NTIYISO CONSULTING

MUNICIPAL REVENUE MATURITY BENCHMARK REPORT

2019/20

NTIYISO CONSULTING

"WE EMPOWER INSTITUTIONS THAT ENABLE AFRICA'S DEVELOPMENT"

"I dream of a South Africa where the first entirely new city built in the democratic era rises, with skyscrapers, schools, universities, hospitals and factories ."

President Cyril Ramaphosa - SONA

ABOUT NTIYISO CONSULTING

Ntiyiso Consulting is a fast-growing authentically African and globally wired management consulting firm that seeks to empower institutions that enable Africa's development. Ntiyiso Consulting helps improve cash positions of large and medium-sized municipalities; turns around or improves the revenue, profitability or social mandate performance of large and medium organisations; and unlocks economic opportunities on behalf of communities and regions.

We deliver sustainable and evidence-based solutions through five subsidiaries, viz. Ntiyiso Revenue Consulting, Ntiyiso Business Consulting, Ntiyiso Industrialisation Consulting, Ntiyiso Digital Services and Ntiyiso Aviation Services.

ABOUT NTIYISO REVENUE CONSULTING

Ntiyiso Revenue Consulting (NRC) is a specialist revenue management consulting company with extensive knowledge and experience across a number of sectors. We consult for cities and municipalities, water and electricity utilities, freight and passenger transportation, ports, tax authorities and revenue collection agencies. We have developed the agility and flexibility to research and understand the revenue drivers of sectors through our thought leadership philosophy. Our capabilities are combined into four service offerings that can be customised depending on the business requirements and needs of the organisations.

TERMS OF USE, DISCLAIMER AND RESEARCH LIMITATIONS

The data and survey responses we have relied on do have their limitations. They do not provide an in-depth analysis of the individual contours of all the possible challenges that limit progressive revenue performance in South African municipalities. To circumvent this limitation where data is not available, we revert to national statutory expectations and analyse the disparities from this point of view.

Although Ntiyiso Consulting and its subsidiary, Ntiyiso Revenue Consulting, have taken every reasonable step to ensure that the information contained herein is accurate, it must be noted that the data utilised and collected for the 2019 Municipal Revenue Maturity Benchmark is from online sources and survey respondents. Ntiyiso Consulting, its subsidiaries, its employees and consultants accept no liability whatsoever for any use and/or reliance on this report in particular, any interpretation, decision made, or action taken based on the findings in this report.

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FOREWORD

The 2019/20 **Ntiyiso Municipal Revenue Maturity Benchmark Report** provides a snapshot of the rigorous research undertaken by Ntiyiso Revenue Consulting over the last 18 months. When we started the 2019/20 benchmarking process back in February 2019, we did not expect such a high response rate. In total 103 South African municipalities participated compared to 30 in 2018. However small this victory may be, we are working to reach at least 150 municipalities in our forthcoming 2020/21 benchmarking report. This ambition is underpinned by our unique understanding of the possible growth trajectories that remain unexplored by many municipalities in South Africa.

Although we do understand that each municipality will have to follow its unique developmental path, the **Ntiyiso Revenue Maturity Model** assists municipalities to craft strategies and orchestrate internal operating models that promote revenue efficiency and effectiveness. Specifically, our maturity model is an instrument through which municipalities can evaluate their level of maturity against peers within the same category while identifying potential revenue growth opportunities. Determining the level of revenue maturity is critical as it signifies the degree to which the municipality can weave together legislative stipulations, implement strategies, craft relevant policies, automate processes, attract skilled staff, and deploy expertise from both internal and external environments.

In practice, our research was augmented by three central questions: Why do some municipalities perform better than others? What are some of the factors that contribute to better revenue performance? Also, what are some of the prerequisites of optimal revenue performance? It is against this backdrop that benchmarking Municipal Revenue Maturity will be discussed and demystified by demonstrating its key components: revenue coverage, revenue conversion, revenue administration, revenue data analytics and customer-centricity.

We hope that our findings become the genesis of new conversations that we ought to have in this country. In particular, we hope this report ignites a shift in how municipalities see themselves and how we, the general public, see them.

If your municipality did not participate this year, please be sure to email us at empower@ntiyisoconsulting.co.za. Feel free to also email us if you have any comments or questions regarding this publication.

We trust that you will enjoy reading this report.

Sincerely,

Miyelani Holeni

Group Chief Advisor
Ntiyiso Consulting

EXECUTIVE SUMMARY

Municipalities occupy a vital position in the South African socio-transformational agenda, and are constitutionally mandated to provide services to communities in a sustainable manner. They are also responsible for promoting a safe and healthy environment; promoting social and economic development; encouraging the involvement of communities and community organisations in the matters of Local Government and to provide a democratic and accountable government for local communities. Notwithstanding this vast mandate, municipalities must also carry out other service delivery activities such as the construction and maintenance of road infrastructure; provision of community and traffic safety mechanisms; ambulance services; development of recreational spaces and cultural programs as well as local economic development.

To achieve its constitutional objectives, a municipality must generate its income to fund a significant portion of its budget and to supplement the grants and funding received from the government. However, when discussions around the municipality's mandate are directed towards optimal revenue performance and a healthy surplus, the conversations take a muted turn. Revenue is central to municipalities meeting their constitutional responsibilities; however, many municipalities still lag.

According to our research, 32% of participating municipalities have fewer than four own-sources revenue, while only 16% of them have more than 18 own-sources revenue. However, the survey suggests that municipalities remain modest in their choice of new or additional revenue sources. We have seen that municipalities are currently considering several traditional revenue sources including rental of facilities, fines and issuing of drivers' licenses. These revenue sources are in line with current prescripts and legislation, which suggests that for municipalities to identify new and old revenue sources, National Treasury and other national government bodies would have to initiate the innovation debate. Below is a list of our top findings, drawn from the 2019/20 benchmarking process:

1

The average collection rate is higher for local municipalities at 213.22%, compared to the 94,13% of the metro municipalities. Participants representing metro municipalities mentioned that low collection rates keep them up at night. For some metros, the collection rate is highly affected by revenue lost due to technical losses.

2

Old-fashioned methods of appointing new employees use up more time than actually necessary. A case in point is the fact that, according to statistics provided by National Treasury, 14% of non-managerial positions, a total of 8279 positions, have been vacant since June 2018. The municipalities that have a higher conversion rate tend to have a lower vacancy rate. The inverse is also true, municipalities with lower current debtors collection rates tend to have higher vacancy rates.

3

With the changes in the digital economy taking place at an exponential rate, municipalities can no longer deny the presence of the Fourth Industrial Revolution. Unlike big business, municipalities are on the cusp of extinction. We found that only 24 municipalities have customer portals and only 7 municipalities have mobile applications.

4

South Africa currently has an estimated 372 payment centres/rates halls/Thusong Centers. Given that the national governments' strategic position is to increase the number of walk-in centres, one would expect that the way services are rendered would also evolve. The various walk-in-centres/rates halls/Thusong Centers are still built based on the old traditional model that was first used when municipalities were legislated: that of the traditional queuing and ticketing system. The basis for any municipality's operation is service delivery to customers. Thus, customers must be top-of-mind in endeavours to improve revenue performance.

Reading and interpreting this benchmark report

This report focuses on each of the five revenue pillars. Within each section, you will find:

- Information about average maturity levels over two years,
- Top tips from our Revenue Consulting team dotted on each section,
- That each section comes with a blend of data from our survey and our qualitative analysis of documents collected from our participants. The data from our survey illustrates the maturity levels of different municipalities that participated in 2018 and 2019 respectively, and
- Information that may be used to get started on a revenue enhancement journey.

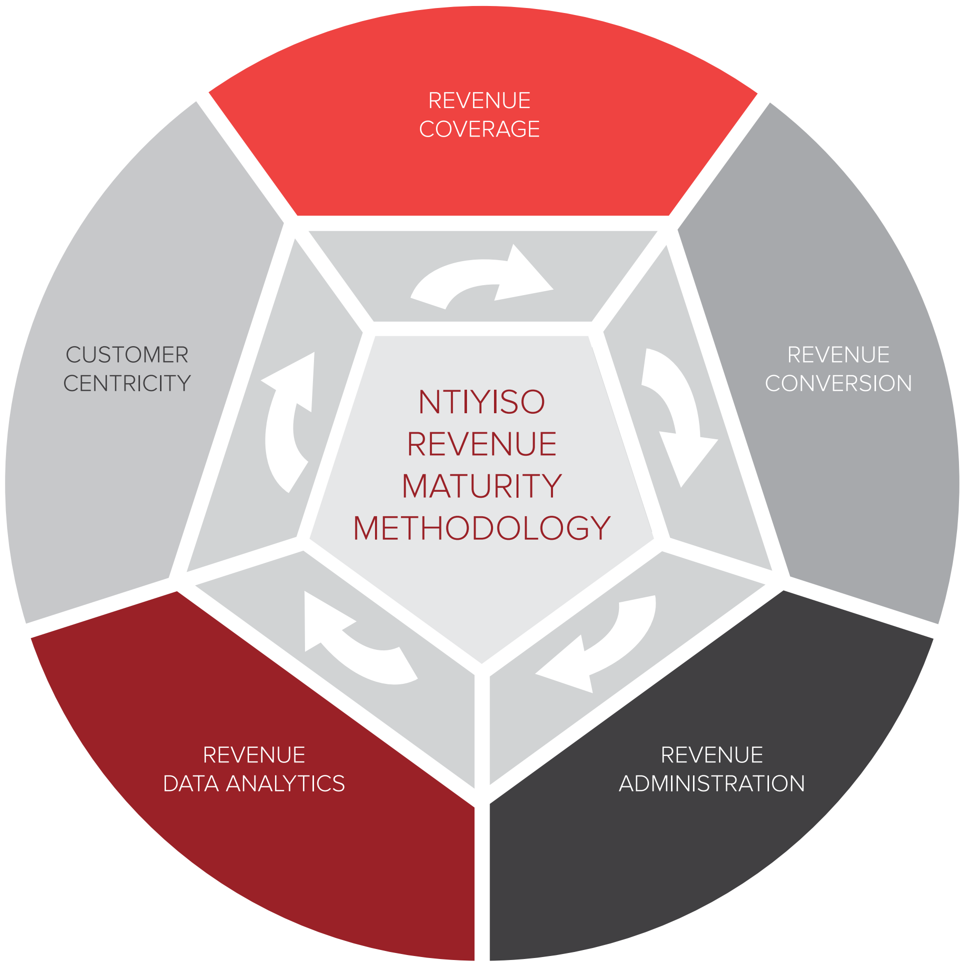
NTIYISO REVENUE MATURITY MODEL

THE ANATOMY OF THE NTIYISO MUNICIPAL REVENUE MATURITY MODEL

The Ntiyiso Municipal Revenue Maturity Model (NMRMM) is a model developed to aid municipalities as they navigate the complexities of revenue generation, management and enhancement. Ntiyiso Revenue Consulting has developed world-class methodologies, models and tools to diagnose the effectiveness - or lack thereof, of the revenue management function and its inefficiencies within the revenue value chain. The diagnostic is a sound basis for implementing sustainable solutions to unlock bottlenecks across the revenue value chain. Simply put, a revenue management function must be able to demonstrate a high degree of appreciation of the nuances across its specific revenue value chain and be able to achieve completeness, protection and increases of revenue.

These pillars are:

1. Revenue Coverage,
2. Revenue Conversion,
3. Revenue Administration,
4. Revenue Data Analytics, and
5. Customer Centricity.



Revenue Coverage refers to the capacity of a municipality to identify and develop a diverse set of revenue streams which are a combination of legislative, functional and innovative levers from which they are able to derive income. These diverse revenue streams are over and above the usual service lines of electricity, water, sanitation, refuse collection and property rates. Revenue Coverage aims to unearth and increase the contribution of under-valued revenue streams into significant contributors.

Revenue Conversion refers to the municipality's ability to realise consistent cash-flows from billing customers for all the active sources of revenue. This is evaluated by - among others - the municipality's collection rate month-on-month and the year-on-year average. It is the quotient of the total revenue recorded/collected and the total billing of that specific month.

Revenue Administration refers to the municipality's organisational capability to administer the revenue management function to achieve alignment between staff, organisational processes and standard operating procedures for optimal performance. The collective capability of all stakeholders and their associated artefacts (methods and tools) must be deployed in a synchronised manner to facilitate an efficient management of all activities across the revenue value chain.

Revenue Data Analytics refers to the adoption and daily use of intuitive and predictive data analytics to identify and decipher client data from which to formulate tactics and strategies for optimal revenue generation. Data analytics, on the one end, can be used to measure the overall performance of the revenue management function whilst on the other, it assists municipalities to segment revenue by metrics such as payment and consumption patterns, debt by customer segment, geographical location and revenue source type.

Customer Centricity refers to the precision with which an organisation knows and predicts customer needs to deliver effective solutions against those insights. In this context, an organisation must have thorough knowledge of its customers and their underlying activities in measurable terms to devise better ways of engagement and management. A customer-centric organisation must have a Customer Relationship Management policy, a tool that tabulates the municipality's position on how it intends to hone better customer relations and value.

NMRMM: A diagnostic tool for any type of municipality

The NMRMM categorises municipalities according to five levels of revenue maturity.

1	**Lagging municipalities: "Beggars"**	Reactive revenue collection approach, that is non-systemic and non-frequent, largely dependent on grants and transfers
2	**Emerging municipalities: "Snoozers"**	Basic revenue collection approach, with high revenue sources and low collection rates
3	**Developing municipalities: "Hustlers"**	Stable and repetitive revenue collection approach, with limited revenue sources but poor revenue conversion rates
4	**Optimising municipalities: "Darlings"**	Internally active revenue collection approach that is continuously assessed and improved. High revenue sources and high conversion rates
5	**Innovating municipalities: "Super Heroes"**	Dynamic revenue collection approach, high conversion rates while breaking traditional boundaries of revenue coverage by exploring new and innovative revenue pockets

Figure 1: *Levels of revenue maturity*

In particular, the NMRMM takes municipalities through a systematic process which results in tangible strategic steps that may be used as a tool towards revenue performance improvement. It is the first step towards setting up a successful revenue performance improvement programme that moves a municipality from a particular revenue maturity level to the next. Setting up a revenue improvement programme entails establishing a dedicated team of skilled staff members who will have no day-to-day revenue management activities but will solely focus on well-defined and time-bound revenue improvement initiatives. Such a programme would have to define and implement impactful revenue improvement initiatives through a series of projects. Once implemented, such initiatives would then be handed over to the Revenue Management department to ensure the sustainability of the impact of such efforts.

THE BENCHMARKING METHODOLOGY

Right on target

The 2019 Municipal Revenue Maturity Benchmark process relied on both qualitative and quantitative data. This year, six metropolitan municipalities, 81 local municipalities and 16 district municipalities responded to the survey. Using the NMRMM the municipalities were assessed against the five revenue pillars. The scores for each of the municipalities have been aggregated to form the overall revenue maturity.

Data was requested and collected from the Municipal Manager/City Manager, the Chief Financial Officer, the Revenue Manager, the Budget Manager, the Supply Chain Manager, the Finance Director or the Billing Manager representing each of the municipalities. Other qualitative data was also collected from online portals like the National Treasury website and the Stats SA website.

