AN EVALUATION OF THE RELATIONSHIP BETWEEN PAYMENT OF RATES AND SERVICE CHARGES AND THE CAPACITY OF THE MUNICIPALITY TO DELIVER SERVICES WITH REFERENCE TO MNQUMA LOCAL MUNICIPALITY

By

Nosiphiwo V. Zondani

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Supervisor: Prof. R.S. Masango
DECLARATION

I declare that the dissertation on: An evaluation of the relationship between the payment of rates and service charges and the capacity of the municipality to deliver services with reference to Mnquma Local Municipality is my own work and that it has not been submitted for any degree at any university.

N.V. Zondani

Signature……………………
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ABSTRACT

Various allegations have been levelled against certain local authorities in South Africa. These allegations include poor governance, maladministration, corruption and poor service delivery. Some of the South African municipalities are unable to deliver sufficient services to the people due to financial instability. On the other side the fact that the municipalities have to generate their own revenue is no longer sufficient. However, government, both national and provincial has to support the municipalities in terms of their capacity to provide services.

While government has to provide services to the people to ensure their welfare, people from local communities should also support the continuous provision of these services by paying for municipal rates and services. These may include services such as water, refuse removal and electricity as well as property taxes. The main issue is that these services are not readily available, for instance water has to be purified.

The situation at Mnquma Local Municipality as indicated in the financial and other reports is such that there is a very slow payment of rates and services, which leads to the municipality relying mostly on government grants, and this puts a heavy strain on service delivery by the municipality. Seemingly, it has been long that rates and services have not been paid in Butterworth—even before the restructuring of the municipality (i.e. before the Mnquma Municipality came into being). However, if alternatives could be found to enhance regular payment of rates and services the municipality might improve in terms of its capacity to deliver services.
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CHAPTER ONE

GENERAL BACKGROUND

11. Introduction
This chapter introduces the study on the evaluation of the relationship between the payment of rates and service charges and the capacity of the municipality to deliver services with reference to Mnquma Local Municipality. The chapter starts with the background to the study and entails among other things, the rationale to the study, the research problem statement, the hypothesis, and objectives of the study, the research methodology, limitations of the study, ethical considerations, literature review, and ends with the overview of chapters.

1.2 Background to the study
This study on the evaluation of the relationship between the payment of rates and service charges and the capacity of the municipality to deliver services with reference to Mnquma Local Municipality was triggered by amongst other things media reports. There have been reports about huge debts of municipalities in South Africa and it has been noted that the major problem facing many municipalities is the small revenue base in the poorer areas (Democratic Alliance, 2008). This suggests that debts might have a negative impact on the functioning of municipalities.

Based on what has been said in the previous paragraph about linking municipal debts with the problem facing municipalities i.e. having small revenue base, the Integrated Development Plan (Mnquma Local Municipality, 2002:25) identifies key financial problems encountered by the municipality, and amongst those is the slow payment of rates and service charges. This leads to an assumption by the researcher that, some community members are not paying their rates and
service charges on time. According to an interview conducted by the researcher with Mrs. T. Ntshanga, (Chief Financial Officer-Mnquma Local Municipality) on 4 March 2008, the situation is that rates and service charges are being paid by the residents but in a sluggish manner. She further identified that, in terms of generating income the municipality relies mostly on property rates compared to service charges.

The White Paper on Local Government (Republic of South Africa, 1998:2) states that, historically, most local government revenue in South Africa was self-generated mainly through property rates and the delivery of services to residents and businesses. Looking at the situation currently, self-generated revenue by municipalities is no longer adequate, for instance municipalities in the Eastern Cape have been plagued by allegations of poor governance, lack of service delivery, corruption and maladministration (Special Investigating Unit, 2008)

According to Section 151 of the Constitution of the Republic of South Africa, 1996, local government should provide services to communities in a sustainable manner. Local government is the lowest sphere of government in the South African government structure and it consists of different categories of municipalities. For municipalities, therefore, to be able to realise the objective stated in the above-mentioned section of the Constitution, they require a viable financial resource base. Seemingly, property rates and service charges were originally the main sources of municipal finance, but they are no longer the only sources. On that point, the White Paper on Local Government (Republic of South Africa, 1998:110) indicates other sources of municipal finance except property rates and service charges, for instance intergovernmental transfers, revenue from the fuel levy, the Regional Services Council and Joint Services Board. The latter two are specifically for metropolitan and district municipalities.

According to Section 230 of the Republic of South Africa Constitution, 1996, municipalities may also raise loans for capital and current expenditure.
Craythorne (1997:362) refers to such loans as those raised externally to the resources of the municipality. He also believes that loans to cover current expenditure refer to obtaining bank credit or an overdraft. The researcher has found it important to assess, the fact that a municipality has to deliver services with the financial support specifically from rates and service charges, particularly at Mnquma Local Municipality. On the other hand there might be possible reasons for the slow payment of rates and service charges. It is also a responsibility of the researcher to assess these.

1.3 Rationale for the study

Mnquma Local Municipality has been chosen for this study because it is one of the municipalities in the Eastern Cape investigated on the allegations of corruption and maladministration which then leads to poor governance and lack of service delivery (Special Investigating Unit, 2008). During 2005 and 2006, Mnquma Local Municipality had to face a number of industrial actions such as strikes by employees against political office bearers (such as the mayor) as well other municipal officials. On the other side were the members of the society around Mnquma Local Municipality complaining of poor service delivery. As the researcher stays in the vicinity of the Mnquma municipality, she knows very well that for very long at Mnquma Local Municipality, residents have not been paying their rates and services, in particular those living in Butterworth. This has all triggered an interest to do the research in order to find out to what extent rates and service charges are being paid so as to support financial viability of the municipality, and the main focus is on the period 2006/07/08.

Recent media reports indicated that municipalities in the Eastern Cape Province have been plagued by allegations of poor governance, lack of service delivery, corruption and maladministration (Special Investigating Unit, 2008) Mnquma Local Municipality is no exception in this regard. Looking at the situation at Mnquma Municipality in terms of the Integrated Development Plan (Mnquma Local Municipality 2002:25), the municipality is currently relying on property rates
and government grants with capital works being funded by Municipal Infrastructure Grant. Among the identified key financial problems are the small revenue base, a lack of financial strategy and slow payment of rates and service charges. As reflected on the Integrated Development Plan (IDP), all the identified financial problems are accompanied by little or no improvement in service delivery.

From what has been highlighted above as the situation in Mnquma municipality, the reasons for the introduction of this study on the evaluation of the relationship between the payment of rates and service charges and the capacity of the municipality (particularly Mnquma Local Municipality) to deliver services can be deduced. The findings from this research study could be useful to:

- improve financial management strategy of Mnquma Local Municipality
- enhance regular payment on rates and service charges.
- improve the municipality’s capacity to provide services to the community.

1.4 Statement of the research problem

In South Africa municipalities are known to have huge debts and this suggests that self-generated revenue is no longer adequate for municipalities in relation to undertake their activities. On the other hand, some of the municipalities in the Eastern Cape are associated with poor governance, lack of capacity as well as corruption and maladministration. Mnquma Local Municipality is no exception in this regard, hence the problem to be addressed in this study is:

To what extent do residents living in the Mnquma Local Municipality pay rates and service charges to support the financial viability of the municipality to be able to provide services?

1.5 Hypothesis

The hypothesis of a research study is a tentative statement that proposes a possible explanation to some phenomenon or event. It is also referred to as a testable statement, which may include a prediction (Answers.com Dictionary, 2008). For this research study, the following is the hypothesis:
Regular payments of rates and service charges by municipal residents might lead to effective and efficient service delivery by municipalities.

1.6 Objectives of the study
The White Paper on Local Government (South Africa, 1998:2) states that, historically most local government revenue in South Africa was self-generated, mainly through property rates and the delivery of services to residents and businesses. This shows that rates and service charges seem to be the most important component of municipal finance, hence the researcher’s interest in assessing the extent at which rates and service charges are paid particularly to Mnquma Local Municipality in relation to the delivery of services by the municipality. The objectives of this study are as follows:

- to establish whether the payment of rates and service charges contribute on the financial viability of Mnquma Local Municipality.
- to come up with more strategies to enhance regular payments regarding rates and service charges and
- to establish whether it is necessary to improve the financial management strategy of the Mnquma Local Municipality.

1.7 Research methodology
Research methodology refers to the way in which a researcher plans to collect information or data. The research method in terms of achieving the objectives of this study is a qualitative form of research. The qualitative research method normally relies more on verbal data than on numeric data. The sources of data for the study are therefore both a theory search (secondary sources such as books, journals, and publications) and an empirical survey. Questionnaires as an instrument to collect data have been designed by the researcher and were distributed to both the municipal officials as well as the municipal customers/clients (i.e. residents and businesses). About thirty of these questionnaires were distributed randomly to the municipal officials. At the same
time fifty questionnaires were distributed randomly to members of the community who are both municipal customers and rate-payers (including businesses). Respondents were allowed about one week to look at and to return completed questionnaires.

A simple random sampling was utilized to select municipal officials from sections such as the rates and services payment section as well as the finance division. Members of the community residing in different Mnquma Local Municipality townships and suburban areas were also randomly selected. According to Bless and Higson–Smith, (1995:89) a simple random sampling is a sampling procedure, which provides equal opportunity of selection for each element in a population. The sources of data for the study are therefore both a theory search (secondary sources such as books, journals, and publications) and an empirical survey.

Mnquma Municipality is made up of three small towns but the unit of analysis will be the Butterworth municipal offices. Butterworth was chosen because this is where the head offices for the Mnquma Local Municipality are situated and where there are a number of townships and suburban areas with ratepayers and service users, making use of refuse removal, water supply and electricity.

1.8 Limitations of the study
According to Maree (2007:42) limitations of the study refer to possible challenges that could affect the research such as time limitations, access to participants and how the researcher intends dealing with these concerns. On the other hand Withal and Jansen (1997:35) refer to the acknowledgement of the limitations of the research as important. These authors say, acknowledging the limitations of the study empowers the reader to appreciate the constraints that were imposed on the study and to understand the context to which the research claims are set
The study on the evaluation of the relationship between the payment of rates and service charges and the capacity of the municipality to deliver services with reference to Mnquma Local Municipality is undertaken within three important limitations or challenges. Firstly, one of the possible limitations the study can encounter is the issue of resources. This particularly refers to financial resources. A researcher often undertakes a study without having any funds to finance all the activities of the study such as transport fees to access research sites and purchasing the required stationery or any material. However in all that, the researcher will do the necessary to finance the activities of the study as required.

Secondly, there are time constraints. The researcher might have limited time if she cannot take study leave and this might lead to not having adequate time for the study. However, the researcher should apply a time management principle in an attempt to complete the study as well as to focus on her work. In other words, the researcher should try to make use of the available time in the most effective and efficient way, which amongst other things requires planning.

Lastly access to research sites and availability of participants need to be finalized. The researcher had no permission to access municipal offices at all times or to meet with community members at any time. This means that, the researcher had to make appointments with both groups of participants, i.e. municipal officials and members of the community, and there was no guarantee that she would meet all the required number of participants (as per the size of the sample identified). In other words, there was also no guarantee of the availability of all participants.

1.9 Ethical considerations
In collecting the data to achieve the objectives of this study, it was important to emphasis on the issue of ethics. Recent research has found that, “ethics refer to a process by which we clarify right and wrong and act on what we take to be right i.e. a set or system of moral principles that is generally applied” (Du Toit et al.,
Ethics in research therefore refers to what is an acceptable behaviour or rules’ starting from the way the researcher formulates and ask questions. In interviewing people, a researcher has to acknowledge the respondents’ privacy, maintaining confidentiality of data, preserving the anonymity of respondents as well as using the information gained for research purposes only.

In terms of this research study, ethical issues were considered to ensure the success on the achievement of the overall objectives of the study. Important issues as far as this study is concerned, were to ensure that it is:

- **Doing no harm to the participants** - this particularly refers to sources of data such as individuals who were going to be interviewed and those who had to fill in questionnaires. In this research study every participant had the right not to fill in questionnaires and even those to be interviewed had a right to refuse divulging certain information.

- **Doing no harm also to the data** - data was going to be utilised for research purposes only. Again, the participants were assured that no other person would have access to interview data as well as the data obtained through questionnaires. In other words, where necessary, confidentiality was maintained and respect was shown to those involved.

- **Preserving anonymity** in this study was one of the critical issues in that, the names of participants were not used, other ways of identifying them such as by numbers were used.

- **No physical harm** was done to any participants of this study.

### 1.10 Literature review

The literature review discusses published information in a particular subject area, and sometimes information in a particular subject area within a certain period or it can be just a summary of the sources but is usually an organised pattern and combines both summary and synthesis (University of North Carolina, 2008). According to De Vos and Fouche (1998:104), the literature review demonstrates
that a researcher is thoroughly knowledgeable about related research, and the intellectual traditions that surround and support the study.

