

**REVENUE COLLECTION METHODS WITHIN SELECTED
MUNICIPALITIES IN THE EASTERN CAPE**

BY

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University of Fort Hare
THE FACULTY MANAGEMENT AND COMMERCE
Together in Excellence

SCHOOL OF PUBLIC MANAGEMENT AND DEVELOPMENT

OF THE UNIVERSITY OF FORT HARE

SUPERVISOR



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February 2008

DECLARATION

I, **Sindisile Maclean** declare that this thesis is my original work and that I have not submitted it to any other institution for degree or diploma purposes. I further cede all copyrights on this thesis in favour of the University of Fort Hare.

Signed



S. Maclean

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DEDICATION

I dedicate this work to my late mother, Grace Maclean, my greatest inspiration in life, who persevered to ensure that I pursue the route of education.



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This study could not have been completed without the assistance of various individuals some of whom I would like to mention.

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ABSTRACT

The culture of non-payment of municipal services is not a new phenomenon in South Africa. Prior 1994, payment boycotts were one of the key instruments of resistance against the Apartheid regime, as orchestrated by the liberation architects. Today, though circumstances are different, the culture has incarnated itself as new form, propelled by such pressures as social and economic woes. In addition, community unrest and protests regarding the adequacy and standards of service delivery has contributed significantly towards the culture of non-payment. The immediate short-term goal of municipalities is to provide *basic services* to satisfy the needs of the communities such as water, sanitation, electricity, refuse collection and roads. The medium term goal is to provide *services* to sustain socio-economic growth in the communities, while the long-term goal is to effect equal and equitable access to services for *all residents* or communities. However, in a country where there is high unemployment, massive poverty and extensive social ills such as HIV/AIDS, there are many who simply cannot pay for government services. However, there are also those who can pay, but do not do so. Debt recovery in municipalities is a major challenge and the amount of bad debts written off annually is substantial. This degree of indebtedness affects the local economies and the economic ability of the state to render services adequately. Municipalities rely mostly on revenue collected from rate-payers and consumers in general. They have different methods and technique to collect revenue from their communities. Some municipalities are more successful in revenue collection while others are highly unsuccessful. The study conducted in selected municipalities in the Eastern Cape outline some key issues that need to be considered if municipalities were to become self sustaining entities. The study explores revenue collection efficacy at local government and the critical factors for economic sustainability of municipalities through revenue management.



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CHAPTER 1

PROBLEM STATEMENT AND BACKGROUND TO THE STUDY

1.1 INTRODUCTION

Local government in the Republic of South Africa is responsible for the provision of democratic and accountable government for local communities. It is a sphere of government which is mandated to ensure the provision of services to communities in a sustainable manner. As a sphere it is composed of different types of municipalities, *inter alia*, metropolitan, district and local municipalities.



The immediate short-term goal of municipalities is to provide services to satisfy the basic services such as sanitation, health and electricity. The medium term goal is to provide services to sustain economic growth in the communities, and the long term goal is to effect equal and equitable access to services for all local residents.

In terms of the Constitution of the Republic of South Africa, 1996, "...a municipality must strive, within its financial and administrative capacity to achieve the objects of local government" which *inter alia*, entail sustainable delivery of public services. However, financial and administrative capacities of many municipalities are constrained by the fundamental economic principle of scarcity of resources.

The rapid growth urbanization since the repulsion of separate development policies under Apartheid have resulted in insurmountable backlogs in service delivery which require huge sums of financial resources to eradicate. These backlogs have been met with an unfavourable high unemployment rate and poverty. These variables have in turn escalated other social challenges such as crime and HIV/AIDS resulting in an upsurge of indigent households who

rely on the government to disperse of social security related grants as a means to a living.

Municipalities bear the brunt of service delivery demands and while they are legislatively empowered to raise their own financial resources through charging of rates, levies and local taxes, there is an inverse relationship between the revenue that they raise and the service delivery demands.

Since 1994 when the new democratic dispensation of government came into place, a number of municipalities have increasingly become more financially distressed. The scale of the problem of financial stability and sustainability is so grave, that service delivery is perennially dented by a culture of community unrest across the country.



1.2 STATEMENT OF THE PROBLEM

There is undoubtedly a high rate of unemployment in South Africa, which is estimated at 27% (official definition of unemployment, Statssa, 2007) and almost half of the population is living below the poverty datum line. However all these people have to receive basic municipal services such as water, sanitation, electricity, roads and waste services.

In order for municipalities to render these services, they require funds. It thus becomes crucial that consumers of municipal services pay for them. The municipalities raise their revenue from equitable share from national government (less than 10% of municipal budget), conditional grants, unconditional grants and local taxes (about 90% for a financially sustainable municipality).

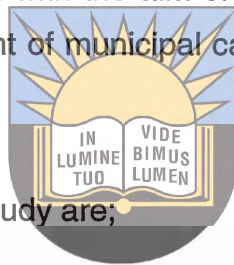
Given the state of in-equilibrium between the municipal capacity to raise revenue and their social burden, the government has introduced the indigent policy to cater for those who cannot afford to pay for municipal services. However it is common knowledge that even those consumers who can afford to pay are not paying for these services. This makes it difficult for

municipalities to effectively collect revenue, and provide for the ever increasing needs of local communities with scarce resources.

This study has therefore assessed revenue collection methods of selected municipalities in the Eastern Cape with a view of formulating recommendations that will ensure improved fiscal austerity in municipalities.

1.3 OBJECTIVES OF THE STUDY

The overall objective of the study was to assess the status of revenue management at municipal level with the aim of formulating recommendations that would ensure enhancement of municipal capacity to raise and effectively manage revenue.



The specific objectives of the study are;

- To ascertain the municipal capability to raise revenue in relation to its annual budget;
- To establish the municipal specific debt collection capability; and
- To assess the financial viability of municipalities

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1.4 RESEARCH QUESTIONS

The following are research questions informed the study:

- what are the causes of effective or non-effectiveness of revenue collection?
- is there commitment from consumers to effect civic duty and pay for services?
- are municipal services satisfying consumers?
- are consumers aware of the systems used by municipalities in collecting revenue? and
- are there mechanisms to caution those who don't pay for services?

1.5 SIGNIFICANCE OF THE STUDY

The outcomes of the study are intended to assist Mayors and Councillors, Municipal Managers and officials to improve their approaches to revenue management as an important driver for municipal financial viability, a fundamental key performance area for local government. The same outcomes may also be inputs to policy review at Council level and Continuous Improvement at Management/ Administration level.

In line with the Constitutional imperative of 'developmental local government' other government and non-government role players such as district municipalities, provincial departments responsible for local government, national departments responsible for local government and non – governmental organizations (national and international) would all be able to access these outcomes and develop areas of intervention that would provide targeted support to municipalities to enhance fiscal discipline and viability.

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1.6 HYPOTHESIS / ASSUMPTIONS

As argued by Verma and Beard (1981:184), a hypothesis is a tentative proposition which is subject to verification through subsequent investigation.

This study was designed on the basis of the following deductive assumptions;

- Generally municipalities do not have effective methods of revenue collection
- If consumers are satisfied with customer care and services, they can pay without any reservations.

1.7 SCOPE OF THE STUDY

Issues and challenges for revenue collection and management is a common phenomenon for municipalities in South Africa. However, taking into

consideration the geographical, time and financial considerations, for the purposes of this study, the focus was restricted to the following selected municipalities in the Eastern Cape

- Buffalo City Municipality,
- King Sabata Dalinyebo Municipality,
- Ngqushwa Municipality,
- Great Kei Municipality,
- Makana Municipality, and
- Nelson Mandela Bay Municipality.

