THE EFFECTS OF NON-PAYMENT OF SERVICES BY GOVERNMENT TO A LOCAL MUNICIPALITY: AN ANALYSIS OF THE MAFIKENG LOCAL MUNICIPALITY

BY

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MINI- DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE DEGREE OF MASTERS IN BUSINESS ADMINISTRATION.

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EXTERNAL EXAMINER :

DATE SUBMITTED : 19 MAY 2006

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ACKNOWLEDGEMENTS

Let me express my gratitude to the Almighty God who gave me the strength to register for my MBA. He lifted me up when I was just about to fall down. He gave me hope and helped me to pull through.

My special gratitude goes to the following people as well:

My supervisor who have without fail guided me throughout, from the beginning to the end. Pushing hard to make sure that within a short space of time we do not leave each other behind. For that I am grateful.

To the Chief Financial Officers of the Departments which participated and the employees of the Mafikeng Local Municipality, I am saying thank you for responding to my questions and the assistance and cooperation that you have given me.

Deep down from my heart my special thanks goes to my friends, family members, my colleagues who had made this possible. My gratitude goes to my dearest husband Bongo Tlhogane who had supported me through thick and thin and encouraged me to hold on till today. He had sleepless nights giving me the moral support in difficult times. My children, Palesa, Blessing and Lesego who had suffered while I could not give them attention and the motherly care that they needed at that time. Thanks to the late household assistant Nthantiwa from Lesotho, I could not have pulled through without her assistance. May her soul rest in peace. Finally to my mother in law for always encouraging me to read whilst I am still young.

ABSTRACT

Study Context This study was on the effect of non-payment of services by the government to the local municipality referring specifically to the Mafikeng Local Municipality. According to the literature review, there is lack of research on the management of finances hence not only this municipality is still struggling to manage their finances and as a result, some are collapsing.

Objectives The main objective was to investigate the reasons for non-payment of services by the government.

Design The study used questionnaires and structured interviews to get the information on non-payment.

Significant Results The government owes the Mafikeng Local Municipality huge amount of services.

Conclusion There is a poor system of collection of debts at the Mafikeng Local Municipality which impact negatively on the financial condition of this municipality.

There are challenges surrounding the failure of the government departments in paying the Mafikeng Local Municipality due to the fact that they do not budget enough for services. The other factor is that they do not receive their bills on time which makes difficult for them to pay their bills on time.

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CHAPTER 1
INTRODUCTION

1.1 Introduction

The aim of this study was to thoroughly investigate the manner in which the debt by the Provincial Government impact on the local government in the North West province with specific reference to the Mafikeng Local Municipality.

This chapter presents the research project and how the study was conducted. The background of the study is reflected on as well as the statement of the problem, research objectives, questions, literature review, importance of the study, research design and the scope and organisation of the study.

1.2 Background

The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) sets out, in broad terms, the responsibilities of national, provincial and local government and provides an enabling framework for inter-action among them.

Of particular significance in this new configuration has been the commitment to devolve power to the local sphere and to take democracy to the people. In giving effect to these provisions, the national government has over the past ten years, advanced a succession of legislative instruments and policy measures aimed at transferring key administrative functions to local government (Government Digest, June 2005:19).

In so doing, it has conformed to the best practices advocated by international funding agencies and by donor governments in the West. However, while the archy have received plaudits in many quarters, it will be argued that the preconditions to effecting decentralisation of government are not yet in place in all parts of the country (Government Digest, June 2005:20).

It may ultimately lead to a reversal in efforts to deepen democracy. This is because the failure of municipal governments to deliver basic services and to create conditions conducive to local economic development will, it is maintained, create political pressures to re-centralise administration and control in provincial and national government (Government Digest, June 2005:20).

Notwithstanding considerable variables in the size and capacities of municipal governments, the Constitution (1996) tends to treat them in an undifferentiated fashion. While some municipalities clearly have considerable administrative capacity, others are struggling to deliver even the basic services such as the Mafikeng Local Municipality (Government Digest, June 2005:21).

Despite this, the Constitution (1996) makes provision for intervention by the national government and provincial governments in the affairs of local government only in extreme cases, and advocates a return to the status quo at the earliest opportunity.

Although section 155 of the Constitution also makes provision for monitoring the performance of municipalities by national and provincial governments, the mechanisms to effect this have never been set in place and such interventions as have taken place, have typically been at the point of institutional collapse.

This state of affairs has prompted some observers to call for a re-centralisation of power as the most appropriate way of addressing incapacity at lower spheres of government.

However, over and above the challenges to the Constitution which such a move would pose, it is questionable whether the national and even the provincial government themselves have sufficient capacity to assume full responsibility for the activities of this sphere of government.

More so, the provincial government is the one which perpetuate these problems by not paying debts owed to municipalities especially the Mafikeng Local Municipality.

The Mafikeng Local Municipality is one on the municipalities that falls under the Central District Municipality. As its name suggests, it is situated in the centre of the North West Province, and shares a border with Botswana. Its areas of jurisdiction cover the local municipalities of Mafikeng, Ditsobotla, Zeerust, Ratlou and Tswaing (Gaffney's, 2004-2006:921).

The principal towns of the districts are Mafikeng, Zeerust and Lictenburg. It is a predominantly rural region.

The total population of the district is 763 000 with an overall male to female ratio of 47:53.

Basic service provision is unequally distributed between the urban and rural parts of the District, for example, water purification is an issue, as 22% of households overall and 34% in Mafikeng do not have access to potable water (Gaffney's, 2004-2006:921).

Mafikeng is the capital of South Africa's North West Province and is the seat of the headquarters for the majority of the National and Provincial state Departments.

Towns within the Mafikeng Local Municipality boundaries are Bethel, Bewley, Brooksby, Driehoek, Louisdal, Mafikeng, Makouspan, Mooipan, Naaupoort, Nooitgedacht, Ottoshoop, Ramatlabama, Rooigrond, Siberia, Slurry, Thusong, Uitkyk and Weltevrede. A few services will now be highlighted (Gaffney's, 2004-2006:921).

(a) **Water**

The discrepancy between conditions in the urban and the rural areas persists in the provision of basic services. Approximately 65% of households have access to potable water, although only 23,5% have water supplied in the dwelling.

However, more than 30% of the municipality's residents lack access to clean water (Gaffney's, 2004-2006:921).

The limitations of the water supply in the municipality also affect the sanitation infrastructure. Only a quarter of households have flush sanitation, while nearly half have to rely on pit latrines. Improvement in the water supply is the municipality's most urgent priority (Gaffney's, 2004-2006:921).

(b) **Electricity and refuse**

The electricity infrastructure does not extend to many villages and settlements in the rural areas, which means that they also lack street lighting.

A very high proportion of households (77%) lack access to any formal refuses removal services (Gaffney's, 2004-2006:921).

(c) **Financial**

An enduring problem, which definitely impinges on the financial capacity of the municipalities, is that of its debtors.

In each budget of the local municipality debtor issues and management are accorded considerable significance – with the invariable reference to initiatives to address the matter of outstanding debtors as part of a strategy to remain financially viable (Gaffney's, 2004-2006:921).

Because of this, an interest of this research is focused on this aspect. Municipal debt has been the focus of most research studies because of the significance of funds for the provision of services. It has become 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 (Gaffney's, 2004-2006:921).

Organisations continually search for ways to increase debt collection to create a healthy and positive financial status for the organisations concerned. It is envisaged 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 government departments (Gaffney's, 2004-2006:921).

1.2.1 The nature and scope of local government

1.2.1.1 Definition of a municipality

The Municipality Systems Act 32 of 2003, 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 arm of the municipality; and the community of the municipality.

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

1.2.1.2 Establishment of municipalities

The Member of the 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 of 1998.

1.2.1.3 Categories of municipalities

Three categories of municipalities are used in South Africa and they are classified as A, B, and C, because provinces do not have the same resources and equal population. In section 155 of the South African Constitution Act 108 of 1996, municipalities are classified into these categories as follows: -

Category A: A municipality that has an 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 the most common category in most provinces in South Africa.

According to the Constitution of the Republic of South Africa, 1996 152 (1) the objects of local government 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 a safe and healthy environment; and
- To encourage the involvement of communities and community organisations in the matters of local government.

1.2.1.4 Characteristics of local government

A municipal council exists to govern and represent the people of its area of jurisdiction and that view is still valid. In order to explore this concept, a view is given below as to what are considered to be the generic (universal characteristics) of a local government.

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 (Craythorne, 1997:10).

This includes the discretion to consider requests and to refuse or accept them, to allocate resources and to undertake development.

A council must be empowered 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 (Craythorne, 1997: 10-11).

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 those problems that cannot be settled locally because of a lack of power and resources. The local government therefore has a number of rules and laws to abide by. The Constitution shall be the supreme law of the country (Constitution of RSA, Act 108 of 1996).

1.2.2 District municipality

A district municipality refers to a municipality that has a 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).

1.2.2.1 The function and powers of district municipalities

- The Government Gazette no. 19614 of 18 December 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 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 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 or other functions assigned to the district municipality.

- The receipt, allocation and if possible, 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.

1.2.3 Local municipality

Local municipality means a municipality that shares a 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, 1998).

These are many ways in which local government 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 organisms. The following are a number of reasons why local government exist (Craythorne, 1997).

One is the economic welfare function which create conditions and amenities for the development of the economic welfare and prosperity of one person. 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 moneys to the economy when it pays staff and buys goods and services; and by its policies, can encourage or discourage development. Development is currently a constitutional function of municipalities because without it, jobs will not be created, homes will not be built and services will not be provided.