With regard to this research study, a thorough literature review was done. Relevant books on municipal finance and municipal administration, publications, and previous years’ research reports have been consulted to determine whether this research topic has been researched previously. Government policy documents, such as the Republic of South Africa Constitution, 1996, also have been consulted. Local government legislation, such as the Municipal Finance Management Act 56 (2003) and the Local Government White Paper (1998) has also been consulted. Furthermore, there are other forms of local government legislation such as the Draft Property Rates Bill for Department of Provincial and Local Government (2000), the Local Government Municipal Fiscal Powers and functions Act 12 of 2007, as well as the Local Government Municipal Systems Act, 32 of 2000.

The Republic of South Africa Constitution, 1996, Section 229 deals with municipal fiscal powers and functions. This section provides a guideline that municipalities must adhere to as regards the imposition of rates on property and fees for services provided by or on behalf of the municipality. This suggests that municipalities have a legitimate right to impose rates on property and fees on services provided in order to generate income.

The Local Government White Paper 1998:115 identifies other sources of municipal finance except tax on property and service charges. These may include, among others, the fuel levy and the Joint Services Board, and the Regional Services Council, which are basically sources of revenue for metropolitan and district municipalities. Other sources of municipal finance identified include, intergovernmental transfers. Lastly, in relation to the research study, the Local Government White Paper 1998:93 provides principles to be considered by municipalities for service tariffs.
The Local Government Municipal Finance Management Act (No. 56 of 2003), Section 34 deals with capacity building of municipalities by provincial and national governments and Subsection (2) specifies that the two spheres of government i.e. provincial and national spheres of government must support the efforts of municipalities to identify and resolve their financial problems.

The Local Government Municipal Fiscal Powers and Functions Act (No.12 of 2007), Chapter 2 provides an authorisation of municipal tax while, the Local Government Municipal Systems Act (No. 32 of 2000) Chapter 8 deals with municipal services, for instance, Section 76 provides mechanisms for the provision of services.

Relevant books consulted in this study include Craythorne (1993:216) provides detail as regards property rates by municipalities. He provides information on how to go about valuating properties so as to impose rates or taxes. Gildenhuys, (1997:13) deals with local government revenue, user charges, consumer tariffs and nominal levies. Fourie and Opperman (2007:159-168) discuss the nature and purpose of property rates as well as the nature and purpose of service charges by municipalities. Furthermore Fourie and Opperman (2007:159-160) refer to property rates as the main source of income for municipalities to finance such services. Gildenhuys (1997:100) provides the main purpose of user or service charges, as these are there not to provide additional revenue but to relieve taxpayers of a very heavy tax burden and to spread the burden more equitably.

1.11 Overview of chapters

Chapter 1, deals with the introduction to the study. It entails among others, background to the study, the rationale to the study, the problem statement, the hypothesis, the objectives of the study, the research methodology, limitations of the study, ethical considerations, the literature review, and the overview of chapters.
Chapter 2, deals with an analysis of the role of municipalities in service delivery. The chapter further provides an identification of municipal sources of finance and detail is given on property rates and services charges.

Chapter 3, focuses on municipal billing and the payment of rates and service charges as well as the state of outstanding payments on municipal rates and service charges during the financial years 2006-2007/08 and the impact this had on service delivery at Mnquma Local Municipality.

Chapter 4, the chapter on the research methodology focuses on analysing the data obtained through the identified method according to the responses (from questionnaires). The only data analysis strategy used here will be scanning of the data by reading the data, checking for incomplete, inaccurate, inconsistent or irrelevant data.

Chapter 5, focuses on the findings of the study and as well as the proposals for implementation, the conclusion to the entire research study and lastly the list of references.
CHAPTER TWO

ANALYSING THE ROLE OF MUNICIPALITIES IN SERVICE DELIVERY

2.1 Introduction

This chapter entails analyzing the role of municipalities in service delivery by the government. Before looking at the role of municipalities in the provision of services to the public or community, it is important to give a brief background about the existence of the municipalities first. A municipality can be defined as an administrative entity composed of a clearly defined territory and its population and commonly referring to a city, town, or village, or a small grouping of them. In most countries, a municipality is the smallest administrative subdivision to have its own democratically elected representative leadership. A municipality is also referred to as a political unit, such as a city, town, or village, incorporated for local self-government, a body of officials appointed to manage the affairs of local political unit (Answers.com, Dictionary 2008). The South African government has a specific structure and therefore it is important to indicate where municipalities fit in the entire structure. Throughout the chapter, the sources of municipal revenue are identified, an explanation for each is given and particular attention is paid to property rates and service charges.

The following are the topics to be covered throughout this chapter: background to the role of the municipalities, the South African government structure and the status of municipalities. The role of the municipalities in public service delivery will be also discussed with reference to their functions and powers, basic services provided by municipalities and lastly the principles guiding municipalities through the process of service delivery are identified and explained. Different approaches to deal with service delivery are identified and an explanation is given. The identification and explanation of municipal sources of revenue as means to provide services will be discussed and lastly there is conclusion.
2.2 Background to the role of municipalities

The Republic of South African Constitution Act 108, 1996 established a three-tiered system of government. Local government was established as a separate sphere and given primary responsibilities for service delivery, (Fourie and Opperman, 2007: 2). According to Ismail et al (1997:65) local government or local authorities have existed since the early days and they were providing several basic services for the citizens in their area of jurisdiction. Ismail further indicates that, in the early days, it was possible for local governments to issue things like birth certificates and travel documents for their communities, but today these functions fall within the scope of the central government.

Looking at the South African government structure, Du Toit et al (2002: 63) the local government sphere consists of municipalities. According to Fourie and Opperman (2007: 2) local government is where service delivery begins. They further state that, local government is about what happens in our homes, streets and in our communities. This therefore implies that municipalities are local government themselves and that they are the ones who deal with the actual service delivery to the communities. According to the Local Government Municipal systems Act (No. 32 of 2000), a municipality is an organ of state within the local sphere of government exercising legislative and executive authority within a particular area. In paragraph 2.3 the South African government structure is illustrated and the main purpose is to indicate the position of the municipalities in the entire South African government structure.
2.3 The South African government structure

According to Du Toit et al (2002:63) the South African government has a hierarchy of government institutions. These are also referred to as the spheres of government. In section 40 of the Republic of South Africa Constitutional Act (No. 108 of 1996), these spheres are described as distinctive, interdependent and interrelated. This ensures that these institutions or spheres of government are interacting with each other so as to ensure effective governance. Governance, according to Du Toit et al (2002:64) comprises the connections, interactions between national, provincial and local authorities and the public they serve. This further refers to good, stable and regular connections and interactions between authorities on all levels of government and the public they serve as the good examples of governance.

Looking at the structure in fig. 2.1 we see that the South African hierarchy of institutions consists of the national government, provincial government and local governments, which again consists of municipalities. Previously it has been noted that local government is where service delivery actually begins. As already mentioned local governments consisting of municipalities, with three categories of municipalities

Section 155 (1) of the Republic of South Africa Constitution Act (No. 108 of 1996 provides for the three categories of municipalities as follows:

- Category A municipalities: these are municipalities with exclusive municipal legislative and executive authority in their areas. Examples of these municipalities are metropolitan type of municipalities. Fourie and Opperman (2007:4) refer to metropolitan municipalities as those municipalities characterized by high population density, intense movement of people, goods and services, multiple business districts and industrial areas, and a centre of economic activity with a complex and diverse
economy. Ismail et al (1997:70) refer to a category A municipality as a single category municipality.

- **Category B municipalities**- these are municipalities sharing municipal legislative and executive authority in their areas with a category C municipalities within whose areas they fall. Examples of these municipalities are local municipalities. Fourie and Opperman refer to local municipalities as those municipalities in areas that do not meet the criteria set out for metropolitan municipalities.

- **Category C municipalities**- these are municipalities with municipal legislative and executive authority in an area that includes more than one local municipality. Examples may include district type of municipalities. According to Fourie & Opperman (2007:4), all local municipalities fall within the area of a district municipality.

In South Africa, district municipalities and metropolitan municipalities are subdivisions of the provinces, and local municipalities are subdivisions of district municipalities, (answers.com Dictionary 2008)

Below is the structure of the South African government as adopted from Du Toit et al (2002: 63). This structure clearly indicates the position of the municipalities in the government hierarchy of institutions in South Africa. It also indicates the different categories of municipalities as explained above.
2.3.1 THE STATUS OF THE MUNICIPALITIES

Section 15, (1-4) of the Republic of South Africa Constitution Act 108, 1996 provides for status of municipalities. Firstly, Subsection 1 states that, the local sphere of government consists of municipalities, which must be established for the whole of the territory of the Republic. Subsection 2 gives clarity with regard to the executive and legislative authority of municipalities. According to this Subsection (2), the authority of municipalities both executive and legislative authority is vested in its municipal council.
Again, looking at Subsection 3 of Section 151 of the Republic of South Africa Constitution Act (No. 108 of 1996) a municipality has the right to govern, on its own initiative, the local government affairs of its community subject to national and provincial legislation. Lastly, Subsection 4 of the above-mentioned Section 151 forbids national or provincial government obstructing a municipality’s ability or right to exercise its powers or to perform its functions.

In an attempt to analyse the above section with its subsections, it is clear that a municipality is an independent entity. Although it has the right to exercise both legislative and executive powers, it has to adhere to national and provincial legislation. Legislation in this sense refers to all policy guidelines, acts, rules and regulations etc, which are made by parliament. In as far as the municipality has the right to govern on its own, Section 154 (1) of the Republic of South Africa Constitution Act (No. 108 of 1996) (dealing with municipalities in co-operative government), states that, the national and provincial governments, by legislative and other measures, must support and strengthen the capacity of the municipalities to manage their own affairs, to exercise their powers and to perform their functions. This implies that municipalities or local governments are the ones involved in the actual service delivery process and in so doing they are supported by national and provincial governments although they are independent bodies. The next paragraph discusses the role of the municipalities in public service delivery.

2.4 The role of municipalities in public service delivery

As already explained, the government of South Africa has a hierarchical structure with three spheres, and the last sphere of is the local government, which consists of municipalities. Local government has been referred to throughout the previous paragraphs as the place where the process of service delivery actually begins. In other words, the municipalities play a crucial role in
ensuring better life for all citizens of South Africa. In an attempt to investigate the relationship between payment of rates and service charges and the capacity of the municipality to deliver services, with reference to Mnquma Local Municipality, the researcher would first analyse the role actually played by municipalities in service delivery. This will be done by means of an explanation of the following: powers and functions of municipalities, basic services provided by municipalities, and the principles and approaches considered by municipalities in service delivery.

2. 4.1 Powers and functions of municipalities

Like any other organ of state, a municipality has certain powers to exercise and as well as functions to perform. Chapter 3 of the Local Government Municipal Systems Act (No. 32 of 2000), for instance deals with the powers and functions of a municipality. Local Government Municipal Systems Act (No.32 of 2000), Schedule 8(2) emphasises that, a municipality has the right to do anything reasonably necessary for or incidental to the effective performance of its functions. Again, looking at the functions and powers of municipalities, Section 156 of the Republic of South Africa Constitution Act (No.108 of 1996) deals with the powers and functions of municipalities. So for instance it states that, a municipality has executive authority in respect of and has the right to administer Local government matters and any other matter assigned to it by national or provincial legislation.

To be specific with regard to the functions performed by local government or the municipalities, Gildenhuys (1997:9) states that local government, in order to achieve its goals and objectives, must carry out specific related functions. He refers to the functions as two groups, namely line functions and staff functions or supporting functions. Du Toit et al (2002:86) refer to the group of functions, i.e. supporting functions as also auxiliary functions. Below is an explanation and identification of examples for each of these groups of functions:
Line functions - Gildenhuys (1997:10-13) refers to these functions as those that directly contribute to the delivery of services to the public. He further identifies the examples of the line functions as follows:

- Control and protection functions — these are aimed at maintaining order between households and individuals and protecting them and their property from all kinds of threats. The following are examples of line functions as given by Gildenhuys (1997:10).
  - building control
  - civil protection
  - fire protection
  - floodwater control
  - land-use control
  - pollution control
  - security
  - traffic and general policing

- Social welfare functions – these are aimed at the social aspects and social development of the community. They have to do with the personal physical health and mental development of the individual. The following are some of the examples of social welfare functions
  - ambulances
  - burial and cremation
  - comprehensive environmental health
  - cultural affairs
  - housing
  - personal health
  - parks, sports and recreation

- Economic welfare functions – this is the last example of line functions as according to Gildenhuys (1997:13). These functions are there to create circumstances and amenities for the
development of economic welfare and prosperity of the individual. Economic welfare functions are aimed at providing and maintaining economic infrastructure for economic development purposes. The following are the examples of economic welfare functions:

- abattoirs
- electricity supply
- fresh produce marketing
- public transport
- roads, streets and rainwater drainage
- sewage disposal
- water supply

Supporting functions (auxiliary functions) – according to Gildenhuys (1997:14) these are functions contributing indirectly, through their support of line functions, to the realisation of the goals and objectives of local government. Examples of supporting functions may include the following:

- auditing
- economic development (residential, industrial, trade and tourism)
- financing
- judicial aspects
- office and secretarial function
- resource supplies
- personnel function
- town planning

From all the discussion of groups of functions, it is definitely clear that there is no group of functions that can be performed without the contribution of the other group of functions. For example, if we refer to the policing function as one of the control and protection functions, there is no way in which the function can be performed without the necessary personnel. In an attempt to explain the role
of municipalities in service delivery, the next section will focus on basic services as provided by municipalities.