1.8 LIMITATIONS



The study was constrained by among others;

- **Non-responsiveness** by some of the municipalities to the research questionnaire;
- **Data incompleteness** – where some of the municipalities left key information under probity as unavailable

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1.9 DEFINITION OF TERMS

For the purposes of this study, the following key terms will be defined in order to circumvent any ambiguity that may arise;

- **Consumer (domestic and commercial)**

This means an individual, a group, corporate bodies, associations and any formation that gets services and in turn pays for those services. This reference relates to municipal services.

- **Revenue Collection**

This means the capacity of municipalities to collect what is due to them in terms of services they have rendered. This will include policies and strategies of collection by municipalities.

- **Payment**

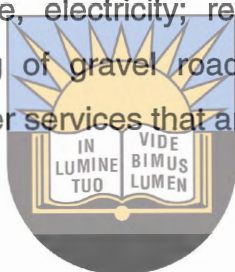
Render what is due or owed, for services or goods received. This includes settlement of debts or arrears.

- **Municipal Services**

This includes water, sewerage, electricity; refuse collection, fire services, maintenance of roads, tarring of gravel roads, cutting of vegetation and maintenance of parks, and other services that are developmental in nature.

- **Capacity**

It is the power to contain, receive, experience or produce. It is also the ability to perform whatever within your scope or strength. This also involves skill, training and expertise to undertake certain tasks.



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1.10 OUTLINE OF THE STUDY

The research report is composed of the following chapters;

Chapter 2 – this chapter is based on literature review. It addresses the legislative framework for revenue management, the principles for revenue management, the challenges with respect to revenue raising capabilities, the extent the revenue management problem, the sources of revenue in South Africa and the government's approach to revenue management.

Chapter 3 – this chapter addresses the research methodology. It highlights the research design, population and sampling considerations, data collection techniques and the approach to data analysis.

Chapter 4 – this chapter focuses on the presentation and analysis of data collected during the study.

Chapter 5 – this chapter is the concluding chapter and it discusses the key findings, the general conclusions and recommendations resulting from the study.



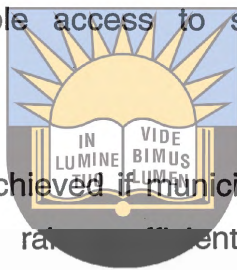
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CHAPTER 2

CONCEPTUALIZATION OF REVENUE MANAGEMENT

2.1 INTRODUCTION

The immediate short-term goal of municipalities is to provide basic services to satisfy the needs of the communities such as water, sanitation, electricity, refuse collection and roads. The medium term goal is to provide services to sustain socio-economic growth in the communities, while the long-term goal is to effect equal and equitable access to services for all residents or communities.



All these goals can only be achieved if municipalities become self-sufficient, sustainable entities that can raise sufficient revenue to provide for the community demands in the short, medium and long term.

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The purpose of this chapter is to outline the theoretical framework of the study through unpacking the concept of revenue management and its applicability in the local government sphere of South Africa.

2.2 LEGISLATIVE FRAMEWORK

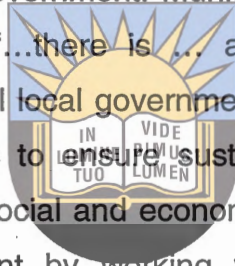
Section 152 (1) of the Constitution of the Republic of South Africa, 1996, states the objectives and development duties of Local Government as follows:

- provide democratic and accountable government for local communities;
- ensure the provision of services to communities in a sustainable manner;
- provide social and economic development;
- promote a safe and healthy environment; and
- encourage the involvement of communities and community organisations in the matters of Local Government.

The Constitution further states that, a municipality must strive, within its financial and administrative capacity, to achieve the objectives set out above.

Apart from the afore-mentioned key objects of local government, the Constitution mandates local government to be developmental in nature and operation. Section 153 of the Constitution states that, “a municipality must structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community”.

The preamble to the Local Government: Municipal Structures Act No 117 of 1998 (MStA) provides that “...there is ... agreement ... on a vision of democratic and developmental local government in which municipalities fulfill their constitutional obligations to ensure sustainable effective and efficient municipal services, promote social and economic development, encourage a safe and healthy environment by working with communities in creating environments and human settlements in which all ... people can lead uplifted and dignified lives”.



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The objectives of the Local Government: Municipal Systems Act No 32 of 2000 include *inter alia* -

1. to provide the principles, mechanisms and processes necessary to enable municipalities to move towards *social and economic upliftment* of local communities, and ensure universal *access to essential services* affordable to all;
2. to provide for the manner in which municipal powers and functions are exercised;
3. to establish a simple framework for the *core processes of planning, performance management, and resource mobilisation*.
4. to provide a framework for public administration and human resource development;

5. to empower the poor and ensure that municipalities put in place service tariffs and credit control policies that take their needs into account.

The municipality implements its developmental duties through, *inter alia*, establishing and managing an effective revenue management programme that draws its inputs from a plethora of revenue sources. In terms of section 229 (1) of the Constitution, a municipality may impose rates on properties and surcharges for services provided by or on behalf of the municipality. A municipality, subject to authorization through national legislation, may impose other taxes, levies and duties appropriate to local government, with the exclusion of income tax, value added tax, general sales tax or customs duty.

According to the Local Government Municipal Finance Management Act, 2003 (Act 56 of 2003), an annual budget for a municipality may only be funded from realistically anticipated revenues to be collected; cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and borrowed funds (section 18 (1) a-c.) Revenue projections in the budget must be realistic, taking into account projected revenue for the current year based on collection levels to date; and actual revenue collected in previous financial years.

2.3 REVENUE MANAGEMENT PRINCIPLES

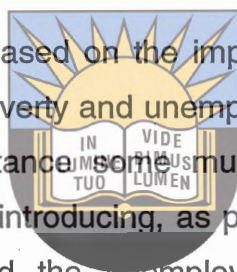
Craythorne (2003:218) writes that fiscal powers relate to the power of the government to impose taxes. This, he argues, gives the municipal council the authority to impose rates, levies, tariffs and business taxes. Secondly it gives the municipal council the unassailable right to impose property rates, and that right can only be taken away by amendment of the Constitution. Craythorne contends that the Constitution gives power to a municipality to impose rates on property, surcharges on fees for services provided.

A municipality must collect all money that is due and payable to it, subject to the Municipal Systems Act, 2000 (Act 32 of 2000) and any other applicable

legislation. Craythorne, (2003:231), argues further that a municipality must adopt, maintain and implement a credit control and debt collection policy which is consistent with its rates and tariff policies and complies with the provisions of the Municipal Systems Act.

Cloete (1995) asserts that municipal finances must be based on the principle of *one municipality – one tax base*. He argues that historical constitutional debts of the then old black local authorities where they could not repay had to be assumed by the state, excluding liabilities in respect of infrastructure which may generate revenue.

Supply of services must be based on the important principle of recovery of costs, while the problem of poverty and unemployment must be addressed in the tariffs structure. For instance some municipalities have assisted the unemployed and the poor by introducing, as per national policy, the indigent policy wherein the poor and the unemployed receive subsidized basic services such as water (6kl per month) and electricity (30kwh per month).



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As part of financial discipline, payment must be facilitated by updating records, regular accounting to customers, making effective offices for payment available and issuing receipts.

The billing system of a municipality must also be efficient and error free. However, Cloete (1995) contends that failure to furnish accurate statements shall not relieve consumers from the duty to pay for services supplied to them. Payment of services should be resumed on or before the date upon which arrears are written off and Council should develop a fair default procedure to deal with defaulters.

2.4 REVENUE RAISING CAPACITY

Cameron (1999:250) is of the opinion that there is no obligation on the national government to compensate provinces or municipalities that do not raise revenue commensurate with fiscal capacity and tax base.

