NTIYISO
CONSULTING GROUP

MUNICIPAL REVENUE MATURITY BENCHMARK REPORT 2023

MUNICIPAL REVENUE MATURITY BENCHMARK REPORT

Established in 2005, the Ntiyiso Consulting Group is an authentically African and globally wired management consulting firm which "seeks to empower institutions that enable Africa's development." Our impact goes beyond the boardroom into the communities that are served by our clients. With over 200 senior professionals, we provide deep, evidence-based, and robust solutions to complex management and organisational problems. We are experts in strategy, governance, organisational turnaround, revenue enhancement, industrialisation, infrastructure, and economic planning.

TRUTH | **TRUST** | RESULTS

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COMPANY OVERVIEW

Founded in 2005, Ntiyiso Consulting Group is an authentically African, and globally wired management consulting firm which "seeks to empower institutions that enable Africa's development." With over 200 senior professionals, we provide evidence-based, robust solutions to complex management problems and are experts in strategy, governance, organisational turnaround, revenue enhancement and industrialisation consulting.
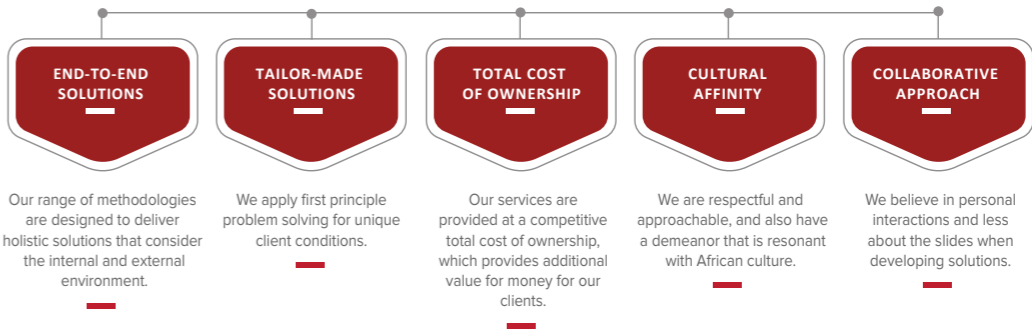
We deliver sustainable solutions through THREE SUBSIDIARIES, viz. Ntiyiso Revenue Consulting, Ntiyiso Business Consulting and Ntiyiso Industrialisation Consulting. Ntiyiso means 'TRUTH' in the Xitsonga language. We are therefore naturally inclined to deliver the most trusted of solutions to our clients.

OPERATING PHILOSOPHY

Our underlying operating philosophy is to offer products and services as a means to derive value for our clients. Our conviction is that each client is unique and therefore has specific needs that can only be met through a close and personalised partnership that is based on shared responsibility to deliver sustainable results.

OUR PRINCIPALS

We have five ways in which we set ourselves apart. This is what our clients expect and experience when working with us to deliver successful projects and valuable outcomes.

END-TO-END SOLUTIONS	TAILOR-MADE SOLUTIONS	TOTAL COST OF OWNERSHIP	CULTURAL AFFINITY	COLLABORATIVE APPROACH
Our range of methodologies are designed to deliver holistic solutions that consider the internal and external environment.	We apply first principle problem solving for unique client conditions.	Our services are provided at a competitive total cost of ownership, which provides additional value for money for our clients.	We are respectful and approachable, and also have a demeanor that is resonant with African culture.	We believe in personal interactions and less about the slides when developing solutions.

OUR 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.

"If it's money, we will find it for you."

NTIYISO BUSINESS CONSULTING

Through Business Consulting, we turnaround 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.

"We help organisations deliver tangible results."

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.

"We unlock new economic streams for growth."

OUR LEADERSHIP

Our leadership team are recognised leaders and visionaries in their areas of expertise. They have acquired vast local and global experience which has been dedicated towards building a culture of performance to the benefit of our clients and our people.

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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The 2021/22 Ntiyiso Consulting Group Municipal Revenue Maturity Benchmark Report provides a unique dimension compared to previous Research Reports in that, this time, customers of the municipalities form part of the research. The rationale behind this is to gauge the perceptions of the customers; both those that own businesses and individuals alike, regarding services rendered to them by municipalities.

Since last year, economies have been hampered by the COVID-19 pandemic that has affected both the private and public sectors globally, particularly regarding day-to-day operations. The Ntiyiso Consulting Group would like to further understand the critical dimensions of how the pandemic has impacted the day-to-day operations of municipalities as well their customers' ability to pay for services, to provide ways of mitigating the effects of future events. Therefore, aspects of the pandemic's impact have been added to the research by the Ntiyiso Consulting Revenue Consulting team.

MIYELANI HOLENI
Group Chief Advisor

FOREWORD

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Furthermore, South Africans were due to go to the polls to elect Local Government officials at the time of this report, which put a spotlight on municipal officials in their ability to provide much-needed service delivery to the communities they serve. Apart from the pandemic, the nation continues to face extremely high levels of unemployment and poverty, which makes it more difficult to attract investment into the country. With the current economic and social challenges, municipalities are finding it increasingly difficult to remain financially sustainable and to find additional revenue sources. In addition, they are constrained and have limited resources to identify more innovative sources of revenue. Of great concern is that the Auditor General's report released just a few weeks ago, indicates that only 27 municipalities out of the 257 countrywide, received clean audits, with several municipalities still failing to submit financial statements.

It is with this brief background in mind that we devised a Revenue Maturity Model which we continue to revise, taking into consideration unforeseen circumstances such as future pandemics, to assist municipalities to create strategies that promote revenue efficiency and effectiveness; as well as take part in their mandate to 'create opportunities for local communities', as postulated in the 2030 National Development Plan.

The underpinnings of this research are based on the key questions: how has COVID-19 affected municipal revenues, particularly regarding collection and administration; how has the pandemic impacted customers' ability to pay for municipal services; and how can municipal officials improve the services rendered to their customers? These questions will be critically analysed in the context of the key components comprising the Maturity Model.

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EXECUTIVE SUMMARY

Municipalities in South Africa are not only recognised as a separate and independent level of government but are also allocated specific powers and functions that are exclusive and relevant to this level of government. Chapter 7 of the South African Constitution highlights the status of Local Municipalities in South Africa, the objectives, duties, the roles in cooperative government, how they are created, their composition, and the election of office bearers, among others. Municipalities are required to advance the socio-economic and political development of their communities and, as a result, they are also mandated by the constitution to create their own revenues.

The White Paper on Local Government (1998), emphatically states that municipalities need to have access to adequate sources of revenue to enable them to undertake the functional responsibilities assigned to them. These revenues are required to provide basic services to communities under their jurisdiction whilst also financing their budgets. However, for them to successfully meet their mandate, clear systems must be in place that will effectively manage revenues obtained, which will in turn ultimately mirror effective service delivery.

This year's research indicates that municipalities are still very dependent on traditional revenue sources, with key revenue streams included, and are not limited to service charges; licenses, permits, and fines; property rates; rental of facilities and equipment; grants; and subsidies. However, the results show that municipalities have generally expanded their sources of revenue to include,

amongst others, investments. As expected, metros have more sources of revenue because of their ability to source other forms of revenue.

The COVID-19 pandemic has adversely affected municipal revenues because of lockdowns since they restricted traditional forms of revenue collection. As a result of the pandemic, most municipalities were not going to attain their revenue targets. Interestingly, the pandemic mostly affected the Water and Sanitation revenue sources, compared to Property Rates. Customers were also affected due to loss of income, which in turn negatively impacted their ability to pay for municipal services. The effects of the pandemic have also led to an increase in indigent populations because of job losses. The possible effect is a rise in customers' inability to pay for services.

It is posited that with the adverse effects of the pandemic on municipal revenues, municipalities may struggle to pay for bulk services provided, such as electricity from Eskom.

Other important findings drawn from the 2021 Benchmarking process are listed below.

Most municipalities either did not have a comprehensive communication strategy or were not in the process of developing one. A comprehensive community strategy provides ways in which municipal officials can communicate with their constituents.

The average debtor's collection rate was higher for Metros compared to Local and District municipalities. Participants from the municipalities indicated that COVID-19 restrictions had affected their ability to collect revenues. Amongst the provinces, Western Cape had the highest debtor collection rate.

Unfortunately, the use of Data Analytics to better understand customer behaviour was still not applied by a significant number of municipalities. This suggests that most municipal officials are oblivious to the benefits of Data Analytics as a way of enhancing revenues; and

The relationship between municipalities and their customers is yet to be enhanced, as communication related to service delivery is still lacking.

THE NTIYISO CONSULTING GROUP REVENUE MATURITY MODEL

1. THE NTIYISO CONSULTING GROUP REVENUE MATURITY MODEL

1.2 Anatomy of the Ntiyiso Consulting Group Municipal Revenue Maturity Model

The Ntiyiso Consulting Group Municipal Revenue Maturity Model (NMRMM), is a model that was developed to assist municipalities in realizing their mandate of effective and efficient revenue generation. One of Ntiyiso Consulting Group's goals has been to create universally recognised methodologies and models, including creating tools to ascertain the effectiveness of existing revenue management systems currently in place within the public sector, specifically municipalities. The recent pandemic and its effects further necessitate that this model examines current systems, so that future revenues are protected and continue to increase.

In meeting its objective, the Ntiyiso Consulting Group Municipal Revenue Maturity Model (NMRMM) is based on the several pillars listed below.

Revenue Coverage,

Revenue Conversion and Completeness,

Revenue Administration and Protection,

Revenue Data Science and

Customer Centricity.
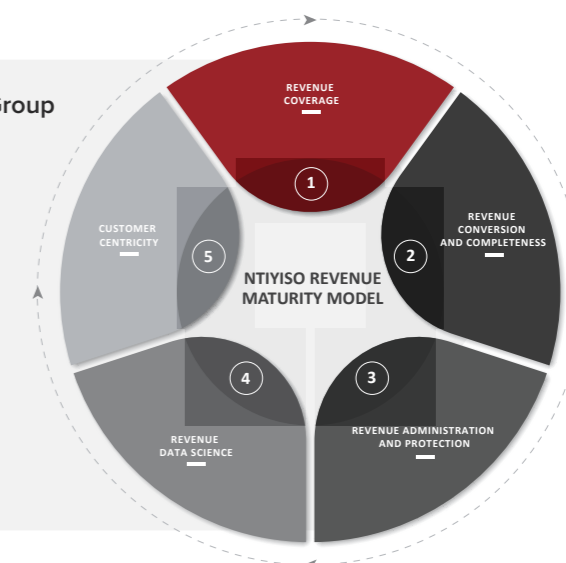
Revenue Coverage refers to the ability of a municipality to identify and develop various sustainable revenue streams which are within the ambiance of legislative and innovative levers to obtain income. These diverse revenue streams are over and above the traditional sources of revenue. Revenue Coverage aims to establish increased revenue sources and, where necessary or possible, move away from over-dependence on traditional sources whose revenues continue to decline.

Revenue Conversion and Completeness refers to a municipality's ability to realise consistent cash-flows from billing customers for all active services rendered by that municipality. The municipality's ability to realize its goal is assessed on a month-to-month and year-on-year basis. This is aided by existing internal structures and systems that are all used to realize the envisaged revenues.

Revenue Administration and Protection refers to a municipality's organisational ability to administer the Revenue Management function. This looks predominantly at Strategy and Human Capital capabilities. In essence, all stakeholders within a municipality and that municipality's existing strategies must work together to enable the smooth running of activities within the revenue value chain.

Revenue Data Science refers to the adoption and constant use of Data Analytics to analyse client data. This would assist in the formulation of strategies to effectively generate more revenue. Data Analytics can also be used to gauge the effectiveness of Revenue Management as well as understand the expenditure of patterns by location.

Customer Centricity refers to the extent to which an organisation uses its understanding of customer needs to design effective solutions that would enable a municipality to relate to the needs of its customers. In essence, the customer is at the centre of any business desiring to obtain better value and possibly attract more customers. In the case of municipalities, a Customer Relationship Management policy is key to guiding how it intends to better hone its customer relations and value.

1.3 NMRMM: a diagnostic tool for any type of municipality

The Ntiyiso Consulting Group Municipal Revenue Maturity Model categorizes municipalities according to five levels of revenue maturity:

Lagging municipalities **"Beggars"**	**1**	Reactive revenue collection approach that is non-systemic and non-frequent, largely dependent on grants and transfers.
Emerging municipalities **"Snoozers"**	**2**	Basic revenue collection approach with relatively low revenue sources and corresponding low collection rates.
Developing municipalities **"Hustlers"**	**3**	Stable and repetitive revenue collection approach, however, their collection rates are still lower than the 95% required by National Treasury.
Optimising municipalities **"Darlings"**	**4**	Internally active revenue collection approach that is continuously assessed and improved. High revenue sources and high conversion rates.
Innovating municipalities **"Superheroes"**	**5**	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.

The NMRMM guides municipalities through a methodical process resulting in the realisation of tactical steps, leading to improved revenue performance. According to that process, the first step a municipality must take is to design a competent program towards successful Revenue Maturity. Designing a Competent Revenue program requires the establishment of a dedicated team of experts who will ensure the proper management of revenue activities timorously.

1.4 The Benchmarking Methodology

This year's Municipal Revenue Maturity benchmark process relied on both qualitative and quantitative approaches to ascertain the maturity levels of municipalities. This is discussed below.

1.4.1 Quantitative Approach

This year, representatives from 5 metropolitan municipalities, 15 local municipalities, and 10 district municipalities responded to the survey. The data collection process took place at the recently concluded Chartered Institute of Government Finance Audit and Risk Officers (CIGFARO) Conference held at the Albert Luthuli International Conference Centre in Durban. Municipal officials from all 9 provinces were invited to this conference themed, New World - New Thinking: Closing-out on COVID-19 and Starting Something New. Participants were conveniently selected since this was the appropriate place to seek responses on issues related to revenue coverage, administration, and management in the era of the pandemic. With the assistance of research assistants who had electronic devices with the research instrument links, respondents were asked to answer questions based on the five Revenue Pillars.

Respondents that were specifically targeted for the municipal research instrument were 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. They were targeted because they are the ones knowledgeable on matters related to revenue collection and management of the respective municipalities.

Additionally, responses were also sought from municipal customers that paid for municipal services. These customers were in the best position to provide real insights regarding the quality of services received and the level of customer care received from their municipalities. Customers were sought from all provinces to participate in this survey. Questions were segmented based on the quality of services received, payment options for those services, the financial impact of COVID-19 as well as the available communication channels used between the municipality and its customers. Survey links were sent throughout the provinces to municipal customers. Taking into consideration municipal customer responses, the scores for each of the municipalities were aggregated to form the overall Revenue Maturity scores.

1.4.2 Qualitative Approach

Information on matters relating to Revenue Coverage, Administration, and Management under the five pillars of the Ntiyiso Consulting Group Maturity Model was sought from The National Treasury, Municipalities of South Africa Database, Municipal Money, and individual municipal websites, to identify and analyse various financial reports including, but not limited to, Annual Financial Statements and Annual Reports. This approach enabled Ntiyiso Consulting Group to look at the revenue sources of municipalities, their general collection rates, and the vacancy rates within municipalities, to identify the strategies municipalities used to maximise their revenues. Data collected from various National Treasury websites (Municipal Money and Municipalities of South Africa) was downloaded and captured onto Excel spreadsheets. Graphs were then derived and presented for easy analysis. The latest financial reports of the municipalities were used to determine their revenue sources.

In addition, Integrated Development Plans were sought from the individual municipality websites to examine the general socio-economic conditions of constituents, strategies in place to improve service delivery, as well as how municipalities interact with their constituents on matters of service delivery. Recent Auditor General Reports were also examined as they present a situational analysis of the general spending habits of municipalities, including why some municipalities face financial constraints and their implications for service delivery.

Research outputs and media outlets such as newspapers, including unpublished thesis, were also examined as such documents provide insights into the impact of the pandemic on municipal revenues.

1.4.3 Data Analysis and Interpretation

The data was captured and stored on a Microsoft Excel spreadsheet. It was cleaned to remove any duplicate or incomplete responses. Data from a total of 109 Municipal respondents and 18 Customer respondents was captured on the online survey. Graphs such as bar charts and pie charts were created since they easily display information and can be easily interpreted. Below is a character summary of customer respondents that participated in the survey.

1.5 Maturity Level descriptors vs. Likert-type Scale descriptors

Together, the qualitative and quantitative survey consisted of 6 sections for both the Municipal employee and Customer survey, aligned to the five Revenue Performance pillars: Revenue Coverage, Revenue Conversion, Revenue Administration, Revenue Data Analytic, and Customer Centricity. The six-section comprised biographic information of the respondents. Each section had an average of 8 questions 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, especially the Municipal employees- and at the same time, gauge customer perceptions of services rendered by the municipality. The Likert-type Scales descriptors were used to measure both parties' perceptions of the level of Customer Centricity. The qualitative questions were designed to bring about an understanding of the depth of revenue collection, and management strengths and **weaknesses, especially in the COVID–19 pandemic eras.**

INSIGHTS DRAWN FROM THE 2021 BENCHMARKING PROCESS

2. INSIGHTS DRAWN FROM THE 2021 BENCHMARKING PROCESS

For comparison, this year's Benchmark Report included an analysis of benchmark metrics created in 2018/19 up to the current period of 2020/21. The data shows a significant decline between the 2018/19 and 2019/20 periods as some municipalities moved from Level 3 to Level 2. Five percent were in Level 4 in the 2019/20 period, compared to 18% in the 2018/19 period.

The maturity results examined across the 3 years are represented in Figure 2 below.
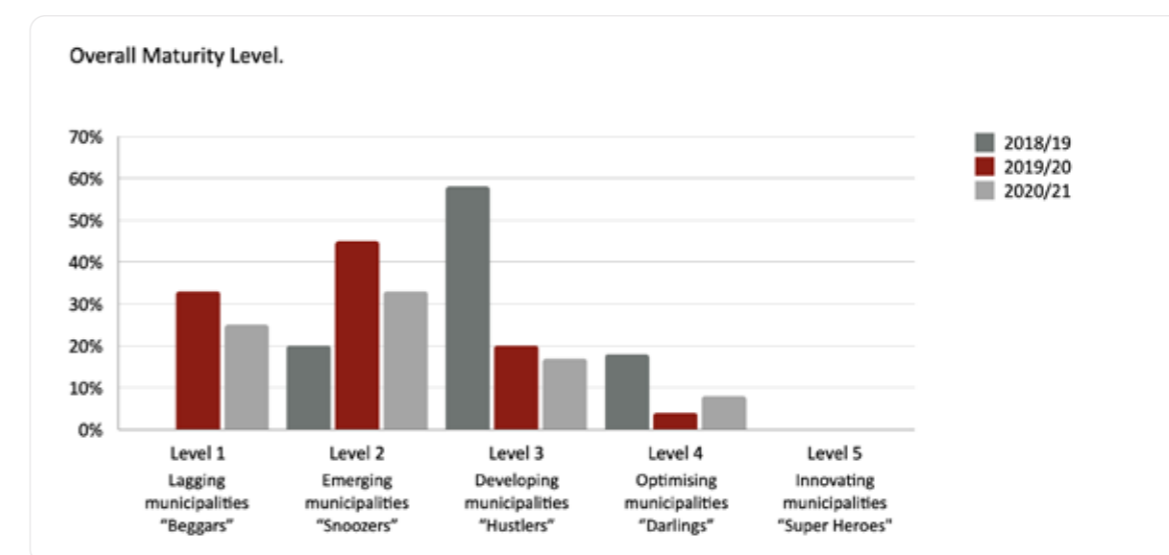
Figure 2. Distribution of overall maturity results of participating Municipalities.

The 2020/21 period further showed a decline of municipalities from level 3 to level 2 in the 2020/21 period, compared to the 2019/20 period. Despite this, the 2020/21 period also saw an increase of municipalities in level 4 from the 2019/20 period.

2.1 How Municipalities stacked up in 2020/21

In general, Metros had on average more revenue sources compared to the District and Local Municipalities. The City of Tshwane had on average the highest number of revenue sources (40), followed by Mangaung (33) and the City of Johannesburg respectively (28). On the other hand, the City of Cape Town (132%), followed by Buffalo City Metro (100%) and eThekwini (100%), had the highest average debtor's collection rate (100%). Mangaung had the least average Debtors' Collection rate (81%). Regarding revenue sources, the City of Tshwane (40), Mangaung (33), and City of Johannesburg (28) had on average over 20 revenue sources. These include revenues from exchange transactions such as service charges, fees earned, and rental of facilities and equipment, as well as revenues from non-exchange transactions such as property rates, licenses and permits, fines and fuel levy.

Metros Revenue sources versus Ave Debtors' Collection rate
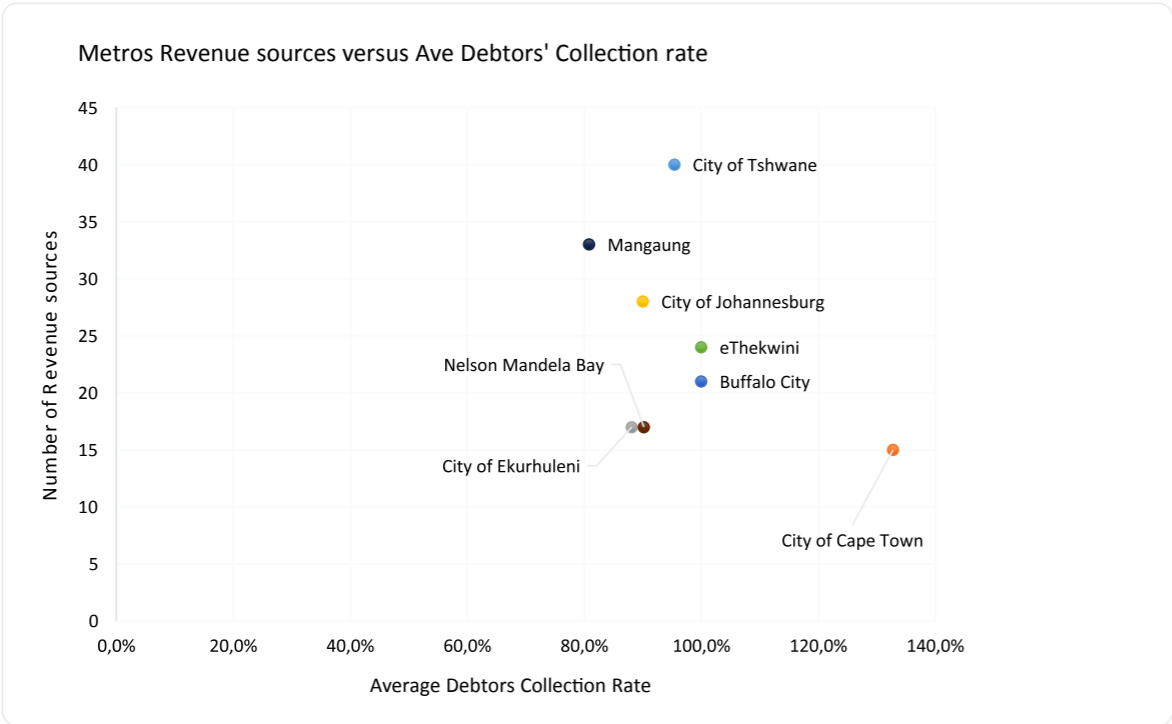
Figure 3. Overall Metro Municipality Revenue sources vs. Debtors' Collection rates.
Source: Municipal Money website.