A municipality desiring to encourage development will, if possible, provide appropriate infrastructure services in advance; try to keep the property rates as low as possible; attempt to be businesslike and give quick decisions; and be 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 (Craythorne, 1997: 16).

Municipalities provide basic services that affect people in their daily lives and human beings with their most physiological needs like water, must be provided. Their services affect all areas of jurisdiction, and this is an economic function, which differs from one place to another and through different levels of sophistication (Gaffney's, 2004-2006: 920).

The following are some of the previous economic welfare functions: abattoirs, electricity supply, water supply, public transport, roads, streets and water drainage, sewage disposal, and solid waste removal.

To sum up: the 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 (SADC, 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 (SADC, 1999:3).

This becomes very difficult to achieve, as finance play an important role and is a part in municipal service delivery, especially for those that inherently have weak resources bases (SADC, 1999:10).

1.3 Problem Statement

The purpose of this study is to investigate the effect of non-payment of services by government to a 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 resources.

With the high population growth, urbanisation, education levels of people, there is a large increase in services needed in Mafikeng, combined with service backlogs and deteriorating infrastructure, which has put a burden on finances in municipalities.

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.

A number of municipalities have become bankrupt since the transition and transformation processes commenced. This is because of the following two reasons; the loss of skilled staff for political reasons and non-payment of services (Craythorne, 2003).

1.4 Objectives

The objectives are as follows:-

- To identify the challenges surrounding the failure of the government Departments to pay the Mafikeng Local Municipality and recommend strategies to address this problem.

- To determine the impact of this debt on the financial condition of the Mafikeng Local Municipality.

1.4.1 Research Questions

- What is the impact of debt on financial management in the Mafikeng Local Municipality?

- What is the scope and nature of municipal financial management?

- What are the trends of the economic base, government debts and finance patterns of the Mafikeng Local Municipality from 2002-2004 and how did it impact on financial management of the municipality from 2002-2004?

1.4.2 Literature Review

In the review of literature, a thorough study of both primary and secondary sources was made with a view to gathering information on the nature and scope of municipal financial management. A search DIALOG was conducted with the following terms: local government finances, financial trends, and government departments' debts. Other materials were obtained through the use of search portals such as google, yahoo, and dogbite.

1.4.2.1 Environment of municipalities

The local government in the Mafikeng and other areas in South Africa provide essential services to the residents, government department and private institutions. The rewards of such should be adequate payments when required by the provider. When the government departments fail to pay the services provided by municipalities, it becomes difficult to continue providing such services since the bulk of the money is owned by them.

1.4.2.2 Tariffs and Debt Collection in the Municipal Systems Act

Tariff and debt collection policies are of paramount importance for local government. Local government derives most of its revenue from the levying of rates and tariffs.

Also, these policies have a huge developmental impact in terms of service provision to the poor and in terms of promoting local economic development (http://www.communitylawcentre.org.za).

1.4.2.2.1 Tariff principle

Section 74(1) instructs a municipality to adopt and implement a tariff policy that applies to the fees, levied on municipal services.

The Act lists a number of principles that should be reflected in the policy. In general, users must be treated in proportion to his or her use of the service section 74 (2) (b). An interesting question arises as to what this means for the levying of "flat rates". It can be submitted that this is no longer possible as the Act stipulates that the individual charge must be generally proportional to that which the individual has used.

It can be argued that this militates against a flat rate, even if the flat rate is in proportion to the use of that area, because the Act requires a link to individual use (http://www.communitylawcentre.org.za

1.4.2.3 Causes of debt

Anyone can get into debt for reasons which are many and varied and not usually due to irresponsibility, as it is commonly assumed. Most debt problems arise when people experience changes in circumstances to the loss of a job, birth, ill health or bereavement (http://www.consumerdebt.net).

Another and potentially greater economic disaster occurs when people become seriously ill or injured and either do not have health insurance or else do not have enough of it (http://www.consumerdebt.net).

Actual debt owed by people and businesses has grown tremendously. There has been even faster growth in the amount unused but available consumer credit lines. Since the early 1980s consumers have amassed a great deal of adjustable rate meaning that interest rates movement now changes monthly loan payments (http://www.consumerdebt.net).

1.4.2.4 Effect of debts

According to the two websites namely, 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 relationships breaking down amongst other things. Businesses can be liquidated when they are in major debts. Debts can also cause government departments to fail to provide the necessary social services such as addressing:-

- Poverty alleviation
- Economic development
- Infrastructure backlogs
- Low tax base and revenue collection

Other effects of debt identified in the above website are supported by the website http://www.updebtcreek.com when it also gives the following as effects of debt. Allows people and organisation to do things that they otherwise would not be able to or allowed to do and exacerbate economic problems and the contraction of consumption.

1.4.2.5 The burden of debts

To define the burden of debt precisely, one has to check the difference it makes to people and to the future generations that certain past government expenditure were financed by borrowing rather than by taxation. If it had been financed out of taxation, there would be no debt and there could be no "burden" of that debt (http://www.updebtcreek.com).

1.4.2.6 Past expenditure into the future

Apart from the output effects that clearly make future generations worse off, it can be agreed whether it is 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 (http://www.updebtcreek.com).

1.4.2.7 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.

The Municipal Finance Management Bill, (Chapter one) defines debt as :-
A monetary liability or obligation created by a financing agreement, note, debenture, bond or overdraft, or by the issuance of municipal debt instruments, or

A contingent liability such as that created by guaranteeing a monetary liability or obligations of another.

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 and 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 effects.

1.4.2.8 Definition of municipal services

According to the draft of the Municipal Finance Management Bill, (chapter one) "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

1.5 Importance of the research

The primary result of this study is to develop strategies which will ensure that Government Departments in the North West Province timeously effect payments to the Mafikeng Local Municipality to efficiently and effectively deliver basic services to the Mafikeng Community.

This also forms part of the ongoing debate on the lack of capability and ability of local municipalities to deliver quality services to the communities that they serve. People are expected to pay for services that they do receive or those services that are provided are poor or insufficient.

This study is limited to the Mafikeng Local Municipality. All government departments are situated in this area except their small offices in the regions or districts.

1.6 Methodology

1.6.1 Research Design

The study included case study research because it needs to follow the trends in the debts of the Mafikeng Local Municipality without any form of interventions.

The following are the methods that were used to carry out the study:-

The study used the literature review and secondary data and empirical investigations.

1.6.3 Questionnaire

A questionnaire was developed for the respondents (Chief Financial Officers of different departments) who received services from the municipality to determine the extent to which government owe the municipality and the reasons for non-payment.

1.6.4 Document Analysis

The financial statements are exhibited in Annexure 1 and the Credit policy in chapter 2 of this study. These are the documents used in the document analysis of collecting data.

All financial 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 the Mafikeng Local Municipality. This will help to alleviate the costly process of collecting data.

1.6.5 Data Analysis

This study employed the (FTMS) Financial Trend Monitoring and Techniques. The FTMS is a technique which involves a series of periodic measurements on the dependent variable for a group of test units.

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 analyzing the collected data.

1.6.6 Ethics

The researcher ensured the confidentiality of the respondents through the fact that data collected did not reveal names of people who provided the information. Second, the information was used only for the research purposes and destroyed after use.

1.7 Scope of the Study

The research intended to establish the impact of unpaid debts by Government Departments on the Mafikeng Local Municipality.

This has been limited to the Mafikeng Local Municipality but can also contribute to other municipalities since they might be experiencing similar problems even if it is not on a large scale. This could also solve problems in other provinces in South Africa.

1.8 Structure of the Dissertation

1.8.1 Chapter one

Chapter one covered the introduction, the background to the study, the problem statement, objectives, importance of the study, methodology, scope of study, structure of the dissertation and conclusion.

1.8.2 Chapter Two

Chapter two will look at the theory of the sub-discipline and conclusion. This chapter discuss the financial management of local municipalities in the North West Province with special reference to the Mafikeng Local Municipality. The chapter also refer to the control of budgets as well as other finances. It also highlighted the debt and credit control policies of the municipality.

1.8.3 Chapter Three

This chapter will be the introduction, theoretical framework and the conclusion of the chapter.

1.8.4 Chapter Four

- Chapter four will be the introduction, justification of the methodology, research procedures including method of analysis, and statistical techniques employed.

1.8.5 Chapter Five

Chapter 5 covers results and analyses of the data.

1.8.6 Chapter Six

Chapter six is the conclusion on findings, implications and recommendations, limitations, recommendations for future research and conclusion of the study.

CHAPTER 2
THEORETICAL FOUNDATION

2.1 Introduction

This chapter looks at the theory and background of financial management, budgets and control thereof.

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. Most administrative services that are closely related to the lives of citizens are implemented by local governments. Local finance plays an extremely important role along with national finance (http://www.google.co.za).

2.2 Theory

2.2.1 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 the changing tasks of the government.

Public financial management practices have been seriously buffeted by the cross currents of changing economic conditions. When goods and services are sold on credit there is always the possibility of some clients not paying their debt (http://www.pmg.org.za).

The table below (Table 2.1) sets out the financial management processes that are used in municipalities (http://www/etu.org.za).

TABLE 2.1 FINANCIAL MANAGEMENT PROCESSES USED IN MUNICIPALITIES.

Process	Definition
Budgeting	Working out what income the municipality will obtain and balancing this with the planned expenditure, by preparing detailed plans and forecasts.
Safequarding	Putting in place controls to ensure that the income, capital and assets such as money, motor vehicles and computer equipment are safeguarded against misuse, damage, loss or theft.
Monitoring (Financial Reporting)	Monitoring actual income and expenditure and comparing this to the budget, through regular financial reporting and corrective action when needed.
Auditing (Accountability)	Reporting financial results to all stakeholders by preparing municipal financial statements that are audited by the Auditor-General, who reports to Parliament.

