Annexure 8

WATERBERG DISTRICT MUNICIPALITY

REVENUE ENHANCEMENT STRATEGY

MARCH 2022

Table of Contents

1. BACKGROUND

1.1 INTRODUCTION

The Waterberg District Municipality (WDM) is located in Limpopo province. WDM was formed in 2000 and is one of the five District Municipalities in the Limpopo Province. The district borders Botswana and shares boundaries with the North West and Gauteng provinces as well as Sekhukhune and Capricorn District Municipalities.Waterberg District Municipality is home to 757 000 people which is 1.3% of South Africa's total population.

The economy of the Waterberg is largely dominated by three (3) sectors, namely; mining, tourism and agriculture. Waterberg District is one of the major mining regions in South Africa with platinum, iron ore, coal and diamonds as the main resources. The district also houses the fourth largest power station (Medupi) in the world and the largest remaining known coal reserves in South Africa.

WDM has limited opportunities for revenue due to reduced powers and functions and therefore fully dependent on Government grants. Currently the District relies on the grants - Equitable Share, Finance Management Grant, Municipal Systems Improvement Grant, EPWP Incentive Grant and Rural Road Asset Management Grant to execute its powers and functions. A very small portion of revenue is attributable to interest received on investments and abattoir income. The District does not have a billing system, as it is not a service authority and therefore only have minor billings on abattoir slaughtering accounts. Furthermore, Waterberg does not have infrastructure assets, as it does not provide basic services other than Fire services, Environmental Health and Disaster Management.

The growing deficit on year-on-year basis threaten WDM financial sustainability. The accumulated deficit from the previous financial years as well as the projected deficit for the current financial year budget and the upcoming 2021/22 MTREF is worsening the financial position of the Municipality. This has a detrimental effect on the municipality’s ability to fund the budget shortfall beyond 2021/22 IDP projects required to meet service delivery mandate

1.2 PURPOSE

The purpose of this strategy is to explore challenges faced by Waterberg District Municipality in enhancing its own sources of revenue and to identify ways to overcome these challenges. Own sources of revenue within the local government are the most critical means of promoting the fiscal autonomy. Therefore, the ability to generate own revenue is crucial element of revenue enhancement for financial sustainability.

Given this problem statement, the objectives of the strategy are the following:

- To explore the challenges faced by Waterberg District Municipality in enhancing their own source of revenue.

- To identify strategies to overcome the challenges of revenue enhancement
- To provide recommendations how WDM can maximize own sources of revenue.
- Stabilize the financial and economic sustainability of WDM in order to broaden the income base and increase revenue.
- Reduce proportionally high costs, to affordable levels.
- Create an environment which enhances development, growth and service delivery.
- Financial impact from the fact that the municipality is not a water authority

1.3 STRATEGIC OBJECTIVES

The Waterberg District Municipality strategic objectives are:

- To coordinate and monitor social and infrastructure development for the provision and access to services
- To coordinate spatial transformation
- To effectively manage finance and resources mobilization
- To create a conducive environment for radical economic development
- To develop and implement integrated management & governance system
- To attract, develop and retain ethical and best human capital.

2. WDM STRATEGIC FRAMEWORK

2.1 REQUIREMENTS FOR A REVENUE ENHANCEMENT STRATEGY

The Revenue Enhancement Strategy is essentially a turnaround plan with the aim of improving the Municipality's performance. Financial viability and sustainability require municipalities to not only to collect revenue due, but also to plan, develop and implement effective revenue enhancement strategies to maximize its revenue base. Revenue enhancement is a process focused on the holistic improvement of the municipal business model.

One of the important outcomes of this Strategy is to improve the financial position of the municipality as the primary delivery machine of the developmental state at a local government, as well as to rebuild and improve the basic requirements for a functional, responsive, accountable, effective, and efficient developmental Municipality, and in the process restore the confidence of the majority of the community within Waterberg District Municipality.

The WDM Revenue Enhancement Strategy therefore seeks to address the issues financial sustainability challenges faced by the Municipality.

