

**THE IMPACT OF DEBT ON THE LOCAL GOVERNMENT, WITH SPECIAL
REFERENCE TO THE MAFIKENG LOCAL MUNICIPALITY.**

by

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MMABATHO

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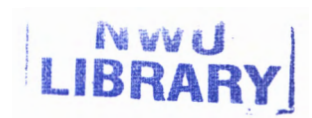
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ABSTRACT

- Study Context:** This study was on the impact of debt on the Municipalities, with special reference to the Mafikeng Local Municipality. The literature review on this study revealed that in South Africa there is presently lack of research on municipality finances. The increasing deterioration of the financial stability of the municipality sphere of government in South Africa is a matter of concern.
- Objectives:** To examine the current reasons for non-payment by residents of Mafikeng.
- Design:** The study used questionnaires and structured interviews to get the information on non-payments.
- Significant Results:** Residents owe the municipality R224 851 400.46 and 45% of this amount comes from the Mmabatho residential areas as at February 2004.
- Conclusions:** The municipality's debt collection department is not effective and has continuously failed to collect debt due to them. The municipality is therefore realising a huge and increasing debt due to the unwillingness of the local residents to pay for services.

CHAPTER ONE

ORIENTATION

1.1 Introduction

The primary aim of this study was to investigate the impact of debt on the local government in the North-West Province with specific reference to the Mafikeng Local Municipality. The present chapter presents the research project and how the study was carried out. It reflects of the background of the study, statement of the problem, research objectives, research questions, literature review, importance of the study, research design, document analysis as well as the scope and organisation of the study.

1.2 Background

The history of local government in South Africa has brought forth a rich variety and traditions taken and adopted from two countries, the Netherlands and Britain. The systems inherited reflect the results of evolution, in those countries. The local governments in South Africa during apartheid era were divided into the Whites, Blacks, Coloured and Indian local government. However this is no longer the case as local governments are currently integrated (Cloete, 1997:18).

Chapter seven (7) of the Constitution of South Africa Act, Act 108 of 1996, recognises local governments as a sphere of government. This recognition enhances the status of local governments as a form of government and gives them a dynamic role as instruments of service delivery. In other words, South African municipalities have been given a constitutional responsibility to ensure the delivery and management of local services, which are key issues for economic growth and social equity. Such services

include bulk and reticulated electrical power, water and sanitation, roads and waste removal. In addition, the municipalities are responsible for community facilities such as sports fields and to some limited extent some social services such as health clinics (Policy Framework for Municipal Borrowing and Financial Emergencies, 2000:5).

Residents of communities do need services from their local municipalities in many different ways. Of all the services that the municipalities provide to the residents, water is the most essential and the one service which people can not survive without. However these important services cannot be provided for free to people in the urban areas because the municipalities need to pay for operational expenses like employees salaries, to buy service and maintain equipment in order for systems to function effectively and efficiently. For this reason the residents need to understand that they can not be serviced for free and that they have to pay for services provided to them by municipalities.

Municipal debt has been the focus of most research studies because of the significance of funds to the provision of services. The current population makes it increasingly important for public organisations to know how best to recover debts and still be able to service the residents with the services that they need. Organisations continually search for ways to increase debt collection so as to create a healthy and positive financial status for the organisations concerned. It is hoped that this study would offer some general insights into this issue of increasing debt collection in municipalities. More specifically this study, investigates the financial management of the debts accumulated by residents of the following residential areas; Danville, Golf View, Leopard Park,

Mmabatho, Montshiwa, Ottoshoop, Riviera Park and Rooigrond. These areas are residents in Mafikeng the capital of the North West Province, whose residents expect to receive services from the local municipality.

Although more than ever before there is a need for services, there is also the need to improve the management of the payment of debt to municipalities. The aspect of effort is made to improve collection of debt so as improve services is increasingly becoming more difficult.

Within the context of a statement of the problem is provided to facilitate an understanding of the problem under investigation. There after the research design is given and terms relevant to the study are defined.

Provinces of South Africa

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(Source: Municipal Demarcation Board (2000))

The map of South Africa provided above shows all the nine provinces that in South Africa, Mafikeng is based in the North West Province. The North West Province is a province surrounded by Northern Cape Province, Free state Province, Gauteng Province and Limpopo Province in South Africa. Mafikeng is the capital city of the province and it is 26km to the boarder of Botswana. It has a population of 259 478 (Annexure8).

1.3 The nature and scope of local governments

Definition of a municipality

The Municipal Systems Act 32 of 2003, in Section 2 (a) - (d) provides a legislative definition of a municipality as:

An organ of the state within the local sphere of government exercising legislative and executive authority within its area of jurisdiction and it (sic) consists of the political structures (wards) and the administrative arm of the municipality; and the community of the municipality.

For this study, the term local government is used synonymously with the terms locality, local authority and municipality because all of them refer to bringing governance nearer to the people as stated in the municipality systems act.

1.4 Establishment of Municipalities

The Members of Executive Council (MEC) for local government in a province, by notice in the Provincial Gazette, must establish a municipality in each municipal area which the demarcation board marks in the province in terms of the Demarcation Act. Municipalities according to section 245(4) of the Interim Constitution Act 200 of 1993 can not be disestablished for at least three years after the local government election but is possible to dissolve them.

1.4.1 Categories of municipalities

Three categories of municipalities are used in South Africa and they are A, B and C, this is because provinces do not have the same resources, area and the same composition of the population. In accordance with section 155 of the Constitution of the Republic of South Africa (RSA) Act 108 of 1996, municipalities are categorised into three categories as follows:

Category A: A municipality that has exclusive municipal executive and legislative authority in its area.

Category B: A municipality that shares municipal executive legislative authority in its area with a Category C municipality within whose area it falls.

Category C: A municipality that has municipal executive and legislative authority in an area that includes more than one municipality (Cloete, 1997).

The Mafikeng Local municipality falls into Category B and is one that is most common categories in most provinces in South Africa.

The objectives of local government according to the constitution of the RSA, Act 108 of 1996 are:

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



The constitution of the RSA, Act 108 of 1996 section 152(1) also outlines the duties of municipalities as:

- Structure and manage its administration and budgeting and planning process to give priority to the basic needs of the community and to promote the social and economic development of the community; and
- Participate in national and provincial development programmes.

Finally a municipality must strive, within its financial and administrative capacity to achieve the objectives set out in subsection (1)

1.5 Generic characteristics of local government

A municipal council exists to govern and represent the people in its area of jurisdiction and that view is still valid. In order to clarify out this concept, a view is given below as to what are considered to be the generic (universal) characteristics of a local government- (Craythorne, 1997;10) sites the following universal characteristics of a local government:

- There must be a non-racial franchise stated in law. The law must set out the qualifications and disqualifications of a voter.
- There must also be stated in law the qualifications required of a voter who desires to stand as a candidate for election, as well as a procedure for the nomination of candidates and parties and procedures and legal rules for a holding and management of elections so as to lead to the election of a number of councillors. Every voter must be able to cast a vote in secret and without intimidation for a candidate of his or her own choice. There also needs to be a statutory mechanism for the determination of the number of councillors.
- The purpose of a municipality should be to govern and represent the inhabitants of the municipal area so as to ensure the maintenance of good rule and government and to act generally for the convenience, safety and comfort of those inhabitants. This includes the discretion to consider requests and to refuse or accept them, to allocate resources and to undertake development.
- A council must be clothed with powers and functions as well as to have certain duties and functions imposed on it.

Using its powers, functions and duties each council should be able to make laws (by-laws), levy taxes, approve and implement budgets, employ staff and render services.

A local government is concerned with issues of sensitivity to public opinion, responsiveness to public needs and the carrying upward to higher levels of government of those problems that cannot be settled locally because of lack of power or means or both. The local government then therefore has a number of rules and laws to abide by, with regard that the constitution shall be the supreme law of the land. For this reason the study looked at the principles in the constitution. The constitution states the objects of municipalities and also determines the duties (Constitution of RSA Act 108 of 1996).

The constitution is an important mandatory to the municipality because of the principles which a country is governed and therefore a continuous referral to it is of great importance as it keeps the study on track and in accordance with the principles. Municipalities should provide services to communities however it is difficult to serve a community that does not reciprocate by paying for services. A community is said to be reciprocal when it pays for its services so as to make the functioning of municipalities easy. Services cannot be provided for freely include services like water, fire protection, schools, parks and libraries but they should be paid for because they cannot be provided without a charge (Craythorne, 1997:).

1.6 District municipality

A district municipality refers to a municipality that has municipal, executive and legislative authority in an area that includes more than one municipality, and is described in section 155(1) of the Constitution as a category C municipality. (Government Gazette, 18 December No:19614; Local Government Municipal Structures Act: 1998).

1.6.1 The functions and powers of district municipalities

The following are the functions of district municipalities as stated in the Constitution of the RSA.

The Government Gazette of 18 December No: 19614: Local Government Municipal Structures Act: 1998).

1998 states the following about the functions and powers of district municipalities:

- Integrated development planning for the district municipality as a whole, including a framework for integrated development plans for the local municipalities within the area of the district municipality, taking into account the integrated development plans of those local municipalities.
- Bulk supply of water that affects a significant proportion of municipalities in the district.
- Bulk supply of electricity that affects a significant proportion of municipalities in the district.
- Bulk sewage purification works and main sewage disposal that affects a significant proportion of municipalities in the district.
- Solid waste disposal sites serving the area of the district municipality as a whole.
- Municipal road works which form an integral part of a road transport system for the area of the district municipality as a whole.
- Regulation of passenger transport services.
- Municipal airports serving the area of the district municipality as a whole.
- Municipal health services serving the area of the district municipality as a whole.
- Fire fighting services serving the area of the district municipality as a whole.

- The establishment conduct and control of fresh produce markets and abattoirs serving the area of the district municipality as a whole.
- The establishment conduct and control of cemeteries and crematoria serving the district as a whole.
- Promotion of local tourism for the area of the district municipality.
- Municipal public works relating to any of the above functions of any other functions assigned to the district municipality.
- The receipt, allocation and if applicable, the distribution of grants made to the district municipality.
- The imposition and collection of taxes, levies and duties as related to the above functions or as may be assigned to the district municipality in terms of national legislation.

1.7 Local municipality

Local municipality means a municipality that shares municipal executive and legislative authority in its area with a district municipality within the area it falls, and which is described in section 155(1) of the Constitution as a category B municipality (Government Gazette, Local Government Municipal Structures Act: 1998).

1.7.1 Reasons for having local municipalities

There are so many ways in which local governments affect the lives of the residents through the services that they provide. Therefore local government is multidimensional in that it does not exist only as a legal entity; it exists in and for communities as the grass-roots government for those communities. As such local governments operate in a

number of dimensions and exist as living and dynamic organism. The following are a number of aspects that the local government exist for (Gildenhuys, 1997:15)

1.7.1.1 Economic welfare functions or dimension

The purpose of the economic welfare function is to create conditions and amenities for the development of the economic welfare and prosperity of the people. They aim at providing and maintaining economic infrastructure services for economic development purposes.

A municipality has limited means, and needs to plan carefully and prudently. In addition, it has an effect on the local economy because it takes money out of circulation by means of tax (rates) and fees; returns money to the economy when it pays staff and buys goods and services; and by its policies, can encourage or discourage development. Development is a current constitutional function of municipalities because it, jobs will not be created, homes will not be built and services will not be provided.

(Gildenhuys, 1997:12)

A municipality desiring to encourage development will, if it can, provide appropriate infrastructural services in advance; try to keep the property rate as low as possible; attempt to be businesslike and to give quick decisions; and flexible in applying measures such as town planning regulations. If development is successfully encouraged, the tax base will be broadened and there will be more funds to meet social and service needs. (Gildenhuys, 1997:12)

Municipalities provide basic services that affect people in their daily lives and for that they are needed for human beings most physiological needs like water. Their services

affect areas of jurisdiction, and this is an economic function which differ from one place to another and through levels of sophistication. The following are some of the previous economic welfare functions: abattoirs, electricity supply, water supply, public transport, roads, streets and rain water drainage, sewage disposal, solid waste removal (Gildenguys, 1997:12).

To sum up, local municipality is that level of government whose purpose is to identify and try to meet the needs of the local area better and not only through what the people can contribute but also how to engage them in economic activities aimed specifically at job creation and poverty alleviation (Southern Africa Development Corporation, 1999; 1). Municipalities should be able to provide their services in a financially sustainable manner. They are expected to be in a healthy financial position, which is defined as the probability that municipalities or any operational entity can meet its financial obligations in the short, medium and long terms. How will the municipalities be able to be in this healthy financial position if the residents or communities being served by the municipality do not play their role by paying for the services provided to them on time and if the workers at the municipality on the other hand do not perform their duties properly? This becomes very difficult to achieve, as finance plays an important role and a part in municipal service delivery, especially for those that inherently have weak resource bases.

