



## **REPORTS FROM DIRECTORATE: FINANCE**

**Meeting : Revenue Enhancement Committee**

**Date : Wednesday, 13 March 2019**

**Time : 10:00**

**Venue : Executive Mayor's Boardroom, Main Building, 4<sup>th</sup> Floor, Civic Centre, Welkom**



# ENIGMA

Consulting

**MATJHABENG LOCAL MUNICIPALITY**

**PROGRESS REPORT:**

**REVENUE INVESTIGATION AND COLLECTION**

**FEBRUARY 2019**

## INTRODUCTION - 2017-2018 FINANCIAL YEAR

### 1. PURPOSE OF THE REPORT

### 2. BACKGROUND

- ❖ ABOUT THE PROJECT
- ❖ CHALLENGES that were faced by the municipality

### 3. DISCUSSION ON WORK PERFORMED TO DATE

### 4. BENEFITS TO THE MUNICIPALITY

- ❖ OVERALL BENEFIT ON PROPERTIES
- ❖ REQUIREMENT TO DONATE ASSETS TO DPW
- ❖ THE COST TO THE MUNICIPALITY (2 year recovery plan)

### 5. EVIDENCE OF WORK PERFORMED

## 1. PURPOSE OF THE REPORT

The purpose of this report is to give a background information about the project that Enigma Consulting is implementing at Matjhabeng Local Municipality. The project started in January 2018. Where Enigma was assigned with the demonstrating the potential revenues that will flow to the municipality should they be appointed to assist the municipality.

## 2. BACKGROUND ABOUT THE PROJECT

In June 2017, Enigma Consulting made a presentation to the management meeting that was held at Matjhabeng Local Municipality where Enigma presented in full length the project that they wanted to partner with the municipality with in enhancing the revenues.

Enigma Consulting presented as follows:

1. Enigma would implement the project on risk basis where:

- ❑ Enigma is implementing the project at its own cost
- ❑ Enigma is paid by the municipality on receipts of the proceeds generated by the involvement on revenue generation
- ❑ Where the cash deliverables are realized by the municipality through revenues deposited directly to the municipality's bank account,
- ❑ All documentation will be issued by the municipality and handed over to Enigma to work with the relevant third parties for collections

## CHALLENGES THAT WERE FACED BY THE MUNICIPALITY (Why it had to implement the project at Matjhabeng Local Municipality)

1. The project was necessary to be implemented by the municipality due to the following challenges that the municipality was facing:
  - a) Municipality may not have had the budget to the implement the project when it was most needed,
  - b) Should the municipality undertake the project on their own it would have required that multiple service providers be appointed to work hand in hand in executing the project,
  - c) The municipality was under pressure to improve its revenue base to generate more revenue in order that the municipality can be able to service the Eskom account and be able to sustain itself in providing other basic services to its communities around Welkom and surrounding areas,
  - d) The municipality was aware that there are unbilled properties that are around the municipality and also there are existing properties that are still recorded at old improper values, instead of market values that should be applicable when levying assessment rates to property owners,
  - e) The municipality did not have adequate capacity to perform the project in-house at the shortest time available.

DESCRIPTION OF SCOPE OF WORK PERFORMED		COMPLETION		
1	Identify all government related properties under Matjhabeng Local Municipality Jurisdiction	85%	<div><div></div></div>	
2	Identify all additional other government properties under Matjhabeng Local Municipality that are not on the municipality billing system	70%	<div><div></div></div>	
3	Perform data collection on all properties in the manner required by the professional Valuers and municipality	100%	<div><div></div></div>	
4	Perform valuation of these properties according to the applicable laws and regulations	100%	<div><div></div></div>	
5	Perform compliance processes on these identified properties	80%	<div><div></div></div>	
6	Respond and address any objections and other queries that will be raised	90%	<div><div></div></div>	
7	Arrange the physical verification of these properties with the relevant stakeholders	100%	<div><div></div></div>	
8	Arrange for the billing of these properties in the financial system	60%	<div><div></div></div>	
9	Follow up the collection process up until the monies have been paid in the municipal bank account	55%	<div><div></div></div>	R 77 759 994
9	Follow up the collection process up until the monies have been paid in the municipal bank account	55%	<div><div></div></div>	R 77 759 994
a.	Expected Collections to be made by Enigma during year 1 (Recovery of Year 1)	100%	<div><div></div></div>	R 77 759 994
b.	Amounts collected to date	61%	<div><div></div></div>	R 47 362 801
c.	Balance to be collected	39%	<div><div></div></div>	R 30 397 193