Cameron (1999:250) writes that if municipalities do not have sufficient resources, however, they cannot perform their constitutional duties. Local Governments have a substantial tax base, with major revenue sources being property rates, electricity, water and sewerage charges. However, while Cameron writes that local governments have substantial tax bases, there are some fragmented small semi-urban and rural municipalities who do not have any meaningful tax base. These municipalities rely on the equitable share and grant funding which in many cases is very insignificant in comparison to service delivery demands.

The crises on non-payment of rates, rent and services is probably another big challenge for Local Government in South Africa. The present Government has not so far been able to reverse the culture of non-payment which is typified by the Apartheid resistance strategy by the then black communities as a symbol of 'boycotting' and protest.



The Masakhane Campaign introduced by the national government was intended to be an education program to persuade residents to pay their charges, along with the improvement of services. This campaign did not succeed completely although it assisted to an extent in educating people about the need to pay for municipal services.

It is a deduced view that very few municipalities are prepared to take a hard line on credit control. In some cases, up to sixty months are allowed to pay off arrears. The golden principle is that current operating income should finance current operating expenditure. This is ignored by most municipalities.

Cameron (1999:250) sums up by writing that repayment of services cannot be extended beyond the budget cycle. Whenever credit terms are extended beyond the budget cycle, an additional funding source is required. However, in practice, very few municipalities provide for a working capital reserve and use existing reserves until they are depleted and then resort to bank overdrafts to finance their non-payment.

The study by the USAID however does not highlight the other prominent reasons for non-payment such as ignorance (attitudinal factors) and poor billing systems.

This USAID study found that there are indications of widespread unemployment and the poverty of many households in low-paying areas mean people cannot afford rates charges. Whilst it is common cause that poverty plays a prominent role, there are those people with adequate financial resources who do not pay for municipal services. Whilst most municipalities have credit methods, whether adequate or not, some consumers just ignore their civic duty.

2.6 SOURCES OF MUNICIPAL REVENUE



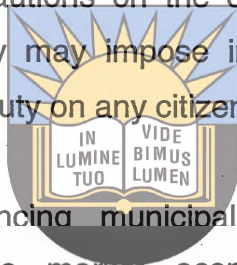
The Property Rates Act of 2004 is aimed at regulating the power of a municipality to impose rates on property. This is one critical revenue source for municipalities. Through the implementation of this Act, municipalities are expected to establish new valuation rolls for all the properties in their jurisdiction (General Valuation process). The intention of this process is to ensure that properties are taxed fairly and accordingly based on their worthiness.

Bahl (2003:71) writes that the most interesting feature of the local government revenue system in South Africa is the degree to which larger councils have been given revenue-raising powers. He goes on to site two categories of revenue which are, (a), own revenue which includes rates and user charges and (b), transfers from other spheres of government. Bahl (2003:71) further states that metropolitan (Category A) municipalities generate 97 percent of revenue from their own services.

Municipalities are thus, primarily dependent on payment of municipal services and revenue by consumers in order to survive. Schwella (2001:22) states that, "put simply, public organizations owe their existence to the needs of their consumers".

The Division of Revenue Act (DoRA) is one contributing factor to financing of municipalities, and which facilitates the distribution of the equitable share. Through the division of revenue, municipalities are able to formulate their annual budgets knowing their share of revenue from National Government. Although, municipalities get an equitable share from national, they rely mostly on revenue collected locally to fund their budget requirements. The equitable share is distributed in terms of national formula which is biased towards metropolitan, secondary cities and municipalities.

Even though municipalities can charge rates, levies, surcharges and business taxes, Du Toit (2002,149), cautions on the constitutional provisions which prescribe that no municipality may impose income tax, value added tax, general sales tax or customs duty on any citizen.



The other sources of financing municipalities are through borrowing instruments available in the market economy. Infrastructure Finance Corporation (IFC) and the Development Bank of Southern Africa (DBSA) are the most popular institutions that provide borrowing for municipalities. However, given the fiscal indiscipline that pervades most local authorities, borrowing should at least be considered as a last resort.

2.7 GOVERNMENT'S APPROACH

With the advent of developmental local government in 2000, Government came up with a policy of free basic services to subsidise the indigent households in municipalities. Six (6) kilolitres of free water and 50kwh of electricity is what government provides free of charge as part of its free basic services policy. This policy intent is to give effect to the fact that water and electricity are basic needs. Water is a basic human right even to those who cannot afford it.

The free basic water policy is however, not a mechanism that can be exploited by those who generate sufficient disposable income to pay for services.

Useful budgets and tariffs have to be supported by an equitable debt collection and credit control policy which allows for poor consumers to enjoy basic services without being penalized while action is taken against customers who can afford to pay but do not. The above arguments are valid especially when one considers government's indigent policy to assist the poor.

As the gap between reality and expectations widens, a gap in the credibility of the government also emerges. Its failure to deliver what was promised, as well as the cost of providing it, is indelibly imprinted on the public psyche, to the exclusion of the good that it may have done, (Prenchard, 1993:1). Prenchard's assertion is corroborated by the perennial service delivery protests that are now a common feature in the realm of local government in South Africa.



In dealing with payment patterns for municipal services, officials and politicians have to perform to the best of their ability. The International Institute of Administrative Sciences (2001:19) sums up performance as better input/output/effect relationships; better processes; better structures and cultures or a shift to an ideal state of affairs. These conditions are required in order to improve the pattern of payment for municipal services.

2.8 CONCLUSION

In the foregoing chapter, the legislative parameters for revenue management have been discussed from a Constitutional and Local Government Legislation perspective. The contributions from different authors regarding the discipline of revenue management have also been highlighted. Furthermore the practical implications for revenue management and the challenges thereof have been discussed.

The next chapter focuses on the research methodology that informed the design and implementation of the study.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

Revenue management and in particular, revenue collection is a perennial problem for municipalities across the country. Undertaking a study to inquire some of the issues pertaining revenue management therefore requires a great deal of probity.

This chapter outlines the research methodology that informed the study. It aims to provide for a scientific approach to problem solving and the justification of results, outcomes or findings.



3.2 RESEARCH DESIGN

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This study was informed by the qualitative paradigm of research. Creswell (1999) defines qualitative research as an enquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem. In this paradigm, the researcher builds a complex, holistic picture, analyses words, reports, detailed views of informants and conducts the study in a natural setting. Creswell further argues that there are compelling reasons for a researcher to undertake a qualitative study. He argues that one should firstly select a qualitative study because of the nature of the research question. In the qualitative study the research question always starts with 'how' or 'what' so that the initial forays into the topic describe the state of affairs.

The study however, also presents information and data gathered in a quantitative manner because of the numerical data that was collected.

3.3 POPULATION AND SAMPLING

The Eastern Cape Province has 45 municipalities. The municipalities are categorized and distributed as follows;

Metropolitan Municipality (category A)	1
District Municipalities (category C)	6
Local Municipalities (category B)	38

For the purposes of this study, consideration was given to metropolitan and local municipalities as these have revenue raising competencies in respect of basic service delivery, and as such would be more exposed to the issues pertaining debt collection and management. District municipalities were excluded because their previous revenue raising competencies in the form of Regional Services Levy were repealed in 2006.



In the initial stages of the research, 10 municipalities were considered at random to constitute units of analysis as the sample for the study. However, eventually only 6 municipalities participated or collaborated with the researcher throughout the course of the study.

The following municipalities participated in the research;

- Nelson Mandela Bay Municipality
- Buffalo City Municipality
- Great Kei Municipality
- Makana Municipality
- Ngqushwa Municipality
- King Sabata Dalindyebo

A purposive sampling technique was used to identify key participants in the municipalities that were taken part in the research. This sample included;

- Mayors/Executive Mayors
- Municipal Managers

- Chief Financial Officers

3.4 DATA COLLECTION TECHNIQUES

The data collection techniques applied included document analysis, unstructured interviews with key participants and the questionnaire technique (Annexure A).