1.7.1.2 Political functions or dimensions

Since it is the level of government closest to the people, local government are suitably situated to provide a way for ordinary citizens to have a say in how their communities should be governed. Municipalities provide opportunities for democratic participation

of citizens, in matters that affect them directly and they facilitate closer interaction between citizens and the elected representatives (Southern Africa Development Corporation, 1999:2). The extent of the political dimension of local governments will vary according to the actions of political parties, the dynamics of intergovernmental relations and local politics relating to local issues arising between local stakeholders. Politics has always played a role in municipal government and two key concepts in the political dimension are transparency and accountability.

1.7.1.2 (a) Transparency

This refers to doing away with secrecy in local affairs and being responsive to the public through public consultation. There are provisions in the Local Government Transition Act Second Amendment Act 97 of 1996 on raising taxes, levies loans and investment policy which underpin transparency (Craythorne, 1997:14).

1.7.1.2 (b) Accountability

In political theory, an elected representative is accountable to his or her voters, but that is theory in practice it is not always the case. One aspect of accountability is frequent elections, another is to have code of conduct and the powers of an MEC responsible for local government in terms of Act 97 of 1996 to remove from an office a council or found guilty of acting unlawfully (Craythorne, 1997: 14-15).

1.7.1.3 Social dimension

Social welfare functions aim at social aspects and the social; development of the individual in the municipal community. They have to do with the personal, physical and mental development of the individual. It involves aspects such as ambulance services,

burial, cremation, housing, personal health active and passive recreation and comprehensive environment program (Craythorne, 1997:15).

Local government should meet a number of various social needs. South Africa, as a developing country with great contrasts of wealth and poverty, the poor being people of colour the country is faced with a great deal of problems such as poverty, unemployment, crime, abuse and lack of respect for law. All these problems concern local government and have to do something about it. Local governments are therefore faced with other variety of intensifying and serious social problems besides those mentioned above and these include juvenile delinquency, schooling for children and housing (Craythorne, 1997; 15).

1.7.1.4. Administrative dimension

A municipality's staffs needs to be organized into functional units that are efficient and responsive to the community. The staff deals with public goods and services, and in the course of doing so, will interact with the public. Therefore the organizational structure adopted, the training given to, and the values included in municipal staff will, to a large extent, be the yardstick by which the public will measure the performance of its local council (Craythorne:1997;18).

1.7.1.5 Service provision dimension

The provision of services indicates activity. The nature and type of services provided will be a reflection of a council's attention to other dimensions that are mentioned above. The aim of the provision of services should be to secure the peace, quiet, safety, comfort and convenience of the population. (Craythorne:1997;18).

1.7.1.6 Statutory dimension

Local government is one of the three spheres of government in terms of the Constitution in the Republic of South Africa. Chapter 7 Local Government) of the Constitution sets out a framework of local government powers and duties.

1.8. Problem statement

This study sought to investigate to the extent to which debt of clients' impact on financial management in the Mafikeng Local Municipality. The amalgamation and restructuring of the previously racially segregated local government in South Africa had massively increased the demand for services without the corresponding increases in the financial resource. With the high population growth, urbanisation, education levels of people and others there is a tremendous increase of services needed in Mafikeng. Combined with service backlogs and deteriorating infrastructure, this has put a burden on the finances in municipalities countrywide. The inadequate financial management capacity, for example budgeting skills, accounting and financial reporting has given rise to the current deteriorating payment of public services in most municipalities in the North West Province.

1.9. Research objectives

The aim of this study was to analyse financial trends and patterns of the Mafikeng Local Municipality Public Debt and to determine the impact of this debt on both the financial condition of the Mafikeng Local Municipality and that of residents in Danville, Golf View, Leopard Park, Mmabatho, Montshiwa, Ottoshoop, Riviera Park and Rooigrond of Mafikeng from 2002-2004.

The specific objectives of this study were:

- To examine the current reasons for non-payment by the residents of the Mafikeng town.
- To develop a payment programme of residents and local municipality in Mafikeng so as for residents to pay for services.

1.9.1 Research questions

- What is the impact of debt on financial management of local municipality?
- What is the scope and nature of municipal financial management?
- What are the trends of the economic base, public debts and finance patterns of the Mafikeng Local Municipality from 2002-2004 and how did they impact on financial management of municipality?

1.10. Literature review

In the review of literature, a thorough study of both secondary and primary sources was made with a view to gathering information on the nature and scope of municipal financial management. A DIALOG- search which helps in getting more information by just typing in the words that you need to be searched on. The search was conducted with the following terms: financial management, municipally finances, local government finances, financial trend, public debt, debt collection, defaulters, billing problems using the SABINET-<http://www.sabinet.co.za>, EBSCO-search.epnet.com.

Other materials were obtained through the use of search portals such as google, yahoo, .dogbite, financial management study guides and text books.



1.11. Importance of the study

The collapsing and deteriorating conditions of service offered to residents in the North West Province and across South Africa has triggered the need for vigorous research in the field of local government financial management.

There is an immense need for rigorous research efforts to develop models that will monitor the financial condition of local governments in South Africa. This study is therefore timely, for it addresses an issue that has attracted not only residents themselves but also scholars on Public Administration, Accounting, Financial Management and politicians. In other words this research contributes toward the growing base of municipal financial management in South Africa. It forms part of the ongoing debate on the financial ability the local level of government has to carry out its statutory mandate of sustainable local development.

This study was limited to the Mafikeng Local Municipality in the North West Province but it is relevant to all other municipalities in the province and across South Africa and thereby contributes to a developing base of information on the body of literature on local government administration and public debt.

1.12. Research design

This study included case-study research because it needs to follow the trends in the debts of Mafikeng Local Municipality without any form of interventions. The following are the methods that were used to carry out the study:

1.13. Data collection methods

The study used the literature review and empirical investigations to collect data.

1.13.1 Empirical investigations

The study used document analysis to collect data from the financial statements on the physical financial debt information and population statistics of the district from the Mafikeng Local Municipality.

(a) Questionnaire

A questionnaire was developed for the respondents who received services from the municipality and the questions were meant to elicit the customer's attitude towards services received and payments demanded by the municipality. The other questionnaire was developed for municipal officer in the debt department of the municipality.

(b) Document Analysis

The financial statements are exhibited in Annexure 2, the Credit policy in Chapter Two of this study and the Integrated Development Plan of Mafikeng Local Municipality is depicted in Annexure 7. These are the documents used in the document analysis of collecting data.

All financial and population records that fall within the research period of 2002-2004 were studied with a view of gathering historical data on the finances and debt of Mafikeng local municipality.

(c) Data Analysis

This study employed the Financial Trend Monitoring (FTMS) and Time Series techniques. The FTMS is a technique which involves a series of periodic measurements on the dependent variable for a group of test units. The FTMS and Time Series were used in this study to determine the municipality's financial trends and patterns between 2002-2004 and the debt impact on them. Both qualitative and quantitative methods were used in analysing the collected data.

1.14 Ethics

The researcher ensured the confidentiality of the respondents through the fact that data collected did not reveal names, or house numbers. The situation was such that the respondents, the municipality officers and others were not harmed. Secondly the information was used only for the research purposes and destroyed after use.

There was no single house hold information that was reported but an area information, for example the whole of Leopard Park as an area not one particular house in Leopard Park.

1.15 Scope of the study

This research study intended to find out the impact of unpaid public debt on the financial performance of the local municipality. The study was limited to the Mafikeng local municipality in the North West Province, but it could be relevant and make a contribution to all other municipalities with similar problems across South Africa.

1.16 Organisation of the study

This study is organised as follows:-

Chapter 1

Orientation and introduction

Chapter 2

Literature review and theoretical foundation

Chapter 3

Defining the problem and formulation of hypothesis

Chapter 4

Research design and analysis

Chapter 5

Results and interpretation

Chapter 6

Discussions, conclusions, implications and recommendations

1.16.1 Conclusion

Chapter one

Chapter one introduced the background to the study, statement of the problem, research objectives and questions, methods of research, importance of the study and scope of the study as well as the organisation of the study.

Chapter two presents the literature review on the local government's finances.

1.16.2 Chapter two

Chapter two will look at the financial debt, its' effects and ways to combat debt as well as the policies available to help the municipality in improving debt collection in municipalities in the North West Province, with special reference to the Mafikeng Local Municipality.

1.16.3 Chapter three

Chapter three looks at the research problem which is the debt being owed to the municipality for services rendered to residents of the Mafikeng Municipality. It looks into the management problem first and then the research problem.

1.16.4 Chapter four

Chapter four presents and discusses the research design and methodology, which were used to examine the impact of public debt on the financial situation of the Mafikeng Local Municipality.

1.16.5 Chapter five

Chapter five looks at the results of the study and the interpretation of these results. The chapter firstly presents the results from the customers' responses and the municipal officer on the questionnaire and secondly interprets the results to make them accessible.

1.16.6 Chapter six

This chapter presents a summary of the study. The chapter discusses about implications, and makes recommendations based on the findings of the study. It

gives a feedback on every aspect of the study and concludes the research findings.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FOUNDATION

2.1 Introduction

This chapter will look at the financial debt, its effects on and ways to combat it as well as the policies available to help the municipality in improving debt collection in municipalities in the North West Province, with special reference to the Mafikeng Local Municipality. The local government in the Mafikeng and other areas in South Africa provided essential services to the residents. The rewards of such should be adequate payments when requested by the provider. When residents fail to pay for the services provided by municipalities, it becomes difficult to continue providing such services.

The changing role of the government has necessitated a review of the way it does business. The government no longer exists only to spend more on the rendering of public services, but it is also expected to generate income in the process of service delivery so as to sustain the delivery of public services.

2.2 Management of Public Money

The management of public finances has been in a state of continuous development over the past decades in the world, because of changing tasks of the government. Public financial management practices have been seriously buffeted by the crosscurrents of changing economic conditions. When goods and services are sold on credit there is always that possibility of some clients not paying their debt (Eckstein 1979:178).

2.3 Definition of debt

An amount of money or goods that a person, enterprise or country owes to another and which constitute obligations which must be paid off in a specific period, is called a debt. By its origin debt may be classed as internal or external: while for its use it may be public or private.

<http://www.gruposantander.com/pagina>

The compact English Dictionary defines debt as 'the sum of money owed'. According to Swart (2003:28) debt is made when you buy on credit.

According to Musgrave (1989: 548), the growth of the debt is determined by the underlying tax and expenditure legislation and the levels of surplus or deficit which result. The draft of municipal finance management bill, chapter one (1) defines "debt" as;

- (a) a monetary liability or obligation created by a financing agreement, note, debenture, bond or overdraft, or by the issuance of municipal debt instruments; or
- (b) a contingent liability such as that created by guaranteeing a monetary liability or obligation of another; (<http://www.pmg.org.za>)

2.3.1 Types of debt

According to webteam@katc.com debts are divided into two categories the dischargeable and the non-dischargeable debts.

A 'discharge' in bankruptcy means that a debtor is legally free and clear of any obligation to repay certain debts. This means that a creditor no longer has any right to collect debt. The debtor no longer has any obligation to repay it. Dischargeable debts

are those that the debtor is no longer personally liable to pay after the bankruptcy proceedings are concluded.

Non-dischargeable debts are those that are not cancelled because of the bankruptcy proceedings. But <http://www.en.wikipedia.org> gives the following as types of debt:

Hire purchase, Mortgage, Personal loan account, Store cards, Pawnbrokers, Charge account, Catalogues and Credit cards

2.4 Definition of municipal services

According to the draft of municipal finance management bill, chapter one (1) "municipal service" means a public service or facility which a municipality in terms of its powers and functions provides or may provide to or for the benefit of the local community, either through an internal mechanism or by engaging an external mechanism. This excludes:

(a) The construction, provision or maintenance of infrastructure for the purpose of providing such a service or facility;

(b) The provision by an external mechanism of a service to assist the administration of a municipality in the exercise of its powers and functions;

(<http://www.pmg.org.za>)

2.5 Causes of debt

Anyone can get into debt for reasons which are many and varied and not usually due to irresponsibility, as is commonly assumed. Most debt problems arise when people

experience changes in circumstances which leave them unable to meet their commitments. This can be due to the loss of a job, birth, ill health or bereavement.

(<http://www.consumerdebt.net/>)

Another and potentially greater economic disaster strikes when people become seriously ill or injured and either does not have health insurance or else do not have enough of it. There are three problems related to consumer debt:

1. Actual debt owed by people has grown.
2. There has been even faster growth in the amount unused but available consumer credit lines.
3. Since the early 1980s consumers have amassed a great deal of adjustable rate meaning that interest rates movements now change monthly loan payments

(<http://www.icba.org>).

