

LEPHALALE

LOCAL Municipality



DRAFT

REVENUE ENHANCEMENT STRATEGY

2024/2025

1. INTRODUCTION

The Constitution of the Republic of South Africa states that municipalities have the responsibility to make sure that all citizens are provided with services to satisfy their basic needs. Provision of such services can be attained effectively if municipalities have capacity to generate and collect sufficient revenue. A major financial problem in many municipalities in the Republic of South Africa is the inadequate collection of revenue due to widespread non-payment. Non-payment of services may however, be as a result of poor service delivery, inaccurate billing, poverty, ignorance or simple unwillingness to pay.

2. LEGISLATIVE REQUIREMENTS

Section 96 of the Municipal Systems Act states that a Municipality must collect all money that is due and payable to it and, for this purpose, must adopt, maintain and implement a credit control and debt collection policy that is consistent with its rates and tariff policies.

The purpose of credit control and debt collection policy is not only to collect outstanding debts, but also to rehabilitate our debtors. The ability to collect outstanding debt remains dependent on the accuracy of the debtor information as inaccurate customer information may result in poor credit control and debt collection outcomes. The following information is critical to the credit control and debt collection process:

3. IMPORTANT ELEMENTS OF REVENUE MANAGEMENT AND DEBT COLLECTION PROCESS

- 3.1 Effective communication between Lephalale Municipality and consumers.
- 3.2 Accuracy of consumption information.
- 3.3 Accurate billing.
- 3.4 Availability of payment facilities.
- 3.5 Effective credit control and debt collection system.
 - 3.5.1 Is the customer information correct?
 - 3.5.2 Is the account information correct?
 - 3.5.3 Have the correct tariffs been applied?
 - 3.5.4 Is the outstanding amount correct?
 - 3.5.5 Is the consumption correct?
 - 3.5.6 Was the property valuation used correct?
 - 3.5.7 Have all payments been processed?
 - 3.5.8 Does the customer still exist?
 - 3.5.9 Is the customer indigent?

It is only once this information is correct that municipalities can be able to implement action to collect outstanding debts and communicate with the debtor. Many municipalities engage in aggressive debt collection exercised with very little impact because of poor data.

4. MAJOR SOURCES OF REVENUE IN LEPHALALE MUNICIPALITY

- 4.1 Property rates;
- 4.2 Sale of electricity;
- 4.3 Sale of water;
- 4.4 Refuse removal, and
- 4.5 Sanitation.

5. REVENUE COLLECTION AREAS

- 5.1 Lephalale Town and Onverwacht;
- 5.2 Marapong;
- 5.3 Thabo Mbeki, and
- 5.4 Farms.

6. POLICIES

- 6.1 Tariff Policy;
- 6.2 Property Rates Policy;
- 6.3 Credit Control and Debt Collection Policy;
- 6.4 Indigent Management Policy, and
- 6.5 Unknown Deposits Policy.

7. CHALLENGES

- 7.1 Non-cost reflective tariffs;
- 7.2 Declining Revenue
- 7.3 Poor water meter and Electricity reading systems;
- 7.4 Non-payment of municipal services by consumer's/rate payers which resulted in high level of outstanding debts;
- 7.5 Outdated customer information;
- 7.6 Incorrect consumer classification due to non-compliance with town planning related legislations;
- 7.7 Lack of proper communication between Lephalale Municipality and consumers;
- 7.8 Inadequate collection measures in areas where Lephalale Municipality does not distribute electricity, e.g. Marapong, Thabo Mbeki and Farms;
- 7.9 No water restriction system in place;
- 7.10 Illegal connections;
- 7.11 No proper indigent management system;

- 7.12 No system of incentives to encourage regular and timeous payments;
- 7.13 Minimal political support towards the revenue collection process;
- 7.14 Untraceable debtors;
- 7.15 Irrecoverable debts;
- 7.16 No proper community consultation with regard to policies;
- 7.17 Water and electricity losses;
- 7.18 Government debts;
- 7.19 Consumers making deposits into the municipal bank account without quoting the correct reference numbers;
- 7.20 Improper planning during the budgeting process, and Cash flow managements.