An examination of District Municipalities indicates that the City of Cape Town had 132% Debtor's Collection rates, followed by eThekwini Metro and Buffalo City District municipalities. According to National Treasury, a collection rate of 95% and above is considered adequate and anything less suggests enough is not being done to effectively collect municipal revenues.

District Number of Revenue sources versus Ave Debtors' Collection rate
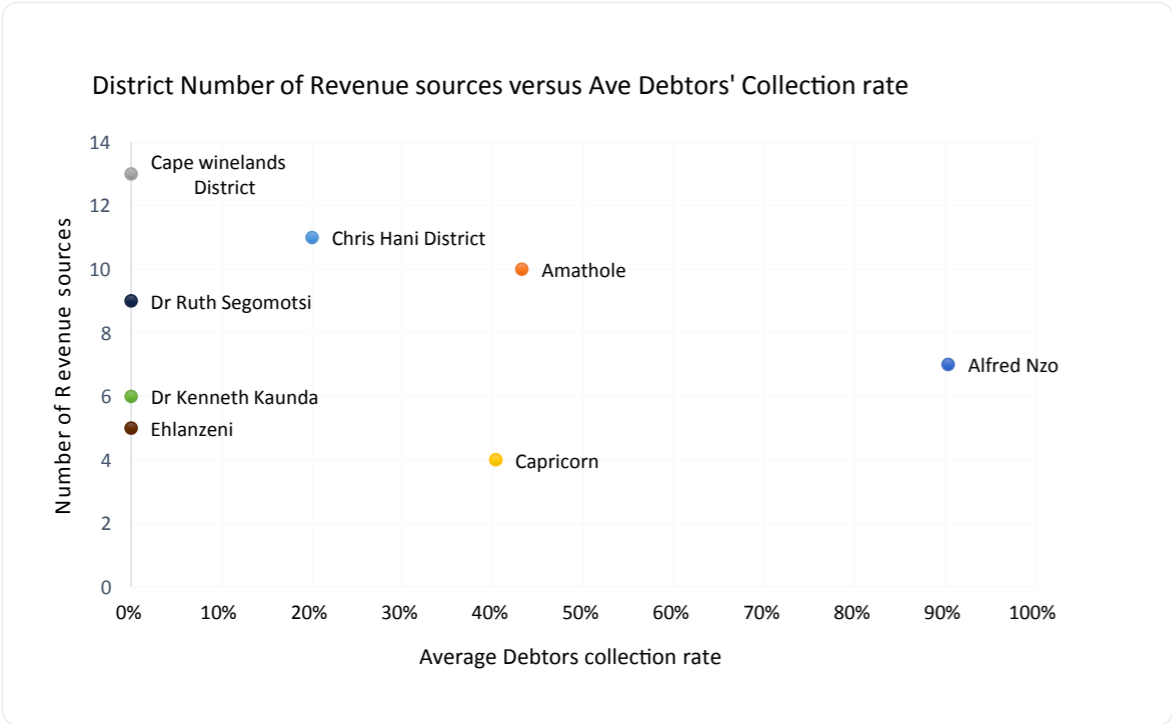
Figure 4. Overall District Municipality Revenue sources vs. Debtors Collection rates.

An examination of Revenue Maturity Levels of local municipalities from Figure 5 below indicates that Beaufort West Local Municipality and Hlabisa Local Municipality had 100% Debtor's Collection rates.

Local Muncipalities Number of revenue sources versus debtors collection rate
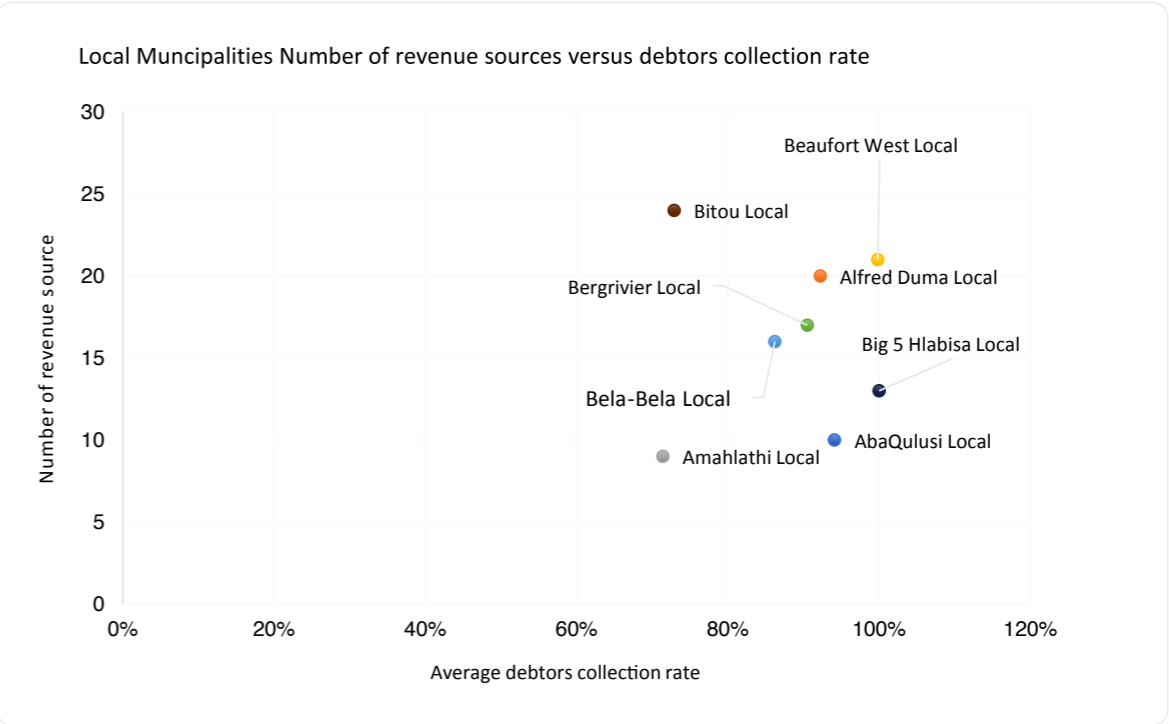
Figure 5. Overall Local Municipality Revenue sources vs. Debtors' Collection rate.

REVENUE COVERAGE

3. REVENUE COVERAGE

All local Municipalities are mandated to promote local economic development in their areas of jurisdiction. However, for this to be realised, internal systems within the municipality must be fully functional and well able to generate income from a pool of both traditional and non-traditional revenue sources. An effective and efficient municipality can address the fundamental challenges of poverty and unemployment currently plaguing South Africa. Local Governments represent the National Government in their communities and must provide basic services such as water and sanitation. In the past two decades, Local Municipalities have ensured that there is access to piped water and electricity, and that waste removal is done regularly. However, a significant number of Local and District Municipalities remained dysfunctional as they were in poor financial positions. Falling revenue sources and weak internal systems were the main contributing factors.

Average No. of Revenue Sources per province.
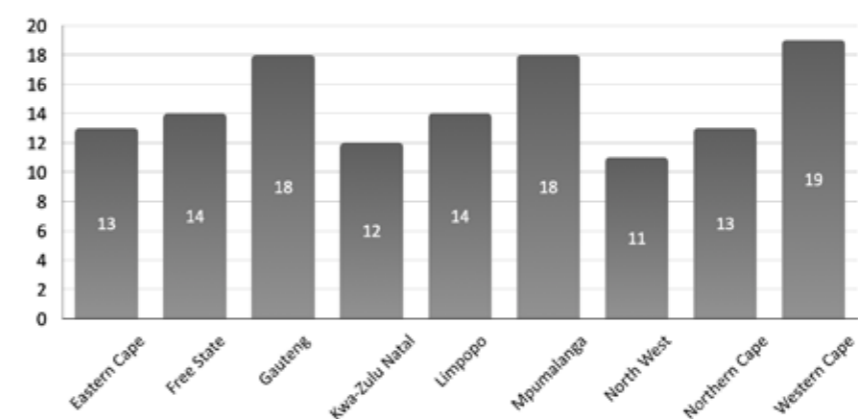
Source: Annual Financial Statements

Figure 6. Average Number of Revenue Source per province.

The figure above presents the average number of revenue sources per province. The Western Cape, Gauteng, and Mpumalanga provinces had on average 18 and more revenue sources compared to the North-West province with an average of 11 revenue sources.

It is posited that provinces such as the Western Cape, Gauteng, and Mpumalanga can meet their financial obligations as well as ensure that services are rendered to the community. This also suggests that the above provinces are less dependent on Grants and Transfers.

Unfortunately, the COVID-19 pandemic is set to worsen revenue coverage for most municipalities, brought about by rising unemployment and lower disposable incomes. This is likely to increase levels of indebtedness and defaulting payments of municipal services. In general, most municipalities are still heavily reliant on traditional sources of revenue, and yet there is now an urgent need to explore other sources of revenue.

3.1 The current Status Quo

There is an urgent need for municipalities to consider all revenue-enhancing, large-scale projects if they are to be sustainable. This would enable them to be less reliant on traditional sources of revenue which are now generating fewer revenues.

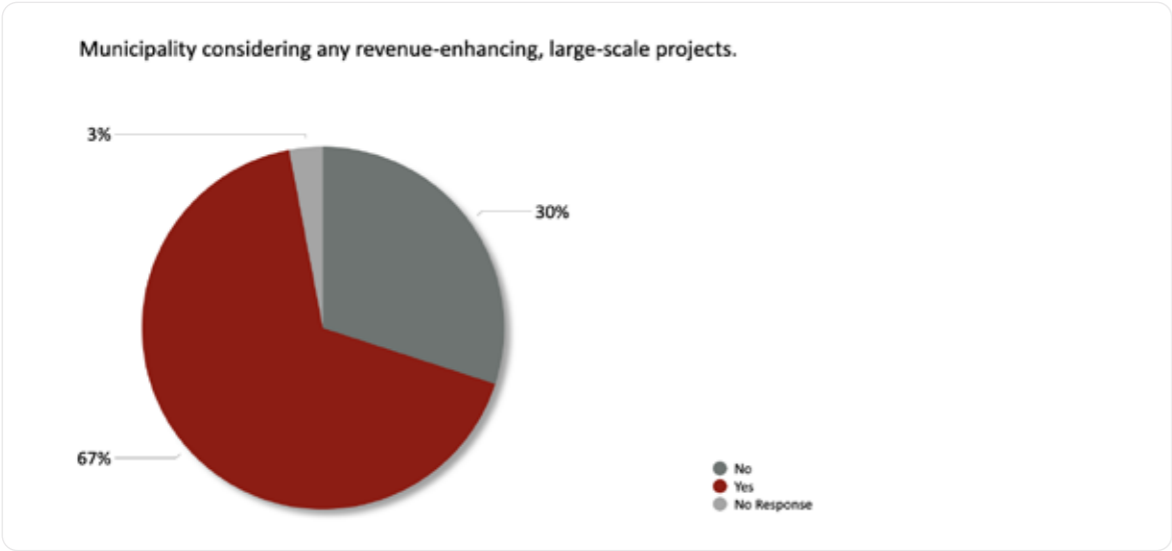The graph below depicts those municipalities considering revenue-enhancing, large-scale projects.

Figure 7. Municipalities considering revenue-enhancing, large-scale projects.

From the above figure, 67% of municipal respondents indicated that their municipalities were considering engaging in revenue-enhancing projects, compared to the 30% that were not. This percentage (30%) is still significant, considering that such municipalities are required to meet their mandate to their various constituents. Most of those municipalities that were considering revenue-enhancing, large-scale projects aimed for improved Revenue Collection. Their improved revenue collection projects included smart metering and the introduction of self-service pay points. Furthermore, construction projects were also considered by several municipalities as another revenue-enhancing source. These projects envisaged the construction of low-cost housing. This translates to the provision of other services such as water, electricity, and refuse removal.
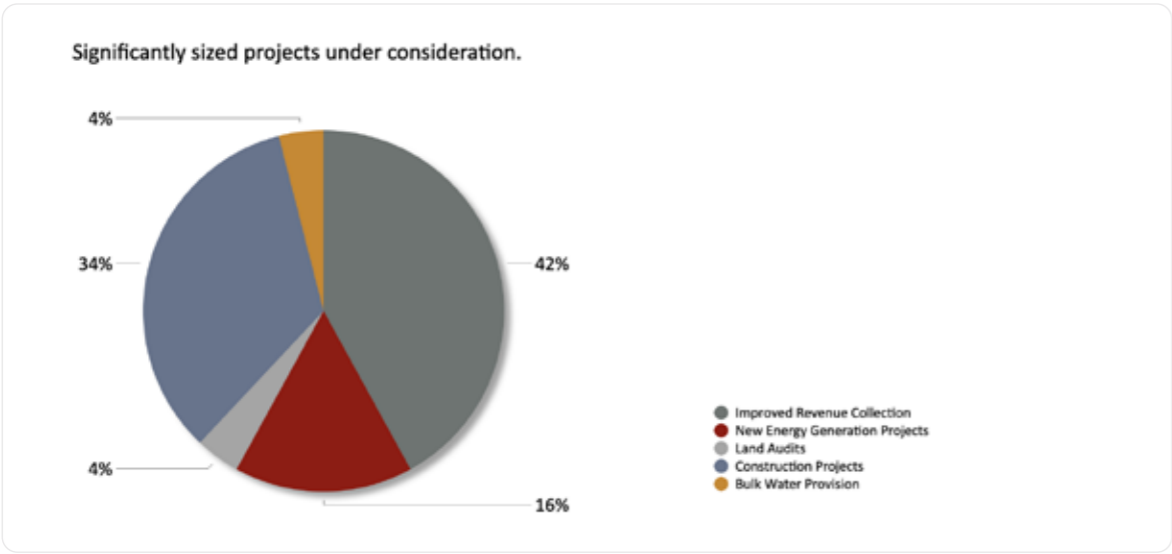
Figure 8. Revenue-enhancing projects under consideration.

Municipalities are primarily dependent on their customers for revenue, with a significant portion of the revenues coming from a select group of customers such as businesses, government, and to some extent, large residential estates. These services range from Refuse Removal to Rates and Taxes. The graph below depicts the services paid for by customers of the municipality.
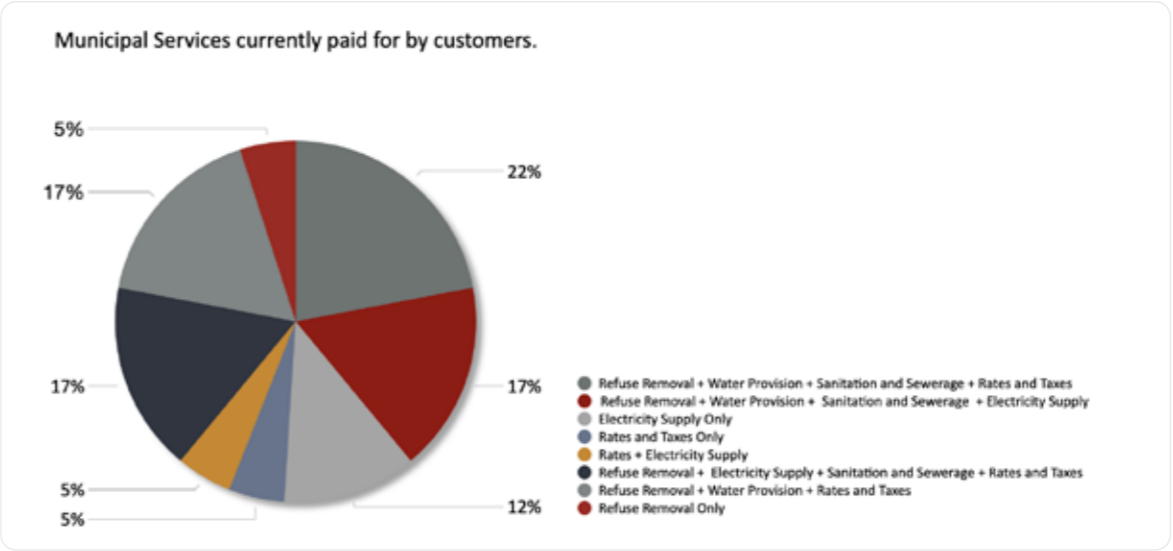
Figure 9. Municipal Services that are currently paid for by Customers.

The figure above shows that collectively, over half of the municipal customers interviewed (54%) indicated that they paid for 4 or more services offered by the municipalities, while 17% paid for 5 services. Only 5% of the interviewed municipal customers indicated that they paid only for electricity. In essence, the figure above shows that municipalities offered several services to their customers. However, the various payment methods or options offered to the customers may make it easier for municipalities to quickly receive their revenues. Figure 10 below depicts the various payment methods used by customers.
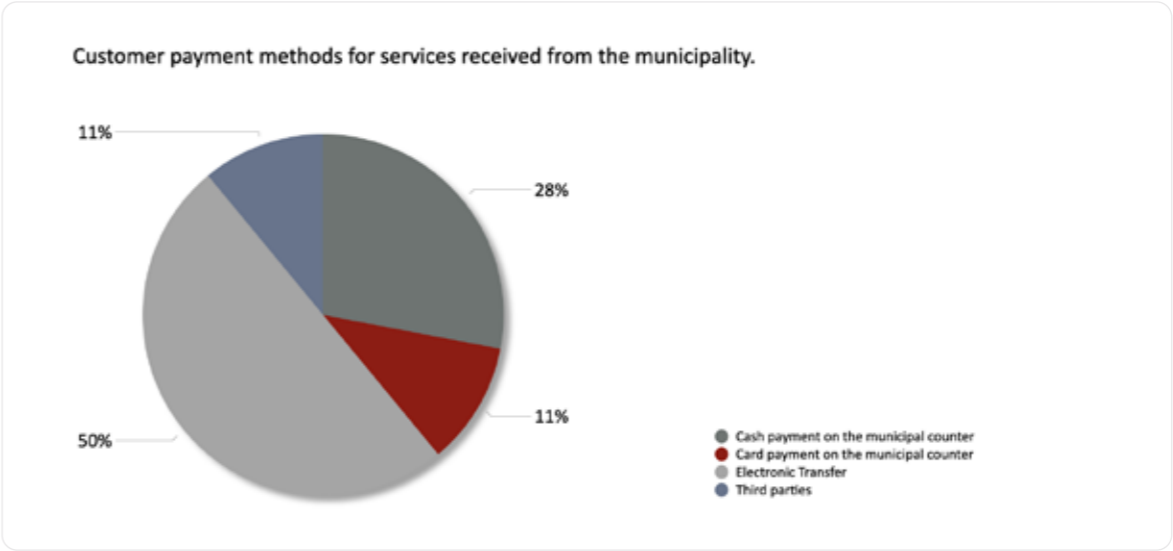

Figure 10. Customer payment methods for services received from the Municipality.

Most Municipal customers interviewed indicated that they paid for their services electronically. This ensured quick payments for the services anywhere. The restrictions imposed by the COVID-19 pandemic, such as movement from place to place, should motivate municipalities to encourage their customers to make payments for their services electronically. The other common method of payment was over the municipal counter. Payments using third parties such as the post office or banks, as well as card payments at the municipal counter, were the least used methods for making payments.

Average revenue coverage maturity level for 2020/21.
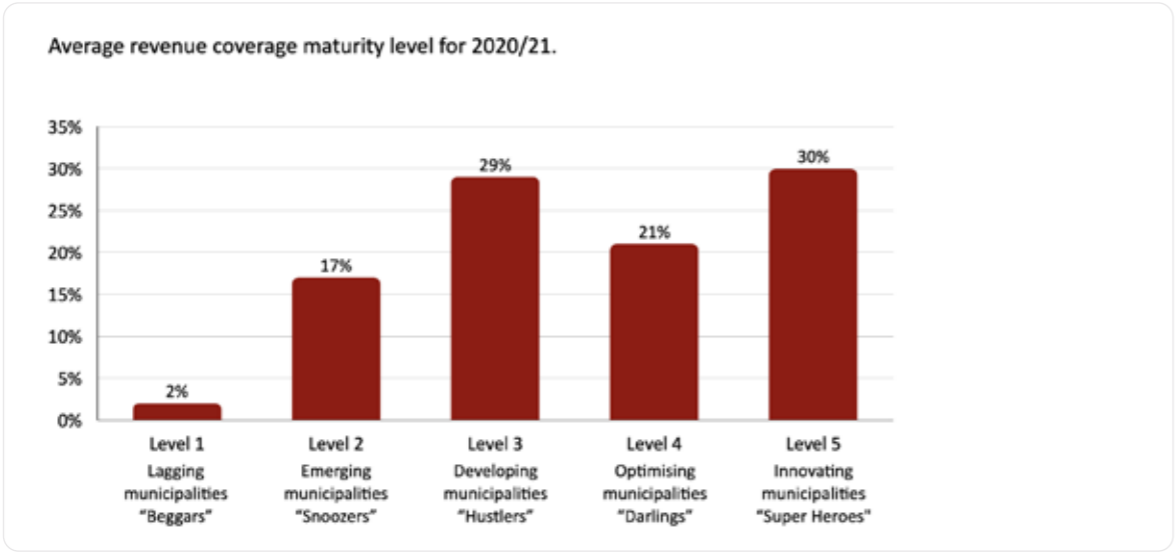
Figure 11. **Average Revenue coverage maturity level.**

The figure above shows that 30% of municipalities are considered Innovating Municipalities, suggesting that they have 17 or more sources of revenue and can maximise their revenues from traditional sources whilst also getting additional revenues from innovative sources. This further gives more opportunities for re-investment into local communities, particularly in services. Only 2% were considered Lagging Municipalities, with 4 or fewer revenue sources.