2.6 Effects of debt

According to the following two websites <http://www.mabs.ie> and <http://www.consumerdebt.net/> the effects of debt can be devastating to people and their families. On a practical level, clients, liberty, their home, goods and services may be lost or at risk. Emotionally indebtedness can cause people to feel ashamed, guilty, frustrated and angry and can seriously affect both their mental and physical health. It can also be the cause of relationship breaking down amongst other things.

- Rapid urbanization and urban poverty
- Economic development
- Infrastructure backlogs
- Low tax base and revenue collection

Other effects of debt are identified in <http://www.updebt creek.com> as: allows people and organizations to do things that they otherwise would not be able or allowed to do, and exacerbating economic problems and the contraction of consumption.

2.6.1 The burden of the debt

To define the burden of the debt precisely, we have to ask this question; what difference does it make to us and to future generations that certain past government expenditures were financed by borrowing rather than by taxation? For if they had been financed out of taxation, there would be no debt and there could be no “burden” of that debt. (Eckstein . 1979;179)

2.6.1.1 More inflation

The average citizen fears debt mainly as a source of inflation. The debt represents past outlays that were not matched by taxes, hence it measures past government claims to resources that it could not pay for. If government engages in debt financing when the economy is already at full employment, it creates an excessive level of demand and causes inflation. Fortunately, most of the country’s deficit occurs when the economy is weak, when the extra demand from the government budget mainly puts idle resources to work. There will be some extra price increases, but they should be the smaller part of the effect (Eckstein: 1979;179).

2.6.1.2 Past expenditure into the future

Apart from output effects that clearly make future generations worse off, is there a possible to shift the burden of the past expenditure into the future? An internal debt does not shift the availability and use of resources through time and hence can do no more than reshuffle incomes within future generations (Eckstein).

2.7. Techniques to combat debt

According to the convention held for the Credit Control Strategies for Local Government on the 29th and 30th of April 2004, at Indaba Hotel, Fourways Gauteng, the following were adopted as techniques to combat debt.

- Implement an effective credit control strategy to assist in overcoming non-payment for service delivery
- Monitor the collection processes successfully by evaluating, reviewing and adapting policies and by-laws
- Understand legislation to ensure legal compliance of collection and credit control procedures
- Create a better relationship between consumers and the municipality
- Establish a sound customer care management programme
- Reward your staff for achieving collection goals by using incentive schemes for motivation
- Manage debt by implementing an effective process for credit control
- Develop plans and targets for collection

2.8 Establishing a better relationship with the public

- Identifying and upgrading ways of communication
- Encouraging consumer participation in the collection process
- Implementing payment systems taking into account diverse backgrounds such as illiteracy, language and rural communities
- Establishing a consumer complaints policy
- Improving the efficiency of the payment system
 - Exploring various payments methods
 - Investigating credit technology to decide the best option
 - Encouraging timely payments and indicate any interest incurred
 - Ensuring the statement layout is clearly defined to ensure effective communication for receipt of payments.

(Laura Mseme, Director, Thabiso Consulting: Credit control strategies for local government 29 and 30 April 2004)

2.9. Advantages of and Disadvantages of Debt

The website <http://www.en.wikipedia.org> identifies the following advantages and disadvantages of credit:

Advantages

- Helps to improve one's general way of living.
- Gives ability to take advantage of sales.
- Enables purchasing of large or expensive items and paying them over time.
- Replaces carrying large sums of cash.
- Can help beat inflation.

Disadvantages

- Commits future earnings.
- Decreases cash savings.
- May include paying finance charges and/or interest in addition to the cost of the product or service.
- Promotes temptation to over spend.
- If not paid on time one can get a bad credit record

2.10. Financial Management

2.10.1 The Local Government Finance



According to Craythorne, 1997: 216, the public service must be concerned about its cash flow as much as the private sector is. This means that government departments must also check on whether their activities generate income in the process. The finance of local government is presently a major concern of local authorities in South Africa and elsewhere in the world. Although public finance is a servant of policy, it has itself an importance which has often reacted on the political situation. It is hardly too much to say that the permanent well being of a nation depends as much on the successful solution of the problem of public finance as on the skill and industry of its workers or the bravery of its soldiers. The municipalities do need to have good healthy finances in order to make it well in the services that they provide to citizens.

2.10.2 Characteristics of local government finance

According to Moak and Hillhouse, the following are some of the characteristics of local government: Firstly property tax remains the main source of revenue for most local

governments, but has lost its former dominant position in many individual local government revenue programmes. Secondly local finance is partially dependent, and is usually supplemented by financial help from higher levels. Currently, with more devolution of power and responsibilities to local governments, such assistance has become increasingly necessary.

Many of the larger urban municipalities have adequate economic resources within their geographical boundaries but are restricted by national government and provisional statutes to tax these sources. The result is often inadequate locally-collected revenues to support a high standard of local services. Local government financial policy is always conceived, planned and executed within a restrictive constitutional and statutory framework, an administrative supervisory network from the higher spheres of government and controls imposed by the national government as a condition of the receipt of loans and other assistance (Moak and Hillhouse).

2.10.3 Financial goals and objectives

In order to carry out their responsibilities successfully local governments are expected to have financial goals which in many instances entail goals of delivery of quality services in an efficient and cost effective basis, thus providing full value for each Rand spent. According to The City of Rye (1995:1) the goals include some of the following:

- To maintain a good credit rating in the financial community to assure the city's taxpayers that the city government is well managed and financially sound;
- To maintain adequate financial base to sustain a sufficient level of municipal services, thereby preserving the quality of life in municipalities; and

- To have the ability to withstand local and regional economic shocks, to adjust to changes in the service requirements of communities and to respond timely to changes in government funding structures and formulae.

Financial goals are broad timeliness statements of the desired financial position of a municipality. In order to attain such a desired financial position, there is a need for some policies to steer the finances of the city. These policies are general statements that guide decision making in specific situations to ensure that all decisions are directed at the attainment of the financial goals.

2.10.4 Local Government Financial Administration

According to Musgrave and Musgrave (1984:20), the financial responsibilities of local government in South Africa include the allocation, distribution and stabilization of municipal resources. In terms of section 178 (1) of the Constitution, Act 108 of 1996, a local government must be managed on sound principles of public administration, good governance and public accountability, to render efficient services to the community and most centrally to ensure effective administration of its affairs. This legislative provision therefore creates an internal environment within which municipalities have to run their finances. Moreover, in line with the constitutional framework, Section 10 (g) of the Local Government Transition Act, Second Amendment Act, 1996 (Act 97 of 1996) provides the following principles in respect of local government finance,

- Conduct its affairs in an effective, economical and efficient manner with a view to optimising the use of its resources in addressing the needs of the community;
- Conduct its financial affairs in an accountable and transparent manner;
-

- Prepare a financial plan in accordance with the integrated development plan in respect of all its powers, duties and objectives;
- Structure and manage its administration and budgeting and planning process to give priority to the basic needs of its community, and promote social and economic development within its area of jurisdiction and support the implementation of national and provincial development programmes;
- Manage its financial resources to meet and sustain its objectives;
- Regularly monitor and assess its performance against its integrated development plan; and annually report to and receive comments from its community regarding the objectives set in its integrated development plan.

Rawlison and Tanner (1990:1) define local government financial administration as an economical use of local government revenues to achieve goals of effectiveness and efficiency in the provision of municipal goods and services. In South Africa, local finance has had to overcome serious obstacles and because there are so many local governments. The considered an overriding factor in local governments, because without sound financial management systems, local governments will be forced to discontinue their operations.

2.11. Budget

Swart, (2003) defines a budget as financial plan that comprises income and expenses. According to Gildenhuys, budget is a financial statement which contains the estimates of revenue and expenditure over a certain period of time.

2.11.1 Municipal budgets

Section 125 of the Constitution of the Republic of South Africa states that municipal budgets and budgetary processes must promote transparency, accountability and effective financial management of the economy, debt and the public sector. A municipality needs to generate enough funds, so that it receives enough revenue to manage the budget in a positive way, therefore there is a need for consumers to pay for services rendered (Craythorne, 2003).

2.11.2 Budget deficit

A budget deficit is the excess of government outlays over receipts taken in from taxes, fees and charges levied by government authorities (Hyman 1996).

2.11.3 Unsound Finances

A number of municipalities have become bankrupt since the transition and transformation processes commenced. This is because of the following three reasons: the loss of skilled staff for political reasons, the joining of large bankrupt apartheid bodies to solvent and non-payment of services (Craythorne, 2003).

2.12 Municipal Revenues

Section 227 of the Constitution Act 108 of 1996, states that the sphere of local government is entitled to an equitable share of revenue raised nationally to enable it to provide basic services and perform the functions allocated to it and may also receive other allocations from national government revenue, either conditionally or unconditionally. A municipality needs finances to execute its programmes for delivery

of basic goods and services to residents. Municipalities have the constitutional power to levy charges under Fiscal Powers, Section 229 of the Constitution. Subject to section 229 in subsections 2, 3, and 4 paragraph a municipality may impose the following;

- Rates on property and surcharges on fees for services provided on or behalf of the municipality; and
- If authorised by the national legislation, other taxes, levies and duties appropriate to local government or to the category of local government into which that municipality falls, but no municipality may impose income tax, value-added tax, general sales tax or customs duty.
- The power of a municipality to impose rates on property, surcharges on fees for services provided by or on behalf of the municipality , or other taxes, levies or duties;____
- (a) may not be exercised in a way that materially and unreasonably prejudices national economic policies, economic activities across municipal boundaries, or the national mobility of goods, services, capital or labour; and
- (b) may be regulated national legislation.

When two municipalities have the same fiscal powers and functions with regard to the same area, an appropriate division of those powers and functions must be made in terms of national legislation. The division may be made only after taking into account at least the following criteria:

- (a) The need to comply with sound principle of taxation.
- (b) The powers and functions performed by each municipality.
- (c) The fiscal capacity of each municipality
- (d) The effectiveness and efficiency of raising taxes, levies and duties
- (e) Equity.

- (e) Nothing in this section precludes the sharing of revenue raised in terms of this section between municipalities that have fiscal power and functions in the same area.

National legislation envisaged in this section may be enacted only after organised local government and Financial and Fiscal Commission have been consulted and any recommendations of the Commission have been considered (Craythorne, 1997:346). Therefore according to section 229 (1) (b) the provision closes the door on the long-standing argument of local government role players for additional sources of taxation in the form of a local income or sales tax, but the same section does allow for national legislation to authorise other taxes, levies and duties. In South Africa tax base and wide spread if not endemic non-payment of taxes, any additional taxes may well be counter-productive and would discourage new investments. On the other hand the power to levy property rates or Regional Services Councils levies (eg the old RSC levies) is limited by the need not to materially and unreasonably prejudice various economic policies. This is clearly aimed at preventing municipalities discouraging development through restrictive or oppressive tax practices.



The following are some of the ways and means for the municipality to get some revenues from the residents:

2.12.1 Fees, user charges and tariff services

The sources of income from fees, charges and tariffs are varied. These can be described as trading, necessary and social.

2.12.2 Trading

Trading services are generally water and electricity, but could also include services such as gas, or wholesale markets. They are expected to break even, but in terms of past practice, profits were made on electricity and water and there were applied to the reduction of the rate burden. These profits became a controversial issue, as on one hand it is argued that profits are oppressive to the poor and cause them to spend more than they should. On the other hand, the argument runs, the ratepayer already subsidises those services and facilities charged at social cost and hence deserves some relief. In addition the 'profit' factor ensures that all users make a contribution to general infrastructural costs, as is the case with the payment of value added tax (VAT) (Craythorne, 1997).

2.12.3 Necessary fees, charges and tariffs

Necessary fees, charges and tariffs are those relating to sewerage, refuse removal and like services. These services can be expensive and it is not always possible to recover the full cost. Social services refer to fees. The most obvious and in many ways the most sensible recommendation that can be made with respect to revenue structures at any level of government is that appropriate user charges should be employed whenever possible. Local authorities may, from an economic point of view, be viewed as firms delivering packages of local public services to residents (Craythorne).

2.12.4 Consumer charges

Consumer charges are levied on all municipal services that are completely exhaustible and have to be replenished for their continual availability. The consumers of such charges usually pay the operating costs, capital costs, maintenance costs and the

interest if such a service is derived from a capital project financed from a loan. The primary objective of consumer tariffs is that they should yield adequate revenue to cover the costs of supplying such services to consumers (Gildenhuys, 1997:100).

2.12.5 Assessment rates

The rating of fixed property (land and the improvements thereon) is a principal source of income for local authorities. In South Africa the rating is on capital value, also referred to as “municipal value” because this value is arrived at by valuations done by or for the local authorities- usually on the basis of estimated market value (Cloete 1997). Bell and Bowman (2002:25) define property tax as a group of taxes which are levied on the value of different kinds of property determined by the individual localities to be subject to taxation. The authors further state that property tax is the most lucrative source of municipal revenues that is currently under exploited.