## DISCUSSION ON WORK PERFORMED TO DATE

### Scope of work performed as detailed below:

1. Identify all government related properties under Matjhabeng Local Municipality Jurisdiction
2. Identify all additional other government properties under Matjhabeng Local Municipality that are not on the municipality billing system
3. Perform data collection on all properties in the manner required by the professional Valuers and municipality
4. Perform valuation of these properties according to the applicable laws and regulations
5. Perform compliance processes on these identified properties
6. Respond and address any objections and other queries that will be raised
7. Arrange the physical verification of these properties with the relevant stakeholders
8. Arrange for the billing of these properties in the financial system
- 9. Follow up the collection process up until the monies have been paid in the municipal bank account**

## 9. AMOUNTS COLLECTED BY ENIGMA ON BEHALF OF MATJHABENG LOCAL MUNICIPALITY

### 1. Collection of monies :

- a) Enigma has also collected the due amounts for the Municipality.
- b) At the meeting on the 7<sup>th</sup> February 2019 DPW formally informed the municipality that the supplementary valuation roll for the newly valued properties at Matjhabeng Local Municipality has been approved and rates and taxes will be paid effectively from June 2019.
- c) DPW&I indicated that the total amount for incremental revenue currently is sitting at R49,5 million which will be reconciled as additional properties are included. The additional properties will be included after the municipality has formally donated the assets to DPW&I.
- d) DPW&I indicated that they will be paying an amount of R20 million towards the arrears for rates and taxes for Matjhabeng Local Municipality.
- e) An amount of R16 513 700.61 was received by the municipality on the 15 of February 2019 which was part of the R20 million agreed on to be paid by the DPW&I.

### 2. Conclusions at the meeting:

- a) Enigma and Matjhabeng Local Municipality agreed on a meeting that they should put up the properties to a council meeting where it will be tabled that they will be donated to DPW&I in order that they can also be paid for rates and taxes by DPW&I.
- b) Enigma will be following up with the CFO of Matjhabeng Local Municipality on these properties that will be donated to DPW&I.

## OUTSTANDING ACTIVITIES

- Obtain from the department the list of properties to be donated to them
- Follow up on any remaining properties that are to be identified
- Complete the objections of properties
- Upload to the financial system with valued properties
- Following up any accounts receivables that should be paid to the municipality

## SUMMARY;

- Enigma has carried out its activities independently with integrity without any limitations or restrictions from the municipality.

## IN CONCLUSION

- Enigma values & appreciates working with the Matjhabeng staff and management in ensuring a sustainable governable municipality in accordance with the municipality's objectives of improving socio-economic conditions within the municipal area and for its citizens.

## CONTACTS

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***ROAD MAP***  
***for the***  
***INCOME ENHANCEMENT***  
***PROJECT FOR MATJHABENG***  
***LOCAL MUNICIPALITY***  
***November 2018***



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# 1. Introduction

The objective of the Income Enhancement Project is to create a:

- **Complete** and
- **Accurate** Debtors Database.

The Income Enhancement Strategy can be phased as follows:

PHASE I – Complete & Accurate Rates Debtors Database

PHASE II – Completer & Accurate Utilities Debtors Database

The Road Map serves to identify all relevant project activities and timelines in an implementation program (Annexure A) in order to reach the above objective.

## 2. PHASE I – Complete & Accurate **Rates Debtors Database**

A complete and accurate **Rates Debtors Database** requires that the following relevant **variables** are 100% accurate:

- **All Registered properties** in the demarcated area of Matjhabeng, must be included in the Rates Debtors Database;
- **Correct Tariff Rate** applied for Current Use (Property Categories) and
- **Valuations** for all registered properties as per General / Supplementary Valuation Rolls.