Document analysis

Document analysis entails the study and critique of documentation available on the subject matter. For the purposes of the study, annual reports from the participating municipalities for the 2005/6 financial year were analysed to gather base information, financials and statistics. The outcome of this exercise was also used as a verification process for the research, in line with the principles of triangulation of research findings.



Interview technique **University of Fort Hare** *Together in Excellence*

Merriam (1998) defines an interview as a conversation, but a conversation with a purpose. The main aim of the interviews was to obtain a special kind of information. People are interviewed to find out from them those things that the researcher cannot directly observe (Denscombe, 1998). Nobody can observe feelings, thoughts and intentions.

Interviews can be classified under three categories, i.e. structured, semi-structured and unstructured (Merriam, 1998; Denscombe, 1998). In this study semi-structured interviews will be used.

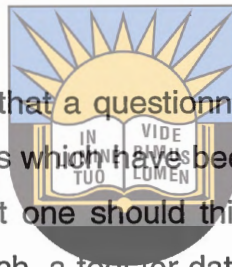
Semi-structured interviews are halfway between structured and unstructured interviews. The format of semi-structured interviews becomes less structured, which assumes that the individual respondents define the world in unique ways (Denscombe, 1998). In this instance the respondents will take a leading role in defining their revenue collection methods as well as the attitude of those who have to pay revenue.

Denscombe (1998) mentions three forms of interviews, which are one-to-one interviews, group interviews and focus group interviews. In this instance one-to-one interviews have been conducted, which involve a meeting between the researcher and one respondent. This form is preferred because each respondent is expected to express his/ her opinion on revenue collection without being influenced by members of the group.

For the purposes of this study, unstructured interviews were conducted on an ad hoc basis with various participants. These were conducted either telephonically or on a one-to-one basis.

Questionnaire technique

Oppenheim (1992:65) argues that a questionnaire is not some sort of official form, nor is it a set of questions which have been casually jotted down without much thought. He argues that one should think of the questionnaire as an important instrument of research, a tool for data collection. In this research, a questionnaire was compiled and distributed to the various participating municipalities.



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On deciding on the questionnaire, the detailed specification of measurement aims were precisely and logically related to the aims of the overall research plan and objective. The questions were precise and clear and the participants were briefed on the issues of probity prior to completing the task.

3.5 DATA ANALYSIS

In pursuance of scientific justification of research outcomes, the Phenomenological analysis technique was used. Phenomenological analysis is a recursive, cyclical process of coding based on the key concepts clustering those coded concepts into themes, revising themes several times to delineate and refine (Merriam, 1998). This constant comparative method was applied to derive themes from the questionnaires and interviews and to ensure a continuous examination of data as new data was being generated.

3.6 CONCLUSION

In the foregoing chapter the research design was outlined, the population and sampling consideration were explained and the data collection and analysis techniques were highlighted.

The following chapter is based on the actual arrangement, presentation and interpretation of the data collected throughout the study. The chapter provides a situational or status quo scenario regarding debt management at local government in the selected municipalities of the Eastern Cape province.



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CHAPTER 4

DATA COLLECTION AND PRESENTATION

4.1 INTRODUCTION

This chapter focuses on the presentation, interpretation and analysis of data collected during the course of the research. The chapter reflects a consolidated reporting approach on the issues that were under probity during the course of the report. Therefore, key themes and titles are identified and qualitatively presented.

The chapter is organized into the following sections;

- Data collation and processing
- Data presentation
- Interpretation of key findings



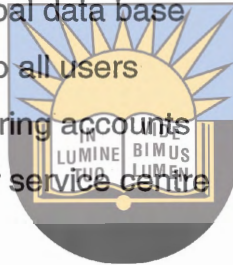
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4.2 DATA COLLATION AND PROCESSING

The data collected from the municipalities was based on the 2005/06 financial year. The data collected was based on the following items:

- Budget of the municipality
- Sources of revenue
- Municipality's contribution to the revenue in terms of percentages
- Distribution of revenue collected from Government, Business and households in terms of percentages
- How much is owed by each category
- Debt collection rate for year under review
- Provision of rebates on property rates
- Provision for bad debts
- Audit opinion in respect of bad debts

- Submission of monthly budget statements to the Mayor by the Municipal Manager
- Submission of quarterly budget statements by the Municipal Manager to Council
- Provision of municipal services to community
- Number of revenue centres for revenue collection
- Use of banking facilities
- Existence of debt management policy
- Methods to deal with defaulters
- What type of a financial system is used by the municipality
- Cleansing of the municipal data base
- Delivering of accounts to all users
- Methods used for delivering accounts
- Existence of a customer service centre



The data collected from the participating was captured and presented in the form of a municipal status report, in order to be able to present the outcomes of each municipality in a systematic manner.

4.3 DATA PRESENTATION

The following sub-section presents the municipal specific status reports.

4.3.1 Buffalo City Municipality

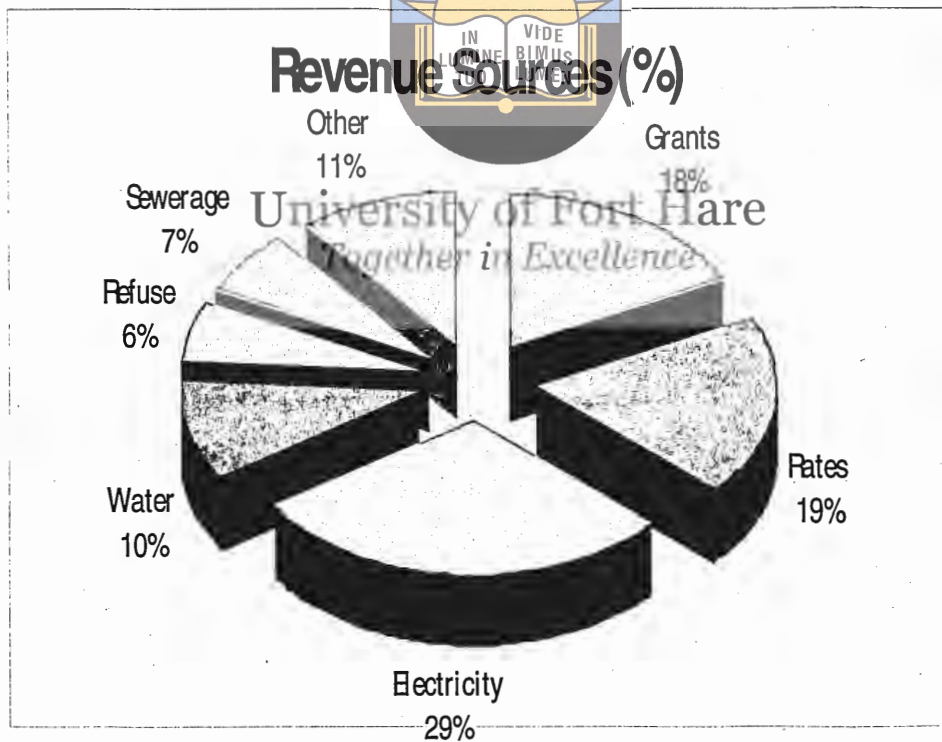
Budget 2005/6

The approved annual budget for Buffalo City Municipality in the 2005/6 financial year was R1, 8 billion. The Operational budget component was R1,4 billion while the Capital budget was R456 million.

The Buffalo City Municipality funded its annual budget in the year under consideration from the following sources:

Source of revenue	Amount
Grants	R253Million
Rates	R273Million
Electricity	R413Million
Water	R149Million
Refuse	R89Million
Sewerage	R100Million
Other	R154Million
Total	

The sources of revenue identified above can be summarized in terms of percentages as follows.



The revenue collected from the sale of electricity accounted to 29% of the municipality's revenue contribution, the highest contributor, while refuse collection accounted for 6% of the revenue contribution, and respectively, the lowest contributor.