2.13 The crisis of cost recovery

Cost recovery is about consumers paying partial or full costs for their municipal services. Municipalities use it to try to balance their financial books, to avoid deficit financing and to stabilise finances for service delivery. It is intended to generate revenue for future service upgrades and extensions and can be used along with progressive block tariffs to generate subsidies for poor households. It can be a way to manage demand for power or water by penalising over-users.

Cost recovery can also lay the groundwork for governments to sell services to private companies to run. Since such companies would not be interested in buying utilities that lose money, cost-recovery is often seen as a pre-condition for privatisation.

2.13.1 Debt collection

Municipal debt in South Africa could eventually have a destabilising effect on the national economy. The Municipal Systems Act 14 of 2003 places duties on municipalities in this regard, since according to the Cape Argus of 7 May 2002, South Africa's total municipal debt, that is monies owed, was R22 billion (Craythorne, D.L 2003)

2. 13.2 Debt collection responsibilities

A municipality:

- Must collect all money that is due and payable to it, subject to the Municipal Systems Act and any other applicable legislation; and
- To this end, must adopt, maintain and implement a credit control and debt collection policy which is consistent with rates and tariff policies and complies with the provisions of the Municipal Systems Act 14 (Craythorne).

2.13.3 Debt indicators

According to City of Harrisonburg (2000), the factors developed under which indicator are intended to help any city in monitoring changes in debt structure. The overriding concern is to ensure that the city's outstanding debt does not exceed its ability to repay in worst-case scenarios.

2.14. Policy

2.14.1 Definition of a policy

A policy is a statement that describes in very general terms an intended course of action. After objectives are established, policies are developed to serve as general guidelines in making operating decisions which direct actions towards the achievement

of the objectives (Burt 2003). A municipality develops and adopts a policy framework for the establishment, regulation and management of an internal municipal service district.

2.14.2 Credit Control Policy and debt collection policy in Mafikeng

The credit policy and debt collection policy may differentiate between different categories of ratepayers, users of services, debtors, taxes services, service standards and other matters as long as the difference does not amount to unfair discrimination (Mafikeng Mail 1 April 2005:22). The effective and efficient implementation of this policy will improve the recovery rate of municipality's debtors. In turn, this will contribute to the realisation of the constitutional objective of providing basic services for human dignity. Increased revenue forms the basis for effective service delivery, infrastructure development and economic growth (Mafikeng Mail 1 April 2005:22).

2.14.3 Debt Collection Policy-

According to the Municipal Systems Act the debt collection policy must provide for the following:

- Credit control procedures and mechanisms.
- Debt collection procedures and mechanisms.
- Provision for indigent debtors that is consistent with its rates and tariff policies and any national policy on indigents.
- Realistic targets consistent with:
 1. General recognised accounting practices and collection ratios; and
 2. The estimates of income set in the budget, less an acceptable provision for bad debts.

- Interest on arrears, where appropriate.
 - Extensions of time for payment of accounts.
 - Termination of services or the restriction of the provision of services when payments are in arrears.
 - Matters relating to unauthorised consumption of services, theft and damages.
- Any other matters that may be prescribed by regulation.

(Craythorne 2003; 230).

2.14.4 Aim of the Credit policy

This policy aims at addressing the key issues and challenges of credit control and debt collection. The strategic aim is to create an enabling environment in which the objectives of credit control and debt collection can be realised (Mafikeng Mail 1 April 2005:22). The policy may differentiate between different categories of ratepayers, users of services, debtors' taxes, services, service standards and other matters, as long as the differentiation does not amount to unfair discrimination (Municipal Systems Act 15).

In order to sustain the local governance and continued service delivery, the collection of income levied on account statements submitted to debtors (current accounts) must be realised within a turnover rate not exceeding 30 days. Payment of arrears must also be addressed sufficiently for the main categories of debtors in order to minimise arrear debtors (<http://www.pmg.org.za>).

2.14.5 Objectives

The objective of a credit control and debt collection policy is to define a framework within which effective procedures could be developed to identify defaulters. A further objective is to ensure that their failure to meet financial obligations towards the municipality would be treated in a consistent, fair and effective manner (Mafikeng Mail 1 April 2005:22).

2.15 Contents of a credit policy

The Government Gazette of 20 November 2000, Act N0 32 states that, a credit control and debt collection policy must provide for:-

- credit control procedures and mechanisms
- debt collection procedures and mechanisms
- provision for indigent debtors that is consistent with its rates and tariff policies and any national policy on indigents
- realistic targets consistent with:-
 - (i) general recognised accounting practices and collection ratios; and
 - (ii) the estimates of income set in the budget less an acceptable provision for bad debts
 - (iii) interest on arrears, where appropriate
 - (iv) extensions of time for payment of accounts
 - (v) termination of services or the restriction of the provision of services when payments are in arrears
 - (vi) matters relating to unauthorised consumption of services, theft and damages



2.15.1 Credit Control Measures

Reminder or Demand for payment

A reminder that the previous account has not been paid on the due date is generated after the due date and hand-delivered to the debtor's physical address. This reminder clearly states that a period of seven days is allowed for payment or arrangement for payment, in the absence of which, service delivery to the client will be limited. The account of the debtor is debited with the cost of such a reminder at the approved tariff of the municipality (<http://www.tshwane.gov.za>).

2.16 Policy regarding payment of services accounts and illegal consumption of services: city council of Mafikeng

The following are the credit control policy being used in Mafikeng. (Mafikeng Mail April 1 2005:23).

2.16.1 Other households (Non indigent)

Subject to further provisions appearing in this policy, Council shall discontinue the supply of water to any consumer who fails to pay his other monthly account by the due date in respect of any or all of the following services:-

2.16.1.1 Basic charges

2.16.1.2 Water consumption

2.16.1.3 Refuse removal

2.16.1.4 Sewerage charges

2.17 Arrangement for payment of arrear amounts to be made as follows:

2.17.1 Minimum amount of 50% of the total overdue balance as an initial payment in cases where overdue balance contains amounts which have been outstanding for longer than twelve months. The balance to be settled in equal installments within a maximum of twelve months. The consumer shall over and above this be further liable for the current account.

2.17.2 Minimum amount of 25% initial payment for overdue balance containing amounts which have been outstanding for less than twelve months and the balance to be paid in equal installments within a maximum period of six months, the consumer further being liable for the current account.

2.17.3 If after continuation of supply of services the debtor again applies for an arrangement, this may be considered by the Chief Executive / Town Clerk or his delegate with the understanding that where services have been discontinued or restricted, such further arrangements will exclude the continuation of the service until full payment has been received.

2.17.4 Any consumer who is unable to pay his/her account by the due date may apply before such due date for an extension until the 25th of the month on which the amount is due and payable. In all such cases the water supply shall only be discontinued in the event of the consumer not settling his/her account by the 25th as arranged.

2.17.5 Any consumer shall be entitled to apply for the deferment of payment of the current account until the 10th of the following month provided that no consumer shall be granted this indulgence on a regular basis and further that any such application will be treated on merit. The water supply shall be discontinued if the account is not paid by the 10th as arranged. The discretion to stop this indulgence lies with the City Treasurer.

2.17.6 The above arrangements will only be entered into if:-

- A garnishee order is obtained in cases where the debtor is employed
- The debtor is prepared to sign a Consent to Judgement and/or acknowledgement of debt,
- The applicable interest on overdue accounts is paid as well.

2.17.7 In addition to the other credit control measures like, e.g. summonses and water cuts offs use also be made of the Credit Bureau for collection of arrears and black listing of debtors where applicable (Mafikeng Mail April 1 2005:23).

2.18 Business and other non-residential consumers

These consumers include government departments, sports bodies, welfare societies, churches and educational institutions.

2.18.1 No arrangements for payment of arrears will be entered into and deposits, where applicable, will be reassessed after the disconnection of services.

2.18.2 Sequestration proceedings be commenced in cases where business and related consumers committed statutory acts of insolvency.

2.18.3 Use should be made of all possible credit control measures including the Credit Bureau for collection of overdue amounts and black-listing of debtors where applicable. In addition a black-listing procedure be introduced to stop such debtors from being considered for further allocations of business sites and/or awarded tenders for goods and services until all debts owed to Council have been liquidated (Mafikeng Mail April 1 2005:23).

2.19 Indigent Households

This refers to households with an income of less than R800.00 per month

2.19.1 That the following be accepted as Indigence Policy of the City Council of Mafikeng:-

2.19.2 All legal action for the collection of the accumulated arrears excluding tampering charges must be suspended.

2.19.3 Consumers are motivated to pay a minimum of R50.00 (fifty rand) and a maximum of R120.00 (one hundred and twenty rand) per month, inclusive of current and arrear charges.

2.19.4. Council to obtain Consent to Judgement for arrear debts.

2.19.5. The subsidy will not apply in respect of households owning more than one property who will not be classified as indigent.

2.19.6 Council reserves the right to withdraw or amend the subsidising of consumers' accounts at any time and for whatever reasons.

2.19.7 That it be noted that the success and sustainability of the subsidy for the Indigent Households will depend, to a greater extent, on the availability of the Inter Government Transfers (IGT's) for this purpose (Mafikeng Mail April 1 2005:23).

2.20 Conclusion

This chapter looked at the financial debt of local municipalities in the North West Province, with special reference to the Mafikeng Local Municipality. The chapter also reflected causes, effects and ways to combat debt. It also went on to look at the debt and credit control policies of the municipality. The following chapter looks at the definition of the problem and formulation of hypothesis.

CHAPTER THREE

DEFINING THE PROBLEM AND FORMULATION OF HYPOTHESIS

3.1 Introduction

This chapter reflects the research problem which is the debt owed to the municipality for services rendered to residents of the Mafikeng Municipality. It presents the management problem first and then the research problem. The chapter ends with a discussion of the credit control measures, policy and procedures used by the Mafikeng Local Municipality.

3.2 Defining the problem

The main problem of this study is the debt owed to the municipality by residents, which turns to be the cause of the municipality not being able to provide for the city's needs adequately. This problem disadvantages both the residents and the municipality itself. High population growth, urbanisation, education levels of people and others aspects causes the need for a overwhelming increase of services needed in Mafikeng. The research problem is defined as determining the image of the municipality. It shall determine the relative strengths and weaknesses of the municipality with respect to factors influencing municipalities. The effectiveness of the current debt collection policy is to be determined.

3.3 Management Problem

The Mafikeng Local Municipality has been hitting the head lines of the Mafikeng Mail as being bankrupt and for an organisation like it, makes residents to be concerned about what will happen and how the debt will it affect them. The management problem in this

study refers to the Mafikeng Local Municipality's inability to collect payments due to it. This could be because of different reasons which might include accounting errors such as those caused by over charging consumers.

Therefore this research focused on information on debt and attempted to find out why residents did not pay their accounts. The data collected reflected the residential area in Mafikeng that owed the highest amount of money and how residents perceived the services they received from the municipality. A municipality delivering good service should not be opted for the privatisation of all municipalities by the government.

3.5 Past information and forecasts

Past information and forecasts can be valuable in uncovering potential opportunities and problems. The past information on debts shows that the municipality has been unable to collect reasonable amount of money owed to it.

3.5.1 Resources and constraints

Resources such as staff, money and time constraints should be taken into consideration before the problem of debt collection can be solved. Other constraints, such as those imposed by the municipality's personnel organisational structure and culture should be identified to determine the scope.

3.5.2 Buyer behaviour

An understanding of the underlying buyer behaviour provides valuable insights into the problem. Buyer factors considered in this study included: income, preferences, demographic and psychological characteristics.

3.5.3 Legal environment

This includes public policies, laws, government agencies and pressure groups that influence and regulate various organisations and individuals in society.

3.5.4 Economic environment

The economic environment consists of purchasing power, gross income, disposable and discretionary incomes, prices, credit availability and general economic conditions.

3.6 Formulation of postulates

The Mafikeng Municipality could do one of the following in order to avoid an increase in debt or improve debt collection:

- It should have reasonable charging of accounts which should not be too high because consumers might be unable to pay.
- Billing of accounts should be done on time that best suits the consumer and not on the 15th of every month because it is in the middle of the month it's not all consumers who would be having money at this time.
- The municipality could increase the training of its accounts staff so as to reduce number of mistakes they make.
- The municipality should do a follow up on unpaid accounts than to leave it for too long overdue.
- Since the Mafikeng Local Municipality's name has been tarnished the management should try to clear out the bad things about the organisation by improving the way they have been conducting business.

- Municipality should try better and cheaper ways of getting services to the residents.
- Consumers might have not received their accounts either on time or not received them at all.
- Consumers who do not understand why they should pay for a service which is natural in its nature.
- Consumers could be faced with certain difficulties which will not allow them to pay.
- Consumers might not understand how the municipality operates.

From the above possible solutions it would help the municipality to implement one or more of these alternatives.