Maturity level descriptors vs. Likert-type scale descriptors

Together, the qualitative and quantitative survey consisted of five sections which were aligned to the five revenue performance pillars: Revenue Coverage, Revenue Conversion, Revenue Administration, Revenue Data Analytics and Customer Centricity. Each section had an average of seven questions, which were shaped using both maturity level descriptors and Likert-type scale descriptors. The maturity level descriptors were used to assist our respondents to understand their level of revenue maturity, while the Likert-type scales descriptors were used to measure their perceptions of their level of Customer Centricity. The qualitative questions were designed to understand the depth of the revenue collection, and management strengths and weaknesses.

INSIGHTS DRAWN FROM THE 2019 BENCHMARKING PROCESS

This year, the benchmark report included an analysis of benchmark metrics developed in 2018 such as Revenue Coverage and Conversion rates. New to this year's report is the analysis of online portals and mobile applications that have been developed by municipalities to facilitate better customer engagement and communication.

The maturity results of the 103 participating municipalities have been aggregated to form an overall analysis of the current maturity levels. The overall distribution of the maturity results from 2019 as compared to the 2018 results are represented in Figure 2 below. The data collected through our 2019 benchmarking process revealed that most municipalities are on maturity level 2. Eighteen per cent are on level 3 and only 4% of the participating municipalities are on maturity level 4.

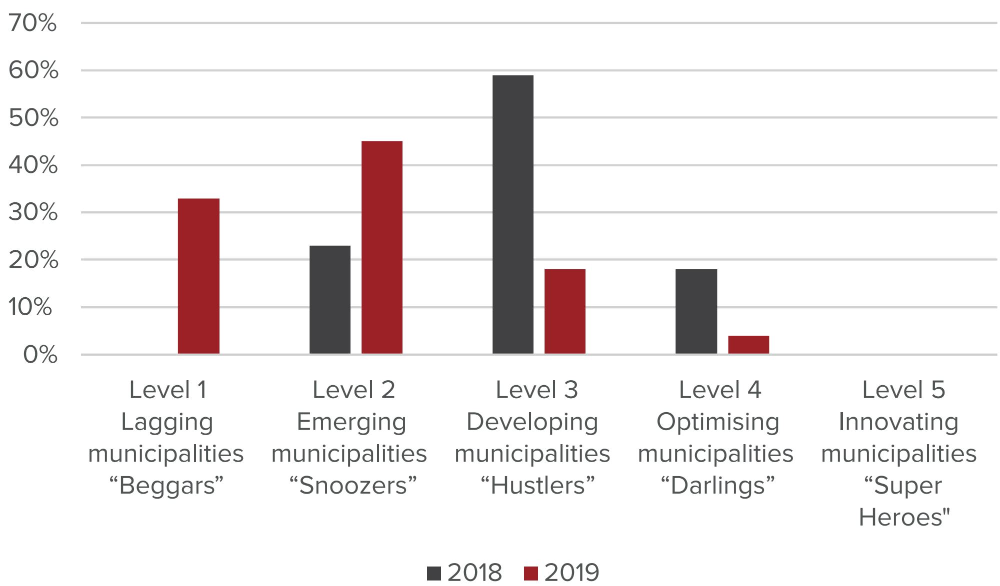


Figure 2: *Distribution of overall maturity results for participating municipalities in 2018 and 2019 respectively*

HOW MUNICIPALITIES STACKED UP IN 2019

The metro with the highest maturity level is the City of Johannesburg (4,4), followed by City of Tshwane (4,32). Both these metros have scored significantly higher in the Revenue Coverage and Revenue Data Analytics pillars. Umzinyathi is the highest scoring district municipality with a maturity score of 2,98, while the highest scoring local municipality is Alfred Duma Local Municipality with a maturity score of 4,02.

Metro municipalities

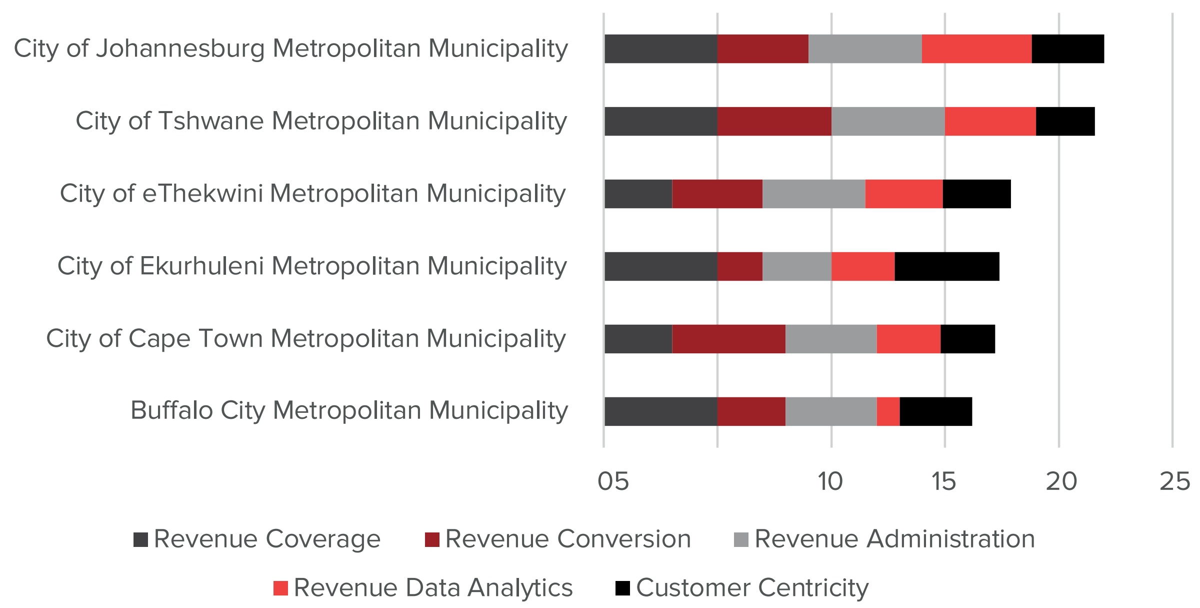


Figure 3: *Overall metro municipality revenue maturity scores*

District municipalities

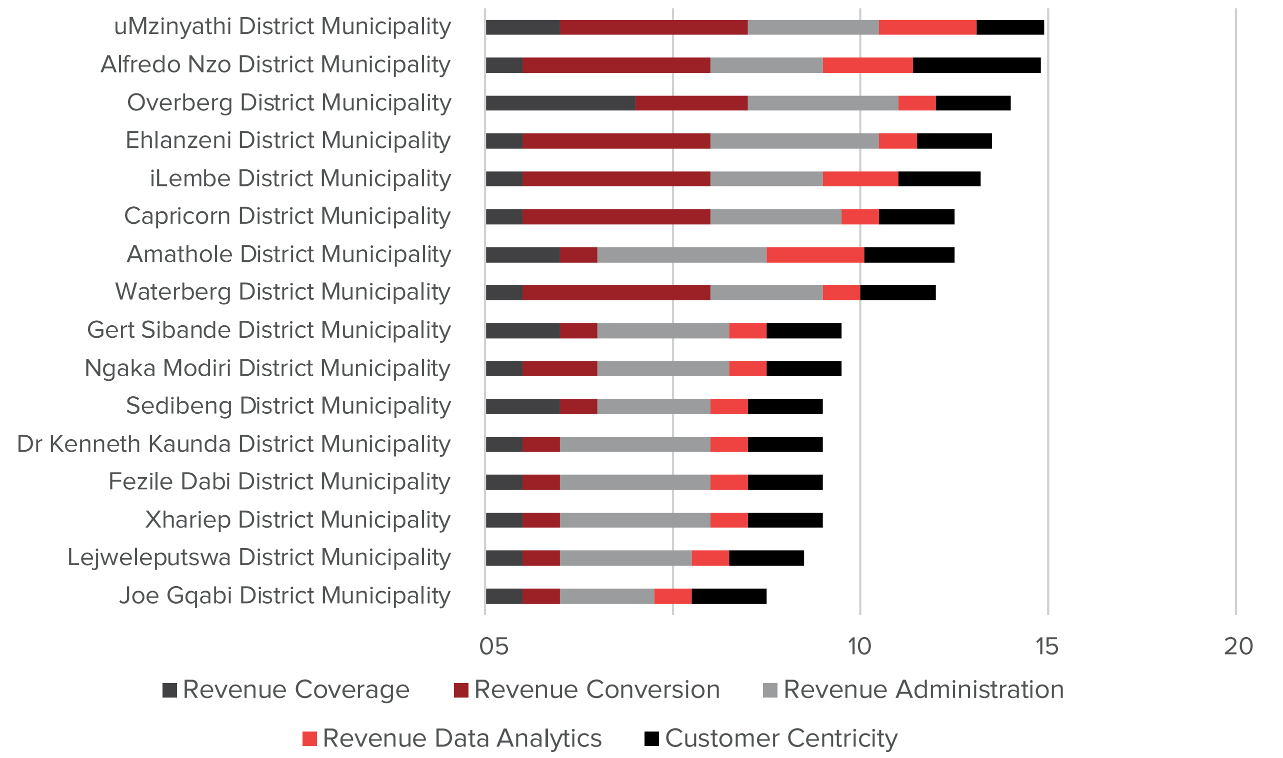


Figure 4: *Overall district municipality revenue maturity scores*

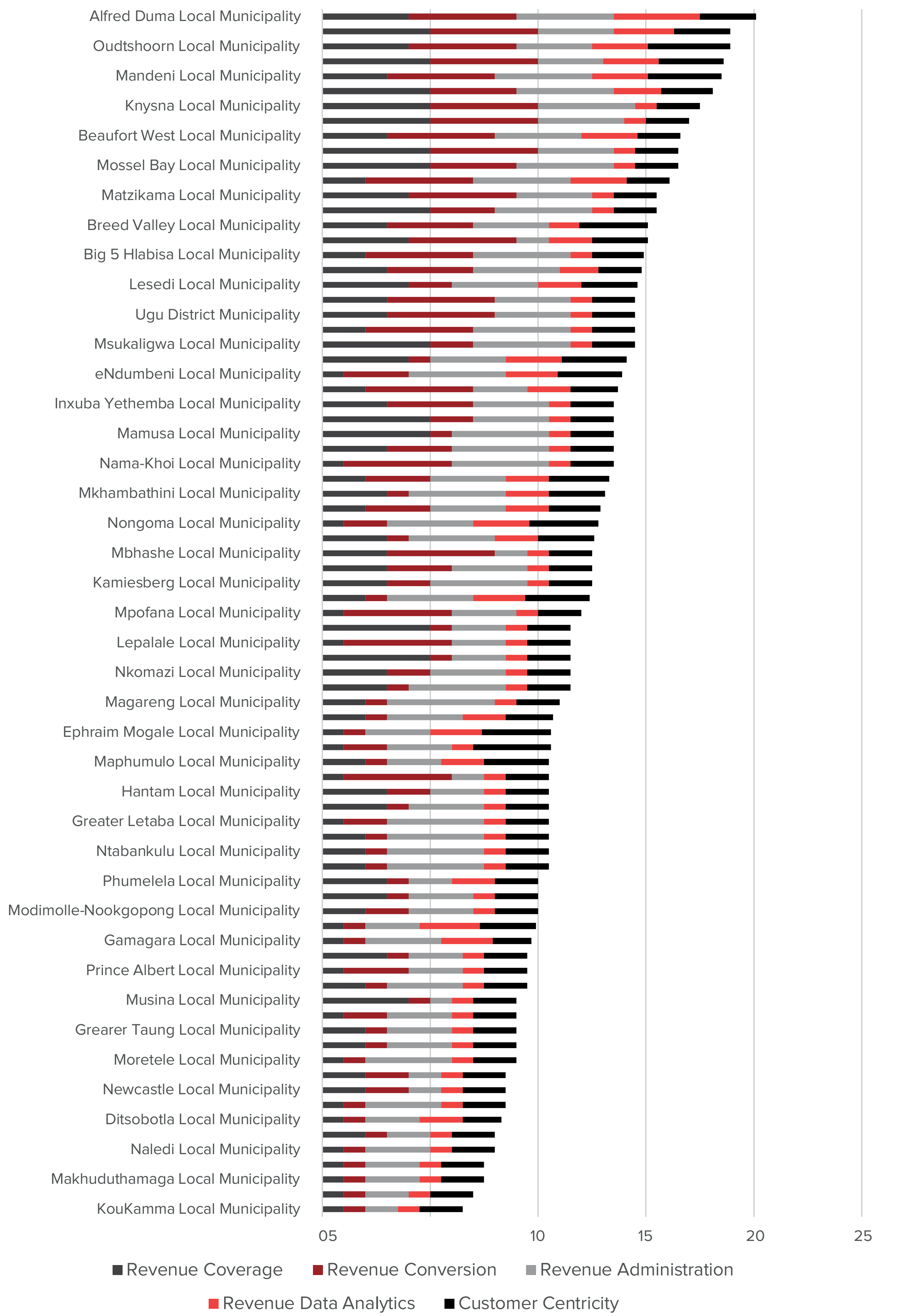


***Figure 5:** Overall local municipality revenue maturity scores*

REVENUE COVERAGE

The decision made by rating agencies, in particular Moody's, to downgrade the South African economic outlook from stable to negative, reflects the deeply entrenched constraints on economic growth and reform. South Africa is currently facing high levels of poverty, widening income inequality and high rates of unemployment, while economic growth declines and the business climate becomes even more complex to navigate. Additionally, South African municipalities are finding it challenging to identify and seize new pockets of revenue. Under the current operational context where municipalities have a modest list of available revenue sources, their ability to enhance their revenue performance will remain suppressed if no new revenue sources are identified. The revenue sources available to a municipality are largely dependent on the type of municipality, its size, the functions it can perform, and the assets under its disposal.

Beyond the traditional revenue sources available, true revenue sustainability requires that municipalities break through the traditional revenue mould.

Based on the level of revenue performance, each municipality is allocated a maturity level from 1 to 5. Based on the NMRMM, municipalities that generate revenue from four or fewer sources fall under the Maturity Level 1 category. Municipalities that generate revenue from more than 16 revenue sources fall under the Maturity Level 5 category. This year, the mean or average score for the Revenue Coverage pillar is 3, compared to 2.4 in 2018.

