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.

#### **4.1.4 Meter Audit Plan**

Proper meter maintenance replacing obsolete meters (i.e., changeouts), and installing new meters is critical to the accuracy of customer billing. The Department are responsible for the general maintenance of all active water and electricity meters, respectively. Meter maintenance includes testing of meter accuracy, repairing damaged meters, The Departments must set standards and guidelines for the maintenance and testing of water meters.

#### **4.1.5 Increase the other Income**

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 for example to installed Parking meter.

- 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.
- The Municipality losses lot of revenue due digital screen,
- Leases municipal properties and land
- Billboards,
- Advertisement other income.
- Traffic fines
- Motor licences
- Driving licences
- Business licenses
- Building plans
- Municipal buildings and halls
- Parking meters

#### **4.1.6 TRAINING AND MENTORING OF STAFF**

The municipality needs to train and motivate staff to ensure that they are focused and dedicated. The development of the internal revenue management capacity of the revenue staff members qualifications and experience. Training and capacity building is an area that has been neglected and has accounted for low morale.

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.