To achieve the above, the following project activities are required:

- Land Audit
  - Identify all registered properties (wall-to-wall)
  - Street View (Current Use)
- Supplementary Valuation Roll to value all properties not part of the existing valuation roll.

However, the above does not meet the Municipality's short-term income objective and therefore the Road Map attend to:

- A Short-Term Plan addressing the Desktop Findings and
- A Medium-Term Plan addressing the Land Audit and Supplementary Valuation Roll project activities.

## 2.1 Short-Term Plan

The Desktop Findings needs to be verified with the Municipal officials and are categorised as follows:

- Verification of Tariff Rates applied:

Mining Owned:	42
Government Owned:	7
Business Owned:	18
Other & Residential Owned:	28 196

- Verification of Account Names:

5682 accounts



+ - 2600 – Different Owners  
3038 – Municipal Owned – Different Debtors Name  
841 – Other Owned – Debtors Name is Municipal

The sourcing of the addresses for the New Accounts will be a challenge and may have an impact on the proposed timelines.

- Verification for Previous Years' Billing:

We require, for the preceding years:

- the Tariff Rates applied;
- Rates billed per Debtor and
- General / Supplementary Valuation Rolls

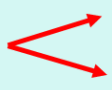
to calculate any variances.

The project program is compiled under the assumption that the above will be provided by the 16<sup>th</sup> of November 2018.



The sourcing of the addresses of the Previous Owners will be a challenge and may have an impact on the proposed timelines.

- Verification of Registered Properties without Accounts:

<b>Registered Properties without Accounts</b>		
Registered Properties	104 780	
Rates Recon Linked Accounts	73 934	
Registered Properties Not Linked	30 837	 25 570 – Municipal Owned 4622 – Other Owned

The 4622 Registered properties without an account needs to be verified and most of these properties may belong to Indigent Owners.

## **2.2 Medium-Term Plan**

The medium-term plan requires the following project activities:

- Land Audit
  - Identify all registered properties (wall-to-wall)
  - Street View (Current Use)
- Supplementary Valuation Roll to value all properties not part of the existing valuation roll.

### 3. PHASE II – Complete & Accurate **Utilities** Debtors Database

A complete and accurate **Utilities** Debtors Database requires a Water and Electricity Meter Audit.

#### 3.1 Fieldwork

Datamule's Meter Reading System ensures a **complete** wall-to-wall meter audit for **each and every stand** in the demarcated area of Matjhabeng.

Our mobile system requires only an image to be taken of the meter and with the embedded OCR technology, the Make Serial Number and Meter Reading is auto populated to ensure an accurate meter reading.

Utilising Our sub-meter accurate GPS mobile devices, we can ensure that the meters are linked to the correct stands.



#### 3.2 Reconciliation and Invoicing

Datamule will utilise the Field Data to compare with the Utility Billing and prepare the rectified invoices.

## 4. Summary

To achieve the above objectives, the Income Enhancement Project must be completed by the 9<sup>th</sup> of July 2019.

### PHASE I:

Start Date – 19 November 2018

End Date – 10 May 2019

### PHASE II:

Start Date – 4 February 2019

End Date – 9 July 2019

Refer to Annexure A for the complete Implementation Project Program.

## Annexure A – Income Enhancement Project Implementation Plan



**(DEPARTMENT: FINANCE) (CFO)**

**1. PURPOSE**

Reporting on collections to the Revenue Enhancement Committee.

**2. BACKGROUND.**

Collection of consumer charges is the lifeblood and determines the going concern status of a municipality. A healthy cash flow is crucial to ensure sustainable service delivery and infrastructure development and preservation. It is therefore also appropriately prescribed in terms of Section 64 (Revenue Management) of the Municipal Finance Management Act. The objective of any successful revenue enhancement is to improve the current payment levels and then to recover arrear debt.

