AN INVESTIGATION OF THE MUNICIPAL CREDIT CONTROL POLICY, WITH SPECIFIC REFERENCE TO THE NELSON MANDELA METROPOLITAN MUNICIPALITY.

A MINI-DISSERTATION PRESENTED TO THE DEPARTMENT OF PUBLIC MANAGEMENT IN THE FACULTY OF COMMERCE AND GOVERNMENTAL STUDIES AT THE PORT ELIZABETH TECHNIKON IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE MAGISTER TECHNOLOGIAE (PUBLIC MANAGEMENT) DEGREE.

BY

ISRAEL TSATSI RE

SUPERVISOR : MR J D TAYLOR

CO-SUPERVISOR : MR K RAG A

DATE : NOVEMBER 2001
I wish to record my grateful thanks to the following people for their assistance, encouragement and contribution, which ultimately led to the completion of this mini-dissertation.

The late Prof. V G Hilliard, former Department Head, Department of Public Management, Port Elizabeth Technikon, for his professional and constructive guidance as my promoter.

Mr J D Taylor, Lecturer, Department of Public Management, Port Elizabeth Technikon, for his motivation and continued guidance throughout the duration of my research, especially after the untimely death of Prof. V G Hilliard.

Mr K Raga, Senior Lecturer, Department of Public Management, Port Elizabeth Technikon, for his assistance.

Prof. I N Litvin from the University of Port Elizabeth, for his assistance in analysing the research data.

Members of the Research Committee of the Faculty of Commerce and Governmental Studies, Port Elizabeth Technikon, for their recommendation for financial assistance.
Mrs F Gouws, Mr J M Wait and Miss P P Nyalasa, City Treasurer’s Department, Nelson Mandela Metropolitan Municipality, for their valued assistance at all times.

All the respondents for their willingness to respond to the questionnaire.

Mr. T P Mangesi and Mr S Mahashe, for their assistance with the administration of the questionnaire.

My fiancé, Ntombiyethu Jakavula, my brothers David, Tendai, Joseph and James Tsatsire, for their moral support and encouragement.

My daughter, Sive Tsatsire, for her motivation and re-energising when I felt down and exhausted.

My late father, Amos Tsatsire and my mother, Maud Tsatsire, for giving me life.

I TSATSIRE

PORT ELIZABETH

NOVEMBER 2001
I, Israel Tsatsire, hereby declare that:

- The work in this mini-dissertation is my own original work;

- All sources used or referred to have been documented and recognised; and

- This dissertation has not been submitted previously in full or partial fulfilment of the requirements for an equivalent or higher qualification at any other recognised educational institution of higher learning.

I TSATSIRE

NOVEMBER 2001
AN INVESTIGATION OF THE MUNICIPAL CREDIT CONTROL POLICY, WITH SPECIFIC REFERENCE TO THE NELSON MANDELA METROPOLITAN MUNICIPALITY

ABSTRACT

In this mini-dissertation, an investigation of the municipal credit control policy, with specific reference to the Nelson Mandela Metropolitan Municipality was undertaken. The dissertation comprises six chapters. The study is based on the assumption that the existing credit control policy currently (2001) used by the Nelson Mandela Metropolitan Municipality to collect service arrears has failed and that this failure is the reason why the Municipality is struggling to survive financially. This is affecting the rendering of services. The validity of this assumption was investigated.

The primary objectives of the research included, inter alia, to provide a brief theoretical background on the transformation of local government in South Africa. This was followed by an investigation of the role of South African local government and the impact of non-payment for municipal services, with specific reference to the Nelson Mandela Metropolitan Municipality.

The empirical survey, the research methodology and the interpretation of the research findings are described. This is followed by an explanation of the survey questionnaire used for the accumulation of data needed for the analysis. The research findings of the empirical survey were statistically analysed and reported.
A brief overview of policy-making models as well as an illustration and explanation of the selected model for credit control policy-making at the Nelson Mandela Metropolitan Municipality are made.

Finally, a number of conclusions that were arrived at during the study, followed by specific recommendations are made. These are based on the findings of the empirical survey in order to come up with solutions capable of ensuring debt and income collection.
CONTENTS

CHAPTER 1

RESEARCH METHODOLOGY AND ORGANISING OF CHAPTERS

1.1 INTRODUCTION 1
1.2 THE SUB-PROBLEMS 2
1.3 KEY QUESTIONS PERTAINING TO THIS RESEARCH 3
1.4 STATEMENT OF THE HYPOTHESIS 4
1.5 DELIMITATION OF RESEARCH 5
1.6 ASSUMPTIONS 5
1.7 SIGNIFICANCE OF RESEARCH 5
1.8 RESEARCH METHODOLOGY 7
1.8.1 Theory search 7
1.8.2 Empirical survey 8
1.8.3 Normative model construction 9
1.8.4 Data interpretation, analysis and submission of proposals 9
1.9 PROPOSED SEQUENCE OF CHAPTERS 9
CHAPTER 2
THEORETICAL INVESTIGATION OF LOCAL GOVERNMENT TRANSFORMATION IN SOUTH AFRICA

2.1 INTRODUCTION

2.2 LOCAL GOVERNMENT DURING APARTHEID
2.2.1 Black local authorities
2.2.2 Indian and Coloured local authorities

2.3 TRANSITION OF LOCAL GOVERNMENT IN SOUTH AFRICA

2.4 SUMMARY

CHAPTER 3
ROLE OF SOUTH AFRICAN LOCAL GOVERNMENT

3.1 INTRODUCTION

3.2 NEED FOR LOCAL GOVERNMENT

3.3 DEVELOPMENTAL ROLE OF LOCAL GOVERNMENT

3.4 CO-OPERATIVE GOVERNANCE

3.5 CATEGORIES AND TYPES OF MUNICIPALITIES

3.6 CREDIT CONTROL AND DEBT COLLECTION

3.7 SUMMARY

CHAPTER 4
EMPIRICAL SURVEY OF MUNICIPAL OFFICIALS IN THE TREASURY DEPARTMENT AT THE NELSON MANDELA METROPOLITAN MUNICIPALITY

4.1 INTRODUCTION
4.2 RESEARCH METHODOLOGY FOR THE EMPIRICAL SURVEY 46

4.2.1 Data collection 48

4.2.2 Methods of data collection 48

4.2.3 The questionnaire structure and design 49

4.2.4 Variables 51

4.2.5 Statistics 54

4.3 INTERPRETATION OF THE RESEARCH FINDINGS 56

4.3.1 Frequency distribution 56

4.4 SUMMARY 74

CHAPTER 5

PROPOSED NORMATIVE MUNICIPAL CREDIT CONTROL POLICY MODEL 75

5.1 INTRODUCTION 75

5.2 PUBLIC POLICY 76

5.3 THE POLICY-MAKING PROCESS 79

5.4 POLICY-MAKING MODELS 80

5.4.1 The process approach to policy-making 81

5.4.1.1 Policy agenda 82

5.4.1.2 Policy formulation 83

5.4.1.3 Policy adoption 85

5.4.1.4 Policy implementation 86

5.4.1.5 Policy evaluation 95

5.4.2 The systems model 97
CHAPTER 6

CONCLUSION AND RECOMMENDATIONS

6.1 CONCLUSIVE SUMMARY 109

6.2 SUMMARY OF CHAPTERS 110

6.2.1 CHAPTER 1 110

6.2.2 CHAPTER 2 110

6.2.3 CHAPTER 3 111

6.2.4 CHAPTER 4 111

6.2.5 CHAPTER 5 112

6.2.6 CHAPTER 6 112

6.3 RECOMMENDATIONS 113

6.4 CONCLUSION 114

130
CHAPTER 1

RESEARCH METHODOLOGY AND ORGANISING OF CHAPTERS

1.1 INTRODUCTION

An investigation of the municipal credit control policy, with specific reference to the Nelson Mandela Metropolitan Municipality, emanates from the failure by local authorities throughout the country to collect money owed to them by municipal customers. Local government is that sphere of government which is closest to the people and renders essential services needed for survival, such as water and electricity. However, local authorities are so financially distressed that they are unable to continue with effective service delivery. Certain local authorities have ceased to be functional, relying exclusively on handouts from other spheres of government, namely the Provincial and National spheres, thereby destroying the concept of local governance and local autonomy.

The Nelson Mandela Metropolitan Municipality, like other local authorities in the country, is experiencing financial difficulties due to the poor payment record of its citizens. It is crucial that effective policies be devised to improve payment. Unless the culture of non-payment is reversed, the future of this Municipality and local government in South Africa is bleak.
With the promulgation of the *Local Government Transition Act*, 1993 (Act 209 of 1993), and the *Constitution of the Republic of South Africa*, 1996 (Act 108 of 1996), local government in South Africa was transformed democratically. There are no longer valid reasons for the non-payment of municipal services, hence the necessity for an effective credit control policy to enable municipal debt collection. An investigation of the municipal credit control policy, with specific reference to the Nelson Mandela Metropolitan Municipality, was conducted in an effort to improve payment for municipal services. Unless solutions are found, local government as a sphere of government may survive in name only in the future.

### 1.2 SUB-PROBLEMS

Section 152 (1) and (2) of the *Constitution of the Republic of South Africa*, 1996 (Act 108 of 1996), gives local government a constitutional responsibility to provide essential services to communities in a sustainable manner. In order to fulfil such an obligation, local authorities should be able and in a position to collect outstanding rates and service charges. Such an obligation requires local authorities to develop effective credit control policies. The importance of these policies was investigated in this mini-dissertation. A further investigation was carried out to ascertain whether the Nelson Mandela Metropolitan Municipality’s current credit control policy is effective and, if not, the reasons why a lenient policy is followed when the city is experiencing financial
difficulties. The requirements for a more effective credit control policy were also investigated.

The rendering of services and the collection of money should be a joint venture between Councillors and officials. For a credit control policy to succeed, it must enjoy the full support of both officials and Councillors. The working relationship between these two groupings was investigated, with specific reference to the Nelson Mandela Metropolitan Municipality.

1.3 **KEY QUESTIONS PERTAINING TO THIS RESEARCH**

1.3.1.1 *What is the current financial position of the Nelson Mandela Metropolitan Municipality, and what impact has non-payment had on the rendering of municipal services?*

1.3.1.2 *How successful is the current credit control policy in enabling municipal debt collection?*

1.3.1.3 *What are the shortcomings of the existing credit control policy in dealing with defaulters?*

1.3.1.4 *What other mechanisms can be put in place to assist the credit control policy in dealing with debt collection?*
1.3.1.5 Can suitable criteria for collecting outstanding municipal debts be extracted from existing literature and used as a guideline for designing a new debt collection policy?

1.3.1.6 Can a comprehensive normative model be proposed that may be universally acceptable for application within the Nelson Mandela Metropolitan Municipality, as well as in other local authorities?

1.4 STATEMENT OF THE HYPOTHESIS

The research investigated the municipal credit control policy, with specific reference to the Nelson Mandela Metropolitan Municipality.

Among the concerns are the failure of the current credit control policy to reverse the culture of non-payment for municipal services, the lack of political will to put in place a strict credit control policy, the lack of co-operation between Councillors and officials in formulating an effective credit control policy, the need to depoliticise debt collection, the lack of administrative capacity in planning and evaluating debt collection mechanisms, and the failure by the administration to present accurate data in an informative format.

1.5 DELIMITATION OF RESEARCH
The research was limited to an investigation of the municipal credit control policy, with specific reference to the Nelson Mandela Metropolitan Municipality.

1.6 ASSUMPTIONS

The research was based on the assumption that the existing credit control policy used by the Nelson Mandela Metropolitan Municipality to collect debt is ineffective and is the reason why the Municipality is struggling to survive financially. The rendering of Municipal services, which is the Municipality’s primary objective, has clearly been affected by its financial situation.

The researcher investigated the validity of this assumption. The assumption was based on proposals made by the Management Team of the Nelson Mandela Metropolitan Municipality to reduce and even terminate certain essential services, such as health and traffic, due to financial shortages.

1.7 SIGNIFICANCE OF RESEARCH

Service delivery is linked to local government transformation. For local government to be viable and sustainable, a strong financial base is essential. The survival of local government as an independent sphere of government
depends on how successful it is in addressing the problem of non-payment for municipal services. The urgent need to find a lasting solution to this problem motivated this research.

The objectives of the research were:

1.7.1 To provide a brief theoretical background on the transition of local government in South Africa.

1.7.2 To investigate the role of South African local government, with specific reference to the Nelson Mandela Metropolitan Municipality.

1.7.3 To investigate the impact of the problem of non-payment for municipal services within the Nelson Mandela Metropolitan Municipality.

1.7.4 To evaluate the current credit control policy used by the Nelson Mandela Metropolitan Municipality and to identify its shortcomings, in an effort to enhance its ability to collect outstanding rates and service charges.

1.7.5 To investigate effective administrative tools that can be included in a credit control policy.
1.7.6 To propose a normative model for debt collection that can be used by the Nelson Mandela Metropolitan Municipality and other South African municipalities.

1.7.7 To draw conclusions and submit proposals that may contribute towards improved levels of payment for municipal services at the Nelson Mandela Metropolitan Municipality.

1.8 RESEARCH METHODOLOGY

The research methodology consists of the following four aspects:

- Theory search
- Empirical survey
- Normative model construction
- Data interpretation and recommendations

These four aspects are explained as follows:

1.8.1 Theory search

A literature search of available texts, comprising a study of relevant books, journals, papers, legislation, ordinances, training manuals and other
publications, was undertaken in an effort to develop an effective credit control policy capable of facilitating and promoting municipal debt collection.

1.8.2 Empirical survey

A survey of municipal officials in the Finance Department of the Nelson Mandela Metropolitan Municipality was undertaken to determine the effectiveness of the current credit control policy and the reasons why it has failed in alleviating the arrears situations.

The above was achieved by the distribution of self-administered questionnaires which consisted of two main sections:

Section A (independent variables) requesting biographical particulars from respondents including information such as the status of their employment, educational qualifications, mother tongue, age and gender.

Section B (dependent variables) pertaining to administrative capacity, public participation in municipal affairs, effectiveness of current debt collection measures, team work, customer satisfaction and the necessity for training.

1.8.3 Normative model construction
Subsequent to the literature study and empirical research, a normative credit control policy model to deal with the problem of non-payment for municipal services was proposed.

1.8.4 Data interpretation, analysis and submission of proposals

The data interpretation and analysis undertaken, consisted of the following:

- Determining relative values pertaining to the established criteria that emerged from the literature and survey, and the transforming of such data into codified form onto a computer data-base.

- Interpreting the data obtained utilising various descriptive statistical methods of analysis, such as frequency distribution and frequency distribution graphs.

1.9 PROPOSED SEQUENCE OF CHAPTERS

CHAPTER 1-RESEARCH METHODOLOGY AND ORGANISING OF CHAPTERS

In chapter one, the demarcation of the field of study and the research methodology employed is presented. A formulation of the research
objectives and study goals, as well as an outline of the proposed study, are provided.

CHAPTER 2-THEORETICAL INVESTIGATION OF LOCAL GOVERNMENT TRANSFORMATION IN SOUTH AFRICA

In this, chapter, a theoretical investigation of the transition and transformation of local government in South Africa is undertaken to establish the origin of the prevailing culture of non-payment for municipal rates and service charges.

CHAPTER 3-ROLE OF SOUTH AFRICAN LOCAL GOVERNMENT

Chapter 3 focuses on the need for local government; the different categories and types of local government; developmental local government; co-operative government; and credit control policy.