Furthermore, compliance was also achieved in respect of the submission of quarterly budget statements to Council.

The Buffalo City Municipality received an adverse audit opinion in the year under consideration; however, the debt management function was not qualified.

In terms of revenue controls, the municipality was using the banking services of the First National Bank (FNB) during the year under review.

Service delivery scope

The municipality provides the following municipal services to the community:

- Electricity
- Water
- Refuse
- Sewerage
- Traffic
- Health
- Library
- Amenities
- Roads



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Debt Management Policy

The municipality has a debt management policy which was promulgated by a by-law and was approved by Council in December 2003 and revised in May 2007.

The by-law prescribes the following methods to deal with defaulters:

- Disconnection of electricity
- Barring of pre-payment electricity
- Restriction of water
- Legal action - which include sale of movable and immovable property

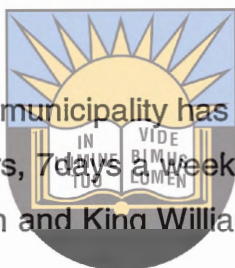
- Withholding Grants-in-aid

In terms of implementation, the Buffalo City Municipality administration rates the implementation of the by-law as excellent and that it is fully implemented. The Venus financial system is the system used as a financial system by the municipality. In order to ensure data integrity regarding debt management, the municipality cleans its database on its financial system on a continuous basis.

Billing and Customer Care

The municipality delivers accounts to all its customers on a monthly and this is done through the Post Office.

In terms of customer care, the municipality has a customer service centre (call centre) which operates 24 hours, 7 days a week. The municipality also has got walk in centres in East London and King Williams Town to facilitate customer care.



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4.3.2 Ngqushwa Municipality

Budget 2005/6

The approved budget for Ngqushwa municipality in the 2005/6 financial year was R40 269 076.

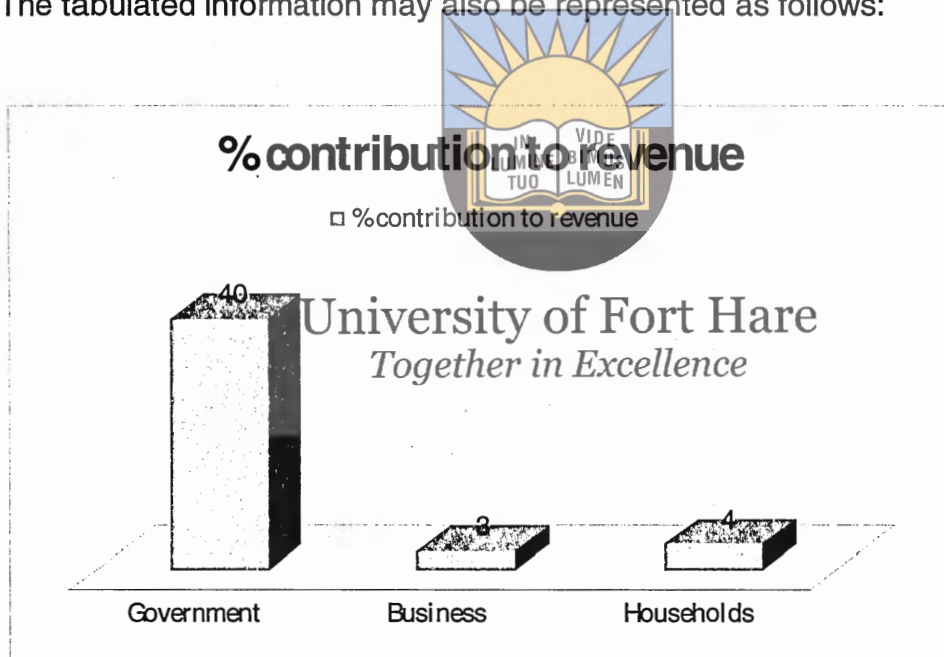
The municipality drew its revenue from the following sources:

- Equitable share
- Property rates
- Refuse
- Water
- Sanitation
- Traffic fines
- Hiring out of amenities
- Cemeteries

The afore-mentioned categories were not quantified in terms of specific contribution to the budget. However, the municipality reported that the distribution of revenue collection in terms of percentages for the year under review is as follows:

Group/Contributor	% Contribution
Government	40 %
Business	3%
Households	4%

The tabulated information may also be represented as follows:



The graph indicates clearly that the bulk of revenue contribution in the Ngqushwa municipality is derived from government's contributions. The municipality has a low revenue raising capability, with only 3% and 4% contributions by the business and households respectively.

Debt Management

In terms of debt, the rand value owed by each category of contributors is as follows:

Group/Contributor	Debt value in rands
Government	R895 000
Business	R125 000
Households	R143 000

The Debt Collection rate for the year under review was 47%. This is a significantly low rate of collection when evaluated against the revenue contributions of businesses and households (3% and 4% respectively).

The municipality did not make provision of rebates to approved institutions and specific groups.

The municipality provided R2, 4 Million for bad debts for the year under review.



The Ngqushwa municipality has two revenue centres for collecting revenue, namely, Peddie and Hamburg offices.

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Management and governance

In terms of submissions of monthly budget statements by the Municipal Manager to the Mayor, in terms of Section 71 of the Municipal Finance Management Act, 2003, the municipality was in compliance. Furthermore, quarterly submissions to council were complied with.

Ngqushwa municipality had a disclaimer in terms of the Auditor-General audit opinion.

In terms of revenue controls, Ngqushwa municipality uses direct banking facility and their banking institution is First National Bank

Service delivery scope

The municipality provides the following services to the community:

- Refuse
- Water

- Sanitation
- Sewerage

Debt Management Policy

The municipality has a debt management policy which was promulgated by a by-law, and approved by Council in August 2003.

The following methods are prescribed by the by-law to deal with defaulters:

- Letter of demand with time frames
- Notification of disconnection
- Services of a debt collector

In terms of implementation, the municipality rates the implementation of the by-law as poor. This is further confirmed by the collection rate of 47% and low contributors by business and households towards the revenue coffers of the municipality.



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The municipality is implementing the Pastel Financial System as its financial system. The last time the municipality cleaned its database and for accuracy and completeness was in November 2004.

Billing and Customer Care

It was revealed that the municipality does deliver accounts to all users on a regular basis. The accounts are printed internally and delivered by post.

In terms of customer care, the municipality does not have a customer service centre because it cannot be sustained because of financial constraints.

4.3.3 Great Kei Municipality

Budget 2005/6

The total budget for Great Kei municipality budget for the financial year 2005/06 was R23 130 245.

The breakdown of the municipality's sources of revenue for the financial year under review was not clearly articulated from the responses received. However, the following could be deciphered;

- Primary class,
- Secondary class and
- Division of Revenue (DoRA)

These groups could not be quantified and lacked proper descriptions.

The municipality maintains that it contributed 53% to revenue in comparison to other revenue.

The classification or distribution in terms of revenue collected from State, business and households was not available from the municipality for the year under review.



Debt Management University of Fort Hare *Together in Excellence*

The municipality could not establish how much was owed by each category of consumers (government, business or households), but could only give a total rand value owed as R4 557 186.

The municipality stated that their debt collection rate for municipal services and property rates was at 53%.

According to the municipality, in the financial year under consideration, they made provision for rebates on property rates to approved institutions and specific groups especially for pensioners. They reported that they had put a 40% rebate for pensioners but could not break that down in rand value.

The outstanding amounts for property rates and municipal services in comparison to their annual budget for the year under review was R10 583 031.

Great Kei has three revenue centres for collecting revenue.

The accumulated provision for bad debts for year under review was R9 763 712 and they did not indicate how much they provided for 2005/06.

Management and governance

In terms of submission of monthly budget statements by the Municipal Manager to the Mayor in compliance with section 71 of the Municipal Finance Management Act, 2003, the municipality reported adequate compliance. Furthermore, compliance was also confirmed in relation to other submissions to council on a quarterly interval.

