

**IMPLICATIONS OF MUNICIPAL SERVICE CONSUMER DEBTS ON
SERVICE DELIVERY IN RURAL MUNICIPALITIES: A CASE STUDY OF
MUNICIPALITIES IN VHEMBE DISTRICT, LIMPOPO PROVINCE SOUTH
AFRICA**

**BY
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DISSERTATION TITLE:

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**THIS DISSERTATION IS SUBMITTED IN PARTIAL FULFILMENT
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THE SCHOOL OF ENVIRONMENTAL SCIENCES AT THE
UNIVERSITY OF VENDA**

DECLARATION

I, TIVAVONE BRILLIANT (11626917), hereby declare that this dissertation for the Master of Urban and Regional Planning degree at the University of Venda, hereby submitted by me, has not previously been submitted for a degree at this or another institution, and that this is my own work in design and execution. All reference materials contained therein have been duly acknowledged.

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DEDICATION

This dissertation is dedicated to the Lord God who gave me the strength to complete this study despite many commitments I also dedicate this dissertation to the Department of Urban and Regional Planning at the University of Venda and to my family and friends.

ABSTRACT

Rural municipalities in South Africa have been grappling with delivering quality services to communities due to shrinking revenue bases over the last ten years. The study explored the relationship between consumer debt recovery and municipal service delivery in three selected municipalities in Vhembe District, Limpopo Province. The implications of revenue collection in rural areas was examined through the computation of the Coefficient Effect Size Model which aimed at proving whether rurality had an effect on payment of rates and taxes. A combination of Goal Achievement Matrix and Correlation Quotient analysis were used to explain the linkage between service delivery and the resource base of rural municipalities. The Rurality Quotient and the Coefficient Effect Size were both developed in the study to link the rurality nature of municipalities to the viability of rural municipalities to provide services. The review of literature incorporated an appraisal of municipal policy documents such as the Integrated Development Plans, Spatial Development Plans, Annual Budget Reports and Service Delivery Budget Implementation Plan. The study findings revealed that consumer debts resulted in rural municipalities failing to generate revenue thus affecting internal revenue pockets. Furthermore it was discovered that rural municipalities were recording a negative effect size as well as a negative Rurality Quotient thus proving that rurality directly affected the level of payment of services. The projection showed a significant probability of a steady increase in consumer debts in rural municipalities in the next ten years if the issues and challenges are not addressed effectively. Therefore a Rural Consumer Debt Recovery Framework tool was proposed to provide clear guidelines on how rural municipalities can deal with non-payment of rates and taxes. In addition to this a review and update of all revenue enhancement policies such as the Credit Control and Debt Collection Policy to match the changes occurring over time in rural municipalities is necessary to change the current status of revenue collection in municipalities.

Key words : Rural; Municipal; Service Delivery; Consumer Debts; Effect Size; Non-payment

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ACRONYMS AND ABBREVIATIONS

CBD	Central Business District
CDG	Care Dependency Grant
CDWs	Community Development Workers
CES	Coefficient Effect Size
CFO	Chief Financial Officer
COGTA	Cooperative Governance and Traditional Affairs
CSG	Child Support Grant
DA	Democratic Alliance
DAG	Disability Grant
DBSA	Development Bank of South Africa
DM	District Municipality
DPLG	Department of Provincial and Local Government
DWAF	Department of Water Affairs
FBS	Free Basic Services
FCG	Foster Care Grant
FFC	Financial and Fiscal Commission
FO	Financial Officer
GAM	Goal Achievement Matrix
GGP	Gross Geographic Product
GVR	General Valuation Roll
IDP	Integrated Development Plan
KII	Key Informant Interviews
LED	Local Economic Development
LGFRAP	Local Government Financial Recovery and Accountability Framework
LIMDEV	Limpopo Economic Development Enterprise
LM	Local Municipality
LOBOS	Lender Option Borrower Option
MEPs	Members of the European Parliament
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MIIF	Municipal Infrastructure Investment Framework
MIIU	Municipal Infrastructure Investment Unit