REVENUE CONVERSION AND COMPLETENESS
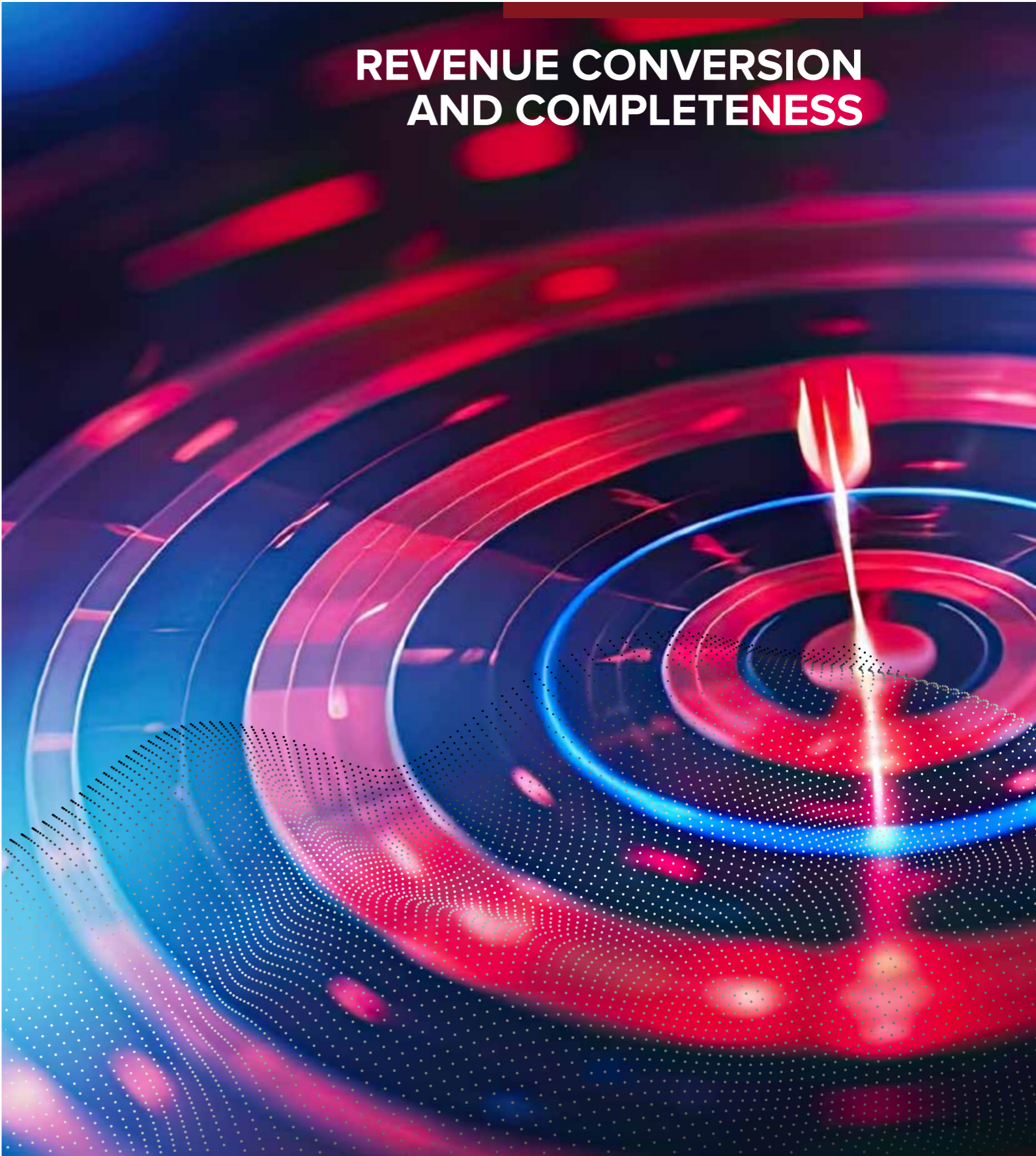
4. REVENUE CONVERSION AND COMPLETENESS

Revenue Conversion is critical for municipalities since it enables financial targets to be realised. These financial targets are partly realised by ensuring that municipal officials can collect all revenues accrued from their customers. The Revenue Conversion rate is a good indicator of the efficiency and the effectiveness of the internal financial systems within the revenue value chain, such as the lack of qualified municipal officials to ensure that revenues are collected. Furthermore, some of the external factors that may impact the conversion rate include the increased number of consumer defaulters due to rising unemployment, declining economic climate and rising costs of electricity, and the absence of credit control policies.

4.1 The current Status Quo

An examination of the figure below indicates that the Western Cape and KwaZulu-Natal provinces had, on average, a debt collection rate of over 90%, whilst the North West and Limpopo provinces lagged with average debt collection rates of slightly over 60%.
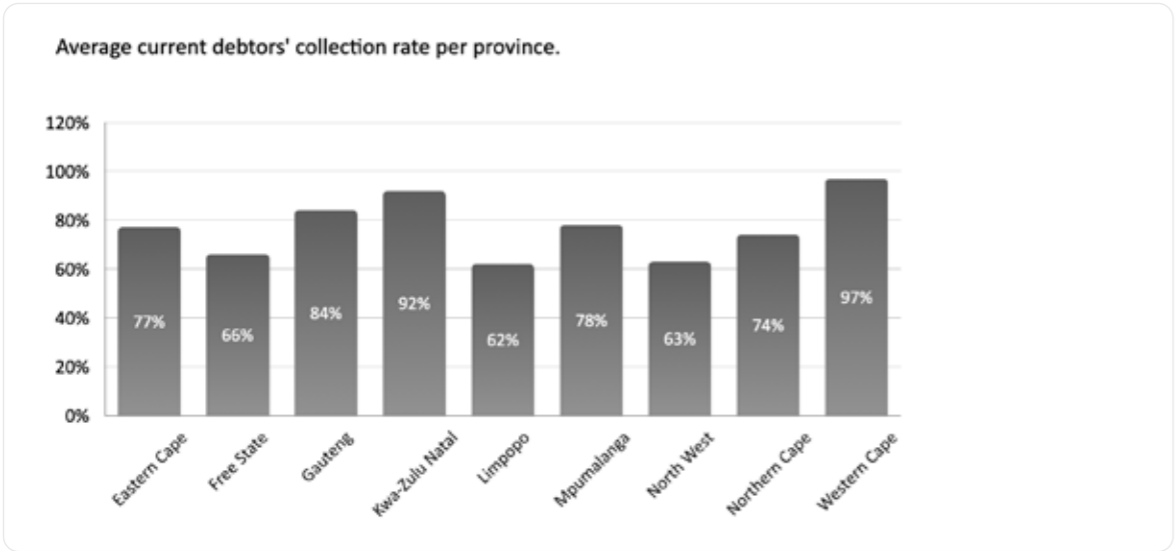
Figure 12. Average current debtors' collection rate.

Before the pandemic hit South Africa's shores early on in 2020, many municipalities faced severe challenges such as the inability to provide basic services, weak institutional and governance capabilities. These challenges manifested, among others, in poor audit outcomes, poor asset care, and generally weak service delivery. As seen in Figure 12, existing collection rates were below the 95% norm set by the National Treasury, with Kwa-Zulu Natal and particularly the Western Cape, surpassing the 95% threshold. The pandemic was set to worsen the overall collection rates of most municipalities, negatively affecting their ability to meet their financial obligations.

SALGA posits that Metros will lose up to 30% of their monthly revenues due to the pandemic. However, it is the Local Municipalities that will bear the brunt of the pandemic because of limited economic activities since most, unlike the metros, do not have sufficient reserves to cover lost revenues. If anything, they are set to increase their spending on PPE equipment needed to protect their essential workers against COVID-19 spread. The figure below depicts the impact of the pandemic on collection rates.
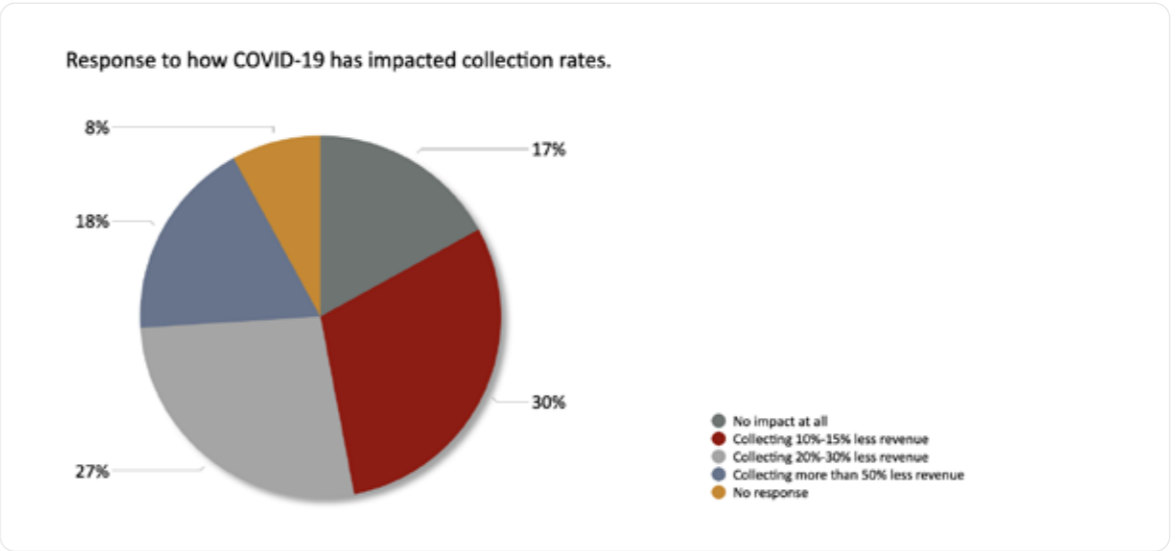

Figure 13. Impact of COVID-19 on collection rates.

According to the above figure, 30% of interviewed municipal employees indicated that their municipality would lose between 10-15% of their revenues, which translates to millions of Rand's every month. This is followed by those municipalities that posted losses of between 20 to 30%. The pandemic has led to job losses, which then lead to declining household incomes. This, in turn, means decreased sales in services such as water and electricity by the municipalities. The restriction of movements also led to limited waste collection from residents. The figure below shows which of those services would be impacted the most by the pandemic.
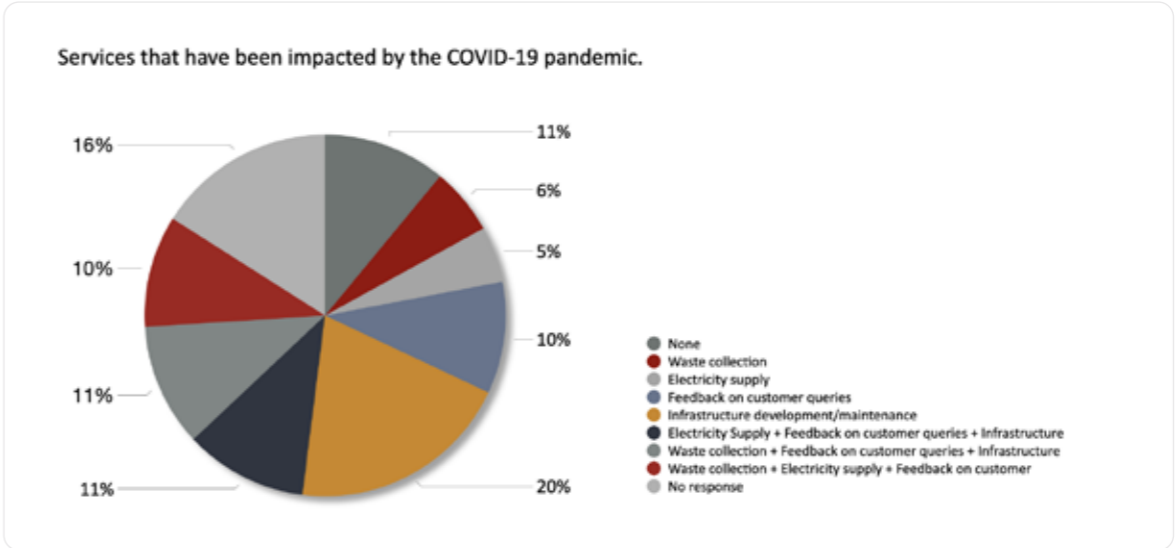

Figure 14. Services impacted by COVID-19.

According to 21% of the municipal employees interviewed, waste collection, customer feedback queries, as well as infrastructure development and maintenance, were most affected by the pandemic; followed by electricity supply, customer feedback, and infrastructure development at 11% respectively. The results above show that infrastructure development/maintenance was the single service most impacted by the pandemic. As a result of movement restrictions, the production of goods and services slows down, which translates into fewer revenues for local municipalities.

The figure below attempts to shed light on how the pandemic has impacted municipalities from an operational perspective.
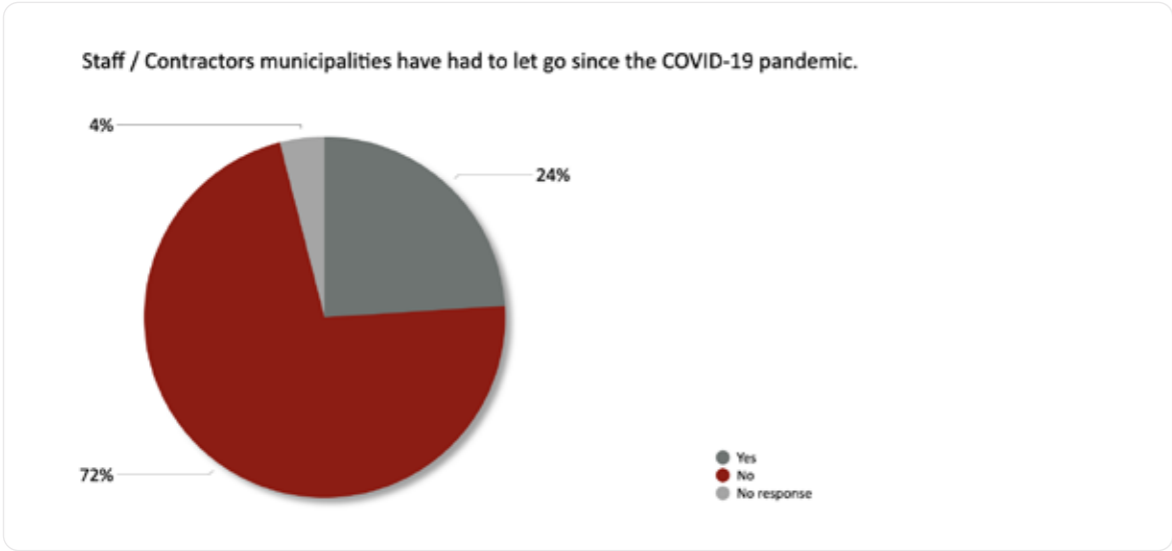

Figure 15. Response to whether the municipality has had to let go of staff/contractors because of the pandemic.

The figure above shows that 72% of interviewed municipal employees indicated that the municipality had not let go of staff/contractors because of the pandemic, compared to the 24% who responded otherwise. This is encouraging for most of those municipalities, as lack of staff, particularly in the Revenue/Finance units, could have a negative impact as far as income collections are concerned. For those municipalities that had to let go of staff or contractors because of the pandemic, the figure below may determine the extent to which their general operations are affected.
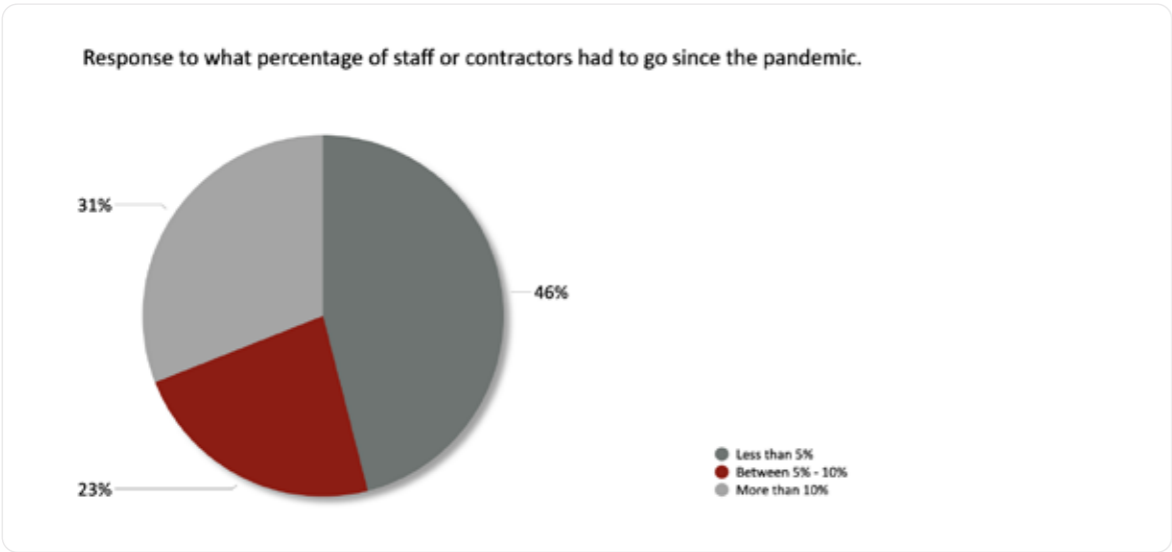
Figure 16. Response to what percentage of staff or contractors had to go since the pandemic.

Figure 16 shows that most municipalities let go of less than 5% of staff or contractors because of the pandemic at 46%. This was followed by 31% of municipalities that let go of more than 10% of their staff or contractors because of the pandemic. This is a significant number that these municipalities have had to let go and it is assumed that contingency plans have been put in place to mitigate these losses. High vacancy rates affect service deliveries such as lack of maintenance of infrastructure and inadequate service delivery to the constituents. The results are community riots against municipal officials.

The Impact of the pandemic has not only been felt by municipalities but also their customers, who have lost their incomes because of job losses. The figure below shows whether the COVID-19 pandemic has had any impact on the customer's ability to pay their accounts.
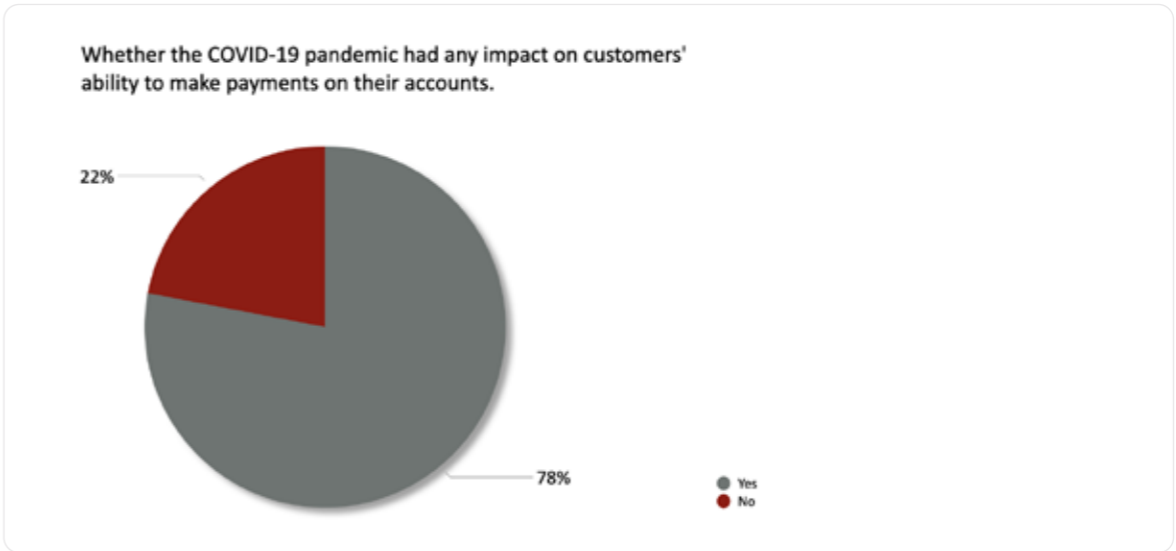

Figure 17. Response to whether the COVID-19 pandemic has had any impact on the Customers' ability to make payments on their accounts.

The figure above shows that 78% of interviewed municipal customers responded in the affirmative, compared to 22%. As the pandemic hit the shores of the country, measures were taken by the government to shut down the economy temporarily, meaning that most businesses, apart from essential services, were closed. As a result, it posited that many employees were forced to take leave without pay. It is estimated that between February and April 2020, about 2 million jobs were lost because of the effects of the pandemic. The figure below highlights how the pandemic has affected those municipal customers who have been negatively impacted.
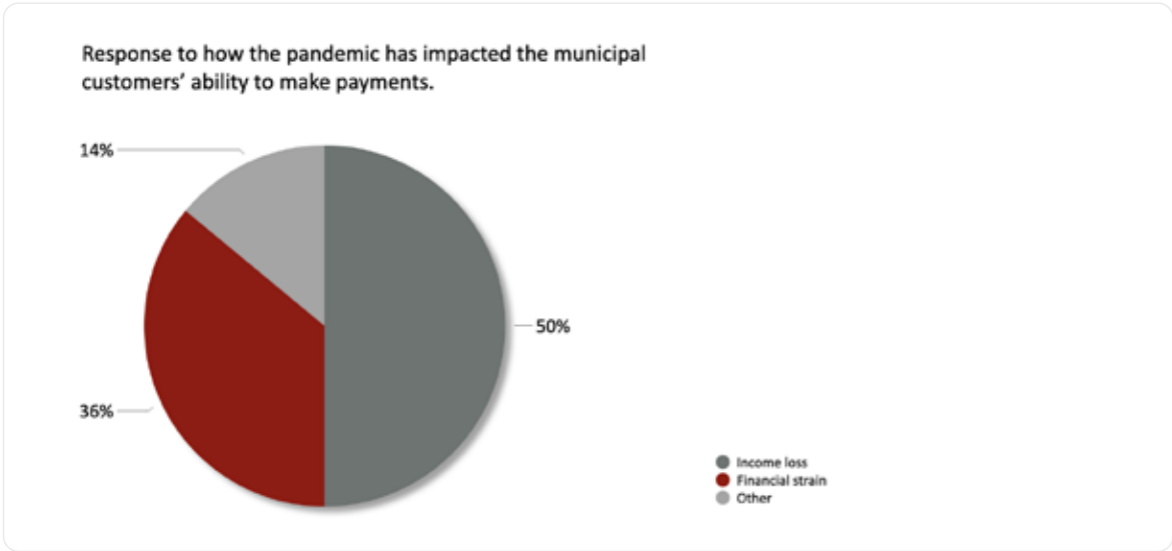
Figure 18. Response to how the pandemic has had an impact on the municipal customers' ability to make payments on their accounts.

The figure above shows that half of the interviewed Municipal customers (50 %), indicated that they had lost their incomes due to the pandemic, whilst another 36% of the interviewed municipal customers indicated that they were taking financial strain because of the pandemic. Others may have experienced a slowing down of business activities because of low economic activity with the municipality.

Another negative impact of the pandemic is that there will be a significant increase of indigent populations: populations whose incomes are not sufficient to support family subsistence. The figure below shows the levels of indigence since the start of the Covid-19 pandemic.
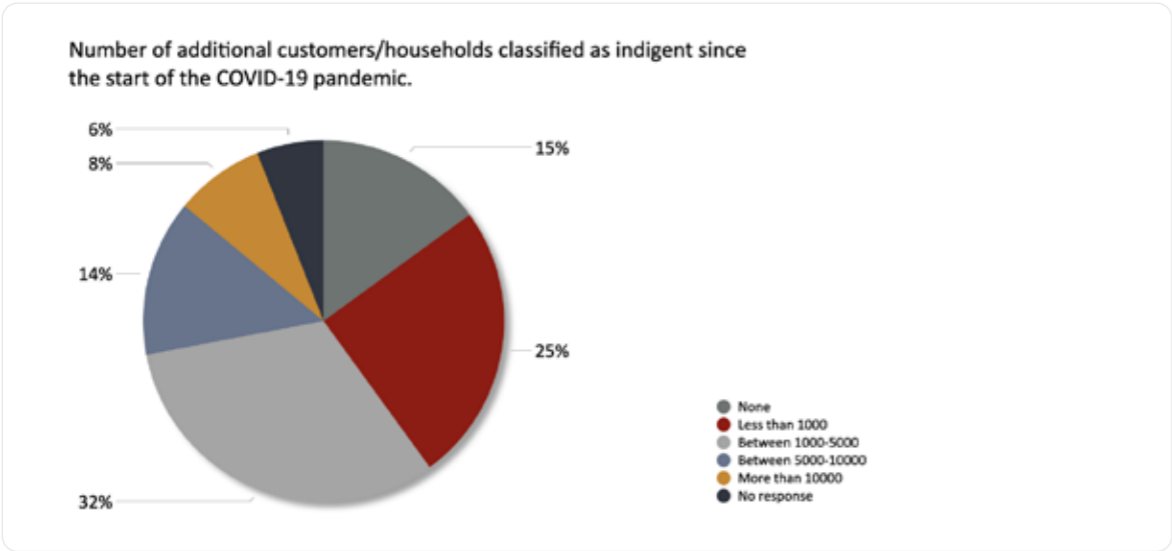
Figure 19. Response to Number of additional customers/households classified as indigent since the start of COVID-19.