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Auditing (Accountability)	Reporting financial results to all stakeholders by preparing municipal financial statements that are audited by the Auditor-General, who reports to Parliament.

Ward committees have the right (and duty) to discuss, ask questions and make recommendations to the council on the best ways to generate income, to keep costs down, prevent corruption and safeguard the assets of the municipality. That is good financial management (http://www/etu.org.za).

2.2.3 Importance of effective municipal financial planning and management

Effective financial management can help municipalities to transform their local areas into a better place to live and work. Most councillors and members of the community know what municipal services they would like to have in their area. This dream of the ideal community is known as a "vision" for the municipality (http://www.google.co.za).

One of the councillor's greatest responsibilities is approving and regularly monitoring a municipality's budget that provides money to implement the visions. This work should be done in consultation and co-operation with the ward committee.

The community should be involved as much as possible in deciding what should be the spending priorities for the areas they live in. Ward councillors and ward committees should report to ward meetings about the broad budget plans and consult the residents about specific programmes and projects that will affect them (http//www.etu.org.za).

Without funds to implement the policies, councillors will not be able to "make a difference" or serve their communities well. Effective financial management ensures that there are funds available to implement council policies. This is a great responsibility as municipalities are responsible for managing large amounts of money and delivering services that affect people's lives every day.

Councillors, committee members and officials all have a duty to ensure that these monies are managed carefully, transparently and honestly (http//www.mafikeng.com).

Good financial management is the key to local delivery-local activities and ward committee members should understand municipal finance and budgets so that they can engage councillors on the bigger debates about spending and development priorities (http//www.mafikeng.com).

2.2.4 The budgeting cycle and community participation

2.2.4.1 Definition of the budget

A budget is a financial plan. It summarises, in financial figures, the activities planned for the forthcoming year by setting out the costs (expenses) of these activities and where the income will come from to pay for the expenses (http://www.etu.org.za).

2.2.4.2 The financial year and budget consultation

The financial year of South African municipalities runs from 1 July of each year to 30 June the following year. Municipalities must prepare budgets for each financial year.

Council must approve these budgets before the new financial year begins, after proper planning and consultation with ward committees and other stakeholder groups in the area. For example, the budget for the financial year beginning in July 2006 must be approved before the end of June 2006. The draft budget should be ready a few months before so that it can be used for consultation (http://www.google.co.za).

The approval of the budget is one of the most important tasks undertaken by councillors, after consultation with ward committees and other stakeholders.

Ward committees should carefully look at the parts of the budget that affect the people in their area. Ward councillors can also call ward meetings to discuss the budget. If an organisation is affected by the municipal budget and plans, councillors can be invited to discuss the budget and plans. All members of the community have the right to observe the special council meeting at which the budget is debated and voted on.

2.2.4.3 Types of budgets

There are two types of budgets: operating budget and capital budget (Gaffney's, 2004-2006:922).

Capital budget deals with big costs that the municipality pay once to develop something, and how it will pay for this – for example putting in water pipes to a new township.

Operating budgets deals with the day-to-day costs and income to deliver municipal services – for example the meter readers' wages and maintenance work to keep the water flowing.

2.2.4.3.1 **The operating budget**

The municipality's operating budget lists the planned operating expenditure (costs) and income, for the delivery of all services to the community.

Operating expenditure is the cost of goods and services from which there will be short-term benefit, that is, the services will be used up in less than one year. For example, the payment of staff salaries results in a short-term benefit as salaried employees are paid monthly for one month's work. They could resign and the municipality would not have the benefit of their skills anymore. Examples of operating costs are salaries, wages, repairs and maintenance, telephones, petrol and stationery (http://www.etu.org.za).

Operating income is the amount received for services delivered for a short-term period. For example, ratepayers pay rates monthly or annually as payment to their municipality for receiving municipal services. Examples of operating income are property rates, service charges, investment interest and traffic fines (http://www.mafikeng.com).

2.2.4.3.2 The capital budget

The capital budget sets money aside, for planned expenditure on long-term purchases and big investments such as land, buildings, motor vehicles, equipment and office furniture which will be a municipal asset for more than a year.

A municipality's capital budget will list the estimated costs of all items of a capital nature such as the construction of roads, buildings and purchase of vehicles that are planned in that budget year (http://www.etu.org.za).

2.2.4.4 The difference between the operating and capital budgets

A useful way to look at the difference between the operating and the capital expenditure is to compare it with the purchase of a car. The purchase of a car is capital as the expected life of the motor vehicles is much more than one year. The cost of fuel and repairs only provide short-term benefit (less than a year) and therefore is an operating expenditure (http://www.etu.org.za).

The capital budget and operating budget have to be prepared and discussed together. This is important because planned expenditure that is included in the municipality's capital budget will impact on the operating costs and income needed to "operate" the municipality's assets, efficiently.

This link between capital and operating budgets can be explained by using the car example again. If one decides to buy a car, in addition to including funds for this in ones capital budget, one is going to have to include money in the operating budget for tyres, driver's wages, petrol, services and other operating expenses.

The increase in operating expenditure needs to be considered when making a decision on whether or not to buy a new car. If fuel, tyres, repairs and wages costs cannot be included in the operating budget because of insufficient funds to pay for them, then the municipality should not buy the car.

2.3 Financial management

2.3.1 The Local Government Finance

According to Craythorne (1977) the public service must be concerned about its cash flow as much as the private sector is. This means that government departments must also ensure that 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.

The permanent well-being of a nation depends as much on the successful solution of the problem of public finance as on the skill of its workers.

The municipalities need to have good healthy finances in order to provide quality service delivery to the citizens.

2.3.2 Characteristics of local government finance

According to Moak and Hillhouse (1978:19) the following are some of the characteristics of local government. First, property tax remains the main source of revenue for most local governments, but has lost its former dominant position in many individual local government is revenue programmes.

Second, local finance is partially dependent on and 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 the provincial 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, 1978:30).

2.3.3 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 on an efficient and cost effective manner, thus providing full value for each rand spend. According to The City Rye (1995:1) some goals included are 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 an 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 timeline 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.

2.3.4 Local Government Financial Administration

According to Musgrave and Musgrave (1994:20), the financial responsibilities of local government in South Africa include the allocation, distribution and stabilization of municipal resources. In terms of section 179 (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 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 1997 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 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.

2.4 Unsound finances

A number of municipalities have become bankrupt since the transition and transformation processes commenced. This is because of the following two reasons; the loss of skilled staff for political reasons and non-payment of services (Craythorne, 2003).

2.5 Municipal revenue

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 so as to be able 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 sub-sections 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.
- 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 by the 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.

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 (The South African Constitution Chapter 7 Act 108 of 1996).

National legislation envisaged in this section may be enacted only after organised local government and the 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 a 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) and 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 (e.g. 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.

2.5.1 Sources of municipal income

Municipalities must ensure that there will be adequate money to pay for their planned expenditure if they are to "balance the budget". There are various sources of income that can be used by municipalities to finance their expenditure. This section outlines the various sources.

2.5.1.1. Main sources of capital budget financing

(a) **External loans** – External loans (from a bank or other financial institution) are an expensive form of financing the capital budget because of the high interest rates that the financial institutions charge. External loans should only be used to finance the purchase of major capital items such as roads, buildings, sewerage works and water systems.

(b) **Internal loans** – many municipalities have internal "savings funds" such as Capital Development Funds or Consolidated Loan Funds.

These funds can make internal loans to the municipality for the purchase or development of capital items, usually at a lower interest rate than for an external loan and the municipality is paying the interest back to its own "savings fund", which can later be used for another capital project (http://www.etu.org.za).

(c) Contributions from revenue

When purchasing a small capital item, the total cost can be paid from the operating income in the year of purchase. This financing source is known as "contributions from revenue".

In most municipalities, this source of financing is used to pay for smaller capital items, such as one or two items of furniture and equipment. As no interest is payable, this source of financing is considerably cheaper than external or internal loans (http://www.mafikeng.com).

(d) Government grants

Municipalities may apply to national government for grants for infrastructure development. The two main funds available are:-

- ✓ Consolidate Municipal Infrastructure Programme (CMIP) – available from the department of Provincial and Local Government.
- ✓ Water Services Projects – available from the Department of Water Affairs.

(e) Donations and public contributions

Local and foreign donors may sometimes donate a capital item or money to be used specifically for the purchase of a capital item, in a disadvantaged area. They may want publicity for their donation, which the municipality can arrange to acknowledge their sponsorship (http://www.etu.org.za).

(f) Public and Private Partnerships

Capital costs can be paid for by means of partnerships between the private sector and the municipality. In most cases the private sector partner will have a profit motive in the services and capital being financed, so the terms and conditions must be carefully defined, to protect the community's interests.

2.5.1.2 Main sources of operational budget financing

(a) 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.

(b) Trading

Trading services are generally water and electricity, but could also include services to wholesale markets.

They are expected to break even, but in terms of past practice, profits were made on electricity and water and were applied to the reduction of the rate burden. These profits became a controversial issue, as on the one hand it is argued that profits are oppressive to the poor and cause them to depend more than they should.

On the other hand, the ratepayer already subsidised those services and facilities charged at social cost and hence deserve 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 (Craythorne,1997).

