



REVENUE ENHANCEMENT STRATEGY

- **INTRODUCTION**

The challenge of small municipalities is characterized by insufficient funding which seriously undermines and hampers the notion of a developmental local government. Across the country, small municipalities are dependent almost entirely on grants from national treasury, other national departments and provincial departments. This sad reality means that most municipalities including Umzimvubu Local Municipality barely exist. In general terms, these municipalities are unable to develop the local economy into a dynamic and strong driver for equality life of the citizenship as they are unable to maintain and expand the infrastructure to support new economy growth, amongst other things.

Further, the situation of small municipalities is compounded by their general lack of capacity to collect even the meagre revenue that is due to them. Various reasons can be articulated as causes which include lack or poor systems, weak leadership, incapacity to expand and deliver quality services, lack of culture of payment of services and in the case of rural municipalities the expansive nature of the area and the fact that many do not fall within the ambit of a municipality in a traditional sense of the word, presents additional changes.

Faced with these challenges and filled with the desire to change its fortunes, the Umzimvubu Local Municipality undertook a process of the development of the revenue enhancement strategy.

To enhance its future revenue the municipality recognized the need for a dual approach of closing the current revenue gap and the futuristic goal on bringing new revenue. The two strategies, Closing the Revenue Gap Strategy and New Revenue Generation Strategy are two part of the same bigger strategy.

Whereas the CRGS seeks to capitalize on the shortcomings of revenue collection in the system by turning them around, the NRGS is looking towards creating new and hitherto unknown forms of revenue generations by strengthening the strategic thrust of the municipality and identifying potential revenue streams and mobilizing stakeholders, investors and role-players in bringing about the desired change.

The figure below provides an illustration of the approach of the municipality in transforming its revenue base and thereby improving the quality of life of all its citizens.

Figure 1 - Revenue Enhancement Strategy

- **THE CLOSING THE REVENUE GAP STRATEGY**

The Umzimvubu Local Municipality introduces the Closing the Revenue Gap Strategy (CRGS) as a response to realization that current revenue collection rate does not conform to the potential revenue of the municipality.

The CRGS is part of a bigger and long term drive by the municipality to enhance its revenue base to the levels where revenue generated by the municipality from amongst its customers and rate-payers will exceed the different grants received from the national and provincial spheres of governments.

It is a short-term strategy that is realizable immediately depending on a successful implementation plan and determined leadership, politically and administratively.

The Objectives of the CGRS

The CRGS as the base strategy has as its main objectives ensuring that all eligible residents and businesses pay for the services they receive from the Municipality in terms of the applicable rates and tariffs for the different services and transgressions as contained in the Tariff Policy as it is reviewed from time to time. The ultimate goal of the strategy is to achieve the twin challenge as illustrated below.

Figure 2 - The Objectives of the CRGS

The strategy recognizes that these twin objectives will be achieved at the different times of the strategy implementation owing to the objective reality of a large part of the municipality being rural and the general inability of the municipality to provide all municipal services to rural communities in the municipality.

The primary driver for the strategy is the implementation of the Tariff Policy with its annually approved tariffs. The table below provides a catalogue of the revenue types that are contained inside municipality’s tariff policy. The table below provides the breakdown of the revenue types.

Table 1 - Targeted Revenue Types

Type of Revenue	Specific Revenue Area	Customer Types
<ul style="list-style-type: none"> Refuse Removal 	<ul style="list-style-type: none"> Refuse removal of Business Users Refuse removal of Domestic Users 	<ul style="list-style-type: none"> The two municipal towns

	<ul style="list-style-type: none"> • Refuse removal of Others Users 	
<ul style="list-style-type: none"> • Minor Tariffs 	<ul style="list-style-type: none"> • Burials and cemeteries 	<ul style="list-style-type: none"> • The two municipal towns
<ul style="list-style-type: none"> • Facilities Rentals 	<ul style="list-style-type: none"> • Rentals for the use of municipal sports facilities 	<ul style="list-style-type: none"> • All Wards
<ul style="list-style-type: none"> • Economic Services 	<ul style="list-style-type: none"> • Maintenance of graves and garden of remembrance (cremations) • Housing rentals • Rentals for the use of municipal halls and other premises (subject to the proviso set out below) • Building plan fees • Sales of plastic refuse bags • Sales of refuse bins • Sales of livestock and plants • Photostat copies and fees 	<ul style="list-style-type: none"> • All Wards

	<ul style="list-style-type: none"> • Clearance certificates. 	
<ul style="list-style-type: none"> • Regulatory (Punitive) Charges 	<ul style="list-style-type: none"> • Advertising sign fees • Pound fees • Penalty and other charges imposed in terms of the approved policy on credit control and debt collection 	<ul style="list-style-type: none"> • All Wards

- **The ULM Current Revenue Collection Capacity**

In order for the Municipality to develop specific targets and the concomitant strategies to realize them over the life span of this strategy, it is necessary to take stalk of the current reality that is pertaining in the municipality. To achieve this, revenue collection data from the financial year 2014/15 was used as a baseline and is presented in the next session.