The municipality was qualified by the Auditor-General in terms of audit opinion.



The municipality uses direct banking facilities, and their banking institutions are Standard Bank and ABSA.

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Service delivery scope

The municipality listed that, amongst other services, it provides

- refuse removal; and
- electricity supply to the community.

Debt Management Policy

Great Kei municipality does have a debt management policy and was promulgated by a by-law and was approved by Council in May 2002.

In terms of the debt management policy, the municipality has the following methods to deal with defaulters:

- Letter of demand sent within 7 days after due date.
- Arrangements for paying of arrear debt in installments.
- Limit or discontinue services.

Their current financial system has limitations and that capacity within the municipality is still a challenge. The municipality uses Pastel financial system for debtor administration.

The municipality was not sure when was the last time the municipality cleaned its database and test for accuracy and completeness. But they argue that is was in excess of five (5) years.

According to the municipality, the implementation status of the by-law is average.

Billing and Customer Care

The municipality delivers accounts to all users on a regular basis, and they do this through the post. However, Great Kei municipality maintains that consumers have developed a culture of non-payment to services



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In terms of customer care, the municipality has not yet established a customer services centre.

4.3.4 Makana Municipality

Budget 2005/6

The total budget for Makana Municipality for the financial year 2005/06 was R116, 5 million. The Operational budget component was R106, 2 million while the Capital component was R10, 3 million.

Makana municipality funded its annual budget in the year under consideration from the following sources:

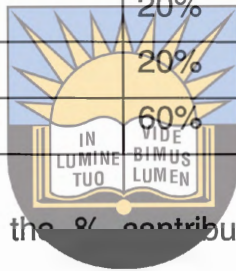
Source of revenue	Amount
Property rates	R22,4m
Electricity	R36,4m
Water	R11,6m
Refuse	R4,5m

Equitable Share	R7,8m
Other	R38,3m
Total	

The municipality contributed 93% to revenue.

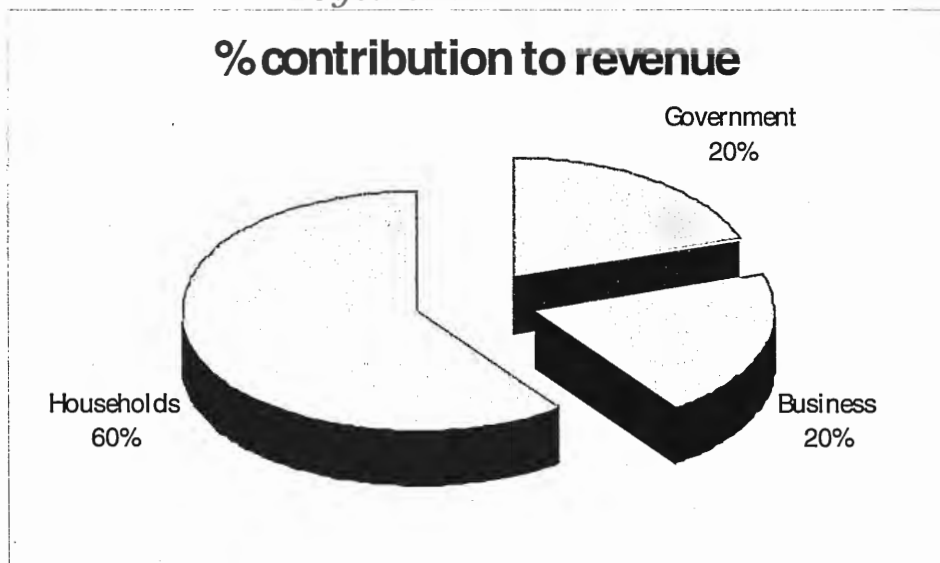
The distribution in percentages in terms of revenue collected for the year under review was:

Group/Contributor	% Contribution
State	20%
Business	20%
Households	60%



The following graph depicts the % contribution to revenue by the three categories of consumers in the municipality.

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In terms of debt, the rand value owed by each category of consumers is as follows:

Group/Contributor	Debt value in rands
State	R6,5m

Business	R8,6m
Households	R55,2m

Debt collection rate in terms of percentages for municipal services and property rates in the financial year under review is 91%.

The municipality made provision for rebates on property rates to approved institutions and specific groups at a rand value of R7,8m.

Outstanding amounts of property rates and municipal services in comparison to the municipality's annual budget was R70,3m.

The municipality has one revenue centre for revenue collection.

The accumulated provision for bad debts for the year under review was R42m. However, Makana's bad debt provision was not sufficient.



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Management and governance

The Municipal Manager submitted monthly budget statements to the Mayor as well as quarterly reports to Council in terms of section 71 of the Municipal Finance Management Act.

The Auditor-General's audit for the year under review was unqualified.

The municipality uses direct banking facilities. They use First National bank as their banking institution.

Service delivery scope

Makana provides for the following municipal services to the community:

- a. Electricity
- b. Water
- c. Primary health

- d. Sewerage
- e. Refuse removal
- f. Roads
- g. Parks
- h. Fire
- i. Traffic

Debt Management Policy

Makana municipality has a debt management policy which was promulgated by a by-law and approved by Council in March 2007.

The following methods are prescribed in the by-law to deal with defaulters:

- Legal Action
- Disconnection
- “Name and Shame” campaign



The municipality rates the implementation of the by-law as excellent and is communicated on their website and they have recently revised their credit control and debt management policies.

The municipality uses Abakus financial system in debt administration. The municipality last cleaned its data and tested for accuracy and completeness five years ago.

Billing and Customer Care

The municipality delivers accounts to all users on a regular basis and they do this through the post.

In terms of customer care, Makana municipality has an established customer service centre.

4.3.5 King Sabata Dalindyebo Municipality

Budget 2005/6

The budget for King Sabata dalindyebo municipality was R273 609 823 for the year under review.

The KSD municipality funded its annual budget in the year under review from the following sources:

- a. Property Rates
- b. Collection of arrear debt
- c. Interest Earned on external investments and outstanding debtors
- d. Service charges
- e. Electricity sales
- f. Refuse removal
- g. Container clearance
- h. Rental of facilities
- i. Sales – Plans and copies
- j. License and permits
- k. Grants and subsidies
- l. Unutilised funds



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The afore-mentioned sources were not quantified in relation to the specific contributions towards the annual budget. Nevertheless, according to the KSD Municipality, the distribution of revenue collection in terms of percentages for the year under review is as follows:

Group/Contributor	% Contribution
State	18%
Business	28%
Households	43%

In terms of debt, the rand value owed by each category is as follows:

Group/Contributor	Debt value in rands
State	R26 148 667
Business	R39 633 746
Households	R62 857 570

Debt collection rate for the year under review was 70%.

In the financial year under review, the municipality did not make provision of rebates to approved institutions and specific groups.

The municipality provided R6Million for bad debts for the year under review.

KSD has one revenue centre for collecting revenue



Management and governance

The Municipal Manager did submit monthly budget statements to the Mayor, Provincial Treasury and National Treasury in terms of Section 71 of the Municipal Finance Management Act, as well as quarterly reports to Council.

KSD municipality had a disclaimer in terms of the Auditor-General audit opinion.

KSD municipality uses direct banking facility and their banking institutions are First National Bank and MEEG Bank

Service delivery focus

The municipality provides the following services to the community:

- Refuse
- Electricity

Debt Management Policy

The debt management policy is in place and was promulgated by a by-law.

The following methods are prescribed to deal with defaulters:

- Disconnect Electricity
- Summons
- Handing over to debt collectors
- List in the Credit Bureau

The municipality rates the implementation of the by-law as poor.

The PROMUM system is the financial system used in debtor administration. The municipality has never cleaned its database nor tested for accuracy and completeness.