2.2 KEY FOCUS AREA IN REVENUE ENHANCEMENT EFFORT

In line with the analysis undertaken, together with identified focus areas to enhance management of revenue, various strategies have been formulated, and grouped into strategic focus areas; these have been clustered in the following manner:

Focus area #1 – Alternative Revenue Sources

Focus area #2 – Abattoir Turnaround Strategy

Focus area #3 – Grants, Subsides and Donations

Focus area #4 – Cost Cutting and cost containment measures

It is expected that the development and implementation of the Revenue Enhancement strategy, will ultimately lead to enhanced revenue base for the WDM

The primary objective of this Revenue Enhancement Strategy is to provide a clear roadmap into the Municipality's financial recovery, through a Revenue Management Strategic Plan. The document focuses in the formulation and implementation of strategies to improve financial management and controls within the municipality. In addition, the Strategy will outline key initiatives that will improve the revenue management organisation with the view to turn it around into an effective organisational machinery that helps the municipality increase revenue base. The desired outcome from these initiatives is stable financial position for the municipality, and therefore an improved service delivery position.

Detailed initiatives and implementation plans have been developed for each of the strategic focus area

3. WDM REVENUE ENHANCEMENT STRATEGY

We have identified the following as the key focus areas for revenue enhancement strategy:

3.1 New sources of revenue

WDM needs to maximize its revenue generation by exploring new sources of revenue.

3.1.1 Air Quality Licencing

The National Environmental Management: Air Quality Act 39 of 2004 requires Municipalities to introduce Air Quality Management Plans setting out what will be done to achieve the prescribed air quality standards. The Act introduced the shift in air quality management approach from source-based control to receptor-based control and as results makes provision for the setting and formulation of National ambient air quality standards, while it is generally accepted that more stringent standards can be established at the Provincial and Local levels.

Emissions are controlled through the listing of activities that are sources of emission and the issuing of emission licences for these listed activities. Atmospheric emission standards are established for each of these activities and an atmospheric licence is required to operate. The issuing of emission licences for Listed Activities is the responsibility of the Metropolitan and District Municipalities. Thus, WDM is required to 'designate an air quality officer responsible for co-ordinating matters pertaining to air quality management in the Municipality'. The appointed Air Quality Officer is responsible for the issuing of atmospheric emission licences

The atmospheric emission licence processing fees is regulated by the Minister of Environmental Affairs.

An emissions inventory for the WDM for air pollution sources have been identified as:

3.1.1.1 Power generation – WDM is home to two large Power Stations. Matimba and Medupi. Both the power station utilise the coal resource for energy generation and as such they are the main sources of SO_2 emissions in the district.

3.1.1.2 Mining – mainly fugitive dust emissions from mining activities. According to the Department of Mineral Resources, there is a total of forty-seven (47) mining licenses issued by the Department of Minerals and Energy within the District. Department has also issued about 125 prospecting rights. There is a potential of these prospective rights to graduate and become mining rights in future. Furthermore, the Department has also issued 59 mining permits within the district.

3.1.1.3 Industrial emissions – mainly emissions from small boiler sources and brickworks in the District.

3.1.1.4 Agricultural activities – agricultural activities are considered to be an important source of ambient particulate concentrations. Thabazimbi Local Municipality is the main contributor to agricultural activities in the District.

3.1.1.5 Waste Treatment and Disposal - there are seven licenced disposal facilities (landfills) in the Waterberg District for the disposal of general waste.

Strategic Interventions for Air Quality Management

Focus Area	Requirements /Identified Gaps	Strategic Intervention
Human Resources	DM: Environment and Air quality	- Appointment of the DM
Air Quality management tools	- Emission inventory software	- Explore donor funding and other spheres of Government to fund the

	- Dispersion Modelling Software - Air quality monitoring tools (Stack Monitoring equipment	procurement of Air Quality monitoring tool (stack monitoring)
Air Quality Database	Database of all air pollution sources business/organisation within the district	- Update and maintain the of an emissions inventory database, source identification and reviewing quarterly reports from industries.

3.1.2 Long term strategies

3.1.2.1 Water Service Provider (Bulk Water Provision)

Water service Act 108 of 1997 make provision for bulk water service provider responsible for the provision of water and sanitation to water service authorities. Water service providers provide the services and perform the duties as required in the contract, the Water Service Authorities and the Constitution. The municipality in line with the Act may contract with a public or private water services provider to supply water and sanitation services. The regulatory framework provides for a range of institutional arrangements to ensure provision of water services, each with its own set of benefits and restrictions. Arrangements may include providers in the form of the municipality itself, another municipality, a municipal utility, a multi-jurisdictional utility, a water board, a community-based organisation, a private company, and a venture owned jointly by a municipality and national government.