(c) Necessary fees, charges and tariffs

For specific services that can be directly charged to a house or factory, the principle or "user pays" should be adopted. That is, to charge a price or "tariff" for services such as water, electricity or approval of building plans; where the exact usage of the service can be measured, to the person or business that actually used that service (http://www.etu.org.za).

Necessary fees, charges and tariffs are those relating to sewerage, refuse removal and similar services. These services can be expensive and it is not always possible to recover the full cost.

The most obvious and in many ways the most sensible recommendation that can be made with respect to the revenue structure at any level of government is that appropriate user charges should be employed wherever possible.

Local authorities may, from an economic point of view, be viewed as firms delivering packages of local public services to residents (Craythorne, 1997).

(d) 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 objectives of consumer tariffs are that they should yield adequate revenue to cover the costs of supplying such services to consumers (Gildenhuys, 1997: 100).

(e) 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 professional valuers for the local authorities usually on the basis of estimated market value.

Bell and Bowman (2002:25) define property tax as the most lucrative source of municipal revenues that is currently under-exploited.

Property tax is defined 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 (Bell and Bowman, 2002:25).

All people and businesses who own fixed property (land, houses, factories, and office blocks) in the municipal area are charged "property rates" – a yearly tax based on the value of each property. Rates income is used by the municipality to pay for the general services to all people, which cannot easily be charged to a specific service user as a "service charge" for example roads, pavements, parks, streetlights and storm water management (Leadership in Local Government, issues 6March/April 2006:33).

(f) Equitable Share

The equitable share is an amount of money that a municipality obtain from the national government each year. The Constitution stipulates that all revenue collected nationally must be divided equitably or fairly between national, provincial and local spheres of government. The local government equitable share is meant to ensure that municipalities can provide basic services and develop their areas.

The amount which a municipality receives, depends mainly on the number of low-income people in the area – rural municipalities usually get more.

Most municipalities only get a small part of their operating budget from the equitable share (http://www.etu.org.za).

(g) Fines

Traffic fines, late library book fines, penalties for overdue payment of service charges are another source of income or "revenue" while at the same time motivating users of services to have a culture of obeying democratic laws, rules and deadlines (http://www.etu.org.za).

(h) Tariffs for Municipal Services

A "tariff" means a service charge that the municipality charges for the use of services. The prices of these services should be affordable, to the people who use the services and to the municipality itself. Ward committees should advise councillors on the services needed in the area, what is an affordable price (or "tariff") for the services and how to ensure that people pay for their services. Community organisations should get involved in consultation meetings to discuss efficient and cost-effective service delivery (http://www.etu.za).

Every year, as part of the budget preparation cycle, there should be a review of tariffs (price list) for: -

- ✓ Basic services, such as water, electricity, sewerage or rubbish removal;
- ✓ Specialised services, such as the approval of building plans;
- ✓ Fines and penalties, such as for traffic fines or late payments, interest on arrears.

Decisions should take the following into account:

- Tariffs should be reasonable and affordable, for the people who use these services;
- Based on a sliding scale, so that everybody gets the basic amount free, then pay an increasingly higher tariff amount, for the amount of water or electricity they use. These higher-volume tariffs are essential, to cover the free basis supply to those who only use a little, to survive;
- Policy to deal with poor households that cannot afford to pay anything;

Fair to the municipality, to recover most (or all) of the costs of providing the service to the people, so that the tariff income can pay for staff salaries, water pipe repairs, and to repay Eskom for their bulk supply of electricity to the municipality (Government Digest, June, 2005:59).

2.6 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 accounts, 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 excess-users.

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

2.7 Policy

2.7.1 Definition of 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 directly influence the achievement of objectives (Burt, 2003).

A municipality develops and adopts a policy framework in the establishment, regulation and management of an internal municipal service.

2.7.2 Bridging the gap between capacity and effective financial discipline

There are certain legislation that first of all guide municipalities on how to manage their funds as well as to create a platform of financial viability, namely the Systems Act, Division of Revenue Act and Municipal Finance Management Act, (Government Digest, June, 2005:29).

2.7.3 Credit control policy and debt collection policy in Mafikeng

The credit policy and debt collection policy may distinguish between different categories of rate payers, 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).

2.7.3.1 Debt collection policy

According to the Municipal Systems Act no. 32 of 2000, 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 polices and any national policy on indigents;

- Realistic targets consistent with general recognised accounting practises and collection ratios and the estimates of income set in the budget, less an acceptable provision for bad debts
- Interest on arrears, where appropriate;
- Extension 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).

2.7.3 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 service, debtors' taxes, services, service standards and other matters as long as the differentiation does not amount to unfair discrimination (Municipal Systems Act no. 32 of 2000).

In order to sustain the local government and continued service delivery, the collection of income levied on account statements submitted to debtors (current accounts) must be realised within a turnover period not exceeding 30 days.

Payment of arrears must also be addressed sufficiently for the main categories of debtors in order to minimise arrears debtors (http:// www.pmg.org.za).

2.7.4.1 Objectives

The objectives of a credit and debt collection policy are 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 (www.polity.org.za).

2.8 Credit control measures

2.8.1 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 approval tariff of the municipality (http://www.tshwane.gov.za).

2.9 Managing the money flow

"Money flow" or "cash flow" is the movement of money into and out of the municipality's bank account, as money is received from ratepayers or paid out to staff and service providers. When more money flows in to the bank account than has to be paid out, the municipality has a "surplus" of money and can proceed with planned development projects that have been planned in the budget (http://www.etu.org.za).

When more money has to be paid out than the money that flows in, the municipality could be heading for big financial problems or go "bankrupt". The municipality can borrow money from the bank (overdraft), or from another sphere of government (a loan or grant), or increase the property rates and service charges (tariffs) which people must pay for local services to avoid the situation (http://www.etu.org.za).

None of these options is conducive for the municipality's reputation. Even though ward committees and community organisations are not involved in the municipality's "cash flow management" one needs to know how important it is to avoid a "negative cash flow" or "deficit". This is when the municipality owes more money than it has in the bank, and has to stop projects that it cannot afford to pay for. Cash flow management should be presented to council or ward committee meetings. Ask questions about how well the money flow is being planned, monitored and followed up, by the treasurer and executive committee or mayoral committee.

Ward committee members need to help achieve a "positive cash flow" for the municipality's development projects, by: -

- ✓ setting the example in paying rates and services charges fully, and before the due date;
- ✓ encouraging everybody in the community to pay their rates and services charges on time;
- ✓ challenging and waste of municipal money that one hears about and asking for a proper explanation or investigation;
- ✓ holding councillors accountable for fighting corruption or wastage of municipal cash or other assets (http://www.etu.org.za).

2.10 CONCLUSION

The following chapter will look at the specific environment of municipalities, that is, the acts that govern municipalities, functions, the services that they deliver and the importance of finances and debtors. It will also look at the detrimental impact which non-payment of services will have on the community and the services which must be rendered. In this instance, the problem will be defined, that is, management problem and research problem.

CHAPTER 3

LITERATURE SURVEY

3.1 Introduction

This chapter reflects on the research problem which is the effect of non-payments of services by government to local municipality with specific reference to the Mafikeng Local 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 to investigate the extent which debt by government departments exists for the municipality. This problem disadvantages both the residents and the municipality itself. High population growth, urbanization, education levels of people and others aspects causes the need for an overwhelming increase of services needed in Mafikeng.

The research problem is defined as determining the impact and magnitude of non-payments by government sector. 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 in the headlines of almost every newspaper, the allegation being that it is heading for bankruptcy. For an organization to be in that situation, makes residents become concerned about how the debts will 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 for various reasons which might include accounting errors, such as those caused by overcharging consumers and non-payment by government.

Therefore this research focused on information on debt and attempted to determine why government departments did not pay their accounts. The data collected reflected how government departments owed the highest amount of money. There must be options which should be considered in this regard, for instance to privatise the municipal services in order to improve services.

3.4 Theoretical frameworks

3.4.1 Past information and forecasts

Past information and forecasts can be valuable in uncovering potential opportunities for improving the management of debts and the related problems by the Mafikeng Local Municipality.

The past information on debts shows that the municipality has been unable to collect a reasonable amount of money owed to it from the government departments including the residents of Mafikeng.

For example, the statement made in the Independent Newspaper can attest to that. It was published in the said newspaper that "The Executive Mayor of Mafikeng Municipality Nomvula Hlangwana has drawn out her dagger for the North West Provincial Government, lambasting it for announcing to the public that they have given her municipality huge amounts of money without first consulting with the office whether that has been done or not" (www.newsindependent.co.za).

It was further stated that the agitated mayor made it clear to the journalists that poor service delivery of the municipality should be partly attributed to the provincial government departments which still owes the institution millions of rands. It was indicated that the mayor has requested the provincial government to lead by example by promptly paying services which are rendered to them by the municipality.

She said that "even now they are still not up to date and our appeal to the provincial government is to lead by example for the community to also take the responsibility of assisting the municipality to speed up service delivery" (www.newsindependent.co.za).

3.4.2 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 organisation or of the municipality's personnel organisational structure and culture should be identified to determine the scope.

3.4.3 Legal environment

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

3.4.4 Economic Environment

This environment consists of availability of the budget, equitable shares, purchasing power, gross income, disposable and discretionary incomes, prices, credit availability and general economic conditions.

3.5 Formulation of Postulates

The Mafikeng Municipality could do one of the following in order to avoid an increase in debt or improve debt collection: (Local Government Digest, 2005:15)

- 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 and it's not all consumers who would be having money at this time.
- Issuing of accounts to departments should be done on time to avoid delays in payments.
- The municipality should increase the training of accounts staff so as to reduce the number of mistakes they make.
- The municipality should follow up on unpaid accounts rather than to leave overdue accounts for too long.