Billing and Customer Care

The municipality does not deliver accounts timeously to users due to continuous computer failure.



The municipality uses the South African Post Office. The municipality wanted to hand-deliver the accounts but this appeared to be illegal.

The municipality does not have a customer service centre.

4.3.6 Nelson Mandela Bay Municipality

Budget 2005/6

The total budget for the Nelson Mandela Bay Metropolitan Municipality is R2 962 448 080 (2,9 billion).

For the financial year under consideration, the Nelson Mandela Bay Municipality funded its annual budget from the following sources:

Source of revenue	Amount
Property rates	R498 866 544
Service charges	R1 529 951 943
Levies	R268 836 909

Investments	R124 734 548
Debtors (interest)	R 78 360 901
Fines	R 13 227 218
Grants and subsidies	R365 457 494
Other income	R195 609 999
Gains on disposal of PPE	R 912 465
Contributions (Other)	R 3 509 576
Total	

The percentage contribution of the municipality to revenue in comparison to other revenue sources for 2005/06 financial year was 88%.

The distribution in terms of revenue collected (in percentages) in terms of the respective consumer categories is:

Group/Contributor	% Contribution
State	8,9%
Business	6,49%
Households	61,37%
Other	23,24%

The amounts in rand value owed by each category are the following:

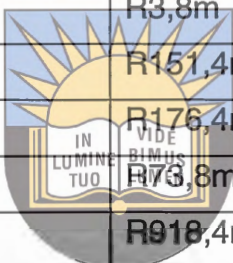
Group/Contributor	Debt in value in rands
State	R81,9m
Business	R59,4m
Households	R563,7m
Other	R213,4m

The debt collection rate in percentages in terms of municipal services and property rates in the financial year under review was 96%.

The municipality made provision for rebates on property rates to approved institutions, and specific groups and such provision was R131 000 709.

The outstanding amounts for property rates and municipal services in comparison to the municipality's annual budget for 2005/06 are broken down as follows :

Service/s	Outstanding Amount
Electricity	R87,2m
Water	R140,8m
Sewerage	R77,5m
Refuse	R48m
General rates	R159,5m
General service charges	R3,8m
Sundry income	R151,4m
Interest	R176,4m
Arrangements	R73,8m
Total billing system	R918,4m



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The accumulated provision for bad debts is as follows:

Description	Provision
Accumulated provision at year end	R625 962 911
Contribution for the year	R168 449 302
Bad debts written off	R 52 835 429

Bad debt provision for the year under review was sufficient for the municipality.

The municipality has 14 revenue centres for revenue collection.

Management and governance

The municipal manager submitted monthly budget statements to the Mayor, as well as quarterly budget statements to Council in terms of Section 71 of the Municipal Finance Management Act.

The audit opinion of the Auditor General was a qualification.

The municipality is using direct banking facilities and their banking institution is Standard bank.

Service delivery scope

The following municipal services are provided by the Metro:

- a. Water
- b. Electricity
- c. Sewerage
- d. Refuse collection
- e. Libraries
- f. Fire services
- g. Traffic law enforcement



Debt Management Policy

The municipality has a debt management policy and it was promulgated through a by-law. The policy was approved by Council in July 2004.

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The following methods are prescribed in Nelson Mandela Bay by-law to deal with defaulters:

- Arrangements may be made with Council to make short term arrangements to pay off the debt.
- Failing to make arrangements will result in a final demand being issued by the municipality
- Disconnection of the consumer
- Failure to respond to a final demand will result in further legal action to recover the outstanding debt.
- Interest is payable on the outstanding debt.

The Metropolitan Municipality rates the implementation of their by-law as average, and they regard its effect as good.

The municipality uses a generic billing system as a financial system in debtor administration.

The municipality last cleaned its database and tested for accuracy and completeness two years ago, and was busy cleaning it again in the year under review.

Billing and Customer Care

The municipality delivers accounts to all users on a regular basis and this is done monthly and through the Post Office.

The Nelson Mandela Bay does have a customer service centre.

4.4 INTERPRETATION OF KEY FINDINGS

Municipal Budgets

From the data presented, the first critical issue for consideration is the budget of these municipalities. The capacity to collect revenue is crucial here, and is primarily based on sources of revenue. If one considers the budget of the Nelson Mandela Metro at R2,9 billion and contrast it with Great Kei municipality at R23,1million the difference is huge.

This is occasioned by the size, location and capacity of each municipality. Sources of revenue vary in contribution size and accessibility. There are common sources such as water, electricity, service charges and property rates which are mostly applicable to most municipalities. However, there are other sources which are unique to certain municipalities because of their capacity generate revenue (e.g. revenue generated by municipal entities or interest bearing from municipal investments etc).

Most local municipalities depend on the equitable share from the national government, and their revenue collection capacity is inadequate. In the course of the study, Buffalo City, Makana and Nelson Mandela Bay municipalities were able to quantify their specific contributions in terms of revenue collected.

Some municipalities such as Ngqushwa are rural and their revenue raising capabilities are limited. Others such as KSD and Great Kei are merely constrained by the incapacity collect and raise revenue.

Status of Debt Management

All municipalities have quantifiable customers. There are three categories of customers emanating from the study, namely, state, business and households. The category that owes municipalities most is the households category. This is the case in all municipalities. For an example, Makana is owed R55 million, Nelson Mandela Bay R563 million, whereas Great Kei could not break down the debt into categories. This scenario undoubtedly poses a serious question regarding the efficacy of revenue collection and management in the municipalities.



In terms of the collection rate, medium- to- high capacity municipalities such as Makana, Nelson Mandela Bay and Buffalo City Municipalities, respectively, have a higher collection rate as compared to low capacity municipalities. Buffalo City as a high capacity municipality has a collection rate of 96%; Makana as a medium capacity municipality has a collection rate of 91% and Ngqushwa as a low capacity municipality has a collection rate of 47%.

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Management and governance

While it is noted that there is general compliance in terms of MFMA reporting to Council, the state of financial administration is of major concern. Out of the six municipalities that participated in the study only one had an *unqualified audit opinion*, namely Makana. The rest varied from *disclaimers*, *adverse opinions* and *qualified opinions*.

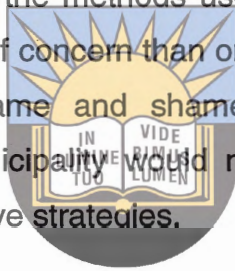
Basic service delivery scope

There is an indication that municipalities provide similar services such as water, electricity, refuse collection, traffic and fire services. The only difference is the extent to which these services are rendered because of the varying capacities of the municipalities.

Debt Management Policy

All municipalities that participated had approved debt management policies. However in as far as implementation is concerned, there are mixed responses regarding the level of implementation, with mostly smaller municipalities recording poor levels, while high capacity municipalities recording average to good levels.

Also it has been observed that there is some similarity amongst municipalities in dealing with defaulters. Sending letters of demand, discontinuing services (disconnections), barring of pre-paid electricity, arrangements for repayments and legal action are some of the methods used by municipalities in dealing with defaulters. It is however of concern that one of the strategies adopted by one municipality was to 'name and shame' defaulters. This would be unconstitutional and the municipality would need to review its strategy to accommodate more progressive strategies.



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All the municipalities that participated in the study used different financial systems (Venus, Abakus, Pastel etc) for debtor administration. This is a concern, and it reflects non-standardisation in the financial administration realm and a possible future research area.

One of the issues that was highlighted is that, data cleansing is not something that is done regularly by municipalities and therefore the analysis does not depict a healthy state for proper management of consumer data.



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CHAPTER 5

RESEARCH FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The purpose of this chapter is to highlight key research findings, conclusions and recommendations. The chapter seeks to address the research problem and provide possible solutions to addressing the situation.