- **The Current Revenue Collection Situation**

In the context of establishing the exact revenue collection gap, the data pertaining to the total revenue collected in the last financial year provides a clear picture of the shortfall even when measured against the backdrop of the already small revenue base of the municipality. The data includes all the collectable revenue streams in terms of the Municipal Systems Act and the policy of the municipality.

Table 2 and 3 below; prove the amounts of revenue collected and the specific types of revenues for which they were collected.

It must be noted that there are all together 88 different types of revenue to be collected in terms of the municipality's tariff structure. The two tables exclude all the other

revenues sources that were not collected in the period under review. This alone gives an indication of how big the gap is.

Table 2 - Rates and Services Revenue Collected 2014/15 across the Municipality

	Categories of Clients	Number of Ratepayers	Actual 2014/15 Revenue Collected
Rates	Residential	1 277	2,871,292.47
	Government	149	3,916,996.74
	Commercial	138	2,164,690.92
	RATES TOTAL		8,952,980.13
Refuse Collections	Residents	1 144	665,788.97
	Government	84	193,609.10
	Commercial	71	549,314.30
	REFUSE COLLECTION TOTAL		1,408,712.37
GRAND TOTAL			10,361,692.50

Table 3 - The Fees and Infringements Revenue Collected 2014/15 across the Municipality

Category	Numbers Applicable for each category	Total Revenue Received per Category in 2014/15
• Funeral Plots	72	5298.79
• Pound Fees – Horse, cows, bull or heifers basic charge Goat and Sheep basic charge	270	321,621.52
• Sport Field – Practices (Professional)	149	36,845.39
• Towing Fees		
• Storage for impounded goods	14	6116.65
• Building Approval Fees per m2	52	296 537.96
• Parks – Special events (Sundays to Fridays) 09h00 to 17hoo	176	16 249.32
• Trading Licenses – Business Units	35	33 620.00
• Flea Market	26	2 052.65
• LG Seta	06	77 506.90
• Rezoning Certificate	10	1 876.08
• Wood Sale		-

• SG Diagrams		-
• Subdivision	01	3 087.15
• Tender fees	769	154 677.57
• Tourism	15	8 894.75
• Rental Hall	116	84 017.41
• Rental Amenities	01	51 881.18
• Rental Buildings	02	499 285.39
• Interest Primary Bank Account	12	563 732.57
• Interest Outstanding Debtors	12	1 378 964.31
• Interest on Investment	121	4 270 619.45

- **The Municipality's Revenue Collection Base**

This section provides a profile of the municipality's revenue collection in terms of eligibility criteria as articulated in the policy and tariff structure. Tables 4 and 5 below provide the breakdown of the potential municipal customers who receive billable services from the municipality. The non-billable customers are included to provide a statistical comparison.

Table 4 – Services Residents Revenue Base

Categories	Rural/Urban Indicator	No of Households	% of Total
• Levy Paying Residential Households	Mt Ayliff Town	887	
	Mt Frere Town	598	
• Non-levy Paying Residential Households	Mt Ayliff Rural	435	
	Mt Frere Rural	948	
Total		2 867	

Table 5 – Services Organizations Revenue Based

Potential	Rural/Urban Indicator	Quantity/Size	Eligibility Indicator
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• Government Sites	Mt Ayliff Town	29	
	Mt Ayliff Rural		
• Residential Sites	Mt Ayliff Town	887	
	Mt Ayliff Rural	02	
• Business Sites	Mt Ayliff Town	11	
	Mt Ayliff Rural		
• Non-Governmental Sites	Mt Ayliff Town		
	Mt Ayliff Rural		
• District Municipality Sites	Mt Ayliff Town	02	
	Mt Ayliff Rural		
• Umzimvubu Municipality Sites	Mt Ayliff Town	334	
	Mt Ayliff Rural		

- **The Policy Environment within the Municipality**

The policy environment of the municipality is very critical if a deeper review of the current challenges is to be undertaken and a total strategy is to be adopted going forward.

The municipality has appropriate policies that provide the governance environment necessary for the collection of revenue from the customers within the municipality. Typically, policy is an enabler and yet if challenges of design and implementation have been known to be the stumbling blocks in the implementation of the very programme for which policy is intended, swift action is required. For this reason the next table tackles some of the issues that were identified as possible contributor to the revenue gap that exists.