- Since the name of the Mafikeng Local Municipality has been tarnished by the media and the people they serve, the management should try to eliminate the negatives about the organisation by improving the way they have been conducting their business.
- The Mafikeng Local 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 could be faced with certain difficulties which will not allow them to pay for the services.
- 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.

3.6 Credit Control measures

3.6.1 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 one 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 2004).

3.6.2 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 to be operational, 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 two cut-off at the approved tariff of the municipality.

Together with the level one 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 (Mafikeng Mail, 12 May 2004).

3.6.3 Illegal reconnection or tampering with 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 completed in an investigation document (Mafikeng Mail, 13 May 2005).

3.6.4 Illegal reconnection or tampering with water

The water disconnection or restriction is monitored and followed up in cases of absence of reaction by the debtor to ensure that the disconnection or 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 a 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 in an investigation document (Mafikeng Mail, 13 May 2005).

3.7 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).

3.7.1 Pre-investigations

A pre-investigation into the account and debtor detail is carried out before the preparation of the summons takes place. The date of an appointed Credit Bureau is utilised in this regard, often resulting in telephonic contact with the client or contact through letters, which obviates the need for summonsing. The tracing cost and the telephone cost are debited to the debtor at the approved tariff of the municipality (Mafikeng Mail, 5 May 2005).

3.7.2 Arrears accounts

Arrears accounts in excess of R100 000-00 which are to be summoned, are Supreme Court matters, which are referred to the suitably qualified legal division of the municipality for summonsing 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).

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 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 ten 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).

3.7.3 Failure to react on time upon issued summons

Summonses not reacted upon within the ten working days window period are referred to the local magistrates courts in conjunction with the collection agents, who have jurisdiction in these courts.

Default judgment 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).

3.7.4 Default judgment

A default judgment not reacted upon within a further ten working days period are again presented at the magistrate court 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 or her to appear in court where the magistrate can approve a garnishee order on the debt (Mafikeng Mail, 13 May 2005).

3.7.5 The Process for debt collection

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).

3.8 Principles of the policy

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

3.8.1 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 (Mafikeng Mail, 13 May 2005).

Non-payment by debtors of their accounts has a direct negative impact on the municipality's ability of service delivery to clients.

3.8.2 The municipal manager should report any difficulties 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 (Mafikeng Mail, 13 May 2005).

3.8.3 Current levies not paid by the indicated due date are in arrears and all such debtors 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.

3.8.4 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 the same way. This will enhance the community's perception of the municipality and add the acceptance of the procedures. Various methods of payment by debtors as well as sufficiently convenient payment prints are available (Mafikeng Mail, 13 May 2005).

3.8.5 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 (Mafikeng Mail, 13 May 2005).

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.

3.8.6 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 (Mafikeng Mail, 13 May 2005). Interest is levied on all arrears in excess of 59 days, a subject to exceptions as per Council Resolution. Interest levied but not paid is included in the arrear amount of such a debtor.

3.8.7 A proper indigent policy must be in place. Such a policy will enable the municipality to differentiate between community members who cannot pay and those that simply do not want to pay (Mafikeng Mail, 13 May 2005).

Credit control measures are applied with a proactive 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.

3.8.8 The implementation of this policy requires the full cooperation of all the sections within the municipality. The cooperation of the finance, engineering and corporate 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 (Council Resolution: A26:04/2005).

3.8.9 Inherent in the credit control and debt collections policy is the municipality's vision of stimulating the right behaviour. The municipality will not utilize service providers (including directors and owners) who have not settled their municipal accounts (Mafikeng Mail, 13 May 2005). Refusal by banks to honour payments by cheques or debit orders is regarded as non-payment, upon which the relevant debtors are subject to credit control measures.

3.8.10 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 address, are handed over for collection to a debt collector appointed for this purpose.

Limited collection actions (that is, the final letter of demand) are applied for inactive accounts smaller than R3 000-00 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 (Council Resolution : A26: 04/2005).

3.8.11 Debtors who are large consumers of services are managed by telephonic and personal contact with them on a higher management level, for example, corporate business and government departments.

3.8.12 According to the Council's Resolution no A26:04/2005, 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 arrangement for payment of arrears are intended to assist those debtors by making their current monthly accounts more affordable.

3.8.13 All notification 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.

3.8.14 If 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 (Council Resolution No. A26:04/2005).

3.8 Customer Care

In terms of Section 95 of the Local Government Municipal Systems Act of 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 a positive and reciprocal relationship between persons liable for these payments and the municipality itself.
- Establish a mechanism for users of services and rate payers 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 utilized.
- 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 point and other mechanisms for setting accounts or making pre-payments for services (Mafikeng Mail, 13 May 2005).

3.10 Procedure and Policy

According to the website http://www.info.co.za the following (in Table 3.1) is an outline of the procedure and type of policy and where it is used:-

TABLE 3.1 PROCEDURES AND TYPE OF POLICY

NO.	PROCEDURE	FREQUENCY	RESPONSIBLITY	KEY PERFORMANCE AREAS	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.	Monthly	Chief Financial Officer	Yes	Credit Control and Debt Collection Policy

	The date for payment must appear on the account and should be a fixed day every month, for example the 25th				
1.2	The account must be printed on a standard form which must contain the following details:- • Consumer name; • Consumer account number; • Residence/Erf details to where the service (s) have been supplied.	Monthly	Chief Financial Officer	No	Credit Control and Debt Collection Policy

	• 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.				

2	**Age analysis and overdue accounts**				
2.1	Within seven days after each monthly due date the Municipal Manager must dispatch a notice to all defaulters.	Monthly	Chief Financial Officer	Yes	Credit Control and Debt Collection Policy
2.2	The defaulter has 14 days in which to make a payment or the services will be disconnected.	Monthly	Chief Financial Officer	Yes	Credit Control and Debt Collection Policy
	The consumer will be held liable for all disconnection and reconnection charges	Ongoing	Chief Financial Officer	No	Credit Control and Debt Collection Policy
	A consumer's supply may not be reconnected until such time as the following have been compiled with;				

	• Arrear account has been paid in full • Including interest • Charges have been paid in full • Service Contract has been entered into • A cash deposit has been paid • Should the consumer fail to pay his/her 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 Credit Control and Debt Collection Policy

3.	**Receipts and clearing of accounts**				
	The official responsible for receipting of monies received from debtors must not be the official responsible for administration of debtors. 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 municipality.	Ongoing	Chief Financial Officer	No	Credit Control and Debt Collection Policy
	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

	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 account must be cleared at least on a weekly basis.	Ongoing	Chief Financial Officer	No	Credit Control and Debt Collection Policy
	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 un-economical • Recovery would cause undue hardship to the debtor or his/her dependants				

	• It would be an advantage to 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 expenses of the vote to which the bad debt relates.				

3.11 Model for subsidising of consumer accounts

(a) Qualification

An account holder of a household where verified gross monthly income of all occupants over the age of 18 years (i) do not exceed R470.00 per month or

(ii) 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
(See Section 3.11 (d).

(b) Conditions

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

(c) Submission of application

The 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 12 kiloliter 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 consumption exceeds 12 kilolitres.

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 of six kilolitres 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 six kilolitres, per metering period of nine months, the consumer will be charged for actual consumption exceeding six kilolitres at normal tariff.

3.12 Discontinuation of water supply

In the events of the consumer's supply being discontinued, (s)he will only be entitled to reconnection upon compliance with the following:-

- Payment of reconnection fee of R500.00 (five hundred rand) or such other fee as may be determined by Council from time to time.
- Payment of interest levied up to the previous month agreed amounts on the balance overdue.
- No discontinuation of water supply shall occur on a Friday, the day preceding a public holiday or after 13:00 on any day.

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

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

First time offenders:-

- The consumer will be charged a "Tampering Disconnection" fee of R800, plus un-metered consumption.

Second offenders:-

- The consumer will be charged a "tampering disconnection fee of R1 600-00, plus un-metered consumption.

Third time and subsequent offenders:-

The consumer will be charged a tampering disconnection fee of R4 000.00, plus un-metered consumption.

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

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

3.14 Conclusion

This chapter focused on the problem statement, the causes of the problems what measures exist to address the problem that is experienced by the Mafikeng Local Municipality. Chapter four will focus on the research design and methodology.

CHAPTER 4
RESEARCH DESIGN AND METHODOLOGY

4.1 Introduction

This chapter presents and discusses the research design and methodology which were used to examine the impact of government debts on the financial situation of the Mafikeng Local Municipality. The chapter consists of sampling techniques and has two sections: Section A, discusses the survey methodology and section B 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 procedure but rather rely on the personal judgment of the researcher (Malhotra, 1999).

- The researcher used the non-probability sampling techniques for this study. This was done by taking 15 Chief Financial Officers from all 15 Departments that are operating within the North West Province. Twelve Departments are Provincial Departments and 3 are National Departments. The names of the Provincial Departments are as follows:-

4.4.1 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 (s)he being interviewed on. The respondent is asked to provide information and has little or direct benefit from this co-operation. Personal interviewing like all other techniques has advantages and disadvantages which are cited in the following discussion.

(a) Advantages

- Interviews can 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.

- The interviewers can pre-screen respondents to ensure the correct respondent is replying and the interviewer can set up and control interviewing conditions.
- The interviewer has more control and is more flexible to improve the quality of information received than with other methods.
- Interviews can note conditions of the interview, probe with additional questions and gather supplemental information though observation.

