

Assessing the Feasibility of Implementing Revenue Enhancing Strategies

To supplement budget allocations received
from the national /provincial fiscus and to
improve service delivery

Presentation Outline

1. Overview of Revenue Management
2. Legal and Regulatory Consideration
3. Revenue Sources
4. Identifying Potential Revenue Strategies
5. Conclusion



1. Overview of Revenue Management

Revenue Management in the Public Sector



Revenue management objectives

Revenue management in the public sector plays an important role for achieving the objectives of any country which in turn enhances the economic development and wellbeing of the society.

This is why the Accounting Officer/Chief Executive of an entity is required to manage revenue efficiently and effectively by developing and implementing appropriate processes that provide for the identification, collection, safeguarding, recording and reconciliation of information about revenue.

- Department
- Constitutional Institution
- Public Entity
- Parliament
- Provincial Legislature



2. Legal and Regulatory consideration

Legal frameworks for revenue management

Public Finance Management Act

The aim of the Act is to modernise financial management in the public sector and to regulate the **financial management** in the national and provincial governments.

- To ensure efficient and effective use of public resources;
- To maximise the government's capacity and capability to deliver services; and
- To reduce fraud, corruption and wasteful expenditure.

Ensures that Revenue, Expenditure, Assets and Liabilities are managed efficiently and effectively





Accounting Officer's responsibilities

Revenue Management

Involves all the procedures necessary to ensure that the income of government is properly planned and fully accounted for, & that cash once received is safeguarded and banked promptly.

PFMA section 38 (1)(c) (i)

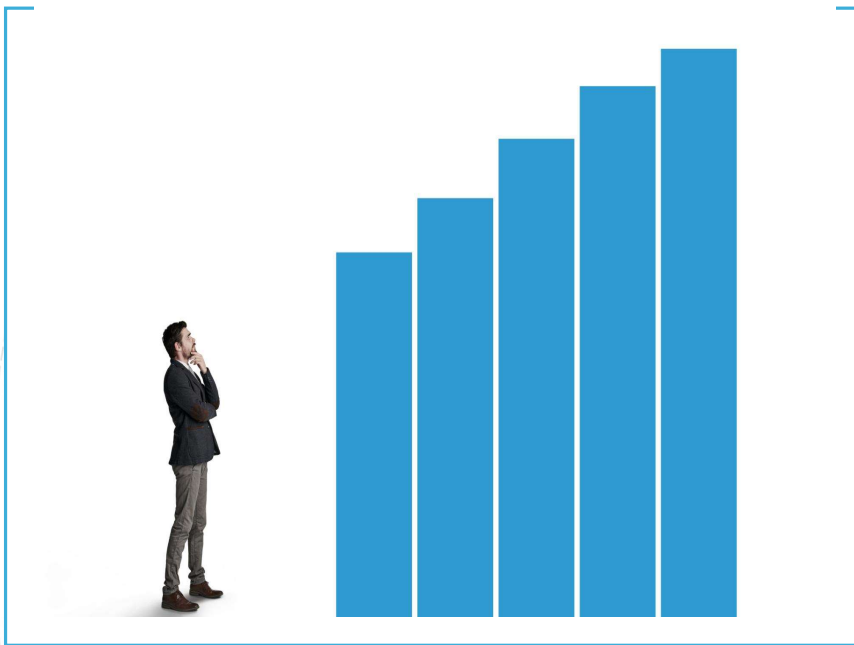
The **Accounting Officer** must take effective and appropriate steps, to collect money due to the government department or constitutional institution.

- Must manage revenue efficiently and effectively.
- Implement appropriate processes that provide for the identification, collection, safeguarding, recording and reconciliation of information about revenue.
 - Ensure that revenue and cash resources are safeguarded by transferring such cash into the government bank accounts promptly and improving the security when handling cash.
 - Ensure that revenue is reconciled and recorded into the accounting system
 - reviewing all fees, charges, rates and tariffs.
- Plan for future income levels, including identifying potential or actual sources of revenue.