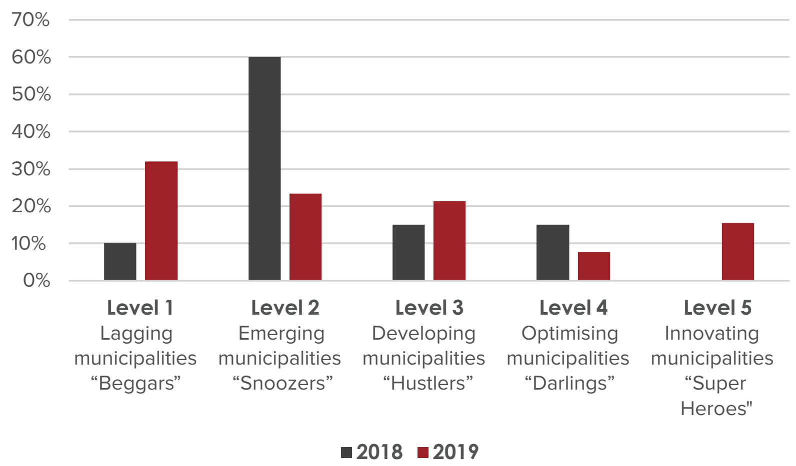


***Figure 6:** Distribution of the Revenue Coverage maturity mean score by percentage for 2018 and 2019*

As the maturity level suggests, developing, or, in our case, "Hustler municipalities", have not fully bridged the gap between traditional revenue and innovative revenue sources. These municipalities have less than 12 revenue sources and they have a proportionately low alternative revenue base. There is a direct correlation between the municipalities that are heavily dependent on grants and transfers and the number of revenue sources. The lower the number of revenue sources, the higher the dependency. And, of course, the higher the dependency on grants and transfers, the lower the level of revenue maturity. At this point, we must qualify that it is not only the number of revenue sources that matter but the quantum of revenue derived from each source.

Revenue Coverage, as detailed previously, measures the composition of municipal revenue sources relative to the total portfolio of possible or available revenue sources. In South Africa, municipalities currently have a portfolio of an average of 18 traditional revenue sources, which are segmented within nine main revenue layers including grants and loans, user fees, electricity sales, water sales, property rates received, sewage and sanitation charges, refuse removal charges, fines, levies or duties and other taxes.

SOURCES OF LOCAL GOVERNMENT FUNDING	CONSTITUTIONAL PROVISIONS	GOVERNING LEGISLATION
MUNICIPAL OWN REVENUE SOURCES		
Rates on property	**Section 229 and 227 (2)**	Municipal Property Rates Act
Surcharges on fees for services provided by or on behalf of the municipality	**Section 229 and 227 (2)**	Municipal Fiscal Powers and Functions Act
Service charges/fees	**Section 229 and 227 (2)**	Municipal Systems Act Municipal Finance Management Act Electricity Act and Electricity Regulation Act National Water Act Provincial land use planning ordinances
Other taxes, levies or duties	**Section 229 and 227 (2)**	Municipal Fiscal Powers and Functions Act
Administrative fees		Municipal Systems Act
Fines		National Road Traffic Act
Borrowing	**Section 230A**	Municipal Finance Management Act
Credit control and debt collection		Municipal Systems Act
TRANSFERS FROM NATIONAL AND PROVINCIAL GOVERNMENT		
Local government equitable share of nationally collected revenue	**Section 214 and 227**	Intergovernmental Fiscal Relations Act The annual Division of Revenue Act
Fuel levy sharing with metropolitan municipalities	**Section 229 (1)(b)**	The annual Taxation Laws Amendment Act
Condition grants from national government	**Section 214 (c), 226 (3) and 227 (1)(c)**	Intergovernmental Fiscal Relations Act The annual Division of Revenue Act The annual National Appropriation Act
Condition grants from provincial government	**Section 226**	The annual Division of Revenue Act The annual Appropriation Act of the relevant province

***Table 1:** Sources of local government funding (Data source: National Treasury)*

However, the growing burden demands that municipalities become more self-sustainable by identifying new pockets of revenue. This year, we focused on two main aspects within the Revenue Coverage pillar. It was important to first find out whether municipalities were considering any new revenue sources and to some extent, illustrate the municipalities' ability to innovate and then, determine whether municipalities were ready to introduce those revenue sources both technically and administratively.

To understand what new revenue sources municipalities were considering, our survey asked: "Is your municipality currently exploring any new revenue sources?" Sixty per cent of our respondents confirmed that their municipalities were indeed considering new revenue sources, while 31% of the respondents indicated that their municipalities were not.

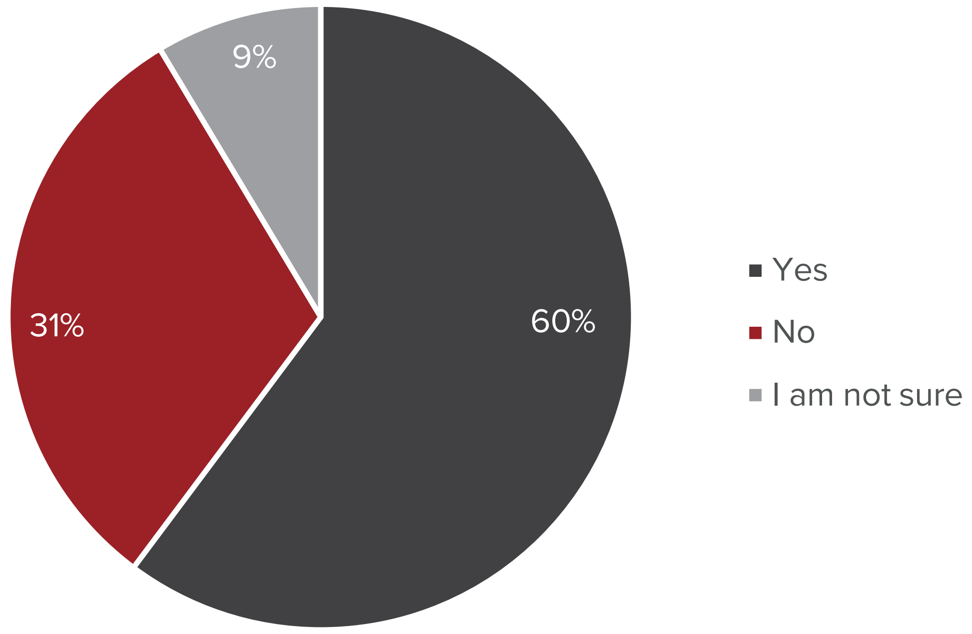


Figure 7: Municipalities currently exploring new revenue sources

Given that 60% of the respondents indicated that they were considering new revenue sources, the next requirement was for them to list the top three new revenue sources that their municipality were currently considering." The results were overwhelmingly disappointing, mostly because the list of new revenue sources under consideration by the respondents were fundamentally "traditional" and reflective of the traditional revenue mix proposed by National Treasury (see table 1).

REVENUE LAYERS	REVENUE SOURCES UNDER CONSIDERATION
Grants and loans	None
User fees	Public parking Bus service
Fines, fees, permits and licenses	Traffic fines Drivers' licenses Outdoor advertising Air quality control Development levy
Rental of facilities and equipment	Rental of facilities and equipment (halls, buildings, sporting complexes)
Assets and investments	Commercialisation of municipal entities Property sales/property disposals
Other	Retrospective VAT collection Wi-Fi fees Recycling Local business tax Tender receipts

Table 2: New revenue sources currently under consideration

As observed, new revenue streams under consideration are in line with the sources of local government funding presented by National Treasury. While the government has laid a good basis for traditional revenue streams, to spark innovation at the municipal level, the policies and the provisions that give rise to the current revenue sources must be adjusted to keep up with the fast pace of the fourth industrial revolution.

THE CURRENT STATUS QUO

Despite the fact that the new revenue sources identified by municipalities were largely traditional, respondents were still asked whether their respective municipalities were technically and administratively ready to introduce those new revenue sources. By and large, 92% of the 62% of respondents who had indicated that their municipalities were considering new revenue sources indicated that they were technically ready to introduce the sources. The technical levers include, among others, understanding the cost-benefit analysis, having the correct billing infrastructure, adequate administrative capacity and capability, as well as customer buy-in.

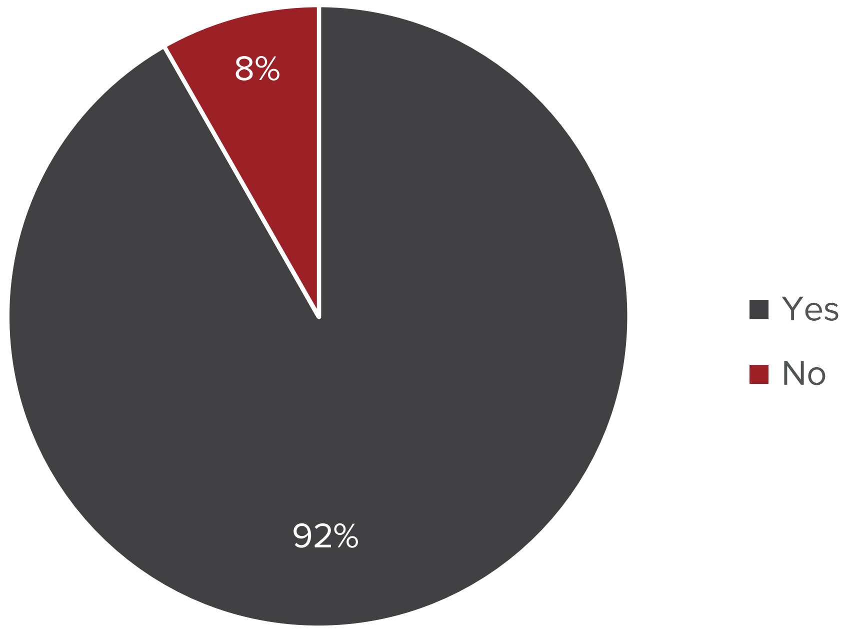


Figure 8: Municipalities that are ready to introduce their proposed new revenue source/s

THE PRICE OF TRADITIONAL REPORTING

The traditional reporting of municipal revenue where "other" revenue is merged into a one line item limits the ability to determine which revenue sources contribute the most. This style of reporting also limits the ability for municipalities within the same category to review and understand what other possible revenue sources are available and therefore, the possible value or revenue that may be derived from each revenue source. Recognising this limitation, our research team set out to analyse various documents from participating municipalities, including Section 71 reports and Audited Financial Statements, in a bid to unpack what it was that municipalities deemed as other revenue sources and what insight could be unearthed from them. We consequently noted 203 possible other revenue sources.

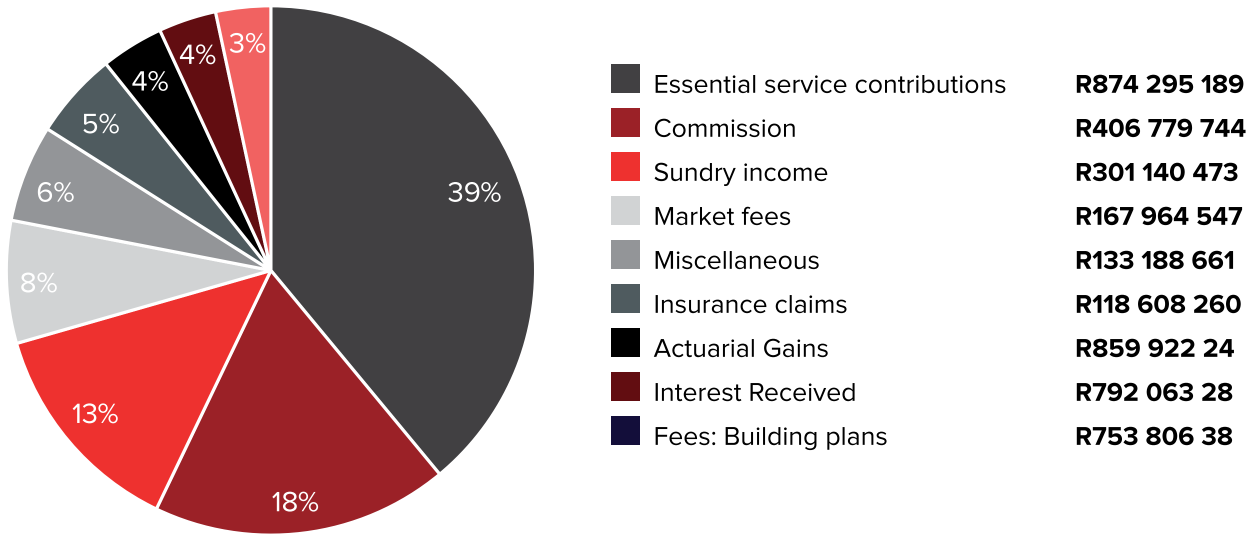


Figure 9: Top 10 revenue sources listed under "Other revenue" Source (National Treasury, Ntiyiso Revenue Consulting)

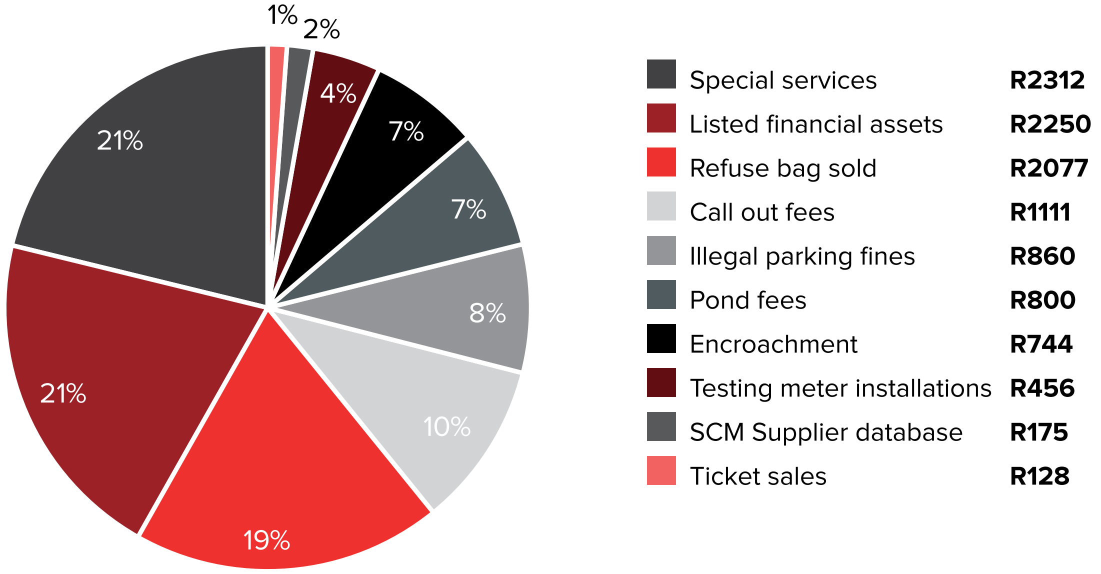


Figure 10: *Bottom 10 revenue sources listed under "Other revenue" Source (National Treasury, Ntiyiso Revenue Consulting)*

The highest ranking revenue source, "Essential service contributions", raked in an estimated R874 million while the lowest, "SCM Supplier database" and "Ticket sales" yielded R175 and R128 respectively. A summarised view of the revenue sources currently under consideration is detailed in Table 2 above. Typically, before municipalities consider new revenue sources, a feasibility study or a cost-benefit analysis is undertaken. For instance, Phumelela Local Municipality is currently considering enhancing their tender receipts collection, which is currently R 65,800.00 for the 2017/18 financial year. It is not known what the associated costs of rendering this service are and whether this is a profitable revenue stream specific to Phumelela Local Municipality.