### 2.4.2 Basic services provided by municipalities

According to the Oxford Advanced Learner’s Dictionary (Hornby, 2005:1335), a service is that which government or a private company provides so as to satisfy the public needs, such as water supply and electricity supply. Section 152 (1)b of the Republic of South Africa Constitution Act (No. 108 of 1996) states that, local government (i.e. the municipality) has to ensure the provision of services to communities in a sustainable manner. Sustainability in this regard actually refers to providing enough services continuously to ensure the general welfare of the communities. Chapter 8 of the Local Government Municipal Systems Act (No. 32 of 2000) deals with municipal services, for instance Section 73 (1) stipulates that

- a municipality must give priority to the basic needs of the local community;
- a municipality must promote the development of local community; and
- a municipality has to ensure that all members of the local community have access to at least the minimum level of basic municipal services.

The above stipulations of the Local Government Municipal Systems Act (No. 32 of 2000) ensure what has been mentioned earlier, that actual service delivery begins at a local government level.

Gildenhuis (1997:16) says that, for a local government to fulfil its functions, it has to render line- function services to the public. In supporting these public services, specific supporting services must be rendered to the line- function departments. Gildenhuis is of the opinion that, for a local government or a municipality to provide services, there are specific activities to be undertaken. Gildenhuis (1997: 16-22) further classifies the line-function municipal services and identifies activities to be undertaken so as to provide such services as follows:
Control and protection services: These services may include some of the following activities:

- civil protection activities - these activities involve some of the following, coordination of civil protection, preparedness campaigns and training of volunteers;
- security services - these may include activities such as guarding all property of the local government, security control at entrances to public municipal buildings, training of guards and dogs, caring for guard dogs and maintaining electronic control systems;
- traffic and policing services – these may include registration and licensing of motor vehicles, testing of vehicles and issuing of roadworthy certificates and traffic law enforcement;
- social welfare services – these services may include some of the following:
  - ambulance services - these may include, transporting patients by ambulances, maintaining ambulance vehicles and in-service training of paramedical staff;
- personal health care activities - these may include provision and maintenance of clinics, prenatal and post-natal care, inoculation against contagious diseases, fighting AIDS, birth control, rehabilitation of drug addicts and medication;
- cultural activities - cultural activities may include the following, provision and maintenance of libraries, provision and maintenance of art galleries and organisation of art exhibitions;
- housing development activities - these may include ensuring that there is township establishment for the provision of stands, erection of low-cost housing, erection, maintenance and renting of municipal housing, allocation and sale of low-cost housing and any other related activity;
Economic infrastructure services – economic infrastructure services have a number of activities to be considered to ensure the provision of services. These activities may include some of the following:

- **abattoirs** - these may include some of the following: slaughtering of animals, inspection and grading of meat, provision and maintenance of abattoir facilities, destroying infected and contaminated carcasses and meat;
- **electricity supply** - are activities involved: supply and maintenance of streetlights, provision and maintenance of an electricity supply network, building and maintaining substations and inspection of electrical wiring of buildings;
- **public transport** - public transport activities may include, provision and maintenance of public transport facilities, provision and maintenance of pontoons, ferries, jetties, piers and small boat harbours, provision and maintenance of taxi ranks;
- **sewerage disposal activities** – these refer to activities such as construction and maintenance of sewerage systems, inspection of sewerage connections, and supply of sewerage connections to premises of individual users;
- **roads, streets and rainwater drainage** - these include traffic engineering, construction and maintenance of local roads and streets, erection and maintenance of traffic signs and marks, construction and maintenance of paved sidewalks, construction and maintenance of rainwater drainage systems;
- **water supply** – among these activities are the following: construction and maintenance of bulk water supply, construction and maintenance of water reticulation networks, supplying water connections to individual consumers; and
- **solid waste removal** - this includes the following: regular collection and removal of solid waste, recycling of solid waste, supplying solid waste
containers (bins and plastic bags), collection and removal of garden refuse.

These all seem to be the basic services to be provided to communities. Without fresh water, waste removal electricity, provision and maintenance of clinics it is impossible to have a better life or providing for general welfare. Gildenhuys (1997:16) believes that for the line-function municipal services to be provided there has to be supporting function services. Below are the supporting function services to be provided by municipalities as well as the practical activities involved to render the supporting services, (Gildenhuys, 1997: 22-25)

- **financing services** - among other things, financing services include the following: revenue collection, credit control, preparation of operating and capital budgets, keeping records of municipal assets and expenditure administration;
- **auditing and computer services** - these services may involve some of the following activities: appropriation audit (also referred to as budget control), performance auditing and computer training;
- **judicial services** - the main activities here may include, rendering legal advice, debt collection, drafting by-laws and regulations and preparing contracts;
- **office and secretarial services** - activities involved are: providing secretarial services to the mayor and other political office bearers, preparing the agenda for council and committee meetings, keeping minutes of council, committee and management meetings;
- **human resource services** - activities include industrial relations, recruiting of personnel, placing and orientation of new employees, job evaluation, keeping personnel records, personnel development, placing and orientation of new employees;
- **resource supply services** - among these are, issuing stock, inventory management, purchasing and storing stock, calling for public tenders and quotations and managing municipal workshop etc;
• economic development services - the following are the activities involved: economic development research, accelerated development, development of tourist attractions, marketing of the municipality for economic development, establishing industrial, trade and residential townships; and

• town planning services - for these services to be provided the following are the activities to be considered: preparing development frameworks and structure plans, land-use zoning schemes and zoning maps, keeping a zoning register, applications for rezoning, applications for removal of restrictions, applications for the subdivision of land and application for departures.

All the above are the supporting services to the line-function departments. So for instance, it will be impossible for the municipality to provide services (line services) such as electricity, (specifically provision and maintenance of street lights), construction and maintenance of local roads and streets, housing development (specifically the establishment of townships, etc.) without the support of budgets.

In as far as the services provided by municipalities are concerned, Ismail et al (1997:68-69) are of the opinion that local government services are classified as follows:

• Community services – these are all the services provided by the local authority for which no direct service charges are levied on consumers, instead fees are paid indirectly through the payment of taxes. Examples of these may include the community hall, municipal health services, roads and streets, and storm-water drainage.

• Security services - are those services provided to protect the local inhabitants during or after local crises. These services include law enforcement and proactive measures such as civil protection measures and traffic control services.
• **Subsidised services** - are those services that are provided as agency services on behalf of the other levels of government. In these services, national and provincial governments will make transfer payments to local authorities for performing services on their behalf. Examples here may include library services or museum and ambulance services.

• **Commercial services** - are provided according to business principles. The main idea towards the provision of these services is to make a profit. Examples may include electricity, gas supplies, produce markets, abattoirs, urban transport and water.

• **Environmental services** - these are essential services since they deal with the protection of the environment. The examples for these services may include pollution control, conservation and refuse collection.

• **Services of convenience** - these services are rendered for convenience purposes. They include recreational facilities, swimming pools, public parks and municipal ablution facilities. The main aim for providing these services is to create a relaxed and comfortable living environment for citizens.

• **Economic services** – these services may be provided on a cost-recovery basis without making a profit or a deficit. Examples may include the following: housing, building control, vehicle licensing, sewerage, and street cleaning.

As having a detailed explanation of the functions of the municipality, it is clear that the functions that are performed are the means to ensure that certain activities are undertaken so as to render services to the community. Again, these functions indicate that municipalities play a crucial role in the process of service delivery to the public. In an attempt to look at the role of the municipality in service delivery, the next section deals with the guiding principles and approaches to be considered by municipalities in the delivery of services to the public.
2.4.3 PRINCIPLES FOR AND APPROACHES TO SERVICE DELIVERY

There are certain principles and approaches, which municipalities should take into account when dealing with service delivery. In providing these principles and approaches, the Local Government White Paper (1998:93-100) states that the affordability of services should be taken into account. Below are the principles for service delivery as stated by the Local Government White Paper (1998:93-100)

- **Accessibility of services** - municipalities must ensure that all citizens, regardless of race, gender or sexual orientation, have access to at least a minimum level of services. The above White Paper also indicates that accessibility of services does not only refer to making services available but also to making services easy and convenient to use.

- **Affordability of services** - according to the Local Government White Paper 1998, accessibility is closely linked to affordability. In other words even when service infrastructure is in place, services will remain inaccessible unless they are financially affordable to the municipality. The following are means to be considered by municipalities to ensure affordability of services.
  - setting tariffs, which balance the economic viability of continued service provision and the ability of the poor to access services;
  - determining appropriate service levels - service levels, which are too high, may be economically unsustainable and jeopardise continued service provision; and
  - cross-subsidisation within and between services (between low- and high- income users and between commercial and residential users).
• **Quality of products and services** - the quality of services referred to includes attributes such as sustainability for purpose, timeliness, convenience, safety, continuity and responsiveness as regards service users. It also includes a professional and respectful relationship between service providers and service users.

• **Accountability for services** - on this point, it is argued that whichever mechanism may be used by municipalities to deliver services, but the municipal councils remain accountable for ensuring the provision of quality services that are affordable and accessible.

• **Integrated development and services** - municipalities should adopt an integrated approach to planning and ensuring the provision of municipal services.

• **Sustainability of services** - sustainability includes both financial viability and the environmentally sound and socially just use of resources: therefore, ongoing service provision depends on financial and organisational systems, which support sustainability.

• **Value for money** - this principle requires that the best possible use be made of public resources to ensure universal access to affordable and sustainable services.

• **Promoting democracy** - it is argued that local government administration must also promote the democratic values and principles enriched in the Constitution.

• **Ensuring and promoting competitiveness of local commerce and industry** - according to this principle, the job-generating and competitive nature of commerce and industry must not be adversely affected by higher rates and service charges on industry and commerce in order to subsidise domestic users.

All the above-mentioned principles indicate that the process for the delivery of services is not just a process. Municipalities should consider certain principles as
their guidelines to ensure efficient and effective service delivery. It is not enough for municipalities just to deliver services; also have to consider a number of approaches or options in order to deal with service delivery. Below are some of the delivery options that can be considered by a municipality. These are also referred to by the Local Government Municipal Systems Act (No. 32 of 2000) as *service delivery mechanisms*. Part 2, Section 76 of the Local Government Municipal Systems Act (No. 32 of 2000) deals with provision of services. It is argued that a municipality may provide a municipal service in its area or a part of its area through the following mechanisms or approaches:

- **An internal mechanism** - this refers to a department or other administrative unit within its administration, any business unit devised by the municipality (provided it operate within the municipality’s administration and under the control of council). It might be also any other component of its administration.

- **An external mechanism** - this refers to entering into agreement with a municipal entity, another municipality, a licensed service provider, any other institution, entity or person legally competent to operate a business activity, etc. Below are some of the approaches to or mechanisms for provision of services by a municipality as provided for by the Local Government White Paper (1998: 97).

- **Corporatisation**: this mechanism is referred to as most appropriate for municipalities with large areas of jurisdiction such as metropolitan councils. It refers to the separation of service delivery units from the council. It is further explained that where there is corporatisation of service units, those units have their budgets separated from the rest of the municipal budget. Corporatisation may take many forms such as joint venture between municipalities.
• **Public-public partnerships** - these allow for horizontal co-operation between municipalities. They also allow for vertical co-operation to improve co-ordination at the point of delivery. According to the Local Government White Paper (1998:97), municipalities in South Africa are beginning to explore innovative partnership agreements such as partnering with the Post Office for the collection of municipal revenue.

• **Partnerships with community-based organisations (CBOs) and non-governmental organisations (NGOs)** – these are referred to as an effective way of gaining access to external expertise and experience. Partnerships with non-governmental and community-based organisations also stimulate local economic development (LED). Municipalities should consider including the non-governmental and community-based organisations in partnerships with other public or private institutions. An advantage of such a mechanism is that it enables the transfer of skills, creates employment and provides an effective service delivery without draining the capacity of the municipality.

• **Contracting out** - this is referred to as common practice for municipalities. Contracting out means entering into agreement with specialist private companies to provide services. This also means that, when services are contracted out, this can range from the contracting out of specific aspects of a particular service to the introduction of competitive tendering for the delivery of most aspects of a service. It is argued that, where services are contracted out, municipalities should protect standards and promote quality through tender evaluation processes, contract specifications and contract monitoring and compliance techniques.

• **Transfer of ownership** - this refers to the sale of municipal assets as well as responsibility for managing the complete delivery of the service to a private company. This is also referred to privatisation.
Municipalities should therefore take the various options into account during the process of service delivery. Municipal sources of revenue serve as means upon which effective service delivery is based.

2.5 Municipal funding

In the previous paragraphs, a detailed analysis was given of what the role of municipality is in public service delivery. This was done through an identification of powers and functions of a municipality as per different authors as well as relevant legislation with regard to municipal powers and functions. In this paragraph, the focus is on checking the revenue collection by municipalities (sources of municipal finance) as a means to provide services to the community. Revenue is defined by the Oxford Advanced Learner's Dictionary (Hornby, 2005:1252) as money that government receives from taxes or that which an organisation receives from its business. Government revenue comes primarily from taxes but includes all amounts of money received from sources outside the government entity.