MPRA	Municipal Property Rates Act
MSA	Municipal Systems Act
MSIG	Municipal System Improvement Grant
MTREF	Medium Term Revenue and Expenditure Framework
NCC	Nairobi City Council
NISG	Neighbourhood Infrastructure Support Grant
NQD	Number of Questionnaires Distributed
NQR	Number of Questionnaires Returned
NWSC	Nairobi Water and Sewerage Company
OAG	Old Age Grant
PCCES	Pearson Correlation Coefficient Effect Size
PCESM	Pearson Correlation Effect Size Model
PWLB	Public Works Loan Board
RDP	Reconstruction and Development Programme
RQ	Rurality Quotient
SALGA	South African Local Government Agency
SDF	Spatial Development Framework
SoLGF	State of Local Government Finances and Financial Report
SPSS	Statistical Packages for Social Sciences
STATSSA	Statistics South Africa
TO	Traffic Officer
TOO	Technical Operations Officer
UFW	Unaccounted For Water
UK	United Kingdom
USA	United States of America
VD	Vhembe District
VDC	Venda Development Corporation
VDM(s)	Vhembe District Municipality(ies)
WSA	Water Service Authority
WSP	Water Service Provider

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CHAPTER ONE: INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 Introduction and Context

This study stems from the notion by Jimoh and Van Wyk, (2014:2) in a study on municipal debt collection challenges in developing countries that, *“The financial viability of rural municipalities in developing countries requires sufficient income generation (revenue) collection i.e. municipality’s income generation should be higher than expenditure, however; this is possible if services rendered by the municipality are paid by consumers”*. This study attempts to qualify and quantify through tests and inquiries the level of viability of rural municipalities to provide communities with quality services.

Current studies on municipal service consumer debt recovery and municipal finance management such as those by Elliot (2010), Buffet (2010) and Fourie & Opperman (2011), have focused more on the legalistic aspects of handling municipal debts. Blore et al (2004), indicated that in as much as implementing the regulatory component is important, it is only a part of the solution. Bojorquez, Champagne and Vaillancourt, (2009), bring in a new dimension of the disparities between rural and urban municipalities with respect to debt collection. However, what is common to them is Credit Control and Debt Recovery Outcomes.

It is assumed that due to high unemployment, poor billing systems, high none-proclaimed collecting footprint for rates and taxes and weak human capital most municipalities in Limpopo Province become more rural resulting in them failing to attract highly paid employees. With respect to their economic base, provinces such as Western Cape, Gauteng and the Northern Cape are more urban and attract the more active working population. This explains why this study attempts to test the assumption that revenue generated in rural municipalities particularly Vhembe District decrease depending on the level of economic activities. The study tries to test this assumption via a quantitative model called Pearson Correlation Coefficient Effect Size (PCCES) model. Considering that all municipalities are expected to be self-reliant in terms of economic viability, sources of revenue are important variable inputs in the Pearson calculations.

Reuters, (2007) and Peters, (2012), argue that there is a link between payment of rates and taxes and debt recovery. The 2014/15 Division of Revenue report titled, *“A Collaborative Effort to Enhance Revenue Generation in Rural Municipalities”*, showed that in order to improve the level of service delivery in municipalities in general, rates and taxes should be paid by consumers on a regular basis. However, linked to the issues raised in the Division of Revenue

Report (2014) is the question, “*How do consumer debts affect service delivery in a rural municipal environments*”.

In a paper titled, “*Municipal Consumer Debt Recovery Strategies in Thulamela Municipality: Lessons for decision makers*”, by Bikam, (2016) and in a dissertation titled, “*The non-payment of rates and taxes in the Vhembe District Municipality*”, Mavhungu (2011), shows that debt is an impediment to service delivery in rural municipalities because of their existing poor revenue base. The two articles discussed the challenges faced by rural municipalities with respect to debt collection. The two authors were able to link budget, expenditure and payment for services by consumers, but failed to also link it to the rural nature of the municipalities. Peters (2012), Blore *et al*, (2004), and De Wet (2004), indicated that regular payment of services by consumers in rural areas is much more a problem as compared to metropolitan and or M1 and M2 municipalities because rural municipalities do not have diverse revenue collection options.

Sharrif (2004) and SALGA (2015) argue that payment for municipal services is dependent on factors such as, constant reading of water, electricity meters of consumers, correct rating and taxing on properties, installing the required billing and payment database, having a proper credit control and management system in place, provision of customer care through incentives, adopting the required by-laws and mapping the location of consumers.

