



# NTIYISO CONSULTING

Premier Innovators in Management Consulting

Date: 21 October 2020

Presented by: Andrew America  
MD: Ntiyiso Revenue Consulting

Topic: How to maintain financial sustainability and  
provide customer relief



Basis of discussion is MFMA Circular  
99 & relief measures available

# Circular 99

Bleak picture for South African Government and particularly Local Government

- Economic growth has been weaker than forecasted and expected to reach 0.9 per cent in 2020.
- 2020/21 revenue to be collected = R1.5 trillion, equates to 29.2 % of GDP
- 2020/21 expenditure projected = R1.95 trillion, equates to 36 % of GDP
- Consolidate budget deficit of R 370.5 billion, or 6.8 % of GDP
- Gross national debts by the end of 2020/21 is projected to be R3.56 trillion, equates to 65.6 % of GDP

Municipalities should ensure they consider the impact of COVID-19 on the economy, adopt realistic and

**funded** 2020/21 MTREF budgets, **collect the debts owed to them** and pay their creditors within 30 days of receipt of invoice.

# Circular 99 Continue

## Less Money for Municipalities 2020/21 as compare to 2019/20

48.2 percent of the nationally raised funds are allocated to national government, 43 percent to provinces and 8.8 percent to local government – **reduction of 9.1 per cent compared to previous year**

Municipalities have extensive powers to raise own revenue  
On aggregate, municipalities & associated entities raises about 70 % of its own revenue

- Municipalities should make every effort to improve collection rates through improved billing and collection practices
- Cannot afford to provide municipal services without recovering the cost of providing these services
- Unrealistic spending plans and underspending of operating & capital budgets



# OLD vs NEW



## INNOVATE

Given the changes that 4IR has brought to South Africa, Municipalities have to adapt quickly and embrace the technologies available to assist in Revenue Recognition and Conversion



## ON TIME

Timely services should be provided when customers engage the municipality either for services or bill queries, reduce all the red tape through dedicated programmes that focus on specific segments of customers e.g. Large Consumer Groups (i.e. Business, Industry, Government etc)



## GOOD SERVICE

Partnerships between municipalities and communities relies on households and businesses recognising the value, and paying for, municipal services.



## GOOD QUALITY

It goes without saying that a customer that can afford to pay, will do so quicker within the current or 30 day period for an accurate bill based on real consumption and is convenient to do so through a platform they prefer to use. More and more digital platforms are utilised due to convenience therefore the walk-in centers requires a review.

# CREATE SUSTAINABILITY

Renew your focus on revenue recognition and collection



## Reduce your Debt Book

- Segment your customers into groups
- Focus efforts as per segmentation e.g. Large Customer Groups higher priority
- Reduce red tape with one stop shop resolution

## Protect your Revenue

- Accurate billing
- Stop revenue leakages in value chain
- Fix-it, Prevent-it, Sustain-it



## Enhance Revenue

- Identify new streams of revenue e.g. additional taxes unique to your city
- Energy generation by municipalities renewable energy e.g. waste to energy, solar & wind



## Customer Centricity

- Create platforms to improve collections due to convenience
- Create communication platforms to better engage citizens on matters on the ground