3.Revenue sources

Economy



- Economic recovery post Covid-19 was uneven both globally and domestically . For South Africa, this recovery was made more difficult by the fact that our economy was in recession prior to the Covid-19 pandemic, thus making our economic recovery post Covid-19 more challenging. The global growth was hampered by high inflation which led to governments across the world having to impose higher interest rates. The uncertain geopolitical conditions also have led to supply chain challenges. As a result of all these factors, South Africa's growth prospects remain subdued, with this impacted further domestically by the effects of load shedding and the constraints in the country's seaports and rail infrastructure.
- It is therefore essential that the country continues to focus on its growth strategy so that the country can develop adequate buffers to deal with future economic shocks, reduce deficits. There is thus a need for government to continually improve in revenue management in order to fund the economic shocks and deficits and meet the citizens demands.

- Government Departments and entities mainly rely on the PES allocations , conditional grants grants and to a certain degree also collect its own revenue.

Table 1.A : Details of provincial own receipts

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation 2023/24	Revised Estimate	Medium-term Estimates		
	2020/21	2021/22	2022/23				2024/25	2025/26	2026/27
Tax receipts	2 446 193	2 725 530	2 904 480	2 943 681	2 943 681	3 095 815	3 181 031	3 311 808	3 447 239
Casino taxes	291 526	464 108	580 439	613 379	613 379	613 379	607 591	637 970	669 869
Horse racing taxes	117 371	133 621	131 274	96 929	96 929	96 929	116 074	117 116	118 171
Liquor licences	22 921	23 840	34 704	31 744	31 744	31 744	33 172	34 658	36 252
Motor vehicle licences	2 014 375	2 103 961	2 158 063	2 201 629	2 201 629	2 353 763	2 424 194	2 522 064	2 622 947
Sale of goods and services other than capital assets	347 262	401 476	498 023	494 661	494 661	501 789	542 417	566 164	593 459
Sale of goods and services produced by dept. (excl. capital assets)	345 693	400 749	497 158	493 267	493 267	500 961	540 962	564 644	591 869
Sales by market establishments	30 917	29 530	30 262	50 850	50 850	29 498	49 733	51 831	54 085
Administrative fees	57 953	87 549	134 722	69 984	69 984	157 219	103 965	108 139	113 840
Other sales	256 823	283 670	332 174	372 433	372 433	314 244	387 264	404 674	423 944
<i>of which</i>									
<i>Commission</i>	81 316	86 289	87 224	91 970	91 970	90 368	96 263	100 526	105 098
<i>Health patient fees</i>	95 096	132 872	136 905	163 048	163 048	139 401	170 221	177 847	186 028
<i>Tuition fees</i>	4 264	13 308	7 843	9 044	9 044	9 092	9 451	9 876	10 320
<i>Other</i>	79 278	74 661	69 191	78 516	78 516	83 102	81 691	86 289	90 884
Sale of scrap, waste, arms and other used current goods (excluding capital assets)	1 569	727	865	1 394	1 394	828	1 455	1 520	1 590
Transfers received from:	235	1 017	328	-	-	355	-	-	-
Other governmental units	-	-	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments	-	2	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	1 015	328	-	-	355	-	-	-
Households and non-profit institutions	235	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	25 099	71 272	15 181	45 234	45 234	44 984	25 271	27 299	28 554
Interest, dividends and rent on land	394 230	286 695	356 317	303 911	303 911	475 693	326 330	347 474	363 171
Interest	393 914	286 399	356 102	303 552	303 552	475 483	325 961	347 088	362 768
Dividends	-	34	38	43	43	-	43	45	47
Rent on land	316	262	177	316	316	210	326	341	356
Sale of capital assets	19 889	33 092	50 756	20 948	20 948	6 785	21 564	23 159	23 594
Land and subsoil assets	-	-	-	-	-	-	-	-	-
Other capital assets	19 889	33 092	50 756	20 948	20 948	6 785	21 564	23 159	23 594
Transactions in financial assets and liabilities	143 280	127 148	167 074	76 924	76 924	314 770	80 247	83 841	87 692
Total	3 376 188	3 646 230	3 992 159	3 885 359	3 885 359	4 440 191	4 176 860	4 359 745	4 543 709

Revenue sources



Sources of revenue

There are 4 main sources :

- Taxes and other compulsory transfers
- Property income derived from the ownership of assets
- Sales of goods and services
- Voluntary transfers from other



4. Identifying Potential Revenue Enhancing Strategies



Concept of revenue enhancement

Revenue enhancement

The practice of increasing revenue by introducing various measures and improving processes which support:

- Revenue collection;
- Revenue Protection;
- Revenue Reporting; and
- Revenue Management.