CHAPTER 4-EMPIRICAL SURVEY OF MUNICIPAL OFFICIALS IN THE TREASURY DEPARTMENT AT THE NELSON MANDELA METROPOLITAN MUNICIPALITY

This chapter contains an analysis, interpretation and description of the self-administered questionnaires distributed to the officials in the Treasury Department of the Nelson Mandela Metropolitan Municipality as part of the empirical study.
CHAPTER 5-PROPOSED NORMATIVE MUNICIPAL CREDIT CONTROL POLICY MODEL

This chapter proposes a normative credit control policy model for use by local authorities in South Africa and the Nelson Mandela Metropolitan Municipality in particular.

CHAPTER 6-CONCLUSION AND RECOMMENDATIONS

In this chapter, brief summaries of the preceding chapters are presented, followed by conclusions and recommendations.
2.1 INTRODUCTION

Local government does not operate in a static environment. It is a product of constantly shifting and unpredictable socio-political, technological and economic environments. The system of local government in a particular country usually resembles the views, aspirations and policies of the government in power. Hence, the system of local government during the apartheid era was different from the existing system, under a democratically elected government.

Despite the positive or negative influences that may emanate from the policies of the government of the day, local government will survive as long as human beings exist. In the final analysis it is local government as the sphere of government closest to the people, that has been entrusted with the task of providing essential basic services needed for the survival of local communities.

To change from one system of local government to another, requires a transitional process. Local government in South Africa has undergone several transitional phases. The South African local government system has
shifted from its original racial identity to become an agent of democracy and
socio-economic upliftment.

This chapter will focus on the following:

• Local government during the apartheid era.
• The transformation of local government in South Africa.
• The new (post-apartheid) system of local government.

2.2 LOCAL GOVERNMENT DURING APARTHEID

South African local government structures have always been designed to
reproduce the urban system in accordance with the policy objectives of the
government of the day. Racial segregation, influx control of blacks in urban
areas and disenfranchisement characterised the history of local government
during apartheid years. Local government in South Africa became the
mechanism through which cultural and racial groups were divided and kept
separate. This is the reason why a radical change in local government
structures was required on the demise of apartheid (Hilliard, 1996:1).

It was at local government sphere that the apartheid value system manifested
itself most visibly and forcefully. This was where laws separated racial
communities in every sphere of life, and where whites enjoyed privileges at the expense of other racial communities. It is not surprising, then, that the first signs of apartheid being untenable as a political value system, manifested itself at local government sphere (Reddy, 1996:53).

According to Planact (Ismail et al, 1997:45), apartheid local government had many distinct features, such as strict control of urbanisation on racial lines, refusing to acknowledge increases in the urban population, partly as a result of “illegal” black migration, the racial segregation of settlements, racially divided local authorities, and gross racial disparities in access to services and housing. Its policies perpetuated the differentiation of structures and systems according to race or population group, for example, “white” local authorities served the whites, management committees served the Coloureds and Indians, while local affairs committees served the Indians in Natal. Black local authorities served the blacks. These apartheid policies significantly influenced the development patterns of local authorities throughout the country.

2.2.1 Black local authorities

*The Black (Urban Areas) Act, 1923 (Act 21 of 1923)*, provided for segregated urban areas. Under this Act, black advisory committees were appointed to advise the white local authorities responsible for administering townships. These advisory committees had no policy-making powers. All decisions were made by the white local authorities, in conjunction with the Department of
Native Affairs, later renamed the Department of Co-operation and Development.

According to Reddy (1996:54), blacks were at that stage not allowed to own property. They were treated as temporary visitors from the homelands whose presence in urban areas therefore required temporary living arrangements only. They were not allowed to vote in these urban areas, because they were supposed to exercise their political rights in homelands. The services provided to black townships were also of a temporary, sub-standard nature.

The presence of blacks in urban areas was depended in their contribution to the urban economy. Those blacks who were not employed in urban area, were not allowed to stay in such areas. Despite the oppression experienced by the blacks living in the townships, many of them preferred to remain in urban areas, because the living conditions were even worse in the homelands. The homeland economies were not growing, and no jobs were being created. The result was an influx of blacks into the urban areas (Reddy, 1996:54).

Despite every attempt to keep blacks out of urban areas, it gradually became clear to the apartheid government that the number of black urban dwellers was swelling and their existence in white urban areas could no longer be ignored. Although the government finally acknowledged the permanent nature
of blacks residing in urban areas, it was still committed to maintaining urban areas separately along racial lines (Reddy, 1996:54).

In 1950, the government passed the *Group Areas Act, 1950 (Act 41 of 1950)*. This Act made provision for separate residential areas for different population groups. The government wanted urban areas populated by different population groups to be governed and administered separately, even if they were located close together and such separate municipal services would overlap or be duplicated.

In 1961, urban Bantu Councils were established in terms of the *Urban Bantu Councils Act, 1961, (Act 79 of 1961)*, replacing the advisory committees. Although they were in many aspects similar to the advisory committees, the white local authority in charge of a particular township could delegate powers to these urban Bantu Councils. In 1971, the administration of African townships was taken over by the Bantu Affairs Administration Boards, which were offered the option of becoming urban Bantu Councils. Although these councils were later given certain administrative and executive powers, the key areas of taxation and finance were reserved for the white local authorities (Ismail, 1997:50).

Civic organisations were established in the townships as a result of mounting community resistance to the oppressive system of apartheid. In an effort to
quell uprisings in townships, the government introduced black local authorities (Ismail *et al.*, 1997:50).

The *Black Local Authorities Act, 1982 (Act 102 of 1982)*, facilitated the introduction of black local authorities for black communities in urban areas. The four provincial administrators that existed at the time, namely the Cape, Orange Free State, Transvaal and Natal, administrators, were given the responsibility of administering and controlling these local authorities. However, policy directives were still given to these black local authorities by the central government, in the form of legislation.

According to Shubane (1991:64), black local authorities were faced with difficulties since their inception. Firstly and fatally they lacked political legitimacy among blacks themselves. In addition they were confronted with problems of fiscal inadequacies, since they did not have a proper tax base. Without an adequate tax base, the black local authorities were automatically rendering inferior and substandard services.

Planact (Ismail *et al.*, 1997:52), observed that there had been no visible improvements in living conditions in South African townships, due to the absence of a reliable tax base. The rent and service charges boycotts initiated by residents in numerous townships in response to politically "illegitimate" institutions such as black local authorities further aggravated the financial problems of these local authorities.

2.2.2 *Indian and Coloured local authorities*
According to Cameron (Ismail et al., 1997:49), when the National Party came to power in 1948, municipal voting rights and electoral eligibility were extended to whites only in the then Transvaal and Orange Free State. In the Cape and Natal, Coloureds and Indians were on a similar legal footing and they appeared on the same voters’ roll as whites if they fulfilled the same voting qualifications. However, the system of electoral representation was based on property ownership of a certain value. This criterium, however, restricted the eligibility to vote of the majority of Coloureds and Indians.

Cameron (Ismail et al., 1997:49), states that in 1961 the Niemand Committee of Investigation was instructed to investigate the development of local government for urban Coloureds. The Committee’s recommendations resulted in the following proposals:

- The creation of consultative committees consisting of nominated members with advisory powers only, functioning under the guidance of the white local authority of the area in which they are geographically situated.

- The establishment of management committees with some members being elected some nominated, entrusted with advisory powers. However, in addition to these advisory powers, certain powers could be delegated by the “parent” white local authority.

- Granting fully-fledged municipal status, equivalent to that of white local authorities. Before this could take place, specially appointed committees
had to investigate and recommend whether a specific management committee should become a local authority. Certain essential prerequisites, such as sufficient revenue, trained staff, minimum area size and the capability of being geographically consolidated had to be fulfilled before such a step could be taken.

According to Cameron (Ismail et al., 1997:50), in Natal local affairs committees were established, instead of consultative and management committees. The difference was that they enjoyed enhanced powers compared to the management and consultative committees. As corporate bodies, they could sue and, be sued and furthermore, greater executive powers could be delegated to them by their “parent” white local authorities. From 1964 onwards, management committees and local affairs committees were established on a large scale. Their administrative staff were, however, employed by the white local authorities in their specific areas (Ismail et al., 1997:50).

The areas of jurisdiction of both the local affairs and the management committees resembled those of the black local authorities. They were characterised by little or no rates-generating commercial, industrial and mining areas, as well as by low-ratable, low-cost housing, shortage of trained staff and ill-suited appointments in vacancies. Ismail et al. (1997:50), is of the view that this lack of financial viability and widespread community resistance made these committees unworkable. According to (Reddy, 1996:5), since
1962 very few Indian and Coloured urban areas progressed to became fully fledged local authorities.

According to Caulfield and Schultz (1993:4), a local authority draws its legitimacy from the results, of an election. The electorate should therefore, not be treated as an incidental feature of local government, but as an essential component of the organisation, legitimating the value choice. The electorate is the prime organisational characteristic distinguishing a local authority from all other organisations in South African society, apart from Parliament itself.

Heymans (1989:2), defines legitimacy as a normative concept referring to the positive response of the public to the moral basis of government. This response, in turn, depends on a number of factors such as the viability and credibility of local government, its representivity, fairness, equality, sensitivity and accountability.

A public institution is usually regarded as legitimate if the population accepts it positively and if the representatives are properly elected through democratic mechanisms. Unfortunately, in the former regime blacks did not have the vote. Consequently, they never accepted the apartheid government. They never respected powers vested in apartheid institutions, although these powers were entrenched in the Constitution of the Republic of South Africa, 1983 (Act 200 of 1983)

It became clear to the apartheid government that African urbanisation could not be halted by influx control and the division of urban areas along racial
lines. Realising that the rigid racial separation of urban areas was unrealistic and needed to be abandoned, the government passed the *Abolition of Racially Based Land Measures Act, 1991* (Act 108 of 1991). This Act removed restrictions on the freedom of individuals to acquire land anywhere in South Africa.

In an attempt to create an integrated local government system, the government introduced the *Interim Measures for Local Government Act, 1991* (Act 128 of 1991). However, the pressure from both the oppressed black people and the international community remained. The changes proposed by this Act were viewed by the African National Congress (hereafter, referred to as the ANC) and the South African Civic Organization (hereafter, referred to as SANCO), as merely cosmetic. They alleged that this arrangement to create integrated local authorities would never lead to the creation of a truly non-racial and democratic local government (Reddy, 1996:56).

### 2.3 TRANSITION OF LOCAL GOVERNMENT IN SOUTH AFRICA

According to Reddy (1996:58), the transition from apartheid to a democratic, non-racial, non-sexist South Africa was largely managed by the Multi-Party Negotiating Council (hereafter referred to as the MPNC). It soon became
clear that local government was of such importance that it also needed a
transitional arrangement simultaneously with the national issues. The Local
Government Negotiating Forum (hereafter referred to as LGNF) was then
established. The principal negotiators were the government (or statutory
body) and non-statutory bodies, led by the ANC alliance and SANCO. This
was the first step towards establishing a democratic local government
system.

These two negotiating forums, namely the Convention for a Democratic
South Africa (hereafter, referred to as CODESA) and the LGNF,
accomplished the passing of two important pieces of legislation, namely the
and the *Local Government Transition Act*, 1993 (Act 209 of 1993), which
paved the way for the creation of democratic structures on all three spheres
of government.

the necessity for disjointed urban and rural communities to combine their
efforts in forming non-racial local government institutions that can cope
effectively with the diverse needs and aspirations of all citizens at the grass-
roots level (Hilliard, 1993:2).

Furthermore, the *Local Government Transition Act*, 1993 (Act 209 of 1993),
provides a framework for an orderly transition to fully-fledged local
government democracy. It initiated the transformation of the local
government system in South Africa. This Act mapped out three phases of transition for local government, namely the pre-interim phase (1993 – 1995), the interim phase (1995 – 1999), and the final phase (post-1999). The November 1995 local government elections were aimed at facilitating the transition from apartheid to democratic local government. The December 2000 local government elections completed the local government transitional process, with local government democratic structures and councils in place.

According to Sinnet (1995:40), the Local Government Transition Act, 1993 (Act 209 of 1993,) does not refer to transition only. In terms of this Act, the entire ethos of local government must move beyond the passive, unresponsive face presented to the majority of the population for so many years; and must become a responsive, developmental support to communities. Hence, the Act refers to the local sphere of government as “developmental local government.” The imperative to local authorities is to assist in uplifting residents.

2.4 SUMMARY

This chapter briefly reviewed the transition of local government in South Africa from racial to non-racial democratic institutions. It is important to learn from the past so as not to repeat similar mistakes in the future.
It was at the local government sphere that apartheid was felt most harshly because of the maze of racial laws directed at local government. Apartheid separated communities along racial lines.

Whites enjoyed many privileges at the expense of other racial groups. Inferior services were provided to the Indian, Coloured and Black urban areas. Furthermore, the apartheid government wanted to create organised urban areas through influx control. This scheme proved to be impractical and impossible to implement.

Although now, in the year 2001, local government is democratic, the effects of apartheid are still felt; for example, the backlog in service delivery in townships, the lack of civic responsibility of black communities, and the non-payment for municipal services. These deficiencies are threatening the very survival of the newly established democratic local authorities. The problems surrounding the non-payment of municipal services motivated this research.

In the following chapter, the importance of local government in the daily lives of all residents will be examined. Attention will also be given to the new role of local government as well as to the importance of credit control policies in ensuring municipal debt collection.
CHAPTER 3

ROLE OF SOUTH AFRICAN LOCAL GOVERNMENT.

3.1 INTRODUCTION

Local government affects almost every aspect of daily life, from the traditional provision of basic services like water and electricity, to its new developmental role. The closeness of local government to the place where needs are felt calls for it to embrace, display and embody the virtues of transparency, accountability, participation and effective use of resources. Such performance must be assisted, required and monitored by an informed citizenry. This could eventually lead to democratic governance.

The preamble to the *Local Government : Municipal Structures Act, 1998 (Act 117 of 1998)*, recognises the importance of local government in contributing to democracy, development and nation building in South Africa. The grassroots linkages of local government make it an agent of democracy. The fact that it is located within a local community, places it in a strategic position to focus on local issues. Councillors come from the very community they govern, and they therefore, have intimate knowledge of the needs of their respective wards and the municipality as a whole. Furthermore, councillors have a better understanding of local conditions, unlike national or provincial political representatives.
Although local government renders basic services direct to the local community, this must take place within the spirit of co-operative governance with the other spheres of government, namely the national and provincial spheres, as stated in Chapter 3 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996). Apartheid created disparities in terms of service delivery and infrastructural development. Local government cannot be expected to redress the resultant deficiencies and backlogs on its own. To meet the demand for quality services, local government needs substantial resources (mostly financial).

Furthermore, Chapter 3 of the Constitution of the Republic of South Africa, 1996, (Act 108 of 1996) accords local government the status of a sphere, rather than a tier or level of government. To concretise this status, its capacity as an agent of governance and development must be developed. This new status of local government means that it is no longer a function of National or Provincial government, but a sphere of government in its own right. For the first time in South African history, a Constitution renders local government, a government sphere with executive and legislative powers which may not be easily impeded by National or Provincial Government.

Municipalities cannot fulfil their Constitutional responsibility of rendering quality basic services to the community if they are not financially viable. The provision of services requires funding. In order to sustain the delivery of services,
money is needed. This necessitates the development of effective credit control policies for the survival of local government.

This chapter will focus on the following aspects:

- The need for local government.
- Categories and types of municipalities.
- Developmental role of local government.
- Co-operative government.
- Credit control and debt collection.

3.2 NEED FOR LOCAL GOVERNMENT

Local government is as old as the known history of the world. It is the first known form of government on earth. Its existence can be traced as far back as when people started living together as a community, with collective needs to be satisfied (Fox et al, 1990:84).