The figure 19 shows that 32% of the interviewed municipal employees indicated that there have been between 1000 to 5000 additional indigent households since the start of the pandemic. In general, there was a rise in the percentage number of additional customers/households classified as indigent with only 8% of interviewed municipal employees, indicating there was no rise. Municipalities classify an indigent household as a family earning a combined income of less than R3200 per month. With falling revenues, most municipalities will not be able to assist all indigent households.

It is now imperative that municipalities develop strategies to mitigate such disasters as they have a direct impact on their ability to generate revenues and on their daily operations. The figure below shows whether municipalities have developed any strategies against disasters.
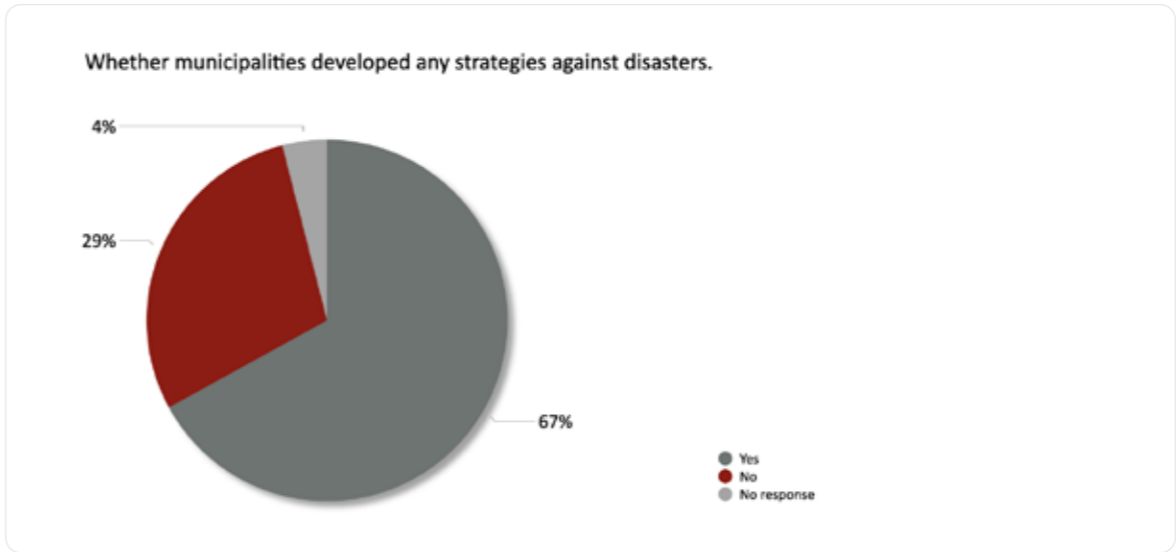

Figure 20. Response to whether a Municipality has developed any strategies to mitigate future disasters

The figure above shows that 67% of interviewed municipal employees indicated that their municipality had developed strategies to mitigate disasters and future pandemics such as COVID- 19. This bodes well for these municipalities as they can ensure that revenue losses are kept to a minimum.

As previously indicated, municipalities must meet their financial targets. However, to realize this, they must ensure that revenues from services rendered are regularly collected from the customers. The frequency at which municipal accounts are settled timorously is depicted below.
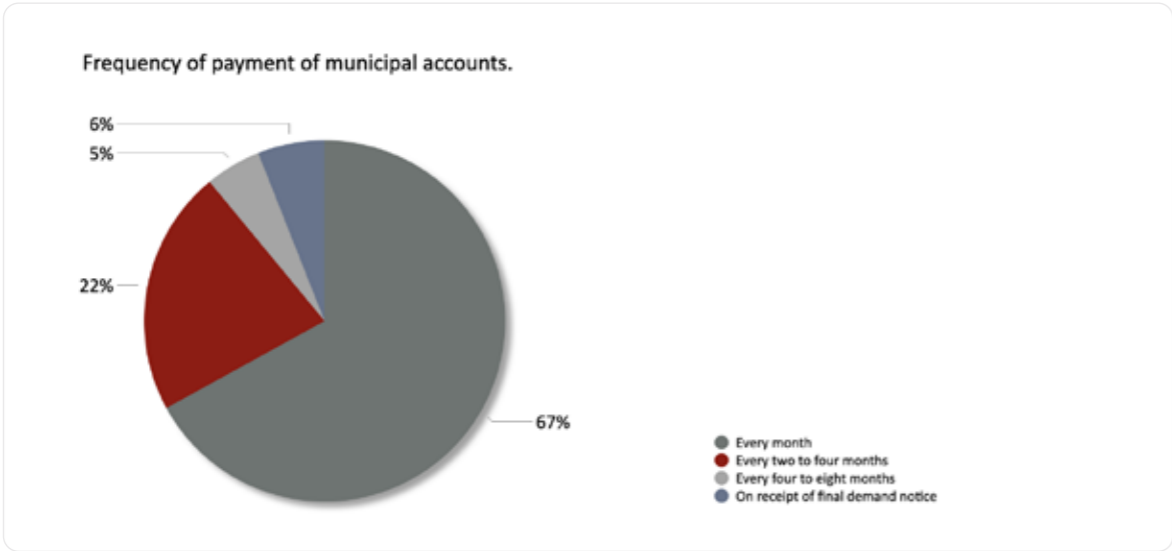
Figure 21. Frequency of payment of municipal accounts.

According to the figure above, 66.7% of interviewed municipal customers settled their accounts at the end of every month and only 5.6% of accounts settled when a receipt of final notice was issued (5.6%). This bodes well for most municipalities that can meet their obligations to their creditors such as Eskom and the Water Boards.

However, efforts still need to be made to ensure that those accounts that are not settled monthly are settled monthly, if they are not, it poses a threat to the municipalities' ability to meet their other debt obligations. It is thus imperative that strategies are designed to remind customers to pay or settle their accounts on time. In this regard, various communication channels may be deployed to ensure that customers are reminded to settle their accounts on time, including social media outlets such as Twitter and Facebook. This is dependent on whether local municipalities send out messages reminding their customers to pay for their services on time. The figure below provides clear insight into whether reminders were sent out to municipal customers.
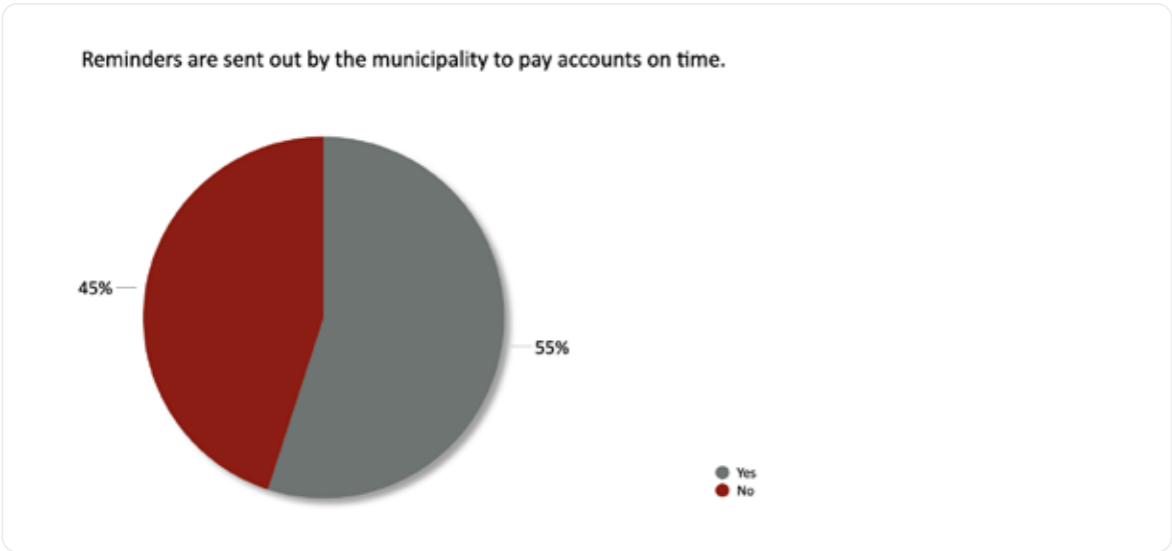
Figure 22. Response to whether reminders are sent out by municipalities to their customers.

Figure 22 does show that 45% of municipal customers did not receive any reminders to pay their accounts on time, compared to the 55% of municipal customers that responded in the affirmative. This means that such municipalities are not proactive in ensuring that municipal revenues are effectively collected. Some of the reasons posited before the pandemic reached South Africa include lack of commitment, poor performance management, ineffective and inappropriate revenue enhancement strategies, and lack of execution of plans, particularly for rural municipalities.

Municipalities have various social media outlets at their disposal to communicate to their constituents regarding the payment of their accounts. The figure below presents various communication methods used by municipalities to remind their customers to pay their accounts.
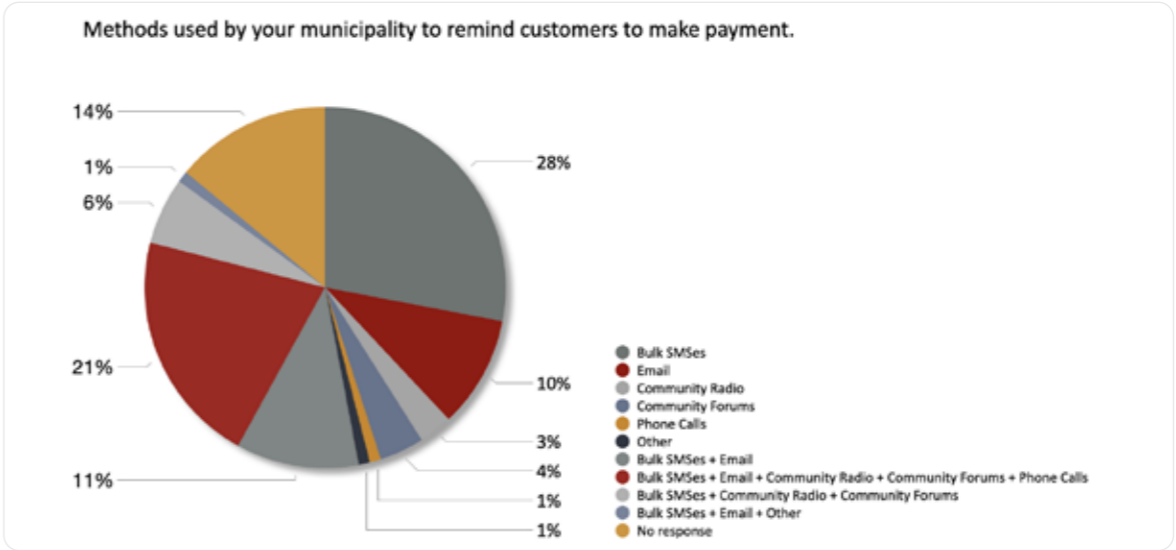

Figure 23. Communication methods used by municipalities to remind customers to pay their accounts.

According to the figure above, most interviewed municipal employees indicated that their municipalities (30%) used Bulk SMSes to remind their customers to pay their accounts. In addition, 23% of interviewed municipal employees indicated that a combination of communication outlets such as Bulk SMSes, Emails, Community Radio, Forums, and Phone Calls were used by municipalities to remind their customers to pay their accounts. The results show that at least 39% of municipalities used more than one communication outlet to remind their customers to pay their accounts. The above figure also indicates that Bulk SMSes followed by emails were the most common methods used by municipalities to communicate with their municipal customers.
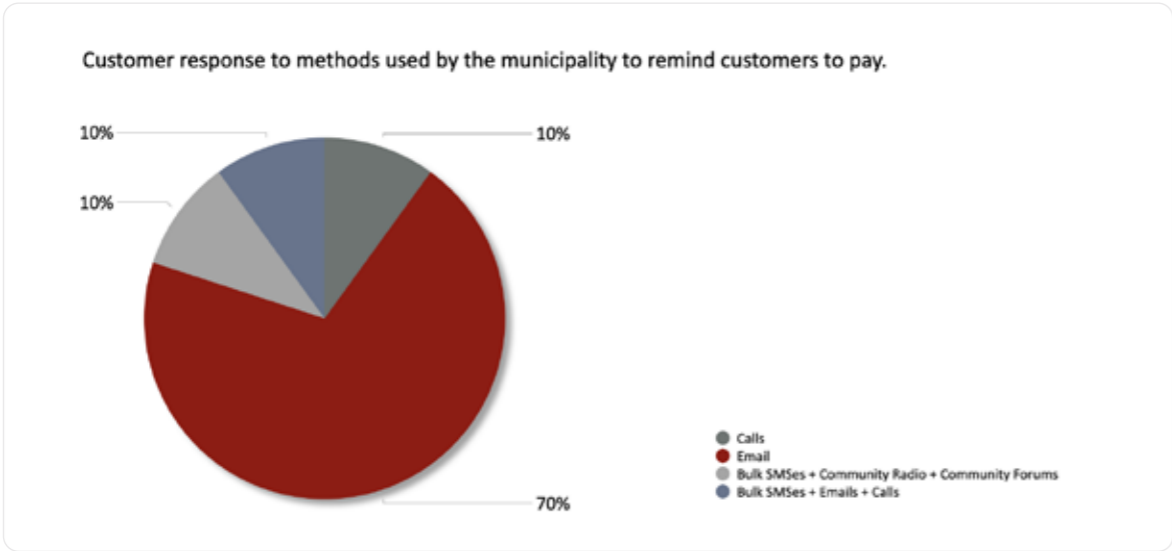
Figure 25 shows that most interviewed municipal employees indicated that card payments, cash payments, and electronic transfers were the top three preferred payment collection channels used by the municipality at 47% for card payments, followed by cash payments and debit orders at 18 percent. In general, card and cash payments as well as electronic transfers were the most preferred payment collection channels used by municipalities. In the same vein, municipal customers were also asked what payment methods they used to settle their accounts. The figure below provides further insights into the most preferred methods of payment.
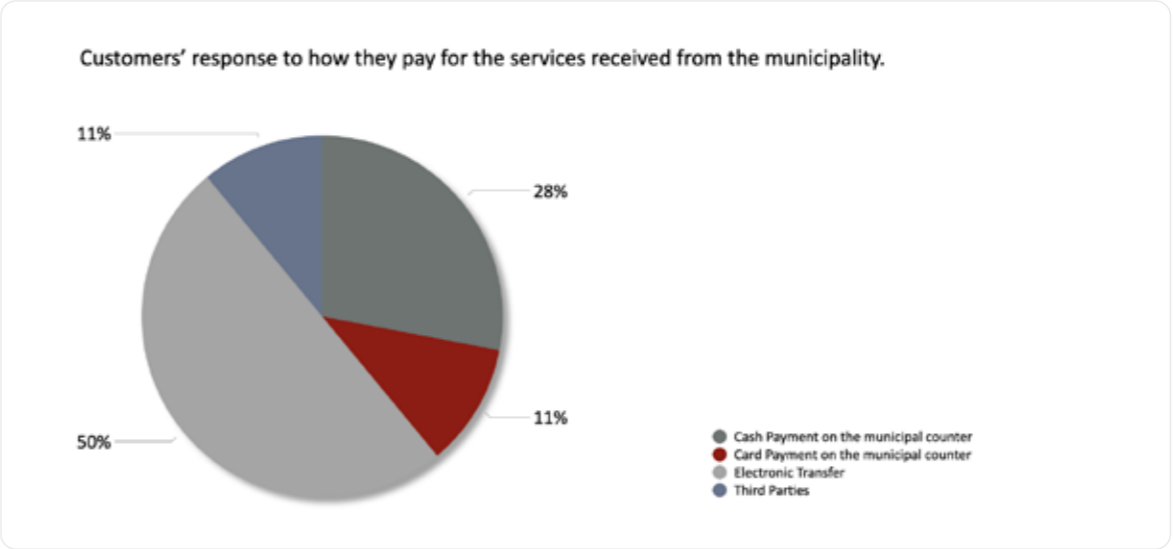
Figure 24 Customers' response to ways used by municipalities to remind them to pay their accounts.

The above figure shows that 70% of interviewed municipal customers indicated that they received their reminders via emails. While 10% of municipal customers received reminders through a combination of communication outlets such as Bulk SMSes, Community Radios, Forums, Calls, and Emails.

The use of several communication outlets is more effective in accessing those that may not have access to emails. The above figures indicate that Bulk SMSes and emails were mostly used to ensure that customers pay their accounts.

To maximise revenue collection from their constituents, municipalities must provide several payment options that can be used to allow their customers to make quick payments on their accounts. The figure below provides more insight into the payment options provided by the municipality.

Figure 26. Response of customers to their preferred payment methods for services.

The results from the above figure show that 50% of municipal customers used the electronic transfer method to pay for municipal services, followed by cash payment at the municipal counter at 28%. Both responses from the interviewed municipal employees and customers show that cash payments and electronic transfers were the most common form of payment channels used to pay for services.
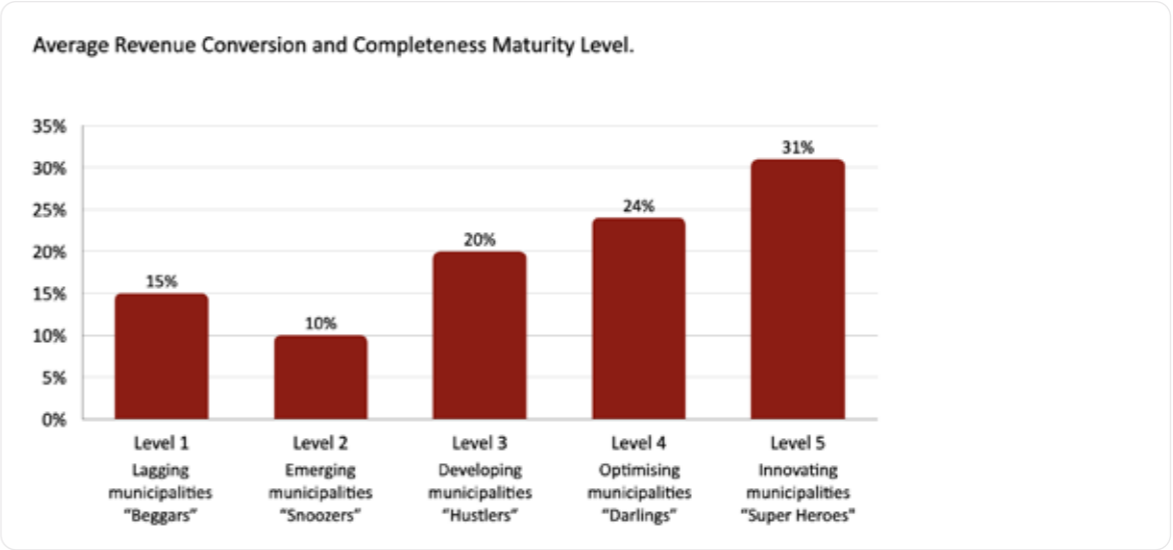

Figure 25. Response to top 3 payment collection channels used by the municipalities.

Figure 27: Average Revenue conversion and completeness maturity level

Figure 27 shows that most municipalities are categorised as "superheroes" or Innovating municipalities. The current situation suggests that municipalities are able to collect revenues which was important for them to meet their obligations of service delivery. The city of Cape Town and eThekwini metros, as well as Waterberg District Municipality, were among those that fell under level 5 and were thus considered innovating municipalities. Impendle and Greater Tzaneen Local Municipality also fell under level 5.

Large-scaled projects aim to boost the municipal revenue base.

This section has shown that in general, most municipalities were considering revenue-enhancing large-scale projects. This was aimed at boosting their current revenue base. Some of these projects included Bulk water provision as well as construction projects. It is also worth noting that electronic transfers were the most common method of payment used by customers to the municipality.

REVENUE ADMINISTRATION AND PROTECTION
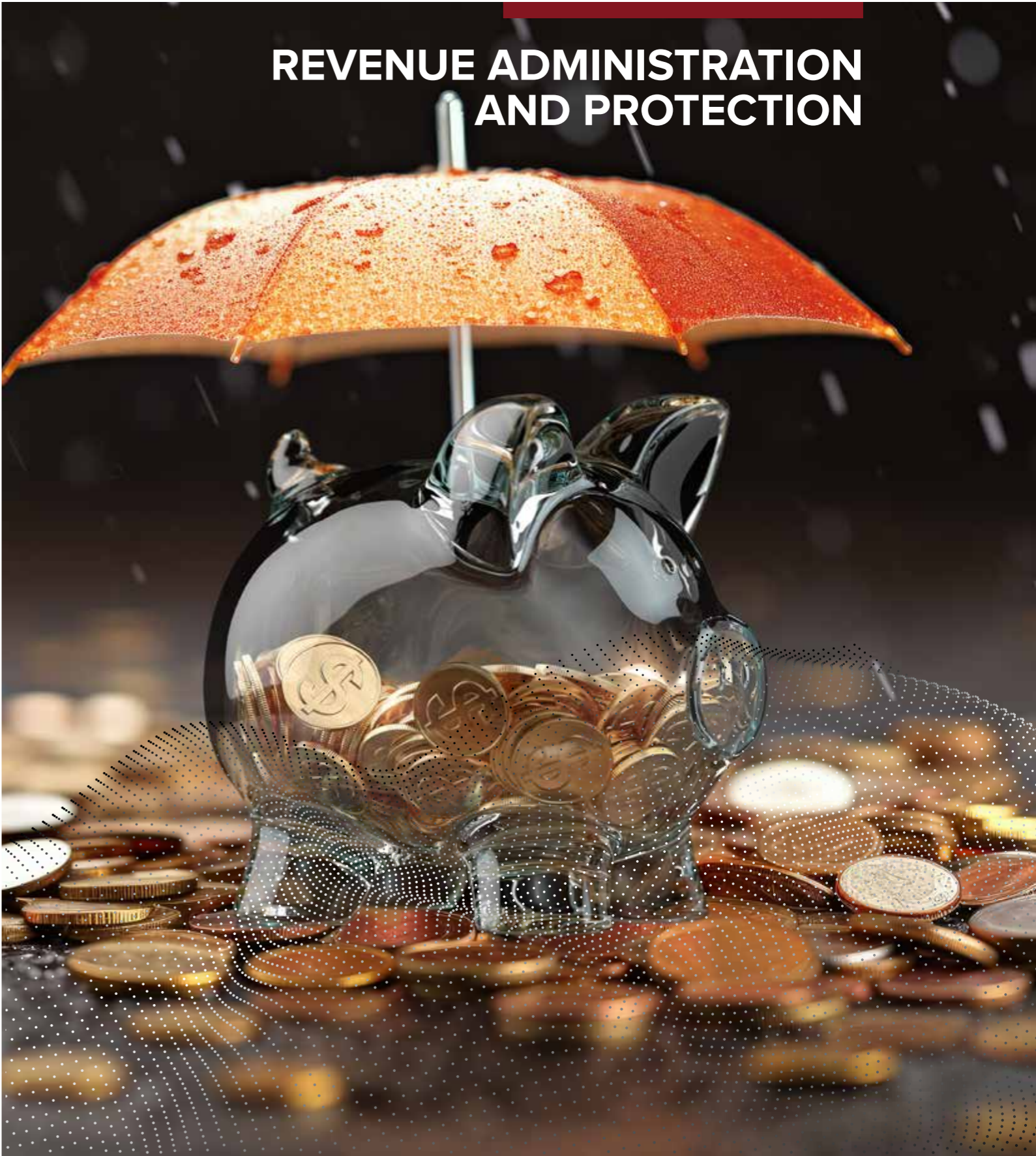
5. REVENUE ADMINISTRATION AND PROTECTION

This pillar is at the heart of municipal revenue maturity and any weaknesses would hurt the municipality's ability to be financially stable.