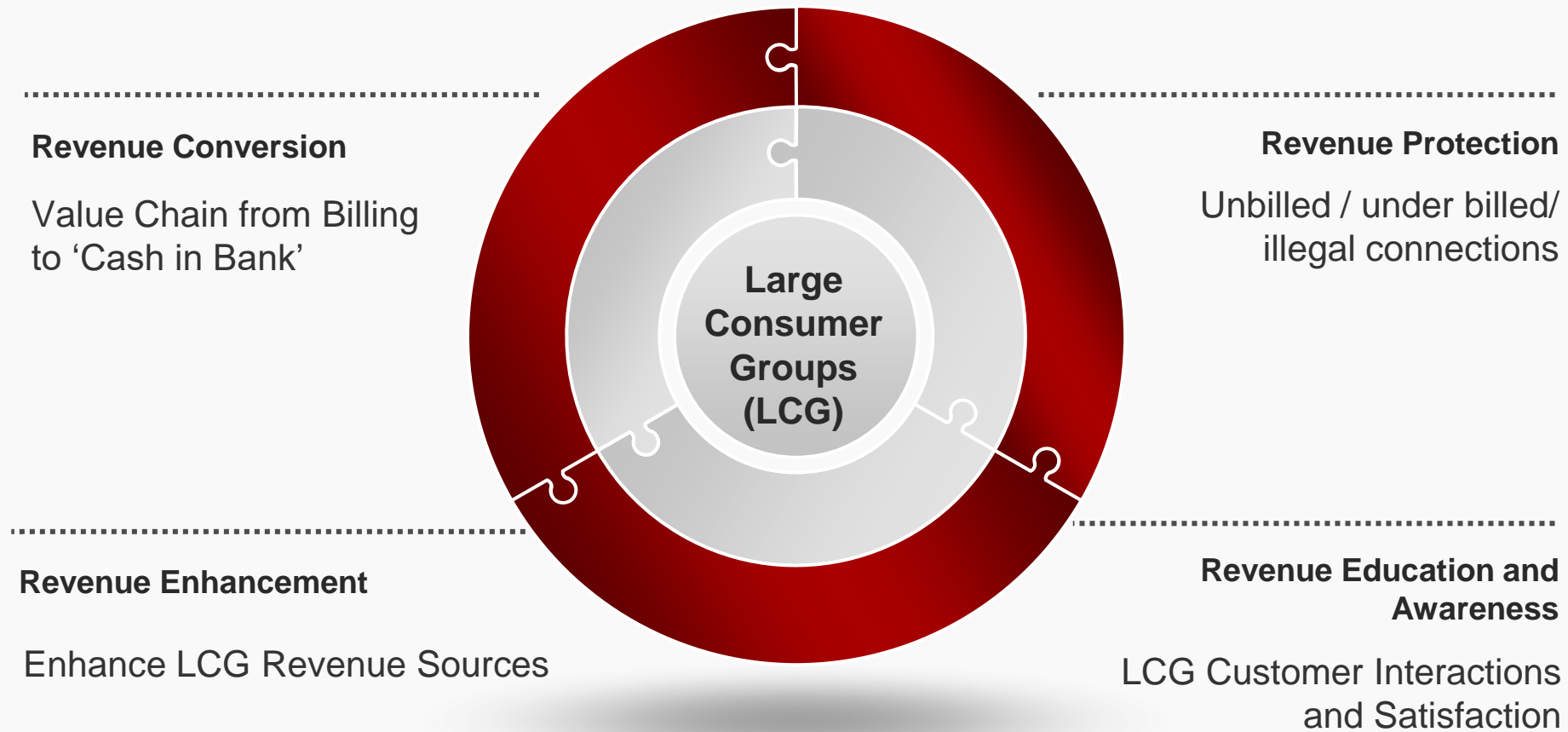


## Resource Management

- Diligent Indigent Management
- Ensure effective water management and resilience to drought
- Ensure effective energy management

## Customer Segmentation: Large Consumer Groups

*“While government subsidies municipal services for low-income households, these services are only sustainable if customer who can afford them and use larger quantities thereof pay their bills.”*



---

# Provide customer relief

---

Partnering with the customer, out with the Old, in with the New!

**All municipalities should at least consider providing customer relief to its citizens with the following desired outcomes as set objectives**

- Provide financial relief to those in dire need
- Limit the risk of disrupting the customer payment disciplines
- Limit the risk of increasing unrecoverable debt in the future
- Limit the requirement of additional external borrowings, due to low cash flows
- Keep the costs of debt funding low
- Keep administrative complexity low



# Incentive Summary

Incentives to be considered by the municipalities

**All municipalities should do an internal revenue and debt review** and consider all possible scenarios before embarking on the proposed schemes. The below only represents an example of one such scheme

**Option 01** – Payment Holiday, is for customers that are up to date, but cannot continue to make full payments

**Option 02** – Customers in arrears (< 12 months)

**Option 03** – Customers in arrears (> 12 months)

**Option 04** – Customers that are up to date and can continue payments

**Option 05** – Customers that can pay in advance

**Option 01** – Pay between 20% and 80% of current debt balance for 2 to 6 months and allow 3 months to catch up with no interest

**Option 02** – Pay full outstanding capital balance once-off or within 6 months and qualify to have 8% credit and up to 100% interest write off

**Option 03** – Pay full outstanding capital balance and get 100% of interest reversed

**Option 04** – Encourage to continue paying for a period and qualify for 15% credit on their properties rates

**Option 05** – Pay in advance for a period and get 30% credit on property rates for the same period

---

# CONCLUSION

---

## Definition of sustainable municipalities



An organisation's capacity to obtain revenues in response to a demand in order to sustain productive processes at a steady or growing rate to produce results and create an economy.

# THANK YOU



## QUESTIONS

# CONTACT US

## ADDRESS

Unit 9,  
Mezzanine Berkley Office Park,  
8 Bauhinia Street,  
Highveld Technopark  
Johannesburg

## PHONE & WEB

T: +27 12 940 54 35  
F: +27 12 940 54 36  
C: +27 79 804 6136

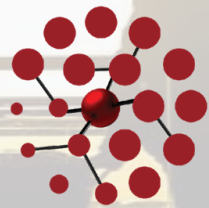
[www.ntiyisoconsulting.co.za](http://www.ntiyisoconsulting.co.za)

## CONTACT PERSON/S

Andrew America  
[andrew.america@ntiyisoconsulting.co.za](mailto:andrew.america@ntiyisoconsulting.co.za)



NTIYIS  
CONSULTING



TRUTH, TRUST, RESULTS