We established the following policy short comings:

Table 6 - Policy Shortcomings

Policy	Possible Shortcomings
Bad Debt Policy	<ul style="list-style-type: none"> • The distinction between irrevocable debt and negligent debt must be worked in greater detail. • The credibility of the data of debtors and the management thereof is an important area of implementation of this policy. If not managed properly it could result in negligent debt being categorized as irrevocable debt.
Credit Control and Debt Collection Policy	<ul style="list-style-type: none"> • Misrepresentation of facts – policy speaks of remedial measures that will be determined from time to time. It’s important that policy is prescriptive to avoid inconsistencies in application. • Due to incompetency of the Post Office, the municipality is unable to have accounts delivered to customers, • The policy provisions in respect of referral of outstanding balances to EXCO, how feasible are this? Can this not hamper quick response and action? We believe that this matter must be dealt with administratively with EXCO be provided with regular reports. • The implementation of incentive schemes to paying customers is in place. However more must be done to encourage non payers to come on board. • The rate of non-compliance by business entities is higher than residents and requires urgent attention.

<ul style="list-style-type: none"> • Indigent Policy 	<ul style="list-style-type: none"> • The implementation of the policy criteria requires closer scrutiny to ensure that only eligible customers benefit from this policy. • There is a challenge of a data management database for this policy and the entire customer management system of the municipality. A specifically adapted and computerized system is urgently required for this purpose. • The notion of quarterly audit of the indigent is unrealistic and might place undue administrative pressure to the municipality. It might be prudent to review it.
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- **An Analysis of the Municipality's Revenue Potential**

The results of tables 3 and 4 provide a broad picture of the gaps in revenue collection within the municipality and as well as indicate the possible interventions in this regard.

- **The Positive Factors**

The following positive factors are evident;

- The municipality raised a total of R 23 256 901.87 from rates, services and fees charged for the transgressions of municipal by-laws.
- The municipality is collecting rates fees from both residential and business properties in both towns. The question is what is the proportion of the paying customers to the potential customers?

- **Revenue Generation Factors Requiring Attention**

Several issues stands as possible reasons for the revenue gap that might exists between what is due to the municipality and what is actually collected.

- It is worth noting that the municipality reflects negligible revenue collected from the businesses in its jurisdiction. An amount of R 34 744 is accounted under the trading licenses from Business Units.
- The municipal tariffs are made up of a long list services and transgressions that are billable but the actual collection information reflects that in the majority of cases the municipality is not collecting a cent. The biggest culprits are building related, trading licenses and the different types of infringements including those of a traffic nature.
- There is no doubt that the municipality is looking big revenue from inability to enforce its by-laws and collect revenue for the services rendered.
- **The Current Revenue Gap Targets**

The target for closing the current revenue gap is tide up to this council’s term of office. As such the municipality intend implementing a two-year programme that will ensure no gap exists between what is due to and what is collected by the Municipality.

Table 7 - The New Revenue Gap Targets 2014 - 2016

Types of Customers	Revenue Categories	2014/15 Financial Years	2015/16 Financial Year
Rate Payers and Citizens	Rates and Refuse Revenue	70%	100%
	Infringements, Fees and Licenses Revenue	70%	100%
Business Entities	Rates and Refuse Revenue and Infringements, Fees and Licenses Revenue	100%	100%

- **Strategies for Closing the Revenue Gap**

The figure below provides the critical elements that constitute the municipalities' response to and towards the elimination of the revenue gap.

Figure 3 - Key Strategic Focus Areas

- **Policy and Policy Enforcement**

There are two areas of policy that require attention. The Budget and Treasury Office is currently reviewing all policies that impacts on the state of revenue collection in the municipality. The review will aim at ensuring sound policy formulation that creates an enabling environment and provide the Budget and Treasury Office with the Administrative authority to coordinate all revenue generation activities and provide regular reports to EXCO and the Council.

The second part of the environment is the enforcement and implementation of policies that are inclined towards revenue generation. Working closely with the Chief Financial Officer, the Municipal Manager will ensure that all departments develop concomitant strategies and plans that will enable them to implement policies and by-laws in their respective areas and ensure that they fully account for revenue generation of lack thereof in their respective departments.

- **Customer Management and Care**

A two-pronged approach to improving customer service in the municipality will be followed by the municipality.

- ***Increasing the Municipality's Customer Base***

In the context of the rural nature of the municipality and its attendant small revenue base there is an ever present need to gradually increase its customer base for the purpose of generating more revenue.

A new campaign for the formalization of additional wards into the levy paying system has become necessary and urgent. In this regard, the municipality will develop a comprehensive plan for formalization complete with identification of specific wards, the services that must be expanded to them, a communication strategy and possible time frames.

It is expected that the formalization plan will be completed and adopted by Council by the end of the 2nd quarter of the 2015/16 financial year.

- *The Municipal Customer Care Approach*

An assessment of the current situation in the municipality has revealed that the levels of customer care in the municipality might not be at the expected levels. It has been discovered that the Community Services Department, which is potentially responsible for a huge part of the municipalities revenue collection might need a greater focused attention in the area of customer care.