When externally contracting out, municipalities may only enter into an agreement with a private sector provider after it has considered all known public sector providers who are willing and able to perform the functions. The Minister has published regulations setting out compulsory contractual provisions to be included when contracting with a water services provider, including the scope of the water services to be provided, performance targets and indicators, and the obligations placed on municipalities that are necessary to achieve the targets. Where the contract places an obligation on the provider to supply services directly to the consumer, the provider must prepare and publish a consumer charter that establishes a system for dealing with consumer complaints and sets out the consumer’s right to redress. Consumers in the area must be given an opportunity to participate in developing the charter.

WDM should therefore explore the possibility of being water service provider as provided for by the Act and provides bulk water service to the five local municipalities within its jurisdiction.

Strategic Interventions for Water Service Provider

Focus Area	**Requirements /Identified Gaps**	**Strategic Intervention**
Bulk water provision	▪ District Water Source and bulk water supply ▪ WSP/WSA powers and functions ▪ Lack of bulk water security	Explore donor funding and other spheres of Government to fund the following: ▪ Conduct a comprehensive feasibility study ▪ Cost-benefit analysis ▪ Quantity and quality of water. ▪ District Water Resources Planning and Bulk Water Supply Master Plan. ▪ Applications of abstraction license and Cost implications of abstraction ▪ Tariffs ▪ Identify implications of proving the services i.e land, funding, engineers

3.1.2.2 Energy mix

Focus Area	Requirements / Identified Gaps	Strategic Intervention

Energy Generation and distributions	▪ Lack of alternative source of energy and energy security ▪ Lack of bulk energy sources ▪ Lack of Integrated Energy Master plan	Explore donor funding and other spheres of Government to fund the following ▪ Conduct Comprehensive feasibility study and cost benefit analysis(Thermal, windmill and solar) ▪ Sought funding for planning and implementation (private investment or grants) ▪ Determine the capacity to generate and distribute(Currently municipalities are granted generation up to 100 mw) ▪ Apply for License generation and distribution ▪ Determine the market ▪ Tarrfis, policies or bylaws

3.1.3 Implementation of by-laws

WDM is in the process of finalising three by laws, Air Quality Management, Emergency Services and Public and Environmental by-laws. The implementation of these by-laws will increase revenue for the municipality.

Strategic Interventions for implementation of by- laws

Focus Area	Requirements /Identified Gaps	Strategic Intervention
Publicizing by-laws approved	Lack of by-laws	Placing by-laws on website
Training and resources required to implement by laws	Implementation of by-laws	- Determine the training requirement as well as tools

		required for implementation. - Enforcement of by laws

3.2 Abattoir Turnaround

WDM operates an abattoir which is a trading services. Trading services is supposed to break-even but the facility is operating at a loss. Council approved PPP operating model for the Abattoir. A Public Private Partnership is an agreement between a public sector entity and a private sector entity. The following normally happens in this arrangement:

- Private party assumes substantial financial, construction, technical and operational risks in the design, financing, building and operation of a project
- Agreement may stipulate level of standards of service
- Private party assumes some or all of management of assets and related services
- Agreement may govern prices charged for design, building and financing of an asset
- Agreement may contain clause to transfer the assets at the conclusion

The PPP is more beneficial in projects that are capital intensive like the WDM Abattoir facility whose business model is not financial sustainable and requiring substantial investment. This arrangement can be entered into with the developers so that the municipality does not incur excessive costs required in the upgrading the abattoir facilities.

Strategic Interventions:

Focus Area	Requirements /Identified Gaps	Strategic Intervention
Tariffs setting	Abattoir tariffs are not cost reflective	Develop cost reflective tariff structure accommodative of the customers
PPP Process	Implementation of the Council resolution	Initiate the PPP process in line with National Treasury Guidelines

3.3 Grants, Subsidies and Donations

Transfers from the national government have been a major source for financing the expenditure of local government and critical to municipalities offering essential services to mainly poor communities. Government enables this through grants and subsidies such as Equitable Share, Municipal Infrastructure Grants among others. WDM should therefore ensure that it explores all avenues to maximise grants, subsidies and donations. WDM currently receives Equitable Share, Financial Management Grant, EPWP and RRAMS Grant. There is need to ensure that WDM is not missing out on any grants and subsidies. In addition, to local grants, the should also be a focus on grants offered by international organizations, such as the European Union, etc.

Strategic Interventions – funding the IDP Capital requirements not funded due to financial constraints.