Local government can be defined as a decentralised, representative institution with general and specific powers devolved on it in respect of an identified, restricted geographical area within a state or nation. The most important value underlying local government is democracy. These values are better served at the local government sphere, because of its closeness to the local community, both in a geographical sense, and as far as its potential responsiveness is concerned (Heymans and Totemeyer, 1988:2).
Ismail et al., (1997:2), defined local government as the sphere of government which is commonly identified as decentralised, representative government with general and specific powers devolved to it by a higher tier of government within a geographically defined area. Local government exists for the rendering of essential services needed for survival in defined geographical areas. Without basic services such as clean water, electricity and refuse removal, people would struggle to survive. Furthermore, the closeness of local government to the local inhabitants makes it a vehicle of democracy (Ismail et al., 1997:4).

Local government is autonomous and people-orientated. Its locus puts it in a better position to address local needs directly. It must, however, be stated that local government will never be totally autonomous and independent, if it is not financially independent. If local government relies on funding from the other spheres of government, then these other spheres will normally exercise some form of control over the use of such funds (De Beer, 1995:3).

The geographical areas covered by each municipality in the Republic of South Africa have been determined in terms of the Local Government : Municipal Demarcation Act, 1998 (Act 27 of 1998).

Section 152(1) and (2) of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) gives local government constitutional obligations to perform the following:
“152 (1). (a) To provide democratic and accountable government for local communities

(b) To ensure the provision of services to communities in a sustainable manner

(c) To promote social and economic development

(d) To promote a safe and healthy environment; and

(e) To encourage the involvement of communities and community organizations in matters of local government

(2). A municipality must strive, within its financial and administrative capacity, to achieve the objects set out in sub-section (1).”

The preamble to the *Local Government: Municipal Systems Act, 2000* (Act 32 of 2000), echoes the importance of local government in ensuring universal access to essential services by citizens, and specifically the poor and disadvantaged who were neglected under apartheid. It further recognises the social and economic developmental orientation of local government, which ensures that municipalities fulfil their obligations as stated in the *Constitution of the Republic of South Africa, 1996* (Act 108 of 1996). The success of the other spheres of government will therefore depend on the success and survival of local government.
According to Van der Waldt and Helmbold (1995:26), a Constitution is the highest legal norm for a particular society. If an Act is in conflict with the Constitution, the Constitution must be regarded as the decisive Act. The Oxford Dictionary of Law (1994) states that a Constitution can be written or unwritten, and if written, it can only be amended by a special procedure.

Constitutions set the general principles according to which a country is to be ruled. One of the most important objectives of a Constitution is to defend the rights of the state’s citizens, by ensuring that government authority is not exercised arbitrarily. The relationship between government and the governed is normally determined by the Constitution (Fox et al, 1990:32).

Section 2 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996), also states that the South African Constitution is the supreme law of the Republic, to the extent that any law or conduct inconsistent with it is invalid and the duties imposed by it must be performed.

According to Fox et al, (1990:32), Constitutions prescribe:

- The method by which the various organs of government are to be organised.
- The range of powers allocated to each organ of government; and
- The way in which these powers are to be exercised.

3.3 DEVELOPMENTAL ROLE OF LOCAL GOVERNMENT
Section 153 of the *Constitution of the Republic of South Africa, 1996* (Act 108 of 1996), assigns a development role to local government:

“153. A municipality must –

(a) structure and manage its administration, budgeting and planning processes, to give priority to the basic needs of the community and to promote the social and economic development of the community, and

(b) participate in national and provincial development programmes.”


“23. (1) A municipality must undertake developmentally orientated planning so as to ensure that it –

(a) strives to achieve the objects of local government set out in Section 152 of the Constitution;

(b) gives effect to its developmental duties as required by Section 153 of the Constitution; and
together with other organs of state, contributes to the progressive realisation of the fundamental rights contained in Sections 24, 25, 26, 27 and 29 of the Constitution.”

Section 1 of the *Local Government: Municipal Systems Act*, 2000 (Act 32 of 2000), states that development means sustainable development which includes integrated social, economic, environmental, spatial, infrastructural, institutional, organisational and human resources upliftment of a community aimed at:

(a) Improving the quality of life of its members, with specific reference to the poor and other disadvantaged sections of the community; and

(b) Ensuring that development serves present and future generations.

### 3.4 CO-OPERATIVE GOVERNANCE

Unlike the former centralised tier/level system of government, local government now constitutes an independent sphere of government which is embedded in a context of co-operative governance with the national and provincial spheres under the *Constitution of the Republic of South Africa, 1996* (Act 108 of 1996). The term co-operative is meant to express the distinction, interdependence and inter-relations of different government powers and functions at different spheres. Chapter 3 of the *Constitution of the Republic of*

Section 40 (1) and (2) of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996), gives effect to the concept of co-operative governance by stating that:

“(1) In the Republic, government is constituted as national, provincial and local spheres of government which are distinctive, interdependent and interrelated.

(2) All spheres of government must observe and adhere to the principles in this chapter and must conduct their activities within the parameters that the chapter provides.”

According to Caulfield and Schultz (1993:32), local government cannot manage to provide direct services in isolation. Certain services have to be provided in collaboration with other agencies of government, such as the national and provincial spheres. The role of local government is not entirely separate. It shapes, and is also shaped by, the activities of other agencies of state. For example, health and social security services are also provided directly by other spheres of government, besides local government.
The *Local Government : Municipal Structures Act, 1998* (Act 117 of 1998), establishes new categories and types of municipalities. In terms of Chapter 1 of this Act, municipalities are now divided into three categories, namely A, B and C. Category A is a metropolitan council, which is for large urban areas with extensive business and industrial activity with a maximum of 270 councillors. Category B (local councils) is for smaller urban areas, and category C for district councils. In a few sparsely settled areas there will be no local councils, but district management areas.

In addition, there are 241 local councils, 52 district councils and 14 district management areas in the whole of South Africa. Chapter 4 of the *Local Government : Municipal Structures Act, 1998* (Act 117 of 1998), provides for a variety of arrangements through which these different categories of councils can be governed.

There are six Metropolitan Councils in South Africa, of which the Nelson Mandela Metropolitan Council is one. In councils with an executive committee system, an executive committee is elected by all councillors, and this body is vested with executive authority.

Alternatively, councils may be governed through an executive mayoral system in terms of which an executive mayor is elected, as is the case with the Nelson Mandela Metropolitan Municipality. Mayors may appoint advisory mayoral committees, which resemble a cabinet at the national sphere of government.
Normally members of the mayoral committee come from the ruling party (Lodge et al, 2000:5).

The third type consists of plenary systems in which all the councillors together represent an executive authority. This is suitable for smaller municipalities (Lodge et al, 2000:5).

Chapter 4 of the *Local Government : Municipal Structures Act, 1998 (Act 117 of 1998)*, further states that, in addition, councillors must undertake their duties with the help of appointed or elected Ward Committees established from members of the respective communities. These Ward Committees are merely advisory bodies with no powers and the Ward Councillor chairs Ward Committee meetings.

According to the monthly publication of the Nelson Mandela Metropolitan Municipality, *Community News* (February 2001:1), the ward committee system helps to keep South African democracy alive. Ward committees in the metropolitan municipalities have a number of vital objectives. The most important of these are:

(a) to enhance participatory democracy in local government,

(b) to assist and advise the Ward Councillor in regard to matters concerning wards,
(c) to act as a direct link between Council and residents,

(d) to contribute to the improvement of the quality of life of all residents by pursuing the objectives of participatory democracy in the following ways:
   • to encourage residents to become actively involved in local government issues on ward level.
   • to elicit from residents their needs and requirements.
   • to convey these to the Ward Councillors for submission to the Council or to other structures of Metropolitan Council.
   • to monitor progress and provide feedback to residents on relevant issues
   • to act as a communication channel between the residents and the council via the Ward Councillor.

(e) to provide the mechanisms for the participation of residents in municipal governance (Community News 2001:1)

Ward Committees should, furthermore, consult regularly with ward residents on matters relating to the ward, and should develop and submit reports and recommendations on such matters as and when required via the Ward Councillor to the Council.

According to ANC Today, a weekly web-based publication of the African National Congress (27 April 2001), a defining feature of the new system, which represents the final phase of local government transition, is the space it offers ordinary people to become actively involved in governance. Residents have the
right to contribute to their municipality’s decision-making process. They have the right to submit recommendations and complaints to the Council and to regular disclosure of state affairs of the municipality, including its finances (anc.org.za).

Ward Committees provided for in national legislation are important vehicles for resident participation. These committees can make representations on any issue affecting their ward to the Councillor or through the Councillor to the Council. They can also exercise any duty or power delegated to it by Council (anc.org.za).

A Ward Committee should be made up of people representing a diversity of interests in the ward. Women have to be equitably represented. Ideally, Ward Committees should be used to mobilise the broadest range of interests in the community behind progressive goals. Attempts should be made to ensure representation from civic, development, trade union, business, taxi, women, youth, religious, cultural and other organisations (anc.org.za).

3.6 CREDIT CONTROL AND DEBT COLLECTION

The Local Government Transition Act, 1993 (Act 209 of 1993), facilitated the transition of local government structures from a racial to a non-racial basis. However, it soon became clear that the newly established local authorities were
struggling to fulfil their constitutional mandate of providing essential basic services. Municipalities lacked both the financial and administrative capacity needed to render meaningful essential services.


According to Reddy (1996:12), an organisation needs money to function. Local government without money would merely be a talk-shop. The viability of local government, the level at which services are rendered and the quality of those services are linked to the financial resources available. If funds are available, local government will be able to procure other resources such as staff, materials and equipment to enable it to perform its assigned responsibilities.

De Beer and Lourens (1995:3), are of the opinion that because of its independent functioning, local government should be financially independent. As a rule, the “consumer pays principle” should be followed. The “consumer pays principle” means that the user must, where possible, pay the full costs of a service rendered.
Reddy (1996:184), is of the view that for local government to be able to render essential basic services, the costs of the supply of such services must be linked to the ability to recover these costs. The ability to recover costs must also be linked to the problem of poverty and unemployment. This should be reflected in the tariff structure of all municipalities.

Sections 96 and 97 of the *Local Government: Municipal Systems Act, 2000* (*Act 32 of 2000*), give municipalities an obligation to collect arrears by insisting that:

“96. A municipality –

(a) must collect all money that is due and payable to it, subject to this Act and any other applicable legislation; and

(b) for this purpose, must adopt, maintain and implement a credit control and debt collection policy which is consistent with its rates and tariff policies and complies with the provisions, of this Act.

97. Contents of the credit and debt collection policy –

(1) A municipal credit control and debt collection policy must provide for:

(a) credit control procedures and mechanisms,

(b) debt collection procedures and mechanisms,
(c) provision for indigent debtors that is consistent with its rates and tariff policies, and any national policy on indigents,

(d) realistic targets consistent with-

(i) generally recognised accounting practices and collection ratios; and

(ii) the estimates of income set in the budget, less any acceptable provision for bad debts.

(f) interest on arrears, where appropriate,

(g) extensions of time for payments of accounts, termination of services or the restriction of the provision of services when payments are in arrears,

(h) matters relating to unauthorised consumption of services, theft and damages; and

(i) any other matter that may be prescribed by regulation in terms of Section 104”.

An interview with the Credit Control Manager at the Nelson Mandela Metropolitan Municipality on Monday, 5 March 2001, revealed that the Municipality was owed a staggering R650 million in arrears as at the end of February 2001 and that the debtor turnover ratio was about 181 days. The debtor turnover ratio is calculated by dividing the total debtors by the total budgeted income for the financial year and multiplying the result by 365 days.

The acceptable norm is six to eight weeks, which would be reflected as 42 to 56 days. The target should be 42 days.
The debtor turnover ratio has been calculated as follows for the month of February (2000/2001).

\[
\text{Total arrears} \quad 573\,328\,829 \times 365 \quad 181,27 \text{ days}
\]

\[
\text{200/2001 Income budget} \quad 1\,154\,461\,080 \quad 49.66 \%
\]

The debtor turnover ratio is made up of the time it takes the Municipality to collect the arrears. Arrears should be paid after 30 days, but to accommodate late payments, 42 days has been set as target. This was revealed in an interview with the Credit Control Manager at the Nelson Mandela Metropolitan Municipality on 5 March 2001.

The above-mentioned statistics indicate how urgently the Nelson Mandela Metropolitan Municipality needs to deal with the problem of non-payment of arrears. The efforts to collect money due to the municipality has not produced satisfactory results. This fact has motivated this research.

The defaulting rate has deteriorated since the 1994 general elections. Many local authorities have since collapsed. All this underline the urgent need to find solutions (Hilliard, 1995:5).

3.7 SUMMARY
Local government has a past as well as a future. It is the oldest form of government and has existed from the time people started living together in communities. It will continue to exist as long as people live together as a community. Policy developments since 1993 have assisted in shaping municipal service delivery in South Africa.

All communities share needs, which have to be satisfied. Local government exists for the provision of basic direct services to satisfy community needs. The services rendered can vary from the most basic, for example, the provision of water and electricity, to safety and security.

For local government to be able to render services, it requires adequate financing. Without money, the much-needed services will never materialise and local government as an institution in the forefront of service delivery, will collapse. At the moment municipalities in South Africa are owed millions of rands in unpaid rates and service charges. This is threatening their very survival and the survival of participatory democracy, which is a characteristic of the local government sphere.

Formulating an effective credit control policy, with clear debt collection procedures, and implementing it systematically is the key component in ensuring the much-needed cash flow. The Nelson Mandela Metropolitan Municipality is not an exception to this requirement, since it is owed millions of rands in unpaid rates and service charges.
Unlike before, local government does not only exist for the provision of services, but also for enabling social and economic development. The latter function is essential in alleviating poverty and unemployment and improving the general standard of living. To be able to do this, local government has been empowered by means of legislation, *inter alia* the *Local Government : Municipal Systems Act*, 2000 (Act 32 of 2000), the *Local Government : Municipal Structures Act*, 1998 (Act 117 of 1998), and the *Constitution of the Republic of South Africa*, 1996 (Act 108 of 1996).

It can, therefore, be said that the financial viability of local government depends on the success of municipalities in collecting money owed to them by residents. Finance is one of the enabling functions which makes it possible for local government to render services.

**CHAPTER 4**

**EMPIRICAL SURVEY OF MUNICIPAL OFFICIALS IN THE TREASURY DEPARTMENT AT THE NELSON MANDELA METROPOLITAN MUNICIPALITY**

**4.1 INTRODUCTION**

In all the preceding chapters, an attempt was made to describe systematically the link between an effective credit control policy and financial stability, which provides the foundation for service delivery and developmental local government. In this chapter, an empirical investigation into municipal credit control policy, with specific reference to the Nelson Mandela Metropolitan Municipality will be undertaken.
In Chapter one, the following key questions were posed:

a) *What is the current financial position of the Nelson Mandela Metropolitan Municipality and the impact of non-payment on municipal services?*

b) *How successful is the current credit control policy in enabling municipal debt collection?*

c) *What are the shortcomings of the existing credit control policy in dealing with defaulters?*

d) *What other mechanisms can be put in place to assist the credit control policy in dealing with debt collection?*

e) *Can suitable criteria for collecting outstanding municipal debts be extracted from existing literature and used as a guideline for designing a new debt collection policy?*

f) *Can a comprehensive normative model be constructed that may be universally acceptable for application within the Nelson Mandela Metropolitan Municipality, as well as in other municipalities?*

The abovementioned questions form an essential part of the research methodology to evaluate municipal credit control policies, with specific reference to the credit control policy of the Nelson Mandela Metropolitan Municipality. In this chapter, possible answers to the above-stated questions
will be proposed, based on the results of the empirical survey of municipal credit control policies, with specific reference to the Nelson Mandela Metropolitan Municipality. Furthermore, the methodology employed in the empirical survey and the operationalisation of the survey questionnaire used for gathering the empirical data needed for analysis and interpretation, will be discussed.