A two-pronged approach has that will achieve the twin objective of identifying and addressing the common customer pitfalls in the municipality and maintaining a constant customer centric stance that will enable customers to register their complaints and complements of good service they are receiving from the different parts of the municipality.

In this regard, each department will be expected to engage with its customers to enlist their complaints and complements. A centralized customer service questionnaire will be developed for this purpose. In addition, the municipality will investigate the possibility of establishing a centralized system of receiving and dealing with customer complaints and developing appropriate responses to these.

On both these initiatives the Office of the Municipal Manager will take a full report and proposals to EXCO and the subsequent Council for ratification by the end of the 2nd quarter of the 2015/16 financial year.

All departments of the municipality are expected to review their service charters by including specific turnaround times for services, describing the desirable customer friendly behaviors and respect sanctions for failing to live up to these standards. The deadline for such reviews will also be the end of the 2nd quarter and will be coordinated by the Corporate Services Department.

- *Customer Services Imbizos*

The municipality will also implement ward based customer service imbizos to engage communities and citizens on the levels of services they are receiving and seek suggestions on how things can be improved for the better. Ward Councilors will naturally lead these processes and provide feedback to the council and municipality on regular basis. Guidelines will be produced for this purpose by the end of the 1st quarter of the year.

- *Rate-Payers Database and Database Management*

The Budget and Treasury Office of the municipality is charged with the responsibility of implementing a municipal-wide system of data management that will ensure that all municipal customers, in their respective categories, are loaded and well managed. That system must be used for multidisciplinary purposes allowing for all departments to tap into it to enhance their customer related functions. Importantly it must also capture the ERFs and match these to property owners in the greater municipality allowing for a seamless customer interface and reporting.

The BTO must interface with the Private Sector and bigger municipalities with regard the design and development of the system and possible funding arrangements that will ease the financial burden of the system on the municipality.

- *Providing Leadership*

Leadership is central theme CRGS campaign. Indeed a number of issues were identified that requires leadership of both the council and the municipality. The overarching leadership expectation is that of providing an exemplary leadership and demonstrating

commitment and dedication to municipal programs, both at administrative and political levels. A number of key leadership areas have been flagged for implementation.

- *Street Trading Expansion Strategy*

The Municipality is facing a challenge of increasing street trading activity especially in the Mt Frere Business District. It has become necessary to devise a plan that will see new street trading areas being designated on the periphery of the business district, in the adjacent villages, thereby expanding the business district itself. This initiative will require collaboration amongst different departments and the leadership of the political structure to make it happen. The lead department for this initiative will be the LED Department. It will be expected that a plan will be tabled to EXCO and Council by the end of the 2nd Quarter for ratification.

- *Planning and Building By-Law Enforcement*

The existence of a practice of non-compliance with the building by-laws has far reaching implications for the municipality even beyond revenue generation. An urgent collaboration between the Planning Department and the Community Services Department is called upon for the purpose of developing a response strategy that will also review and strengthen existing by-laws. A comprehensive report is expected to be tabled before EXCO and Council by the end of the 2nd quarter.

- *Business Compliance Enforcement*

The situation where business continues to enjoy the benefits of municipal and government services can no longer go unchallenged. It has been noted that many businesses operated in all the 27 wards of the municipality without meeting the services and license obligations.

A special Council committee will be established that will be led by the LED Portfolio Head and augmented by relevant administrative capacity that will look deep into this matter and seek the reasons for non-compliance and address them as resolute as possible. The committee's broad terms of reference will include three major objectives. Firstly it will

quantify the debt of all known business, engage them to pay their debts as well as seek the reasons for non-payment. Secondly, it will enlist all the businesses that are operating in the municipality, include them in the database and ensure that they start paying up.

In respect of the second objective, the Planning Department has conducted a research of businesses in rural wards. This information must provide the base for the second objectives and the committee must draw on the support of the Ward Councillors in identifying and approaching the business owners or operators.

The third objective will be to engage government departments that owe money to the municipality and extract commitment to settling all outstanding bills.

The committee must report to Council on its founding by the end of the 1st quarter on both assignments.

- *Traffic Control and Management Customer Challenges*

The traffic control and management component of the Community Service Department is a key service delivery mechanism of the municipality and a potential source of huge revenue amounts. Currently, the department has limited capacity to service both towns in the municipality with the results that where it has an office in Mt Ayliff in one area it has an office in Mt Frere for a different area. This split service approach has implications for customer service satisfaction and revenue generations. The Corporate Service, Budget and Treasury and Community Services are called upon to establish a joint committee that will investigate the feasibility of providing a complete bouquet of services to both towns.

The joint committee must report to EXCO and Council by the end of the 2nd quarter of the current financial year.