(b) Disadvantages

- Sometimes the results are affected by interviewers who alter questions (Cooper et al, 1998 : 200).

- In most cases it is difficult to get hold of officials because Chief Financial Officers are always in meetings or busy doing some other work. Other government officials are not even interested in research and as a result it becomes difficult to meet them.

  In this study the researcher conducted personal interviews with 3 Chief Financial Officers of government and 4 municipal officers those in the debt collection department and accounts receivables and most responses were taken from questions which were formulated since most of appointments secured were not honoured by the respondents. For 7 respondents who were interviewed, formal questions were asked.

4.4.1.3 Telephone Interviewing

Cooper and Schindler (1998 :300) maintain that the telephone can be helpful in arranging personal interviews and screening a large population for unique type of respondents.

Cooper and Schindler (1998:300) identified the following advantages and disadvantages of telephone interviewing:-

(a) 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 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.

(b) Disadvantages

- Response is lower than in face-to-face interview (Cooper and Schindler, 1998:300).

4.4.1.4 Self Administered questions

A questionnaire is a formalised set of questions for obtaining information from respondents.

Questionnaires have become omnipresent in almost all current research projects. Short questionnaires can be completed by the respondent and given back to the researcher. Malhotra (1999:6) identified the following advantages and disadvantages:-

(a) Advantages

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

(b) Disadvantages

- Major limitations concern the type of information that can be secured.

Section B

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 there are several measurements of each element but each variable is analysed in isolation. Multivariate, techniques, however, are suitable for analysing data when there are two or more measurements on each element and the variables are analysed simultaneously (Malhotra, 1999).

4.7 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 respondents were collected through a questionnaire and personal interviewing. The following chapter is the presentation of data collected for the study and the interpretation of the results.

CHAPTER 5
RESULTS AND INTERPRETATION

5.1 Introduction

This chapter analyses the results of the study and the interpretation of these results. The chapter firstly presents the results from the respondents on the questionnaire and personal interviews done and secondly interprets the results. The researcher compiled the following results from the study conducted on the effect of non-payment of debts by government to the Mafikeng Local Municipality.

This part of the research is important because it may serve as a historical record of the project. The other importance is that management decisions might be guided by its recommendations. The reason for large sums of money owed to the municipality occurs for a number of different reasons, but this study has revealed specific reasons and will submit possible solutions.

5.2 Debtors

The Mafikeng Local Municipality is facing a substantive problem of escalating debt from the government. It was revealed during this study that in 2002, the municipality had a debt book of R1 104 491,56 million and in 2004 it was R3 768 741.32 million. The defaulters of the Mafikeng Local Municipality could be categorised as either long term or short term debtors depending on the period elapsed before paying their outstanding debt.

The reluctance to pay for municipal services often renders the municipality in debt and eventually they are unable to provide services without unnecessary operational disorder.

The Municipality Finance Department attempts to retrieve money owed to them by involving top structures, for example, the Executive Council of the Province but often with no success. The Mafikeng Local Municipality had in this regard been left with no other alternative but to invalidate the parliamentary practice available to it to pressurise governments departments to pay for their services.

Debt is a very important element of municipal financial management. This element should be fully integrated with budgeting and the cash flow management components, because at the beginning of each financial year, municipalities are expected to appropriate enough revenue to pay for debt. The inability of the Municipality to collect the debt shows that the municipality has a problem which has spiralled between 2002 and 2004.

5.3 Results

Fifteen questionnaires were given to the Chief Financial Officers in fifteen governments departments and ten questionnaires to ten employees of the Mafikeng Local Municipality and 15 usable questionnaires were received back.

The respondents responded differently to the questions in the questionnaire. The following discussion focuses on the results and their interpretation on this study. Some of the results are explained by the use of tables.

5.4 Response to the questions asked to the CFOs of government departments

5.4.1 How many employees are in your department?

TABLE 5.1. CONTAINS THE RESPONSES ON THE NUMBER OF EMPLOYEES IN THE DEPARTMENT

RESPONSES	RESPONDENTS	%
Between 2500 and 2000	8	53,3
Between 2000 and 1000	5	33,3
Between 1000 and 500	2	13,3
TOTAL	**15**	**100**

The information in table 5.1 reflects that 53,3% of the respondents answered that they have employees between 2000 and 2500 which means that these departments use more services on a daily basis than other departments.

5.4.2 What is the total amount of money budgeted for services in your department in a financial year? (See table 5.2)

TABLE 5.2 RESPONSES ON THE BUDGET FOR SERICES IN A FINANCIAL YEAR

RESPONSES	RESPONDENTS	%
Between 200 000-300 000	10	67
Between 300 000-350 000	5	33
Total	**15**	**100**

This question was to establish whether the departments budget enough for the services which they intend to use because if they under budget for services that could be a reason of non-payment of services for a period in question, which will then result in the delay in the payments of the Local Municipality for the financial year in question.

The budget for professional services for provincial departments combined is equal to 2001/2002 was R1 312 392-00 million. That is an item which is also used to pay for services rendered by the municipality. (See Annexure 1 attached). The total debts for services amount to an R1 104 491-56. In 2003/2004 financial year the department had a budget of R2 098 880 million whereas the total debts for services amounted to R3 418 986.83 million.

5.4.3 By what method do you receive your services bills? (See table 5.3)

TABLE 5.3 METHOD OF RECEIVING SERVICES BILLS

Responses	Respondents	%
By post	13	87
By hand	2	13
Total	**15**	**100**

Thirteen of the respondents received the services bills through the post, which is more convenient. The problem was with the 13% who received their services bills delivered to them at the departments. The reason being that they did not have proper postage bag and messengers had to be used to deliver correspondence. The problem with this method is that in most cases, the bills are not delivered to the relevant offices and it takes time to trace them and payments get delayed.

5.4.4 Are you currently in debt with services account with the municipality? (See Table 5.4 for responses).

TABLE 5.4 ANY OUTSTANDING BALANCES ON MUNICIPALITY ACCOUNT

Response	Respondents	%
Yes	15	100
Total	**15**	**100**

All the respondents indicated that they owed the municipality different amounts. The respondents who owed the municipality were asked how much they owed (section 5.4.5) and the next question was whether they had made any arrangements on payment of their debts (section 5.4.6).

5.4.5 If you answered yes above please indicate below how much your department owes the municipality?

The responses are reflected in Table 5.5

TABLE 5.5 AMOUNTS OWED TO THE MUNICIPALITY

Responses	**Respondents**	**%**
Between R100 000 - R150 000	3	20
Between R300 000 – R350 000	8	53
Between R350 000- R400 000	4	27
Total	**15**	**100**

The amount owed to the municipality currently that is for 2005 (according to the interview) and the records perused was an estimated amount of R1 299 136.56 million.

5.4.6 If you owe the municipality have you made any arrangements with them regarding the payment of your outstanding bills? (See Table 5.6)

TABLE 5.6 ARRANGEMENTS REGARDING DEBT

Responses	Respondents	%
Yes	10	**67**
No	5	**33**
Total	**15**	**100**

Sixty seven percent of the respondents who owed the municipality indicated that they had made arrangements to settle the amount and the remaining 33 percent did not make any arrangements.

5.4.6.1 If your answer is yes specify the arrangements? (See table 5.7)

TABLE 5.7 TYPE OF ARRANGEMENTS MADE

Responses	Bank transfers Quarterly	No arrangements	
Yes	10		
No		5	
	67%	**33%**	**100%**

The information in table 5.7 reflect that 67% of the respondents had made arrangements of paying on a quarterly basis though bank transfers while 33% percent did not make arrangements at all.

5.4.7 Do you experience problems with the accuracy of your accounts?

There were 8 respondents who said that they were not satisfied with the accuracy of their accounts.

5.4.8 Please briefly comment on 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 the department should be made aware when the meter reading was read so that they can verify it. Most of the respondents' meters were read in the absence of the employees of the departments and they were not aware and sure of the real numbers before and after the readings.
- Ten departments indicated that they were not even aware of where their meter boxes were situated.
- Inconsistent tariffs of rates and interests on outstanding balances were too high.
- Accounts to be updated at the end of the month and not on the 15th. This date was in the middle of the month and was not always convenient to them at that time, resulting in interest being charged unnecessarily on their accounts.
- Five departments said they were satisfied about the services that they received from the municipality.

5.5 The questionnaire for municipal officials was answered by the debt collector's manager as seemingly he was the person who had all the information and questionnaire submitted to the officials were not all responded to. The following were the responses to each of the questions asked.

5.5.1 How much services are used per month in Mafikeng Local Municipality?

The municipal official responded to say that on average, the consumption services in the whole of Mafikeng is estimated at 4 666 999 loads of removals, 3 284 312.66 kiloliters.

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

The municipal official was not sure of the amount or the percentage.

5.5.3 How much is owed to the Municipality in terms of services bills?

The municipal official said that currently the debt owed was approximately of R1 299 136.56 million excluding debts by the Mafikeng Community members.

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

The municipal official said they are experiencing problems with all government departments. According to their records all of them do not pay in time and still owe huge amounts of money.

5.5.5 How do you send services bills to the customers?

According to the municipal official, most bills were sent through the post and messenger was also used to deliver to other departments which did not have post boxes.

5.5.6 Has your department ever conducted a survey to find out if customers received their services 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.

5.5.7 If you answered no, to question (5.5.6) above, what measures have you put in place to rectify the problem?

Nothing had been done since there was no research carried out on this matter.

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

The response was no and currently there were only 10 people working in the department which evidently was not enough.

