

# UMDONI MUNICIPALITY



## REVENUE ENHANCEMENT POLICY 2024/2025

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## 1. Declaration of intent

A revenue enhancement policy aims to increase the municipal revenue and put new actions into place that will assist the municipality in increasing its revenue. The aim of this policy is to ensure that the municipality is able to sustain its financial viability. This objective may best be achieved through synchronized increase in revenue and reduction in expenditure patterns.

## 2. Objective of the policy

- To increase municipal current revenue base and decrease expenditure without it affecting service delivery
- To come up with alternative sources of revenue
- To achieve financial sustainability and viability
- Review current shortfalls and leakages
- Make proposal on remedial actions
- To minimise municipal grant dependency

## 3. Scope and area of application

This policy applies to Umdoni Local Municipality and its community.

## 4. Definitions

“Municipality” Means the Umdoni Local Municipality.

“Council” The municipal council, as referred to in section 157 of the Constitution of the Republic of South Africa Act 108 of 1996,

“Credit Control” All the functions relating to the collection of monies owed by ratepayers and the users of municipal services.

“Municipal facility” by Law and Legal Definition. Municipal facility can be any facility, including, but not limited to, buildings, property, recreation areas, and roads, which are owned, leased, or otherwise operated, or funded by the municipality

## **5. Preamble**

### **CHAPTER 9 of the Municipal Systems Act 32 of 2000**

#### **Section 95 Customer care and management**

In relation to the levying of rates and other taxes by a municipality and the charging of fees formunicipal services, a municipality must, within its financial and administrative capacity-

- a) establish a sound customer management system that aims to create a positive and reciprocal relationship between persons liable for these payments and the municipality, and where applicable, a service provider,
- b) establish mechanisms for users of services and ratepayers to give feedback to the municipality or other service provider regarding the quality of the services and the performance of the service provider;
- c) take reasonable steps to ensure that users of services are informed of the costs involved in service provision, the reasons for the payment of service fees, and the manner in which monies raised from the service are utilised;
- d) where the consumption of services has to be measured, take reasonable steps to ensure that the consumption by individual users of services is measured through accurate and verifiable metering systems;
- e) ensure that persons liable for payments, receive regular and accurate accounts that indicate the basis for calculating the amounts due;
- f) provide accessible mechanisms for those persons to query or verify accounts and metered consumption, and appeal procedures which allow such persons to receive prompt redress for inaccurate accounts;
- g) provide accessible mechanisms for dealing with complaints from such persons, together with prompt replies and corrective action by the municipality;
- h) provide mechanisms to monitor the response time and efficiency in complying with paragraph (g); and
- i) provide accessible pay points and other mechanisms for settling accounts or for making pre-payments for services.

## **Section 96 Debt collection responsibility of municipalities**

A municipality-

- a) must collect all money that is due and payable to it, subject to this Act and any other applicable legislation; and
- b) for this purpose, must adopt, maintain and implement a credit control and debt collection policy which is consistent with its rates and tariff policies and complies with the provisions of this Act.

## **Section 100 Implementing authority**

The municipal manager or service provider must-

- a) implement and enforce the municipality's credit control and debt collection policy and any by-laws enacted in terms of section 98;
- b) in accordance with the credit control and debt collection policy and any such by-laws, establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the municipality; and
- c) at such intervals as may be determined by the council report the prescribed particulars to a meeting of the supervisory authority referred to in section 99.

## **Chapter 8 of Municipal Finance Management Act 56 of 2003**

### **Section 64 - Revenue management.**

- i. The accounting officer of a municipality is responsible for the management of the revenue of the municipality.
- ii. The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure—
  - a. that the municipality has effective revenue collection systems consistent with section 95 of the Municipal Systems Act and the municipality's credit control and debt collection policy;
  - b. that revenue due to the municipality is calculated on a monthly basis;
  - c. that accounts for municipal tax and charges for municipal services are prepared on a monthly basis, or less often as may be prescribed where monthly accounts are uneconomical;
  - d. that all money received is promptly deposited in accordance with this Act into the municipality's primary and other bank accounts;
  - e. that the municipality has and maintains a management, accounting and information system which—

- i. recognises revenue when it is earned;
  - ii. accounts for debtors; and
  - iii. accounts for receipts of revenue;
- f. that the municipality has and maintains a system of internal control in respect of debtors and revenue, as may be prescribed;
- g. that the municipality charges interest on arrears, except where the council has granted exemptions in accordance with its budget-related policies and within a prescribed framework; and (h) that all revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled at least on a weekly basis.
- iii. The accounting officer must immediately inform the National Treasury of any payments due by an organ of state to the municipality in respect of municipal tax or for municipal services, if such payments are regularly in arrears for periods of more than 30 days.
- iv. The accounting officer must take all reasonable steps to ensure—
  - a. that any funds collected by the municipality on behalf of another organ of state is transferred to that organ of state at least on a weekly basis; and
  - b. that such funds are not used for purposes of the municipality

## 6. Policy and principles

### a. Accurate billing

The Municipality' primary derived its income primarily from revenue from rates and taxes, and utility services rendered to its community. Accurate billing is crucial in ensuring that the municipality collects what is due to it, in terms of metered services (electricity and water), property taxes, refuse, sanitation as well as sundries and other services. Poor billing results in the municipality losing huge sums of monies and that result in the municipality seeking external funding in terms of grants and other external resources.