- *By-Laws and Policies Enforcement*

The successful implementation of the Closing the Revenue Gap Strategy also hinges on the critical element of enforcement by-laws and policies of the municipality. The analysis of the current situation revealed weak implementation, inefficiencies and lack of

collaboration across departments. Without addressing this critical deficiency the municipality runs the risk of never closing the gap.

The following urgent measures are designed to improve the overall enforcement capability of the municipality;

- *The Standard Operating Procedures*

All departments of the municipality must develop Standard Operating Procedures (SOP) that are based on the municipality's by-laws and policies. The broad objectives of the SOPs as the name suggest is to create a universal administrative capability and standardize both the activities of the respective departments and officials of the municipality to create a single service expectation and delivery for all the clients of the municipality in their respective categories. As the implementation mechanization by-laws and policies the SOPs must fit into two categories:

- *The Departmental SOPs*

All the departments with by-laws and policies that deal with customers and have revenue generating implications must develop Standard Operating Procedures that will employees on the critical actions, standards of service, expected outputs, responsible agent and time-frames amongst others.

- *The Multi-Departmental SOPs*

In circumstances where different departments are responsible for the implementation of a single by-law and or policies, relevant Standard Operating Procedures must also be developed that maps out key processes and responsibilities of the various role-players in much the same way as described in 5.1.1 above.

- *The Joint Operation Law Enforcement Committee (JOLEC)*

There is a need to for an organization wide law enforcement approach and structure of the municipality that will drive the high level enforcement of by-laws and tackle any backlogs challenges that comes from the past. Such an agency must a multidisciplinary team who role-players from the following key departments.

Table 8 - JOLEC Membership

Department	Representative Portfolio	Role-Player
Community Services	Mr. Sineke	Community Services Manager
	Mr. Mandlana	Community Services Assistant Manager
Budget and Treasury	Mr. Matshoba	Revenue Assistant Manager
Infrastructure	Mr. Ntshikilana	Senior Town Planning
	Mr. Phikwa	Building and inspection Assistant Manager
LED	Mr. Matam	LED Assistant Manager

JOLEC must cover before by the 30 June 2015 to develop the Terms of Reference and a Plan to tackle challenge facing the municipality in the areas of illegal trading and other transgressions of by-laws. The framework for the terms of reference will follow these critical steps:

- And audit of law enforcement deficiencies across departments
- A strategy to respond to these deficiencies and an implementation plan
- Resource requirements for the implementation of the strategy and plan.

The terms of reference and the plan must be ratified by the Mayoral Committee and or the Top Management Team before its implementation.

- **Municipal Properties Lease Management System**

The analysis of the management of the leases of municipal properties has revealed a skewed reliance on the LED department and very little input from other departments

especially Budget and Treasury. This weakness has resulted in uncoordinated lease management system with serious recursions on revenue collection.

The CRGS requires a structured cooperation between the LED and Budget and Treasury Departments. This collaboration must be done in terms of a Lease Management Standard Operating Procedure that will straddle the two departments.

- **Traffic Fines Payment System**

To increase the municipality's revenue collection from the traffic fines and other fines collectable by the Traffic Department, the department must implement a traffic fine payment system that will enable electronic and remote payments. The system must be fully operation by the end of the 2nd Quarter of the 2015/16 financial year.

- **THE NEW REVENUE GENERATION STRATEGY**

The distinction between the CRGS and NRGS is based on the reality and understanding that the former is a stopgap measure. The bigger Revenue Enhancement Strategy recognizes that the ultimate future of the Umzimvubu Local Municipality is based on developing and implementing a New Revenue Generation Strategy. The main feature of the NRGS and its primary intention is to seek new revenue avenues through new infrastructure developments and enhanced economic development activities across all the wards of the municipality.

In this context revenue generation has another objective or finds its true intent in the desire by the municipality to improve the quality of life of citizens across the municipality and incrementally close the gap between rural and urban areas even in the context of a largely rural municipality. The enormity of the developmental challenges facing the municipality and its people is not lost to the Municipality hence the realization that this is a long term plan. Therefore unlike the CRGS the NRGS is a long term strategy and goal.

The NGRS as part of a new trajectory and the foundation of a blueprint for expansion and the consolidation of the municipality's futuristic developmental posture is intended to go beyond the short and middle term planning framework hitherto associated with the municipality. The NGRS is prelude a futurist and completely different socio-economic landscape of Umzimvubu Municipality.

- **Integrating Planning in Umzimvubu Municipality**

The vision of the municipality of "being the best run municipality in the country" provides the leadership with a long term value proposition that requires strategic focus and leadership over a long-term period into the distance future. The NGRS is an element of a vehicle towards the future.

To a very large extent NGRS is the pull effect that must integrate all elements of strategic planning within the municipality. In itself is nothing new but a strategic way of integrating all long-term plans of the municipality and ensuring that they are integrated and serve the single objective of taking the municipality forward and improving the quality of life all-round.