3.7 Credit control measures

3.7.1 Electricity disconnection (level 1) and water restriction

In the absence of reaction on the seven day reminder, the electricity supply to the debtor is discontinued after the issuing of a notice for the reason of the discontinuance. The account of the debtor is debited with the cost of the level 1 cut-off at the approved tariff of the municipality. Should the debtor receive an account for water consumption levies but not for electricity, a disconnection (restriction for residential debtors) of water is carried out at the consumption address and a notice to that effect is left at the premises. The account of the debtor is debited with the cost of this action at the approved tariff of the municipality (Mafikeng Mail 13 May 2005:22).

3.7.2 Electricity disconnection (level 2) and water restriction

In the further absence of reaction on the level 1 cut-off of electricity, the level 1 cut-off is inspected after seven days to ensure that the service is still discontinued. If the electricity is found on, it is again discontinued with the relevant notification, but then via a more expensive procedure to ensure a more tamperproof disconnection. The account of the debtor is debited with the higher cost of the level 2 cut-off at the approved tariff of the municipality. Together with the level 1 electricity cut-off inspection, the water supply is also disconnected (restricted for residential debtors) and a notice to that effect is left at the premises. The account of the debtor is debited with the cost of this action at the approved tariff of the municipality.

3.7.3 Illegal reconnection/tampering of electricity

If consecutive follow-up actions due to no reaction by the debtor reveal that illegal consumption of the service occurred or a disconnection has been tampered with, the service connection is removed and evidence against offenders is filed on an investigation document. (Mafikeng Mail 13 May 2005;22)

3.7.4 Illegal reconnection/tampering of water

The water disconnection/restriction is monitored and followed up in cases of absence of reaction by the debtor to ensure that the disconnection/restriction is not tampered with. Interference with disconnections will lead to the eventual removal of such a service connection. Any first time discovery of tampering at the address of a residential debtor leads to more severe restriction of the water supply and any further tampering after that will lead to disconnection of the water supply. Evidence against offenders is filed on an investigation document. (Mafikeng Mail 13 May 2005;22)

3.8. Debt collection measures

Legal steps are taken to collect arrears in the following cases:

- Where the cut-off action yielded no satisfactory result.
- Where no cut-off action is possible due to the nature of services for which the account has been rendered.
- Where the arrears are older than 90 days.

<http://www.tshwane.gov.za>

3.8.1 A pre-investigation into the account and debtor detail is carried out before the preparation of a summons takes place. The data of an appointed Credit Bureau is utilised in this regard, often resulting in telephonic contact with the client, which obviates the need for summoning. The tracing cost and the telephone cost are debited to the account of the debtor at the approved tariff of the municipality.

(<http://www.tshwane.gov.za>)



3.8.2 Arrear accounts in excess of R100 000.00 which are to be summonsed are Supreme Court matters, which are referred to the suitably qualified legal division of the municipality for summoning in conjunction with one of the appointed panel of attorneys. The legal cost is debited to the debtor's account in accordance with the eventual outcome of the matter. (Mafikeng Mail 13 May 2005;22)

3.8.3 Arrear accounts smaller than R100 000 are Magistrate Court matters for which the relevant summonses are issued. The different Sheriffs of the Courts deliver these summonses to the summonsed debtors. The expenses of the issuing and delivery of the

summonses are debited to the debtors accounts. If debtors react on the summonses received within 10 working days after delivery by the Sheriff, by either payment in full or partial payment and arrangement for monthly payment of the balance, no further legal costs are debited by the attorney or debt collection agent, and the matter is not further pursued for as long as the debtor complies with the agreed monthly payment. (Mafikeng Mail 13 May 2005:23)

3. I.4 Summonses not reacted upon within the 10 working days window period are referred to the local .Magistrates Courts in conjunction with the collection agents, who have jurisdiction in these Courts. Default judgement is obtained and the relevant debtor is automatically also blacklisted at the major credit bureaus. A notice of the default judgment is posted to the debtor by registered mail. (Mafikeng Mail 13 May 2005:23)

3.8.5 Default judgements not reacted upon within a further 10 working days are again presented at the magistrate, who issues a warrant of execution, which can either order the sale of property of the debtor to recover arrears or order the debtor to be evicted in case of arrear rentals. Where the debtor has no fixed property a court order can be served on him/her to appear in court where the magistrate can approve a garnishee order on the debt. (Mafikeng Mail 13 May 2005;23)

3.8.6 The process for debt collection of any portion or category of the debtor book can be outsourced to collection agents by the Chief Financial Officer. Any cost that arises from such action can be recovered from the debtor. (Mafikeng Mail 13 May 2005;23)

3.9 Principles of the policy

The following are the principles of a credit policy which should be considered:

- 3.9.1 The municipality should at all times be aware of the national credit control and debt collection initiatives. There are also numerous support mechanisms that the municipality need to be aware of. Non-payment by debtors of their accounts has a direct negative impact on the municipality's ability of service delivery to clients. (Mafikeng Mail 13 May 2005;22).
- 3.9.2 The municipal manager should report any challenges that officials are experiencing to enforce credit control and debt collection to municipal council. Reporting frameworks to the municipality for credit control and debt collection should be decided upon by the municipality. Current levies not paid by the indicated due date are in arrears and all debtors with arrears are subject to credit control and debt collection measures. The right of access to services, and consumption thereof, can only be exercised by residents who are not in arrears on their municipal services accounts or who have arranged to pay their arrears in terms of this Policy (Mafikeng Mail 13 May 2005:22).
- 3.9.3 Credit control and debtors procedures must be understandable, uniform fair and consistently applied. Members of the community must understand these procedures to lessen possible disputes when applied. A fair uniform system would ensure that any two community members in exactly the same situation would be treated exactly the same way. This will enhance the community's perception of the municipality and add in the acceptance of the procedures.

Various methods of payment by debtors as well as sufficiently convenient payment points are available (Mafikeng Mail 13 May 2005:22).

3.9.4 Credit control must be effective efficient and economically. To be effective the credit control policies and procedures must result in the improvement of the recovery rate of the municipality's debtors. Interest on debt in arrears is levied monthly at the prime overdraft rate of the municipality's banker as at 1 January and 1 July of each year for the six months following these two respective dates. (Mafikeng Mail 13 May 2005:22)

3.9.5 The measures taken must be sustainable in the long term. Policies and procedures that are adopted must not be 'quick fix' solutions but should lay the foundation for a system that can continuously and effectively address credit control issues. Interest is levied on all arrears in excess of 59 days, subject to exceptions as per Council Resolution. Interest levied but not paid is included in the arrear amount of such a debtor (Mafikeng Mail 13 May 2005:23)

3.9.6 A proper indigent policy must be in place. Such a policy will enable the municipality to differentiate between community members that can not pay and those that simply don't want to pay. Credit control measures are applied with pro active reminder or warning. Account statements are regarded as reminders of the arrears status of the account as well as stating the intention to take credit control measures. (Mafikeng Mail 13 May 2005:23)

- 3.9.7 The implementation of this policy requires the full cooperation of all sections within the municipality. The cooperation of the finance, engineering, and cooperate service divisions are particularly important for the implementation of this policy. Metered services consumed by an unknown consumer are billed to the owner of the property to which the service connection is registered. Consumers who are to be billed separately must enter into a service agreement to have access to these services. No service agreement is valid without the written consent of the registered owner of the property (Mafikeng Mail 13 May 2005:23).
- 3.9.8 Inherent in the credit control and debt collections policy is the municipality's vision of driving the right behaviour. The municipality will not utilise service providers (including directors and owners), who have not settled their municipal accounts. Refusal by banks to honour payments by cheque or debit order is regarded as non-payment, upon which the relevant debtors are subject to credit control measures (Mafikeng Mail 13 May 2005:23).
- 3.9.9 Clients who make no further use of any services but still owe an amount are inactive debtors who, after the submission of a second inactive account statement to their latest known postal addresses, are handed over for collection to a debt collector appointed for this purpose. Limited collection actions (i.e. Final Letter of Demand) are applied for inactive accounts smaller than R3 000 due to the cost – benefit ratio of such cases and any further action required for these individual accounts is at the discretion of the Chief Financial Officer. (Mafikeng Mail 13 May 2005:23).

3.9.10 Debtors who are large consumers of services are managed by telephonic and personal contact with them on a higher management level, e.g. corporate business and government departments. (Mafikeng Mail 13 May 2005:23).

3.9.11 Residential household debtors form a distinct group for whom the following special measures and exceptions apply:

- Water supply to defaulting residential household debtors will not be completely discontinued, but rather be restricted due to hygienic reasons. Other types of debtors who are in default and whose water supply is involved will be completely deprived of the service.
- Any interest free arrangements for payment of arrears are intended to assist those debtors by making their current monthly accounts more affordable.

3.9.12 All notifications served to the domicilia of clients state the reason/s for actions taken as well as information as to how they can take corrective action to normalise the situation.

3.9.13 It is necessary to disconnect any service in terms of this Policy, the free cross-subsidised portion of that service in terms of the municipality's tariffs for service delivery, will also not be available for as long as that service is to remain disconnected. (Mafikeng Mail 13 May 2005:23) Council Resolution No: A26:04/2005.

3.10 Customer Care

In terms of Section 95 of the Local Government Municipal Systems Act 2000, in relation to the levying of rates and other taxes by a municipality and the charging of fees for municipal services, the municipality must, within its financial and administrative capacity:

- Establish a sound customer management system that aims to create appositive and reciprocal relationship between persons liable for these payments and the municipality itself.
- Establish mechanisms for users of services and ratepayers to provide feedback to the municipality or other service providers regarding the quality of the services and the performance of a particular service provider.
- Take reasonable steps to ensure that users of services are informed of the costs involved in service provision, the reasons for the payment of service fees and the way in which monies raised from services are utilised.
- Where the consumption of services have to be measured, take reasonable steps to ensure that the consumption by individual users of services is measured through accurate and verifiable metering systems.
- Ensure that persons liable for payments receive regular and accurate accounts and indicate the basis for calculating the amounts due.
- Provide accessible mechanisms for those persons to query or verify accounts and metered consumptions and appeal procedures which allow such persons to receive prompt redress for inaccurate accounts.
- Provide accessible mechanisms for dealing with complaints from such persons, together with prompt replies and corrective action by the municipality.

- Provide mechanisms to monitor the response time and efficiency in complying with the above point: and
- Provide accessible pay points and other mechanisms for settling accounts or making pre-payments for services.



3.11 Procedure and policy

According to the website <http://www.imfo.cc.za> the following is a outline of the procedure and type of policy and where is it used.

No.	Procedure	Frequency	Responsibility	Kpi	Relevant policy
1.	Accounts:				
1.1	Accounts must be prepared according to the Council resolutions and must be posted to the consumers as soon as possible. The date for payment must appear on the account and should be a fixed day every month for example the 25th.	Monthly	Chief Financial Officer	Yes	Credit Control and Debt Collection Policy
1.2	The account must be printed on a standard form which must contain the following details: Consumer name; Consumer account No.; Consumer postal address; Residence/Erf details to where the service(s) have been supplied. All details of services that have been supplied i.e. electricity, water, rates, refuse removal, etc.; Any outstanding balance from the previous month; Any reconnection/disconnection charges that may have been charges; and Any interest or fines that may have accrued; The rates component should be according to Section 27 of the Property Rates Act.	Monthly	Chief Financial Officer	No	Credit Control and Debt Collection Policy
2.	Age Analysis and Overdue Accounts:				
2.1	Within seven days after each monthly due date the Municipal Manager must	Monthly	Chief Financial Officer	Yes	Credit Control

2.2	dispatch a notice to all defaulters.	Monthly	Chief Financial officer	Yes	and Debt Collection Policy
2.3	The defaulter has 14 days in which to make a payment or the services will be disconnected.	Ongoing	Chief Financial Officer	Yes	Credit Control and Debt Collection Policy
2.4	The consumer will be held liable for all disconnection and reconnection charges. A consumer's supply may not be reconnected until such time as the following have been complied with: Arrear account has been paid in full, including interest; Charges have been paid in full;	Ongoing	Chief Financial Officer	No	Credit Control and Debt Collection Policy
2.5	Service Contract has been entered into; A cash deposit has been paid. Should a consumer fail to pay their account even once the service has been terminated, the Municipal Manager will after 28 days hand over the account for collection.	Ongoing	Chief Financial Officer	No	Credit Control and Debt Collection Policy
3.	Receipts and Clearing of Accounts:				
3.1	The official responsible for receipting of monies received from debtors must not be the official responsible for debtors administration. The two positions must be kept separate and filled by different people. This is done in order to reduce the risks of fraud within the	Ongoing	Chief Financial Officer	No	Credit Control and Debt Collection Policy
3.2		Ongoing	Chief Financial Officer	No	

3.3	municipality. All receipts must be correctly allocated to the relevant debtors account and furthermore the amount must be correctly allocated to the correct services paid for.	Ongoing	Chief Financial Officer	No	Credit Control and Debt Collection Policy
3.4	Any unknown receipts will be temporarily posted to an unallocated receipts account. These amounts must be traced to deposits or remittances and must be followed up by contacting the payee or bank where applicable, to verify for what or whom the payment was received. The unallocated receipts account must be cleared at least on a weekly basis.	Ongoing	Chief Financial Officer	No	Credit Control and Debt Collection Policy Credit Control and Debt Collection Policy
4.1	Bad Debts: Bad debts should only be written off on the authority of the Council after all reasonable steps have been taken to recover the debt, in accordance with the credit control and debt collection policy, and the Municipal Manager is satisfied that: The debtor cannot be traced; All legal and other measures have been exhausted, but there is still a balance of the debt remaining; Recovery of the debt would be uneconomical; Recovery would cause undue hardship to the debtor or his/her dependants;	Ongoing	Municipal Manager/Council	No	Credit Control and Debt Collection Policy
4.2	It would be an advantage to	Ongoing	Municipal	No	

	the municipality to effect a settlement of its claim or to waive the claim. All debts written off shall form a charge against the provision for bad debts, and if no or an inadequate provision exists, shall be charged as an operating expense of the vote to which the bad debt relates.		Manager and Chief Financial Officer		Credit Control and Debt Collection Policy
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3.12. Model for subsidising of consumer account

(a) Qualification

An account holder of a household where verified gross monthly income of all occupants over the age of 18 years does not exceed R470.00 per month. Or an account holder of a household where the verified combined gross income of all occupants over the age of 18 years exceed R470.00 but does not exceed R800.00 per month.