4.2 RESEARCH METHODOLOGY FOR THE EMPIRICAL SURVEY

While the resources in the public sector available to satisfy community needs are limited, community needs are unlimited. These scarce resources should therefore be utilised efficiently. This implies making the best choice amongst alternatives.

The decisions taken should be based on objective, reliable and valid knowledge. To obtain such knowledge it is often necessary to undertake research. The research process is generally concerned with the obtaining and valuating of knowledge about reality. It supplies relevant knowledge in a controlled way to address problems (Fox et al., 1991:296).

This research is aimed at finding solutions to the problem of the failure of the credit control policy currently used by the Nelson Mandela Metropolitan Municipality to collect service arrears. Chapter one stated that the proposed
research would be based on the assumption that the existing credit control policy used by the Nelson Mandela Metropolitan Municipality to collect service arrears has failed. This assumption would be tested against the available empirical survey data.

Based on the research objective of this dissertation, as defined in Chapter one, the normative survey method was selected as the appropriate research method to be utilised. The aim was to determine the reasons for the failure of the credit control policy currently used by the Nelson Mandela Metropolitan Municipality in an attempt to develop an effective policy that can also be used by other municipalities throughout the country.

4.2.1 Data collection

According to Willemse (1990:7), the basic resource necessary for any statistical experiment is data. The quality of the final product depends on the quality of the raw material used.

Statistical analysis requires that the facts of an investigation be assembled and organised in a meaningful manner. Such facts are referred to as data. If the data are not properly organised, misleading or erroneous conclusions may be drawn from them. A data set is a collection of facts assembled for a particular purpose (Neter, Wasserman and Whitmore, 1993:9).

4.2.2 Methods of data collection
According to Willemse (1990:8), data can be obtained by making use of a questionnaire, personal interviewing, observation of events as they happen, abstraction where the sources of information are documents, and postal questionnaires if the targeted geographical area or number of respondents is large. For the purposes of this research, a self-administered questionnaire was used.

### 4.2.3 The questionnaire structure and design

As questionnaires are a major vehicle in data collection, serious consideration must be given to their structure and design. This will ensure the accuracy of the data obtained. The questions in a questionnaire must be assembled in proper order. The initial questions should establish rapport with the respondent and should be simple to answer. Furthermore, a question must convey substantially the same meaning to all respondents if the data obtained from the replies is to be meaningful. Bias in question framing must be avoided. Leading questions should therefore be avoided, as they influence the replies of respondents (Neter et al., 1993:17).

Willemse (1990:9) states that the following requirements must be taken into account when compiling a questionnaire:
• Confidentiality should be assured.
• Wherever possible, a choice of answers should be given on the form.
• The questionnaire should be well laid out, with adequate space for answers, where necessary.
• Questions should not be offensive.
• Questions should not give cause for emotive language.
• Questions should not require any calculations.
• Questions should be short, simple and to the point.

To serve the purposes of this study, fully structured statements were used in the questionnaire, with no open-ended statements. Confidentiality was assured. The questionnaire was not biased so as to elicit a particular response. All the abovementioned requirements were taken into account.

English is used as the official internal medium of communication in all departments within the Nelson Mandela Metropolitan Municipality. All circulars are written in English, and both Council and standing Committee meetings are conducted in English. Because of this, all questionnaires and the covering letter were written in English.

According to Neter et al (1993:19), once a questionnaire has been designed, it is often pre-tested in a preliminary small-scale study. This is sometimes referred to as a pilot study. Pre-testing brings out unforeseen difficulties in the layout of the questionnaire and in the arrangement and wording of the
questions. Any difficulties can therefore be corrected before the full-scale study is undertaken.

The term “error” in statistics does not mean mistake. It is defined as the difference between the “true value” of a variable and the value attached to it (Willemse, 1990:15).

The Nelson Mandela Metropolitan Municipality provided the empirical base for the extraction of data of integrity from which reliable conclusions could be drawn for purposes of this study.

4.2.4 Variables

A variable is a characteristic of interest about an element. A data set provides data about a collection of elements and contains, for each element, information about one or more characteristics of interest. It can therefore be stated that a characteristic that can take on different possible outcomes is called a variable (Neter et al., 1993:10).

According to Bless and Higson-Smith (1995:30), a variable is an empirical property that is capable of taking two or more values, for example the age, sex, social background and place of residence of a particular population.
Independent and dependent variables are the two most important types of variables.

An empirical survey of municipal officials in the Treasury Department of the Nelson Mandela Metropolitan Municipality was achieved by the distribution of self-administered questionnaires, which consisted of dependent and independent variables. The aim of the survey was to investigate the Council’s credit control policy.

According to Bless and Higson-Smith (1995:31), independent variable is that factor that is measured, manipulated or selected by the researcher to determine its relationship to an observed phenomenon, which constitutes the dependent variable.

The dependent variable is that factor that is observed and measured to determine the effect on it of the independent variable, that is, it is that factor that appears, diminishes or amplifies, in short, varies as the experimenter introduces, removes and varies the independent variable. For example, if a researcher is investigating possible causes of divorce, he would establish different age groups (independent variable) and would observe or measure the values taken by the dependent variable, i.e. the stability of the marriage measured in terms of the number of years without divorce (Bless and Higson-Smith, 1995:31).
Both variables are tied to each other by a certain relationship. The variations in one (the dependent variable) are a function of the changes in the other (the independent variable). For example, the output in number of bags of maize per hectare (dependent variable) depends on the quantity of fertiliser used (independent variable). The researcher will manipulate the variable by choosing different levels or quantities of fertiliser to be used per hectare and will then measure the output in maize per hectare for each level of the independent variable. The output of maize is clearly expected to vary according to the amount of fertiliser used in each hectare.

In this survey, independent variables used included age groups, mother tongue, gender, and qualifications. The dependent variables included administrative capacity, participative management, training requirements, and political commitment.

The five-point Likert scale of response, as described by Zimbardo-Ebbeson (Taylor, 1998:184), was the measuring instrument selected and employed in consultation with the statistician. According to this method, a person’s attitude score is the sum of his individual ratings (Raga, 1997:135).

The opinion per statement to be tested was rated on the five-point Likert scale and was adopted for the dependent variable statements as follows:

**Rating value**

1 = Strongly disagree
Information on the impact of non-payment for municipal services and the
effectiveness of the current credit control policy was obtained from the
following senior officials of the Nelson Mandela Metropolitan Municipality:

(i) Credit Control Manager
(ii) Chief Accountant
(iii) Deputy City Treasurer

The target population of 100 officials (from operational staff to senior
management) in the Treasury Department of the Nelson Mandela Metropolitan
Municipality was determined. This group was selected on the basis of their
strategic placement in the department being surveyed. The group have the
experience needed. A response rate of 81% was achieved. The research
findings are therefore based on 81 completed questionnaires of the target
research population of 100.

The computer programme “SAS” was utilised by a statistician from the
University of Port Elizabeth, to process the collected data and to generate the
various statistical results. The relative values pertaining to the set statements
that emerged from the survey were transferred in codified form to a computer
data-base.
4.2.5 **Statistics**

According to Willemse (1990:1), statistics are items of numerical information (or quantitative data). The word “statistics” is also used, in the singular tense, to refer to the science of collecting and processing data in order to produce information. It is concerned with the development and application of methods for:

- collection;
- classification;
- analysis;
- presentation of comparable numerical data; and
- drawing valid conclusions and making reasonable decisions on the basis of such data, in the face of uncertainty.

**The mean**

This is the measure of central tendency most commonly used. It is where the sum of the values obtained is divided by the number of observations. It is also known as the average (Willemse, 1990:42).

**The median**

The median is the value that occupies the middle position of a group or numbers in a numerical order. Half of the items lie above this point, and the other half below it (Willemse, 1990:45).
• **Frequency distribution**

A frequency distribution is a table that shows how often each value or group of values occur. The data are grouped into class intervals according to some observable characteristic together with the number of observed values or frequencies that fall into each class interval (Willemse, 1990:19).

• **Histogram**

A histogram is a continuous series of rectangles of equal width but different heights drawn to display the groups of frequencies (Willemse, 1990:23).

4.3 **INTERPRETATION OF THE RESEARCH FINDINGS**

The objective of the empirical survey was to test attitudinal responses to aspects such as the administrative capacity in the Treasury Department to implement Council’s credit control policy. The inherent subjectivity in attitude surveys was realised and kept in mind during the analysis of the results. However, according to Zimbardo-Ebbeson (Ferreira, 1995:134), it is possible to measure subjective attitudes by using quantitative techniques, so that each individual’s opinion can be represented by some numerical score. It was also assumed that the measuring technique employed, namely the five-point Likert scale, would presuppose that a particular test item has the same meaning for all respondents. A given response would therefore be scored identically for every respondent making it.
4.3.1 Frequency distribution

Cohen and Holliday (Taylor, 1998:190), state that frequency distribution is a distribution that shows how many times a particular score appears. Use is made of class intervals. This implies that frequency is not determined by particular scores, but by a number of scores regarded as a unit.

Frequency distribution tables with accompanying histogram graphs will be provided in the illustrations on the following pages in respect of all sixteen statements. According to Willemse (1990:23), a histogram is a continuous series of rectangles of equal width but different heights drawn to display the groups of frequencies. Points corresponding to the class boundaries of the variable being studied are marked on the X-axis. If the class intervals are equal in size, the points must be equidistant from one another. On the Y-axis the frequencies of the class intervals are marked. A proper scale showing the true zero must be used on the Y-axis in order not to misrepresent the character of the data.

Rectangles are drawn with widths equal to the class intervals and heights determined by the corresponding class frequencies. The area of each rectangle is proportional to the frequency of the class interval it represents. The total area of the rectangles represents the total number of frequencies.
FREQUENCY DISTRIBUTION TABLES

STATEMENT 1

All stakeholders (civics, political parties, trade unions, councillors and officials) should participate in the formulation of a credit control policy.

<table>
<thead>
<tr>
<th>VALUE</th>
<th>COUNT</th>
<th>% OF ALL CASES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>11</td>
<td>14</td>
</tr>
<tr>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>26</td>
<td>32</td>
</tr>
<tr>
<td>5</td>
<td>39</td>
<td>48</td>
</tr>
<tr>
<td>MISSING</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>81</td>
<td>100</td>
</tr>
</tbody>
</table>
This result indicates that most of the respondents supported the statement. Altogether 48% strongly agreed, 32% agreed, 4% strongly disagreed and 14% disagreed. 1% were undecided, while 1% did not respond.

STATEMENT 2

There is a poor working relationship between councillors, officials and trade unions within the Nelson Mandela Metropolitan Municipality and this is affecting the implementation of the credit control policy.

<table>
<thead>
<tr>
<th>STATEMENT 2</th>
<th>COUNT</th>
<th>% OF ALL CASES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>33</td>
<td>41</td>
</tr>
<tr>
<td>5</td>
<td>38</td>
<td>47</td>
</tr>
<tr>
<td>MISSING</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>81</td>
<td>100</td>
</tr>
</tbody>
</table>
The result shows that most of the respondents supported the statement. Altogether 47% strongly agreed, 41% agreed, 1% strongly disagreed, 4% disagreed, and 7% were undecided.

STATEMENT 3

The current credit control policy is not being implemented properly.

<table>
<thead>
<tr>
<th>VALUE</th>
<th>COUNT</th>
<th>% OF ALL CASES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>3</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>4</td>
<td>43</td>
<td>53</td>
</tr>
<tr>
<td>5</td>
<td>15</td>
<td>18</td>
</tr>
<tr>
<td>MISSING</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>81</td>
<td>100</td>
</tr>
</tbody>
</table>

Most respondents agreed with the statement. Altogether 53% of the respondents agreed, 18% strongly agreed, 5% strongly disagreed, 15% disagreed, and 9% were undecided.
STATEMENT 4

The Treasury Department does not present accurate data in an informative format when submitting reports to council, as well as to other relevant committees on municipal services debt.

STATEMENT 4

<table>
<thead>
<tr>
<th>VALUE</th>
<th>COUNT</th>
<th>% OF ALL CASES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>2</td>
<td>19</td>
<td>23</td>
</tr>
<tr>
<td>3</td>
<td>28</td>
<td>35</td>
</tr>
<tr>
<td>4</td>
<td>16</td>
<td>20</td>
</tr>
<tr>
<td>5</td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td>MISSING</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>81</td>
<td>100</td>
</tr>
</tbody>
</table>

QUEST4

Expected Normal
The result indicates that 16% of the respondents strongly agreed, 20% agreed, 23% disagreed, 6% strongly disagreed, while 35 respondents were undecided.

**STATEMENT 5**

The current credit control policy has failed to deal with municipal debt collection.

<table>
<thead>
<tr>
<th>STATEMENT 5</th>
<th>VALUE</th>
<th>COUNT</th>
<th>% OF ALL CASES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>2.5</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>29</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>35</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>MISSING</td>
<td>2</td>
<td>2.5</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>81</td>
<td>100</td>
</tr>
</tbody>
</table>
The result indicates that 79% of the respondents supported the statement, 11.5% responded negatively, 7% were undecided, and 2.5% did not respond to the question.

**STATEMENT 6**

There is limited political commitment from councillors to make the credit control policy work.

<table>
<thead>
<tr>
<th>VALUE</th>
<th>COUNT</th>
<th>% OF ALL CASES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>4</td>
<td>30</td>
<td>37</td>
</tr>
<tr>
<td>5</td>
<td>33</td>
<td>41</td>
</tr>
<tr>
<td>MISSING</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>81</td>
<td>100</td>
</tr>
</tbody>
</table>
This response shows that most of the respondents supported the statement. Altogether 41% of the respondents strongly agreed, 37% agreed, 11% were undecided, 10% disagreed, and only 1% strongly disagreed.

**STATEMENT 7**

The Treasury Department does not have the managerial and administrative capacity to implement the credit control policy.

<table>
<thead>
<tr>
<th>VALUE</th>
<th>COUNT</th>
<th>% OF ALL CASES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>2</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>3</td>
<td>16</td>
<td>20</td>
</tr>
<tr>
<td>4</td>
<td>27</td>
<td>33</td>
</tr>
<tr>
<td>5</td>
<td>17</td>
<td>21</td>
</tr>
<tr>
<td>MISSING</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>81</td>
<td>100</td>
</tr>
</tbody>
</table>

**Quest 7**

![Image of a bar chart showing the distribution of responses to Quest 7 with Expected and Normal curves.](image-url)
The response to this statement generally favoured the statement. Altogether 21% of the respondents strongly agreed with the statement, 33% agreed, 20% were undecided, 15% disagreed, and 9% strongly disagreed.

**STATEMENT 8**

The Treasury Department does not respond to customer queries and the rectification of errors timeously.

<table>
<thead>
<tr>
<th>STATEMENT 8</th>
<th>COUNT</th>
<th>% OF ALL CASES</th>
</tr>
</thead>
<tbody>
<tr>
<td>VALUE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>34</td>
<td>42</td>
</tr>
<tr>
<td>5</td>
<td>27</td>
<td>33</td>
</tr>
<tr>
<td>MISSING</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>81</td>
<td>100</td>
</tr>
</tbody>
</table>

![Graph showing distribution of responses to Statement 8]
Altogether 42% of the respondents agreed with the statement, 3% strongly agreed, 5% strongly disagreed, 16% disagreed, and 4% were undecided.