This component specifically focuses on billing integrity as the basis of municipal revenue. The municipality needs to ensure that billing is done using the correct source information/ data.

Strategies that will ensure accurate billing are summaries as follows

- Data cleansing
- Accurate billing
- Customer information clean up

## **What is data cleansing?**

A high percentage of the municipal revenue is derived from municipal billing; correct billing is imperative in ensuring that the municipality collects all monies which is due and payable. Data cleansing is the process of checking the inconsistencies and anomalies that appear in the billing data report.

It is essential that the municipality levy its customers using correct data from different sources. Incorrect billing is because of incorrect information processed into the system. The municipality currently has a debt book of R 165 million therefore revenue collections strategies need to be in place to ensure the ultimate reduction in debt.

The proposed revenue enhancement strategy seeks to ensure that the municipality implements plans that will ultimately lead to a decrease in debtors over the long term.

## **How data cleansing is done**

The data cleansing process is divided into three stages:

- a) Database Cleansing.
- b) Returned Mail Cleansing.
- c) Physical Field Audit Surveys.
- d) Data sourced from credit bureaus and other related record holders
- e) Geographic Information systems
- f) Deeds registry
- g) Traffic Analysis
- h) Indigents

### **a) Database cleansing**

Database cleansing is the first activity in the data cleansing process. It comprises checking all billing data held by the municipality for inaccuracies and anomalies. The purpose is to see that all the information the municipality has in its billing system is accurate and correct. Where errors and anomalies are identified, these are to be rectified immediately.

**b) Returned Mail**

Non-delivery of accounts is a major problem in debt collection and presents negative consequences on the part of the municipality. It is therefore imperative that all returned mail be carefully scrutinized to determine reasons for non-delivery and to determine the necessary corrections to be made and most importantly to avert future recurrences.

**c) Data cleansing fieldwork**

Where neither the billing system nor desktop research is able to correct anomalous accounts, fieldwork may be carried out to align data with actual activities on ground. The clean-up process must be consistently performed to save on resources. The outputs of current projects underway may also be used in data clean-up.

**d) Data sourced from credit bureaus and other related record holders**

Data cleansing may also be achieved through data sourced from the Credit Bureaus

**e) Geographic Information systems**

The Municipal Valuers GIS data is used to extract valuation property data.

**f) Deeds registry**

The municipality annual and monthly deeds registry extracts is used to perform the data clean-up.

**g) Tariff Analysis**

A municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements, and which complies with the provisions of this Act, the Municipal Finance Management Act and any other applicable legislation.

Tariff analysis needs to be done by comparing the debtor type to the tariffs being changed. The purpose is to ensure that no errors have being made when charging a certain type of debtor. It is essential that the municipality charge the correct debtor the correct tariff in order to ensure completeness and accuracy of the municipal revenue.



## **h) Indigents**

It is important that Indigent Management is implemented in conjunction with the Debt Collection and with Credit Control programmes. The review of the Municipal Indigent Register must be performed promptly and as planned. The objective is to identify clients on the register whose socio –economic have since changed and does not anymore qualify to being on the register.

Rectify any distribution loss suffered by the municipality from Indigent properties internal leakages must as per Indigent Support Policy at the cost of the Municipality.

## **7. Revenue Streams**

### **a. Grant Funding**

Grants that the municipality receives from National and Provincial government are essential for the financial sustainability of the municipality.

### **MFMA 56 of 2003**

#### **Chapter 1 – interpretations**

“ **financially sustainable**”, in relation to the provision of a municipal service, means the provision of a municipal service in a manner aimed at ensuring that the financing of that service from internal and external sources, including budgeted income, grants and subsidies for the service, is sufficient to cover the costs of—

- i. the initial capital expenditure required for the service;
- ii. operating the service; and
- iii. maintaining, repairing and replacing the physical assets used in the provision of the service;

## 8. Alternate Revenue Streams

### a) Administration Fees.

Umdoni Local Municipality administrative fees on specific actions taken. The actions that trigger levying of admin fees includes:

- Clearance fees
- Credit control actions such as delivery of final demand letters

The admin fees are levied as per various promulgated policies and tariffs as approved.