5.1 A link between 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 departments are supported by a highly skilled and motivated workforce.

We fully acknowledge that the respective strategies need to be woven into the thread of the municipal operational culture. This is a fundamental prerequisite to 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. Therefore, each municipality must define its targets and then strive to attain those targets. Setting targets provides a clear direction of what needs to be achieved, which is dependent on whether all pre-requites are in place to attain those targets.

5.2 The current Status Quo

The figure below presents the municipal employees' response to the proportion of municipal accounts that are billed consistently every month.
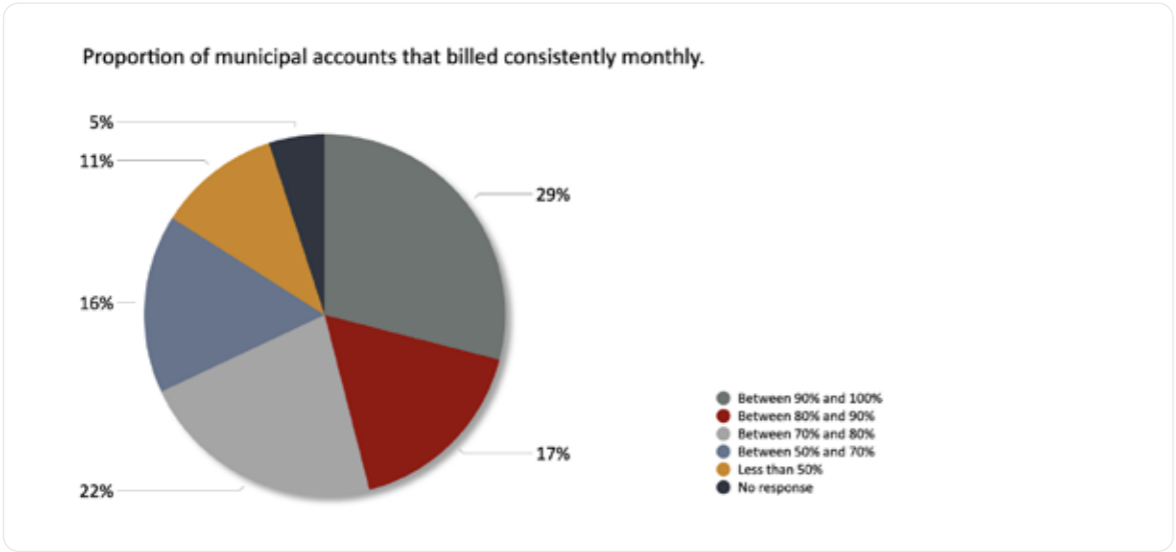
Figure 28. Response to the proportion of municipal accounts that are billed consistently on a monthly basis.

The results show that most interviewed municipal employees indicated that between 90% and 100% of municipal accounts were billed consistently monthly at 29%. 22% of interviewed municipal employees indicated that between 70% and 80% of municipal accounts were billed consistently. Clearly, these results show that

there is room for improvement in this area as it seems that municipalities are not getting all their revenues for the services rendered. About 11% of municipal employees indicated that less than 50% of municipal accounts were billed consistently, raising concerns regarding their ability to provide services to the communities because it is highly plausible that their expenditures exceed their revenues.

Municipal customers were asked whether they received their monthly bills. The figure below presents the results.
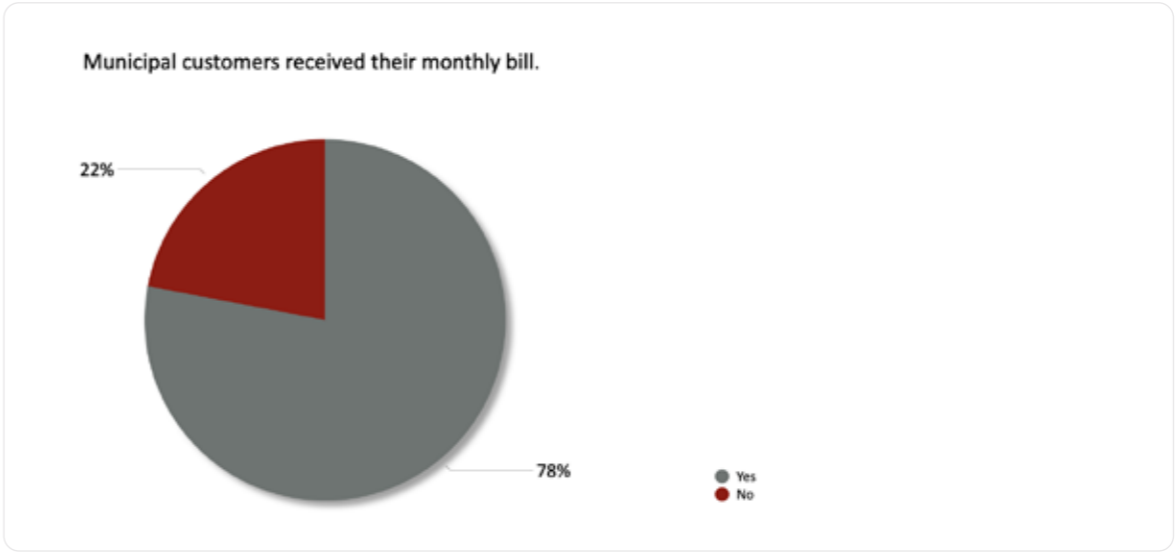

Figure 29. Response to whether municipal customers receive their monthly bill.

The figure above shows that 7 out of 10 municipal customers interviewed indicated that they did receive their monthly bill, compared to 22% that did not. The results show that attempts are being made by municipalities to ensure that most of their revenues are collected monthly. However, municipal customers must understand their account statements. This will enable them to settle what they owe to the municipality. The figure below presents results regarding whether customers easily understand their municipal account statements.
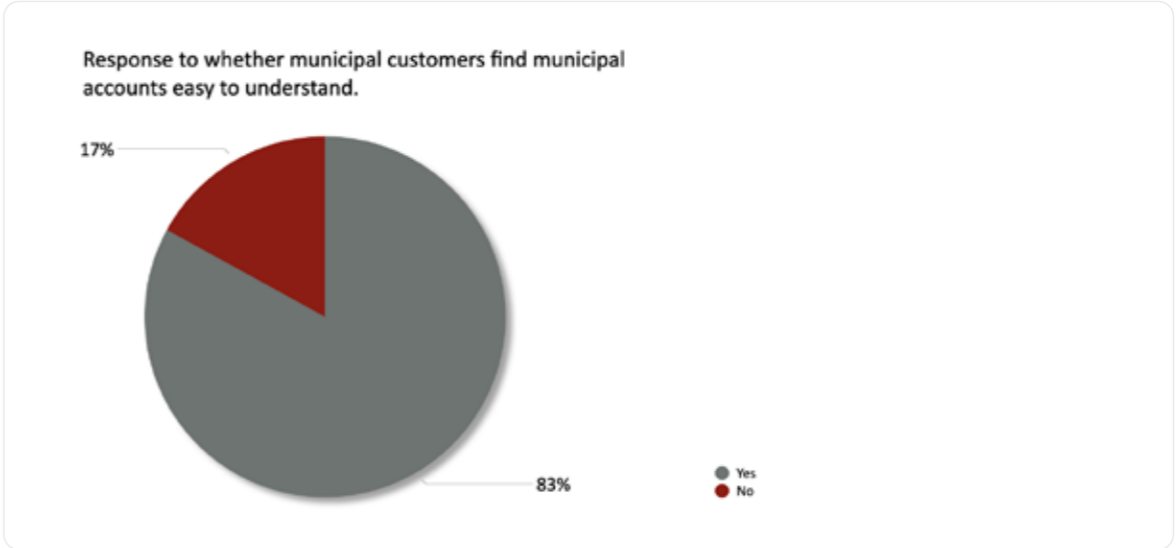

Figure 30. Response to whether municipal account statements are easy to understand.

Figure 30 above shows that 83% of interviewed municipal customers found it easy to understand municipal account statements, compared to 17% that said otherwise. However, it should be noted that customers would be willing to settle their accounts provided no obstacles hindered them from doing so.

The figure below provides more insights into whether municipal customers experience any challenges paying their accounts
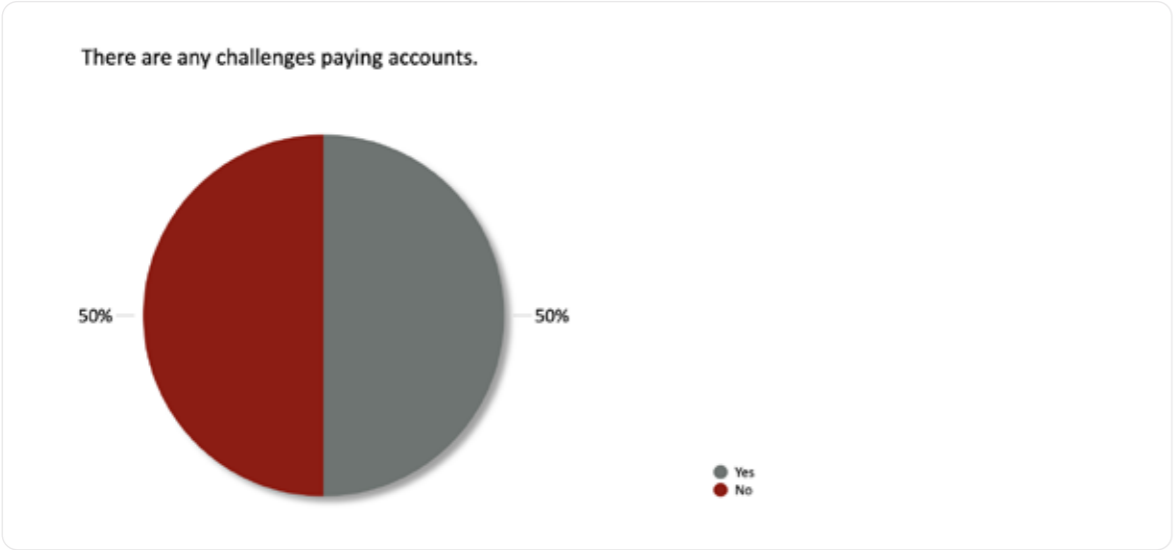

Figure 31. Customer responses to any challenges paying their accounts.

The figure shows that half of the interviewed municipal customers (50%), indicated that they experienced challenges in paying their accounts, compared to 50% of the other municipal customers who said that they did not experience any challenges paying their accounts. This is detrimental to the municipality since any challenges faced by its customers in paying their accounts may translate into late payments or no payments at all. This in turn impacts negatively on the municipality's ability to meet its obligations to its creditors.

The figure below presents the kind of challenges faced by municipal customers as they attempt to pay their accounts.
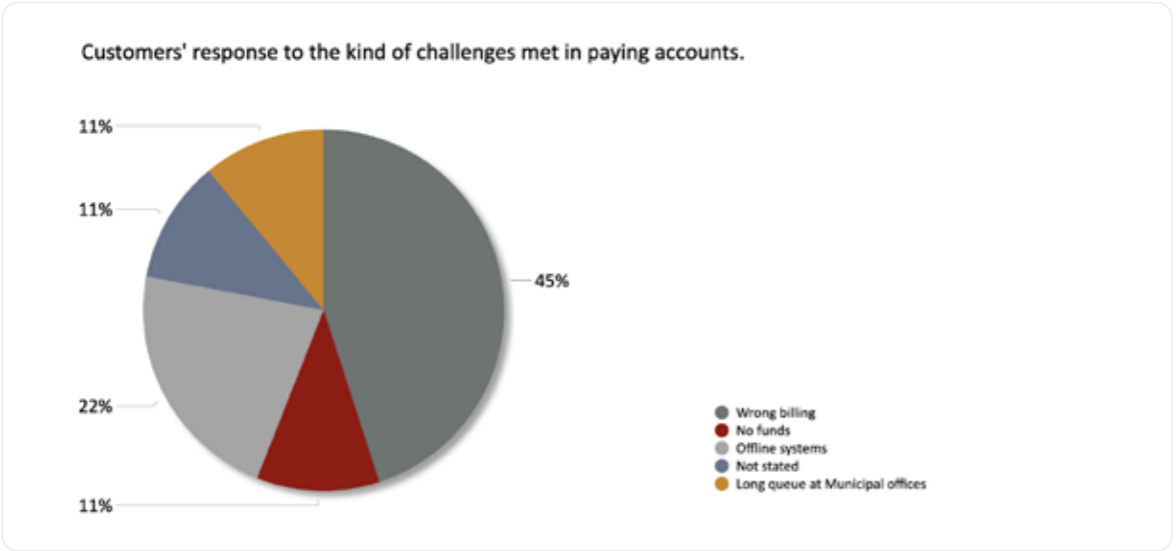

Figure 32. Response to the challenges faced by customers in paying their accounts.

Figure 32 shows that 44% of interviewed municipal customers indicated that they had no funds to settle their accounts. However, the rest of the challenges which may be considered operational challenges experienced by the customers included offline systems at the municipality (22%), wrong billing, and long queues at municipal offices at 11% respectively. These operational or organisational challenges accounted for 44% of the challenges faced by municipal customers.

The figure below presents municipal responses to whether revenue targets have been reached in the past years.
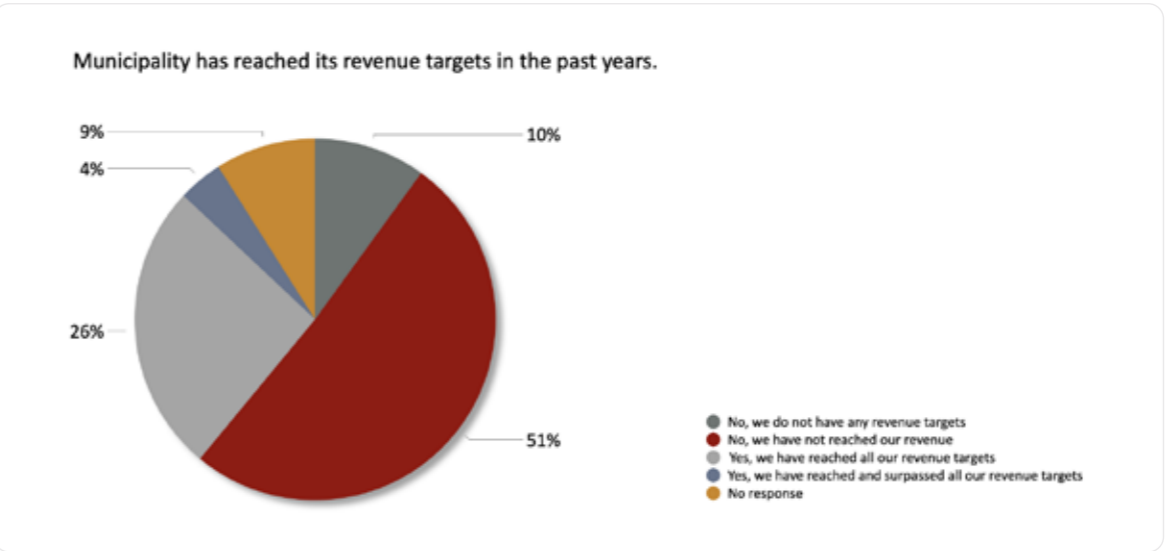

Figure 33. Responses to whether municipalities have reached their targets in the past years.

As previously alluded to, municipalities are dependent on revenues accrued from services rendered. It is from these revenues that clear budgets are formulated which will ultimately lead to the provision of services. The figure above portrays the sombre reality for municipalities, where half (51%), of the respondents interviewed, indicated that they had not reached their revenue targets, compared to only 4% that had reached and even surpassed all their revenue targets. Another 9% of respondents indicated that they had partially reached their targets.

The impact of not attaining revenue targets means service delivery is compromised and further leads to municipalities having to be dependent on National Government for financial assistance to supplement budget shortfalls. However, the greatest impact is that these municipalities fail to pay their creditors such as Eskom and water boards for services rendered. A recent National Treasury report suggested that municipalities owed their creditors R60 billion, an increase of R10.7 billion when compared to the R49.3 billion reported in the third quarter of 2019/20.

Several reasons have been put forward as to why municipalities failed to reach their targets even before the pandemic hit south Africa. Some of the reasons relate to weak internal controls, particularly on governance procedures, that have plagued many municipalities.

The figure below casts some light on why municipalities have not reached their targets over the years.
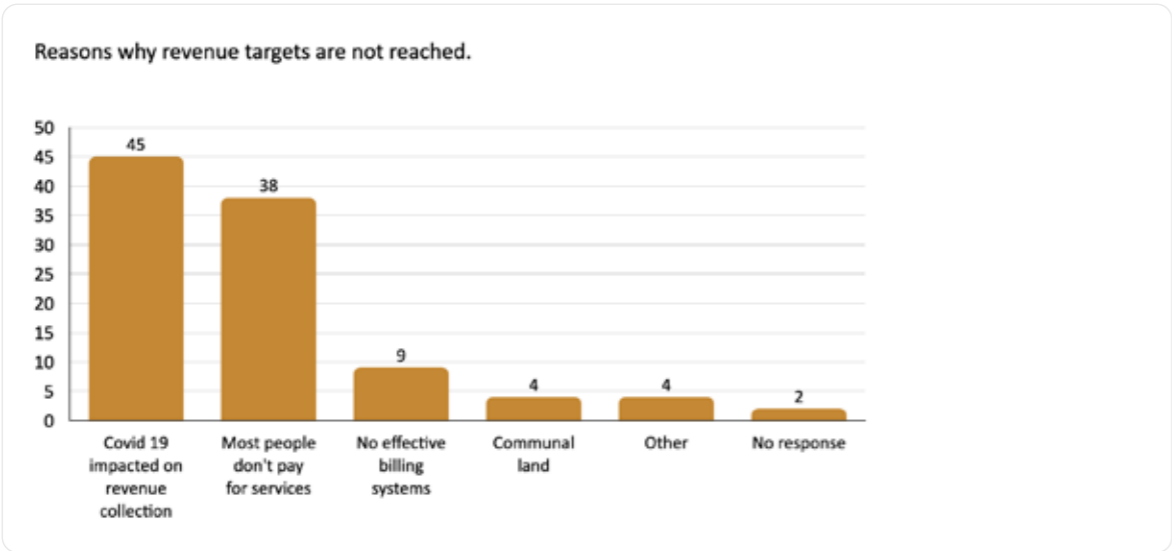

Reasons why revenue targets are not reached.

Figure 34. Reasons why municipalities have not reached their revenue targets.

It is posited that the COVID-19 pandemic will pose the single greatest challenge for municipalities' ability to adequately address their service delivery obligations to their constituents. More spending is expected to take place because of a rising indigent population, purchase of PPE equipment for its workforce, placement of additional sanitation measures, and emergency clean water provision. The figure above shows that most municipal employees indicated that the pandemic (45%), was the main reason for the decline in revenue collection, followed by 38% of municipal employees who indicated that most people do not pay for services.

The National Treasury posits that the worst offenders were households in the metropolitan municipalities that owed R102.3 billion in outstanding debt. It is worth pointing out that 9% of responses indicated that the lack of effective billing systems also contributed to revenue targets not being reached. A weak or inaccurate billing system could affect public confidence in the municipalities, especially if customers were being mandated to pay for wrong bills. This could force them to refuse to pay municipal bills, given their inaccuracies. The inaccurate billing systems are because of outdated information leading to wrong billing; lack of standardization and integration of information technology systems; as well as lack of support from municipal leadership.

Electronic methods contribute to debt collection.

Another reason for not reaching revenue targets could be that municipalities are not fully utilising all available methods to collect the debt owed them for services rendered. Most interviewed Municipal employees indicated that their municipalities used credit control measures (45%), followed by electronic communication measures at 33%.

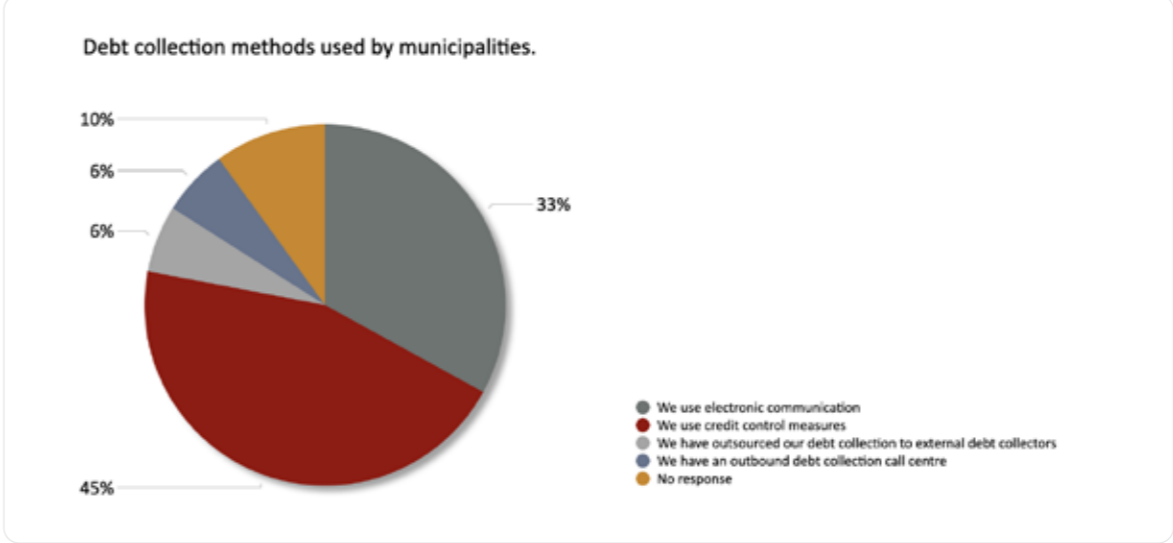The figure below depicts the debt collection methods used by municipalities.

Debt collection methods used by municipalities.

Figure 35. Debt Collection methods used by municipalities.

It should be noted that credit control measures are governed by the Credit Control and Debt Collection policies of a municipality, which, among others, defines a framework within which the municipality can develop an effective procedure to bill and collect its revenues. Furthermore, a revenue enhancement strategy is used to build and improve current payment levels as well as minimise customer indebtedness. It is posited that all municipalities have revenue enhancement strategies that seek to improve their revenue levels as well as identify other new sources of revenue.