The figure below introduces the vital elements of the future of the municipality from a strategic planning and leadership viewpoint.

- **Special Development Framework**

The cornerstone of a municipality's strategic and integrated planning is a proper and well developed spatial development framework. An SDF broadly determines the land use profile and pattern of a municipality in a way that delineates the various uses of the land. For the first time the municipality is on the verge of an SDF that fully integrates the two urban centers and the all rural communities throughout the boundaries of the 27 ward municipal area.

In addition to the two urban areas plans the new SDF will add the Rural Settlement Development Plan to complete the municipal wide land use framework. The SDF will

further designate the use of land to various categories which are divided all the major land uses categories as illustrated in the diagram below.

Against this background the SDF is the primary planning tool for all aspects for all short and long term planning needs of Umzimvubu Local Municipality as it creates a practical reality from which all plans can be and must be based.

The figure below covers the key elements upon which the SDF has direct relevance and meaning.

Figure 4 - The SDF Overview

- *Agriculture*

The municipality has flagged agriculture as the most important element of the socio-economic existence of the municipality. Dubbed as the gold of the municipality by the locals, agriculture has a widespread relevance in the area for the simple reason that the municipality is rural.

Both the IDP and the LED strategy of the municipality recognize the centrality of agriculture in the economic life of the municipality. The LED department has gone further by coordinating and facilitating the development of agriculture through various interventions and support programs aimed at encouraging the emergence and sustenance of a vibrant commercial agricultural sector within the municipality.

The LED department convened an agriculture indaba in March 2015 where the local farmers exhibited their products and key support partners addressed them on various aspects of the industry. The indaba represented a clear demonstration of renewed interest and enthusiasm in the industry.

Notwithstanding this surge in interest, there are persisting challenges that must still be addressed if agriculture must reach the levels of being the lead economic activity in the municipality.

The challenges fit into the following categories:

- **Soil Analysis**

The municipality's Spatial Development Framework must provide a comprehensive analysis and information about the soil type and the type of crops that are suitable for each soil type in the municipality broadly. This information must be superimposed with the broader municipal land use across all wards. In the SDF, all the agriculture designated land in wards must also reflect the type of crops suitable for different crops and livestock.

- **A Transition to Commercial Farming**

There is still a challenge in the number of commercial farms in the municipality. This challenge affects the quality of the farming products, the number of people engaging in farming activities and ultimately the economic impact of farming in the municipality with its attendant revenue regeneration.

The SDF must facilitate two strategic interventions in this regard. It must provide broad spatial guidelines as to which areas can be designated for commercial farming. Secondly it must develop a strategy and a plan for local communities and households to organize themselves into viable groups for production purposes.

Clear guidance and support must be available for the two different types land users for the purpose of agriculture.

- **Farmers Support**

One area of success of the agriculture indaba was a demonstration of support and the number of parties, from farmers associations and mentors to private sector organization willing to come to the party and bolster the capacity of farmers in our municipality. However, there is a clear need to coordinate the support initiatives and streamline them for the benefit of local farmers and communities for greater impact. The municipality must develop strategic and structured support mechanisms that will provide a sustained back-up to the development of agriculture throughout the municipality.

- **Market Opportunities**

A specific and key area of farmers and farming communities support will be the availability of market opportunities for the produce by local farmers and communities. The LED department has a responsibility in collaborating with the sector in determining and identifying appropriate market opportunities within and outside the municipality and to facilitate swift trade for the locals at appropriate levels.

- **Forestry**

The municipality has a huge potential for the development of the forestry industry. This potential has been conceptualized in the forestry sector plan of the municipality and key programs that have been encapsulated in the LED strategy of the municipality. The programs are:

- **Afforestation**

An area has been identified for afforestation and thus this investment needs to be managed and developed in a responsible manner. Areas with potential for forestry need to be identified and areas that are determined as 'no-go' areas due to environmental sensitivities, community objections or needs of agriculture need to be enforced. The impact of increased afforestation needs to be assessed on the availability of ground water etc.

The Municipality then needs to facilitate the possible expansion of forestry through negotiations and communication between commercial operators, DAFF and communities.

- **Community Woodlot**

This project involves improving the condition of community woodlots through facilitating technical support through DAFF and to the creation of viable community trusts to administer the woodlots.

The Municipality's role would be to ensure that identified communities are capacitated and strengthened through the provision of business and legal support in the establishment of the community woodlots.

- **Facilitate and support the identification and implementation of value addition projects around forestry.**

This action incorporates input from the Umzimvubu Forestry Sector Plan which has an emphasis on beneficiation of forestry products. The plan identifies micro-level artisanal manufacturing that may be linked to the Msukeni crafts center hub and wood sawmill.

