



# MAKHUDUTHAMAGA LOCAL MUNICIPALITY

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## APPROVED REVENUE ENHANCEMENT STRATEGY

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2025 – 2026 FINANCIAL YEAR

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## 1. Introduction

- a) In terms of the local government financial reforms as guided by the Municipal Finance Management Act (MFMA) (56 of 2003) as introduced in 2004, the municipalities are expected to be financially sustainable in the foreseeable future.
- b) The purpose of this document is to provide a strategic framework to resolve the current financial constraints of Makhuduthamaga Local Municipality and maximize the opportunities for revenue generation and debt collection.
- c) The Revenue Enhancement Strategies contained in this document were prepared taking in to consideration the changing socio-economic and political environment in our municipality's communities, the Sekhukhune District, Limpopo province and the National policies.

## 2. Background

- a) Makhuduthamaga Municipality is a Grade 3 Category B4 municipality located within Sekhukhune District Municipality (SDM) of the Limpopo Province. The offices of the municipality are located in its small town of Jane Furse. The municipality is completely rural and dominated by traditional land ownership and comprises of a land area of approximately 209 695 ha (at a low average density of 1, 3 persons per ha). It is made up of 31 wards, 189 settlements with a population of 274 358 people and 65 217 households, which amounts to more than 25% of the District's 1 076 840 population (Census 2011).
- b) The following is the **Vision** and **Mission** of the municipality:  
  
**Vision:** To be a catalyst of integrated community driven service delivery.  
  
**Mission:**
  - ✓ To strive towards service excellence.
  - ✓ To enhance robust community based planning.
  - ✓ To ensure efficient and effective consultation and communication with all municipal stakeholders.
- c) Makhuduthamaga municipality is currently operating on an average budget of **R450 million** per annum for both Capital expenditure and Operational expenditure. More than 80 per cent of the municipality's budget is funded by National government grants such as Equitable Share, FMG, EPWPG and MIG.
- d) The municipality does not only have a challenge of low revenue generation base but also poor collection. Out of the average own revenue of **R 90 million per annum**, the municipality is able

to collect an average of **R29 million per annum** which is very low to ensure financial stability and sustainability in the foreseeable future.

- e) The municipality's main source of own revenue is charging property rates on properties within the municipal area. Currently only business properties and government properties are charged property rates and the households are excluded as per the council resolution taken considering the socio-economic challenges within the communities of the municipality.
- f) The development of this revenue enhancement strategy is an effort to address the low revenue base status of Makhuduthamaga Local Municipality.

### **3. Sources of revenue available to Makhuduthamaga municipality.**

- a) National and Provincial grants.
- b) Property rates charged in terms of MPRA.
- c) Licences and permits issued on behalf of Department of Roads and Transport (Agency services)
- d) Rental of municipal facilities. (i.e. Hawker stalls, Municipal halls, municipal sports fields)
- e) Solid waste collection.
- f) Traffic fines/Law enforcement
- g) Approval of building plans
- h) Business licensing
- i) Sales of tender documents.
- j) Supply of electricity – Apply for license.
- k) Supply of water – Apply for license.

### **4. Status quo of Makhuduthamaga revenue generation and collection.**

Makhuduthamaga municipality is highly dependent on government grants and experience a very low collection percentage on revenue billed to its customers. There are limited sources of revenue due to its rural nature which poses a challenge to its sustainability in to the foreseeable future.

The following challenges exist in Makhuduthamaga municipality and make it difficult for the municipality to maintain a sustainable revenue base:

- a) No service charges for basic services offered by the municipality (i.e. Waste collection)
- b) Inadequate Indigent management and lack of controls on free basic services offered.
- c) Little to no growth in the tariffs and rates base
- d) Customer data accuracy (i.e. inaccurate and outdated information on the municipal valuation roll)
- e) Inadequate debt management and credit control
- f) Customer relationship management/ Communication of information to communities.
- g) Inadequate public consultation on revenue management issues.