It seems that there is a relationship between the capacity of the municipality to deliver services and the financial resources available within a municipality. Hence, the researcher has decided to investigate the extent to which the payment of rates and service charges may impact on the capacity of the municipality to deliver services. Municipal sources of revenue are discussed in the following paragraphs.

2.5.1 Municipal sources of revenue

Before looking at the actual sources of municipal revenue, it is important to note that different spheres of government in South Africa have different sources of revenue, for instance the way revenue is collected by the national government differs completely from the way used by provincial and local spheres of government. However, the budgeting systems utilised by these government spheres are not the same. It is therefore necessary to explain budgeting in the
municipal environment. According to Cloete (1986:69), every public institution has to prepare budgets of income and expenditure. This also applies in a local authority. In addition to that, Fourie and Opperman (2007:96) identify two forms of municipal budget. These are the operating budget as well as the capital budget. These authors refer to an operating budget as consisting of an estimate of operating revenues, which will accrue to the municipality, and of operating expenses, which will be incurred by the municipality over the financial year to which the budget relates. On the other hand, the capital budget is an estimate of the capital, which will be incurred over the relevant financial year, and the sources of finance from which these expenses will be funded. Because the local authority always works with the money of the public, it is essential that records be kept of every financial transaction to enable the local authority to show members of the public or any other enquirer how money has been received and spent. Below are the sources of municipal finance.

2.5.1.1 Property tax

Defining property tax

Property tax is defined as the tax levied against the owner of real or personal property. It is a tax levied on real estate by the local government and is usually based on the value of property (including the land) you own (Answers.com Dictionary, 2008). Fourie and Opperman (2007:160) refer to property tax as a form of property rates and they refer to it as the main source of income to finance municipal services. They define property rates as a non-voluntary legal levy characterised by the fact that its payment does not give rise to a direct quid pro quo between the ratepayer and the municipality. Furthermore, Reddy (1996:200) says that, in South Africa property tax is a valuable source of revenue, primarily used by white local authorities to provide for most of their general services.

According to the Local Government White Paper (1998:114) the major source of local taxation is property tax (rates) and this is currently levied only in urban areas. The Local Government White Paper (1998:114) further indicates that the
owners of property in municipal areas have to pay a tax based on a valuation of their properties in order to finance municipal services. The fact that the property is situated in the geographical jurisdiction of a municipality that delivers services to the site is the basic reason for property tax (Pauw et al 2002: 274).

According to Gildenhuys (1997:74), local governments lack constitutional authority but they derive their taxing power from legislation of higher government authorities. Section 229(1) of the Republic of South Africa Constitution Act (No.108 of 1996) for instance provides the local government with certain powers to impose tax. The provisions of this section are as follows:

A municipality may impose:

(a) rates on property and surcharges on fees for services provided by or on behalf of municipality; and
(b) if authorised by national legislation, other taxes, levies and duties appropriate to local government or to the category of local government into which that municipality falls, but no municipality may impose income tax, value added tax, general sales tax or customs duties.

Besides the provisions of the Republic of South Africa Constitution Act (No.108 of 1996), there is also the Draft Property Rates Bill of October 2000. This bill has been issued to regulate the levying of property rates by municipalities. It is therefore clear that whatever is being done by municipalities as imposition of property tax (rates) should be guided by legislation, as earlier it had been noted that municipalities lack constitutional authority but granted by legislation. Below are the different methods for determining property tax.
Methods for determining property tax (rates)

In the previous paragraph, similar definitions of what property tax (rates) is have been given as per the views of different authors. As already noted, property tax is a tax levied on property such as real estate. It is determined by several factors, such as the use of the land (residential, commercial or industrial), the assessed valuation of the property, and the tax rate expressed in mills (Answers.com Dictionary, 2008). Gildenhuys (1997:79) states that once the capital value of the land and improvements have been established and entered in what is called the valuation roll, there are several possibilities for levying the tax. Gildenhuys (1993:302) gives the three tax systems that may be used in an attempt to levy property tax, namely the flat rating system, the site rating system and the composite rating system. Below is a detailed explanation of these rating systems, Gildenhuys (1993:302-306).

- **Flat rating system** - with regard to this system, Gildenhuys (1993:302) refers to it as the system where real property tax is assessed on the combined value of land and improvements. In other words, when land and improvements are taxed at the same rate, the system is usually a flat rating system.

- **Site rating system** - according to this system, property tax is levied on the value of the land only or the site only.

- **Composite rating system** - in terms of this system, the values of land and improvements are taxed at different rates.

The above-mentioned different systems of property tax (rates) suggest that for whatever is imposed as in the form of a property tax it has to be done considering different ways or systems depending on that particular municipality. In order to impose tax on a particular property, there has to be an assessment of the value of that property, but a question is how and who can be able to do property valuation.
In an attempt to answer the above-mentioned question, it is important to make it clear what a value is. A value is what is considered the market value (price) of the property. Ideally, professional valuers should determine the assessed value Gildenhuys (1997:277) and these may include:

- independent agents whose services are contracted by the municipality;
- officials of the local authority in question; and
- provincial government officials.

The above indicates that in urban areas, property tax is predominantly the major source of income of local authorities, but it is not the only means for the local government to get income or revenue.

2.5.1.2 Service charges

Before looking at what service charges are as one of the means for generating revenue by municipalities, it is of the utmost importance to go back to the question, “which services should be provided by municipality”

In the previous paragraphs, different services to be provided by municipalities have been identified and discussed. In nature government service are collective, quasi-collective and particular. The difference between the three for instance is that collective services are those services, which are collective by nature. In other words, they are non-apportionable and are non-exclusive, e.g. street lights and public libraries. Particular services are those services funded by consumer tariffs or charges which represent a price per unit consumed, e.g. electricity and water. Other services are characterised as being apportionable and these are exclusive. Quasi-collective services have been referred to as having characteristics of both collective and particular services, e.g. preventive health services and fire protection services (Gildenhuys 1993:31-34).

In the view of above, it is important to explain in detail what service charges are. Service charges - as one of the sources of revenue for municipalities - are
described by Fourie and Opperman (2007:168) as charges directly related to the provision of electricity, water and sanitation services as well as refuse removal. The Local Government White Paper (1998:116) states that an important source of local government revenue are the charges which are directly related to the provision of public services, and the majority of these are public utility charges such as electricity and water, which are contribute significantly to the growth of revenue for municipalities. Gildenhuys (1997:98) refers to what has been called service charges as user charges and refers to the user charges, as amounts of money charged for the use of specific local government services. Pauw et al. (2002: 282) refer to those services for which an individual pays a certain amount as these are trading services in that the charges for these services are fixed and therefore the provision of the service should yield a trading surplus, which is transferred to the property rates account.

Looking at legislation with regard to service charges as one of the sources of revenue for municipalities, Local Government Municipal Systems Act (No. 32 of 2000), Section 74 (1) states that the council of the municipality must adopt and implement a tariff policy on the levying of fees for services provided by the municipality itself or by way of service delivery agreement. Section 75(1) requires a municipal council to adopt by-laws to give effect to the implementation and enforcement of its tariff policy. Fourie and Opperman (2007: 167) indicate the most important policy principles that should guide municipalities in drafting their tariff policy as follows:

- **Payment in proportion to the amount consumed**: according to this principle, consumers should be charged (as far as is practically possible) in proportion to the amount of services consumed.

- **Full payment of service costs**: this principle requires that, all consumers, with the exception of the indigent, should pay the full cost of the service consumed.
• **Affordability**: in terms of this principle, the cost of municipal services should be broadly affordable to all consumers and users other than registered or identified indigent people.

• **Ability to pay**: municipalities should develop a system of targeted subsidies to ensure that poor households have access to at least a minimum level of basic services.

• **Fairness**: as one of the principles in drafting tariff policy by municipality, fairness refers to the fact that the tariff policy should be fair in that all people should be treated equitably.

• **Transparency**: this means that the tariff policy should be transparent to all consumers and any subsidies and concessions that exist should be visible and understood by all consumers.

• **Local determination of tariff levels**: according to this principle, municipalities should have the flexibility to develop their own tariffs in keeping with the above principles.

• **Consistent tariff enforcement**: this principle requires that a consistent policy for dealing with non-payment of accounts needs to be developed. This must be targeted and enforced with sensitivity to local conditions.

• **Competitive local economies**: this principle requires that local tariffs must not burden local businesses unduly through higher tariffs as these costs affect the sustainability and competitiveness of such businesses.

The above-mentioned principles imply that whatever municipalities do in order to impose taxes or charges for certain services should be acceptable in that it adheres to the requirements of the above principles as well as legislation.
2.5.2 Other sources of municipal revenue

2.5.2.1 Fuel levy
According to the Local Government White Paper (1998:116), the fuel levy represents a potentially important source of revenue for local government and is best suited for road maintenance. Gildenhuys (1997:109) claims that a levy is paid for a privilege or a right granted by a local government to an individual or business enterprise. Looking at Schedule 5 (Part B) of the Republic of South Africa Constitution Act (No. 108 of 1996) provides for municipal roads to be a functional responsibility of the local government sphere. Therefore, a fuel levy by municipalities is acceptable and is enforced by legislation but its main aim should be to ensure successful maintenance of municipal roads.

From the above paragraph, it is clear that another means of collecting revenue is to charge a fuel levy from those individuals or business enterprise that may be given a right or privilege to run, for example, a petrol station within that particular municipal area. The main purpose is to ensure the possibility of maintaining public roads through utilization of that fuel levy.

2.5.2.2 Regional Services Council and Joint Services Board levies
According to Reddy (1996:203), the Regional Services Councils (RSCs) and Joint Services Board (JSBs) levies were established from 1987 to finance infrastructural development in areas of need and to provide certain collective functions on a sub-regional basis. Reddy further states that Regional Services Councils (RSCs) and Joint Services Boards (JSBs) have representatives from both black and white local authorities according to the value of services consumed. In some areas, these levies have been used to meet financial crises experienced by black local authorities.
Regional Services Council (RSC) and Joint Services Board (JSB) levies are also referred to by Local Government White Paper (1998:115) as a source of revenue for metropolitan and district councils only. In Chapter two, different categories of municipalities have been indicated as local, district and metropolitan municipalities. Seemingly, their way of collecting revenue is not always the same and one should believe that the way it is done is required by the legislation. In terms of the Local Government White Paper (1998:116), the main purpose of Regional Services Council and Joint Services Board levies should be the development and maintenance of infrastructure linked to the needs of the community.

2.5.2.3 Intergovernmental transfers

Intergovernmental transfers are other means for municipalities to get revenue. It is firstly important to explain what the term *intergovernmental transfers* mean. It may, for instance, refer to the transfer of funds between government institutions, for example, the three levels of government at horizontal and vertical levels. Horizontal levels refer to those government institutions that are at the same level, e.g. provinces, or national departments at a national level of government. The vertical level refers to those government institutions that are at different levels, e.g. it may be a transfer of funds between provincial and local government levels. Furthermore, intergovernmental transfers are the dominant source of revenue for sub-national governments in most developing countries. The design of these transfers is of critical importance for efficiency and equity of local service provision and the fiscal health of sub-national governments.

In addition to the above, Reddy (1996:203) states that intergovernmental relations are significant in terms of local government financing. Reddy further identifies the forms of intergovernmental relations or transfers as means of financing local authorities as follows:
• **Subsidies** – according to Reddy (1996:204), subsidies may originate either from central government or from the provincial authorities. These are payments made to local authorities to cover services rendered by the local authorities on behalf of both national and provincial government. On the other hand, local authorities must ensure maximum use of such subsidies and they should not increase the tax pressure on central and provincial tiers of authority.

• **Grants-in-aid** – Reddy (1996:204) refers to these grants as a means of financing local authorities experiencing problems in meeting their obligations. He further provides the different groups of these grants as follows:
  a) *categorical grants* - money is provided for a specific programme, activity or facility for example a water provisioning:
  b) *block grants* - money is provided for a number of projects and activities with spending conditions stated in broad terms only: and
  c) *formula grants* - the amount is calculated according to a predetermined formula without any spending conditions being prescribed.

• Revenue sharing – according to Gildenhuyys (1993:197), revenue sharing means that a specific government level, or a specific government institution, has the authority to exploit a specific tax or revenue source and then to distribute the yield according to a predetermined formula vertically or horizontally amongst the various government spheres at the same level.

  Revenue sharing is referred to by Reddy (1996:204) as taking two forms, i.e. vertical or horizontal. Vertical revenue sharing is found between different tiers of authority within a state. Typical examples of a vertical revenue sharing are grants-in-aid and subsidies. On the other hand, horizontal revenue sharing is found between governments on the same tier of authority. According to
Gildenhuyse (1993:197), horizontal revenue sharing is of great importance in metropolitan and megalopolitan areas where the locality of the revenue source is difficult to identify and where externalities play an important role, for instance in the case of motor vehicle transportation, city planning and air pollution.