Processing of wood and forestry products may be based on an expansion of the sawmill in Mt Ayliff (linked to the present activities of Singisi Forestry Products) and furniture making in Mt Ayliff (linked to the present activities of Hans Merensky).

This programme would involve ULM's facilitation of investment in a pole treatment plant and sawmill that were identified as viable value adding opportunities for the region.

- **Tourism**

The potential for tourism within the municipality remains huge and largely untapped despite some efforts by the municipality in recent years. The challenge for the municipality is twofold.

First the municipality must maximize the benefits for recently developed tourist attraction sites and facilities by stepping up marketing and promotion activities.

The second part will entail the development of further tourism anchors throughout the municipality.

The major responsibility for the municipality is to profile its complete tourism portfolio and to undertake a strategic campaign for its promotion nationally. A tourism marketing strategy and plan will constitute a concrete step and will represent the intention of the municipality to take the tourism industry to the next level.

- *Built Environment*

The development of the municipality's built environment is still the most concrete expression to develop and improve its economy and the quality of life. The Infrastructure Department has completed plans for the development of both urban centers in the municipality of Mt Frere and Mt Ayliff respectively. Both plans are based on the notion of expansion and improvement of the quality of life of current and future residents of the towns on the basis of the classifications of both towns.

The new zonal plans are based on the classification of Mt Frere as the central business district of the municipality whilst Mt Ayliff is being positioned to take advantage of the relocation of the Eastern Cape Provincial Department's from Kokstad as part of the consolidation of district service delivery center by the provincial government. Elaborate town plans have been completed for both towns that address all the expansion needs that include residential, industrial, government services, shopping complexes, agriculture, tourism, etc.

Notwithstanding these planned developments, the municipality has another huge opportunity that must be unmasked.

The imminent relocation of district offices for nearly all provincial departments of the Eastern Cape government will bring an influx of middle class citizens who occupy professional, middle and senior government positions. This reality, together with the fact that a small percentage of their counterparts already working in the municipality area reside in Kokstad (a town located in the Kwa-Zulu Natal), is a challenge for the Umzimvubu Local Municipality to position itself to fully take advantage of this potential for growth and development.

To take full advantage of this growth potential the municipality must step up its futuristic plans and take built environment development to unprecedented heights and improve its basic service record significantly. The middle class market is both a privileged and strata

of society that knows what it wants. Because it has a financial muscle it will not hesitate to relocate and take other desperate steps such as long distance commuting to safeguard a quality lifestyle for its families.

The challenge for the municipality in this regard, is to facilitate long-term development that will include the following amenities to appease, attract and retain the middle class within the boundaries of the municipality.

Figure 5 - Futurist Development

This kind of development, if undertaken, will change the face of the municipality by altering spatial development, tempering with rural character of the municipality and certainly changing its revenue base. But this kind of focus will require unprecedented partnerships and injection of investment into the municipality hitherto unknown by various interest groups in the public and private sectors.

To pull it off the municipality must enter into a new realm of planning and coordination of implementation efforts.

- *Business District Centre*

The Rural Settlement Development Plan (RSDP) of the municipality is the first initiative to incorporate rural settlement in the municipal planning framework. Its intention is to create a municipal wide vision of the future and to integrate all elements of planning into the macro plans of the municipality and thereby start a process of moving towards incorporating rural communities into the full service delivery offering platform that will help bridge the gap in the quality of life between them and their urban counterparts.

With the municipality being largely rural and where over 90% of residents is spread throughout the expansive 27 wards, the transition will be a huge challenge and will take a long time.

For this reason, the RSDP is envisaging an incremental process that will start with earmarking a small number of wards for the purpose of being designated as Rural Service Centre.

The RSDP declares Rural Service Centers (RSC) as “nodes are described as areas of mixed land use development, having a relatively high intensity of activities involving retail, traffic, industry and residential land uses. These are places where most interaction takes place between people and organizations, enabling most efficient transactions and exchange of goods and services. Nodes are generally located at nodal interchanges to provide maximum access and usually act as catalysts for new growth and development”.

The RDSP initiative is building on the existing arrangement with the following nodes:

Table 9 - Current Service Nodes

Node Type	Area
Existing District Centre	Mount Ayliff
Existing Sub-District Centre	Mount Frere
Existing Sub-Local Centers	Pakade
	Cancele
Existing Primary Rural Service Centers	Phuti
	Sphambukeni

The expansion of this nodal plan, in terms of the RSDP, will include RSCs in at least 12 wards that meet some of the criteria of the definition of a service node, across the municipality.

In order to guide this development and to ensure that transition is managed properly and effectively, the municipality will have to develop a prototype Rural Service Centre and a multi-year plan for the development of designated areas into an ideal rural service center

in all designated wards. Typically, the RSC prototype will identify the minimum services that will be expected to be made available to the citizens from each RSC. The prototype might as a matter strategy go as far as describing the type of infrastructure that will be necessary (to enable and facilitate) the delivery of those identified services.