**STATEMENT 9**

The Treasury Department is not customer friendly.

<table>
<thead>
<tr>
<th>VALUE</th>
<th>COUNT</th>
<th>% OF ALL CASES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>2</td>
<td>18</td>
<td>22</td>
</tr>
<tr>
<td>3</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>4</td>
<td>29</td>
<td>36</td>
</tr>
<tr>
<td>5</td>
<td>16</td>
<td>20</td>
</tr>
<tr>
<td>MISSING</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>81</td>
<td>100</td>
</tr>
</tbody>
</table>

Altogether 56% of the respondents supported the statement, 11% were undecided and 33% responded negatively.
Municipal customers do not have confidence in the municipal billing system.

<table>
<thead>
<tr>
<th>VALUE</th>
<th>COUNT</th>
<th>% OF ALL CASES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>37</td>
<td>46</td>
</tr>
<tr>
<td>5</td>
<td>34</td>
<td>42</td>
</tr>
<tr>
<td>MISSING</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>81</td>
<td>100</td>
</tr>
</tbody>
</table>

Altogether 88% of the respondents supported the statement, 10% answered negatively and 2% were undecided.
The Treasury Department does not have a strategic plan to deal with municipal services debt.

<table>
<thead>
<tr>
<th>STATEMENT 11</th>
<th>VALUE</th>
<th>COUNT</th>
<th>% OF ALL CASES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>5</td>
<td>6.2</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>14</td>
<td>17.3</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>31</td>
<td>38.3</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>22</td>
<td>27.2</td>
</tr>
<tr>
<td></td>
<td>MISSING</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>81</td>
<td>100</td>
</tr>
</tbody>
</table>

Altogether 65.5% of the respondents supported the statement, 23.5% responded negatively and 11% were undecided.
STATEMENT 12

Existing legislations (Acts, Ordinances, By-laws) need to be amended to ensure effective and efficient implementation of debt collection measures.

<table>
<thead>
<tr>
<th>VALUE</th>
<th>COUNT</th>
<th>% OF ALL CASES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>1.2</td>
</tr>
<tr>
<td>2</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>3</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>4</td>
<td>31</td>
<td>38.3</td>
</tr>
<tr>
<td>5</td>
<td>32</td>
<td>40</td>
</tr>
<tr>
<td>MISSING</td>
<td>2</td>
<td>2.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>81</td>
<td>100</td>
</tr>
</tbody>
</table>

More than 78% of the respondents supported the statement. Altogether 8% responded negatively, 11% were undecided and 2.5% did not respond to the statement.
STATEMENT 13

The Treasury Department does not have the administrative capacity to implement the indigence policy.

<table>
<thead>
<tr>
<th>STATEMENT 13</th>
<th>VALUE</th>
<th>COUNT</th>
<th>% OF ALL CASES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>16</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>17</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>26</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>14</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>MISSING</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>81</td>
<td>100</td>
</tr>
</tbody>
</table>

Altogether 41% of the respondents supported the statement, while 30% did not support the statement and 21% were undecided.
STATEMENT 14

Employees at lower levels do not know the mission statement of the Treasury Department.

<table>
<thead>
<tr>
<th>VALUE</th>
<th>COUNT</th>
<th>% OF ALL CASES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>4</td>
<td>36</td>
<td>44</td>
</tr>
<tr>
<td>5</td>
<td>29</td>
<td>36</td>
</tr>
<tr>
<td>MISSING</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>81</td>
<td>100</td>
</tr>
</tbody>
</table>

Altogether 36% of the respondents strongly agreed, 44% agreed, 4% strongly disagreed, 5% disagreed, 9% were undecided and 2% of the respondents did not respond to the statement.
STATEMENT 15

Existing officials should undergo regular orientation training.

<table>
<thead>
<tr>
<th>VALUE</th>
<th>COUNT</th>
<th>% OF ALL CASES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>36</td>
<td>44</td>
</tr>
<tr>
<td>5</td>
<td>39</td>
<td>48</td>
</tr>
<tr>
<td>MISSING</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>81</td>
<td>100</td>
</tr>
</tbody>
</table>

Altogether 92% of the respondents supported the statement, 4% did not agree, and 4% were undecided.
STATEMENT 16

Results of performance appraisals in the Treasury Department are not being used to identify training needs of employees.

<table>
<thead>
<tr>
<th>VALUE</th>
<th>COUNT</th>
<th>% OF ALL CASES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>4</td>
<td>25</td>
<td>31</td>
</tr>
<tr>
<td>5</td>
<td>46</td>
<td>57</td>
</tr>
<tr>
<td>MISSING</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>81</td>
<td>100</td>
</tr>
</tbody>
</table>

Altogether 88% of the respondents supported the statement, 2% did not support the statement, while 10% were undecided.
4.4 SUMMARY

In Chapter one, it was stated that the background to the investigation of the municipal credit control policy, with specific reference to the Nelson Mandela Metropolitan Municipality, emanated from the failure by municipalities throughout the country to collect the money owed to them by municipal customers. This has affected service delivery. This study should be seen as an attempt to contribute to the efforts of all concerned to reverse the culture of non-payment of municipal services. Unless solutions are found, the very survival of local government as an autonomous sphere of government is threatened.

In this chapter, an empirical survey of municipal officials in the Treasury Department of the Nelson Mandela Metropolitan Municipality was undertaken to determine the effectiveness of the existing credit control policy. Based on the results, recommendations and conclusions will be presented on how to improve payment for municipal services.

The survey was implemented through a self-administered questionnaire comprising of dependent and independent variables. The data obtained was interpreted and analysed using various descriptive statistical methods of analysis, such as frequency distribution and frequency distribution graphs. In the chapter that follows, a normative model for credit control policy at local government sphere will be proposed.
CHAPTER 5

PROPOSED NORMATIVE MUNICIPAL CREDIT CONTROL POLICY MODEL

5.1 INTRODUCTION

The mandate to local government to become developmental agencies in the \textit{Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)}, requires municipalities to give serious attention to policy-making. Furthermore, aspects such as the provision of free basic services, indigent policy, credit control and income collection, all require well-formulated policies that should be properly implemented and evaluated if municipalities are to be effective in addressing community needs. Poorly formulated, implemented and evaluated policies produce negative results. This will obviously impact on the local government sphere, which is already experiencing financial difficulties due to limited cash flows. The new developmental mandate assigned to local government can only be achieved if realistic policies generating cash flows, are operating effectively.

The legislators, who in reality are Councillors at the local government sphere, provide a framework for action through policy-making. Public officials interpret, implement, and evaluate those policies and provide feedback on the results. It is imperative that these officials work as a team with the political representatives to ensure the success of the new mandate. The local government policy-making process will be discussed in this chapter. The concept of public policy will be defined, followed by a discussion of policy-
making models. The systems model and the process approach to policy-making will be discussed in this chapter, and a normative model for credit control policy at the local government sphere will be proposed. Lastly, policy analysis and ethical standards for policy-makers will be highlighted.

5.2 PUBLIC POLICY

Public policy is broadly defined by Dye (1987:3), as whatever governments choose to do or not to do. In terms of this definition, the focus is not only on government action, but also on government inaction, that is, what government chooses not to do. The reason is that government inaction can have just as great an impact on society as government action.

Fox, Schwella and Wissink (1991:27), support the above definition of public policy, stating that it is appropriate and contains the common denominator of most definitions.

While agreeing with the above stated definition of public policy, Anderson in (Fox et al, 1991:28), states that public policy has both a negative and positive form. On the positive side, policy may involve some overt form of action, implying an authoritative, potentially legal or coercive quality, which could even imply the application of sanctions. However, government, can also follow
a “laissez faire” approach, where, although the intention exists or the law is enacted, sanctions or the imposition of fines or sentences are absent. This could be seen as the negative side of public policy.

Hanekom (1987:8), refers to public policy as a desired course of action and interaction which is to serve as a guideline in the allocation of resources necessary to realise societal goals and objectives, decided upon and made publicly known by the legislator.

Fox et al., (1991:28), states that policy can also be seen as the authoritative but democratic allocation of values, implying the result of consensus and compromise between contending groups in society. This means that public participation should be the cornerstone of policy-making. In many cases, however, policy-makers do not consider other views, or opposition which defeats the principles of democracy.

According to Van Niekerk, Van der Waldt and Jonker (2001:90), public policy differs from the policies made by private sector organizations in the sense that it is authoritative. This feature of public policy means that it can be enforced through instruments of coercion. In order to be authoritative, a policy must be approved and promulgated by an institution that is authorised by statute or the Constitution.
According to Van Niekerk et al. (2001:90-91), a policy is a broadly defined statement of intentions that specifies general procedures and guidelines for authorization and action. The legislative authority does not change policy every year. A policy must, ideally, exist over a long period so that it can be tested and given a chance to prove itself. Because policies are the outcome of the political process, policies are usually explicit on intentions, rights and obligations.

However, because lawmakers cannot foresee all future developments, policies are intentionally defined in broad general terms with regard to their implementation. Therefore, most policies make provision for political office-bearers and senior government officials to supplement legislation with more detailed regulations. The latter, known as subordinate legislation, has to comply with the validity requirements of administrative law. (Van Niekerk et al., 2001:90)

A policy is the outcome of a political process that involves negotiation, bargaining, persuasion and compromise. It is therefore not practical and cost-effective to formulate new policies every year. Constant policy changes can affect the effective implementation and evaluation of policy. Changes in political power, the economy and the nature of the problem, as well as inconsistencies and contradictions in implementation, could obviously induce or force policy-makers to review a particular policy (Van Niekerk et al., 2001:91).
Policies have outcomes that may or may not have been foreseen. Many unintended consequences can be anticipated through community empowerment, participation and wider consultation. Careful planning and techniques such as scenario-building and environmental scanning could potentially enhance policy-making (Van Niekerk et al, 2001:91).

5.3 THE POLICY-MAKING PROCESS

According to Lynn (Fox et al, 1991:31), the process of policy-making is extremely complex and disorderly, with no apparent beginning or end, and traverses boundaries which are mostly uncertain. The mere fact that a government has adopted a policy and produced a policy statement, does not mean that the actual policy process is complete. The policy must still be implemented and the outcomes of the actions must still be assessed. Existing policy may create a demand for other policies and, therefore, no policy is ever complete. Policy-making is a changing and continuous process, and an analysis can be undertaken at any stage in the process to investigate the particular activity or phase.

Although policy-making is the key process in clarifying intentions and objectives, it cannot be viewed in isolation from other administrative processes such as financing, organising, human resources management and control (Van Niekerk et al, 2001:90).
5.4 POLICY-MAKING MODELS

To understand public policy-making, one needs a framework or a theoretical model. A model is a simplification of a more complex phenomenon and not the phenomenon itself. Such a model will make provision for the policy-making process from inception as an idea or need, to implementation as a tangible service or product (Van Niekerk et al., 2001:93).

According to Dye (1987:20), a model is a simplified representation of some aspect of the real world. It may be an actual physical representation, such as table-top buildings that urban planners use. A model may also be in the form of a diagram, for example a road map, or the flow chart that political scientists use to show how a bill becomes a law.

The model of policy-making should, according to Dye (1987:20), help to:

- simplify and clarify our thinking about public policy;
- identify important aspects of policy problems;
- direct our efforts to a better understanding of public policy by suggesting what is important and what is unimportant and;
- suggest explanations for public policy and predict its consequences.
According to Hanekom (1987:46), models are simplified representations of the real world and are used to order and interpret situations and assist in explaining and predicting the outcome of a specific choice. They cannot, however, tell the user of a model how to discriminate, evaluate or judge. As the word implies, a model is merely representative, it is artificial and can therefore only be an image of reality. However, a model can assist a policy-maker in obtaining greater clarity on the issue at hand. The process approach and systems approach to policy-making will be discussed below. Thereafter, an integrated model will be proposed as an appropriate model for the credit control policy of the Nelson Mandela Metropolitan Municipality.

5.4.1 The process approach to policy-making

According to Van Niekerk et al, (2001:94), the process approach to policy-making traces the making of policy from the inception of an idea to the implementation and evaluation of the policy that was adopted to give effect to the idea. The basic phases in the process approach are illustrated by the diagram below.
5.4.1.1 Policy agenda

The agenda is a specific societal challenge or problem that should receive the serious attention of policy-makers. In this phase, government agencies must consider appropriate actions to address this challenge. Agenda-setting involves the choices of issues that warrant serious consideration for the making and remaking of policy. In practical terms, it involves getting government to consider actions to address an identified problem.

An agenda usually attracts media attention and criticism or resistance if the opinions of interest groups are not properly considered or represented. The media can also expose administrative negligence or incapacity (Van Niekerk et al., 2001:93).

There are two types of agendas. The first one features discussions with stakeholders, debates in parliament and reviews of proposals forwarded to the
legislative authority by the public officials who process policy proposals. The second type of agenda consists of recurring items such as the annual budget (Van Niekerk et al, 2001:94).

According to Dye (1987:332), defining the problems of society and suggesting alternative solutions is the most important stage of the policy-making process. This stage is referred to as agenda-setting. Identified problems become policy issues. Policy issues can be created through interest groups, pressure groups, political representatives and the media.

Hanekom (1987:52) states that goal or problem identification is dependent on the availability of information on the needs that move people to solicit the attention of the policy-makers who will decide either to act or not to act.

5.4.1.2 Policy formulation

During the policy formulation process, proposed courses of action are developed to deal with a problem. At this stage solutions to problems are identified. The problem can, for example be, a shortage of houses, or unemployment. Various stakeholders should be consulted in the interpretation of the problematic situation (Van Niekerk et al, 2001:95).

Policy formulation involves decision-making. Decision-making is a choice between two or more alternative courses of action, to solve a problem. The
need for decision-making arises when a problem has been identified and when there are two or more alternative solutions. It is the realisation that there is a performance gap between what is and what can be that necessitates a decision (Van Niekerk et al, 2001:95).

According to Hanekom (1987:13), decision-making is the purposive human behaviour of selecting from alternatives a strategy to solve a problem or to achieve a goal. A decision is but a moment in an on-going process in which alternatives pertaining to a problem or goal are evaluated and in which the decision-maker is forced to make a deliberate choice involving factual and value propositions, with the aim of arriving at a desired solution.

In the process of decision-making, a choice has to be made between alternatives, with a view to arriving at a final statement of the intentions of the legislator, of the actions to be taken and of the objectives to be achieved. It gives finality to the choice between alternative policy proposals. Making a choice involves numerous interrelated tasks such as evaluating factual information objectively, evaluating values objectively, and relating values to facts. Decision-making is closely related to policy-making, but they are not synonymous (Hanekom, 1987:13).

There can either be programmed or non-programmed decisions. Examples of programmed decisions are objectives, standards, procedures, methods and rules. Non-programmed decisions are not obvious and they require discretion,
experience, creativity and judgement. This is why non-programmed decisions are made at the top level of an institution, provided that the decision-making process is formalised in rules and procedural manuals (Van Niekerk et al, 2001:95).

In the policy formulation phase, various alternatives to address a specific problem should be assessed in terms of their benefits, cost implications and feasibility. To ultimately choose between alternatives, Van Niekerk et al, (2001:96) recommends that the following criteria be used:

- **Effectiveness**: the cost and quality of services.
- **Adequacy**: this refers to the extent to which any given level of effectiveness satisfies the needs, values or opportunities that give rise to a problem.
- **Equity**: the benefits and costs should be fairly or justly distributed.
- **Responsiveness**: It concerns the degree to which citizens’ preferences are met.