With regard to sources of revenue at a local government level, Reddy (1996:206) further provides the new sources of financing for local government as follows:

- **A review of motor vehicle licence income** - this is viewed as being devolved to local authorities, since 90% of all motor vehicles are owned by persons living in the urban areas.
- **A local fuel tax** - this is on visitors to urban areas and on large commercial vehicles as a contribution towards defraying expenses in terms of traffic control and road construction.
- **Tourist tax** - this has the potential to bring additional income from hotels, boarding houses, holiday flats and camping grounds, which suggests that it is the responsibility of local government to invest in and provide support for tourism and to make it a success.
- **Service levies based on direct quid pro quo** - this means that those who benefit from services rendered should pay the price of the service. However, Reddy is also of the opinion that this is difficult, especially in respect of citizens who might require services but who are unable to afford.

### 2.5.2.4 Municipal loans

Loans are another means of raising revenue by municipalities. A municipality may raise loans for bridging finance, which include bank overdrafts, during a financial year only to finance current expenditure based on the anticipated receipt of revenue for that particular financial year (Pauw et al 2002:291-292). They further state that a municipal council may not raise loans in a foreign currency unless it has prior approval of the Minister of Finance, and they may further not raise such loans by issuing marketable financial instruments. This means that
any money that a municipality borrows as well as the interest payable to it is a financial obligation of that municipality and not of any other public institution (Pauw et al. 2002:292).

2.6 Conclusion

As noted at the beginning, this chapter entailed looking at the role played by municipalities in service delivery. It should be clear by now that municipalities play a crucial role to ensure effective service delivery. On the other hand, this contributes to the fact that government has to achieve its objectives. Seemingly, local governments (within the entire government structure in South Africa) are the ones to actually deal with service provision as they are closer to communities.

From the discussion of a number of powers, functions and services of the municipality, it is now important to indicate that for a municipality to provide services it first has to perform certain functions. A municipality has to exercise its powers as prescribed by legislation and other policy documents. In doing so, it needs to have revenue. Municipal sources of revenue include property rates and service charges.
CHAPTER 3

MUNICIPAL BILLING AND PAYMENT OF RATES AND SERVICE CHARGES
AND THE STATE OF OUTSTANDING PAYMENTS AT MNQUMA LOCAL
MUNICIPALITY - 2006/07/08

3.1 Introduction

This chapter first provides a distinction between municipal rates and municipal services. It also provides an analysis of the billing and payment processes for municipal rates and service charges. In doing so, factors contributing to the billing and payment of municipal rates and services are identified and analysed and this has been done with reference to the debtor's management cycle. The next part of this chapter entails an analysis of the state of outstanding payments for municipal rates and services at Mnquma Local Municipality during the financial year/s 2006/07/08. Lastly in the chapter are the conclusion and the list of references.

3.2 Distinction between municipal rates and municipal services

Municipal rates consist of a property tax. According to the White Paper on Local Government (1998:114), property tax is the major source of local taxation and is levied only in urban areas where owners of property in municipal areas have to pay a tax based on a valuation of their properties in order to finance municipal services. The basic reason for property tax is given by Pauw et al. (2002:274) as the fact that such property is situated in the geographical jurisdiction of a municipality that delivers services to the site.

It had been noted in Chapter two that there is also revenue derived from municipal services. In other words, revenue derived from municipal services is referred to as user/service charges. This actually refers to charges related to the
provision of public services. According to Cloete (1997:125), service charges consist of a diversity of levies for services rendered by local authorities, for example, sewer fees, entrance fees to swimming pools, rent for municipal halls and other buildings, fees for the removal of refuse and night soil as well as pound and ambulance fees. Below is a detailed distinction between municipal rates and municipal services.

### 3.2.1 Municipal rates

In the above paragraph, it was explained that municipal rates include property tax. Property tax can be regarded as a tax imposed on land and fixed improvements or buildings, and it is usually imposed by local authorities, Cloete (1995:61). Gildenhuys (1997:101) states that property tax is sometimes called “wealth tax” because property ownership is an indication of a person’s wealth. He further identifies various types of wealth taxation as real property tax, capital gains tax, estate duty and transfer duty and remarks that what is normally referred to as property tax is actually real estate municipal property tax levied on the market value of real property (Gildenhuys 1997:101).

According to Gildenhuys (1993:289), real property tax originated in England, and power to impose it was given to local authorities in order to assess and rate according to the rate of land in every man’s possession or it was enacted that persons be rated according to their estate of goods known. In addition to what has been identified in paragraph 2.3 as the basic reason for property tax, Craythorne (1993:345) states that the owners of property in municipal areas have to pay a tax based on a valuation of their properties in order to finance municipal services. Different methods on how to determine a property tax have been set out in Chapter 2 such as site rating, flat rating and composite rating methods.

Municipalities have a responsibility to ensure that services are delivered to the public. This means they need to have reliable sources of income of which some
may include property tax. Below is an explanation of what municipal services are so as to find out how municipalities derive revenue from services.

3.2.2 Municipal services
A service is something provided by one person, authority or organisation to another person, authority or organisation Craythorne (1997:409). According to Section 152(b) of the Republic of South Africa Constitution Act (No.108 of 1996) one of the objects of local government is to provide services to the community in a sustainable manner. Sustainability in this regard means continuous provision of services. Fourie and Opperman (2007:168) are of the opinion that certain municipal services are divisible in that an individual can choose either to receive the service or to be excluded from using such service when he or she does not pay for it. Pauw et al (2002:282) provide four categories of municipal services:

- **Trading services** - these may include the provision of services such as water, a produce market and electricity to the residents within a municipal area.
  - *Water supply as a trading service* - with regard to the provision of water, Pauw et al (2002:282-283) make a distinction between water service providers (WSP) and water service authorities (WSA) and these authors are of the opinion that municipalities are water service authorities rather than water service providers. This is so because municipalities have a legal obligation to ensure that communities receive water services and can therefore contract out the function to other bodies in the form of public-private partnerships. Therefore, a private body that has been given a contract to provide a water service will be the one referred to as water service provider (WSP). In addition to that, Part 2 (section 76) of the Local Government Municipal Systems Act (No.32 of 2000) provides a number of mechanisms that can be utilised by municipalities in order to provide services in their areas. In the case of Mnquma Local Municipality, Amathole District Municipality
is a water service authority for all the areas under the Mnquma Local Municipality. According to the Mnquma Local Municipality IDP (Integrated Development Plan, 2006) up to the end of the 2005/2006 financial year there has been a service level agreement between the Amatole District Municipality and the Mnquma Local Municipality. In other words, the primary responsibility to ensure that the Mnquma municipality community has access to water and sanitation services rests with the Amathole District Municipality, therefore is not a water service provider (WSP) but a water service Authority (WSA).

Water as one of the trading services is normally referred to as a necessity of life. Water is therefore one of the basic requirements for the communities of a particular municipality. With regard to setting water charges for the water supply, Fourie and Opperman (2007:170-171) are of the view that a municipality may impose a fixed charge per property or per water connection to cover the fixed costs and a consumption charge per kiloliter consumed. They further point out that water is a scarce resource and as a result, many municipalities have a tariff structure for direct consumption, which penalises consumers who use more than a given volume.

According to Pauw (2002:284) the national government committed itself to provide free water to all households but those households who use more than the basic amount, which is six kilolitres of water, will pay more for the extra water they use. In supporting the above statement, Fourie and Opperman (2007:170) state that most municipalities provide the first six kiloliters of water consumed per household per month free of charge although some do so only for registered or identified indigents. Lastly, several water tariff options to be considered by municipalities for water charges are as follows (Pauw, 2002:283-285):
- Flat rate tariff - this option refers to the practice that all consumers pay the same tariff for every kiloliter of water consumed. Fourie and Opperman (2007:170) provide a clear example of a flat rate tariff saying that, if the average cost per kilolitre is R2,00 this tariff will apply to all consumers irrespective of whether they consume ten kiloliters or a million kilolitres per month.

- Lifeline tariff - this tariff option aimed at basic human needs. It aims to comply with the constitutional requirement that all residents must have equitable access to water services.

- The two-part tariff - this is also called a user-related tariff and it consists of a fixed monthly charge to recover the fixed costs associated with the provision of water as well as an operating charge based on the actual volume of water consumed.

- The block rising tariff – this tariff depends on the block into which the volume of consumption falls. According to this tariff option, the cost of consumption is charged according to each block or step.

- Electricity provision as a trading service - according to Pauw (2000:286-287), municipalities may also consider different tariff structures with regard to the supply of electricity service. The following are the identified tariff options:

  - The one-part single energy rate – this tariff option is applicable only to low-consumption residential consumers using electricity for lighting, low-consumption electric devices and a limited amount of cooking and refrigeration. This is also known as a lifeline tariff.

  - The two-part tariff - this tariff includes a fixed monthly charge based on the size of the premises as well as an operating energy charge per unit of electricity consumed. In terms of this tariff option, consumers use electricity for a wide range of applications, such as cooking, heating,
refrigeration, cleaning and entertainment, but the tariff is also applicable to small commercial and agricultural consumers.

- The three-part tariff - this includes a fixed charge, an energy charge and a capacity or demand charge. This tariff is viewed as applicable to larger commercial, industrial and agricultural consumers.

- The time-of-use tariff - this is based on the principle that consumers must be charged a fixed monthly charge and a time-of-use energy charge or a fixed charge, a time-of-use energy charge and a capacity charge. This tariff is viewed as suitable for consumers who can shift their electricity consumption to the off-peak periods, which bring about capacity savings that are beneficial to both consumers and electricity suppliers.

- **Economic services** - the second category of municipal service in terms of this study is the economic services. Economic services include some of the following: housing, sewerage, quarries and farming activities. The charges for the economic services are fixed and only the cost of providing the service may be recovered, without making a surplus or a loss. As regards sewerage services, these consist of waterborne sewage disposal, vacuum or conservancy tanks, or bucket removals. The cost of each of the above sewerage services may be calculated independently to arrive at a tariff (Fourie and Opperman, 2007:169).

- **Subsidised services** – are those municipal services that may include ambulance services, fire-fighting and libraries. The charges with regard to the provision of these services are fixed, but only the cost of providing a service may be recovered, without making a surplus, whilst losses are financed from the property rates account. It is argued that previously municipalities undertook ambulance services on a contractual basis as agents for provinces because ambulance services were originally a provincial function. Because of the fact that provinces were not paying full
agency fees to municipalities, municipalities have decided to cut back on that service (Pauw et al. 2002:290).

- Community services – these services include clinics, street cleaning and traffic control. The municipality provides these services free of charge and the cost incurred for the provision of these services is financed from property rates account.

From the discussion above regarding municipal services and as noted earlier, other means of finance by local authorities are the service charges for those services provided by the municipality to the different categories of consumers. According to Reddy (1996:201), with regard to service charges, the public usually pays for such services by way of user charges, consumer tariffs, nominal levies and sundry revenues. He further distinguishes between these types of taxes as follows:

- **User charges** - these amounts are charged for using public services. The service is not exhausted but available to other users for a prescribed charge, and normally user charges cover services of a quasi-collective nature such as fire protection, health, environmental, educational and preventive health services.

- **Consumer tariffs** - this differs from user charges to the extent that consumer tariffs are paid for public goods that must be replenished as consumption continues. Consumer tariffs are charged for services such as water, electricity and sewerage (these are referred to in paragraph 3.2.2 above as trading).

- **Nominal levies** - these levies do not recover costs of services but are necessary as they serve to relief the tax burden by recovering part of the cost from the consumer. Nominal levies are charged for services that are rendered sporadically or, on special request, or for a privilege or a right granted to an individual or a business enterprise. These may
include charges for trading licenses, dog licenses, building plan fees and searching fees.

- **Sundry revenues** - sundry revenues are determined randomly, without any rational basis. These may include fees for, amongst other things, public library membership fees, rent for the lease of sporting facilities and registration fees. Other sources of sundry revenue may include traffic fines.

As in the case of the distinction between municipal rates and specific municipal services, the focus now will be on the factors contributing to the billing and payment of municipal rates and services.

### 3.3 Factors contributing to the billing and payment of municipal rates and services: Debtors Management Cycle

In terms of Section 96 of the Local Government Municipal Systems Act (No.32 of 2000), a municipality must collect all monies that are due and payable to it, subject to the requirements of the Act and other applicable legislation, and for this purpose a municipality must adopt, maintain and implement a credit control and debt collection policy which is consistent with its rates and tariff policies and which complies with the provisions of this Act.

Looking at the Debtors Management Cycle as discussed by Fourie and Opperman (2007:173), one of the fundamentals of the Debtors Management Cycle is the input which includes a meter reading process, a valuation roll, payments, tariffs and service charges as well as adjustments. The researcher believes that the above-mentioned elements of the Debtors Management Cycle are also the factors contributing to the billing and payment of municipal rates and services. According to Ngxongo (2003:30) municipal services are classified as **metered** as well as **unmetered services**. In terms of this research study the researcher focuses mostly on metered municipal services. Metered services are
those services where consumption can be measured per consumer, such as water and electricity. One of the reasons for these services to be metered might be the fact that these are by nature particular and not collective services and they are provided at a price per unit. Collective services are not sold at a price per unit; they are instead enjoyed by every community member, such as street lights.