Focus Area	Requirements /Identified Gaps	Strategic Intervention
Building of fire-stations	WDM do not have Fire stations in Bela Bela, Thabazimbi and Mokgopong	Explore donor funding and other spheres of Government to fund: - Acquisition of Land for Thabazimbi and Mokgopong
Procurement of capital equipment	WDM is in need of Fire-fighting equipment, water tankers,	- Explore donor funding and other spheres of Government to fund procurement of the Capital requirement
ICT Infrastructure	ICT infrastructure	- Engage COGTA on ICT infrastructure requirement to ensure that this is funded through the Municipal Systems Improvement Grant allocation for the 2022/23 MTREF - Explore donor funding and other spheres of Government

Local economic Development and Tourism	Funding required to implement WDM Economic Recovery Plan	- Explore donor funding and other spheres of Government to fund initiatives on Local Economic Development
Refurbishment of WDM buildings and existing fire stations	Funding required to implement Building assessment study conducted in 2019/20 financial year	- Explore donor funding and other spheres of Government fund the refurbishment of the WDM building and fire stations
Refurbishment of abattoir	Funding required to address abattoir maintenance and upgrade whilst awaiting the PPP process to be finalised	- Explore donor funding and other spheres of Government

3.4 Cost cutting and cost containment measures

Exploring ways of reducing and containing operational costs is also important. While this is not directly revenue enhancing, this contributes indirectly to revenue enhancement as this promotes operational efficiency. In a way this ensures that future revenue gains are utilized efficiently. Employee cost need to be controlled by redesigning the organisational structure and eliminate redundant positions. The municipality has adopted cost containment policy in 2019 which introduced measures to be implemented by the municipality to ensure that the resources of the Municipality are used effectively, efficiently and economically. The policy provide guidance on way to achieve this.

3.4.1 Unfunded Mandates

Section 10 of the Municipal Systems Act contains requires that where the transferring organ of state is instructed or assigned specific function or service to Municipality to ensure sufficient funding and capacity building to accompany initiatives to perform such function.

3.4.1.1 Municipal Health

The Cabinet took a decision in October 2002 for Municipal Health Service to be devolved to the District Municipalities and the implementation date to be on the 01st July 2004. The devolution process resulted in the WDM taking over provision of the services, employees from the provincial health and social development as well as local municipalities. The transfers of this services to the district without sustainable sufficient funding

3.4.1.2 Fire-fighting Services

Firefighting services is a local government function with concurrent provincial and national legislative competence in terms of Schedule 4 Part B, of the South African Constitution. Generally, municipalities are responsible for funding fire services. This funding model is however, strongly linked to municipal viability with municipalities that are financially viable able to adequately and sustainably fund the function while those that are not viable struggles to finance fire activities in any meaningful way. In terms of Section 84 (1) (j) of Municipal Structures Act 117 of 1998, Fire Services is the function of the District Municipality. In September 2014 WDM started with the relocation or transfer process of the Fire Service which was rendered by local municipalities through Service Delivery Agreement since 2007. To date, it is only Mogalakwena which still render the Fire Services on behalf of the District through the Service Level Agreement.

The primary role of the local government equitable share is to distribute local government's share of nationally raised revenue, supplementing municipal own revenues, to assist municipalities in providing basic services to poor households. Fire services are not defined as a basic service and this largely often results in inadequate allocation of resources to the function. Equitable share formular makes provision of fire services as well as other services not classified as basic services using community service component in their allocation formular hence inadequate funding for this service.

There review of Local Government Equitable Share dating back from 2012 which after approval by Cabinet during May 2020 by Minister of Cooperative Governance and Traditional led to the publication of White Paper on Fire Services (Notice 515 of 2020 White Paper on Fire Services). Amongst some of the Key Policy Proposal outlined in the document is the Introduction of funding strategy for Fire Service.

Strategic Interventions for Unfunded Mandate and Cost Containment

Focus Area	Requirements /Identified Gaps	Strategic Intervention
Sustainable funding of Municipal Health	Budget Shortfall	- Engage Provincial Treasury on the sustainable funding for Municipal Health Service - Engage Political Champion to address funding challenges

Sustainable Funding for fire Services	Budget Shortfall Excessive Overtime	- Engage Provincial Treasury on the sustainable funding for Municipal Fire Service - Alignment of condition services for all the fire stations within the district to address overtime challenges.
HR policies and Organisational Structure	Budget Shortfall	- Review of all HR policies, allowances, - Review of organisational structure – operational effectiveness
Cost containment policy	Budget Shortfall	- Implementation of cost containment measures approved in the policy.

4. REVENUE ENHANCEMENT STRATEGY QUICK WIN PROJECTS

This section provides a consolidated view of the key strategies that have been outlined in the section above. These have been prioritized to ensure efforts are focused on the short-term efforts to realize immediate benefits. Medium to long-term interventions have also been identified for future implementation.