**3. DISCUSSIONS.**

	Jan-19			Feb-19			
Debtor Type Description	Biling	Receipts	Balance C/F	Biling	Receipts	Balance C/F	Increases per category
SECTION 21 SCHOOL ACCOUNTS	-223 847,61	-837 792,67	14 042 368,01	1 266 000,93	-717 033,03	14 080 670,52	120 759,64
SCHOOLS - SERVICES PAID BY PROVINCIAL GOV	377 786,37	-	5 191 211,06	377 786,37	-77 690,55	5 491 306,88	-77 690,55
ADMINISTRATION	195,49	-414,49	38 875,36	190,44	-614,01	38 451,79	-199,52
AGRI FARMS	1 103 243,37	-238 968,83	34 504 758,83	1 189 338,92	-225 460,25	35 469 420,07	13 508,58
AGRICULTURE	2 665 433,18	-2 045 287,80	27 721 847,43	2 743 117,18	-2 041 134,08	28 424 967,97	4 153,72
BUSINESS	40 723 984,08	-31 047 329,95	354 168 223,63	35 214 825,36	-33 948 769,61	354 627 077,23	-2 901 439,66
CHURCHES	1 104 228,85	-493 464,27	19 200 174,21	916 721,45	-632 417,98	19 486 048,04	-138 953,71
CLINIC	778 181,36	-636 173,55	2 133 791,84	630 735,88	-768 083,86	1 996 443,86	-131 910,31
SALARIES COUNCILLORS	175 480,80	-31 447,86	225 542,86	23 017,68	-43 324,91	205 235,63	-11 877,05
DEBT COUNCILLING	9 669,21	-7 880,83	1 586 075,78	9 652,01	-9 599,88	1 580 981,16	-1 719,05

DEPARTMENTAL - MATJHABENG MUNICIPALITY	2 628 314,64	-4 208,84	-68 346,33	1 958 770,71	-3 500,00	-45 496,06	708,84
GOVERNMENT PROVINCIAL - RESIDENTIAL	55 400,09	-1 606,30	2 926 868,77	41 032,22	-131 199,78	2 836 701,21	-129 593,48
GOVERNMENT CORRECTIONAL SERVICES	140 621,61	-42 534,94	9 053 538,59	124 380,57	-1 509 116,54	7 668 802,62	-1 466 581,60
GOVERNMENT DPLG	2 271 661,27	-2 282 809,02	2 286 457,19	2 385 458,49	-2 273 516,52	2 398 399,16	9 292,50
GOVERNMENT EDUCATION	8 135,82	-11 036,81	6 407,77	8 135,82	-11 034,65	3 508,94	2,16
GOVERNMENT SAPS	59 961,47	-188 074,32	250 592,51	59 805,30	-436 229,91	-125 832,10	-248 155,59
GOVERNMENT HOUSES	1 250 658,98	-1 126 873,84	1 853 021,39	1 184 409,84	-1 242 762,78	1 794 668,45	-115 888,94
GOVERNMENT HEALTH	3 055,60	-	258 278,20	3 055,60	-	261 333,80	-
GOVERNMENT HOME AFFAIRS	821 487,65	-2 518 412,23	22 065 166,66	1 116 517,60	-738 796,95	22 442 887,31	1 779 615,28
GOVERNMENT LABOUR	84 363,09	-2 766,29	-1 619 037,06	54 033,42	-68 251,94	-1 633 255,58	-65 485,65
GOVERNMENT SCHOOLS NOT REGISTERED	25 910,21	-26 231,42	37 134,46	24 329,60	-25 910,21	35 553,85	321,21
GOVERNMENT PUBLIC WORKS	1 614 391,45	-6 600 166,48	-130 172,13	1 614 391,45	-7 617 023,66	-6 132 804,34	-1 016 857,18
GOVERNMENT JUSTICE	9 591,50	-	127 011,94	4 506,48	-99,39	131 419,03	-99,39
GOVERNMENT ASSESSMENT RATES	402 406,39	-114 481,22	473 400,39	88 673,13	-159 523,70	402 549,82	-45 042,48
GOVERNMENT SERVICES/SUNDRY ACCOUNTS	38 582,73	-90 438,37	6 388 109,13	23 215,35	-6 046 066,62	365 257,86	-5 955 628,25
GOVERNMENT PROVINCIAL - RATES	54 850,15	-6 690,89	1 369 508,28	26 456,77	-40 237,79	1 355 727,26	-33 546,90
GOVERNMENT TRANSPORT	2 496 639,83	-8 497 473,86	5 401 525,05	2 497 189,52	-15 290 838,25	-7 392 123,68	-6 793 364,39
GOVERNMENT WATER AFFAIRS & FORESTRY	8 329,99	-	115 790,47	6 181,54	-	121 972,01	-
GOVERNMENT WORKS	617,27	-	44 510,88	617,27	-	45 128,15	-
GOVERNMENT FINANCE	307 051,25	-	5 467 915,25	334 484,66	-6 235,58	5 796 164,33	-6 235,58
GOVERNMENT PROVINCIAL JUSTICE	127 007,15	-367,57	2 421 431,91	207 047,63	-99 727,49	2 528 752,05	-99 359,92
GOVERNMENT DEFENCE	-160 507,50	-134 461,95	-36 487,52	162 306,62	-67 377,81	58 441,29	67 084,14
HOUSING DEBTORS	13 818,51	-12 362,19	39 738,64	13 818,51	-13 175,08	40 382,07	-812,89