(b) Conditions

The holder of the account must be a South African citizen, a permanent resident or in possession of a work permit also registered voter in Mafikeng.

(c) Submission of application

Account holder must apply in person and the following documents must be attached to the application:-

- The latest municipal account
- Proof of identity of account holder
- Any annexure as may be required

(d) Basis for calculation of subsidy

Where verified gross monthly income does not exceed R470.00 per month the household will qualify for a 100% subsidy on general rates, sewerage, refuse charges and 12kl, of water subject to the proviso that the subsidy will only apply where the consumer agrees in writing that the supply of water to the applicable premises may be restricted by a flow-control washer at the discretion of the city engineer where water consumption exceeds 12kl. Where the verified gross income exceeds R470.00 per month but does not exceed R800.00 per month, the household will qualify for 50% subsidy on general rates, sewerage, refuse charges and a maximum 6kl, of water subject to the proviso that the subsidy will only apply where the consumer agrees that the supply of water to the applicable premises may be restricted by a flow control washer. If the consumption exceeds 6kl, per metering period month, the consumer will be charged for actual consumption exceeding 6kl, at normal tariff.

3.13. Discontinuation of water supply

In the event of the consumer's supply being discontinued, he/she will only be entitled to reconnection upon compliance with the following:-

3.13.1. Payment of reconnection fee of R500.00 (Five hundred rand) or such other fee as may be determined by Council from time to time.

3.13.2. Payment of interest levied up to the previous month agreed amounts on the balance overdue.

3.13.3. No discontinuation of water supply shall occur on a Friday, the day preceding a public holiday or after 13:00 on any day.

3.14. Unlawful consumption, tampering with installations and/or criminal activity.

3.14.1. Cases where the consumer has reconnected his/her water supply after disconnection for non-payment or tampered with his/her metering equipment (theft).

3.14.2 First time offenders:-

The consumer will be charged a “Tampering Disconnection” fee of R800.00 (eight hundred rand), plus unmetered consumption.

3.14.3 Second time offenders:-

The consumer will be charged a “Tampering Disconnection” fee of R1 600.00 (one thousand six hundred rand), plus unmetered consumption.

3.14.4 Third time and subsequent offenders:-

The consumer will be charged a tampering disconnection fee of R4 000.00 (four thousand rand), plus unmetred consumption

3.14.4. All cases, where criminal activity is evident, must be prosecuted to the fullest extent of the law.

3.14.5 All arrear service charges on the account, disconnection call fees, legal fees and/or any other related service charges, plus the tampering disconnection fee and/or unmet red consumption charges raised, must be paid in full prior to the water being reconnected.

3.15. Conclusion

In conclusion this chapter has defined the problem of and it is a very important step because if problems are not properly and well defined, funds could end up being channelled to wrong directions and therefore correcting wrong causes of the problem. Therefore this research correctly and carefully identified the actual problem that is faced by Mafikeng Local Municipality and possible solutions to this problem. The next chapter discusses how data was collected in trying to solve the problem mentioned above.

CHAPTER FOUR

RESEARCH DESIGN AND ANALYSIS

4.1 Introduction

This chapter presents and discusses the research design and methodology, which were used to examine the impact of public debt on the financial situation of the Mafikeng Local Municipality. The chapter consists of sampling techniques, population and has three sections: section A, discusses the survey methodology, section B the documentary reports and section C presents the statistical techniques used in data analysis.

4.2 Sampling techniques

There are two types of sampling techniques; they may be broadly classified as probability and non-probability. Probability sampling is a sampling procedure in which each element of the population has a fixed probabilistic chance of being selected for the sample. Non-probability sampling is a technique that does not use chance selection procedures but rather rely on the personal judgement of the researcher Malhotra (1999).

The researcher used the probability sampling technique for this study. The total population number of respondents was fifty. This was done by taking six respondents from each of the residential areas in Mafikeng that are under study. For this to be possible information from Statistics South Africa was used.

4.3 Population

Population is the aggregate of all the elements that share some common set of characteristics and that comprise the universe for the purpose of the marketing research problem. Target population is the collection of elements or objects that possess the

information sought by the researcher and about which inferences are to be made (Malhotra).

According to Statistics South Africa the population in Mafikeng was approximately 259 478 in 2001 (Annexure 4). From this population 28 817 people stay in Mmabatho and this is the area that owes most debt to the Mafikeng Local Municipality.

Statistics South Africa Mafikeng also shows that from the same area 10385 numbers of people out of the 28817 are employed (<http://www.statssa.gov.za>).

SECTION: A

4.4. Survey Methods

Gathering of data in surveys included personal interviews, computer assisted personal interview, self administered survey and telephone interviews. A covering letter was attached to the questionnaire to explain about the project being undertaken and to guarantee the participants that the information that they were giving would be kept completely confidential.

4.4.1 The techniques

4.4.1.1 Personal interviews

According to Cooper et al (1998) this is a two way conversation initiated by an interviewer to obtain information from a respondent. The respondent is interviewed and gives answers together with some body movements which might show deeper and more feeling about the situation on which he or she being interviewed on. The respondent is asked to provide information and has little of receiving any immediate or direct benefit

from this cooperation. Personal interviewing like all other techniques has advantages and disadvantages which are listed in the following discussion.

Advantages

- Interviewers can also adjust to the language of the interviewee because they can observe the problems and effects the interview is having on the respondent.
- The greatest value of the personal interview method lies in the depth of information and detail that can be secured.
- Interviewers can pre-screen respondents to ensure that the correct respondent is replying and can set up and control interviewing conditions.
- The interviewers have more control and can also do more things to improve the quality of information received than with other methods.
- Interviewers can note conditions of the interview, probe with additional questions and gather supplemental information through observation.

Disadvantages

- Many people have become reluctant to talk to strangers and to allow them in their homes.
- Costs are particularly high if the study covers a bigger geographical area or has stringent sampling requirements.
- Interviewers are reluctant to visit unfamiliar neighbourhoods alone, especially in the evenings.
- Sometimes the results are affected by interviewers who alter questions.

Cooper et al (1998):-

In this study, the researcher conducted personal interviews with both the service users of the municipality and the municipal officers.

4.4.1.2 Computer-assisted personal interviewing (CAPI)

This type of interviewing has replaced paper and pencil data collection. In this method, respondents sit in front of the computer and input their own responses. The respondent interacts directly with the computer. This technique has both advantages and disadvantages:

Advantages

- Minimises response biases caused by interviewer interpretation of the data.
- Reduces recording errors, data file is stored in a form which is easily which is ready for analysis telegraphic.
- Friendly programmed.
- Data can be collected from respondents in many different locations.

Disadvantages

- Costs of some software for PC interviewing are high.
- Respondents pressing the wrong keys and entering wrong responses.
- Field interviewer and respondents who are unfamiliar with the computer.
- Problems with damaging or losing disks in the mail.
- It takes time to initially learn to program the software.

Malhotra (1999)

4.4.1.3 Telephone interviewing

Cooper and Schindler (1998:300) maintain that the telephone can be helpful in arranging personal interviews and screening large populations for unusual types of respondents. According to some previous studies, it shows that making prior notification calls can improve the response rate. Cooper and Schindler identified the following advantages and disadvantages of telephone interviews:

Advantages

- It offers moderate costs. Much of the savings comes from cuts in travel and administrative savings from training and supervision.
- Long-distance service options make it possible to interview nationally at a reasonable costs.
- When calls are made from a single location, the researcher may use fewer yet more skilled interviewers.
- It brings a faster completion of a study.
- Interviewer bias caused by physical appearances, body language and actions of the interviewer are reduced by the use of the telephone.



Disadvantages

- Some house hold phones are unlisted.
- Many obsolete numbers.
- Not possible to use maps, illustration, and some other visual aids.
- Response is lower than in face-to-face interviews.

(Cooper and Schindler (1998:300))

In this study, the researcher conducted telephone interviews only with the municipal officers or workers. Such as those in the debt collection department, accounts receivables and bad debts collection.

4.4.1.4 Self –administered surveys

A questionnaire is a formalised set of questions for obtaining information from respondents. Questionnaires have become omnipresent in almost all current research projects. A short questionnaire is completed by the respondent and given back to the researcher Malhotra (1999:) identified the advantages and disadvantages of a questionnaire as the following:

Advantages

- Costs less than personal interviews, costs are generally in the same range as telephone.
- Respondents can take more time to collect facts: talk with others or consider replies at length than is possible with the telephone, personal interviewing.
- Respondents who might otherwise be inaccessible can be contacted when the researcher has no specific person to contact.

Disadvantages

- There is no response error
- Major limitations concern the type of information that can be secured.

The questionnaire was used more conveniently to the service users because a larger number was targeted and it was cheaper than the telephone interviewing (Annexure 5).

SECTION: B

4.5 Documentary methods

Documents from the municipality office such as the age analysis and debtors lists were always used as a source of information in social and business research, either as the only method or in conjunction with other methods. They are employed in the context of many diverse studies, such as quantitative studies, qualitative studies and case study research. It is most unusual that any research study can be carried out without employing some form of documentary methods, for example library search (Sarantakos, 1997:274). Documentary methods demonstrate a number of strengths and weaknesses and are used only when strengths outweigh the weaknesses.

Advantages

- Low cost-documentary is more economical than most other types of gathering data.
- Quick and easy access availability of documents through the internet.
- Retrospectivity – enables the researcher to study past events and issues.

Disadvantages

- Some documents are not complete or up to date and thus an incomplete analysis of a phenomenon may be construed as an existing phenomenon.
- Some documents may have problems like coding.
- Some documents may be very confidential such that using that information will not be safe.

In collecting data on the economy of the Mafikeng area, various documents were used including policy documents, age analysis, statistics and financial statements.

SECTION: C

4.6. Statistical Analysis

Statistical techniques can be classified as univariate or multivariate. Univariate techniques are appropriate when there is a single measurement of each element in the sample or when several measurements of each element but each variable is analysed in isolation. Multivariate, on the other hand are suitable for analysing data when there are two or more measurements on each element and the variables are analysed simultaneously Malhotra (1999).

This study made use of the univariate techniques because it was the most suitable one for the investigation.

4.7. Follow ups

Contacting the respondents periodically after the initial contact is particularly effective in decreasing refusals in mail surveys. According to Cooper et al (1998:305) follow ups are a reminder and are very successful in increasing the response rates since each successive follow up produces more returns and the researcher can potentially achieve an extremely high response rate than the initial result.

4.8. Covering letter

A covering letter was attached to all copies of the questionnaire, to identify the researcher and to explain why the research was important. The covering letter is the most logical vehicle for persuading individuals to respond (Annexure 5).

4.9. Conclusion

This chapter presented the methodologies used in collecting and analysing data. This study in particular used various methods both quantitative and qualitative, to collect and analyse data for the study. The methods used to collect data from the consumers were through answering the questionnaire. The municipal officer's information was collected through a questionnaire, telephone interviews and personal interviewing from the researcher's office. The following chapter is on the presentation of data collected for the study and the interpretation of the results.

CHAPTER FIVE

RESULTS AND INTERPRETATION

5.1 Introduction

This chapter looks at the results of the study and the interpretation of these results. The chapter firstly presents the results from the customer's responses and the municipal officer on the questionnaire and secondly interprets the results to make them accessible. The researcher compiled the following results from the study conducted on the impact of debt to the Mafikeng Local Municipality's financial management.