Comparatively reviewing the revenue sources that are under consideration versus the top 10 and bottom 10 "Other revenue" sources, we noticed there is a misalignment. Most municipalities are considering revenue sources that will not enhance the current revenue base. On the question of what is missing in the South African revenue value chain, one could point out that the National Treasury and other national government departments are to still inspire innovation by innovating themselves. This means these departments which anchor the local government revenue position have to constantly undertake feasibility studies or cost-benefit analysis to facilitate better revenue choices.

> Ntiyiso Revenue Consulting's Top Tip: To improve your Revenue Coverage maturity levels, consider conducting a cost-benefit analysis or a feasibility study to understand the benefits and implications of the proposed or identified revenue source/s.

REVENUE CONVERSION

Ntiyiso Revenue Consulting's Top Tip: The Revenue Conversion pillar is a great way of diagnosing and measuring the shortcomings of your revenue management function and enhancement programme. If your Revenue Conversion rate, as evidenced by the payment rate or the debtors' collection rate, is subpar or lower than the ideal collection rate of 95%, try assessing the fluidity or level of integration of your revenue value chain and look for patterns, trends or dysfunctionalities. Ask yourself: "How and when do we read our meters? Do customers always complain about non-receipt of monthly statements? Are we billing each customer at the correct tariff and are we billing the customer every month?" Use the conversion rate to unearth opportunities to improve. Then combine this assessment with the cost-benefit analysis for new revenue sources to test the quality of your revenue enhancement programme.

Revenue Conversion refers to a municipality's ability to realise cash flows from supplying services and then billing customers. This is evaluated by, among others, the municipality's monthly payment rate and the current debtors' collection rate year-on-year. The Revenue Conversion rate sheds more light on the efficiency and the effectiveness of internal workings and controls within the revenue value chain. The payment rate and debtors' collection rate is also susceptible to external and internal factors such as technical, non-technical and administrative losses.

This includes:

- Suboptimal metering speed and accuracy result in a poor customer payment culture,
- Misalignment between meter reading and billing timelines,
- Delays in valuation roll and property rate updates,
- Delays in name changes post property transfers,
- Limited use of technology that delays metering and billing operations,
- Unresponsive customer relationship management, and
- Limited and unstructured customer engagement.

So, understanding the full spectrum of internal and external factors that influence a municipality's Revenue Conversion rate is the first step towards understanding the effectiveness and efficiency of processes and internal controls within the revenue value chain.

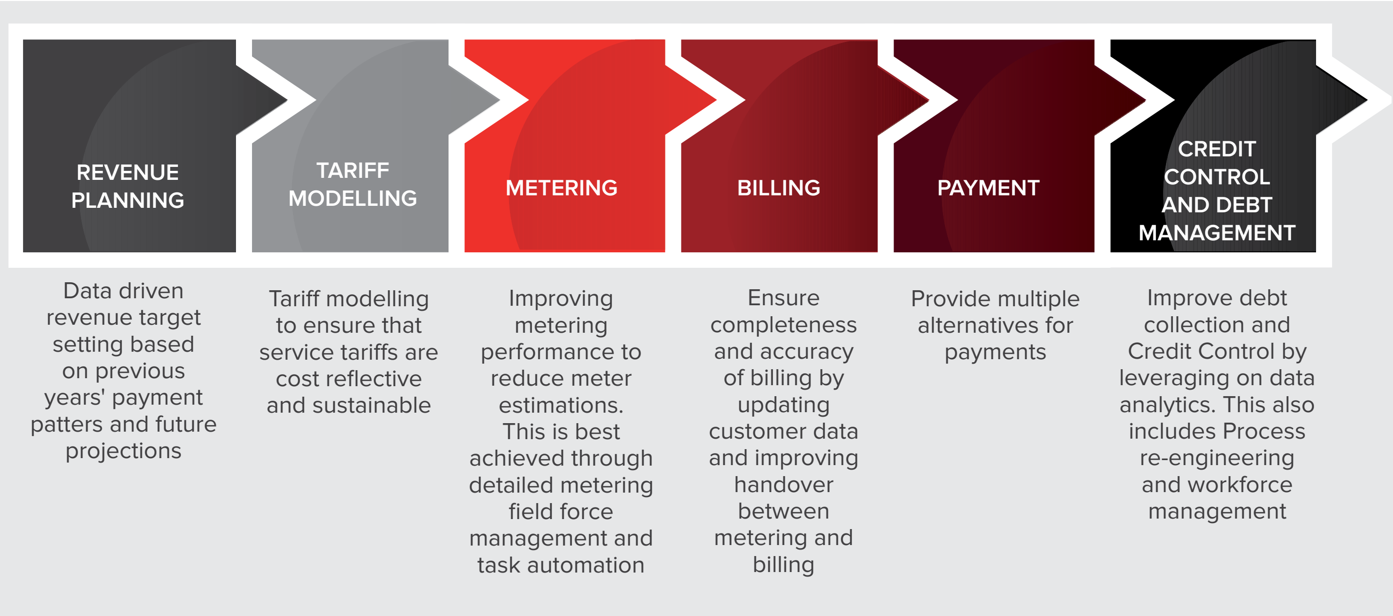


Figure 11: *Ntiyiso Revenue Consulting interventions across the revenue chain*

WHAT IS A GOOD CONVERSION RATE FOR MUNICIPALITIES?

According to the National Treasury, the ideal collection rate is 95% - Anything less than this is considered deficient. Building on the classification of the National Treasury, the NMRMM places municipalities on different maturity levels based on, among others, their payment rates and debtors' collection rate or Revenue Conversion.

COLLECTION RATE	MUNICIPALITY POSITION
Less than 40%	Beggar
More than 40% but less than 60%	Snoozer
More than 60% but less than 80%	Hustler
Less than 95% but more than 80%	Darling
100% or more	Superhero

The Revenue Conversion maturity level for municipalities that participated illustrates that there is a distinct decrease from 2018 to 2019. Figure 12 below shows that 40% of the 2018 participants achieved a maturity level of 5 compared to 29% of 2019 in the same category. According to the municipal budget and reporting regulations by National Treasury, the current debtors rate is calculated by dividing the collected revenue with the billed revenue. Therefore, the results contained in figure 12 below, do not contradict the current status quo, but are rather reflective of the current economic environment.

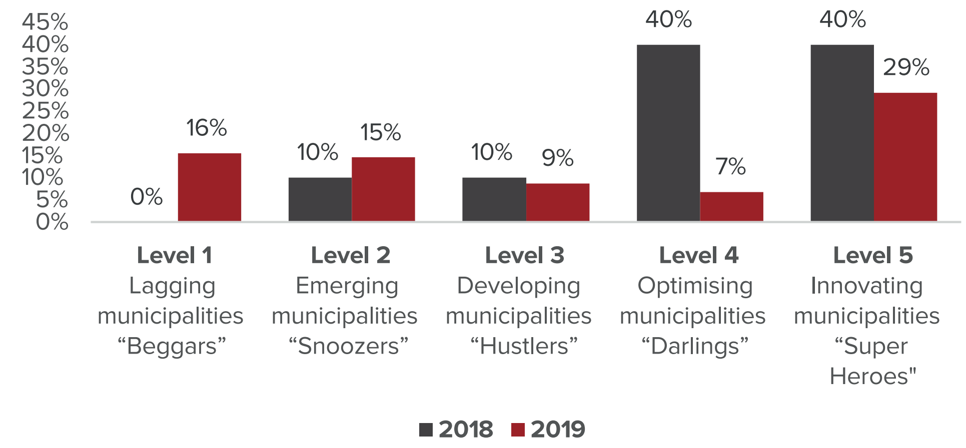


Figure 12: *Comparison of the Revenue Conversion maturity level for old participants vs new participants*

In the preparation of Figure 13 below, all the outliers that affected the results were removed, including Matzikama Local Municipality with a collection rate of 9531%, and Elundini Local Municipality with a collection rate of 383%. It is important to note that most municipalities don't always collect all the revenue that has been billed in that particular financial year, therefore, the collected revenue/billed revenue may be influenced by revenue not collected in previous years.

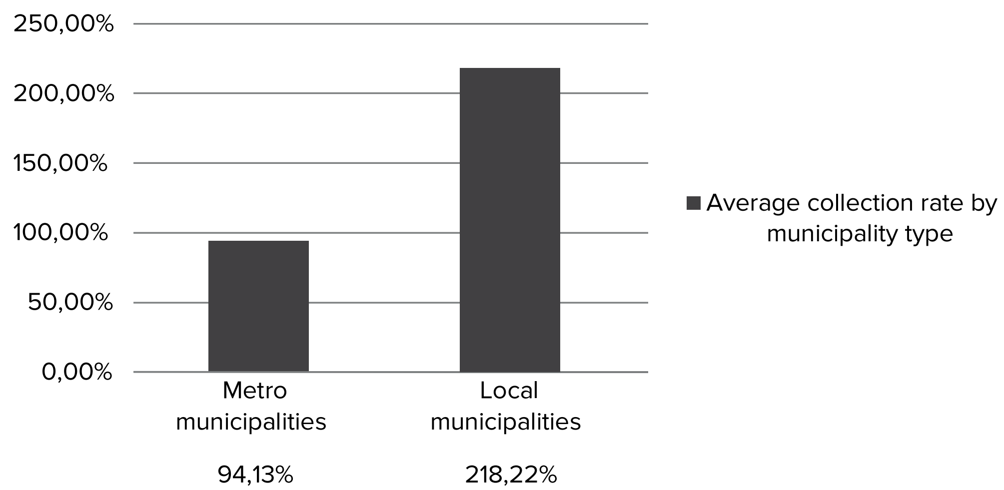


Figure 13: *Average current debtors collection rate by municipality type*

WHAT DOES THE REVENUE CONVERSION RATE TELL US ABOUT THE MUNICIPALITY?

Based on Figure 13, the average current debtors' collection rate for local municipalities is more than double that of the metro municipalities and nearly triple that of the district municipalities. Municipalities that have higher current debtors collection rates or Revenue Conversion rates tend to be less reliant on government grants and transfers. Matzikama Local Municipality has a collection rate of 9531%, while Beaufort West Local Municipality has a collection rate of 180%. According to the audited data, both these municipalities receive less than 35% of their revenue from operational transfers. In contrast, Makhuduthamaga Local Municipality has a collection rate of 11% and receives an estimated 93.4% of its revenue from operational transfers (See annexure A. Data source: National Treasury, 2018).

The revenue value chain is like a magnifying glass, it tells us about the quality of revenue planning and target setting, whether the municipality has comprehensively set tariffs according to customer types and whether the metering performance is in line with the billing processes. Caution has to be exercised though, as some collection rates are higher as a result of programmes put in place by municipalities to collect historical debt.

REVENUE CONVERSION VS REVENUE COVERAGE

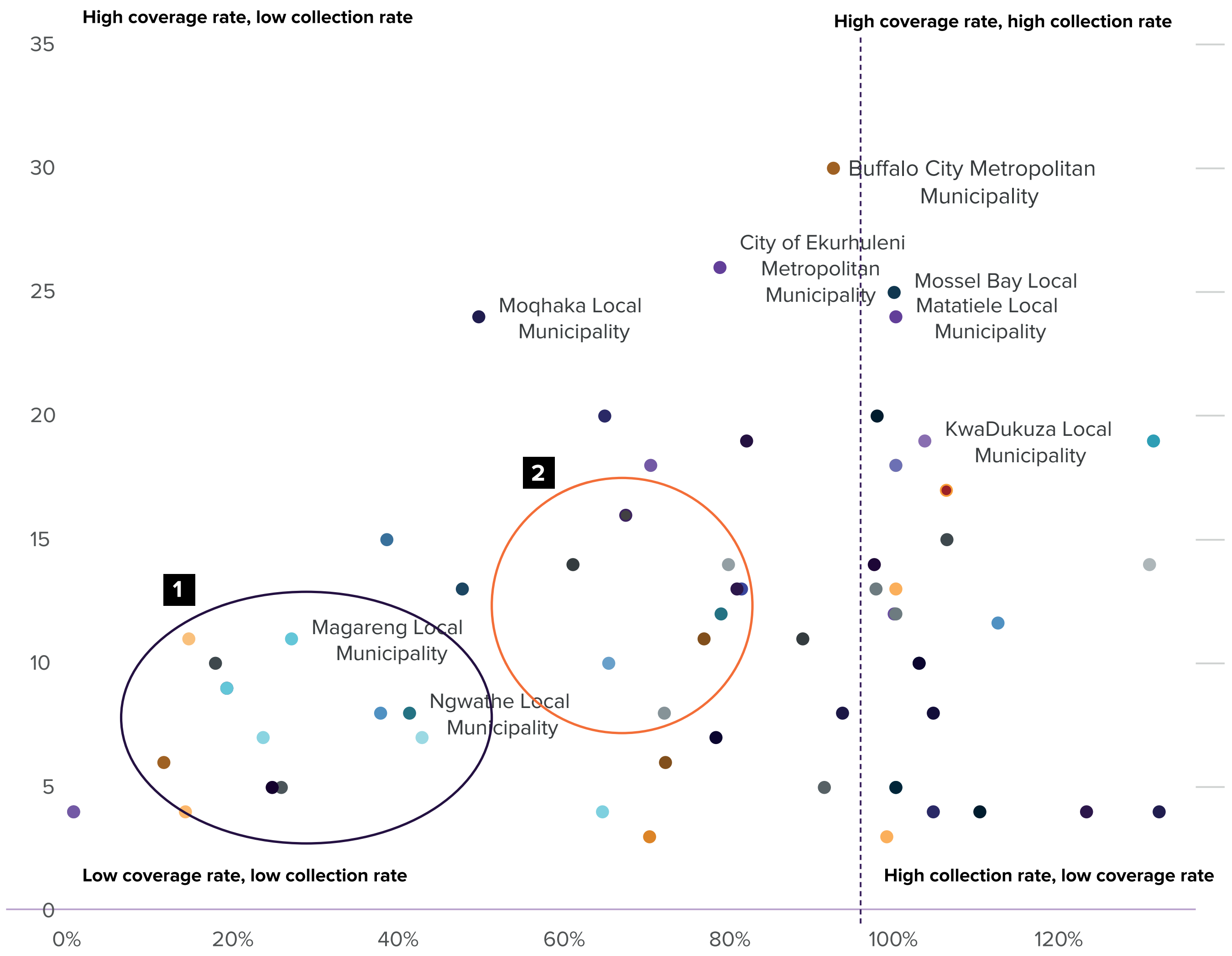


Figure 14: Revenue Conversion according to Revenue Coverage and the current debtors' collection rate using 2018 AFS figures. (Data source: National Treasury, 2019)

Figure 14, on the previous page, illustrates a clear pattern that confirms the current status of municipalities in South Africa. Municipalities within Area 1 are characterised by a low conversion or current debtors' collections rate while they also have a very low Revenue Coverage rate or a low number of revenue sources. Based on the model, these municipalities are reflective of snoozers. Snoozers have a basic revenue collection approach, with relatively low revenue sources and corresponding low collection rates.

Municipalities within Area 2 are hustlers. These municipalities have a stable and repetitive revenue collection approach. However, their collection rates are still lower than the desired 95% required by National Treasury.