The figure below provides a clear picture of whether municipalities have revenue enhancement strategies or not.
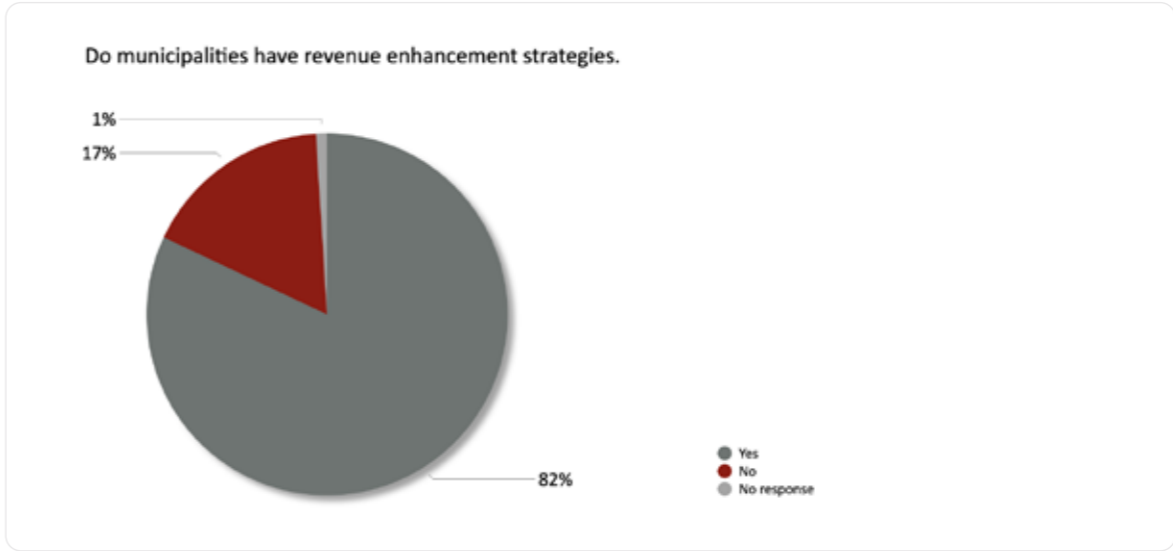

Do municipalities have revenue enhancement strategies.

Figure 36. Responses to having Revenue Enhancement strategies.

Figure 36 results indicate that 8 out of 10 interviewed municipal employees indicated that their municipalities had revenue enhancement strategies (82%), compared to 17.4% that did not have revenue enhancement strategies. Having revenue enhancement strategies also improves the financial and economic sustainability of municipalities as their income bases are increased, leading to more revenues. This further translates to increased economic growth and better service delivery.

The provision of customer incentives by the municipality is a positive way to encourage its customers to pay or settle their accounts on time.

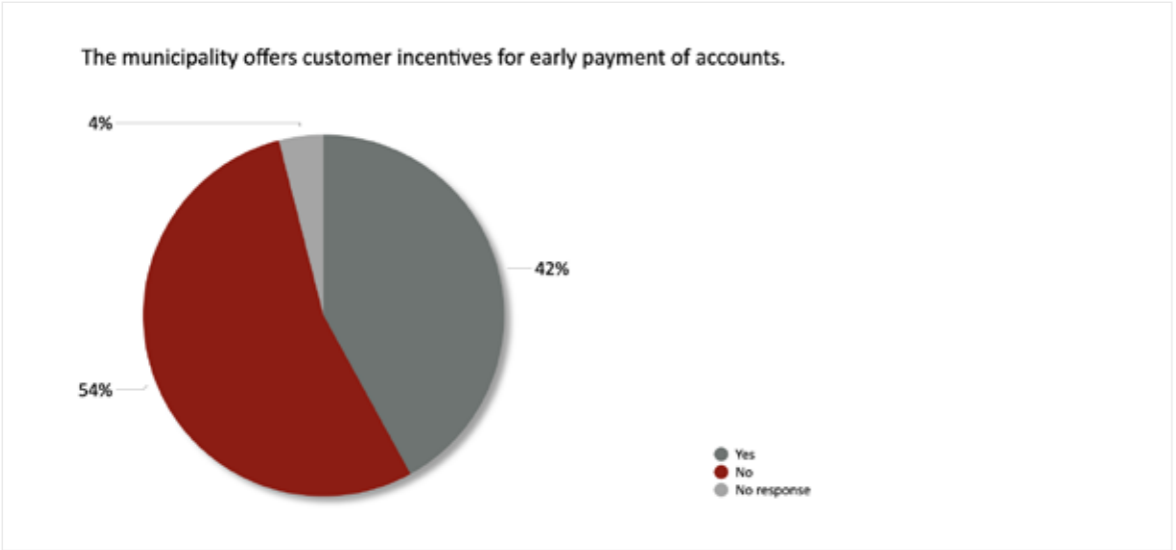The figure below presents the results as to whether any municipalities do offer any incentives to their customers.

Figure 37. Response to whether municipalities offer customer incentives for early payment of accounts.

The result from the above figure indicates that 54% of interviewed employees indicated that no incentives were given to municipal customers for early payment of accounts compared to 42% that offered such incentives. Various incentives can be provided by municipalities to encourage the early settlement of accounts.

Incentives encourage early settlement of accounts.

The figure below presents the type of incentives offered by municipalities.

Figure 38. Response to the type of incentives available to customers for early payment of accounts.

According to interviewed municipal employees, discounts were the incentive mostly offered to municipal customers for early payment of accounts (59%). Other incentives such as cashback (19%) and interest waiver or debt write-off were also offered to customers to encourage early payment of accounts. It is assumed that these incentives encourage more municipal customers to settle their accounts. This in turn boosts the revenues of the municipalities.

5.14 Status of municipal vacancy rates

The municipality's ability to effectively collect revenues is partly dependent on its existing workforce and level of competency in managing the finances. It is therefore imperative that municipalities ensure that skilled staff is retained whilst ensuring that all key positions are occupied by competent staff. The Municipal Systems Act (Act No. 32 of 2000) gives authority to the municipality to develop and adopt policies and strategies regarding human resources. It is also worth stating that municipalities must adopt internal policies and strategies which speak to, among others, creating a positive work environment and retaining high-performance workers.

The figure 39 shows that all provinces had an average vacancy rate of less than 20%. In essence, a lower vacancy rate together with a skilled internal workforce translates into effective revenue collection and management.
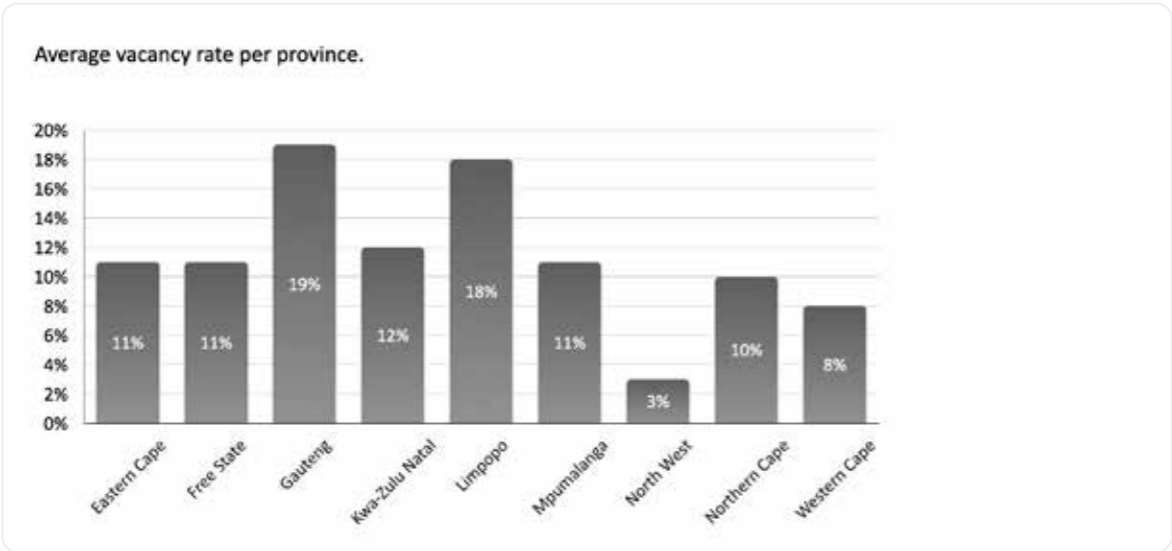
Figure 39. Average vacancy rate per province.

The above figure suggests that in general, vacancy rates are low in each province. However, a clear picture emerges when examining some municipalities considered hotspots for service delivery protests as depicted in the figure below.
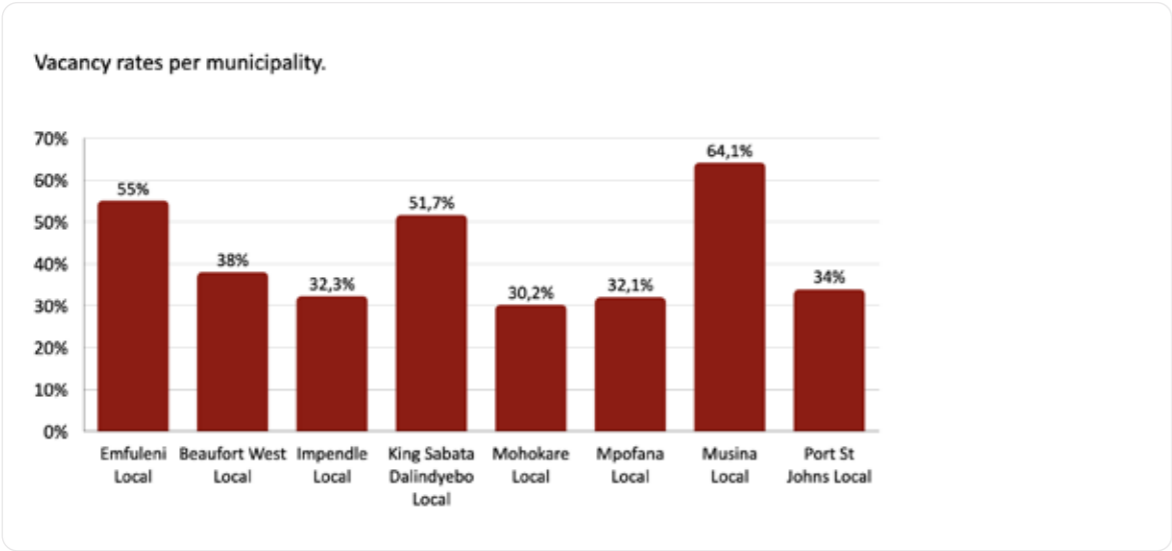

Figure 40. Vacancy rates of selected municipalities. Source: Municipal Money. 2021.

Musina Local Municipality in Limpopo Province had the highest vacancy rates at 64%, followed by Emfuleni Local Municipality in Gauteng Province at 55%. These two municipalities are among the worst regarding service delivery. Emfuleni Local Municipality currently owes over R1 billion to its creditors, particularly Rand Water, with its constituents also battling poor service delivery for a long time now. As a result, the provincial government has sent resources to help improve the situation.
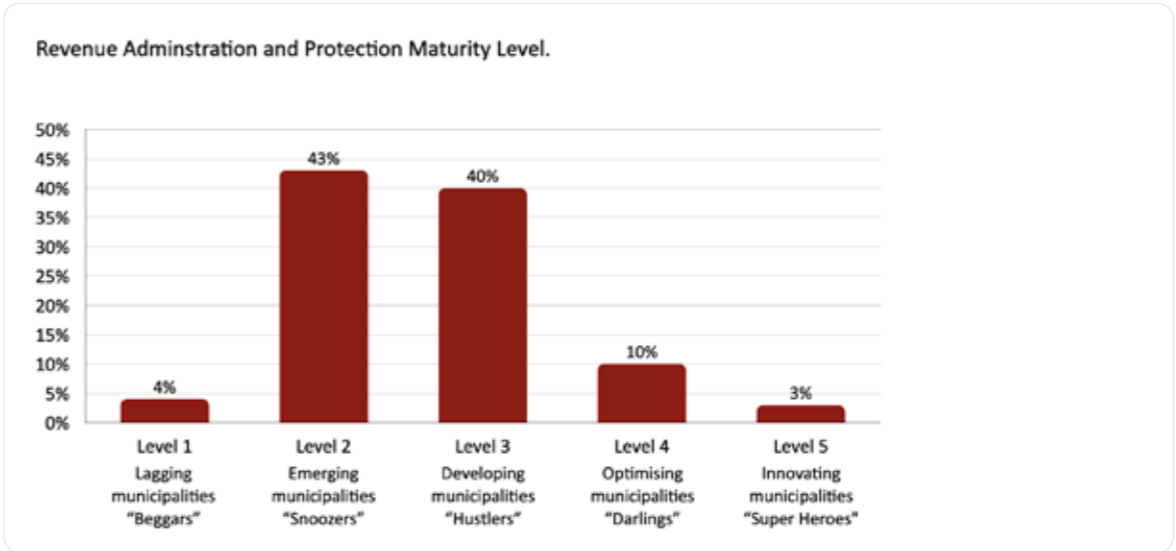

Figure 41. Average Revenue Administration and Protection Maturity Level.

The figure above clearly shows that 4 out of every 10 municipalities were categorised as emerging municipalities and developing municipalities. An explanation for the current situation is that some municipalities have not been able to attain their revenue targets because of the COVID-19 pandemic which has negatively impacted service provision and has also affected their revenues.

Covid negatively impacted on service provision and revenues.

This section has shown that COVID-19 has, to some extent impacted municipal revenues, which may be why they may not be able to reach their revenue targets. This suggests that most municipalities will have a shortfall in their finances which would negatively impact their ability to plan for services to be rendered. The use of electronic communication method was the preferred method used by customers to pay their bills. However, most municipalities did not offer customer incentives.

REVENUE DATA SCIENCE

6. REVENUE DATA SCIENCE

Data Analytics are becoming more critical for organisations private and public, to fully understand information related to their core businesses. Municipalities that use Data Analytics are better positioned to understand their customers' spending habits. A 2019 survey illustrated that the use of Revenue Data Analytics was still very low. Only a third of the interviewed municipal officials indicated that they made use of various systems to provide more insight into their data. As a result of the low use of Data Analytics, all but two provinces did not achieve the desired 95% collection rate.

6.1 The current Status Quo

For the sake of transparency related to service delivery, municipalities can provide the opportunity for their customers to submit meter readings for some of the services they receive. Water and Electricity are among the services that customers can be allowed to provide the meter readings to the municipal officials. The figure below presents those municipalities that do provide this opportunity. This is confirmed by the municipal customers.
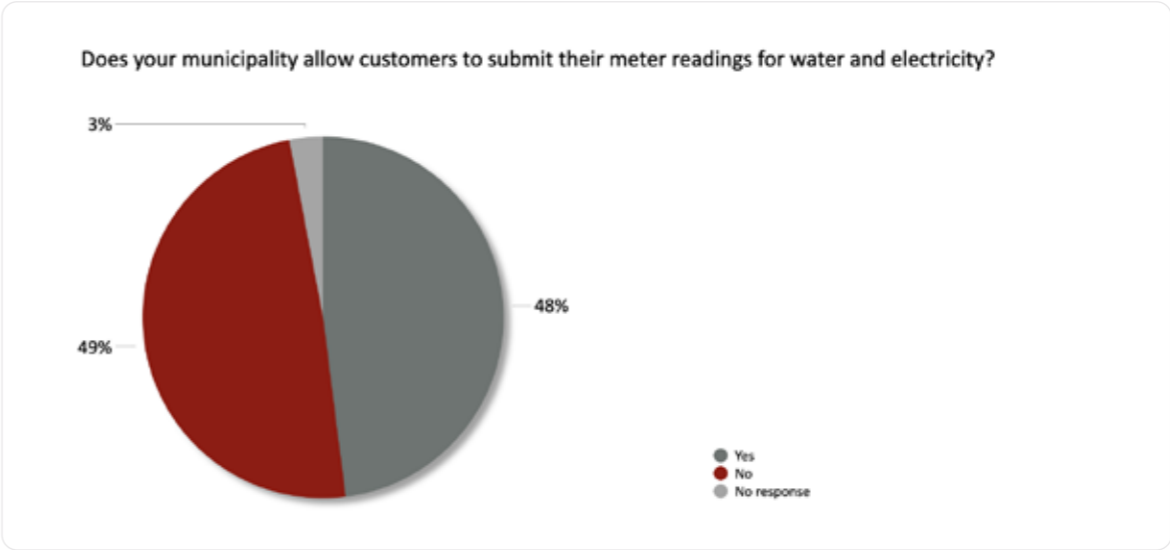

Figure 42a. **Response to whether municipalities allow customers to submit their meter readings for water and electricity.**

The above figure shows that most interviewed municipal employees and particular customers indicated that they did not allow meter readings for water and electricity to be submitted. An opportunity is lost here by these municipalities because their clients will always question the bills received for these services.

In the same vein, the figure below shows that most customers were not allowed to submit their meter readings for water and electricity. Most customer respondents indicated that they were not allowed to submit their meter readings for electricity and water. In essence, municipalities did not allow customers to submit their meter readings.
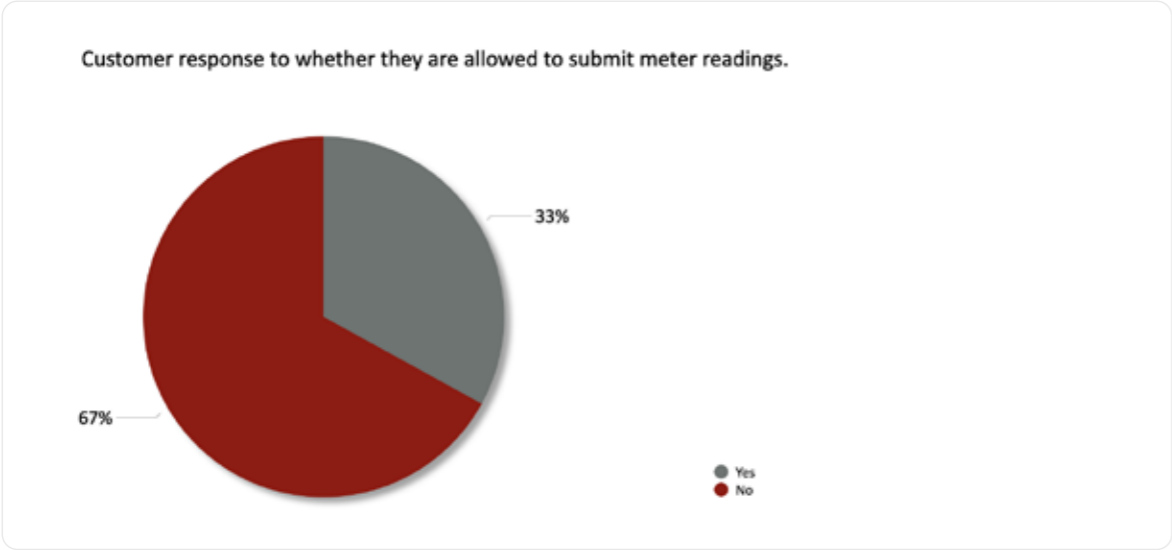
Figure 42b. Response to whether municipalities allow customers to submit their meter readings for water and electricity

Among those municipalities that did offer this opportunity, various methods were used by the customers. From the municipalities' perspective, the figure below presents the top three methods used by customers to submit their meter readings.
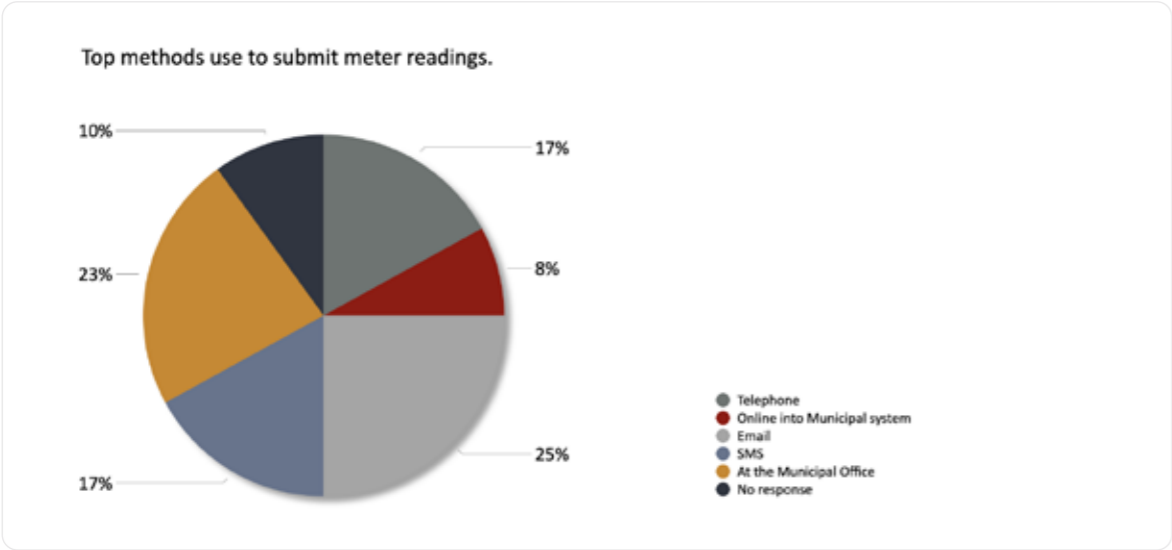

Figure 43. Response to top methods used to submit meter readings by customers.

The above figure shows that according to interviewed municipal employees, Emails, Telephones, and SMSes were the most preferred methods used for the submission of readings by customers.
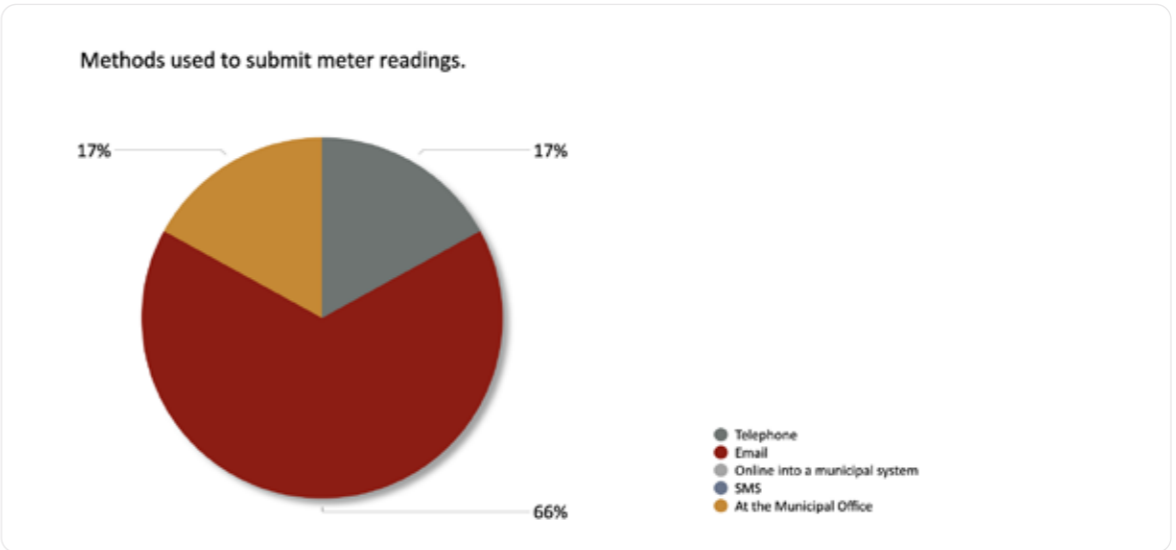

Figure 44. Response to methods used by customers to submit their meter readings.

Of the interviewed municipal customers' perspectives, 66% indicated that they submitted their water and electricity meter readings through emails. Only 17% used the telephone and/or physically submitted their meter readings to the municipal office.