5.1 key Findings

The following key findings were established during data analysis;

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- Most municipalities have debt management policies in place
- The implementation rate and results of debt management policies is mixed (smaller municipalities are ineffective whereas high capacity municipalities are relatively effective).
- Municipalities especially rural ones, have a low revenue base
- Household debt in municipalities is huge and the provision for bad debts high
- Most municipalities rely on equitable share to fund their annual budgets
- Management and Governance in as far as financial management is concerned is appalling
- Financial systems for debt management are non-standardised
- Data could be corrupted since it is not regularly cleaned and checked for completeness leading to data not being reliable
- No proper management of the indigent system

5.3 GENERAL CONCLUSIONS

- Revenue collection methods in most municipalities are not effective. Whilst some municipalities claim a collection rate of about 96%, the debt owed to municipalities is extremely high.
- Although debt management policies are in place, the implementation process remains a concern. This should also entail customer education and awareness.
- The lack of resources underpinning in most municipalities result in increased vacancy rates as there are consequential shortages of skilled finance personnel, who would have contributed to improved debt management
- According to the Five Year Local Government Strategic Agenda, an agenda of hands-on support to municipalities, municipalities still need vigorous support in order to manage their debtors and creditors.
- The culture of non-paying of services by consumers, businesses and government departments that are capable of paying is unwarranted.
- Municipalities are also encouraged to consider other alternative forms of revenue instruments such as dog tax, library fines and parking fines to improve their revenue collection.



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5.3 RECOMMENDATIONS

The following recommendations are proposed:

- Municipalities should strive for regular and reliable budget cash inflows,
- Tax administration should be devolved to municipalities,
- Revenue collection methods should be valid, legitimate and transparent,
- Municipalities must embark on enhanced and vigorous revenue mobilization,
- They must improve fiscal management and expenditure control,

- Allocate optimal resources for municipal services to the community,
- Improve on technical efficiency,
- Centralize all accounting functions that relate to revenue to a single revenue management official,
- Monthly financial reports identifying both expenditures and income relevant to revenue and any deviations,
- The Provincial Department of Local Government and Provincial Treasury should maintain strong and consistent monitoring systems that provide evidence of municipal financial capacity in terms of the government's 5 Year Local Government Strategic Agenda,
- All municipalities should undergo innovative approaches and restructuring, including business process reengineering, that will address their financial capability,
- Municipalities must develop an integrated system of budgeting, accounting and financial reporting,
- Public sector debt portfolio must be managed efficiently
- Municipalities must use the fora created by the Inter Governmental Framework Act to address non-payment by Provincial and National departments,
- Where municipalities have not developed key policies on revenue, they should develop outstanding policies and seek council endorsement thereof and implement,
- The filling of crucial and strategic vacancies in finance and revenue sections must be auctioned as a matter of urgency,
- Intense training on billing system should be organized for all staff in revenue,
- Head offices should link up with satellite offices to improve the technology platforms and connectivity
- The data of municipalities must be cleaned regularly or at intervals to improve correctness and enhance the integrity of the data,
- Municipalities ensure that they post accounts to correct addresses to eliminate errors and reduce revenue loss,



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- The proper management of the indigent debt will improve the debt profile – irrecoverable debt must be written-off and the rest should be collected,
- Municipalities should attend to aging infrastructure such as outdated meters to avoid errors and incorrect billing,
- Identify all water leaks to avoid further revenue loss through unaccounted for water losses,
- Pay attention to secondary revenue base income like proper land use management,
- Ward committees, which are an extension of council, should assist the Council in public education in order to change attitudes towards paying for municipal services,
- Municipalities themselves must embark on a vigorous media strategy to turn the culture of non-payment around,
- They must develop clear and known customer care policies,
- Municipalities should begin to appreciate that budget development is a policy setting and implementation process,
- Municipalities must, as a matter of ensuring a sound legal basis and good governance, make sure that financial management adequately controls the level of revenue and expenditure, and appropriately allocate resources for municipal services to the broader community.



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ANNEXURE A

REVENUE COLLECTION METHODS WITHIN SELECTED MUNICIPALITIES IN THE EASTERN CAPE PROVINCE

Kindly find enclosed a questionnaire that has been prepared to inquire one of the topical issues at local government, **revenue management**, a key management function for addressing one of the pivotal key performance areas for local government namely **municipal financial management and viability**.

The questionnaire has been prepared for a research project undertaken to fulfill the requirements of a Masters Degree in Public Administration at the University of Fort Hare.

Your assistance in completing the questions will be greatly appreciated.

Please note that the information gathered during this research will be handled in a responsible manner within the confines of research ethics.

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S. MACLEAN

Instructions:

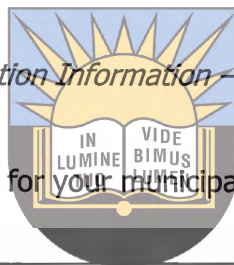
1. The questions enclosed are prepared for Municipal Managers and/or Chief Financial Officers.
2. Please return responses to sender by **7 December 2007**.

SECTION A: Details of the Municipality

Name of Municipality _____

Category of Municipality _____

Position of Respondent(s) _____



SECTION B: Budget Implementation Information – Revenue Management for 2005/6

1. What was the total budget for your municipality for the financial year 2005/6?

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2. Kindly provide a breakdown of your municipality's sources of revenue for the financial year under review?

3. What was the percentage (%) contribution of your municipality to revenue in comparison to other revenue sources for the 2005/6 FY?

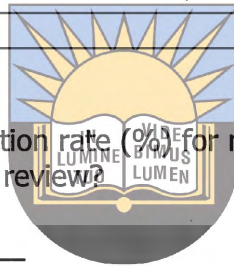
4. In terms of revenue collected in the financial year under review, what was the distribution (in percentages) of the following three (3) respective consumers categories of your municipality?

State _____
Business _____
Households _____

5. How much in rand value was owed by each category?

State _____
Business _____
Households _____

6. What was your debt collection rate (%) for municipal services and property rates in the financial year under review?



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7. Did you make provision of rebates on property rates to approved institutions and specific groups (e.g. the elderly)? [Yes/No]

8. If yes, how much (in rand value)?

9. What were your outstanding amounts for property rates and municipal services in comparison to your annual budget for the financial year under review?

10. What was your accumulated provision for bad debts and how much did you provide for in the financial year under review?

11. Was your bad debt provision sufficient for the year under review? [Yes/No]

12. What was the audit opinion on this matter, if any? [qualified/unqualified]

13. Did the Municipal Manager submit monthly budget statements to the Mayor, National Treasury and Provincial Treasury for each month in terms of s71 of the MFMA?

14. Did the Municipal Manager submit quarterly budget statements to Council reflecting all income collected in terms of s71 of the MFMA?



SECTION C: General Financial Matters

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1. What municipal services does your municipality provide to the community?

2. How many revenue centres does your municipality have for collecting revenue?

3. Does your municipality use direct banking facilities? [Yes/No]

4. If yes, which banking institution(s) are you using?

5. Does your municipality have a debt management policy and is it promulgated by a by-law?

6. When was the policy approved by Council?



7. What methods are prescribed in the by-law to deal with defaulters?

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8. How do rate the implementation status of the by-law?

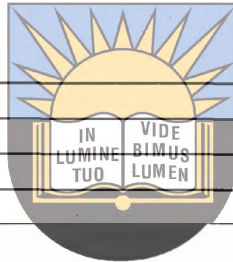
Poor Average Excellent

9. Comment on the implementation status of the by-law

10. What Financial System do you use in debtor administration?

11. When was the last time the municipality cleaned its database and test for accuracy and completeness?

12. Does your municipality deliver accounts to all users on a regular basis?
[Comment]



13. What method(s) do you employ to deliver accounts?
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14. Does your municipality have a customer service centre? [Comment]

End

Thank you,