Strategies to include:

- Understand revenue management value chain of the department
- Identifying the risks and weaknesses with revenue management value chain
- Improving service delivery
- Introducing a culture of good governance
- Develop and implement sound financial management practice

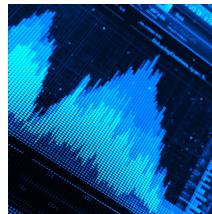


Revenue Enhancement Strategies

Revenue enhancement strategies

- It will require leadership, capability, modernisation and improved efficiencies.
- Risk Assessment and cost-benefit analysis (strike balance considering service delivery target)
- It is imperative that the targets are included in the performance agreements of the Accounting Officers, relevant Senior Managers & staff.
- Revenue enhancement strategy per entity and same emphasis as cost containment
 - Are all the revenue sources identified and recorded;
 - Types of recording systems and assessing completeness, variance analysis
 - Internal control environment in Revenue Management.
 - Analyse each source_ Is the collection optimal?

Monitoring and evaluation mechanisms/Reporting



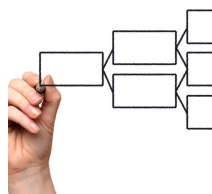
Progress Tracking

Monitoring mechanisms allow organizations to track progress effectively against set goals and objectives.



Assessing Effectiveness

Evaluation mechanisms assess the effectiveness of strategies, identifying areas for improvement and success.



Continuous Improvement

Establishing these mechanisms ensures continuous improvement by fostering a culture of learning and adaptation.

Revenue enhancement strategies



- Recording systems and assessing completeness of revenue collected. Registers in place, Modernise to increase efficiency, cost effectiveness & client satisfaction and eliminate loopholes in the collection mechanisms. Optimise potential revenue sources that are currently not fully explored or used.
- Cashflow management (paying back into revenue funds, delays in projects /pace of capturing invoices)
- Debt management and proper processes for staff exits (credibility of the sources and collectability, external vs internal debt)- Bursary, overpayments , RAF payments at hospitals etc.

Revenue enhancement strategies



- Gambling activities and interactive gambling (all online gambling sites and new licenses in line with casino regulations), review of the fees structure
- Liquor licences (regularising sheebens and charging per income group)
- Spaza registrations
- Motor vehicle licences online functionalities as well as online collection of fines (agencies, service time, continuation during pandemics etc)

Revenue enhancement strategies



- Automation of payment points
- Expansion of vehicle impounding facilities
- Parking fees at hospitals, licensing of private health facilities (NHI)
- Billboards and cell phone towers (audit and quantify)
- Rental and hiring of government buildings and residential buildings (condition, maintenance, refurbishments)
- Assessing dilapidated structures for PPP potential (museums, roads, railways)

Revenue enhancement strategies



- The above require
 - Introspection in what is already available
 - Possible changes in legislation for new revenue streams (casino taxes)
 - Investment in technology (strike balance cost-benefit)
 - Training of staff to be able to identify, collect, protect, reconcile effectively
 - Including more KPI's that relate to revenue management in performance agreements to assist with monitoring
 - Review of budget processes and be supported by informed schedule as opposed to being carried over from previous year without interrogation of environment
 - Good systems of internal control

Conclusion

Feasibility Assessment

Assessing the feasibility of revenue-enhancing strategies is essential for the sustainability of PFMA entities to supplement the equitable share.

Each entity should have a revenue enhancement strategy and set targets

Revenue enhancement strategies

- a) Increase the existing own revenue resources of the province.
- b) Modernise to increase efficiency, cost effectiveness & client satisfaction and eliminate loopholes in terms of collection mechanisms.
- c) Optimise potential revenue sources that are currently not fully explored or used.

Revenue enhancement requires operational efficiencies and is hence a responsibility for all officials