5.4.1.3 **Policy adoption**

This involves the support for a specific proposal. After adoption the proposed course of action becomes a public policy. Its implementation is the responsibility of the relevant government institution or sphere of government (Hanekom, 1987:52).
5.4.1.4 Policy implementation

During policy implementation the intentions, objectives and the course of action selected by the policy-maker, are put into effect. The implementation stage is not the end of policy-making, but rather its continuation (Hanekom, 1987:55). According to Van Niekerk et al. (2001:96), policy implementation involves the translation of decisions into actions. The implementation of policy is the responsibility of the political office-bearers and public officials. Public officials should interpret the policy correctly to prevent deviations during the implementation of the adopted policy. The political office-bearer as an elected representative is ultimately accountable for the success or failure of any policy.

To prevent deviations as well as to ensure control, procedural manuals are essential, especially for the public officials responsible for implementing the policy. Policy implementation should be linked to a performance management system. Senior officials and political office-bearers should be evaluated based on their performance in implementing public policies (Van Niekerk et al., 2001:96).

At the local government sphere, the introduction of a performance management system has become an obligation. Section 38 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) insists that:
“38. A municipality must –

(a) Establish a performance management system that is:
   (i) commensurate with its resources;
   (ii) best suited to its circumstances; and
   (iii) in line with the priorities, objectives, indicators and targets contained in its integrated development plan.

(b) promote a culture of performance management among its political structures, political office-bearers and Councillors and in its administration; and

(c) administer its affairs in an economical, effective, efficient and accountable manner.

39. The executive committee or executive mayor of a municipality or, if the municipality does not have an executive committee or executive mayor, a committee of councillors appointed by the municipal council must:

(a) manage the development of the municipality’s performance management system;
   (iv) assign responsibilities in this regard to the municipal manager; and

(v) submit the proposed system to the municipal Council for adoption.
41. (1) A municipality must in terms of its performance management system and in accordance with any regulations and guidelines that may be prescribed –

(a) set appropriate key performance indicators as a yardstick for measuring performance including outcomes and impact with regard

(b) to the municipality’s development priorities and objectives set out in its integrated development plan;

(c) set measurable performance targets with regard to each of those development priorities and objectives with regard

(d) to each of those development priorities and objectives and against the key performance indicators and targets set in terms of paragraphs (a) and (b);
   (i) monitor performance and
   (ii) measure and review performance at least once per year.

(e) take steps to improve performance with regard to those development priorities and objectives where performance targets are not met and

(f) establish a process of regular reporting to –
(i) the council, other political structures, office-bearers and staff of the municipality, and

(ii) the public and appropriate organs of state.

(2) The system applied by a municipality in compliance with sub-section (1) (a) must be devised in such a way as an early warning indicator of under-performance.

42. A municipality through appropriate mechanism processes and procedures established in terms of Chapter 4, must involve the local community in the development, implementation and review of the municipality’s performance management system, and in particular allow the community to participate in the setting of appropriate key performance indicators and performance targets for the municipality.

(1) The Minister after consultation with the MEC’s for local government and organized local government representing local government nationally may;

(a) by regulation prescribe key performance indicators that are appropriate and that can be applied to local government generally; and

(b) when necessary review and adjust those general key performance indicators.
(2) Key performance indicators set by a municipality must include any general key performance indicators prescribed in terms of subsection (1).

(3) to the extent that these indicators are applicable to the municipality concerned.

44 A municipality, in a manner determined by its Council, must make known both internally and to the general public the key performance indicators and performance targets set by it for purposes of its performance management system.

45. The results of the performance measurements in terms of Section 41 (1) (c) must be audited:

(a) as part of the municipality’s internal auditing processes; and

(b) annually by the Auditor General.

46. (1) A municipality must prepare for each financial year an annual report consisting of -

(a) a performance report reflecting:
(i) the municipality's and any service provider's performance during that financial year, also in comparison with targets of and with performance in the previous financial year;

(ii) the development and service delivery priorities and the performance targets set by the municipality for the following financial year; and

(iii) measures that were or are to be taken to improve performance.

(b) the financial statements for that financial year prepared in accordance with the standards of generally recognized

(c) accounting practice referred to in Section 89 of the *Public Finance Management Act, 1999 (Act No. 1 of 1999)*,

(d) an audit report on the financial statements and the report on the audit performed in terms of Section 45 (b) of the above-mentioned Act; and

(e) any other reporting requirements in terms of other applicable legislation.

(2) A municipality must table its annual report within one month of receiving the audit report referred to in subsection (1) (c).
(3) (a) The municipal manager must:

(i) by prior notice in the media, inform the local community of the meetings of the council at which the municipality’s annual report is tabled or discussed, which meetings must be open to the public;

(ii) give written notice of such meetings to the Auditor-General and the MEC for local government in the province; and

(iii) submit copies of the minutes of those meetings to the Auditor-General and the MEC for local government in the province.

(c) Representatives of the Auditor-General and the MEC for local government in the province are entitled to attend and speak at such meetings, and the municipal manager must be available to respond to questions related to the annual report.

(4) The Municipality must adopt its annual report and within 14 days:

(a) make copies of the report accessible to the public, interested organizations and the media free of charge or at a reasonable price; and

(b) submit a copy of the report to:

(i) the MEC for local government in the province;

(ii) the Auditor-General; and

(iii) such other institutions as may be prescribed by regulation.
47. (1) The MEC for local government must annually compile and submit to the provincial legislatures and the Minister a consolidated report on the performance of municipalities in the province.

(2) The report must:

   (a) identify municipalities which under-performed during the year

   (b) propose remedial action to be taken and

   (c) be published in the Provincial Gazette

(3) the MEC for local government must send a copy of the report to the National Council of Provinces.


(2) The report must be published in the Gazette.

According to Hanekom (1987:59), there are three prerequisites for policy implementation, namely:
• The legal prerequisite, which implies that what is legally required should be done. This implies that the guidelines laid down by the policy-makers as a framework must be followed.

• The national bureaucratic prerequisite, which requires that what is rationally defensible should be done.

• The consensual prerequisites, which postulate that the actions taken should promote agreement or consensus among contending groups who have an interest in policy outcomes. The preferences of the interest groups at which the policies are aimed should be provided.

According to Fox *et al.* (1991:53), policy implementation is linked to the operational budget. The budget consists of estimated income and expenditure. The amount made available determines the extent on which policies are implemented. If insufficient funds are made available for policy implementation, the outcome of a policy will not be as expected. For example, because of fiscal inadequacy, many local authorities will not manage to implement the government’s policy on the provision of limited basic services.
5.4.1.5 Policy evaluation

Policy evaluation is the continuous assessment of the outcomes of policies. The effectiveness of a policy is the focus point during policy evaluation. Benchmarks should be set and the outcomes of policy should be measured against the set benchmarks. Information is therefore necessary in order to evaluate policy outcomes. This information can be obtained through surveys, regular public meetings, management reports and the monitoring of key aspects of service delivery (Van Niekerk et al., 2001:98).

Dye (1987:35), is of the opinion that policy evaluation is learning about the consequences of public policy. During policy evaluation, changes in society that can be attributed to the policy are established. It therefore involves monitoring results and determining the value of policy action.

According to Fox et al. (1991:126), evaluation means the systematic assessment of a programme for the purpose of improving policy and programme decisions. A typical evaluation proceeds through five stages, namely determining the decision-maker’s needs; design; implementation; reporting; and dissemination. The aim of policy evaluation is to assess the results produced by a policy and what the costs and benefits of alternatives would be. Programmes are scrutinized through monitoring, financial auditing, investigatory journalism and public debating.

According to Hanekom (1987:88), after a policy has been implemented, it is necessary to determine whether the policy has indeed had the effects
intended by the policy-maker and also whether it has had any unintended consequences of a positive or negative nature. The evaluation of policy is the concern of both policy-makers and those who are interested in public policies.

Public policies are evaluated with a view to adjusting or terminating existing policies or developing new policies. In order to do this, the policy evaluator should determine the long and short-term positive and negative effects of a policy on the groups at which it is aimed. The costs, clarity, political implications, efficiency, equity and direct effects of the policy need to be established. This should be done by means of hearings, discussions, output measurement, pre and past implementation evaluation. The quality of information supplied to the policy-maker is therefore essential for policy evaluation.

The objectives and availability of the means employed to achieve these objectives are often uncertain. The outcomes cannot be accurately predicted. The impact of public policy on an on-going course of action must be evaluated to determine whether the action should be continued, modified, terminated or replaced (Hanekom, 1987:90).
5.4.2 The systems model

According to Van Niekerk et al. (2001:98), a system can be defined as any physical or conceptual entity composed of interrelated parts. The systems model has the following components:

5.4.2.1 Environment

The environment is the total setting within which the government operates. Systems operate in a larger environment or as sub-systems of some larger system, and they require certain resources from other systems in the environment. A public institution is a sub-system of a larger governmental system of a country. It is also related to and depends on other systems in the environment, such as social, political, legal, technological and economic systems. This environment generates needs or problems like unemployment,
and inflation, which have to be addressed by a public institution (Van Niekerk et al, 2001:98).

5.4.2.2 Inputs

Systems require resource inputs from the environment. The environment therefore generates both needs, and the resources to satisfy these needs. Resources can be either financial, human resources, information or infrastructure. In policy-making terms, inputs come in the form of the expression of needs and demands to the legislature by sections of the public, community organisations, the media and interest groups (Van Niekerk et al, 2001:98).

Dye (1987:41), is of the opinion that public policy must be conceived as a response of a political system to forces brought to bear upon it from the environment. These forces generated in the environment are viewed as inputs.

5.4.2.3 Processing

According to Fox et al (1991:32), processing is also called policy conversion; it entails the conversion of policy inputs by a political system.

5.4.2.4 Outputs
The output of a system is a product of the system. Outputs are actions taken by public institutions in solving a policy problem to meet the needs and demands of citizens. These actions are the tangible manifestations of public policies. The amount of money spent, the number of staff employed and public policies themselves are examples of outputs (Van Niekerk et al., 2001:99).

According to (Fox et al., 1991:32), outputs involve the production of policies in the form of formal legislation, administrative rules and regulations, judicial interpretation, policy statements and legal interpretations.

### 5.4.2.5 Feedback

Feedback is the information that the system receives on its actions. This information is necessary for the system to adapt conversion processes and outputs to the needs of the environment. Feedback is received about the consequences of policies for society, intended or unintended feedback to the original environment occurs to check whether the need has been optimally satisfied (Van Niekerk et al., 2001:99).

The following integrated model proposed by Van Niekerk et al., (2001:99), is recommended as a normative model for a credit control policy. It integrates the process and systems approaches to policy-making.
5.4.3 **Integrated normative model for policy-making**

The model proposed for a credit control policy is the integrated model of Van Niekerk *et al.*, (2001:91) which integrates the systems model and the process approaches to policy-making.

The proposed normative model (Figure 5.3) reflects all aspects of the process approach to policy-making (Figure 5.1) and the systems model (Figure 5.2), as discussed at the beginning of this chapter. Public officials exist for the provision of services to satisfy community needs. The identification of community needs is therefore the first step towards satisfying those needs. After a need has been identified, the government should consider actions to address an identified problem. This is called policy agenda. During policy formulation, proposed courses of action are developed. The formulated policy should be formerly adopted by the relevant legislative institution. After
adoption, a policy should be implemented and evaluated to test its effectiveness.

Public institutions do not function in a vacuum but within a particular environment which in addition to generating needs also provides the resources to satisfy these needs. These are known as inputs. Policy outputs, such as the amount of money made available for a particular project, will determine the policy outcomes, which involve the rendering of services to satisfy the identified needs. After the rendering of services, feedback occurs to the original environment to check whether the need has been optimally satisfied. The changed environment then generates new needs that have to be satisfied, and the entire process commences again. The credit control policy should undergo the same process if it is to be used successfully in solving the problem of non-payment for municipal services.

5.5 POLICY ANALYSIS

Policy analysis is an attempt to measure the costs and benefits of various alternatives or to evaluate the efficiency of existing policies. Policy analysis produces and transforms information relevant to particular policies into a form that render them useable to resolve problems pertaining to those policies. It is concerned with an explanation of the courses and consequences of why governments do what they do, as opposed to policy advocacy, which is
concerned with what governments should or ought to do about public issues (Hanekom, 1987:65).

According to Quade (Fox et al., 1991:205), policy analysis is any type of analysis that generates and presents information in such a way as to improve the basis on which policy-makers exercise their judgement.

The following model by Fox et al., (1991:214), serves to describe the major analytical approaches, focuses and instruments that can be followed in policy analysis:
Public policies are aimed at the improvement of the well-being of society. It is, therefore, imperative that those policies should be analysed to determine whether they are actually contributing towards the common goal, that is,
whether the policies themselves or the conditions pertaining to their implementation are producing the desired results and impacts (Hanekom, 1987:66).

5.6 VALUES AND PRINCIPLES GOVERNING PUBLIC ADMINISTRATION

Political office-bearers and public officials involved in policy-making should conform with basic values and principles governing public administration. Politics and governance cannot be completely value-free. No government can function efficiently and effectively without a set of directives that will steer it in the direction which society expects it to move. Public officials need to conform to certain basic principles and standards. A code of conduct can assist in creating a shared understanding across government and within the broader community. Systems and procedures could also assist in curbing unethical conduct. Ethical standards are a key check and balance against arbitrary use of public power. As such, they are a key factor in the quality of governance (Van Niekerk et al, 2001:116).

Fox and Meyer (Du Toit and Van der Waldt 1997:96), define a value in the context of public administration as a concept of what is fundamentally good or desirable that an individual holds on to as a guide through life. Concepts that are fundamentally good and desirable can serve as a guide for society and societal institutions.
According to Van der Waldt (1997:116), norms and values that constitute good behaviour include humaneness; reasonableness; freedom; truth; integrity; and fairness.

In addition to the above values, Cloete (1989:17), also recognises the importance of effectively providing services that satisfy the most essential needs of the community. At the same time, public officials and political office-bearers should be efficient in using public money. Public officials and elected representatives should also be accountable and respect the principles of democracy within the legal limits of the law, which may never be compromised.

Section 195 of the *Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)*, deals with basic values and principles governing public administration as follows:

“195. (1) Public administration must be governed by the democratic values and principles enshrined in the Constitution, including the following principles:

(a) A high standard of professional ethics must be promoted and maintained.

(b) Efficient, economic and effective use of resources must be promoted.

(c) Public administration must be development-orientated.
(d) Services must be provided impartially, fairly, equitably and without bias.

(e) People’s needs must be responded to and the public must be encouraged to participate in policy-making.

(f) Public administration must be accountable.

(g) Transparency must be fostered by providing the public with timely, accessible and accurate information.

(h) Good human resources management and career-development practices, to maximize human potential, must be cultivated.

(i) Public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation.

(2) The above principles apply to:

(a) administration in every sphere of government;

(b) organs of state; and

(c) public enterprises.

(3) National legislation must ensure the promotion of the values and principles listed in subsection (1)”.

Section 50 (1) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) emphasises the importance of the basic values and principles

According to Du Toit and Van der Waldt (1997:48), the South African Constitution is the supreme law of the country. Principles which emanate from the Constitution carry more authority and should be regarded as obligations by elected representatives and public officials. Their actions may not be in conflict with the provisions of the Constitution.

According to Chapter 1, Section 2 of the *Constitution of the Republic of South Africa*, 1996 (Act 108 of 1996), the Constitution is the supreme law of the Republic. Law or conduct inconsistent with it is invalid, and the obligations imposed by it must be fulfilled.