HOUSING RENTALS	238,14	-	25 924,79	238,14	-	26 162,93	-
INDUSTRIAL	2 969 755,29	-126 285,51	210 370 007,41	2 942 659,25	-193 207,25	213 122 828,95	-66 921,74
MINING	3 937 646,59	-3 880 678,40	36 774 427,93	3 785 461,92	-3 839 462,23	36 342 838,87	41 216,17
MUNICIPAL OWNER	3 642 230,49	-2 246 009,22	53 042 210,79	3 626 880,00	-2 240 793,69	54 428 297,10	5 215,53
NEW INDIGENCE	816 535,43	-8 067,29	7 876 615,33	832 353,82	-1 995,35	8 706 973,80	6 071,94
OTHER	11 360 481,59	-429 159,89	117 551 347,73	14 831 467,30	-446 445,29	132 941 427,24	-17 285,40
PARKS	19 899,56	-10 204,20	996 369,95	18 909,85	-8 617,50	996 533,18	1 586,70
RESIDENTIAL	93 905 670,93	-31 639 888,63	2 161 670 215,77	89 028 068,24	-34 162 775,22	2 209 263 340,46	-2 522 886,59
SALARIES PERSONELL	1 510 232,53	-685 242,68	14 359 244,23	898 312,96	-713 887,42	14 424 104,42	-28 644,74
SCHOOLS	802 244,72	-436 639,38	5 482 070,42	464 008,31	-323 158,61	5 638 920,12	113 480,77
SUNDRY DEBTORS	58 486,77	-18 774,85	2 428 945,26	58 670,99	-18 417,29	2 478 924,47	357,56
SUNDRY LOANS	1 588,85	-150,00	100 150,91	1 597,91	-1 700,00	100 048,82	-1 550,00
SUNDRY RENTALS	70 773,92	-8 676,41	3 939 878,39	71 086,06	-14 451,99	3 996 512,46	-5 775,58
SUNDRIES	61 620,71	-331 980,15	2 171 158,21	83 608,45	-427 954,78	1 992 317,55	-95 974,63
VACANT STAND	694 286,19	-177 386,34	34 741 792,63	616 576,80	-144 493,23	35 195 527,02	32 893,11
	<b>178 828 395,96</b>	<b>-96 998 899,74</b>	<b>3 169 075 593,20</b>	<b>171 570 104,32</b>	<b>-116 782 112,66</b>	<b>3 214 013 497,99</b>	<b>-19 783 212,92</b>
		<b>-54%</b>			<b>-68%</b>		

Indigents registration: **14 820**

### 3. LEGAL IMPLICATIONS

Section 64 Municipal Finance Management Act No. 56 of 2003

### 4. FINANCIAL IMPLICATIONS

Collections
<b>116 782 112.66</b>

**Prepared by:**

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**Saint Sejake (Revenue Manager)**

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**Date**

**Reviewed by:**

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**Connie Dingani (Senior Manager)**

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**Date**

**Approved by:**

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**Thabo Panyani (CFO)**

.....

**Date**