3.3.1 Meter reading
In an attempt to clarify the meter reading process, Fourie and Opperman (2007:173) are of the opinion that meter reading is a fundamental link in the metered services operation of municipalities and the way of determining what the consumer will ultimately pay. Like any other process, the meter reading has certain steps that have to be taken into account in order to be successful. Below are the steps in the meter reading process as provided by Fourie and Opperman (2007: 174-175):

- **Meter reading timetables** - this is the first step in the meter reading process. Setting up meter reading timetables facilitates the planning and coordination of the activity. The following kinds of information should be reflected in any meter reading time table:
  - the number of meters to be read:
  - the number of meter readers available:
  - the number of meters that can be read per day:
  - the dates by which readings must be completed to meet the billing cycle dates: and
  - time has to be catered for, to enable validation reports to be run for each reading cycle prior to billing.

- **Meter reading periods** - this step refers to the time that has elapsed between one reading and the next.

- **Meter reading routes** - this refers to the route that the meter reader follows when she or he reads the meters in a street in a specific area. Each municipal area will therefore be subdivided into areas called *routes*
and for each route, there will be route numbers, which refer to a house or property along the route. In addition, route books are drawn up in such a way that the meters to be read are in the same sequence as the houses on the route.

- **Meter reading sheets** - these sheets are designed for the capturing of meter readings. They are used in cases where readings have to be recorded on meter reading sheets when a municipality does not use a hand-held terminal system for capturing meter readings.

- **Capturing of meter readings** – as already noted in the previous step, once the meter reading process is through, the meter reader has to record the readings. Most of the large municipalities use a hand-held terminal system to capture all meter readings, so that the terminal replaces the meter reading sheet as already mentioned.

Once the actual process of meter reading is over, the meter reading books are forwarded to the billing accounts administration section where calculations on how much a consumer of a particular service should pay are made and validated.

### 3.3.2 Valuation roll

A valuation roll is a legal document that consists of property information of all rateable properties within the boundaries of a municipality. It is produced according to legislation at least once every four years (Answers.com Dictionary, 2008). According to Fourie and Opperman (2007:176) the information relating to the rateable value of individual's properties as contained in the valuation roll is the next input into the Debtor Management System. The information relating to each debtor is captured in a debtors’ master file on the municipality’s database and is then used for billing purposes.

According to Cloete (1997:122), one of the activities to be carried out in order to impose property rates may include the appointment of valuers. It is therefore a task of valuers to compile a valuation roll in such a manner that it will show the
name of the owner, provide a description of the property valued, the size of the property, the value of the land and the value of the buildings. This suggests that, in order for the owners of certain properties within a particular municipality to be taxed as a means of municipal finance, the valuers should have all the information as indicated above. On that point, Cloete (1997:122) further highlights that, in order to obtain information on properties, the valuer is authorised to enter and inspect the properties and to require the owners, occupiers or other persons to furnish him/her with the information required. The next element of the Debtor Management Cycle (in terms of factors contributing to the billing and payment of municipal rates and services), is payments.

3.3.3 Payments
As far as the Debtor Management Cycle is concerned, once the meter reading process for the metered services and the valuation roll with regard to properties, are done, billing of accounts commences. Billing refers to the process of sending accounts or invoices to customers for goods or services (Wikipedia, the free encyclopedia 2008). In terms of the Mnquma Credit Control Policy (2003:6), the billing process commences after the readings and invoices shall be due 21 days from the date on the invoice. If the date falls on a weekend or statutory holiday, the due date shall be considered to be the next business day. Accounts are then posted to consumers within the area of jurisdiction of the municipality by the 15 of each month. Below is an analysis of the state of outstanding payments on rates and services charges at Mnquma Local Municipality for the financial years 2006/07/08.

3.4 The State of outstanding payments on property rates and service Charges in Mnquma Local Municipality (2006/07/08)
In the previous paragraphs, a brief discussion of the process on how the municipal billing and payment of rates and service charges should be has been given. This was done by means of an identification of the elements of the
Debtors Management Cycle, which had been highlighted in the study as factors contributing to the billing and payment of municipal rates and services. However, there is also a distinction between municipal rates and municipal services as means of municipal revenue.

Here the researcher analyses the state of outstanding payments on rates and service charges at Mnquma Local Municipality for the financial year (2006/07/08). In other words, this seeks to explore whether there are any non-payments on rates and services by the communities and how such a situation affects the municipality in terms of service delivery. Section 96 of the Local Government Municipal Systems Act (No.32 of 2000) makes provision for the debt collection responsibility of municipalities. Hence, Subsection 96(a) states, “A municipality must collect all money that is due and payable to it, subject to this Act and any other applicable legislation”.

According to an interview with Mr. Fundile Feketshane (Manager – Executive Mayor’s Office, Mnquma Local Municipality) on 27 August 2008, in an attempt to learn about the background and some of the challenges faced by the Mnquma Municipality, he noted that the municipality has been encountering problems with regard to specifically serious political and administrative instability that led to communities not paying for services for a very long time. One of the identified issues is the high level of unemployment in the community, which contributed to the accumulation of debt because some people are unable to pay.

As on the 30 June 2006

Table 3.1

<table>
<thead>
<tr>
<th>Service debtors</th>
<th>Gross balances</th>
<th>Provision for bad debts</th>
<th>Net balances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>1. Rates</td>
<td>60 000 496</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2. Water</td>
<td>26 428 512</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3. Sewerage</td>
<td>13 737 973</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>177 060 405</strong></td>
<td><strong>(132 405 025)</strong></td>
<td><strong>44 655 380</strong></td>
</tr>
</tbody>
</table>

As on the 30 June 2007

Table 3.2

<table>
<thead>
<tr>
<th>Service debtors</th>
<th>Gross balances</th>
<th>Provision for bad Debts</th>
<th>Net balances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>1. Rates</td>
<td>71 005 412</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Refuse removal</td>
<td>27 483 399</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Rentals</td>
<td>39 102 101</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Less: Provision for bad debts</strong></td>
<td>132 405 025</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL =</strong></td>
<td><strong>137 590 912</strong></td>
<td><strong>132 405 025</strong></td>
<td><strong>5 185 887</strong></td>
</tr>
</tbody>
</table>

In terms of the situation above, reflecting the financial position with regard to the payment of rates and services at Mnquma Local Municipality as from the end of the financial year 2005/2006 (the beginning of the financial year June 2006/June
2007), the situation is deteriorating. From the tables above, it is clear that debt with regard to rates at the beginning of the financial year 2006/2007 were amounting to R60 000 496. In Table 3.2 it is clear that debt had increased to R71 005 412. This definitely implied that more people were not paying. However, in terms of the debtors’ age analysis at the end of 31 December 2007 (Mnquma Local Municipality- Mid Year Performance Financial Report 31 December 2007) which is the mid-year of the financial year 2007/08 the following is the situation:

### Table 3.3

<table>
<thead>
<tr>
<th>SERVICES</th>
<th>30 DAYS</th>
<th>60 DAYS</th>
<th>90 DAYS</th>
<th>120 DAYS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment Rates</td>
<td>R1 415 012</td>
<td>R1 297 057</td>
<td>R1 081 408</td>
<td>R55 889 858</td>
<td>R59 683 336</td>
</tr>
<tr>
<td>Refuse Removal</td>
<td>R708 481</td>
<td>R705 041</td>
<td>R699 113</td>
<td>R28 934 159</td>
<td>R31 046 794</td>
</tr>
<tr>
<td>Rental</td>
<td>R276 551</td>
<td>R277 146</td>
<td>R274 515</td>
<td>R19 530 472</td>
<td>R20 358 684</td>
</tr>
<tr>
<td>Fire levy</td>
<td>R163 360</td>
<td>R134 550</td>
<td>R118 570</td>
<td>R0</td>
<td>R416 480</td>
</tr>
<tr>
<td>Other</td>
<td>R41</td>
<td>R41</td>
<td>R41</td>
<td>R82 864</td>
<td>R82 987</td>
</tr>
<tr>
<td>TOTAL</td>
<td>R2 369 491</td>
<td>R2 465 141</td>
<td>R4 504 691</td>
<td>R103 967 140</td>
<td>R113 306 463</td>
</tr>
</tbody>
</table>

As this section of the research study deals with the outstanding payments on rates and revenue from municipal services, in analysing the above table the researcher is not considering other parts of municipal revenue that appear in the table such as rentals. Firstly, looking at outstanding payments on property (assessment) rates according to the mid-year financial performance report of the 31 December 2007 (which is the average period for the financial year (2007/08) the difference against the previous financial year ended on 30 June 2007 is only about R 11 322 076. In other words, the previous financial year ended with about R71 005 412 as consumer debt. In the above table, the debt amounts to R59 683 336. When calculating the difference between the two amounts, it is only 16% of
R71 005 412, i.e. the money that might have been paid to the municipality. Looking at the table above, it is clear that payments on rates are very slow.

Looking at the revenue from services, Table 3.2 indicates that outstanding payments on refuse removal on 30 June 2007 at the end of financial year 2006/07 (which is also the beginning of the financial year 2007/08) amounted to R27 483 399. According to Table 3.3 consumer debt at the mid-year of the financial year 2007/08 (31 December 2007) was about R 31 046 794. The difference between the two financial years is about R3 563 395. In other words, the debt seems to have accumulated and the situation has become worse compared to the previous year.

Generally, consumers of municipal services at Mnquma Local Municipality seem not to be paying services. There is however slow payment on assessment rates. Although it is not the focus of the study, rentals are one of the municipal sources of revenue and seem to be the one of the sources of revenue that guarantees financial viability of the Mnquma Local Municipality. From the two tables above (Tables 3.2 & 3.3) it is clear that there is an improvement. Compared to the previous financial year 2006/07, the mid-year financial report as indicated in Table 3.3 indicates that at least the residents paid 48% of the money the municipality receives.
3.5 CONCLUSION

Throughout the chapter, a distinction has been made between municipal rates and municipal services. Different categories of municipal services have been identified in an attempt to find out how the services of a particular municipality generate revenue. These services include trading services, economic services, subsidised services and community services. On the other hand, factors contributing to the billing and payment of property rates and municipal services have been pinpointed and, for the purposes of the study, this was done with reference to Debtors Management Cycle. Elements of the Debtor Management Cycle have been identified, which also indicated the process by which billing and payment of property rates and municipal services actually take place. These may include meter reading, valuation roll, payments etc. The last part of this chapter comprised an analysis of the state of the outstanding payments on rates and service charges at Mnquma Local Municipality.
CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 Introduction

In the previous chapter, the focus was on the municipal billing and payment of rates and service charges and the state of outstanding payments of municipal rates and services at Mnquma Local Municipality 2006/07/08. This chapter deals with the research method used in order to achieve the objectives of the study. As indicated earlier in Chapter 1, the research method in this study comprises a qualitative research method. This chapter further deals with the sources of data collected, instruments used as a means of collecting data as well as the sampling and selection procedure, data collection and analysis and the conclusion to the chapter.

4.2 Sources of data

It is important to indicate that two methods of collecting data have been used in the study, i.e. consultation of secondary sources as well as an empirical survey. Sources consulted in this study include relevant books, legislation, newspapers and other publications. Consultation of secondary sources in research is referred to by Ngxongo (2003:6) as a theory search. According to the Oxford Advanced Learners’ Dictionary (Hornby 2005:479) an empirical study is based on experiments or experience rather than ideas or theories.

The survey instrument was a questionnaire compiled by the researcher. Questionnaires were distributed to fifteen Mnquma municipal officials from the Revenue Section (where rates and services are paid) as well as from other related sections such as the Expenditure office and the Budgeting Office.

Seven of the questionnaires were returned, yielding a return rate of 47%. In addition, fifty questionnaires were distributed to the members of the community
who are the residents and customers of municipal services as well as businesses. Of these, twenty questionnaires were returned, yielding a return rate of 40%. A covering letter accompanied the questionnaires to explain the purpose of the study. This acted as a proof that the researcher was indeed a registered student doing research in the area of municipal finance. The only data-analysis strategy used in this study was the scanning and cleaning of data by reading the data, checking for incomplete, inaccurate, inconsistent or irrelevant data.

4.2.1 Sampling and selection procedure

Sampling refers to the process of selecting things or objects when it is impossible to have knowledge of a larger collection of these objects (Mouton, 1996:132). According to Bless and Higson-Smith (1995:85), the best way to collect information about a group of persons or things that will give an accurate picture, is to examine every single member or element of such group. However, it is also possible to reach accurate conclusions by examining only a portion of the total group and that is referred to as sampling. Mouton (1996:132) further states that, the aim of sampling is to produce representative selections of population elements.

Bless and Higson-Smith (1995:88) identify the two sampling types in research as probability sampling and non-probability sampling. Probability sampling includes the following sampling procedures: simple random sampling, interval or systematic sampling, stratified sampling as well as cluster or multi-stage sampling. On the other hand, non-probability sampling includes the following procedures: accidental or availability sampling, purposive or judgment sampling as well as quota sampling.

