



FINAL

REVENUE ENHANCEMENT

STRATEGY

2015/16

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. 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 document may require annual adjustment based on changing socio-economic and political environment. Such adjustment may be minimal unless the current national funding formula changes. In terms of the local government financial reforms as led by the introduction of the Municipal Financial Management Act (MFMA) 56 of 2003, municipalities are expected to be financially sustainable in the foreseeable future. This suggest a scenario in which the equitable share is reduced and or is expected to be used solely to provide for free basic services than for operational budget.

The document prefers to look within the current financial funding and seeks to increase own revenue with additional sources of revenue identified during Revenue Enhancement Sessions.

2. Background

The development of this revenue enhancement strategy is a response to turn around the collection rate of the municipality in as far as payment of rates and services is concerned. This strategy is therefore prioritised for implementation with immediate effect after council approval.

Developing such a strategy, generally requires the following four phased approach, to ensure that the desired revenue enhancement outcomes are achieved and sustained in the long term. The four phases are as follows:

- a) Phase 1 : Status quo Analysis
- b) Phase 2 : Problem identification
- c) Phase 3 : Project implementation
- d) Phase 4 : Operational phase

The purpose of this document is to guide Management and Council to improve the short, medium and long term sustainability of the Municipality. The document is developed in house and therefore has an added advantage of appreciating hard realities that may be difficult to over-turn in a short space of time.

A. Status Quo Analysis

Current revenue base:

- Grants 63.2%
- Interest 0.3%
- Own revenue 36.5%

The municipality currently relies almost entirely on grants (**63.2%**) as per the **2014/15** budget. Total revenue for the financial year is projected at **R197, 523,989** million. Shortfall in revenue collection or over expenditures may exacerbate the situation.

Own revenue is made of income from rates and services (***water, sanitation, refuse removal and rental from municipal properties***). The revenue enhancement sessions highlighted the following to be short, medium and long term revenue sources that should be implemented fully;

- Deductions from employees who are renting municipal properties
- Deductions from employees and councillors who own properties
- Renew/review of all municipal contracts with market related tariffs
- Restriction of water consumption
- Billing for billboards
- Enhancement of indigent registration and ward profiling
- Assistance in traffic laws enforcement
- Data management - verification of all data on the financial system and ensuring that all properties and services are billed.

Revenue that may be collected from the sources above may still be low and largely insignificant to radically change the revenue profile of the municipality.

Council has adopted various policies including the Credit Control and Debt Collection Policy. The policy has not yet been tested due to the fact that the municipality never restricted the consumption of water. The only part of the policy that is currently being implemented is the hand-over of debtors with accounts due for a period longer than ninety (90) days.

B. Problem identification

Revenue from the above sources may come in handy to change the revenue profile of the municipality. It must however, be understood that revenue collected, especially from the restriction of water may come with serious conditions that may be difficult to fulfill from the current budget. When residence starts to feel the restrictions, they will start to realize that they are entitled to services. The inability of the municipality to provide such services as a result of either shortage of vehicles will possibly prove disastrous.

Mohokare Local Municipality has a huge infrastructure backlog. This demand more investment at the early stages while returns may come very late. The other challenge relate to the socio-economic profile of the municipality. Unemployment is currently at (**31.4%**) according to Mohokare Integrated

Development Plan (IDP) document **2015/16**. This suggests that large sections of the population are indigents.

C. Project Implementation

- Implementation of deductions from both officials and councillors in terms of rates and services (Corporate services)
- Renew/review of all municipal contracts with market related tariffs (Community services)
- Restriction of water consumption (Finance & Technical)
- Appointment of a service provider to enforce traffic laws (Finance)
- 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)
- Writing off of debts that cannot be collected in terms of our policies. (Finance)

D. Operational phase

All departments of the municipality must own this strategy.

This phase would speak to the capacity of the municipality to implement all the revenue enhancement projects as set out above.

Monthly reports to be submitted setting out the progress on the implementation of all projects.

Conclusion

This proposed strategy will go a long way in contributing to remedy the financial situation of Mohokare Local Municipality. This revenue enhancement strategy will be reviewed annually as the municipal and socio-economic conditions change continuously.