Based on the analysis of the Revenue Conversion and the Revenue Coverage results, Mossel Bay Local Municipality has displayed the characteristics of a superhero municipality. This means that it has a collection rate higher than 100% and derives revenue from more than 18 revenue sources. When municipalities show such characteristics, it essentially means that they are reaping the benefits of a well aligned revenue programme. Exceptionally high collection rates illustrate that municipalities are also directing efforts towards the collection of the debt owed by government, businesses and households in general.

THE NUMBER OF HOUSEHOLDS RECEIVING FREE BASIC SERVICES MATTERS

The rise in the number of households that benefit from the indigent programme mirrors the current rise of poverty and unemployment. Since the Revenue Conversion rate reflects a municipality's ability to collect revenue or realise cash flows from billing customers, the number of households receiving free basic services also matters. During periods of poor economic performance, an increasing number of households are finding it more difficult to meet their monthly payment obligations. Hence the lower collection rates for metro municipalities.

REVENUE ADMINISTRATION

Revenue Administration, so to speak, is at the core of municipal revenue maturity. The strength of this pillar determines the growth trajectory that a municipality is likely to aspire to or acquire.

A CONVERGENCE OF INNOVATION AND STRATEGY

The Revenue Administration pillar considers four enablers that are underpinned by two main strategies that shape the entire feasibility of municipal revenue maturity. First, it considers the revenue enhancement strategy and its ability to drive long term revenue. Value is derived from the revenue management and enhancement strategy when it has been well defined, implemented, monitored and evaluated consistently. Second, it considers the human capital strategy and whether it has been anchored on principles of agility and innovation. Value from the human capital strategy is derived once the revenue, finance and administration department is supported by a highly skilled and motivated workforce. We fully acknowledge that the respective strategies need to be woven into the fibre of the municipal operational culture. This is a fundamental prerequisite ensuring sustained revenue growth, which is a key outcome or performance indicator of revenue maturity. There is more than one avenue that municipalities can adopt to strengthen their Revenue Administration. Part of the revenue value chain requires revenue planning and tariff modelling. However, if the municipal administration has not been calibrated to drive revenue advancement, then municipalities will continue to lag.

SCORING REVENUE ADMINISTRATION MATURITY LEVELS

We scored the municipality's Revenue Administration maturity level on a scale of 1 to 5 (1 = beggars or lagging municipalities, 5 = innovating or superhero municipalities) by assessing the quality of the two key strategies and the supporting enablers.

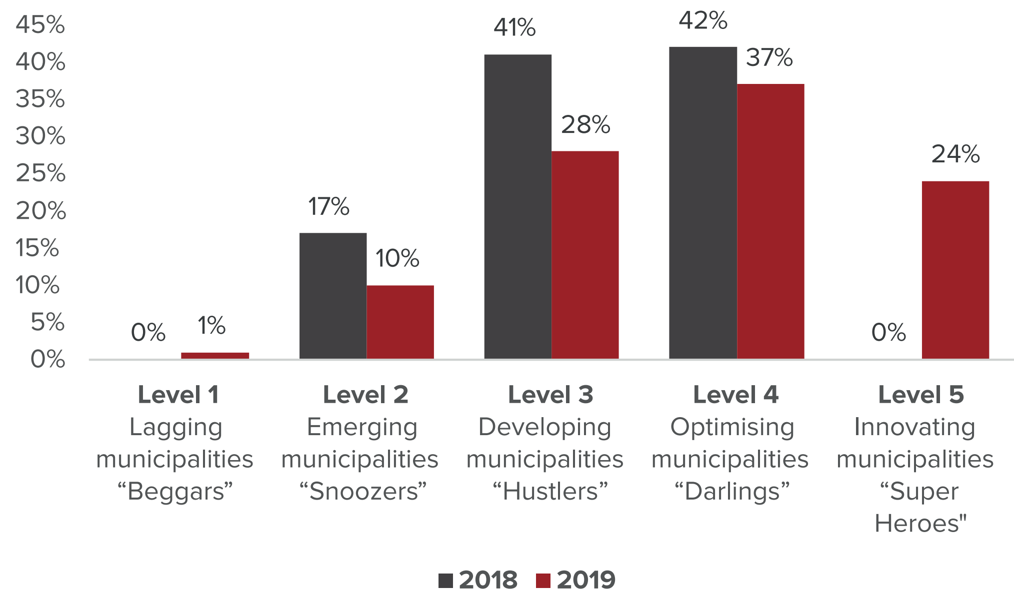


Figure 15: *Overall Revenue Administration maturity level for 2018 and 2019 participants*

PREVALENT REVENUE CHALLENGES

At the micro-level, municipalities have to fulfil the mandate of government, which is at a macro level. This certainly does not mean that municipalities inherit all that is good and bad about national government, but that the challenges that are experienced at a national level do cascade down to local governments. Unfortunately, the data available does not provide the intricate details of the capability and capacity of the current labour force. We believe that the quality of the municipality's workforce depends on the level of available expertise and the ability to align systems, processes and people to drive customer engagement. To circumvent this limitation, the survey sought to understand the challenges present in the respective revenue departments.

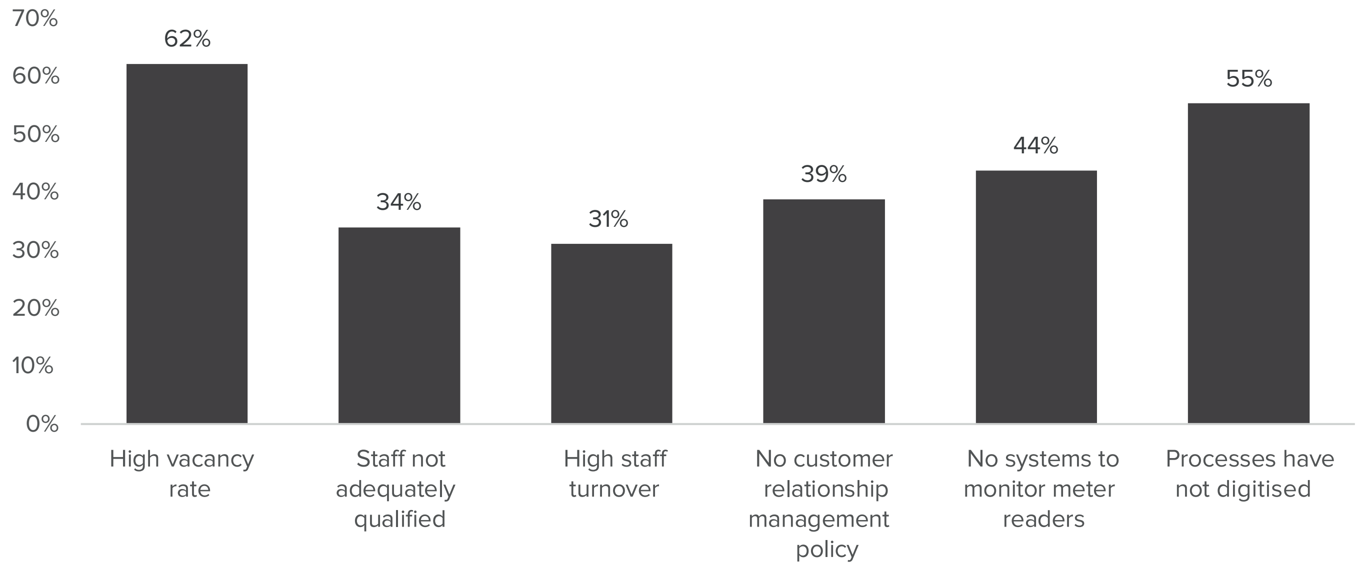


Figure 16: *Prevalent challenges in the revenue departments according to survey participants*

The challenges have been grouped into six categories as illustrated in figure 16 above. Three of the highest problem categories include the high vacancy rate (62%), the issues surrounding processes not being digitised (55%), and the lack of systems that monitor meter readers (44%).

HIGH VACANCY RATES

The extent of the problem, according to the participants, has far-reaching consequences. According to our participants, the high vacancy rates have led to the subversion of credit control processes, such as cut-offs or other credit control activities. A fully competent staff complement is particularly important in turning around any department. Our NMRMM suggests that at the centre of revenue management and enhancement strategy should be a compelling human resource strategy. What becomes important is for positions to be fully defined and aligned to the revenue targets and objectives. A human capital strategy guides all departments involved in the recruitment process so that the most capable and competent staff are appointed for key roles.

Our survey shows that Jozini Local Municipality has the highest vacant positions in finance and administration departments, followed by Lekwa Local Municipality with a 58% vacancy rate. It is not surprising then that both Jozini and Lekwa Local Municipalities are classic "beggar" municipalities. Municipalities on Levels 1 and 2 remain bound by underperformance. Their ability to innovate remains suppressed and the only way to exit this cycle is for the municipalities to take deliberate actions towards enhancing their revenue maturity so their overall performance may be resuscitated.

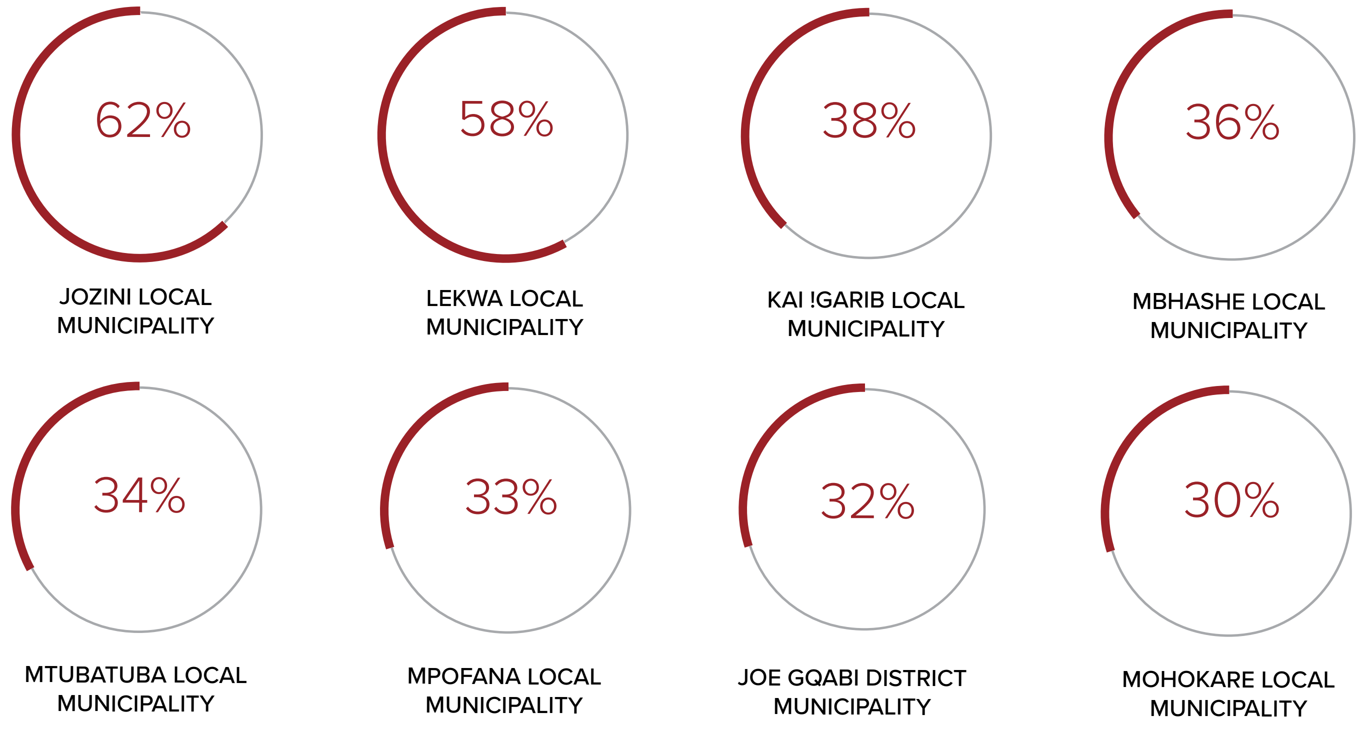


Figure 17: *Top eight municipalities with the highest vacancy rates (Source: National Treasury, 2018)*

NO SYSTEMS TO MONITOR METER READERS

Referring back to some of the factors that influence the Revenue Conversion rate, you will recall that the bulk of the external factors originate from meter readings. Suboptimal meter reading and the slow speed and the accuracy at which this function is conducted influences the customer payment culture. As observed from our participants, most revenue processes, including the current debt collection and credit control measures, are not digitised. By reviewing the available credit control measures currently available to municipalities, it can be noted that the practice of debt collection is still largely manual, meaning municipalities are still heavily reliant on the manual delivery of final notices and/or manual disconnection of electricity. Such practices negatively affect the efficiency of the municipality's revenue department.

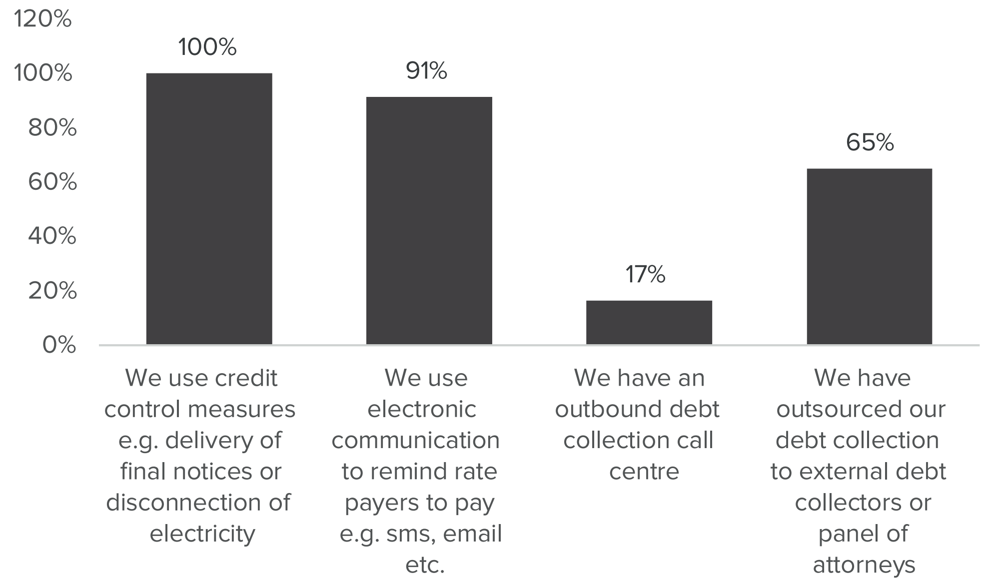


Figure 18: *Analysis of debt collection measures*

REVENUE DATA ANALYTICS

The fourth industrial revolution or 4IR 4.0 is powered by technologies such as mixed reality (AR and VR), artificial intelligence (AI), and the Internet of Things (IoT). It is changing how we have come to know and understand business or municipal processes. Revenue Data Analytics is a byproduct of these innovations. All revenue pillars of the NMRMM are critical, but the fact that data and data analytics are huge drivers of revenue cannot be overemphasised. Revenue Data Analytics is a strategic process tool or software that allows municipalities to get meaningful insights from their customer data. The influence and impact of Revenue Data Analytics are spread across virtually all the revenue pillars, with larger concentrations in the Revenue Coverage and Conversion pillars.