From the above figures (43 and 44), the most common methods used for receiving and/or submitting meter readings were the telephone and municipal office walk-ins. However, with the Covid-19 restrictions that limit physical movements and face-to-face contacts, municipal officials must encourage their clientele to use SMS, emails, and online portals.

The use of advanced Data Analytics provides the user with the advantage of fully understanding their clients' spending habits. The figure below presents municipal responses regarding whether advanced Data Analytics was used. Most of the interviewed municipal employees indicated that advanced Data Analytics was not used to better understand customer payment trends, compared to the 40% that did deploy its use. It is plausible that the importance of using advanced Data Analytics to enhance municipal revenues through understanding customer behaviour is yet to be fully understood by municipalities.
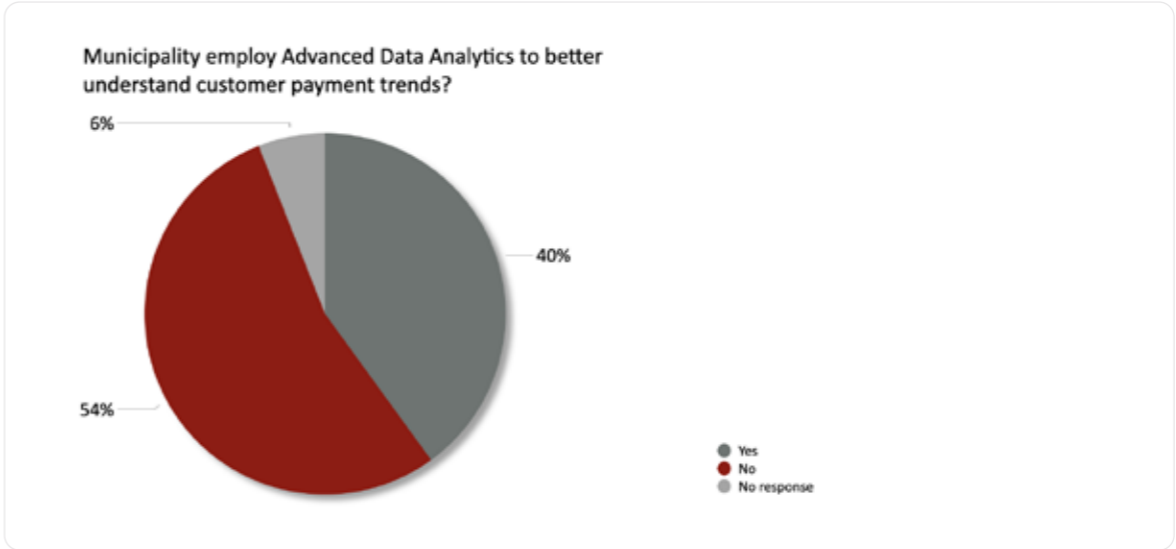
Figure 45. Responses to the use of Advanced Data Analytics.

Among those municipalities that used Data Analytics, there were varying degrees of how long Data Analytics had been used to gain meaningful insights into customer data. This is presented in the figure below. Most interviewed municipal employees indicated that they had been using Data Analytics for more than 5 years (43%), followed by those respondents who indicated that they had been using Data Analytics for between 1 and 3 years at 32%. The results generally suggest that these municipalities can gauge the revenue performance of the various services offered, as well as project future revenues based on the current spending trends of their constituents.
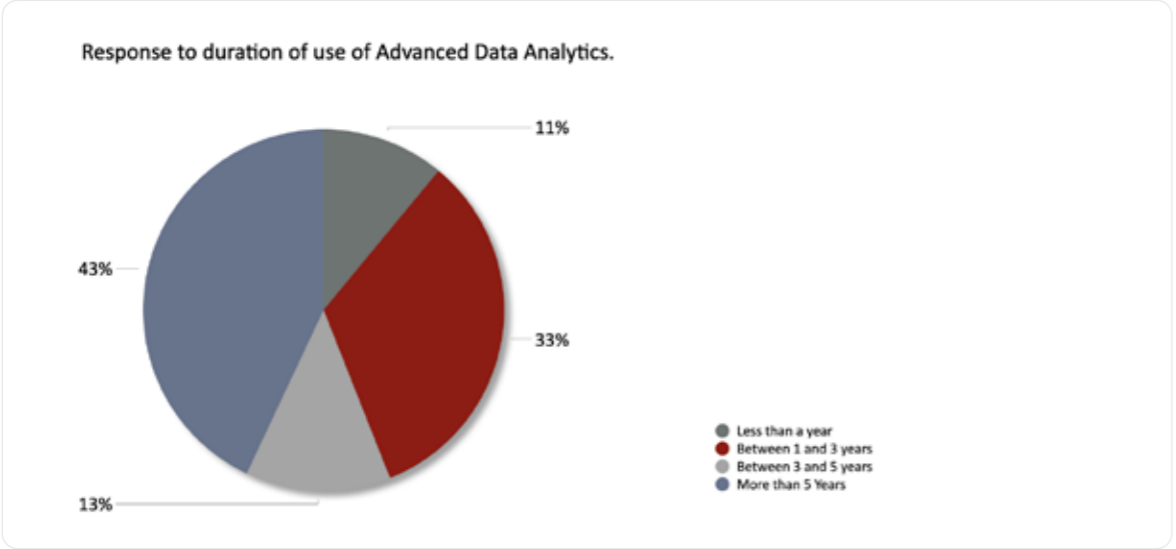

Response to duration of use of Advanced Data Analytics.

- Less than a year
- Between 1 and 3 years
- Between 3 and 5 years
- More than 5 Years

Figure 46. Duration of use of Advanced Data Analytics.

The overall results indicate that there is an urgent need for all municipalities to adopt Data Analytics as these aid in maximising revenues from the customers. Similarly, the use of appropriate tools that are easily understandable in terms of their applications may be the difference between collecting all revenues accrued or fewer revenues.

The above figure shows that according to interviewed municipal employees, Emails, Telephones, and SMSes were the most preferred methods used for the submission of readings by customers. The figure below depicts the various analytical tools used by the municipalities to assist in understanding consumer data.
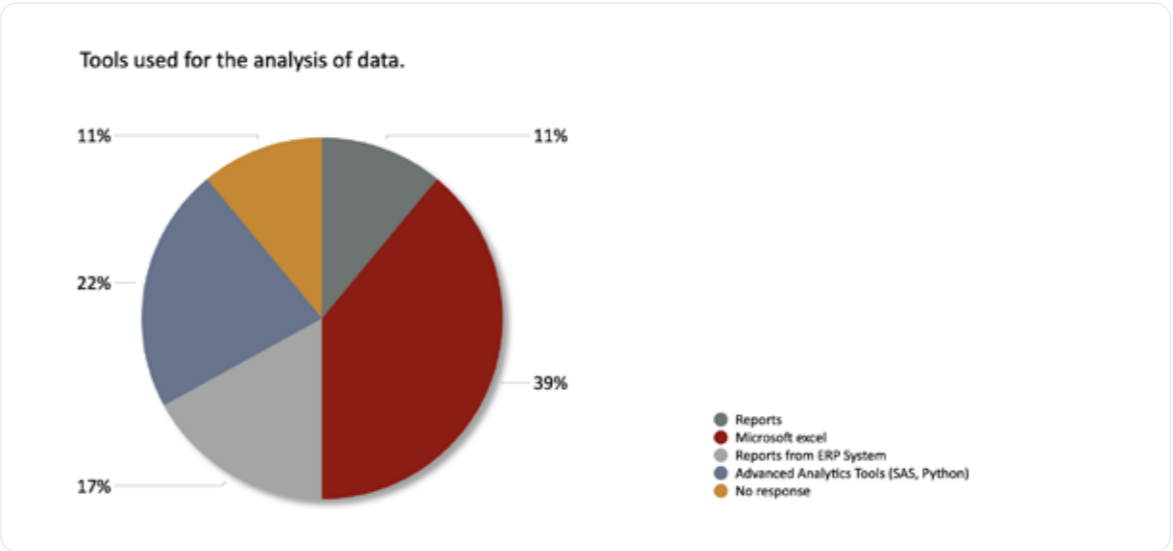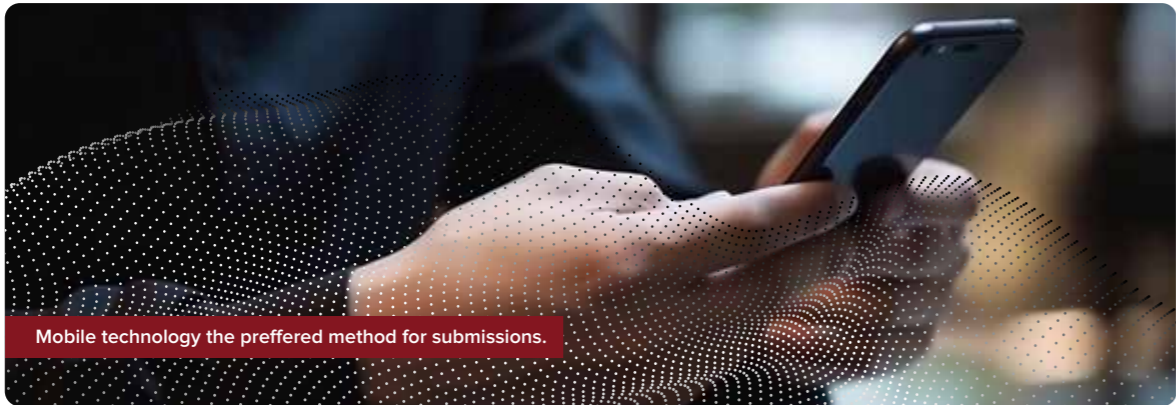

Mobile technology the preffered method for submissions.

Tools used for the analysis of data.

- Reports
- Microsoft excel
- Reports from ERP System
- Advanced Analytics Tools (SAS, Python)
- No response

Figure 47. Various analytical tools used by municipalities.

Most municipal respondents indicated that they used Microsoft Excel to analyse their data, followed by 22% of respondents who indicated that they used Advanced Analytics such as SAS. The Microsoft Excel tool is easily accessible as it comes together with other Microsoft applications, such as Word, that are used for day-to-day work-related activities.

A customer portal provides an opportunity for municipalities to improve their relationship with their constituents. It easily fosters customer engagement between customers and municipal officials, particularly on how best to monitor services and encourage payment of bills for services rendered. A comparison was done to examine responses from customer and employee respondents on whether a customer portal is offered to assist monitor services.
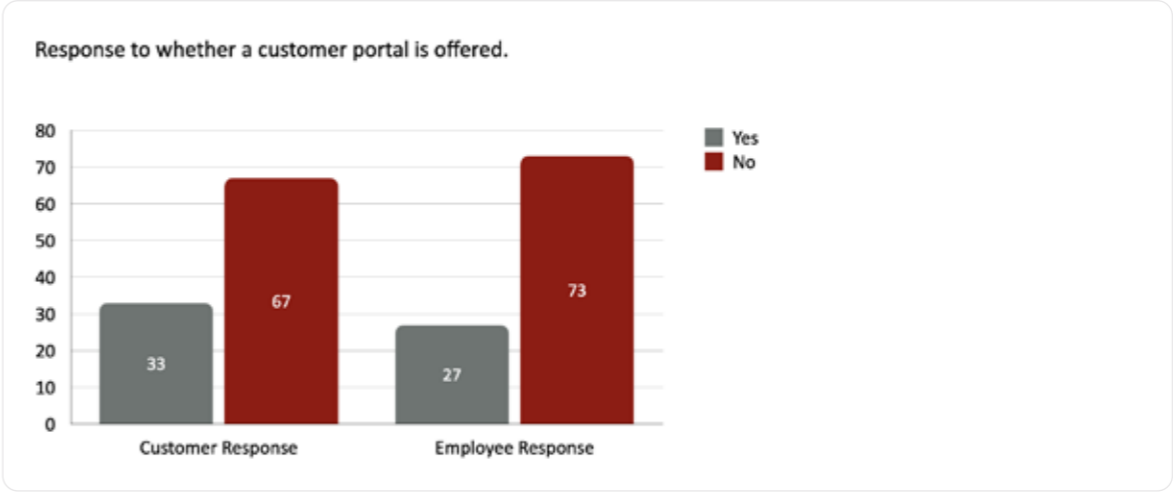

Response to whether a customer portal is offered.

- Yes
- No

Figure 48. Responses to whether a customer portal is offered by municipalities.

The above results clearly show that the use of customer portals as a tool to monitor services used is not yet a common feature in municipalities, as 67% of customer respondents and 73% of employee respondents respectively, indicated that customer portals were not yet offered by municipalities. As a result, customers become reluctant to pay for services as they are not sure whether invoices received from the municipality are a true reflection of the services used.

Urgent consideration is needed for more municipalities to provide customer portals to their constituents as it would enable much transparency on how services are utilised. It also allows for greater access to information related to service delivery and allows municipalities to analyse customer behavior, which inform their strategies.
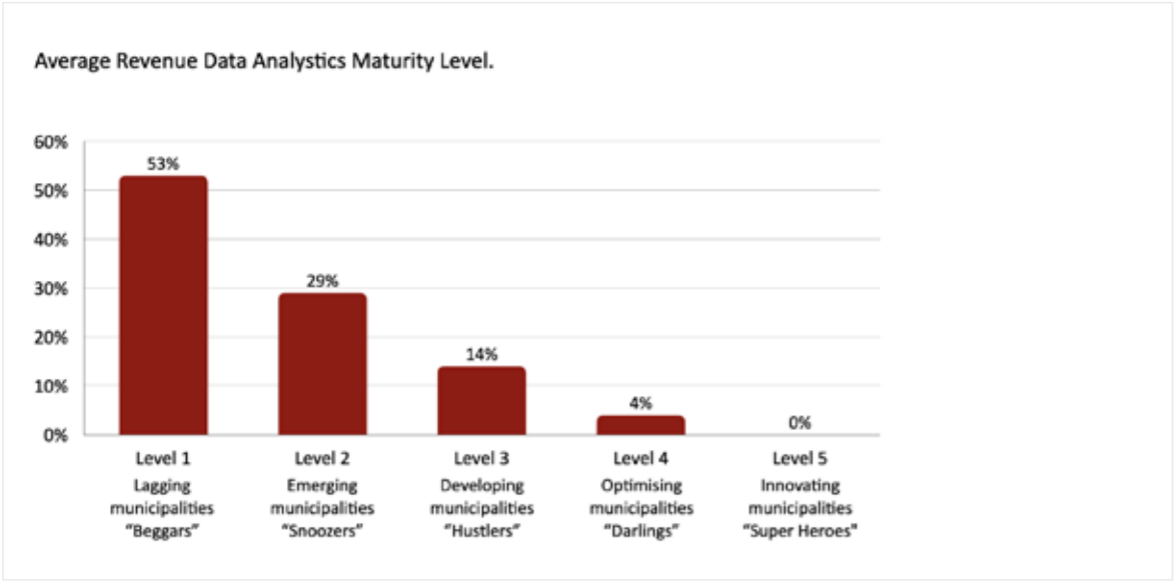

Figure 49. Average Revenue Data Analytics Maturity Level.

The figure above shows that most municipalities are categorised as "Beggars" or lagging municipalities as far as the use of Data Analytics is concerned. This is a clear indication that the use of Data Analytics to understand customer behaviour is still very low, which made it difficult for municipalities to enhance their revenues from, among others, understanding different customer spending habits; While those municipalities categorised as "Hustlers" may not be consistent in their use of Data Analytics to understand their constituents' spending habits.

Municipalities need Data to understand spending habits.

This section has shown that customers still submitted their meter readings to the municipality. This was confirmed by municipal employees' responses. Conversely, emails were the most popular method of submitting the meter readings. Unfortunately, 5 out of 10 respondents indicated that they did not use Data Analytics. Those that used Data Analytics mostly used Excel to analyse their data. Finally, no portal was offered to enable customers to monitor their services.

CUSTOMER CENTRICITY

7. CUSTOMER CENTRICITY

Organisations that are customer-centric take vital steps to understand customer behaviour and use the information to create a philosophy that will give employees of that organisation the ability to make informed decisions for both the organisation and its customers. In the same vein, municipalities must have in place customer management strategies that would provide clear guidance on methods of communication with their customers. A review of current local municipalities indicated that no clear customer management strategy was in place. Those that did have them were not adequate.

As previously alluded to, Customer Centricity is not a one-ff strategy. It is an approach considered as part and parcel of any organisation's daily operations whereby management seeks to constantly improve its engagement with its customers. Therefore, municipalities must consider Customer Centricity as fundamental to their core operations.

7.1 The current Status Quo

One of the key elements of a customer relationship management strategy is to form long-lasting beneficial relationships with clients. Those municipalities with a customer relationship management strategy recognise the importance of communicating to their customers and ensuring that their needs are catered for. Having a customer relationship management strategy is about building long-lasting relationships whereby municipalities quickly respond to the service needs of the local communities, whilst the local communities pay for the services received. It also means that local communities partake in the development of their areas since they provide their inputs on local economic development initiatives.
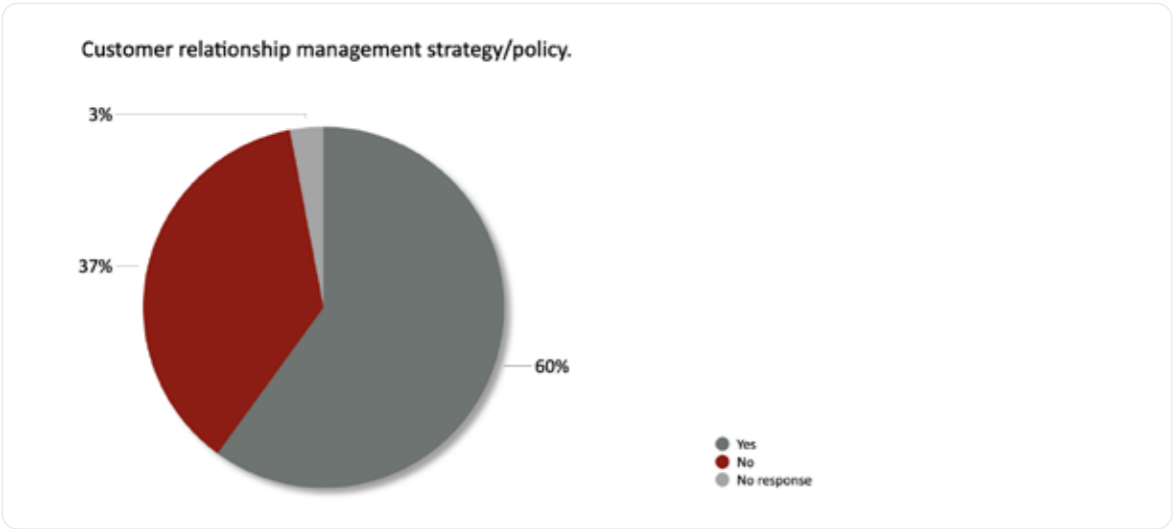

Figure 50. Response to having customer relationship management strategy/policy.

The figure above shows that 61% of municipal employees indicated that their municipalities had customer relationship management strategies, compared to 37% who had none. However, having a customer relationship management strategy is highly dependent on whether it is properly implemented. Having a customer relationship management strategy also ensures that municipalities keep updated records of their customers. This also enhances revenue collection as the municipality examines whether its constituents are growing or decreasing through the number of new customers recorded.

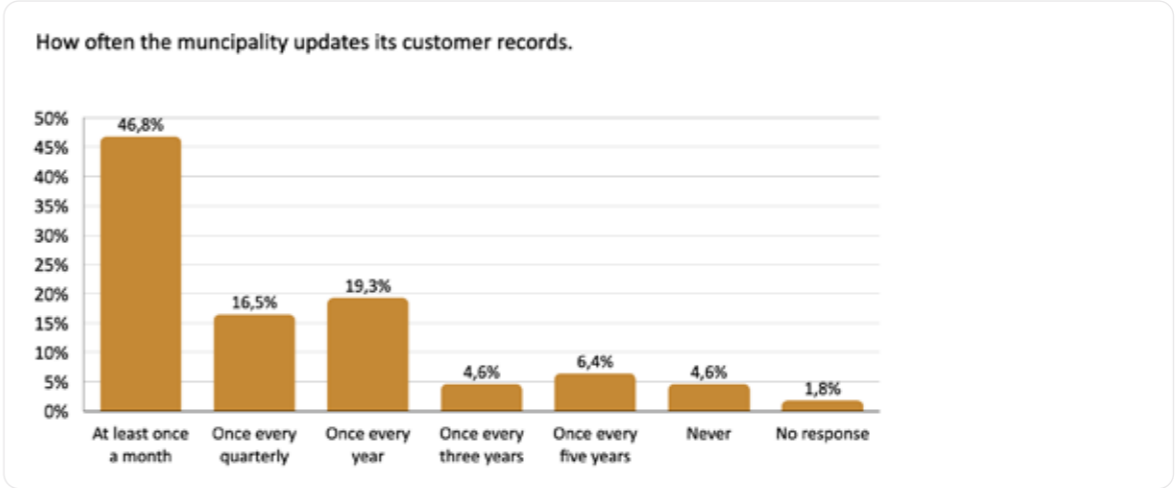The figure below looks at whether municipalities update their customer records.

Figure 51. Response to whether the municipality updates its customer records.

The figure above shows that most interviewed employees indicated that they updated their customer records at least once a month at 46.8%, compared to 4.6% of interviewed employees who never updated their customer records. Updating customer records ensures that municipal officials are speaking to the right customer and that all details of their customers are current, which translates to sending the correct mail to the correct physical address. It also ensures that municipalities are applying the billing of the correct Rates and Taxes to their customers, using updated records.

7.2 New Customer Incentives

The concept of Customer Centricity will be beneficial to municipal officials when they understand that customers are different when it comes to their needs. Therefore, leading organisations have taken cognisance of the fact that customers are different, which, therefore, warrants formulating different services. However, municipal officials must review the current customer services and, where possible, find ways of better serving them. This includes finding ways to encourage its customers to pay their accounts on time. The rationale for the provision of incentives allows municipalities to receive their revenues on time. This allows municipalities to pay their creditors on time.

7.3 Municipal Services and Interruptions

Municipalities are always striving to improve their services to their constituents. This includes reducing service delivery interruptions as well as ensuring that services provided are executed effectively and efficiently. This means also reducing service times at the municipal service centres.

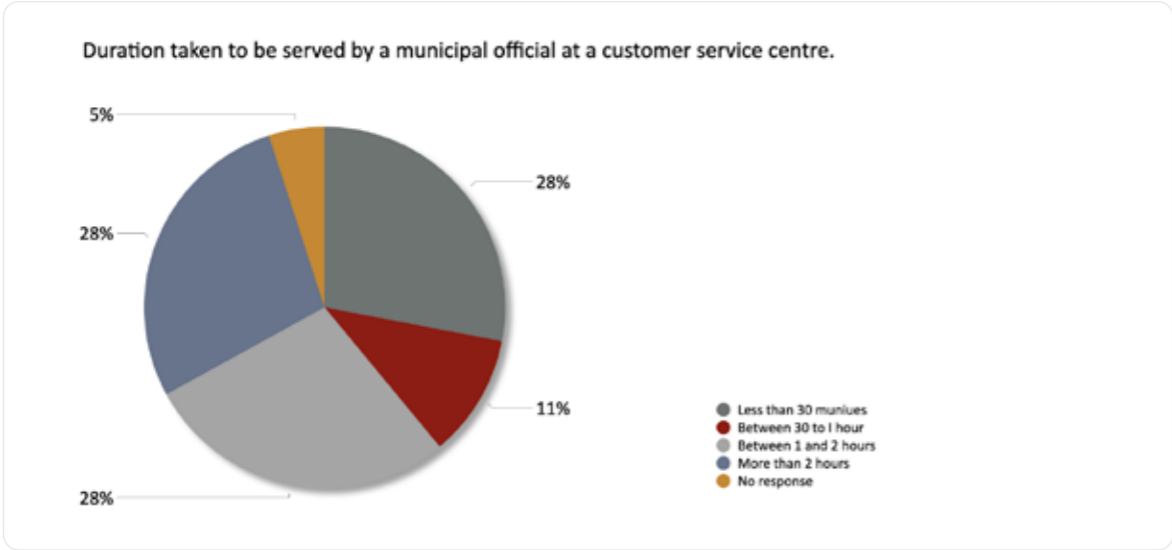The figure below shows the duration taken for customers to be served by a municipal official.