### b) Traffic Fines

Traffic officers issue traffic fines daily. Warrants are issued against offenders failing to appear against summons issued. Roadblocks need to be held varying intervals to ensure warrants are executed. The execution of these warrants ensure increased collections against fines issued

In an effort to enhance revenue, the Traffic Unit must:

- Ensure steady and continuous submission of fines issued and recovered to finance department to process same on Municipal Financial System
- Establish convenient mode for clients to settle their traffic fines
- Establishment of a Metered Parking service
- Prompt execution of warrants of arrests across the municipality

### c) Rental of Facilities (halls, sports fields etc.)

Umdoni Local Municipality rents out its facilities to the community at promulgated tariffs. A refundable deposit is payable by the lessee and held as security from the consumer, should there be any damage to the rented property the municipality withhold a portion of the deposit equivalent to the replacement or repair of the damaged property or asset.

### d) Cemeteries

Revenue from cemeteries results from:

- a. Burial related fees

Cemetery fees are payable in advance and thus no accrual or any collection efforts.

From a revenue enhancement perspective, the municipality must set out stricter and more severe fees on burials from outside the boundaries of the municipality.

### **e) Library Fees**

The Municipality has embarked on educational and awareness campaigns to encourage the community to make use the community libraries services. Libraries offer services such as photocopying, faxing, scanning to email. Membership are available at a prescribed fee which enables members to borrow books from the library.

### **f) Building plans**

The Umdoni Local Municipality' Development planning unit acknowledges and approves plans submitted for approval. The approval process is subject to specific fees being paid by property owners.

Revenue must be enhanced through:

- Consistent inspections of property developments to identify and penalize transgressors on illegal structures

### **g) Landfill Sites**

Consumers utilizes the landfill site for disposal of refuse outside the planned collections offered by the municipality. The disposal at landfill site results in special tariffs imposed. The revenue generated assists the municipality in maintaining the infrastructure and ensuring continuous and undisturbed service delivery.

The municipality must establish clear guidelines on special fees to foreign waste disposers that dispose at our landfill sites. This will ensure accurate and longer provisions are made on the rehabilitation of these sites.

### **h) Licensing Fees**

The Umdoni Local Municipality recovers as per agreement fees relating to licencing of motor vehicles on behalf of the Department of Transport. The municipality on specific processes is remunerated a specific percentage of the fees generated. This fees forms part of the Municipal revenue and the remaining portion is to the benefit of the Department of Transport.

## **i) Property Rates**

The Umdoni Local Municipality does in compliance with the Municipal Property Rates Act levies and recovers rates from property owners. The levying of property taxes is based on the Municipal Valuation Roll that must be maintained and revised every five years.

## **j) Refuse and Sanitation**

The Municipality bills customers for refuse collections made on specific collection intervals, this is charged based on approved tariffs. Audit of collection sites is imperative in ensuring completeness of revenue recovered through the provision of these services.

Revenue enhancement will ignite collections resulting from:

- Establishing controls and standard operating procedures on ad-hoc refuse collection such as skip bins and illegal dumping
- Audit of refuse revenue from bulk users

## **k) Rental of Buildings**

The Municipality maintains a base on rental stock of properties leased out. These properties include the Business hives in both towns and townships developed to ignite economic activity in the municipality. The rent recovered ensure that the municipality will have resources necessary to maintain such buildings. The leases must be maintained and subjected to review over specific intervals.

## **l) Town Planning and Valuations**

The municipality through its Development and Planning unit deploy building inspectors to identify clients that infringe on building control regulations. Fines are issued immediately on site or levied against accounts of transgressors. The penalties imposed are recognised as revenue for the Municipality.

Revenue must be enhanced through:

- The appointment of a service provider for the audit and review of current value and categories of use on the Municipal Valuation Roll.
- Establishments of Standard operating procedures to ensure steady flow of activities to ensure subdivisions and consolidations are re-assessed and outcomes are promptly converted to finance department for levying.

**m) Penalties**

Penalties are imposed based on nature of transgression. Typical transgressions include:

- Penalties on encroachments by Development planning

**n) Sundry Fees**

Sundry Fees results from miscellaneous recoveries by the Municipality such cost of letters of demands.

**o) Beach Parking/ Campsites**

The Municipality received revenue from the sale of beach parking permits and the hire of camping sites.

**9. Municipal Accounting and Budget Policies**

The success of revenue enhancement strategy rest with the Municipality having a sound and vigorous financial management program which must be duly implemented.

**10. Policy Adoption**

The policy shall be called the Revenue Enhancement Policy

The policy is effective from date of resolution by Council.

Date of adoption: .....2024