With respect to the arguments above, Foster *et al*, (2010), raised the problems of the collection of rates and taxes which has negative effects on financing of infrastructure and municipal service delivery. However, (Nachiket *et al*, 2006); argue that the revenue base of the municipality i.e. from internal and external sources, can affect the dependency level of the municipality on subventions, investment but the ability to pay for services depend on the willingness of the consumers to pay, adequate billing methods and notifications, implementation of by-laws etc. In a study by Blore *et al*, (2004), the conceptual framework for adequate service delivery is dependent on internal and external sources of revenue of the municipality i.e. if the two sources can exceed expenditure; the tendency is that the municipality can provide services irrespective of debt collection (see fig 1.4). This means that when expenditure exceeds internal and external sources of municipal revenue coupled with inadequate debt collection, the municipality will always run short of funds to provide services, SALGA (2013); Hammond *et al*, (2013) and Hall *et al*, (2005).

In view of discussions above, the motivation for this research was influenced by the need to use the case study of Vhembe District Municipalities (DM) to determine if rurality or poor rural economic base of a municipality can explain the problem of inadequate service delivery and also link it to non-payment of rates and taxes. A ten year period of revenue collection in three

municipalities 2007 to 2016 from Vhembe DM was used to explain the phenomenon of poor service delivery by exploring through literature the municipal debt outlook in Limpopo province, before unpacking the situation in Vhembe DM to demonstrate the phenomenon.

1.2 Background of the study

Several studies on debt recovery and strategies for financing infrastructure have focused on the challenges of debt recovery and finding out why there is less funds for service delivery particularly from rural municipalities. Apart from private investments and public private partnerships; the major sources of municipal revenue comes from the allocations to municipalities for capital infrastructure projects called Municipal Infrastructure Grants (MIG). A financial report on municipalities from SALGA in 2004 showed that municipalities in Limpopo Province received R2 262 883 000 as MIG in 2014 and R2 550 370 000 in 2015. Most of the rural municipalities are dependent on MIG and Equitable Shares for Capital and Current Expenditure. A study by Mavhungu (2011) using the case study of Vhembe District municipality mainly focused on the non-payment of services in Vhembe District municipalities. Mavhungu (2011) stresses that since 2002, municipalities were owed R22 billion for rates and service charges and this figure has steadily increased over the past years.

The Municipal Finance Management Act No 56 of 2003, section 60, places large responsibilities relating to revenue and credit control and debt collection on the accounting officer of South African municipalities (referred to as the Municipal Manager). Section 62 of the same Act, deals with financial management and determines that the Accounting Officer (Municipal Manager) must ensure that the municipality implements tariff policies on rates and debt collection, (MFMA 2003). Section 64 deals specifically with the management of revenue ensuring that the municipality has an effective revenue collection system in line with Section 95 of the Systems Act No 32 of 2000 which promotes the calculation of revenue on a monthly basis. This section ensures that municipalities should operate on the basis of Information Technology System which recognizes revenue when it is earned, accounts for debtors, accounts for receipt payments and budget etc. The Act also imposes duties on the municipal manager related to the budget to ensure that the constitutional objective of sustainable service delivery is met. Relating to credit control and debt collection, contained in the Municipal Finance Management Act No 56 of 2003, the act ensures that a system for credit control and debt collection must be in place to ensure that revenue is collected to prevent a reduction in expenditure therefor service delivery, MFMA (2003).

1.2.1 Municipal Revenue Outlook in Limpopo Province

Municipal service delivery in the South African context is complex and there are a wide variety

of factors impacting on this scenario. The statistics in figure 1 are indicative of some of the revenue collected by municipalities such as rates and taxes, MIG, Municipal System Improvement Grant, Equitable Share and the Integrated National Electrification Grant. In a Municipal Infrastructure Investment Fund (MIIF) Report, (2010) on South African municipalities, specifically Limpopo Province, the operating account results were strongly influenced by a number of factors, the most important being, assumptions around affordability; the extent to which consumers are willing to pay for municipal services and the mismanagement of funds by municipal structures. Figure 1.1 shows the revenue trends from Limpopo Province adopted from South African municipalities showing the influence of self generated revenue on municipal service provision and subsidy influenced revenue on municipal service provision.