- h) Cash flow planning and management
- i) High level of outstanding consumer accounts
- j) Limited sources of revenue.
- k) Unemployment is very high and large sections of the population are indigents.
- l) The municipality has high level of backlogs on roads infrastructure which is the function of the municipality.

## **5. Proposed strategies to maximise revenue generation and collection for the municipality.**

Revenue management is under Budget and Treasury office which is led by the Chief Financial Officer. The department's KPA is "financial viability" and its strategic objective is "to provide sound and sustainable management of the financial affairs of Makhuduthamaga municipality". It is therefore imperative that, the strategies put in place to maximize revenue collection for the municipality are aligned to the strategic objective of the financial viability KPA, service delivery department's strategic objectives and the vision of the municipality.

The following plans of action must be implemented to enable the municipality to maximize its revenue base and improve collection:

### **For introduction new revenue sources of revenue;**

- a) Review and implementation of the municipality's existing indigent policy.
- b) Compilation of a credible and accurate indigent register.
- c) Community consultation on indigent policy and register.
- d) Communication and implementation of municipal by-laws.
- e) Run a pilot project on solid waste management in Phokoane village and Glen Cowie village.
- f) Ensure proper demarcation of sides in strategic areas of the municipality (Identified Nodal points).
- g) Ensure successful implementation of the formalization of Jane Furse project.
- h) Capacitate the law enforcement unit in community services including deployment of resources to acquire necessary assets.
- i) Allocated resources to expand the testing grounds for issuing of permits and licenses.

### **For maintaining current sources of revenue and improve collection.**

- a) Improve service efficiency on licenses and permits source of revenue.
- b) Develop credible and accurate valuation roll for the next five years (2021/22 to 2025/2026).
- c) Stakeholder consultation on new valuation rolls to ensure consensus on property details on the valuation roll.
- d) Use GIS to maintain accurate customer information.
- e) Capacitate the traffic division in community services department.

## 6. Implementation of the plan of action.

Detailed Strategies to enhance revenue generation and improve collection.

No.	Revenue source	Developmental challenge	Measurable objectives	Strategies to enhance revenue.
1.	Property rates	Poor collection of billed revenue.	To collect 95% of the total billed revenue for property rates from customers	<ol style="list-style-type: none"> <li>1. Review and verify credibility, completeness and reliability of information in the municipal valuation roll.</li> <li>2. Conduct consultative engagements with all property owners on the municipal valuation roll.</li> <li>3. Allocate resource and monitor the accurate billing and timeous delivery for property rates invoices to property owners.</li> <li>4. Council to approve amnesty for long overdue accounts up to the percentage to be agreed with the customers to assist them to afford settling the accounts and keep their accounts up to date.</li> <li>5. The property rates customers (local businesses property owners) to sign settlement agreements with the municipality.</li> <li>6. Take legal actions (use debt collector) against defaulters who does not cooperate with the municipal arrangements for accounts settlements. – All 60 days overdue accounts.</li> <li>7. Review and update the Credit control and debt management policy annually.</li> <li>8. Adequately implement the Credit control and debt management policy.</li> </ol>

				<p>9. Engage provincial and National departments to intervene on Government debts.</p> <p>10. Implement the reviewed indigent register.</p>
2.	Licenses and permits (agency fees)	<p>1. The capacity of testing grounds not adequate to service current demand.</p> <p>2. Loss of customers to alternative providers of the same services.</p>	To grow the revenue for this source by 50% and collect 95% of revenue from customers.	<p>1. Allocate resources to acquire land for expansion of the testing grounds.</p> <p>2. Establish a committee for land acquisition.</p> <p>3. Expand the structure for Traffic management function in community services.</p> <p>4. Develop and implement service standards for DLTCs and monitor implementation.</p>
3.	Rental of municipal facilities.	<p>1. Municipal halls dilapidated.</p> <p>2. No regulation on street advertising.</p> <p>3. Advertising fees paid to tribal offices.</p>	To grow the revenue from this source by 50% and collect 95% of billed revenue.	<p>1. Capitalise and rehabilitate all municipal halls.</p> <p>2. Regularly maintain the municipal halls.</p> <p>3. Consult affected communities and sign a memorandum of understanding on how to use the community halls.</p> <p>4. Implement the street advertising by-laws.</p> <p>5. Establish and maintain a good relation with all local traditional leaders.</p>
4.	Solid waste collection.	<p>1. Inadequate capacity to successfully run the function.</p>	To collect 95% of billed revenue.	<p>1. Implement waste management by-laws.</p> <p>2. Allocate resources to acquire adequate assets for waste collection and disposal.</p> <p>3. Upgrade the landfill site at Madibong village.</p> <p>4. Bill customers for waste collection (Government departments, businesses)</p> <p>5. Pilot household collection at Glen Cowie, Phokwane and Jane Furse.</p> <p>6. Review waste management policies and budget related policies.</p>