In terms of the current study, a sample has been selected from both the municipal officials and members of the community and a simple random sampling has been used. A simple random sampling is a sampling procedure that provides equal opportunity of selection for each element in a population.
The target population for the study is therefore Officials of the Mnquma Local Municipality officials as well as customers of the Mnquma Local Municipality (i.e. residents and businesses). The officials were selected from the Butterworth Municipal Offices only. Customers of municipal services (i.e. residents and businesses) were however selected from the different townships in Butterworth such as Msobomvu Township, Ibika Township, Cuba Township, Vuli-Valley, as well as different suburban areas such as Extensions 2, 6 and 7.

4.3 Data collection and analysis

The main idea regarding the compilation and distribution of questionnaires was to analyse the relationship between the payment of rates and service charges and the capacity of the municipality to deliver services with reference to Mnquma Local Municipality. As already mentioned, questionnaires were distributed to both municipal officials and municipal customers (i.e. residents and businesses) and the following were the outcomes:

4.3.1 Payment of municipal rates and service charges at Mnquma Local Municipality: municipal officials’ perspective

Out of the fifteen questionnaires distributed to municipal officials, only seven questionnaires were returned, and four of the municipal officials were of the opinion that, all property owners are supposed to pay rates. Three of the respondents believed that, all property owners as well as all consumers of municipal services who are officially registered as consumers of the municipality are supposed to pay for municipal rates and services.

In determining whether it is necessary for the parties mentioned above to pay property rates and service charges, six respondents provided similar responses, namely that the parties should pay rates and also that they should pay for services so as to enable the municipality to fund its budget and meet the needs of the community such as the maintenance of the infrastructure and refuse
removal. However, one respondent was of the opinion that the parties must pay the municipal rates and also pay services so as to provide funds for the following:

- salaries for officials of the SALGBC (South African Local Government Bargaining Council);
- the municipality’s own income development for Local Economic Development (LED) and Local Community Development (LCD);
- provision and maintenance of services; and
- donations/subsidies for sport facilities.

In as far as the importance of paying rates and paying for services has been indicated in the previous paragraph, it has also been important for the researcher to determine if the parties to pay for rates and those to pay for services to the municipality are aware that they should pay. Five of the respondents have agreed that all those who are supposed to pay rates and who should pay for services are aware that they should pay, because:

- the municipality has conducted awareness campaigns and meetings with ratepayers and community members to sensitise them about the importance of paying rates and paying for municipal services;
- door-to-door campaigns have been conducted distributing letters in this regard;
- statements were issued and the people did not query these, the only issue was affordability and;
- road shows have been conducted in this regard.

Although the above respondents justify their answers relating to the question of awareness of those who should pay municipal rates and for services, the other two respondents were of the view that, people are not aware and as a result, the council has a responsibility of community education to spread the information but some of the community members tend to turn a blind eye when it comes to these things.
In an attempt to find out if there is payment of municipal rates and services by the Mnquma Local Municipality community (i.e. residents, businesses), the researcher also raised the question of communication between the municipal officials and their customers regarding the amounts the latter owe. On that point, all the respondents were of the idea that the municipality does communicate with its customers about the amounts they owe by means of statements and these are sent out by post on a monthly basis.

Although the municipality informs its customers on the amounts they owe by means of statements, the majority of respondents have indicated that rates and service charges are not regularly paid to the municipality. Only one respondent indicated that rates are paid regularly to the municipality. As the majority of respondents have already indicated that there is irregular payment regarding rates and services, they also refer to a situation giving rise to outstanding payments for municipal rates and service charges. Only one respondent indicated having no idea of whether there are any outstanding payments or not. Of those respondents indicated that there is irregular payment of rates and payment of services, views are listed below regarding the period when the municipality has started facing the challenge of outstanding payments on rates and service charges:

- some outstanding payments date back to the year 2000 when the municipality was established; few are current and
- others estimate the period as about 10 years, while others do not know the period.

In collecting the outstanding payments, a number of attempts have been made by the municipality. Of the seven questionnaires returned by municipal officials, only one person has not provided the way in which the municipality collects the outstanding amounts from rates and service charges. The other six respondents provided a number of similar responses namely:
• the municipality sends bills and also prepares follow-up letters of demand;
• telephone calls are made to consumers/customers as a reminder to pay for services;
• notices are issued to defaulters as a reminder for payment of outstanding fees;
• acknowledgments of debts are signed for a period over five years;
• certain accounts are written off and indigent debts are recovered from a portion of the equitable share; and
• lastly, defaulters are referred to the court for action as a last resort if the above efforts all fail.

As already mentioned earlier, there is irregular payment on municipal rates and service charges by the Mnquma Local Municipality customers. Five respondents out of the seven who returned their questionnaires provided causes for non-payment, while the other two respondents ignored the question. The following are causes identified by the respondents:

• Unemployment rate of about 80%;
• political instability that resulted in a call to stop payment of municipal services and even those who could afford to pay became negligent;
• poverty, which is also linked to the high unemployment rate;
• some people cannot afford to pay due to low income;
• refusal to pay is regularly coupled with misconception based on customers’ constitutional rights to services that is perceived to be free; and
• the municipal system on its own sometimes contains wrong information.

In an attempt to find out if the municipality addresses the above-mentioned causes for the non-payment of property rates and services only one respondent did not agree about the question whether a municipality addresses the above issue. Six respondents, which is the majority, have agreed that the municipality does address the causes for the non-payment on rates and service charges. The
following are the views of the respondents on the municipal role in addressing the issue of the non-payment on rates and service charges:

- the municipality has embarked on awareness campaigns for payment of services as well as road shows to inform people of why they should pay;
- there are also outreach programmes of politicians talking with consumers about payment of services;
- ward council meetings are held where the matter is discussed and payment even minimum payments are encouraged;
- there is another view that the municipality has also written off a portion of old debts;
- there is also the training of staff on the municipal financial system; and
- lastly, there is the creation of micro-economic developments, mostly informal trading and house cultivation of food.

On enquiry the municipal officials at Mnquma Local Municipality have also indicated that the non-payment of rates and service charges affects the financial viability of the municipality. The following are the views with regard to the effect of the non-payment of property rates and service charges at Mnquma Local Municipality:

- the municipality is unable to respond to all the needs of the community;
- without funds, the level of service provision, Local Economic Development (LED), Local Community Development (LCD) and infrastructure are seriously curtailed, which has a huge negative impact on attracting commercial developments, which create employment;
- non-payment of rates and service charges affects the financial viability of the municipality because, most of the collectible revenue is from government grants resulting in over reliance on grants;
- the municipality is faced with the challenge of not being able to afford qualified and experienced officials; and
• lastly, there is the general view that all the factors identified above are what normally lead to incapacity of the municipality to deliver quality services to its customers.

From what has been said in the previous paragraph as the effect of the non-payment of rates and service charges in the financial viability of the municipality, it is also possible that the situation also has an implication on the financial strategy of the municipality. In an investigation of such an implication on the financial strategy of the municipality as a result of non-payment of rates and service charges, only three officials have responded and they are providing similar opinions as follows:

• one of the implications of non-payment of municipal rates and service charges in the financial strategy of the municipality is that the culture of non-payment by municipal customers has led to financial restraints because of bad debts by debtors; and
• the non-payment of rates and services in Mnquma Local Municipality renders the municipality financially not viable and this in turn hinders service delivery.

The non-payment of municipal rates and services at Mnquma Local Municipality may hinder service delivery by the municipality. In an attempt to find the real situation, the researcher only received three responses from officials, with the same view that service delivery is really affected by the non-payment of rates and service charges. In substantiating their views, the following has been given as the situation in Mnquma Local Municipality.

• the Mnquma Local Municipality is referred to as relying on government grants, but such grants are not sufficient for the limitless needs of the community; and
• without funding infrastructure is impossible, including maintaining or upgrading of services
4.3.2 Enhancing regular payment of rates and service charges at Mnquma Local Municipality: municipal officials’ perspective

To enhance regular payment of municipal rates and service charges a number of measures to be applied by the municipality have been identified, and out of seven respondents only two people have not responded, while the rest provided the following measures to enhance regular payment of municipal rates and services:

- there has to be motivation of communities by improving the roads and community centres;
- reminders should be sent to rate payers;
- there has to be a paradigm shift on the side of consumers with regard to payment of services;
- educational campaigns are necessary to make consumers and communities aware of the importance of paying services; and
- there has to be training and re-training of employees on the operation of the municipal financial system.

The following is the analysis of the research data obtained from the survey conducted among a randomly selected sample of respondents from the customers/consumers of municipal services (i.e. residents and businesses).

4.3.3 Payment of rates and service charges at Mnquma Local Municipality: community members’ perspective

Out of twenty questionnaires returned to the researcher, sixteen of the respondents were of the opinion that all property owners and all consumers who are officially registered as consumers of the municipality are supposed to pay for municipal services. However, four respondents are of the view that only property owners should pay. A number of similar views with regard to why the parties mentioned earlier should pay for rates and service charges to the municipality are provided below:
• the identified parties should pay for municipal services because the law requires them to pay, especially the property owners;
• people should pay for the upkeep, maintenance and upgrading of municipal services, such as infrastructure;
• municipal services such as water and electricity are not readily available, so these services are provided at a great cost and people should pay a certain amount; and
• people should pay to ensure the smooth running of the municipality as well as to ensure sustainable service delivery.

Except for the fact that community members contacted by the researcher provided reasons for the payment of municipal rates and services, there is also another question of whether community members are all aware that they should pay for rates and service charges. Four of the respondents felt that the parties to pay for municipal rates and services are not really aware on account of the following.

• people are not aware because there has been a culture of not paying rates and services for long before the Mnquma Local Municipality emerged; and
• there is also a general perception that people should receive services free of charge as the government subsidises the municipality.

However sixteen of the respondents which is the majority of the respondents are of the opinion that the people are aware that they should pay for rates and service charges. The following are the reasons for them to justify the issue of awareness.

• the municipality issues statements (bills) each and every month indicating how much consumers are supposed to pay and for which service, and
statements are also sent out by post but some people ignore them, and as a result, they do not pay; and

- people are aware that they should pay as they were used to pay before the current municipality emerged, i.e. before the restructuring of municipalities, but now people are no longer interested in paying rates and services and also do not even know the importance of paying, as in the past (under the then Butterworth Municipality) monies were misused and there was no better life for people at all.

Although the respondents provided different views with regard to awareness of the people to pay for municipal rates and services, all of the respondents agreed that the municipality does communicate with them in connection with the amounts they are supposed to pay for the municipal rates and services. The municipality communicates through statements of accounts that are mailed each month to individual property owners as well as to those consumers of municipal services officially registered as consumers of the municipality. On the question as to whether the parties understand the way these statements are issued by the municipality, five respondents were of the opinion that, parties who should pay for municipal rates and services do not always understand how the statements of are issued and they do not know whether the amounts indicated as due to the municipality are fair and reasonable. However, fifteen respondents were of the opinion that both ratepayers and service users understand the statements.

4.3.4 Facilities for paying municipal rates and service charges

In an assessment of whether are there any specific facilities used by the ratepayers and other customers of municipal services for paying municipal rates and service, all of the twenty respondents have provided a number of similar as well as different facilities used for paying municipal rates and services and the following have been identified:

- bank deposits ;
• cash payment at municipal offices or post office;
• debit order;
• stop order and;
• electronic transfers (Internet).