Ntiyiso Revenue Consulting's Top Tip: Municipalities must stop thinking of Revenue Data Analytics as something you buy, but as a process and a capability they must develop. We have seen many of our clients procuring software which then goes unused for months if not years. Don't let that be you! Think of Revenue Data Analytics as a way to provide deeply integrated services to the public: services that are truly integrated with quality service delivery. Revenue Data Analytics provide a rich eco-system of tools that has the potential to propel municipalities into the future. The question is whether municipalities can harness the true efficiencies that come with the advent of technology.

THE STATUS QUO

Our 2019 survey illustrated that the adoption of Revenue Data Analytics is critically low. Only 33% of our participants make use of tools and systems that enable Revenue Data Analytics. This finding ties in with our results under the Revenue Conversion pillar, where we assessed, among others, the debtors' collection rate. From those results, we noted that it is only a marginal percentage that have high revenue sources whilst also meeting or exceeding the ideal 95% collection rate.

Municipalities that have deployed Revenue Data Analytics in its fullest form, including consistent data cleaning; improvement of customer communication and engagement platforms; and consistent realignment with quality service delivery, share common characteristics. They are likely to be at Maturity Levels 4 and 5, and they are likely to have high collection rates that are sustained over longer periods. They also place a strong emphasis on revenue data administration, which is the backbone of their revenue enhancement programme. However, evidence suggests that these tools may not have been efficiently calibrated as municipalities are still not able to harness predictive behavioural data in terms of consumption and payment trends.

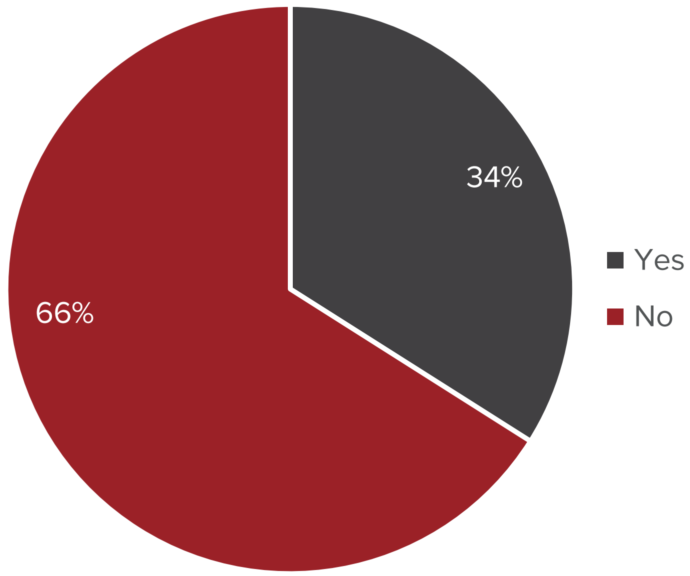


Figure 19: *Percentage of municipalities who make use of Revenue Data Analytics*

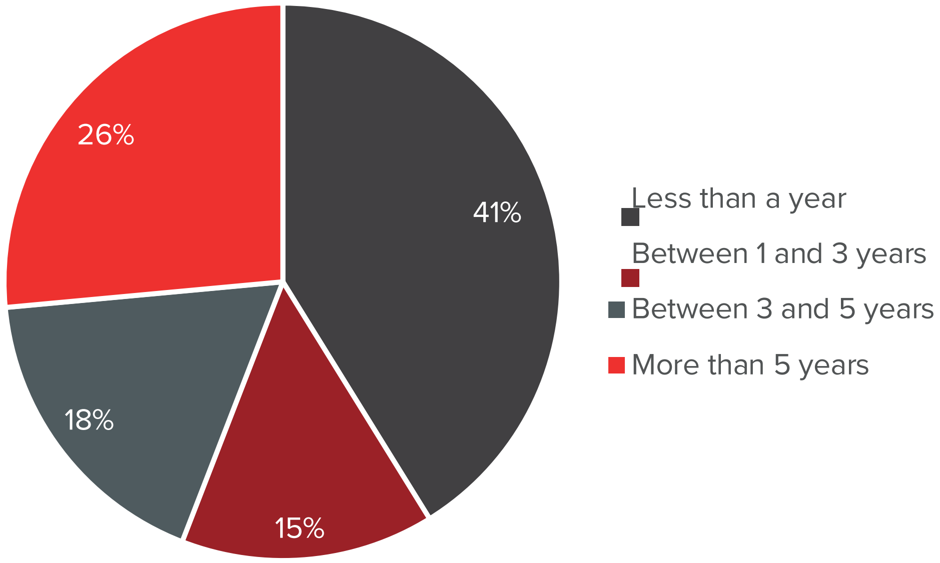


Figure 20: *Period of time in which technology and tools to understand customer payment trends have been in use. Most participants have only recently deployed Revenue Data Analytics tools. Forty-one per cent have used the tools or software for less than a year, and 26% have used it for more than five years.*

LOST OPPORTUNITIES

Data analytics directly affect all spheres of the municipality and equally affects all pillars of the revenue value chain. Yet, investment into tools that enable data analytics remains at an absolute minimum. To date, municipalities are not able to quantify the magnitude of technical losses for both water and electricity. This means that although municipalities raise invoices and receive payments monthly, they are not able to visualise where any losses are occurring.

1.1bn	The estimated annual revenue lost by the City of Johannesburg due to water technical leakages every year
11bn	Eighteen per cent in monetary value, of electricity bought by municipalities but does not reach paying customers
159bn	The cumulative debt in 2018 owed to municipalities by households, businesses and government.

THE MUNICIPAL REVENUE COLLECTION PROCESS REMAINS UNCHANGED WHILE THE ECONOMY DIVERSIFIES DAILY

Since the promulgation of the duties and function of a municipality, the number of walk-in-centres, customer service centres, Thusong centres and even rates halls has been increased to accommodate the expansion of new developments and communities. There are currently 372 physical customer service points that offer the basic municipal related services. Sadly, these physical offices have not diversified. The way a customer engages with the city has not changed, the queuing system has not changed, the physical layout has not changed and the operating hours have remained rigid. This, while the world is constantly evolving. However, local government or municipalities, in general, have not leveraged off these new developments.

What impact does that resistance to change have on data analytics? Revenue Data Analytics is extremely reliant on data. Where does most of the data come from? Most of the data collected is derived from consumers. However, the current strategic position of municipalities makes it inherently challenging for customers to upload or update their data. The physical office does not provide an incentive for customers to update their personal information, report incidents or service interruptions.

What will a municipal office of the future look like?

With the advent of technology, have you ever paused and wondered what a municipal office will look like 10 years from now? Will it be a physical office or will it exist in a virtual space? What changes will have taken place? Which new services will have been rolled out?

This is what we think:

- You would step in and have an option to choose between virtual 3-D or personal assistance
- You would have free phone-in services and online services located outside every branch for times when you need urgent assistance outside of service hours
- Oh, yes! You would have extended service hours because who can get there before 3 pm?
- You would have a live customer services dashboard and increased service interruption communication
- You would have improved management and response time because the municipality will know of an incident before it happens
- You would have private lounges in business areas for those who just don't have the time to wait in long queues
- You would have the option to either have real-time express applications processed or just wait if you have the time
- You would have true end-to-end interconnectivity and status of queries, also complaints and compliments
- You would have the energy and efficiency dashboard, since, yes, customers want to know what efforts their municipalities have taken to reduce their carbon footprint
- You would have an out-of-this-world integrated municipal dashboard which would allow customers to view accounts for more than one municipality, understand retrospective consumption, and be able to set limits for water and electricity bills

Just imagine what the future will look like!

MAPPING OUT THE FUTURE

The legal framework central to the functioning and powers of municipalities as it relates to its fiscal matters and the establishment of municipalities is found in the Municipal Systems Act (32 of 2000) and the Municipal Structures Amendment Act, 2000 (33 of 2000). Since its inception, the localised roll-out of municipal offices has remained unchanged. Municipalities still regard the rollout of physical walk-in centres as the means of getting closer to the people. In the 4th industrial revolution, all physical offices of government are at risk of becoming obsolete. Accordingly, municipalities have to change their traditional view of walk-in centres.

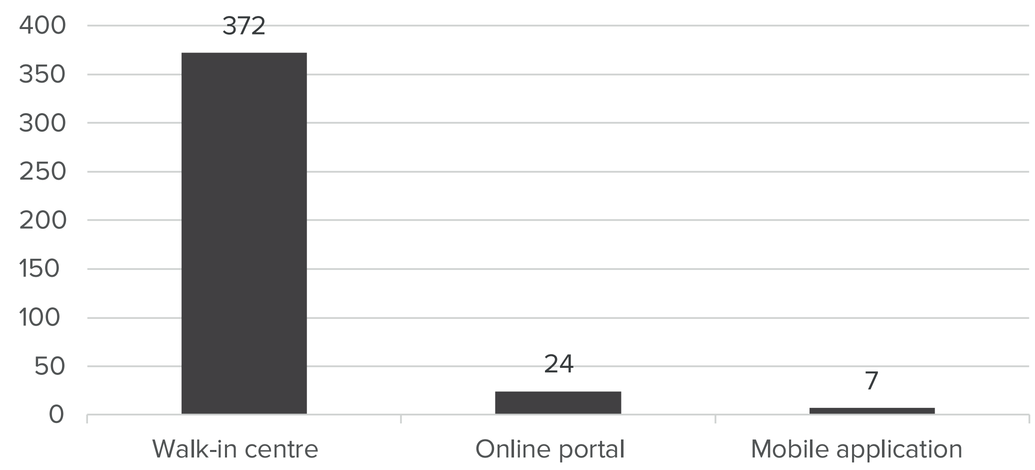


Figure 21: *Available walk-in centres compared to online portals and mobile applications in South Africa (Source: Ntiyiso Revenue Consulting)*

Municipalities must now robustly redefine walk-in-centres or rate halls by changing how the manual data collection takes place as this currently limits the extent of data analytics. Stemming from this shift, we conclude that redefining the municipal revenue chain is essential if municipalities are to align with the demands of the 4th revolution. Just as new technologies are changing the business environment, municipalities should also rethink how they can catch up to the fast pace of growth and development.

WHY THINK ABOUT DATA QUALITY?

Basic revenue functions like billing and credit control measures cannot be completed without complete and up-to-date datasets. In terms of the Municipal Property Rates Act, Act 6 of 2004 (MPRA), municipalities are required to undertake a General Valuation on land and building every four years and a supplementary valuation at least once a year. Municipalities also rely on Geographic Information Systems (GIS) to triangulate property data and to ensure that billing is accurate. Customers also change their personal information randomly, which influences the quality of information that is transmitted by the municipality and received by the customer. Therefore, without data analytics, the process of cleansing and updating data becomes a manual and time consuming exercise. There are several opportunities for municipalities to leverage technology to move from one revenue maturity level to the next.

BENEFITS OF THE DATA ANALYTICS REVOLUTION

The world around us is changing. There is an emerging reliance on data, computing, mobile technology and data analytics. But what does the status quo of municipalities tell us about the misalignment of municipalities with the current 4IR? It suggests that municipalities are not geared to reap the benefits that come with the advent of technology. It also suggests to some extent that municipalities are not ready to ditch the manual and paper-based system of revenue generation. There are several opportunities for municipalities to leverage technology to move from one revenue maturity level to the next. As a base, municipalities would have to deploy technologies that deliver the revenue functionalities indicated below:

- Deliver functionality that enables a single view of the customer and ensures data completeness and accuracy,
- Deliver functionality that enables end-to-end debt collection management, including the management of internal debt collections efforts, as well as the management of external debt collectors,
- Deliver functionality that enables the management of field workforces in metering, credit control and losses management,
- Deliver functionality that enables the geolocation of all meters,
- Deliver functionality that enables the checking of the beneficiary's salary status on credit bureau systems to ensure that they remain within indigent policy salary levels,
- Deliver functionality that enables end-to-end query tracking, management and reporting, and
- Deliver functionality that enables management reporting on activities across the revenue value chain.

CUSTOMER CENTRICITY

While we as a country have not experienced the full extent of 4IR, there has been enormous cross-cutting changes in the digital environment. The ease of global communication and the interconnectivity of people with systems is probably the most significant change we have come to experience to date. Today, customers can engage with multinational companies, get customised pricing structures, open accounts and place orders. For municipalities to compete and catch up to the gains made by business, they must first challenge some deeply held beliefs on what Customer Centricity is.

Customer Centricity is not a one-time event. It is also not a set of daily principles that are recited every day. Customer Centricity is an approach deeply embedded within operations where staff and leaders ask themselves daily: "How can we improve on the positive experience of our customer?" Then, based on customer responses, municipalities must be agile and respond accordingly. The current issue is that the traditional approach based on routines has led to constrained innovation and creativity where municipalities work in silos and are failing to harness the collective power of collaboration. The one thing holding municipalities back from fully adopting technologies that will enhance the customer service experience is the lack of government-wide standards or interoperability of departments. For the Customer Centricity pillar, our research sought to understand the extent to which distinct action had been taken towards customer engagement and management. Our survey results do not contradict the status quo. Our survey shows a decline in the average Customer Centricity maturity level compared to 2018. Seventy-six per cent of the participants find themselves at Maturity Level 2. This means that municipalities continue to underinvest in the customers' journey by still applying a generic one-size-fits-all approach. Overall, we expect the maturity levels to decline due to continued poor customer segmentation and generic customer relationship management policies.

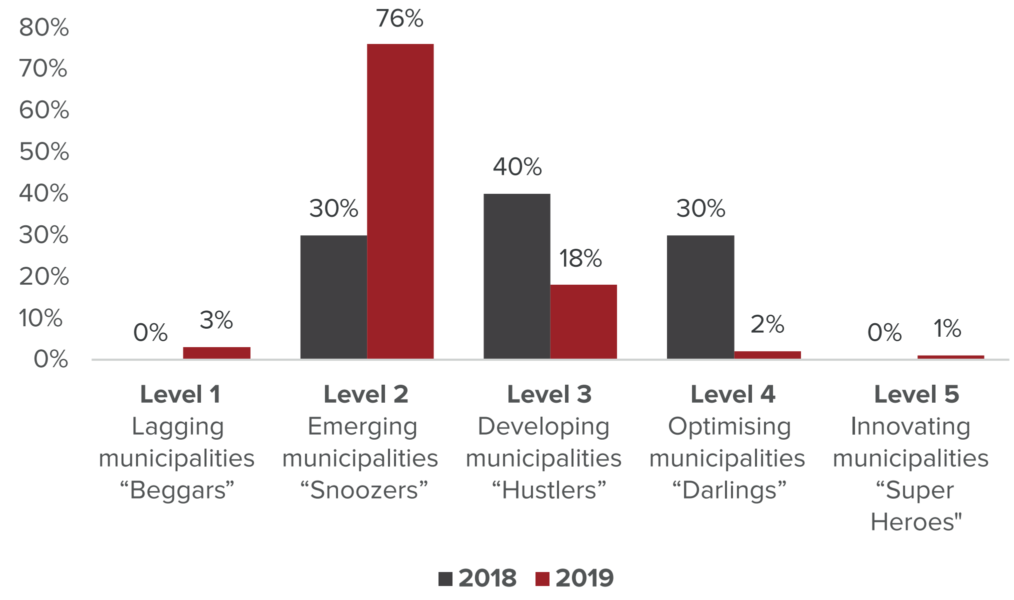


Figure 22: *Average Customer Centricity maturity level for 2018 and 2019*

ATTRACTING NEW CUSTOMERS

A Customer Centric operational model supported by clear customer segmentation rubrics is set to be one of the top factors that will change how municipalities see their future customers. Customer segmentation has been changing and disrupting how the rest of the world does business, and now these effects are starting to trickle down to municipalities. By using segmentation as the foundation of the customer's journey, municipalities will be able to customise their value proposition. The first goal must be to serve existing customers better which, in turn, means they are willing to pay for services. They can also attract new customers or investors. Different customer segments tend to have different customer journeys and municipalities must ensure that each segment's customer journey is optimised.