5.5.9 What do you do when you encounter any problem in collecting outstanding debt from the departments?

The answer was that this matter was handed over to the mayor who would then (through the Premier) inform the Executive Council of the Province about this matter in order that political intervention could be made at that level.

5.5.10 Please briefly comment about the services you render to the customers and what you would like to see changing with regard to the Mafikeng Local Municipality?

Training should be conducted to ensure that employees of the Mafikeng Municipality are capable to do their work. Proper systems should be put in place to ensure that debts are collected properly.

Analysis of debts show that the government owes the municipality huge amount compared to the Mafikeng residents.

5.7 Conclusion

The chapter presented the results from the questionnaire and it showed that 100% of respondents (government) owed the municipality money. The employees of the Mafikeng Local Municipality need to be capacitated in order that they could perform their duties with ease. The responses on the issues of the survey indicate that the Mafikeng Local Municipality has never taken this matter seriously. The following chapter presents the conclusions and recommendations and the implications of the study.

CHAPTER 6
CONCLUSIONS AND IMPLICATIONS

6.1 Introduction

This chapter presents a summary of the study and discusses the implications and conclusion of the findings as well as recommendations based on the conclusion of the study. It gives a feedback on every aspect of the study and concludes the research as well as shows whether objectives were met.

6.2 Discussion

The results and information from the respondents via the questionnaire provide evidence that there is a problem of huge sums of uncollected money owed to the Mafikeng Local Municipality. All the respondents owe the municipality and it seems that they do not take this debt seriously because little is done about it. The interviews carried out with the municipal officials show that the problems lie with workforce capacity lower than expected work load. This could lead to workers not performing their duties and obviously resulting in errors taking place.

6.3 Implications

The failure to collect debt will have serious problems concerning the financial ability to operate effectively and to improve services.

The municipality could get into bigger financial problems which could cripple it. Some consumers could also capitalise on this situation and delaying their payments. One official of a particular department indirectly influence officials of other departments about non-payment creating a culture of non-payment which will negatively impact on the municipality.

6.4 Recommendations

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

6.4.1 Revenue realised

It is recommended that the Mafikeng Local Municipality should rigorously direct its expenditure against the revenue realised. To be able to control the deficit, municipal financial management should practice a policy of firm financial management and control.

Alternatively, it should decide on increasing its revenue base through local economic programmes.

This is because in the near future, the municipality could end up being 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.

6.4.2 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 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 debtor, that is, when they have positive cash flows. A solution could be that billing should be done before accounts are ended off for the month to avoid delays. The municipality should strengthen their debts collection systems by training their officials.

6.4.3 Better relationships

The Mafikeng Local Municipality should establish a better relationship with government departments by establishing forums where these issues could be discussed and address problems experienced. By this it should open its doors and allow itself to be approachable and build relationships with government stakeholders and this have a more open channel for communicate.

6.4.4 Credit control policy and debt collection policy

The Mafikeng Local Municipality could tighten up the current credit control and fully utilise available government structures to collect their debts. This could help in that governments departments would pay their accounts when they are due.

Negotiations can take place to arrange for even small amounts to be paid off – rather than not paying at all.

6.4.5 Outsourcing of collection of debts

An alternative solution is to have this debt collected by outsourcing the debt collection functions.

6.5 Limitation of research

Several important factors limited the findings of this study. Many of the respondents interviewed did not give the researcher enough time to get the necessary information from them. Most of the respondents at the Local Mafikeng Municipality interviewed were appointed in their positions less than a year and as a result most of them did not have information when some of the questions were asked.

6.6 Suggestion for future research

A future research will be conducted on the non-payment of services by the residents of the Mafikeng Local Municipality in order one could determine the causes of poor service delivery.

6.7 Conclusions

The findings are that there is a poor system of collection of debts at the Mafikeng Local Municipality which impact negatively on the financial condition of this municipality.

This study reflect that there is a need to conduct an improved financial management at the Mafikeng Local Municipality.

The are challenges surrounding the failure of the government departments in paying the Mafikeng Local Municipality due to the fact that they do not budget enough for services. The other factor is that they not receive their bills on time which makes difficult for them to pay their bills on time.

6.8 BIBLIOGRAPHY

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ANNEXURES

1. **FINANCIAL STATEMENT**
2. **COVERING LETTER**
3. **QUESTIONAIRE**

MAFIKENG LOCAL MUNICIPALITY

MONTHLY COMPARISON OF GOVERNMENT RATES AND SERVICES DEBT

	July 2002	August 2002	September 2002	October 2002	November 2002	December 2002	January 2003	February 2003	March 2003	April 2003	May 2003	June 2003
Public Works (National) - Rates	22,430,864.49	19,072,992.73	19,247,497.26	4,670,368.39	5,345,114.29	5,232,858.45	5,300,196.57	5,352,010.06	5,405,071.84	5,458,913.79	5,421,777.71	5,585,859.08
Public Works (National) - Services	15,205,445.07	14,349,763.87	15,204,149.29	14,627,274.78	15,147,540.36	15,756,359.45	16,547,710.53	17,187,527.11	17,627,851.19	18,477,451.74	19,040,246.86	20,058,091.90
Local Government, Housing, Planning and Development - Services	871,314.69	883,397.48	685,715.07	654,442.43	688,637.52	715,439.45	705,208.83	725,181.76	758,754.77	786,546.82	798,068.20	817,909.01
Local Government, Housing, Planning and Development - Rates	2,101,347.64	2,099,413.16	2,039,634.87	1,940,505.89	1,272,781.31	1,287,158.66	1,299,437.47	1,310,884.64	1,324,118.77	1,337,352.90	1,350,587.03	1,356,780.82
Public Works (Provincial) MEC & Govt Building - Services	1,104,491.56	1,064,802.27	1,031,850.33	880,308.06	994,451.08	1,377,941.81	1,852,805.43	2,112,457.57	2,757,258.42	3,287,586.03	2,782,134.68	1,488,645.96
Education - Services (Rates - Public Works)	1,372,636.01	1,514,163.23	1,346,428.03	1,419,369.38	1,394,597.90	1,576,362.67	1,522,461.82	1,577,377.88	1,662,383.05	1,712,027.89	1,327,565.86	1,442,584.72

MAFIKENG LOCAL MUNICIPALITY

MONTHLY COMPARISON OF GOVERNMENT RATES AND SERVICES DEBT

MONTH	PUBLIC WORKS (National)		LOCAL GOVERNMENT, HOUSING PLANNING & DEVELOPMENT		PUBLIC WORKS (Provincial) & GOVT BUILDING	PUBLIC WORKS (Rates & Public Works)	GROOTFONTEIN (Military)	PUBLIC WORKS (Police)	SOUTH AFRICAN HOUSES	PUBLIC WORKS (National)	TOTAL
	RATES	SERVICES	SERVICES	RATES	SERVICES	SERVICES	RATES & SERVICES	RATES & SERVICES	RATES & SERVICES	RATES & SERVICES	
											61,490,642.60
											62,004,550.11
											62,625,118.28
											47,591,535.97
											43,247,205.62
											43,934,691.02
											44,619,837.02
											46,551,318.12
											44,184,462.44
											46,930,137.84
											47,274,[illegible]
											48,[illegible]

MAFIKENG LOCAL MUNICIPALITY

MONTHLY COMPARISON OF GOVERNMENT RATES AND SERVICES DEBT

MONTH	PUBLIC WORKS (National)		LOCAL GOVERNMENT, HOUSING PLANNING & DEVELOPMENT		PUBLIC WORKS (Provincial) MEC & GOVT BUILDING	EDUCATION [Rates - Public Works]	GROUP TWENTY (Military)	PUBLIC WORKS (Police)	GOVT OFFICIAL HOUSES	PUBLIC WORKS (National)	[illegible]
	RATES	SERVICES	SERVICES	RATES	SERVICES	SERVICES	RATES & SERVICES	RATES & SERVICES	RATES & SERVICES	RATES & SERVICES	[illegible]
July 2004	25,344,910.15	29,008,222.28	3,949,202.33	3,087,364.40	3,418,986.83	3,729,142.05	117,963.34	4,070,565.51	662,841.65	1,397,863.17	[illegible]
August 2004	25,377,289.37	29,592,492.24	4,008,402.00	3,091,090.85	3,161,793.95	3,874,175.32	120,008.47	4,112,147.73	672,919.24	1,406,702.45	[illegible]
September 2004	25,384,690.21	30,227,737.32	4,073,965.05	3,091,272.12	3,464,856.30	4,025,172.66	123,032.26	4,154,442.09	683,239.31	1,118,376.24	[illegible]
October 2004	8,816,139.25	30,756,843.61	4,137,288.41	462,453.99	3,514,867.22	3,812,232.87	124,995.23	3,106,644.19	687,576.82	767,008.80	[illegible]
November 2004	8,818,242.25	31,378,988.16	4,175,417.16	457,937.37	3,948,319.13	3,859,322.59	126,253.05	3,149,792.98	696,300.87	778,495.21	[illegible]
December 2004	8,929,858.51	31,971,063.15	4,240,914.02	473,017.60	3,768,741.32	3,994,826.73	129,109.10	3,201,337.50	685,539.84	774,337.11	[illegible]
January 2005	9,041,204.36	32,558,915.47	4,302,242.48	487,599.49	4,132,001.79	4,118,983.09	129,756.50	3,251,500.70	697,037.04	1,073,492.03	[illegible]
February 2005	9,043,829.18	31,427,253.90	4,366,020.97	332,107.27	4,487,543.24	4,243,850.46	130,758.78	2,879,514.56	707,088.05	1,078,615.69	[illegible]
March 2005	9,155,567.64	29,429,243.80	4,419,421.82	335,820.65	2,430,647.63	3,361,310.88	130,324.60	2,870,179.07	711,099.30	951,333.64	[illegible]
April 2005	9,267,314.44	29,999,487.09	4,485,039.01	342,659.41	1,165,481.98	3,499,284.03	132,575.85	2,865,424.71	729,378.05	939,175.51	[illegible]
May 2005	10,635,187.60	40,033,142.26	3,012,583.72	349,498.17	746,558.73	1,576,316.11	137,032.17	393,157.62	951,540.28	690,302.66	[illegible]
June 2005	10,754,007.07	40,880,230.66	3,044,315.99	356,336.93	238,351.02	917,646.97	140,265.71	397,902.06	960,425.98	481,346.45	[illegible]