This part of the research is very important because it shall serve as a historical record of the project. The other importance is that management decisions are guided by this report and its presentations. The reason for large sums of money owed to the municipality could be because of a number of different reasons, but this study has revealed these reasons and came up with possible solutions.

5.2 Debtors

The Mafikeng Local Municipality is facing a very enormous problem of escalating debt from consumers. It was revealed during this study that in 2001, the municipality had a debt book of R116,2 million and in 2004 it was R224,851,400.46 . The defaulters of the Mafikeng Local Municipality could be categorised as either long term or short term debtors depending on how long they take before paying their outstanding debt. The reluctance to pay for municipal services often renders the municipal in debt and eventually unable to provide services without unnecessary operational disorder.

The Municipality Finance Department attempts to support residents to pay by means of incentive programmes as shown in Annexure 5. This incentive programme has also failed to make an impact. The Mafikeng Local Municipality is in this regard left with no other alternative but to invalidate the parliamentary practice available to it to pressurise local residents to pay for their services.

The debt element should be fully integrated with budgeting and the cash flow management components, because at the beginning of financial each year, municipalities are expected to appropriate enough revenues to pay for debt. The inability of the Municipality to collect the debt shows that the municipality has a problem which has spiralled between 1998 and 2001.



5.3 Results

Fifty copies of the questionnaire were given to the respondents in Danville, Golf View, Leopard Park, Mmabatho, Montshiwa, Ottoshoop, Riviera Park and Rooigrond in Mafikeng municipal area. Sample was selected randomly in each of these areas.

The respondents responded differently to the different questions asked on the questionnaire. The following discussion focused on the results and their interpretation on this study, some of the results are explained by the use of tables. The results are per given area of the answers given by the respondents on the most crucial questions asked in the questionnaire.

5.4 Response to the questions

5.4.1 In which area do you stay?

This response to the question was answered by all respondents since eight questionnaires was distributed in each of the following areas, in Danville , Golf View, Leopard Park, Mmabatho, Montshiwa, Ottoshoop, Riviera Park and Rooigrond in Mafikeng.

5.4.2 How many people do you stay with in your household?

Table 5.4.2

Responses	Respondents	%
Less than 5	30	60
Between 5 and 10	20	40
Between 10 and 15	0	0
Total	50	100

The information in table 5.4.2 reflects that 60% of the respondents answered less than five on this question which means that this is the number per household that use water on a daily basis, with the exception of those people staying in the villages who were more than five. The bigger the number of people staying in one house the more the water is used and therefore the bigger the water bills will be.

5.4.3 What is the total household income of all who stay in this house?

Table 5.4.3

Responses	Respondents	%
Less than R2 000.00	0	0
Between R2000 and R4 000.00	12	24
Between R4 001 and R6 000.00	14	28
Between R6 0001 and R8 000.00	16	32
More than R8 001.00	8	16
Total	50	100

This question aimed at finding out whether the persons in these house holds had an income which they could use towards paying for their water bills. The other question which followed this question was how many people in this household were employed. The question sought to find out if all people who lived in the house were employed because they would help each other in paying for bills such as water and electricity.

5.4.4 How much water do you use as a household per day?

As all most all of the respondents did not know how much water they used a day, the researcher took their monthly water bills accounts and divided the total amount of water used for that month by 30 days. The researcher got different answers.

The following section sought to find out municipality related information.

5.4.5 Has your water ever been disconnected?

Table5.4.5

Responses	Respondents	%
Yes	5	10
No	45	90
Total	50	100

Forty-five respondents stated that their water had never been disconnected, whilst only 10% indicated that they had actually had their water disconnected.

5.4.6 By what method do you receive your water bills?

Table5.4.6

Responses	Respondents	%
By Post	30	60
Delivered at home	15	30
Other means	5	10

Thirty of the respondents received the bills through the post, which is more convenient in the sense that most of those who received through this method indicated that they indeed did receive them regularly. The problem was with the 30% who received their water bills delivered to them at home. This was because they indicated that they just found them hanging on their gates and the problem was that some times the wind blew them away or it rained on them, as they did not have proper mail boxes. The remaining

5% received their bills in different ways for example those who stay in company houses indicated that their bills were sent through their employers and others it was the borehole systems.

5.4.7 Do you currently owe on your water account with the municipality?

Table 5.4.7

Response	Respondents	%
Yes	50	100
No	0	0

All the respondents indicated that they owed the municipality different amounts of debts. The respondents who owed the municipality were asked how much they owed and the next question was whether they had made any arrangements on payment of their debt.



5.4.8 If you answered Yes above please indicate below how much your household owes the Municipality?

Responses	Respondents	%
Less than R2 000.00	15	30
Between R2 001 and R4 000.00	25	50
Between R4001 and R6 000.00	5	10
Between R6 001 and R8 001.00	5	10
More R8 001.00	0	0

Total	50	100
-------	----	-----

The amounts owed to the municipality at present according to the interview that the researcher had with the municipal officer was an estimated figure of R2 million.

5.4.9 If you owe the municipality have you made any arrangements with them on the payment of your outstanding bills?

Responses	Respondents	%
Yes	20	40
No	30	60
Total	50	100

Forty percent of the respondents who owed the municipality had certain arrangements on payment, while 60% have no formal arrangements. The 40% of the respondents who certain arrangements were either by debit or by monthly.

5.4.9.1 If you answered Yes specify the arrangements?

Responses	Debit Order	Monthly payments	No Arrangement
Yes	5	15	
No			30
%	10	30	60
			100

The respondents had made arrangements of paying monthly, by debit order others do not have any arrangements at all. The information in table 5.4.9.1 reflects that 10% of respondents have made arrangements to pay through debit orders, 30% through cash monthly payments, while 60% have no arrangements at all.

5.10 Do you experience problems with the accuracy of your account?

Responses	Respondents	%
Yes	15	30
No	35	70
Total	50	100

Thirty-five of the respondents indicated that they are satisfied with the accuracy of their accounts, while fifteen were not.

5.11 Please briefly make a comment about the services you receive and what you would like to see changing with regards to the Mafikeng Local Municipality.

Respondents gave the following different responses;

- Proper meter reading and want to be made aware when the meter reading was done so that they noted the readings as well. Most of the respondents' meters were read while they were at work and were not aware and sure of the real numbers before and after the readings. As a result they requested to be able to see when the readings were done so as to take note of them and compare them with those that would appear in their accounts or statements.
- Some meters were covered with grass and soil so one respondent was wondering how it was possible that the reading was done and how accurate the reading would be in such a situation.

- Inconsistent tariffs of rates and interests on outstanding balances were too high.
- Improve in collection of refuse and distribute refuse bags should be consistent. The most raised concern from the respondents as they indicated that sometimes the rubbish was not collected at all during the days that the services was normally supposed to be rendered. The black plastic refuse bags which used to be given to each household for putting rubbish were no longer distributed, for example in Mmabatho the residents had not received the bags this for the past four months at the time of data collection. Collection of refuse should be regularly done and the municipality should try to get rid of dumpsters they make the residential area more filthy.
- Provide street lights. Some respondents felt that the municipality should make sure that the street lights were functioning properly because darkness contributed to crime and residents were afraid of walking at the night.
- Sometimes water is cut-off without prior warning. The respondents stated that sometimes water was cut for hours and they were told that the municipality was cleaning water pipes, as this distracts their activities of the day since they were not given enough warning.

- One respondent asked for pre-paid water coupons to be introduced so as to solve the problems.
- Accounts to be updated at the end of the month not on the 15th as this date was in the middle of the month and was not always convenient to them causing them to be unable to pay, resulting in interest being charged unnecessarily on their accounts.
- Others said they were happy about the services that they received from the municipality.

The questionnaire for municipal officer was answered by the debt collector's manager and the following were the responses to each or the questions asked

5.12.1 How much water is used per month in Mafikeng Local Municipality?

The municipal officer responded by saying that on average the water consumption in the whole of Mafikeng per monthly is an estimated amount of 3 284 312.66kls. Part of this amount of water is paid either partly, in full or not at all.

5.12.2 What percentage of this monthly supply is received as payment?

The municipal officer was not sure of the amount received per month as payment to water used for that particular month. This was because the amounts received were not consistent for all the months.

5.12.3 How much is owed to the Municipality in terms of water bills?

The municipal officer said that currently the debt owed was close to plus or minus R200 000 000.00 as at the time of the interview that is in June of 2005.

5.12.4 Which area is the most problematic area to collect debt from?

The municipal officer said that Montshiwa was the most problematic area and this was according to their records caused by a high number of pensioners living in that area as well as unemployment.

5.12.5 How do you send bills to the customers?

According to the municipal officer, most bills were sent through the post and as well as company that was appointed to deliver door to door.

5.12.6 Has your department ever conducted a survey to find out if customers receive their bills in time?

The answer was no, this had not been done and the reason was because no one took the matter seriously to find out why. Therefore there was currently no research done on this issue.

5.12.7 If you answered Yes to question 6 above what measures have you put in place to rectify the problem?

Nothing has been done since no research has been carried out by the Local Municipality.

5.12.8 Is there enough staff and qualified people working in the debt collection section?

The response was no and currently there were only seven people working in department, which evidently was not enough.

5.12.9 What do you do when you encounter any problems in collecting outstanding debt?

The response to this question was that the municipality handed over accounts to their lawyers, restricted water supply and sent letters of demand and reminders. Currently the municipality was working on a customer service system that would send messages through cell phones. Customers paid a certain amount of money when they received letters of demand. Others paid because they did not want their names listed with the credit bureau.

5.12.10 Please briefly make a comment about the services you render to the customers and what you would like to see changing with regards to the Mafikeng Local Municipality?

The answer was people transformation, meaning that people needed to be educated about the reasons they should pay for services and to get to know the functions of the municipality as well as the need for the municipality to get funds. On the other hand workers also to be trained to do their work properly.

Age Analysis of debt as at February 2004

Table 5.13

Debtors	Current	30days	60days	90days	Total	%
Government	56, 049, 832	1 ,989, 935	994, 967	663, 312	59, 698, 046	0.27
SUB REGIONS						
Danville	8, 537, 729	339, 173	169, 587	8, 659, 701	17,706,190	0.08
Golf View	3, 846, 066	36, 547	78, 273	45,516	4,006,402	0.02
Leopard Park	8, 637, 207	306, 646	153, 323	102, 215	9, 199, 391	0.04
Mmabatho	66,759,303	3, 386, 126	1, 693, 062	1, 128, 709	72,967,200	0.32
Montshiwa	1, 532, 060	45, 617	2, 794, 639	31,752, 617	36, 124, 933	0.16
Ottoshoop	(20,226)	7,080	21, 599	221, 690	230, 143	0.00
Riviera Park	23, 843, 151	79, 891	39, 946	4, 408	23,967,396	0.11
Rooigrond	13, 584	6 808	122, 390	808, 917	951,699	0.00
Total	169,198,706	6,197,823	6,067,786	43,387,085	224,851,400	100

The information in table 5.13 reflects that the highest currently debt owed to the municipality is an amount of R224, 851, 400. The age analysis shows that Mmabatho units (1,2,3,5,6,7,8,9,10,11,12,13,14,15) are currently owing 32% of the total amount owed to the municipality of **R224,851,400** which is a total of R72,967,200.

The other remaining 68% of the total amount owed to the municipality is divided as follows: Government Departments 27%, Danville 8%, Golf View 2%, Leopard Park 4%, Montshiwa 16%, Ottoshoop 0.00%, Riviera Park 11% and Rooigrond 0.00%.

5.14 Conclusion

The chapter presented the results from the questionnaire and it showed that at least 100% of the respondents owed the municipality. The following chapter presents the discussions, conclusions implementations and recommendations of the study.

CHAPTER SIX

DISCUSSIONS, CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter presents a summary of the study. The chapter discusses the implications of the findings and recommendations based on the findings of the study. It gives a feedback on every aspect of the study and concludes the research as well as shows whether what was set out to be achieved was actually achieved.

6.2 Discussions

The results and information from the respondents through the questionnaire they completed are clear and provide proof that there is a problem of huge sums of uncollected money owed to the Mafikeng Local Municipality. The results also draw a picture that consumers want to pay low amounts for the consumption of water and other services provided by the municipality. Most respondents owe the municipality and it seems they do not take this debt seriously since nothing is done about it. The interviews carried out with the municipal official themselves shows that the problem lies with them complaining of a lot of work that they do for little salaries, this could lead to workers not performing their duties up to scratch and obviously resulting in a lot of errors taking place.

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6.3 Implications

The failure to collect debt will have serious problems concerning financial ability to operate effectively and to improve services and profits. The municipality could end up running into bigger financial problems which could cripple it. Some consumers could

also end up taking advantage of this situation and stop paying. Consumers are emotionally sensitive and can be influenced easily by information or a one time mistake which could have been wrongly interpreted. One consumer may spread to other consumers about the services that he or she received bringing a negative or positive impact on the municipality.