- *Transforming Ideas to Concrete Reality*

The municipality is under no illusion as to the extent and impact of the broad development initiatives that are envisaged with the integration of all its plans, from the IDP, SDF and LED Strategy into a concrete and tangible vision and plan for the future as will be represented by the NGRS. The realization of the vision contained in this initiative by far surpasses anything the municipal has delivered in the last 21 years or so.

- *The Key Elements of the NGRS and its Plan*

The plan has the following elements that make it unprecedented:

- *Full SDF*

The Spatial Development Framework is truly complete as it covers land use purposes for the entire municipality.

- *It covers all Wards*

Through the system of RSCs the NGRS seeks to achieve a central goal improving the quality of life of citizens in all wards. The RSCs are intended to be central service points for a cluster of wards linking up with the District Centers at all levels of the service deliver chain.

- *Inter-Sectoral Approach*

The strategy brings together all the sectors of the Umzimvubu economy in harmony and constant collaboration. Agriculture, Forestry, Tourism, Government Services and Trade are all brought together in an interactive and a manner that promotes integrated economic development.

- *Multi-Disciplinary*

The inter-sectoral nature of the strategy adds a dimension of multiple disciplines where different components of the municipality are encouraged to come together and collaborate for its collective good.

- *Long-Term Plan*

Like no other strategy or plan of the municipality, the NGRS's lifespan transcends even the IDP's five year term. This is truly a long-term strategy that requires leadership longevity beyond a single Council term.

- *Investment Intensive*

The ambitious nature of the NGRS is such that it calls for broad partnerships with partners from the private sectors and different levels of the public sectors from national to district.

Figure 6 – The Key Elements of the NGRS

- *Building Partnerships for Successful Implementation*

The process of the completion of the NGRS is outlined in the diagram below and is further celebrated in the ensuing sections of this part of the documents.

- *Strategy Consolidation*

In part 6 above, we elaborated on the critical elements of the NGRS and the internal role-players within the municipality whose collaborative efforts will result in the strategy. Based on work already done, progress in this regard is at different levels of completion. What is left is the intensification of the work of each participating department and the consolidation of the work into a complete strategy for the future development within Umzimvubu Local Municipality.

The figure below illustrates the internal role-players and the specific outstanding issues to be finalized.

The three departments working under the overall leadership of the Municipal Manager will ensure that a consolidated strategy brings all the elements together. Each strategy will catalogue the specific targets in each specific strategy area, the specific plans of that strategy and the requisite budgetary requirements as well as the forecast for the future revenue to the municipalities that will be derived from that specific area. The Budget and Treasury department will be the coordinating department that will ensure the strategy is complete. All these activities will be completed by 31st October 2015.

- *Council Ratification*

The Umzimvubu Council will receive a completed New Revenue Generation Strategy (NRGS) from the Top Management to consider and approve. The approval of the strategy will be done before the end of the second quarter of 2015.

- *Stakeholder Engagement*

The pinnacle and the test of the success of the strategy is the commitment that will be garnered from an array of stakeholders and investors attending the conference.

The municipality intends convening a stakeholder engagement conference in February 2016 to gauge the strength and veracity of the NRGS by enlisting support and commitment for investment from local and stakeholders and investors.

The municipality intends inviting the following categories of stakeholders to the conference to be held within the jurisdiction of the municipality:

- Agricultural Unions and NGOs'
- Development Banks,
- Development Finance Agencies,
- Forestry Companies,

- International Investors.
- Local Businesses,
- Local Ratepayers Associations,
- National Government and specific national departments,
- Potential Investors from the Private Sector,
- State Owned Entities,
- The Alfred Nzo District Municipality,
- The Provincial Government and specific departments,
- Traditional Leaders,

The outcome of the Investor Conference must be a long-term strategy and plan for the development within Umzimvubu with clear commitments and documented partners for implementation.

- *Implementation*

The implementation of the NGRS will happen over a long period of time. To ensure smooth strategy implementation, the implementation plan will be phased in accordance with IDP periods and available support from stakeholders and partners. It is important to acknowledge that the implementation plan will be based only on those projects and programs of the NGRS that are bankable based on the support for funding and other logistical arrangements expected from the partners in the form of government, state owned entities and private investors.

- **CONCLUSION**

The municipality's Revenue Enhancement Strategy with its twin elements of CRGP and NGRS is blueprint for turning a new leaf in Umzimvubu Local Municipality. Its conception

and development places the municipality in a pole position to break the limitations faced by small rural municipalities in South Africa. There is a big chance that the municipality has found a viable vehicle in its journey towards being the best run municipality in the country and beyond.

If there is one thing that has the single potential to propel the municipality into new heights, it is revenue. But to achieve these goals of the RES will require collective and strategic leadership at the two critical levels of management and council in the municipality.

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