5.7 SUMMARY

According to the *Constitution of the Republic of South Africa*, 1996 (Act 108 of 1996), a municipality must strive, within its financial and administrative capacity, to achieve the objectives of local government, as set out in the Constitution. These objectives include the provision of basic services to communities in a sustainable manner and the promotion of the social and economic development of communities. In order for these objectives to be achieved, municipalities must formulate appropriate policies, which should be properly implemented, evaluated and analysed. The credit control policy
should be given immediate attention so as to make it strict enough to enable
debt collection. It is the cornerstone of the survival of municipalities. The
success of municipalities in collecting service arrears depends on the
effectiveness of the credit control policy. If more arrears are collected, more
financial resources will become available for the provision of services. A
normative model for the credit control policy was proposed in this chapter. The
model is based on the integration of the systems model and the process
approach to policy-making.

Policy analysis was also discussed. Policy analysis generates and presents
information in such a way as to improve the basis on which policy-makers
exercise their judgement. Lastly, values and principles governing public
administration were highlighted. Policy makers and policy implementers must
conform with these basic values and principles. Both the values emanating
from the community and the principles mentioned in Section 195 of the
adhered to.

In the chapter that follows, conclusions and recommendations will be made
pertaining to the empirical findings.
CONCLUSION AND RECOMMENDATIONS

6.1 CONCLUSIVE SUMMARY

The research undertaken in this dissertation is based on the assumption stated in Chapter one, namely that the current credit control policy of the Nelson Mandela Metropolitan Municipality has failed. The cash-flow problem has affected the municipality’s ability to render essential services to the community, as well as to perform the developmental mandate given to it by the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996), and the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).

Among the assumed concerns are, inter alia, a lack of inclusivity in the formulation and implementation of the credit control policy, improper implementation of the credit control policy; failure to adopt other mechanisms to assist the credit control policy in enhancing debt collection; and lack of managerial and administrative capacity in implementing the credit control policy. Additional concerns include the lack of political commitment from councillors to make the policy work, lack of customer care in the Treasury Department, and the lack of relevant training to equip staff.

The choice of research problem, as stated in Chapter one, was presented by the failure by municipalities throughout the country to collect money owed to
them by municipal customers. This failure has had fatal consequences. Certain municipalities are no longer functional and rely on financial assistance from the national and provincial spheres of government, thereby destroying the concept of local autonomy.

Like other municipalities in the country, the Nelson Mandela Metropolitan Municipality, is experiencing financial difficulties due to the poor payment record of its customers. Amongst the assumed reasons of this failure is the ineffectiveness of the credit control policy. This assumption formed the basis of this research.

6.2 SUMMARY OF CHAPTERS

6.2.1 CHAPTER 1

This chapter presented the background to the investigation into municipal credit control policies, with specific reference to the Nelson Mandela Metropolitan Municipality. This emanated from the failure of municipalities throughout the country to collect service arrears. Specific key questions were asked, and the significance of the research and the research methodology were explained.

6.2.2 CHAPTER 2

A theoretical investigation into the transition of local government in South Africa was undertaken to establish the origin of the problem of non-payment
for municipal services. This chapter traced the transformation of local government from the apartheid era to the current phase of democratic and developmental local government. The role of apartheid in creating the culture of non-payment for municipal services was explained. It was also highlighted in this chapter that the problem of non-payment for essential services is worsening instead of improving.

6.2.3 **CHAPTER 3**

Chapter 3 explored the role of South African local government, with special reference to the ability of municipalities to collect service debts. The chapter focused on the need for local government; categories and types of local government; the new developmental role of local government; and obligations imposed on municipalities by the *Constitution of the Republic of South Africa*, 1996 (Act 108 of 1996), the *Local Government : Municipal Structures Act*, 1998 (Act 117 of 1998), and the *Local Government : Municipal Systems Act*, 2000 (Act 117 of 1998), were explained. Other aspects which were dealt with in this chapter included co-operative governance, public participation, credit control policies and debt collection.

6.2.4 **CHAPTER 4**

Chapter 4 consisted of an empirical study of municipal officials in the Treasury Department of the Nelson Mandela Metropolitan Municipality. The research methodology for the empirical survey, as well as the interpretation of the
research findings, was explained. A questionnaire was employed for distribution among the targeted officials in the above-named department.

6.2.5 **CHAPTER 5**

Chapter 5 contained a brief overview of policy-making models. Models covered, included David Eston’s systems model and the process approach to policy-making proposed by Van Niekerk *et al.*, (2001:94). After the preceding literature study and empirical investigation, a credit control policy model was proposed for use by the Nelson Mandela Metropolitan Municipality, which could be replicated by other municipalities within the Republic of South Africa, if demonstrated to be successful.

6.2.6 **CHAPTER 6**

Chapter 6 is the final chapter of the mini-dissertation. It contains a conclusive summary and proposes recommendations to the key questions originally posed in the research. The recommendations are made against the background of financial and manpower constraints facing local government in South Africa at present. Local authorities are undergoing restructuring at the moment so as to be in line with the new proposed structures in order to meet the developmental mandate. It is therefore proposed that the following recommendations be adopted in the interest of a democratic, financially viable Nelson Mandela Metropolitan Municipality.
6.3 **RECOMMENDATIONS**

The following recommendations are presented for consideration:

**RECOMMENDATION ONE**

**The need for inclusivity in the formulation of a credit control policy**

The local sphere of government is closer to communities than the other spheres of government. This closeness enhances participatory democracy. All stakeholders should therefore participate in the formulation of local government policies, including the credit control policy. Local communities can participate through Ward Committees. The views and suggestions of residents, should be invited and considered when a credit control policy is being finalised for implementation. Implementation procedures, together with timeframes, should also be a product of broad consultation. Citizens should not merely vote, but also take an interest and participate in local government affairs. Policies which are a product of broad consultation are generally accepted by people.

Different political parties and civil societies should contribute in the formulation of a credit control policy. Civic organisations were very vociferous in advocating rent and service charges payment boycotts during the apartheid era. They should now play a positive role in advocating payment for municipal services. The activist community life that was so successful during the struggle has to be revived in order to build winning municipalities. This can be done through assuming a watchdog role and criticising municipalities if they fail in providing
adequate services, as well as promoting a culture of payment. Civic organisations still have influence, although not as much as before; to township residents. For civil societies to be able to encourage payment for municipal services, they should be involved in the formulation of debt collection policies, including the credit control policy.

It is further recommended that trade unions play an active role in credit control policy formulation and implementation. The majority of the employed in urban areas are affiliated to trade unions. Their views should be taken into consideration as well. Trade unions could assist municipalities in the mobilisation for debit order and stop order campaigns. Such payment facilities will assure a municipality of a constant cash-flow every month. It also safeguards customers against the inconvenience of disconnections, interest and other penalties should they forget to pay, because payment is deducted directly from their bank or place of work.

Involving communities previously disempowered and neglected by the apartheid system in policy-making could boost their confidence and sense of responsibility. A municipality should therefore devise proper consultation mechanisms. It must, however, be emphasised that municipalities should not only consult people when they want them to pay. Communities should be consulted in other matters of public interest, such as budgets, integrated development plans and performance management.
An analysis of the survey response (statement 1 of the questionnaire) revealed that 1% of the respondents did not respond, 1% was undecided, 18% responded negatively, and 80% supported the statement.

**RECOMMENDATION TWO**

*There should be a good working relationship between councillors and municipal officials*

Political representatives and officials in the Nelson Mandela Metropolitan Municipality should work as a team if the credit control policy is to succeed. An analysis of the survey response to (statement 2 of the questionnaire) indicated that 88% of the respondents supported the statement, 4% disagreed, 7% were undecided, and 1% strongly disagreed. These responses imply that a good working relationship between councillors and officials would also be essential for the success of a credit control policy. Officials and councillors should speak with one voice. Public criticism of officials by councillors gives defaulters an opportunity to continue defaulting as it could perpetuate a mindset from the apartheid era that there is some moral legitimacy in not paying for services, as local government is inept or discriminatory in delivery.

**RECOMMENDATION THREE**

*The need for capacity building should be given immediate attention*

Human resources (managerial technical and administrative) in the local government sphere need to be strengthened. This will equip the municipality
with skills to effectively perform planning, policy formulation and implementation. An analysis of the survey response to (statement 7 of the questionnaire) revealed that while 54% of the respondents supported the statement, 20% were undecided, and 24% did not support it.

Implementation is one of the most important features of the policy process. A policy may be good, but if it is not properly implemented, it cannot have positive results. Councillors and senior municipal officials should therefore ensure that policies are properly implemented. In order to build capacity, there is a need for skills upgrading and system reform. Skills upgrading refers to the improvement of job related and general employee skills. Municipal officials should have policy-making and policy-analysis skills. The municipality should also concentrate on organisational development, because human resources and institutional capacity go hand in hand. It is therefore recommended that for the credit control policy, as well as other policies to succeed, the Treasury Department must take serious cognisance of both human resources capacity, in terms of both skills and sufficient staff, and institutional capacity, which entails the re-organising of municipal structures to become effective and efficient. No person or institution can function effectively without the capacity to perform. The fact that the failure of the credit control policy is partly attributed to a lack of capacity to implement it, calls for more attention to be given to policy implementation.

RECOMMENDATION FOUR
The Treasury Department should present accurate data in an informative format when submitting reports to council or its committees on service arrears

Information systems are important tools for policy-making and are needed in all management functions. It is therefore recommended that the data produced by the Treasury Department be meaningful, accurate and informative so as to assist policy-makers. Councillors, whether in standing committee or Council meetings, should be able to make use of the information when dealing with credit control issues.

An analysis of the survey response (statement 4 of the questionnaire) indicated that while 35% of the respondents were undecided regarding the statement, 29% of the respondents disagreed and 36% supported it. The fact that 35% of the respondents were undecided, illustrates the lack of in-depth knowledge of information systems. If officials have little knowledge of information systems, it will obviously be difficult for them to decide whether the information provided is useful or not.

It is further recommended that in order for the Treasury Department to have accurate information, the level of accuracy of the source documents should be improved. The information fed into the billing system should be accurate.
Customers should be charged for what they have actually consumed not on estimates. Demand for payment should follow accurate billing and correct statements of account. In addition if the information on the billing system is incorrect, the figures and information presented to council and the finance standing committee will also be incorrect. It would be procedurally unfair to take legal action and carry out other credit control measures if the debts customers are asked to pay are incorrect and not justified. The correct information should be presented in a manner enabling Councillors to make sound decisions.

There should be an accurate indication of bad defaulters. Management reports should clearly indicate which debts are owed by domestic customers, businesses and government departments. Money owed by municipal departments, should not be reflected as outstanding arrears as is the case currently. Meter readers should also be properly and adequately trained, so as to produce accurate readings, thereby achieving a more efficient and effective billing system.

**RECOMMENDATION FIVE**

**There is a need to develop a new credit control policy to deal with debt collection.**

It is recommended that a new credit control policy be developed, that takes a firm stand on the issue of non-payers for municipal services. Metered services i.e. water and electricity should be disconnected if not paid for. The time taken
between summonses and attachment of goods should be reduced. Garnish orders and other court orders should be utilised to combat non-payment.

Previous defaulters should not be allowed to open new accounts. Defaulters should be dealt with speedily before individual debts escalate. There should be zero tolerance to businesses and government institutions that are not paying. Business arrears should not be allowed to escalate. If left unchecked, as is the case at the moment, the Municipality focus the risk of a substantial loss of revenue in the event of the closure or insolvency of that business.

The new credit control policy should be evaluated over an extended period. The evaluation of the policy will be more accurate if the policy has been in place over a long period of time. If it is not allowed to operate over a longer period, it will be difficult to measure its success rate effectively.

An analysis of the survey response (statement 5 of the questionnaire) revealed that 79% of the respondents felt that the current credit control policy has failed to deal with municipal debt collection, 11.5% did not support this statement, 7% were undecided, and 2.5% did not respond to the question.

**RECOMMENDATION SIX**

Councillors should demonstrate political commitment to make the credit control policy work

It is recommended that Councillors take the lead as politicians in showing their resolve and commitment to make the credit control policy work. Councillors
should support credit control measures without fear of losing support or opposition. They should be able to declare openly that people should pay for services, without fear of courting unpopularity. They should hold public meetings and workshops in all 54 wards of the Municipality, educating people about the necessity to pay for services rendered and the consequences of failing to do so.

Councillors should be devoted leaders with commitment towards the provision of improved services to communities. Obviously, money is needed to upgrade existing services and provide additional services in the previously underprivileged areas of the Municipality.

An analysis of the survey response (statement 6 of the questionnaire) revealed that 78% of the respondents supported the statement, 11% were undecided, 11% disagreed with it. Such responses are a cause for concern and do not augur well for the future of the Municipality. It is evident that Councillors should change their attitudes and display true political leadership to the community and bureaucracy.

**RECOMMENDATION SEVEN**

**Treasury Department should respond to customer queries and rectify errors on accounts timeously**

It is recommended that the Treasury Department respond to customer queries timeously and give the rectification of errors priority attention. An analysis of the
survey response (statement 8 of the questionnaire) revealed that 75% of the respondents supported the statement, 21% disagreed, and 4% were undecided.

If the Treasury Department is inefficient in solving queries, loss of revenue will follow, because customers are generally only willing to pay their accounts after their queries have been satisfactorily resolved. If these are not resolved timeously, customers will start losing confidence in the Treasury Department. The Department can also not institute legal action or subject a customer with an unresolved query to other credit control measures. It is preferable that queries be resolved within five working days from the date the query reaches the treasury department. The treasury management should ensure that this requirement is adhered to. Errors should be detected and corrected timeously. If not properly controlled and timeously attended to, such errors will distort the statistical reports submitted to policy-makers. Many customers approach the media directly if they receive an exorbitant or high account. This is often given prominent coverage and compounds the already negative image of the Municipality, following, first years if neglect and then an overindulgent attitude to non-payers.

RECOMMENDATION EIGHT

The Treasury Department should be customer friendly

The Treasury Department should become customer friendly. Although a stricter credit control policy is proposed, this does not mean that treasury officials
should not display courtesy when dealing with municipal customers, be they defaulters or regular payers. What is expected of Treasury officials is to abide with credit control rules, whilst remaining courteous and polite. Many municipal customers complain of a lack of customer friendliness as the reason for not visiting the Treasury Department when they have a query or need clarity.

Without municipal customers a municipality cannot exist. Customer service should be speedy and effective. Municipal customers should not have to stand in long queues at treasury offices. A poor image will affect a municipality’s credibility. A good credit control policy on its own cannot succeed. It should be complemented by a well-trained, disciplined, dedicated and customer-friendly administration.

An analysis of the survey response (statement 9 of the questionnaire) revealed that 56% of the respondents felt that the Treasury Department was not customer friendly, 11% were undecided, and 33% disagreed with this view. This shows that the Treasury Department should work on its image and become more customer friendly without delay. Every customer should be treated fairly regardless of his/her status or the status of his/her account.

It is further recommended that statements be "user-friendly" and easy to understand. In other words, they should cater for the many less educated residents in the Municipality. If statements are complicated, even educated customers could battle to understand them. Customers should know simply by looking at a statement, what they are being charged for.
RECOMMENDATION NINE

The Treasury Department should develop a strategic plan to deal with income and debt collection

It is recommended that the Treasury Department draft a strategic plan to deal with income and debt collection issues. This plan should be specific, detailed and comprehensive. It should be consolidated into a mission statement for the department. A mission statement keeps an organisation on track and in focus.