Below is the list of projects that can be undertaken immediately resulting in revenue enhancement for the Municipality.

Focus Area	Strategic Intervention	Initiatives	Responsible Person	Projected cost
Air Quality Licencing	Compilation of an emissions inventory database, source identification and reviewing quarterly reports from industries.	- Engage Department of Environmental Affairs and Tourism to obtain the existing database. - Issuing of Air quality Licence	SDCS	R 0
	Air quality monitoring tools (Stack Monitoring equipment	Explore donor funding and other spheres of Government to fund the procurement of Air Quality monitoring tool (stack monitoring)	SDCS	R 320 000
	DM: Environment and Air quality	- Appointment of the Air Quality Officer - Training	SDCS	Not funded
By-laws implementations	Communication of the by-law	Placing by-laws on website	CSSS	R 0
	Determine the training requirement as well as tools required for implementation	Procurement of training	CSSS	R0
	Enforcement of by-laws	Penalties resulting in fines needs to be enforced with respect of the by-laws	SDCS	TBD

Grants, Subsidies and Donation	Funding required IDP Capital and Operating unfunded projects	• Explore donor funding and other spheres of Government to fund the Capital as well as operating requirement not funded in the draft 2023 MTREF • Development of business case for each project	CSSS SDSC ID PED	R0
Unfunded Mandate	Engage Provincial and National Treasury for sustainable funding for Municipal health and Fire services	- Arrange meeting with PT and NT - Arrange meeting with DDM Political Champion	BTO MM	R 0

Water Service Provider	WSP Licence	Explore donor funding and other spheres of Government to fund: - Conduct a comprehensive feasibility study - Cost-benefit analysis - Quantity and quality of water. - District Water Resources Planning and Bulk Water Supply Master Plan. - Applications of abstraction license and Cost implications of abstraction - Tariffs - Identify implications of proving the services i.e land, funding, engineers	ID	R0
Abattoir	Funding required for refurbishment and upgrade	- Explore donor funding and other spheres of Government to fund the refurbishment and upgrade of abattoir	PED	R24 million
	Development of cost reflective tariffs	- Abattoir tariffs review	PED BTO	R 0

	PPP	- Engage NT on the PPP Process	PED	R0
Cost Containment	Implementation of cost containment policy and other cost cutting measures	- Explore ways of reducing operational costs to reduce budget shortfall	BTO CSSS	R0

5. Conclusion

5.1 Implementation of the revenue management plan

This Plan places significant implementation responsibility on the Municipal Manager. The Senior Management will remain at the forefront with regard to managing the specific strategic intervention and initiatives. This will also include resourcing interventions, managing risks and most of all ensuring successful implementation of initiative identified. The implementation responsibility should be operationalized whereby the key focus areas and activities outlined in the Revenue Enhancement Strategy should be included in their performance agreement.

5.2 Risks associated with the implementation of the plan

This Plan has identified certain risks that must be mitigated for successful implementation. These are summarised below: -

Non-implementation of plan - A key risk is that implementation of strategies may not take place. In order to mitigate this risk, specific timeframes and responsibilities have been defined for each of the strategies developed in the Revenue Enhancement Strategy.

Funding and budget consideration - The availability of funds to support the implementation of identified initiatives. In order to mitigate this risk, it is recommended that various funding options be considered to fund initiatives.

There should be a regular review of the risks to ensure timely mitigation strategies are instituted by the management.

5.3 Monitoring and evaluation

The monitoring of the successful implementation of this plan, as well as the evaluation of the impact brought about by various interventions will provide assurance that the identified interventions are being implemented, the milestones are being achieved and the objectives of the plan are being realised.

The responsibility for monitoring and reporting on the implementation of this Revenue Management Strategic Plan lies largely with the Management.

Reporting on the Revenue Management Enhancement Strategy is illustrated in the table below:

Role	Responsibility	Reporting
Finance Portfolio Committee	Oversight on the revenue enhancement strategy	Council
Municipal Manager	Overall responsibility to implement the strategy	Mayor
Senior Management	Overall responsibility of the implementation plans	Municipal Manager
Divisional Managers	Implementation of plan initiatives and updating the plan	Senior Management

Implementations progress reports will be managed by various roles highlighted in the above table including management of risks emanating from the implementation of the plan. The overall accountability of the implementation of the plan still rests with the Municipal Manager.