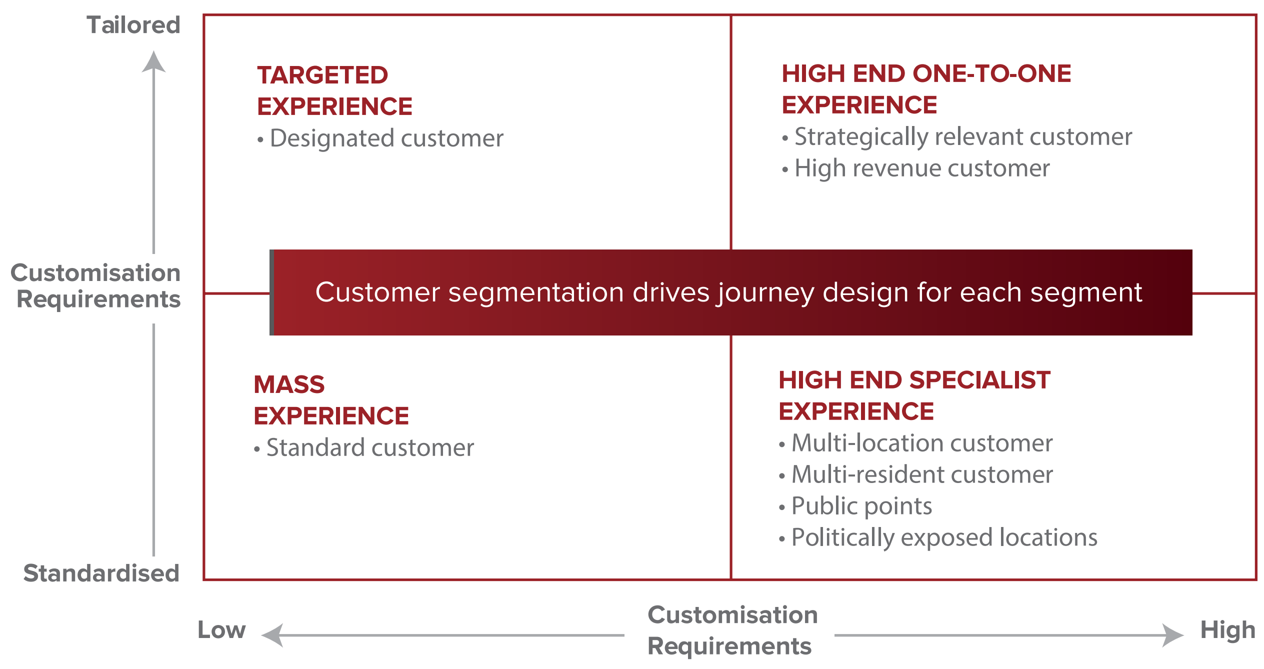


Figure 23: *Ntiyiso customer journey segmentation matrix*

Essentially, once the respective customer journeys have been defined, municipal organisational structures need to be aligned with the future. This is because the needs of the customer are constantly evolving. What was considered an ideal customer experience in 2017, has now become redundant and archaic. Municipalities of the future will be competing to attract international investors, so to improve on the current maturity levels, municipalities should strive towards differentiating themselves by conducting continuous customer needs assessments, providing dedicated single contact points, building business relationship suites, and proactively communicating with customers.

Customer Centricity considers several factors including an assessment of the customer relationship management policy and the municipality's strategic position on how it intends to better harness customer relations. Customer Centricity is a potential enabler. Municipalities that consider customers as stakeholders are more likely to propel their revenue enhancement programme. Now, let us redirect our focus towards how municipalities rank themselves.

UNPACKING PROGRESS

This section was also scored using the Likert scale of 1-5. This decision was truly based on the understanding that Customer Centricity is also perceptive. As a means to establish a solid comparative analysis base, this section of the survey was also circulated among the general public residing within our participating municipalities. While a low average maturity score of 2 is concerning, it is important to unpack the progress made to date.

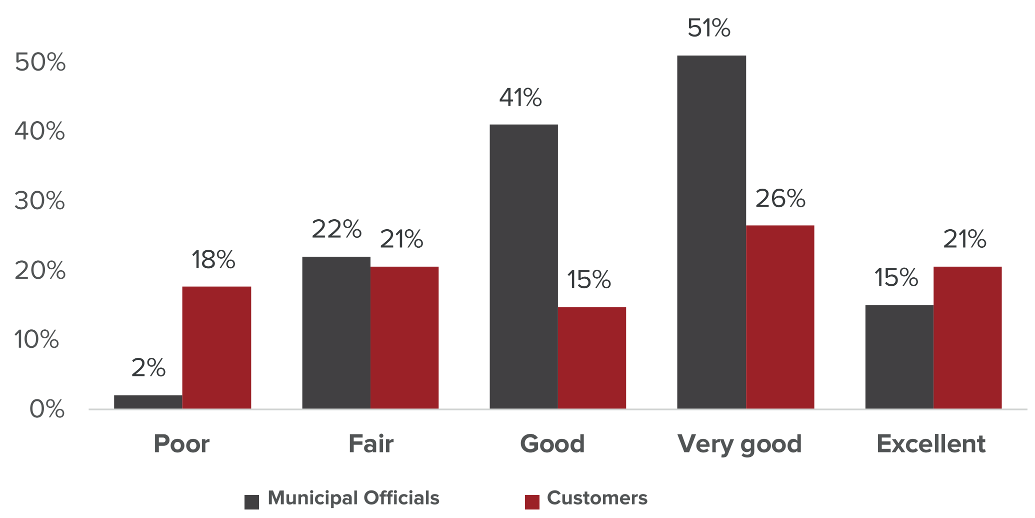


Figure 24: *Analysis of the perceptions of how well municipalities understand customer needs*

It is not surprising that 41% of our municipal representatives believe that they only partly understand their customer needs, while 47% of customers believe municipalities are doing better than what is traditionally expected? Among the top challenges that have been highlighted by the municipal representatives is the complex balance between rendering social services and maintaining business relationships, including fully responding to the needs of indigent households while responding to the dynamic needs of big businesses. Secondly, our survey showed that municipalities are not sure how to adopt new technologies to better understand customer needs. Systems such as call centres, customer portals and social media pages have been around for several years, however, municipalities are unsure of how to steer through the prospective changes to systems that were once considered landmark solutions.

For municipalities to increase their current maturity level, their customer journey has to be driven by a seamless, faster and more efficient customer-centred process. This includes ensuring that customer meters are read correctly and on time every month. According to the NMRMM benchmark, 43% of the participating customers are not happy with the meter reading accuracy. Forty-two per cent of the municipal representatives share the same sentiment. Municipalities must develop their technologies to improve meter reading as it is such a fundamental component for the level of maturity as well as general customer satisfaction levels.

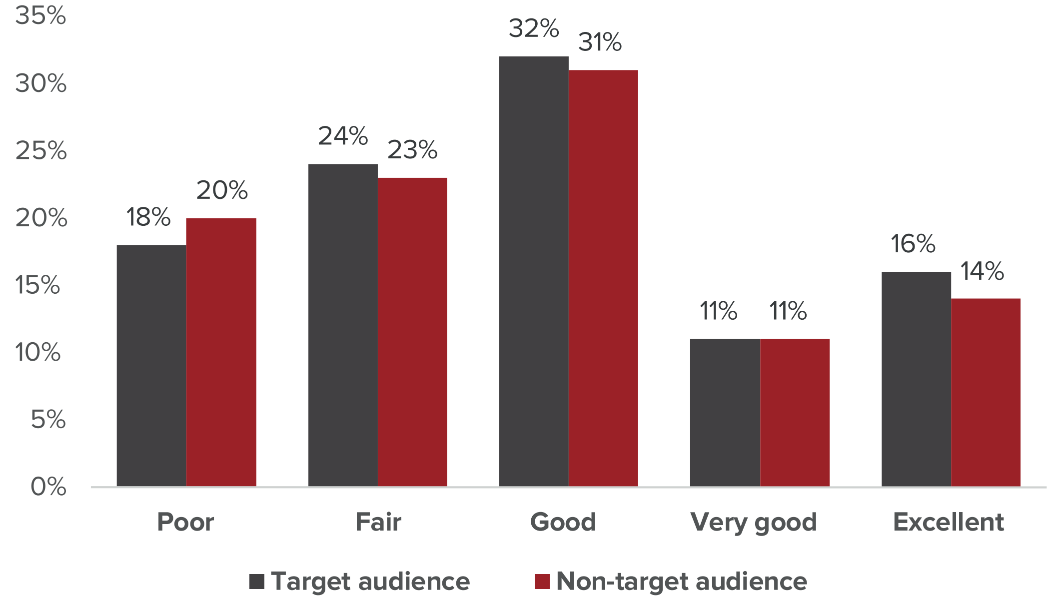


Figure 25: *Analysis of the perceptions towards how well municipalities read electricity and water meters correctly*

Although the perceptions towards the accuracy of meter readings are fairly low, customers believe that their monthly statements are delivered on time every month.

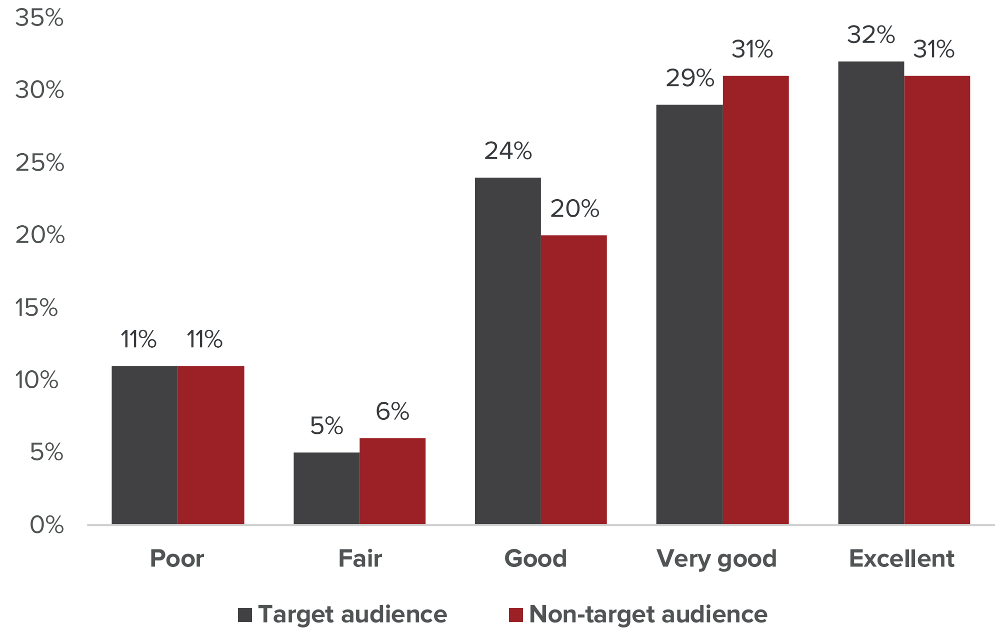


Figure 26: *Analysis of perceptions about how well municipalities send monthly customer statements*

Currently, municipalities use three ways to deliver monthly statements or customer balances due. First, they use the postal system, which is heavily reliant on external service providers to get to its intended destination. Second, they use email, and several municipalities have begun to clean their data to ensure they have the latest customer email addresses. Then, fairly recently, municipalities have begun sending customer statements via SMS. Ultimately, having correct customer data plays an important role in ensuring that all statements are delivered to the right recipient within the specified time allocated. When that does not happen, oftentimes customers lodge queries. Our survey shows that customers are neither fully dissatisfied nor are they extremely satisfied with how customer queries are resolved.

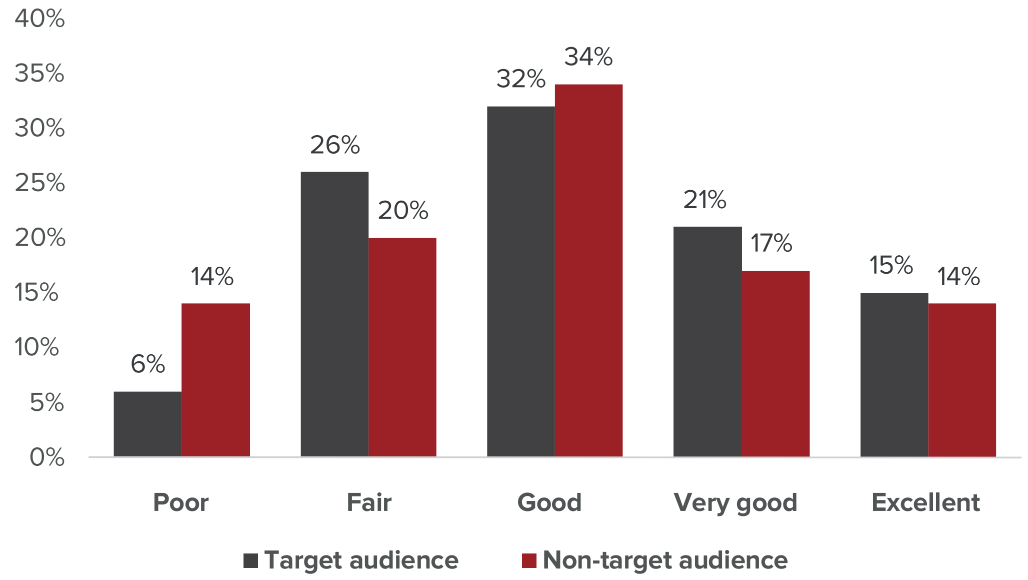


Figure 27: *Analysis of perceptions about how well municipalities resolve customer invoice queries*

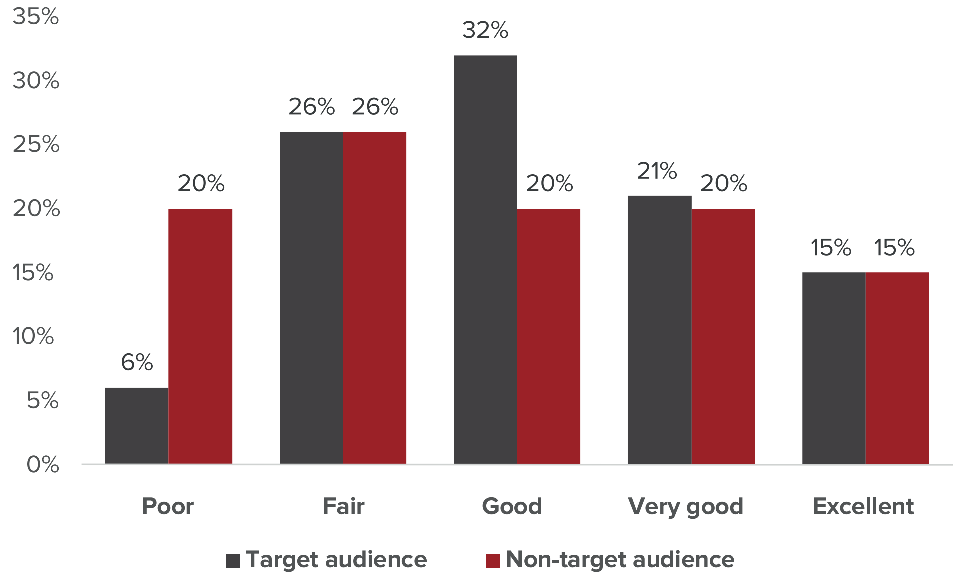


Figure 28: *Keeping customers up to date on service interruptions*

CONCLUSION

Reflecting on the findings of our research, it is clear that municipalities are operating in micro and macro environments that are evolving swiftly. Given this constant change, it is important for municipalities to break through the traditional understanding of revenue management and revenue enhancement. Lagging municipalities or municipalities with a low degree of maturity often fail to conduct cost benefit analysis or feasibility studies to better understand prospective innovations that are associated with revenue enhancement. While a municipality with a high degree of maturity is able to weave together legislative stipulations, implement strategy, craft relevant policies, automate processes, attract skilled staff, and deploy expertise from both internal and external environments into an agile and scalable governance model to produce a return that is consistently on the rise. It is against this canvas that revenue maturity must be understood and demystified by demonstrating its key components: Revenue Coverage, Revenue Conversion, Revenue Administration, Revenue Data Analytics and Customer Centricity.