Employees, councillors and customers should all participate in the formulation of a mission statement for the Treasury Department. An analysis of the survey response (statement 14 of the questionnaire) revealed that 80% of the respondents felt that employees at lower levels did not know the mission statement of the Treasury Department, 9% responded negatively, 9% were undecided, and 2% did not respond. This analysis implies that lower-level employees in the Treasury Department were functioning without any real knowledge of what they were required to achieve and what the department stood for. The strategic plan should also include constraints which could affect the attainment of a goal. For example, in order to render services, manpower is needed. The treasury department should examine its available manpower to establish if it is properly trained, adequate, efficient and motivated. Financial resources needed to promote income and debt collection must be reviewed. The use of the latest technology should also be considered so as to obtain accurate information. The prevailing economic, social or political environment should also be considered. Aspects like no-go areas where it could be difficult
to disconnect supply and apply other credit control measures, as well as poverty levels and the economic growth of an area, should also be taken into account.

The strategic plan should therefore examine both the internal and external environments. Legislation governing local government should be taken into account, especially those dealing with debt collection, credit control and local government finance.

The strategic plan and the mission statement of the Municipality should be framed and prominently displayed in areas frequented by employees and customers. New employees should be presented with a copy on their arrival.

RECOMMENDATION TEN

Training should be provided to both new and existing employees

Existing employees should undergo regular training. Apart from specialised training, employees should also be trained in customer care and orientation. Public institutions are generally accused of lack of a customer care and friendliness. Since local government is now required to operate in a business like approach, customer care has become more important. New employees should be well-orientated to the culture of the organisation. On-the-job training should also be provided to ensure that new employees are familiar with their functions. Rotating employees between divisions should also be considered in order to expose employees to different facets of their work.
Existing employees should undergo regular orientation training to keep abreast with latest developments in local government. For example, aspects such as developmental local government, co-operative governance, public participation, customer care, and integrated development plans, which have become prominent in local government.

An analysis of the survey response (statement 15 of the questionnaire) revealed that 92% of the respondents supported the statement, 4% did not agree and 4% were undecided. These results confirmed that regular training is necessary. Through regular training, employees who have been in the service of the Municipality for a long period will be exposed to new ideas. These officials are often accused of being resistant to change. It is recommended that the results of performance appraisals should be used to identify training needs.

RECOMMENDATION ELEVEN

Masakhane Campaign should be revived

It is recommended that the Masakhane Campaign be revived by the Nelson Mandela Metropolitan Municipality. The right to access to services by customers should be linked to the right to demand payment from the customers by a municipality. Customers should be made aware of their civic responsibility to both pay for and receive quality services. Masakhane involves campaigning for service delivery and payment for services rendered. This campaign, if properly implemented, can assist the credit control policy in promoting payment for municipal services rendered.
Ward Committees should be central to this campaign. Together with Councillors and officials, Ward Committees should play a prominent role in the revival of the Masakhane Campaign, because they are strategically located. In addition to assisting in the Masakhane Campaign, Ward Committees should help in the implementation of the Indigence Policy. Ward Committee members are in a position to verify the correctness of the information supplied by indigent applicants. They know the people in their respective wards and are therefore in a position to verify true indigent households. Ward Committees should conduct an investigation to determine which households are indigent and which are not.

This will assist in separating those individuals who want to pay, but are unable to pay due to poverty, from people who are not paying yet have the means to do so. This information will assist the Treasury Department in the application of credit control measures.

An analysis of the survey response (statement 13 of the questionnaire) revealed that 41% of the respondents supported the statement, 30% did not agree and 21% were undecided. This result implies that the Treasury Department must seek the support of Ward Committees in implementing the Indigence Policy.

The current manner in which the Indigence Policy is being implemented is open to abuse. All functions related to the Indigence Policy are being performed by officials in treasury offices. Customers could supply false information which is difficult to detect. It is also difficult to maintain up-to-date records concerning the status of indigent households. For example, where a previously unemployed
person finds employment. At the present moment the Treasury Department relies on the honesty of the household concerned. However, this could be monitored by Ward Committees. Inaccurate indigent information means that the treasury’s records are inaccurate. It is also not known how many of the true indigent households have yet to apply for the indigent subsidy. An allowance should therefore be considered to be given to Ward Committees to motivate them in assisting the municipality in this regard. Training should also be provided to Ward Committees in general local government affairs.

The Treasury Department should introduce incentives to reward who are good payers. Wards should be given recognition awards based on their performance and improvement in the payment for services rendered by the municipality.

These awards should, however, take into account the poverty levels per ward. Wards with good payment records should be given an opportunity to determine projects of their choice in their respective wards. This will assist in motivating communities to pay.

RECOMMENDATION TWELVE

The Treasury Department should improve communication with its consumers and also internally

The treasury department should change its hierarchical and rule-driven corporate culture to a more participative culture. There should be ongoing two-way communication between management, subordinates and Councillors.
Employees at all levels should participate in decision-making. Ongoing communication between management and subordinates, and between employees and Councillors could assist in eradicating mistrust. Employees should not learn of changes and new developments, for example, from the media.

Externally the Treasury Department should work at improving communication channels with its customers. Besides making customers aware of the Metro Council’s affairs, communication could create an improved image of the Treasury Department and the council at large. Communication could occur through both the electronic media and printing media. There should be regular talk-shows on local radio stations on local government issues.

**RECOMMENDATION THIRTEEN**

Existing legislation (Acts, ordinances and by-laws) should be amended so as to improve municipal debt collection and credit control measures

Legislation should be amended to ensure that supply, can be disconnected for any amounts outstanding in connection with a particular property. At the moment only water and/or electricity is disconnected when in arrears. This is not assisting the debt collection initiatives. Payment levels will generally improve when customers realise that services can be disconnected for any arrears attached to that property.
The legal process should also be expedited. At the moment, it is taking the Nelson Mandela Metropolitan Municipality 130 working days before a property is sold for the non-payment of municipal services.

6.4 CONCLUSION

This chapter viewed the dissertation as a completed project and reviewed the primary aspects covered in the preceding chapters. A number of recommendations were made on debt and income collection. The proposed recommendations, if properly applied, are expected to alleviate the problem of non-payment for municipal services. Furthermore, the proposed recommendations are expected to make the credit control policy more effective.

From the discussion in the previous chapters, it can be deduced that the continuation of a non-payment culture for services rendered, which has already strained financial resources at the disposal of municipalities, can lead to the eventual collapse of local government as an independent sphere of government. The status of local government as an independent sphere of government can be reinforced if municipalities are financially viable and sustainable.
The research has shown that non-payment for municipal services has an effect on service delivery and development. Furthermore, municipalities have been forced to increase tariffs because they have to budget for non-payments. This means that customers who are paying are subsidising those who are not. There is always a danger that the more disciplined and paying customers can join the non-payers if an effective credit control policy is not enforced. Non-payment and failure to implement effective credit control measures can have an effect on the credit ratings of municipalities. If a municipality cannot command a good credit rating it is difficult for it to obtain loans from financial institutions to finance capital projects like infrastructure and the provision of houses. This could directly affect investment and tourism in the Nelson Mandela Metropolitan Municipality.

Results from the empirical survey of city treasury officials at the Nelson Mandela Metropolitan Municipality confirmed the assumption made in Chapter one, namely that the current credit control policy has failed to deal with outstanding municipal arrears. The survey also answered key questions posed in Chapter one.

Based on a review of various policy models, one model, an integrated model for policy-making, as proposed by Van Niekerk et al. (2001:99), was selected and proposed for universal application by South African municipalities (see page 109 Chapter 5).
In conclusion it must however, be stated that a credit control policy on its own cannot reverse the culture of non-payment of municipal services. Municipalities should broaden their efforts and look for other measures to deal with the problem of non-payment for municipal services. All stakeholders should commit themselves to finding sustainable solutions. This requires maturity and political wisdom from political representatives and astute managerial skills from public officials.
BIBLIOGRAPHY


Brown, N. 2001. Interview with the Credit Control Manager, City Treasury Department, Nelson Mandela Metropolitan Municipality on effectiveness of the current municipal credit control policy.


Taylor, J.D. 1998. *A study of Councillor training at selected municipal authorities in the Province of the Eastern Cape.* Unpublished thesis for the degree M-Technology (Public Management), in the Faculty of Commerce and Governmental studies, Port Elizabeth Technikon.


Dear Sir/Madam

The attached questionnaire is part of my M Technology Study Project at the Port Elizabeth Technikon (Faculty of Commerce and Governmental Studies). I am engaged in an investigation of the municipal credit control policy with specific reference to the Nelson Mandela Metropolitan Municipality.

Your co-operation in the completion of the questionnaire from your particular vantage point would be much appreciated, as the information gleamed would be of valuable assistance. The questionnaire has been structured in such a manner that it will require maximum of ten minutes to complete. Your response to the statements will make a profound contribution to the eventual outcome of the research.

No names or other identification need be furnished; complete anonymity is guaranteed. All the information will be strictly confidential and it would be impossible to identify an individual on the strength of the results included in the final report. The aim of this research is to develop a normative model for municipal debt collection.

Thank you for your kind co-operation in this matter. Your completed questionnaire can be handed back to me.

Yours faithfully

ISRAEL TSATSIRE
(RESEARCHER)
ANNEXURE “2”

SECTION A

Biographical details

Please mark the applicable block with an “X”

Age group (in years)

1. 20-30  2. 31-40  3. 41-50  4. 50+

Mother tongue

1. IsiXhosa  2. English  3. Afrikaans  4. Other

Gender

1. Male  2. Female

Highest Educational Qualification

<table>
<thead>
<tr>
<th>Standard passed</th>
<th>1. 6</th>
<th>2. 7</th>
<th>3. 8/9</th>
<th>4. 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate passed</td>
<td>1. Diploma</td>
<td>2. Degree</td>
<td>3. Post Degree</td>
<td></td>
</tr>
</tbody>
</table>

Level of employment

SECTION B : QUESTIONNAIRE

PLEASE MARK THE APPROPRIATE BLOCK WITH AN ‘X’

<table>
<thead>
<tr>
<th>LEGEND</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 = Strongly Disagree</td>
</tr>
<tr>
<td>2 = Disagree</td>
</tr>
<tr>
<td>3 = Undecided</td>
</tr>
<tr>
<td>4 = Agree</td>
</tr>
<tr>
<td>5 = Strongly Agree</td>
</tr>
</tbody>
</table>

Please note that the following statements have not been constructed to favour a particular response

1. All stakeholders (civics, political parties, trade unions, councillors and officials) should participate in the formulation of a credit control policy.

2. There is a poor working relationship between councillors, officials and trade unions within the Nelson Mandela Metropolitan Municipality, and this is affecting the implementation of the credit control policy.

3. The current credit control policy is not being implemented properly.

4. The Treasury Department does not present accurate data in an informative format when submitting reports to Council, as well as to other relevant committees on municipal services debt.

5. The current credit control policy has failed to deal with municipal debt collection.

6. There is limited political commitment from councillors to make the credit control policy work.

7. The Treasury Department does not have the managerial and administrative capacity to implement the credit control policy.

8. The Treasury Department does not respond to customer queries and the rectification of errors timeously.

9. The Treasury Department is not customer friendly.
10. Municipal customers do not have confidence in the municipal billing system.

11. The Treasury Department does not have a strategic plan to deal with municipal services debt.

12. Existing legislations (Acts, Ordinances, By-laws) need to be amended to ensure effective and efficient implementation of debt collection measures.

13. The Treasury Department does not have the administrative capacity to implement the indigence policy.

14. Employees at lower levels do not know the mission statement of the Treasury Department.

15. Existing officials should undergo regular orientation training.

16. Results of performance appraisals in the Treasury Department are not being used to identify training needs of employees.
ANNEXURE “3”

THE CREDIT CONTROL POLICY-2001

(NELSON MANDELA METROPOLITAN MUNICIPALITY)

<table>
<thead>
<tr>
<th>HOUSEHOLD INCOME (MONTHLY) R</th>
<th>DOWN PAYMENT/ MONTHLY INSTALMENT</th>
<th>MAXIMUM REPAYMENT PERIOD (MONTHS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 500</td>
<td>R10,00 towards arrears (Interest accrued to be placed in suspense)</td>
<td>N/A</td>
</tr>
<tr>
<td>(Not indigent)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>501 – 800</td>
<td>Current account + R10,00 on arrears (Interest accrued to be placed in suspense)</td>
<td>N/A</td>
</tr>
<tr>
<td>(Not Indigent)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>801 – 1 500</td>
<td>Current account + R25 on arrears (Interest accrued to be placed in suspense)</td>
<td>N/A</td>
</tr>
<tr>
<td>501 – 2 500</td>
<td>Current account and R75 or monthly interest on arrears + R1, whichever is the greater (use attached table to determine instalment)</td>
<td>N/A</td>
</tr>
<tr>
<td>2 501 – 4 000</td>
<td>Current account + maximum instalment of R100 on arrears</td>
<td>30</td>
</tr>
<tr>
<td>4 001 and above</td>
<td>Current account + maximum instalment of R200 on arrears</td>
<td>24</td>
</tr>
</tbody>
</table>
General notes regarding arrangements with household other than Indigent:

• Account holders must apply in person or any other person with authority from the account holder. After arrangement all legal action is stopped.
• When concluding an arrangement, the debtor must pay current account and first instalment in full.

• The onus is on a debtor to ensure that stop order payments remain sufficient to cover current accounts.
• Interest will be charged on all overdue amounts at the prescribed rate.
• Arrear amounts pertaining to assisted house-wiring / ready board loans are to be included into the calculations regarding arrangements.
• The debtor must sign a consent to judgement and enter into a contractual arrangement pertaining to all relevant conditions of this policy.
Annexure “4”

The Indigence Subsidy Scheme-2001

(Nelson Mandela Metropolitan Municipality)

Council introduced an Indigence Subsidy Scheme during July 1997, in terms of which households with a combined gross income of R800,00 per month or less, in respect of all occupants residing on the same property, and where the account holder does not own more than one property, could qualify for assistance.

1. Service Subsidised and the Extent of the Subsidy

1.1 Households, where the combined gross income of all occupants over 18 years of age does not exceed R570,00 per month:

100% subsidy on general rates, general service charges, sewerage, refuse removal and fixed water charges;

1.2 Households, where the combined gross income of all occupants over 18 years of age exceeds R570 but does not exceed R800 per month:

50% subsidy on general rates, general service charges, sewerage, refuse removal and fixed water charges;

1.3 In the case of a metered water supply, a 100% subsidy of 6 kl of water with a concession of up to 12 kl, however, if consumption exceeds 12 kl per
metering period (month), the consumer will be charged for actual consumption exceeding 6 kl, at normal tariffs.

2. CONDITIONS

2.1 Supply of water may be restricted by a flow-control washer;

2.2 Electricity will not form part of the subsidy, but arrears on electricity as well as assisted wiring (including capital not due yet) will be included in the relevant suspense account of that household. Tampering and tampering related charges will, however, not be included in the suspense account.

2.3 Indigent households must convert to pre-payment electricity meters in due course.

3. TO APPLY FOR THE SUBSIDY

3.1. The account holder, of a household who qualifies as Indigent, must apply in person and must bring along the following document:-

a) The latest municipal account(s) in his/her possession;

b) Identity documents of all occupants residing on the property over 18 years of age;

c) Proof of income of all occupants residing on the property over 18 years of age.
3.2 Applications may be made at the following “Indigent Offices”:

a) Brister House  
   Govan Mbeki Avenue, Central

b) Councillor’s Office – Walmer  
   9th Avenue, Walmer

c) Community Centre – Gelvandale  
   Liebenberg Road

d) Korsten Cash Office  
   Cnr Durban Road and Ablett Street

e) Cleary Park Cash Office  
   Cleary Park Shopping Centre, Standford Road

f) New Brighton Cash Office  
   Ntshekisa Road, New Brighton

g) Motherwell Cash Office  
   Motherwell Shopping Centre, Tyinira Street

h) Mthombolwazi Cash Office  
   Addo Road, Motherwell

i) Zwide Cash Office  
   Johnson Road