8. PROPOSED SOLUTIONS

- 8.1 Establishment of a Revenue Management Committee.
- 8.2 Implementation of Revenue Enhancement Strategy with DBSA
- 8.3 Migration from Post paid to Prepaid Electricity Metering.
- 8.4 Introduction of New Revenue Sources (Land fill, Weighbridge ,Solar, Grey Water)
- 8.5 Hosting Investment Summit to attract Investment
- 8.6 Development of Vision 2050 Business Case.
- 8.7 Full Migration to Smart Electricity and Water Metering System.
- 8.8 Introduction of Flat rate and the villages
- 8.9 Development of Strategy to collect Revenue at Town ship
- 8.10 Review of tariff structure and Property Rates Policy.
- 8.11 Review an implementation of the cost reflective tariffs.
- 8.12 Monthly updating of general and supplementary valuation rolls.
- 8.13 Establishment of a customer care unit.
- 8.14 Implement Electronic billing system.
- 8.15 Regular consumer data cleansing to improve quality of data (Master Data).
- 8.16 All residential consumers are switched to prepaid electricity when opening the account.
- 8.17 Appointment and proper monitoring of debt collectors.
- 8.18 Application of Section 28 and Section 29 of the Municipal Property Rates Act to recover outstanding property rates from tenants and agents.
- 8.19 Application of Section 102 of the Municipal Systems Act.
- 8.20 Installation of water smart meters and water restrictors.
- 8.21 Acquisition of electricity distribution licence in Marapong, Thabo Mbeki and potential growth area
- 8.22 Levying of water consumption to owners instead of tenants in a case of leased properties.
- 8.23 No consumer deposits should be charged on prepaid consumers to encourage them to opt for prepaid metering.
- 8.24 Acquisition of a credit control and proper indigent management system.
- 8.25 Maintenance of a credible indigent register.
- 8.26 Action plan to address the issue of illegal connections and distribution losses.

- 8.27 Introducing a system of incentives to regular payers as well as sending SMS's to thank consumers for each payment that they make
- 8.28 Introduction of additional bill payment options debit order.
- 8.29 Continuous consumer awareness and conduct customer satisfaction survey
- 8.30 Introduction of cash deposit machines
- 8.31 Encourage customer to use other payment facilities i.e. Eft and easy pay
- 8.32 Writing off irrecoverable debts
- 8.33 Proper expenditure management to avoid unauthorised, irregular and fruitless/wasteful expenditure. Fair and transparent public participation programmes that will accommodate all categories of ratepayers,
- 8.34 Continuous political support.
- 8.35 Alignment and teamwork amongst departments.
- 8.36 Introduction of by laws for illegal connections
- 8.37 Traffic Fines set target per Traffic Officers and installation of speed cameras.
- 8.38 Proper maintenance of infrastructure network to ensure continuous and consistent service delivery.
- 8.39 Renting of municipal facilities stadium and halls
- 8.40 Management to prepare readiness to take-over of Zeeland from Exxaro
- 8.41 Exploring other revenue streams i.e Introduction of lamp post for network Providers
- 8.42 Prevent Fruitless and wasteful Expenditure through strengthening internal controls.
- 8.43 Performing market analyses during the procurement Process
- 8.44 Develop and implement UIFW's reduction Strategy.
- 8.45 Application of Electricity Liceneces

9. Revenue Enhancement Projects

Capacity Building

Implementation of DDM 1 Plan model and capacity support from DBSA

9.1 Implementation of GIS Projects

Integration with Finance system to ensure Proper billing and timeous updating of property zoning upon land development approval by Development and Planning.

9.2 Water and Electrical Losses

Identifying where revenue losses are occurring and implementing mitigation strategies.

9.3 Electricity

Power supply study and tariff Design

Energy balance and smart metering implementation

Development of operating and maintenance manual to improve reliability of electrical power system.

Application of Electricity Distribution Licence to Nersa

9.4 Water

Development of water master plan inclusive of system modelling

Water conservation and Demand management.

9.5 Sanitation

Sanitation master plan inclusive of system modelling include pumpstations modelling and production of as built. Project will identify potential solutions to reduce sewer pump stations and O & M Costs

9.6 illegal Connections

Implementation of by laws to combat illegal Connections.

9.7 Data Cleansing

Improve quality of data (Master Data) through data Cleaning and writing off Indigents ad the deceased.

9.8 Customer Care

Full implementation of Munadmin Systems to Log, monitor and resolve customer queries timeously.

9.9 Payment Incentives & Arrangements:

The municipality will introduce an incentive scheme as a measure to encourage consumers to settle their municipal debts or enter arrangements.

The incentive schemes can be advertised through their Local newspapers, local radio station and on Municipal website. The Incentive schemes can include Competitions/Relief scheme/COVID 19 relief campaign, Black Friday Special etc.

CONCLUSION

Non-payment of municipal services by consumers, stagnant revenue base and overspending of the operational budget are major challenges faced by Lephalale Municipality which are likely to have a detrimental impact on the cash flow of Lephalale Municipality in the next medium-term revenue and expenditure framework.

The success of a Revenue Enhancement Strategy is dependent on proper planning, commitment, collective effort and full implementation of policies and by-laws. It should be emphasized that even though this Strategy is a key to maximise our own revenue and overcome cash flow problems, it is crucial that expenditure management be improved to avoid unauthorised, irregular, fruitless and wasteful expenditure.