We at Ntiyiso Revenue Consulting understand what is required to shape new and innovative revenue strategies. Our wealth of experience in understanding the key revenue drivers of municipalities in South Africa make us a suitable strategic partner. Ntiyiso can assist you with your Revenue Coverage average and improve your collection rate by identifying problems within your municipality and diagnose them further for you. We are available to undertake the diagnosis for your municipality any time.

REALITY CHECK

The NRMM is underpinned by the deep desire to see South African municipalities thrive. Failure to recognise the benefits of assessing a municipality's revenue maturity denies that municipality the opportunity to ignite synergies and collaboration between key revenue functions. We do acknowledge that there will always be challenges, but to ensure the sustainable future of municipalities, a reality check is a prerequisite.

ANNEXURE A

The current debtors' collection rate by municipality (Source: National Treasury, 2018)

MUNICIPALITY	COLLECTION RATE	MUNICIPALITY	COLLECTION RATE	MUNICIPALITY	COLLECTION RATE
Matzikama Local Municipality	9531%	Breed Valley Local Municipality	97%	Ndwedwe Local Municipality	24%
Elundini Local Municipality	383%	City of eThekwini Metropolitan Municipality	96%	Jozini Local Municipality	23%
Mpofana Local Municipality	215%	Kgetlengriver Local Municipality	94%	Amathole District Municipality	19%
Beaufort West Local Municipality	180%	Buffalo City Metropolitan Municipality	92%	Maquassi Hills Local Municipality	17%
Oudtshoorn Local Municipality	179%	eNdumbeni Local Municipality	91%	Mtubatuba Local Municipality	14%
uMzinyathi District Municipality	175%	Overberg District Municipality	89%	Joe Gqabi District Municipality	14%
Alfred Duma Local Municipality	157%	Impendle Local Municipality	89%	Makhuduthamaga Local Municipality	11%
Mandeni Local Municipality	154%	Prince Albert Local Municipality	85%	Maphumulo Local Municipality	0%
George Local Municipality	142%	Kareeberg Local Municipality	82%	City of Matlosana Local Municipality	0%
Ehlanzeni District Municipality	132%	Metsimaholo Local Municipality	81%	Ditsobotla Local Municipality	0%
Knysna Local Municipality	131%	Mogale City Local Municipality	81%	Dr Kenneth Kaunda District Municipality	0%
Lepalale Local Municipality	131%	Kamiesberg Local Municipality	80%	eMalahleni Local Municipality	0%
Dr Nkosazana Dlamini Zuma Local Municipality	123%	Hantam Local Municipality	79%	Ephraim Mogale Local Municipality	0%
Nama-Khoi Local	112%	City of Ekurhuleni Metropolitan Municipality	79%	Fezile Dabile District Municipality	0%
Ugu District Municipality	111%	Ngaka Modiri District Municipality	78%	Gamagara Local Municipality	0%
iLembe District Municipality	110%	Newcastle Local Municipality	77%	Great Kei Local Municipality	0%
City of Cape Town Metropolitan Municipality	106%	Greater Taung Local Municipality	72%	Greater Letaba Local Municipality	0%
Letsemeng Local Municipality	106%	Modimolle-Nookgopong Local Municipality	72%	Joe Morolong Local Municipality	0%

MUNICIPALITY	COLLECTION RATE	MUNICIPALITY	COLLECTION RATE	MUNICIPALITY	COLLECTION RATE
Alfred Nzo District Municipality	105%	Msukaligwa Local Municipality	70%	Kai !Garib Local Municipality	0%
Cape Agulhas Local Municipality	105%	eDumbe Local Municipality	70%	Karoo Hoogland Local Municipality	0%
KwaDukuza Local Municipality	104%	Lesedi Local Municipality	67%	Kopanong Local Municipality	0%
Big 5 Hlabisa Local Municipality	103%	Lekwa Local Municipality	65%	Lejweleputswa District Municipality	0%
Greater Tzaneen Local Municipality	103%	Madibeng Local Municipality	65%	Makhado Local Municipality	0%
City of Tshwane Metropolitan Municipality	102%	Dihlabeng Local Municipality	64%	Mamusa Local Municipality	0%
Capricorn District Municipality	100%	Nongoma Local Municipality	63%	Mhlontlo Local Municipality	0%
Langerberg Local Municipality	100%	Nkomazi Local Municipality	61%	Mohokare Local Municipality	0%
Makana Local Municipality	100%	Moqhaka Local Municipality	49%	Moretele Local Municipality	0%
Matatiele Local Municipality	100%	Mahikeng Local Municipality	47%	Musina Local Municipality	0%
Mbhashe Local Municipality	100%	Naledi Local Municipality	42%	Ntabankulu Local Municipality	0%
Waterberg District Municipality	100%	Ngwathe Local Municipality	41%	Phumelela Local Municipality	0%
Inxuba Yethemba Local Municipality	100%	Mkhambathini Local Municipality	38%	Ratlou Local Municipality	0%
Mossel Bay Local Municipality	100%	Gert Sibande District Municipality	37%	Sedibeng District Municipality	0%
City of Johannesburg Metropolitan Municipality	99%	Nyandeni Local Municipality	37%	Xhariep District Municipality	0%
Nkandla Local Municipality	98%	Magareng Local Municipality	27%		
Blue Crane Route Local Municipality	98%	KouKamma Local Municipality	25%		

END-NOTES

i National Treasury, Public Finance Management Act No 1 of 1999 Government Gazette 41534 dated 29 March, 2018.
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ii Moodys Moody's Corporation (NYSE: MCO), Moody's changes South Africa's outlook to negative from stable, affirms Baa3 ratings, 2019.
Available on: https://www.moodys.com/research/Moodys-changes-South-Africas-outlook-to-negative-from-stable-affirms--PR_412385

iii National Treasury, Budget Review, 2019.
Available on: http://www.treasury.gov.za/-documents/national%20budget/2019/review/FullBR.pdf

iv National Treasury, MFMA regulations and Gazettes – Municipal Budget and Reporting Regulations, 2019.
Available on: http://mfma.treasury.gov.za/RegulationsandGazettes/Municipal%20Budget%2and%20Reporting%20Regulations/Documents/Forms/AllItems.aspx?RootFolder=%2fRegulationsandGazettes%2fMunicipal%20Budget%20and%20Reporting%20Regulations%2fDocuments%2f2019%2d20&FolderCTID=0x0120001860D4A-2BD7AD042BF8427FC3BB59F67

v South African Stainless Steel Association, Calculating the High Cost of Water Pipe Leakage.
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vi Ntiyiso Consulting, Municipal Revenue Conversion Strategies, 2017.

ABOUT NTIYISO CONSULTING

COMPANY OVERVIEW

Founded in 2005, Ntiyiso Consulting is a fast-growing authentically African and globally wired management consulting firm that seeks to empower institutions that enable Africa's development. Ntiyiso Consulting helps improve cash positions of large and medium-sized municipalities; turns around or improves the revenue, profitability or social mandate performance of large and medium organisations; and unlocks economic opportunities on behalf of communities and regions.

We deliver sustainable and evidence-based solutions through five subsidiaries, viz. Ntiyiso Revenue Consulting, Ntiyiso Business Consulting, Ntiyiso Industrialisation Consulting, Ntiyiso Aviation Services and Ntiyiso Digital Services.

Ntiyiso means 'TRUTH' in Xitsonga. Ntiyiso Consulting is, therefore, naturally inclined to deliver the most trusted solutions to its clients.

OPERATING PHILOSOPHY

Ntiyiso Consulting's underlying operating philosophy is to offer its clients products and services as a means to add value.

Ntiyiso Consulting's conviction is that each client is unique and, therefore, has specific needs that can only be met through a close and personalised partnership based on shared responsibility to deliver sustainable results.

Ntiyiso Consulting believes in partnering with its clients and developing relationships where clients can comfortably listen to constructive criticism and advice. Ntiyiso Consulting's core value is to tell the TRUTH about the status quo so as to create a platform for change and assist its clients to develop leadership capacity necessary to lead the change.

KEY DIFFERENTIATORS

Tailor-made solutions
First principle is problem-solving and not a cookie-cutting approach.

Collaborative approach
We are very workshop heavy and less about the slides when developing solutions.

Agile and flexible
We bring about solutions through piloting prototypes and experimenting through incremental innovations.

Cultural affinity
We are respectful and approachable, and also have a demeanour that is resonant with African culture.

NTIYISO CONSULTING SUBSIDIARIES

NTIYISO REVENUE CONSULTING

Through Revenue Consulting, we improve cash positions of large and medium-sized municipalities. Here we optimise all or some components of the revenue value chain.

NTIYISO BUSINESS CONSULTING

Through Business Consulting, we turn around or improve the revenue, profitability or social mandate performance of large and medium organisations. We achieve this by aligning the organisational ecosystem viz. strategy, leadership, people, architecture, routines and culture.

NTIYISO INDUSTRIALISATION CONSULTING

Through Industrialisation Consulting, we unlock economic opportunities on behalf of communities and regions. We achieve this through end-to-end project conceptualisation and development. We also develop strategic economic development plans and infrastructure master plans.

NTIYISO DIGITAL SERVICES

Through Digital Services, we develop innovative solutions and empower organisations to offer convenience and improved customer service to their clients. We achieve this through the use of next generation technology and industry experience.

NTIYISO AVIATION SERVICES

Through Aviation Services, we provide drone-based solutions which empower clients to make strategic decisions. We achieve this through the use of drone technology, data analytics, robotics, artificial intelligence and Internet of Things (IOT).

NTIYISO CONSULTING LEADERSHIP

The Ntiyiso Consulting leadership team are recognised leaders and visionaries in their areas of expertise. Ntiyiso Consulting has a footprint in seven provinces and over 14 years of existence with over 150 multi-disciplinary professionals, subject matter experts on Organisational Performance Improvement, Revenue Management and Industrial and Catalytic Projects, among other areas.

ALEX MABUNDA

Group Chief Executive Officer

Over 21 years of industrial and management consulting experience

Industry Exposure

- FMCG
- Real Estate
- Local Government
- Information Technology

ANDISA RAMAVHUNGA

Group Chief Advisor

Over 17 years of management consulting and entrepreneurial experience

Industry Exposure

- Transport
- Real Estate
- Financial Services
- Telecommunications
- Management Consulting
- Media and Broadcasting

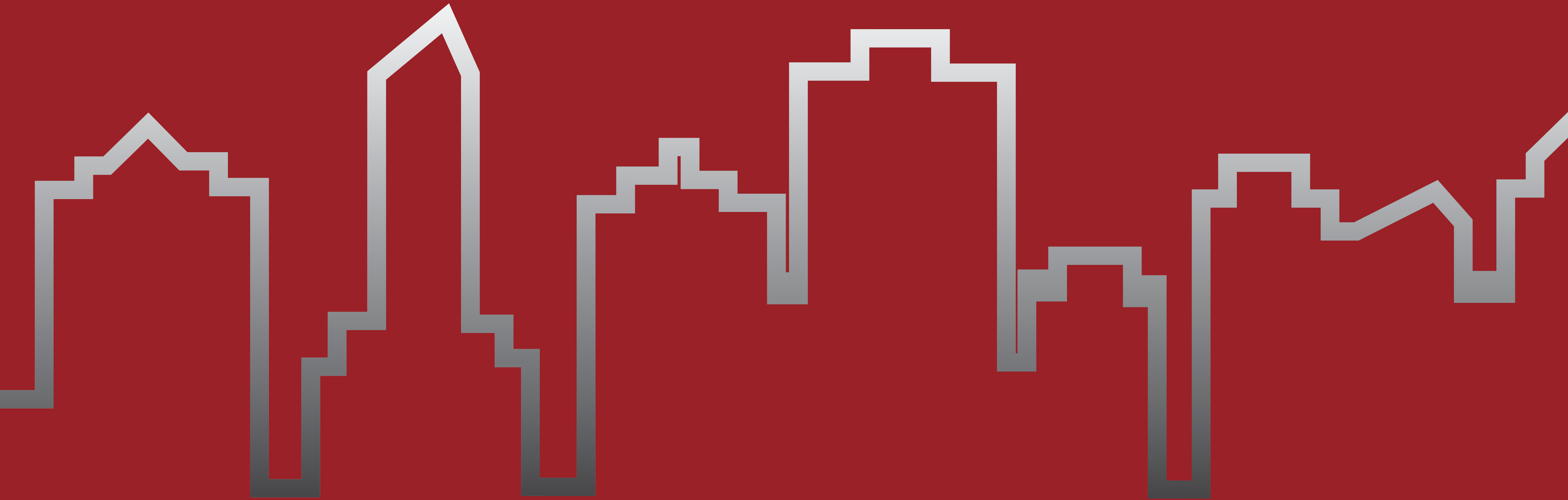
MIYELANI HOLENI

Group Chief Advisor

Over 20 years of corporate and management consulting experience

Industry Exposure

- FMCG
- Real Estate
- Local Government
- Financial Services
- Information Technology



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