Figure 52. Response to duration taken to be served by a municipal official at a customer service centre.

The above figure shows that most interviewed municipal customers indicated that it took more than 2 hours and between 1 and 2 hours to be served by a municipal official at the customer service centre. The results suggest that 6 out of 10 municipal customers were served within 30 minutes or more by the municipal officials. The current status quo is not ideal, especially for most customers who may want to be served in the shortest time possible. This is reflected by the figure below, which confirms the need for municipalities to provide quicker and possibly more efficient ways of serving their customers.
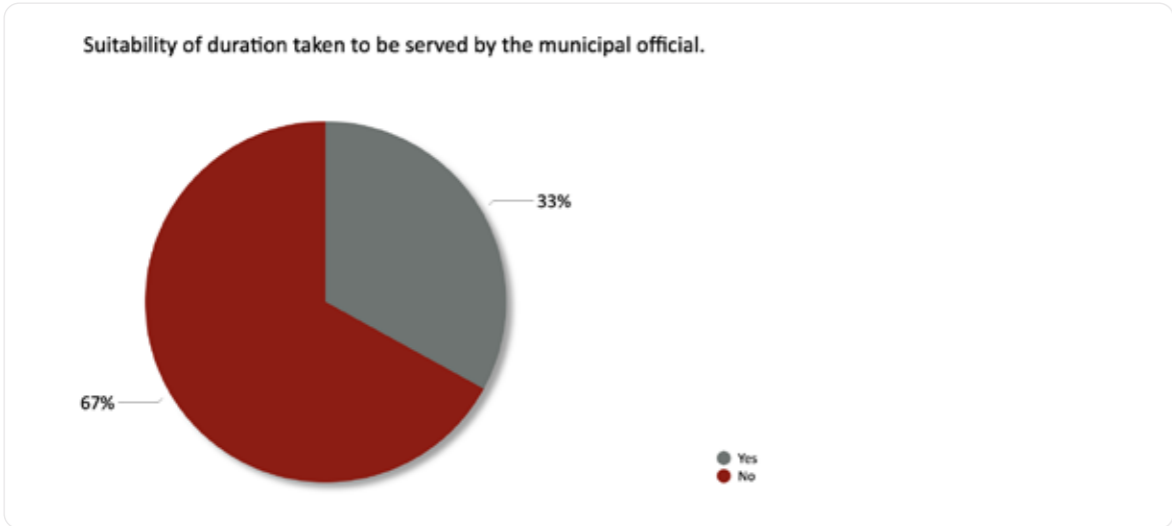

Figure 53. Response to whether duration to be served by a municipal official was suitable.

The above figure shows that 67% of interviewed municipal customers found that the waiting period before being served by a municipal official was not ideal for them, compared to the 33% that found the waiting period ideal for them. To negate the long waiting periods. municipalities could resort to providing personalised services to their municipal customers which would ultimately also enable other individual needs of the customer to be taken care of.
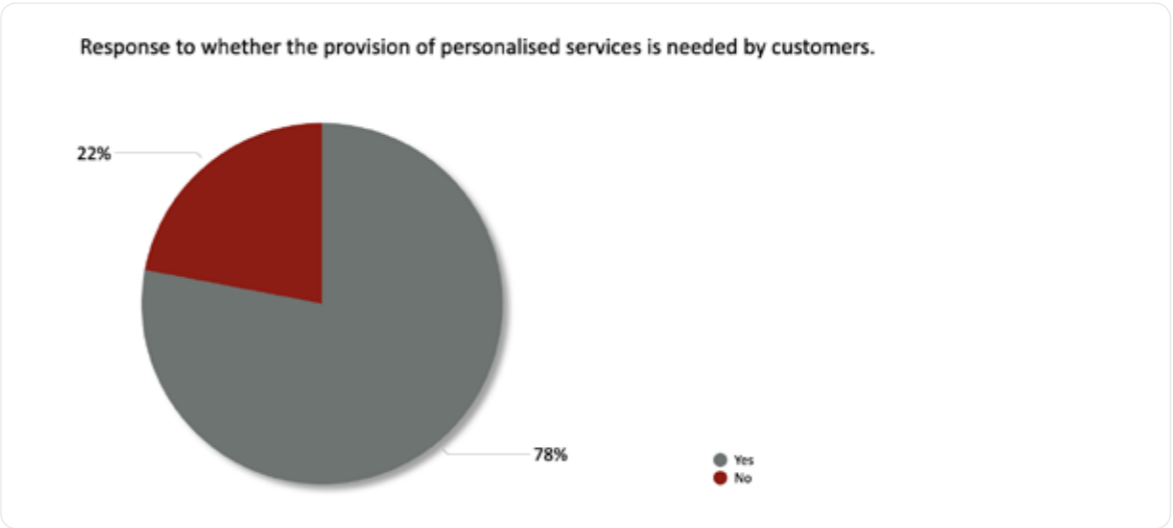

Figure 54. Response to whether the municipality should provide personalised services.

The figure above shows that 78% of interviewed municipal customers indicated that they would want the municipality to provide personalised services, compared to the 22 % that said otherwise. In essence, municipalities must find better ways of serving their customers. This may mean providing more service points in addition to personalised services to those that require them.
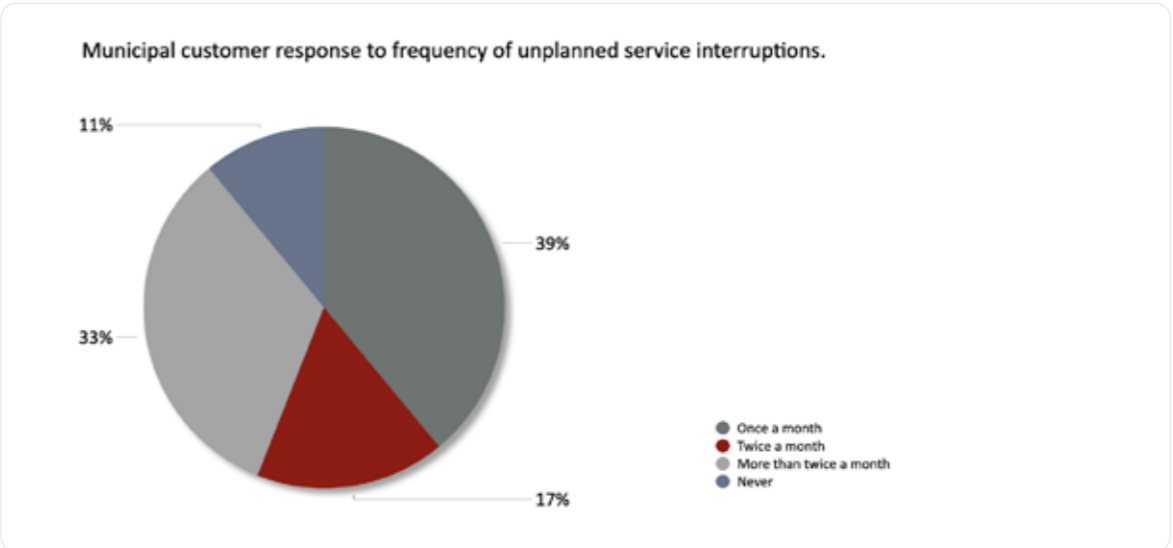

Figure 55. Customer Response to the frequency of unplanned service interruptions.

The figure above shows that most interviewed municipal customers indicated that unplanned service interruptions took place once a month (39%), followed by the 33% who indicated that unplanned service interruptions took place more than twice a month. In general, at least 8 out of 10 customers had unplanned service interruptions once a month. Depending on the frequency, unplanned service interruptions may harm local economies. For instance, unplanned water and electricity interruptions mean businesses such as restaurants and manufacturing houses that heavily rely on these services lose revenues due to loss of productivity. Therefore, municipalities must have mechanisms in place to swiftly deal with any unplanned service interruptions. Such mechanisms must also include how quickly they respond to serviced delivery queries lodged by customers.
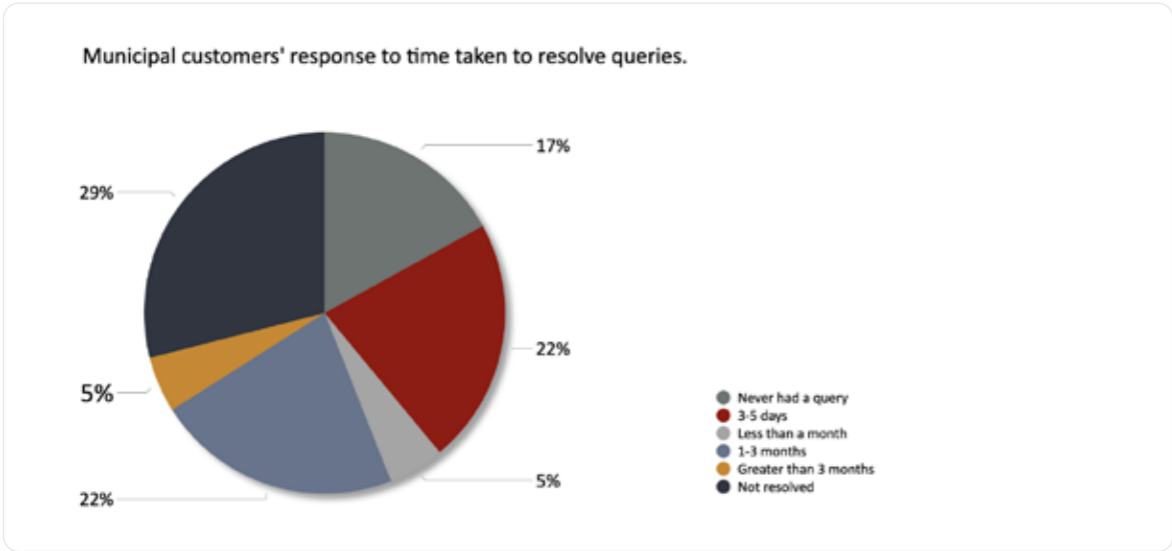
Figure 56. Customers' response to the time taken to resolve queries.

The figure above shows that most interviewed customers indicated that their queries had not been resolved (28%), followed by those who indicated that their queries were resolved within 1 – 3 months, and 3 – 5 days respectively, at 22%.

This is an unfortunate situation and very detrimental to those municipalities that fail to resolve customer queries timorously. Similarly, the figure below presents interviewed municipal employee responses regarding the time taken to resolve customer invoice queries.
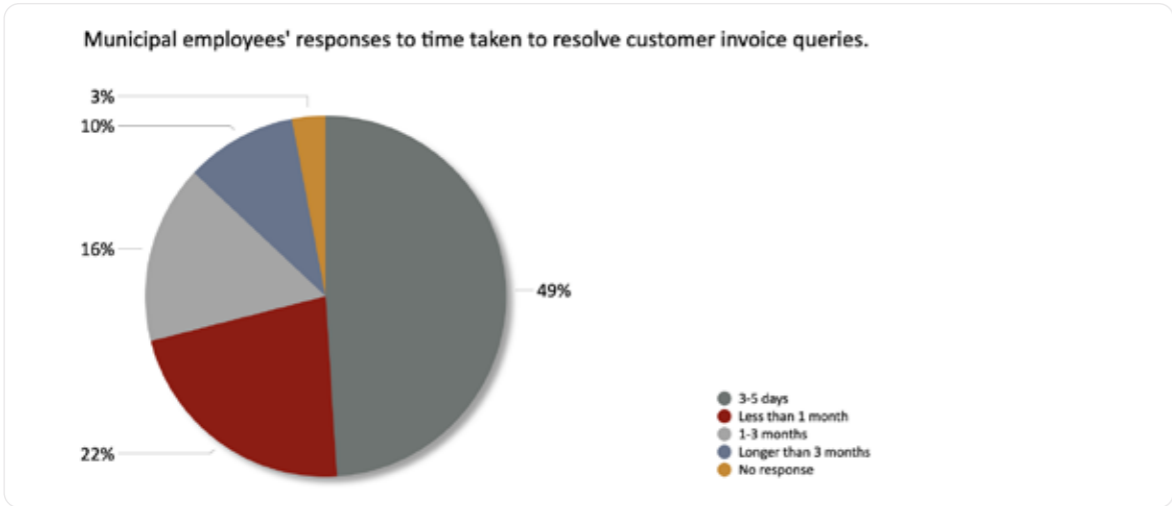

Figure 57. Municipal employees' response to the time taken to resolve customer invoice queries.

The figure above shows that half of the interviewed municipal employees (50%), indicated that it took 3 – 5 days to resolve customer invoice queries, followed by the 22.5 % that said it took less than a month to resolve customer invoice queries. The above figures (55 and 56) show sharp contrasts regarding the time taken to resolve queries. Whilst municipal employees may provide a positive view, constant communication must be maintained with customers to establish if queries have been resolved effectively.
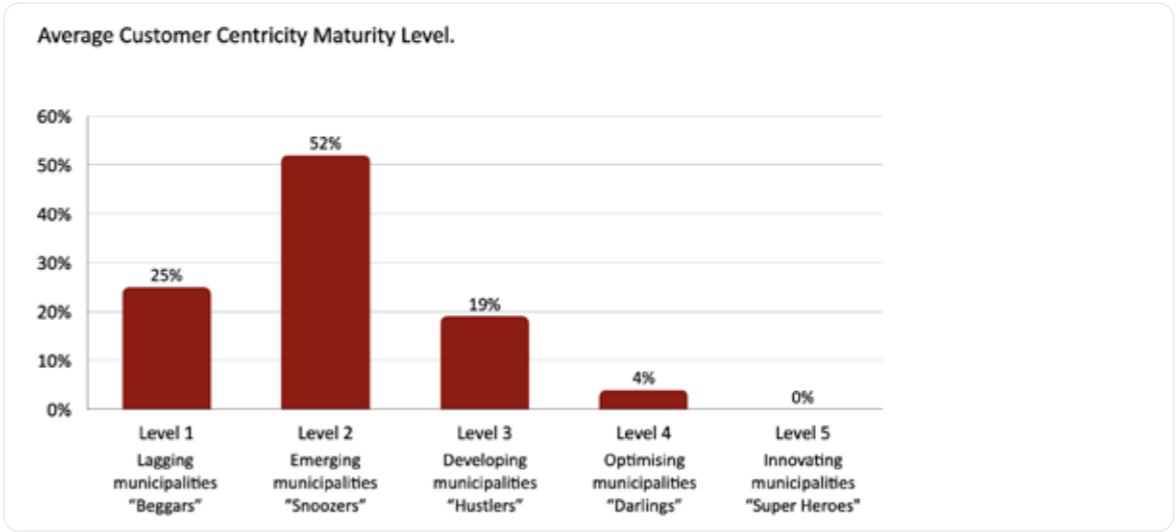

Figure 58. Average Customer Centricity Maturity Level.

The figure above shows that most municipalities were categorised as Snoozers or emerging municipalities at 52%. It is highly plausible that municipalities do not make enough effort to fully interact with their customers on matters related to service delivery.

As previously seen from the Data Analytics section, most municipalities are yet to consistently use Data Analytics to fully understand customer spending behaviour, thus, not using the results to inform their revenue enhancement strategies. It is also possible that Customer Relationship Management strategies are not implemented to understand customer behaviour and segmentation.

Municipalities must interact with customers.
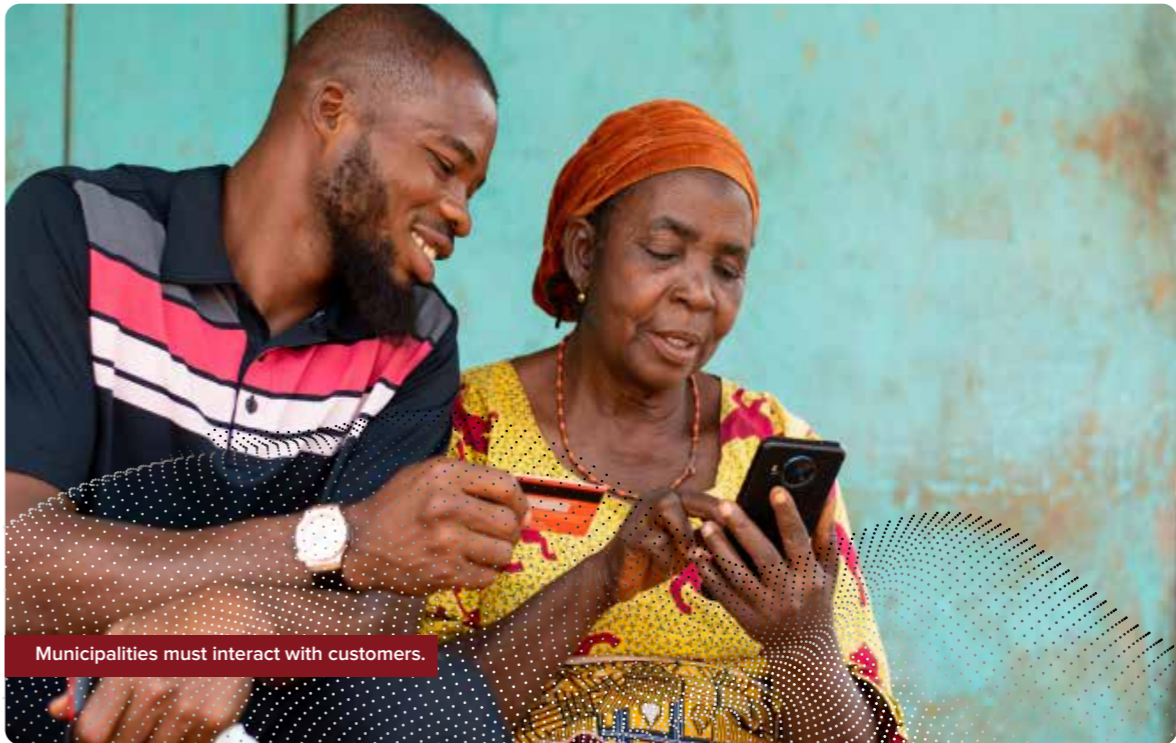
8. KEY INSIGHTS

This year's overall maturity level results indicate that no municipality is under level 4, compared to the 2019/2020 and 2018/19 periods. Conversely, there has been an increase in municipalities that were categorised under level 1. Such municipalities are termed Lagging Municipalities.

The city of Cape Town was the only metro with over 100% debtors' collection rate, while Alfred Nzo District Municipality in the Eastern Cape was the only district municipality with a 90% debtors' collection rate. Among the local municipalities, Beaufort West and Big 5 Hlabisa had 100% debtor's collection rates.

It is worth noting that most municipalities were considering revenue-enhancing, large-scale projects such as Construction and Bulk Water services. This, in the long run, will boost municipal revenues from services rendered, as well as provide employment opportunities for local communities.

Electronic Transfer was the most common method of payment for services, which enabled the minimisation of long queues at municipal offices.

COVID-19 has negatively impacted the collection of municipality revenues, with some bound to lose up to 50% of their municipal revenues. This will be detrimental to municipalities' ability to meet their payment obligations and budgets for service delivery. Services most affected by the pandemic were Waste Collection as well as Infrastructure Development and Maintenance.

Similarly, the pandemic has also affected customers' ability to pay their accounts, which will impact municipalities' incomes. The loss of jobs because of the pandemic may have led to customers' inability to pay for their services. As a result of job losses, the number of indigents has increased in most municipalities, by between 1000 to 5000 households.

It is worth noting that the pandemic has not significantly led to staff or contractor lay-offs by the municipalities, with less than 5% of staff having been laid-off by only some municipalities.

To cater for disasters such as the current pandemic, strategies have been developed by most municipalities to mitigate challenges because of these disasters.

Municipalities frequently communicated with their customers through bulk SMSes and Emails, particularly regarding payment of their accounts, with customers mostly making these payments using cards, cash, and electronic transfers. This allowed customers the option to pay for their accounts using the most convenient way.

It is also worth noting that between 90% to 100% of accounts were billed consistently, suggesting that efforts were being made to ensure that revenues were collected timorously.

Most municipalities do not offer customer incentives for early payment of accounts, which may be detrimental to municipalities' ability to meet their payment obligations. However, those that did provide incentives mostly offered discounts for services.

In general, most municipalities had low vacancy rates. This is critical in equipping municipalities to enable billing and collection of revenues. However, Emfuleni, King Sabata, and Musina still had 50% vacancy rates within the revenue departments.

Unfortunately, the use of Data Analytics by municipalities was still very low and those that did use Data Analytics had done so for between 1 to 3 years. Conversely, the use of customer portals to monitor services was not common.

In their attempts to be more efficient and effective, most municipalities tried to ensure that customers were served as quickly as possible, though duration's were still unacceptability long.

Most customers still complained of unplanned service interruptions that happened more than twice a month. However, customer invoice queries took between 3 to 5 days.

9. RECOMMENDATIONS

Below, are the suggested recommendations.

–   Municipalities must take advantage of the benefits of Data Analytics to fully understand customer behaviour. This would enable them to identify potential revenue sources that they could take advantage of.

–   The pandemic has also negatively impacted several other services such as construction projects and the maintenance of infrastructure. Such services are necessary for boosting local economies and providing local employment. The effects of the pandemic may also lead to delayed payment of goods and services, including utilities such as electricity and water resulting from reduced municipal incomes. Therefore, strategies must be developed to cater to future pandemics of this nature.

–   Even though municipalities generally had low vacancy rates, those with high vacancy rates must, as a matter of urgency, fill all positions that would enable proper billing and collection of revenues.

–   To minimise the long hours spent in queues, municipalities must ensure that services rendered to customers are executed quickly. This may mean opting for self-services to customers, where possible, or allowing for extended working hours.

–   Customers must be accorded the opportunity to monitor the services they use. This minimises billing errors in billing by the municipalities, and it also may act as a catalyst for customers to pay for their services on time since they would be able to provide the correct meter readings to the municipality.

...   Finally, the overall maturity scores suggest that in general, municipalities need to improve their overall services, especially in understanding customer behaviour, and in their service provisions to their constituents. Furthermore, practical strategies must be put in place to ensure that revenue collection is not interrupted because of pandemics.

10. CONCLUSION

Municipalities must take advantage of the The current findings show that municipal revenues have been negatively impacted because of the COVID-19 pandemic. Revenue targets set by municipalities have not been reached because of higher unemployment levels and lowered disposable incomes which have led to increased indebtedness of municipalities. Before the pandemic, weak economic growth had already affected the revenue generation of municipalities, especially those that relied heavily on traditional sources of revenue.

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