5.	Traffic fines/Law enforcement	1. Poor collection of revenue billed.	To collect 95% of billed revenue.	<ol style="list-style-type: none"> <li>1. Allocate resources to capacitate law enforcement division.</li> <li>2. Law enforcement to start implementing the following activities: <ol style="list-style-type: none"> <li>2.1. Vehicle impoundment</li> <li>2.2. Stray animals impoundment</li> <li>2.3. Testing of vehicles for road worthiness.</li> </ol> </li> </ol>
6.	Approval of building plans	<ol style="list-style-type: none"> <li>1. Unregulated construction of buildings within municipal area.</li> <li>2. The municipality does not own land.</li> </ol>	To collect 95% of billed revenue.	<ol style="list-style-type: none"> <li>1. EDP to start regulating the building plans and construction of building within the area.</li> <li>2. Implement building by-laws to regulate building plans and construction of buildings.</li> <li>3. Review the rates policy.</li> <li>4. Capacitate the EDP division that deal with building regulations.</li> </ol>
7	Business licensing	No business licensing unit in the municipality	To collect 95% of billed revenue.	<ol style="list-style-type: none"> <li>1. Include the business licencing division organisational structure.</li> <li>2. Implement the business licensing by-laws.</li> <li>3. Start issuing business licenses and implement law enforcement.</li> </ol>
8	National Grants	Current expenditure needs exceed current National grants.	To increase the Grant allocation by National Treasury.	<ol style="list-style-type: none"> <li>1. Adequately spent budget as per the SDBIP and monthly projections.</li> <li>2. Effectively and efficiently implement the procurement plan.</li> </ol>

## 11. Operational phase

- a) This phase would speak to the capacity of the Municipality to implement all the revenue enhancement projects. The budget and treasury office has over the years gone through financial reforms. The reforms have provided the basis from which the office can handle voluminous transaction emanating from consumer debtors. The office will have to increase its staff component with immediacy and provide ongoing training especially the revenue unit. The current financial system in Sage evolution and has the capacity to handle the new data emanating from the revenue transactions.



- b) The Municipality's town planning unit and technical services have long been established and they will also be able to provide the necessary support for implementation of property taxes, billboards and the waste removal.
- c) Policies and by-laws that give effect to the implementation of the identified sources of revenue have been developed and adopted by Council.

This proposed strategy will go a long way in contributing to Makhuduthamaga Local Municipality's efforts to remedy the considerable financial charges and social changes facing the Municipality and the province. This revenue enhancement strategy will be reviewed annually as municipal and socio-economic conditions changes continuously.

## 12. Risk considerations

FACTOR	RISK
Increased administration costs	Additional revenues may not be available to cover rising costs, resulting in service delivery challenges.
Poor Administrative capacity to assess the revenue base.	Despite the best intentions, collection plans may not be realized.
Explicit and intentional tax evasion and resistance from taxpayers.	This may pose a problems especially for the environment in which Makhuduthamaga operates where the income levels are low or non-existent.
External pressure on the local finance department to provide optimistic projections	National Governments expectation is for local government to become sustainable and viable. This factor may be a challenge where the revenue base is low as in the case of a rural Municipality, such as Makhuduthamaga Local Municipality.
Political pressure on the local tax administration to relax on revenue collection.	This factor may be a problem in situations where the community is poor.