4.3.5 Causes for the non-payment of municipal rates and service charges at Mnquma Local Municipality

In order for the researcher to find out if all those suppose to pay rates and services to the municipality are all paying, out of twenty, twelve of the respondents are of the opinion that, not all ratepayers and service users/consumers are making payments to the Mnquma Local Municipality. On the other hand, eight respondents, which is the minority, believe that, parties are all paying rates and services. Those that believe that not all ratepayers and service users are paying to the municipality provide the following reasons as possible causes for non-payment:

• an 80% unemployment rate has been indicated as one of the factors that might lead to people being unable to pay for municipal rates and services;
• lack of trust between the community and the municipality as it has been indicated earlier, as people's money has been misused before the current municipality emerged;
• negligence, particularly by those who are working and who have better jobs;
• low-income earners might not be able to pay;
• for some of the households, old-age pension is the only source of income, and they cannot afford to pay municipal rates and services; and
• some people lack knowledge about the importance of paying rates and services.
A number of possible causes for the non-payment for municipal rates and services have been identified, and this might have an impact on the operations of the municipality as well as on the service delivery process. The idea comes as a result of the fact that the above-mentioned municipal rates and services charges have been identified in previous chapters as one of the most important sources of revenue for municipalities. Sixteen of the respondents (i.e. the majority of the respondents) are of the view that the non-payment of municipal rates and services has a negative impact on the delivery of services by the municipality. However there are also those who do not see any impact following the non-payment of rates and services to the delivery of services by the municipality. The following are the ways in which non-payment of rates and service charges affect the delivery of services by the municipality as identified by the majority of the respondents:

- the municipality is no longer able to maintain services such as roads, streetlights and the drainage system;
- in some of the townships, streetlights are no longer in use; others are damaged and the municipality does not take any action to fix these;
- some respondents refer to the reports produced every year by the municipality that the municipality operates on a limited budget, and one of the reasons is that too much money is owed by its debtors, such as ratepayers and other customers (i.e. residents and businesses), which then puts the municipality in a position of being unable to provide all the required services to the community;
- non-payment of rates and services also put a heavy strain on other services and obligations of the municipality; and
- respondents made it very clear that it sometimes happens that the municipality cuts off some of the services due to lack of funds, such as refuse removal.
4.3.6 Enhancing regular payment of rates and service charges at Mnquma Local Municipality: community members’ perspective

From the researcher findings it became clear that the situation regarding the payment of rates and municipal services at Mnquma Local Municipality by its customers in relation to the capacity of the municipality to deliver services and the non-payment of rates and service charges as indicated in the previous paragraphs is a serious problem. However, in an attempt to look at the measures to overcome the situation, only two of the twenty respondents have ignored the question about how the municipality should enhance regular payment on rates and service charges. On the other hand, eighteen of the respondents provided a number of measures to be considered in order to enhance the regular payment of rates and services to the municipality namely:

- the municipality should let everybody pay a standard rate and then adjust when people are used to paying;
- through the assistance of ward councillors, the municipality should educate people about the importance of paying rates and services, because some are not really aware of the importance for paying;
- the municipality should look at the overall status of the people, for instance there are those who are not working, others are working and earning a lot while others have a low income;
- there are those who are dependent on old-age pensions as their only source of income and therefore there should be different percentages in terms of paying municipal rates and services;
- an engagement of ordinary citizens in municipal matters might also assist;
- another view is that the municipality has to reward good paying customers with example a 1%-2% rebate on levies.
• awareness campaigns should be conducted not only on emphasising that the people should pay as the municipality is operating on a low budget, but also on showing the impact that non-payment has on service delivery;
• political leaders, such as mayor and councillors must take initiative to make the public aware of the role of the municipality regarding the provision of services as well as of their (public) obligation to pay for such services;
• one other measure that can be considered refers to services such as refuse removal and water supply, where the municipality (even if there is a certain water-service provider in case of water services) has to cut off the services until a customer comes to pay; and
• the municipality may even employ people on a casual basis to collect the monies due to it from each individual household and issue receipts when payment is made.
4.4 Conclusion

In conclusion, this chapter identified the research method and sources of data used in the study. A qualitative research method was used, and the meaning of a qualitative research method was given. A theory search and an empirical survey were used as a means of obtaining data for the study. The chapter also dealt with sampling and selection procedure followed. Again, the research instrument that had been used was indicated as questionnaires. Two categories of questionnaires were compiled and distributed to both municipal officials customers of the municipality such as ratepayers and service users. The researcher analysed the data through reading as a means of scanning and cleaning the data so as to identify incomplete, inaccurate, inconsistent and irrelevant data. Throughout the chapter analysis of the data obtained from both municipal officials and the customers of the municipality was done. The next chapter, which is the last chapter of this study, deals with the findings of the research study as well as recommendations and conclusion to the study.
CHAPTER FIVE

FINDINGS AND RECOMMENDATIONS

5.1 Introduction

This chapter entails looking at the general findings of the study. The findings were obtained by utilising the research method and sources of data as provided in the previous chapter. There are also recommendations which came as a result of the findings obtained from the respondents who were selected from municipal officials and the customers of the municipality (i.e. residents and businesses) using a simple random sampling method as mentioned earlier in the previous chapter. The chapter then ends with the conclusion to the study.

5.2 Findings

The study on the “An evaluation of the relationship between payment of rates and service charges and the capacity of the municipality to deliver services with reference to Mnquma Local Municipality” has led to certain findings as will be explained in the paragraphs below.

Firstly, local authorities have a responsibility to deliver services to the people. In Chapter 2 of this study, reference was made to Fourie and Opperman (2007:2) who indicated that the South African government structure consists of three spheres of government, i.e. national government, provincial government, and local government. Local government, which consists of municipalities, was established as a separate sphere and given primary responsibilities for service delivery to the community. In order to deliver services, the municipality utilises revenue. A number of municipal sources of revenue have been identified and these include property rates/tax and service charges.

To link the above-mentioned statements with the findings of this study, the researcher established that:
Mnquma Local municipality is incapable of delivering services as expected by the people. This inability has been identified through a number of responses from the customers as well as officials of the municipality. They all emphasise that the non-payment of rates and services has an impact on the delivery of services by the municipality. In other words, Mnquma Local Municipality is operating on a limited budget and it has to rely on government grants rather than on self-generated revenue particularly from rates and services. This situation puts a heavy strain on the service delivery process as on other operations of the municipality.

A number of efforts have been made by the municipality in order to make its customers/clients (i.e. residents and businesses) aware of the payment for rates and services. These include regular meetings with the community as well as awareness campaigns. However, it is important to note that not all people are aware of the importance to pay for rates and services, but the municipality issues statements for the amounts to be paid to the municipality for services such as refuse removal (water is no longer provided by Mnquma Local Municipality, as authority to provide water services has been given to Amatole District Municipality).

In Chapter 3 of this study an analysis of the outstanding payments on rates and service charges was done and it indicated that people are not all paying. This gives rise to a situation where the municipality relies mostly on government grants instead of on revenue from property rates and service charges.

Some people (as ratepayers as well as service users) are aware of this but others might be unaware and causes for non-payment of rates and services have been identified, including the following:

- the unemployment rate is very high and is estimated at about 80%;
- negligence particularly by those that are working and having better jobs;
- there are also low-income earners who are regarded as not being able to pay for rates and services;
political instability within the municipality has resulted in a culture of not paying for municipal rates and services; and

there is a lack of trust between the community and the municipality as noted in the previous chapter that, because peoples’ money have been misused in the past, resulting in reluctance to pay.

The possible causes for the non-payment of rates and service charges have been established as the reason for poor service delivery by the municipality. In addition a number of measures to enhance regular payment of rates and services have been noted both on the side of municipality officials as well as on the side of the community. The following are some of the measures to remedy the situation as indicated above:

- a paradigm shift on the side of consumers with regard to payment of services;
- educational campaigns on the importance of paying rates and for services;
- data cleansing on the part of the municipality to ensure correct information on the statements;
- motivation by the municipality to those who are good paying customers such as a 1%-2% rebate in their accounts;
- application of strict measures to those who can afford to pay; and
- the necessity of training and retraining of municipal employees on the operations of the municipal financial system as it has been indicated that this sometimes contains wrong information.

Below are recommendations as drawn up by the researcher as regards the situation at Mnquma Local Municipality.
5.3 Recommendations

A municipality needs revenue in order to run smoothly, i.e. also to ensure effective services delivery. As the situation in Mnquma renders the municipality financially incapable of delivering services, but there is a need to educate people or the community at large on the importance of paying rates and for services as it is obvious from the findings that some of the people are not clear on the necessity to pay rates and services. It is also of utmost importance that the municipality develops alternative strict measures than those in the credit control policy and revenue collection process in order to take an action against those debtors who tend to neglect their accounts.

The municipality also has a responsibility to improve its financial management system, also in order to contribute towards ensuring the financial viability of the municipality. Again, creating employment opportunities so that people may be able to have money and pay their rates and for services may bring about a change in the Mnquma Local Municipality. The municipality must always ensure community participation.

Earlier on it was mentioned that some of the causes for the non-payment of rates and service charges by the Mnquma Local Municipality community (i.e. ratepayers and service users) is the lack of trust between the municipality and its community, which came as a result of the fact that peoples’ money have been misused. In its actions, Mnquma Local Municipality must therefore always consider social values or what its community accepts as good and desirable. This may include principles such reliability or honesty, which then implies transparent government. Lastly, the municipality must also improve its financial management system as it is regarded as sometimes providing incorrect information.
5.4 Conclusion

Although there might be still much research to be done on the evaluation of the relationship between the payment of rates and service charges and the capacity of the municipality to deliver services with special reference to Mnquma Local Municipality, the conclusion that can be reached form this study is that Mnquma Local Municipality is lacking financial support particularly from its community (i.e. rate payers and other customers), which then puts the municipality in a position of being unable to provide the limitless needs of the community. Some of the people are not aware of the financial support for the municipality, as they believe that it operates like the government and that there is nothing to pay. Lastly, the municipality and its community have to work together in an attempt to improve the situation for future purposes in the existence of the municipality.
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Annexure 1.

Letter of invitation to Mnquma Local Municipal Officials

Dear Sir/Madam

INVITATION FOR PARTICIPATING IN THE STUDY

I am a student of a Master of Public Administration degree at Nelson Mandela Metropolitan University. I am currently undertaking a research project for the purposes of my studies.

Hence, I hereby invite you to participate in a research project which investigates the relationship between payment of rates and service charges and the capacity of the municipality to deliver services with reference to Mnquma Local Municipality.

Participation is voluntary with the option of withdrawing at any stage of the process and there will be no negative consequences linked to non-participation.

Your responses will be used for the purposes of the study only and I undertake to ensure that the information will be used in such a way that you cannot be identified. Therefore, the final report will not include identifying information.

You are not obliged to answer all questions. If you feel uncomfortable to answer any question, you may not answer it.

The findings obtained will be used to demonstrate the role played by the payment of rates and service charges, particularly by the customers or consumers of municipal services (including residents and the businesses), in enabling the municipality to deliver services.

Yours truly,

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N. V. Zondani-Nkonki
Annexure 2.

Questionnaire to the Mnquma Local Municipality Officials

1. Who is supposed to pay for rates and service charges to the municipality?
   a. All property owners are supposed to pay rates
   b. All consumers of municipal services, who are officially registered as consumers by the municipality, are supposed to pay for municipal services
   c. Both a and b
   d. Other (please specify)

2. Why must the parties mentioned in 1 pay for rates and service charges to the municipality?

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3. Do you think these parties are aware that they should pay for rates and service charges?

   Yes  No

3.1. If yes, why do you think they are aware?

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4. How do you inform the parties who are suppose to pay rates and services about the amounts they are suppose to pay to the municipality?

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5. Are rates and service charges paid regularly to the municipality?

Yes  No

6. Are there any outstanding payments for municipal rates and service charges currently?

Yes  No

6.1 If yes, since when has the municipality had outstanding payments for rates and services?

6.1.1. Can you describe what the municipality does in order to collect outstanding payments for municipal rates and service charges?

6.1.2 Can you say what are the causes of non-payment of municipal rates and service charges in the Mnquma Local Municipality?
3. Are you addressing the causes for non-payment of municipal rates and service charges in the Mnquma Local Municipality?

Yes  No

6.1.3.1 If yes, how?

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7. Does the payment or non-payment for rates and service charges affect the financial viability of the municipality?

Yes  No

7.1 If yes, how?

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8. What are the implications of non-payment for municipal rates and service charges in the financial strategy of the Municipality?

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8.1 Does the non-payment for municipal rates and service charges affect service delivery?

Yes  No

8.1.1 If Yes, how?
9. What do you think should be done to enhance regular payment of municipal rates and service charges in the Mnquma Local Municipality?
Letter of invitation to Mnquma Local Municipal Residents/Customer

Dear Sir/Madam

INVITATION FOR PARTICIPATING IN THE STUDY

I am a student of a Master of Public Administration degree at Nelson Mandela Metropolitan University. I am currently undertaking a research project for the purposes of my studies.

Hence, I hereby invite you to participate in a research project which investigates the relationship between payment of rates and service charges and the capacity of the municipality to deliver services with reference to Mnquma Local Municipality.

Participation is voluntary with the option of withdrawing at any stage of the process and there will be no negative consequences linked to non-participation.

Your responses will be used for the purposes of the study only and I undertake to ensure that the information will be used in such a way that you cannot be identified. Therefore, the final report will not include identifying information.

You are not obliged to answer all questions. If you feel uncomfortable to answer any question, you may not answer it.

The findings obtained will be used to demonstrate the role played by the payment of rates and service charges, particularly by the customers or consumers of municipal services (including residents and the businesses), in enabling the municipality to deliver services.

Yours truly,

……………………………………………. 

N. V. Zondani-Nkonki
Annexure 4.

Questionnaire to the Mnquma Local Municipality Residents/Customers

1. Who is supposed to pay for rates and service charges to the municipality?
   a. All property owners are supposed to pay rates
   b. All consumers of municipal services, who are officially registered as consumers by the municipality, are supposed to pay for municipal services
   c. Both a and b
   d. Other (please specify)

2. Why must the parties mentioned in 1 pay for rates and service charges to the municipality?
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3. Do you think these parties are aware that they should pay for rates and service charges?
   Yes  No

3.1. Provide reasons for the answer given above.
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4. How does the municipality communicate with you i.e. (as community/consumers) with regard to the amounts (statements) you suppose to pay for the municipal rates and services?
5. Are the statements issued in a way that you understand them?

Yes  No

6. What facilities you use for paying for municipal rates and service charges

7. Do you think that the party/parties you chose in 1 is/are all paying rates and services to the municipality?

Yes  No

8. If no, what do you think are the possible causes for non-payment?

9. Does the non-payment for rates and service charges affect the delivery of services by the municipality?

Yes  No

9.1 If Yes, how?
10. What do you think should be done to enhance regular payment of municipal rates and service charges by residents/consumers?