MAFIKENG LOCAL MUNICIPALITY

MONTHLY COMPARISON OF GOVERNMENT RATES AND SERVICES DEBT

MONTH	PUBLIC WORKS (National)		LOCAL GOVERNMENT, HOUSING PLANNING & DEVELOPMENT		PUBLIC WORKS (Provincial) MEC OFFICE BUILDING	EDUCATION [Rates - Public Works]	PUBLIC WORKS (Military)	PUBLIC WORKS (Police)	GOVT OFFICIAL HOUSES	PUBLIC WORKS (National)	TOTAL
	RATES	SERVICES	SERVICES	RATES	SERVICES	SERVICES	RATES & SERVICES	RATES & SERVICES	RATES & SERVICES	RATES & SERVICES	
July 2005			3,085,445.81	2,016,653.96		1,714,830.44		908,131.95		1,836,313.20	88,137,459.30
August 2005			3,121,874.42	2,022,703.64		1,769,131.24		945,716.64		1,716,566.72	88,725,585.49
September 2005			6,322,826.78	2,257,913.46		1,853,424.05		946,934.15		1,520,032.05	88,684,583.95
October 2005			6,449,131.44	2,109,162.96		204,059.64		952,263.01		1,616,040.43	83,041,241.24
November 2005			6,580,411.37	(524,162.49)		322,466.64		460,359.62		685,712.32	60,842,655.19
December 2005			6,689,979.53	(519,030.31)		392,644.23		468,855.73		665,251.72	62,047,765.17
January 2006			5,910,879.77	(809,669.89)		229,008.76		474,759.30		694,221.79	63,022,650.37
February 2006			6,879,350.46	(836,860.82)		262,135.69		389,418.34		446,998.88	58,901,019.33
March 2006			6,937,328.68	1,120,071.01		304,560.56		390,573.95		160,881.66	57,849,545.60

Code

4201F Renting of Computers
4202F Renting of fax machines
4203F Renting of office furniture
4204F Renting of other equipment
4205F Renting of other office equipment
4206F Renting of photocopiers

4401F Rental exhalation space
4402F Rental of buildings
4403F Rental of halls & rooms
4404F Rental (other)

4420F Contracts - Operating leases
4421F Contracts - Tacking over of contractual obligations
4422F Contracts - Interpreter and translation services
4423F Contracts - Legal fees

4440F Feasibility Studies - Feasibility studies
4441F Feasibility Studies - Planning and design
4442F Feasibility Studies - Surveys
4443F Feasibility Studies - Research

5601F Maint & Rep- Buildings
5602F Maint & Rep- Medical equipment
5603F Maint & Rep- Motor vehicles
5604F <5000
5605F Maint & Rep- Office furniture
5606F Maint & Rep- Other equipment
5607F Maint & Rep- Roads
5608F Maint & Rep- Computers

5700F Water, Elect,etc - Bojanala Platinum
5701F Water, Elect,etc - Bophirima
5702F Water, Elect,etc - Central
5703F Water, Elect,etc - Ditsobotla
5704F Water, Elect,etc - Ga-Segonyana
5705F Water, Elect,etc - Greater Taung
5706F Water, Elect,etc - Kagisano
5707F Water, Elect,etc - Kgetleng Rievier
5708F Water, Elect,etc - Klerksdorp
5709F Water, Elect,etc - Lekwa-teemane
5710F Water, Elect,etc - Madibeng
5711F Water, Elect,etc - Mafikeng
5712F Water, Elect,etc - Mamusa
5713F Water, Elect,etc - Maquassi Hills
5714F Water, Elect,etc - Merafong City
5715F Water, Elect,etc - Molopo
5716F Water, Elect,etc - Moretele
5717F Water, Elect,etc - Moses Kotane
5718F Water, Elect,etc - Moshaweng
5719F Water, Elect,etc - Potchefstroom
5720F Water, Elect,etc - Ratlou

5336E Photographer
5337E Stage & sound crew
5338E Sport and recreation
5339E Veterinary services (non capital expenditure)

5878E Ext Audit fees - Regularity audit fees - current year
5879E Ext Audit fees - Regularity audit fees - prior year
5880E Ext Audit fees - Disbursements -
5881E Ext Audit fees - Other services - Computer audits
5882E Ext Audit fees - Other services - Environmental auditing
5883E Ext Audit fees - Other services - Performance audits
E

~~5501E Prof Serv - Advisory services~~ 5067
~~5502E Prof Serv - Agricultural engineering costs~~ 5864
~~5503E Prof Serv - Audit fees~~ 5000
~~5504E Prof Serv - Blood transfusion service~~ 5120
~~5505E Prof Serv - Catering: hospitals~~ 5121
~~5506E Prof Serv - Catering: hostels~~ 5900
~~5507E Prof Serv - Cleaning services~~ 5066
~~5508E Prof Serv - Committees of inquiry / Commissions~~ 5003
~~5509E Prof Serv - District Surgeons~~ 4440
~~5510E Prof Serv - Feasibility studies~~ 5903
~~5511E Prof Serv - Garden services~~ 4422
~~5512E Prof Serv - Interpreter services~~
~~5513E Prof Serv - Legal fees~~ 5905
~~5514E Prof Serv - Pest Control~~ 4441
~~5515E Prof Serv - Planning and design~~ 5025
~~5516E Prof Serv - Private Ambulance Service~~ 5060
~~5517E Prof Serv - Accounting~~ 5061
~~5518E Prof Serv - Construction~~ 5062
~~5519E Prof Serv - Forensics~~ 5063
~~5520E Prof Serv - Protection services~~ 4443
~~5521E Prof Serv - Research~~ 5910
~~5522E Prof Serv - Security services~~
~~5523E Prof Serv - Skill development levy~~ 4022
~~5524E Prof Serv - Software licenses~~ 4442
~~5525E Prof Serv - Surveys~~ 5852
~~5526E Prof Serv - Training external~~ 5068
~~5527E Prof Serv - Consultancy~~
~~5528E Prof Serv - Service fees - Post Office~~
~~5529E Prof Serv - Service fees - Cash Paymaster Services~~

5530E Prof Serv - Service fees - SITA

~~5531E Prof Serv - Catering Welfare institutions~~ 5103
~~5532E Prof Serv - Performing Artists~~ 5104
~~5533E Prof Serv - Private Places of Safety Fees~~ 5105
~~5534E Prof Serv - Pharmaceuticals~~ 4330
~~5535E Prof Serv - Mortuary Services~~ 5018
~~5536E Prof Serv - Medical Costs~~
~~5537E Prof Serv - Laboratory Services~~ 5007

~~5538E Prof Serv - Other Goods and Services~~ New

ANNEXURE 2

DEAR RESPONDENTS

I am a registered student at the University of North West studying Master of Business Administration (MBA). MY research topic is "The effect of non-payment of services by government to a local municipality: an analysis of the Mafikeng Local Municipality.

I am expected to conduct a research before I could be issued with a certificate.

The aim and objectives of this study is to :-

1. to examine the current reasons for non-payment of services by the government.
2. to develop the payment programme of the government and the Mafikeng Local Municipality in order that they could pay their services in time.
3. to evaluate the economic base, trends and patterns of government debts and the finances of the Mafikeng Local Municipality for the period 2002-2004 in order to determine the financial condition of the municipality.
4.

Your assistance will be highly appreciated

Kind regards

Ms Madipuo Phawe

ANNEXURE 3

SECTION A : DEPARTMENTAL INFORMATION

INSTRUCTION : PLEASE MARK WITH AN "X" WHERE APPROPRIATE

5.1 How many employees are in your department?

RESPONSES	
Between 2500 and 2000	
Between 2000 and 1000	
Between 1000 and 500	

5.2 What is the total amount of money budgeted for services in your department in a financial year?

RESPONSES	
Between R200 000-R300 000	
Between R300 000-R350 000	

5.3 By what method do you receive your services bills

Responses	
By post	
By hand	
Other means	

If your answer is "by other means" kindly specify

5.4 Are you currently in debt with services account with the municipality?

Response	
Yes	
No	

5.5 If you answered yes above please indicate below how much your department owes the municipality?

Responses	
Between R100 000-150 000	
Between R300 000 –R350 000	
Between R350 000-R400 000	

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

Responses	
Yes	
No	

5.6.1If your answer is yes specify the arrangements?

5.7 **Do you experience problems with the accuracy of your accounts?**

Yes	
No	

5.8 **Briefly make comment on the services you receive and what you would like to see changing with regards to the Mafikeng Local Municipality.** ----------

---

THANK YOU

QUESTIONNAIRE FOR MUNICIPAL OFFICIAL

SECTION B

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

1. **How much services are 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 services 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?** ----------
   ----
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7. **If you answered no, to question 6 above what measures have you put in place to rectify the problem?**

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