6.4 Recommendations

The following are the recommendations made from the findings of this study:-

6.4.1. Prepaid water

Some of the respondents suggested that prepaid water system be introduced and used so as to help in cutting down the huge amounts owed to the municipality. In this case though the municipality should also look into the water act to see if there would be any legislation which could affect this decision. This could solve the problem in the sense that consumers would only consume the amount of water that they are able to pay.

6.4.2. Revenue realised

It is recommended that the Mafikeng Local Municipality should rigorously direct its expenditures against the revenue realised. To be able to control deficit municipal financial management could try to take on board a practice of firm financial management. More aggressive programme should be implemented according to the credit policy to collect outstanding debt. Else it should decide on increasing its revenue base through local economic programmes. This is because in the near future the municipality could end up unable to pay its creditors, suppliers and human resources on time and fail to maintain equipment and infrastructure and to provide proper services to the residents.

6.4.3. Effective management

The Mafikeng Local Municipality should create a realistic and effective management system for the suitable billing and collection of revenues. The massive debts due to the municipality points out that it is either having a poorly administered billing and collection of taxation. The municipality should send accounts on time and could also consider sending them at a time which is more convenient for the payer that is when they are having money. A solution could be that billing should be done twice a month on the 15th for those who earn on or before this date, and on the 31st of each month for the rest of the customers.

6.4.4. Better relationships

The Mafikeng Local Municipality should establish a better relationship with the public. By this it should open its doors and allow itself to be approachable as well as get to understand the different types of customers which it is servicing. It could come up with certain programmes to make those individuals who cannot pay or who have problems with paying would come in and do some work for the municipality to equal what they owe.

6.4. 5. Credit control policy and debt collection policy

The Mafikeng Local Municipality could tighten up the current credit control. This could help in that residents would pay their accounts when they are due. Even if they can pay a small amount it would be better than not paying at all. Customers should be reminded and follow ups are necessary if accounts are not paid.

6.5. Conclusions

In conclusion the findings of this study reflect that there is a need to conduct on improved financial management at the Mafikeng Local Municipality, since the study has proved that in deed a lot of residents owe the municipality. The best solution is to get this debt collected and to introduce the prepaid system like with Eskom which is working very well. The municipality can also introduce affixed way to get water and the water being given to the residents is a fixed amount in a day.

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Annexures:

- 1. Age of municipal debts in Mafikeng as at February 2004**
- 2. Notice on settlement of arrear debts Incentive Options
(Mafikeng Mail)**
- 3. Covering letter of questionnaire**
- 4. Questionnaire**
- 5. S.A statistic demographics**

Annexure 1

MONTHLY MONITORING OF MUNICIPALITIES

FEBRUARY 2004

1a Debtors: Monthly Debtors: Rates and Services Charges

Opening Balance	226,119,078.58
Levied	5,505,894.65
Debtors' Payments	(6,773,572.77)
Closing Balance	224,851,400.46

Number of Debtors: 21911 Number of accounts Issued 21911
 How many Indigent households were subsidised for the month? _____

1b Credit Control by Discontinuation of services:

Electricity Not distributing electricity
 Water

Disconnections	Reconnections	Final notices served
n/a	n/a	n/a
0	0	0

1c Age Analysis of Debtors

Residential area/ Administrative Unit	CURRENT	30 Days	60 Days	90 Days and more	Total
Mafikeng (01)	1,624,820.54	1,960,848.94	8,314,668.03	52,466,619.55	64,366,957.06
Danville (02)	534,314.33	266,560.43	714,620.52	7,743,839.16	9,259,334.44
Mmabatho (03)	6,493,725.01	3,764,129.81	11,719,318.30	88,805,992.46	110,783,165.58
Montshiwa (04)	1,532,060.42	845,617.40	2,794,639.58	31,752,617.96	36,924,935.36
Rooigrond (09)	13,583.52	6,807.85	122,398.62	808,915.92	951,705.91
Ottoshoop	(20,225.81)	7,079.90	21,599.36	221,689.76	230,143.21
Total	10,178,278.01	6,851,044.33	23,687,244.41	181,799,674.81	222,516,241.56
PLUS: Cycle 02 Sundries	(10,326.62)	16,648.49	41,990.89	2,296,024.44	2,344,337.20
SUB TOTAL	10,167,951.39	6,867,692.82	23,729,235.30	184,095,699.25	224,860,578.76
LESS: Deposit on Hand (Sun	(9,178.30)	-	-	-	(9,178.30)
TOTAL	10,158,773.09	6,867,692.82	23,729,235.30	184,095,699.25	224,851,400.46

1d Age Analysis of Debtors per category:

Category	Amount	Category	Amount
Government	47,030,805	Individuals	74,340,113
Business	103,480,482	Total	224,851,400

2 Monthly unaccounted losses:

Trading Services

What was the electricity loss for the month

What was the water loss for the month

Units/ Litres	Percentage	Value	Cumulative for the year
-	-	-	-
387,718 kl	43%	55,770	

- 3 What is the provision for irrecoverable consumer debtors? (Bad debts) R 15,340,290
 4 What is the provision for working capital reserve for the year? R 470,000

Annexure 2



MAFIKENG LOCAL MUNICIPALITY

NOTICE

SETTLEMENT OF ARREAR DEBTS

The following measures and/or proposal were approved by Council to encourage all consumers who are in arrears in respect of the payment of their account, to settle these arrears within a reasonable period of time. It is an incentive which can only be offered for a limited duration of time, whereafter the Council will need to revert to normal sanction measures in respect of those consumers who remain in default.

INCENTIVE OPTION 1:

Consumers who settle their capital balances due within twelve months of the date on which they concluded a written agreement to settle, will have the remaining 100% of the total interest accumulated written-off.

INCENTIVE OPTION 2:

Consumers who settle their total capital balances due between twelve and twenty four months of the date on which they conclude a written agreement to settle, will have the remaining 50% of the total interest accumulated written-off.

INCENTIVE OPTION 3:

Consumers who settle their total capital balances due between twenty-four and thirty-six months of the date on which they conclude a written agreement to settle, will have the remaining 25% of the total interest accumulated written-off.

Applicable interest discounts will only be allowed after settlement agreement have been honoured and provided further that the current account is fully paid.

- Consumers who already have an arrangement with the Council, but wish to benefit from the discounts on offer, will be required to conclude a new agreement.
- Consumers who has been already handed over and legal action taken, or whose debt is being recovered by Council's appointed collection agents also qualify for the discount provided they meet all requirements.
- Incentives offered are applicable retrospectively as from 1 November 2001 and Arrangements must be made before 30 June 2002 in order to qualify for the above incentive.
- Consumers whose services are disconnected would be connected on condition that an acknowledgement of debt and agreement arrangements are completed and signed after all documents required are submitted before approval of arrangement.
- The total arrear amount, which is the subject of an arrangement, ceases to accumulate arrear interest if the arrangement is honoured.

Annexure: 3

Covering letter of questionnaire

Dear Respondent

I am a student at the North West University studying an MBA (Finance) degree. My mini dissertation topic is on the debt owed to Mafikeng Municipality by the residents.

As part of the study towards the certificate it is expected that I conduct a research.

The objective of the study is to, amongst others find out:

- To evaluate the economic base, trends and patterns of public debts and finances of Mafikeng Local Municipality for the period 2002-2004 in order to determine the financial condition of the municipality.
- To examine the current reasons for non-payment by the residents or publics of the Mafikeng town.
- To develop a payment programme of residents and local municipality in Mafikeng so as for the residents to pay for services.

Your cooperation is greatly appreciated.

Thank you

Annexure: 4

SECTION A: PERSONAL INFORMATION

Instruction: Please mark with an “X” where appropriate

1. Which area do you stay?

Denville	Golf View	Leopard Park	Mmabatho all units
Montshiwa	Ottoshoop	Riviera Park	Rooigrond

2. How many people do you stay with in your household?

Less than 5
Between 5 and 10
Between 10 and 15

3. What is the total household income of all who stay in this house?

Less than R2 000
Between R2 000 and R4 000
Between R4 001 and R6 000
Between R6 001 and R8 000
More than R8 001

SECTION B: MUNICIPALITY RELATED INFORMATION

Instruction: Please mark with an “X” where appropriate

1. Has your water ever been disconnected?

Yes	No
-----	----

2. By what method do you receive your water bills?

A	B	C
Post	Delivered at home	Other means

If your answer is alternative C, specify the means by which you get your bill

.....

2.1 Do you get your bills regularly? Yes No

2.2 If your mail is delivered at home do you have a proper mail box? Yes No

**2.3 If your answer is alternative C, is there a better way to receive your bills?
specify-----**

3. Do you currently owe on your water account with the municipality?

Yes	No
-----	----

4. If you answered Yes above please indicate below how much your household owes the Municipality?

Less than R2 000
Between R2 000 and R4 000
Between R4 000 and R6 000
Between R6 000 and R8 000
More than R8 000

6.1 If you owe the municipality have you made any arrangements with them on the payment of your outstanding bills? Yes No

6.2 If you answered Yes specify the arrangements? -----

5. Do you experience problems with the accuracy of your account?

Yes	No
-----	----

6. Please briefly make a comment about the services you receive and what you would like to see changing with regards to the Mafikeng Local Municipality.

Thank you!!

QUESTIONNAIRE FOR MUNICIPAL OFFICER

Instruction: Please fill in the following information correctly and truthfully.

1. How much water is used per month in Mafikeng Local Municipality? -----

2. What percentage of this monthly supply is received as payment? -----

3. How much is owed to the Municipality in terms of water bills? -----

4. Which area is the most problematic area to collect debt from? -----

5. How do you send bills to the customers? -----

6. Has your department ever conducted a survey to find out if customers receive their bills in time? -----

7. If you answered Yes to question 6 above what measures have you put in place to rectify the problem? -----

8. Is there enough staff and qualified people working in the debt collection section? -----
9. What do you do when you encounter any problems in collecting outstanding debt?-----

10. Please briefly make a comment about the services you render to the customers and what you would like to see changing with regards to the Mafikeng Local Municipality.-----

Thank you!!

Annexure 5

Space-Time Research
Census 2001
Table 1
Geography by Employment status (official definition)
for Person weighted

	Not applicable	Employed	Unemployed	Not economically active	Total
NW383: Mafikeng	94,516	47,448	46,061	71,453	259,478
Bafokeng Ba Ga Moraka	334	86	168	197	785
Makgokgwane	334	86	168	197	785
Bakwena Ba Ga Molopyane	1,862	307	954	1,219	4,342
Tsetse	1,582	274	831	1,002	3,690
Tsetse & Matsapole	280	33	122	216	651
Banogeng	-	-	-	-	-
Matile	-	-	-	-	-
Barolong Boo Rapulana	2,426	497	313	2,498	5,734
Lotlhakane	1,823	350	305	1,804	4,282
Lotlhakeng	603	147	8	694	1,452
Barolong Boo Ratshidi Part 1	17,384	6,397	10,453	11,515	45,747
Aslaagte	67	140	25	34	266
Bokone	587	302	479	504	1,872
Dibate	1,031	629	723	1,265	3,649
Dihatshwane	232	42	165	137	1,736
Dithakong	1,634	550	696	1,018	3,897
Kabe	525	29	253	299	1,105
Koikoi	1,687	561	1,035	1,082	4,364
Lekoko	730	162	250	595	1,736
Lekung	228	47	87	133	495
Lokaleng	835	168	684	390	2,076
Lokgalong	661	68	388	287	1,404
Lomanyaneng	4,710	1,767	3,231	3,039	12,747
Lonely Park	204	150	110	89	553
Lonely park	2,736	1,279	1,545	1,493	7,053
Lonely Park	283	252	193	128	856
Lorwaneng	250	111	227	239	827
Lotlhakane	984	140	361	784	2,270
Barolong Boo Ratshidi Part 3	535	67	320	232	1,154
Madibe	535	67	320	232	1,154
Barolong Boo Ratshidi Part 4	693	46	131	587	1,457
Madibe	428	35	45	368	875
Madibe-Magelelo	150	5	80	101	336
Madibe-Makgabane	115	6	6	119	246
Barolong Boo Ratshidi Part 6	1,204	65	570	827	2,665
Madibe-Makgabane	1,204	65	570	827	2,665
Barolong Boo Ratshidi Part 2	26,995	10,607	14,838	20,227	72,668
Barolong Boo Ratshidi Part 7 SP	250	89	109	153	601
Magogoe	7,350	3,297	4,206	5,000	19,854
Majemantsho	3,311	1,394	1,788	2,190	8,683
Makhubung	197	87	46	204	534

Cells in this table have been randomly adjusted to avoid the release of confidential data.