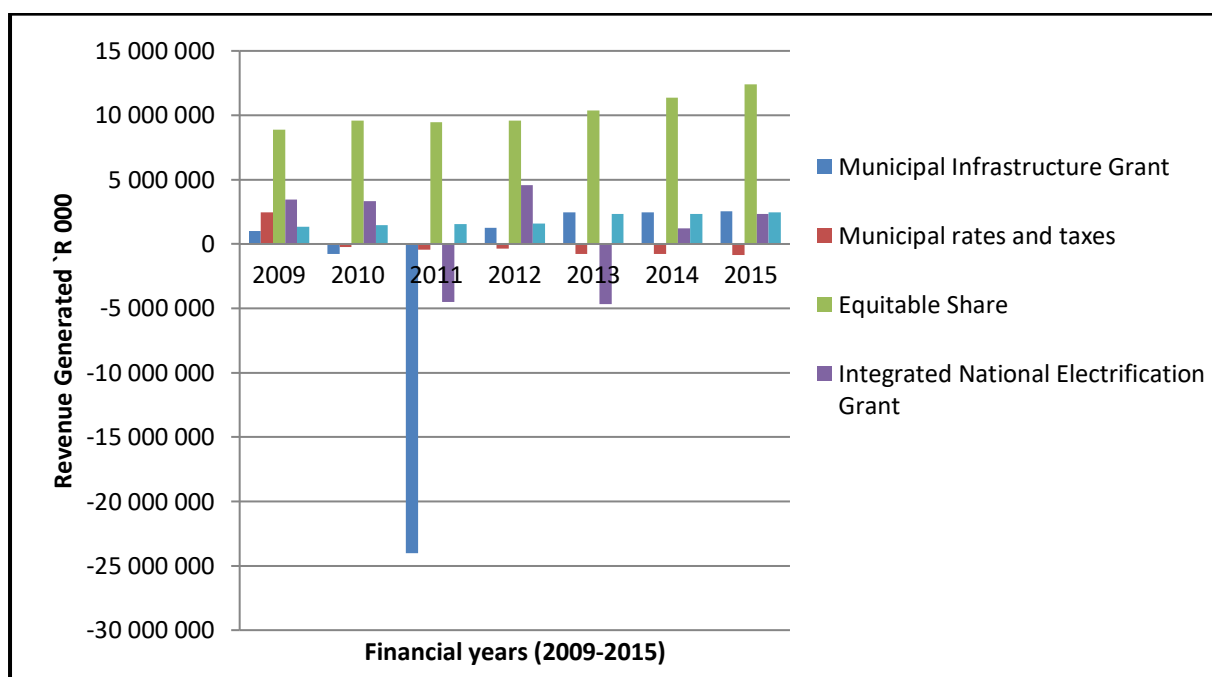


Figure 1.1: Municipal Revenue Outlook in Limpopo Province
Source: MIIF 7, 2009-2010 Series Report

Equitable Share increased arithmetically from 2009 to 2015 from R8 890 450 000 to R12 394 856 000 annually. Equitable share featured as the highest revenue source for municipalities in Limpopo province over the last 10 years. During the same period, Municipal Infrastructure Grants (MIG) and the Municipal System Improvement Grant (MSIG) steadily increased below R5 billion for all the municipalities in Limpopo. In MIG 2009, MIG was lower at R1 020 300 000 and highest in 2015 i.e R2 550 370 000.

In 2009, the collection of municipal rates and taxes by municipalities in Limpopo province was higher than the preceding years when the collection reach a peak of R2 450 260 000. This

dropped significantly from (2010), in 2015 to an average of R2 550 370 000. In 2010 the municipalities received about R1 456 765 000 from Municipal Systems Improvement Grant, R4 485 485 000 and R4 690 595 000 for Integrated National Electrification Grant in 2011 and 2013 both in the negative respectively. For municipal rates and taxes all municipalities recorded negative collection in 2010, i.e R760 000 000, 2012 R1 272 300 000, 2013, R2 460 412 000, 2014 R2 462 883 000 and 2015 R2 550 370 000. It was only in 2009 that the municipalities recorded a surplus of R1 020 300 000. The negative debt collection outlook in Limpopo Province affected the level of service delivery and consequently revenue bases in the last ten years 2006 to 2015.

1.2.2 Debt situation in Vhembe District Municipalities (VDMs)

Since 2010, Vhembe District municipalities have been experiencing inadequate payment of rates and taxes due to poor billing of municipal services. Consequently, this has led to poor service delivery. Approximately R324 million was owed to municipalities in Limpopo province by consumers most of which were by government departments, (Peyper 2015). Vhembe District, municipalities recorded an increase in debts from consumers between 2013 to 2016 financial years, as illustrated in figure 1.2.

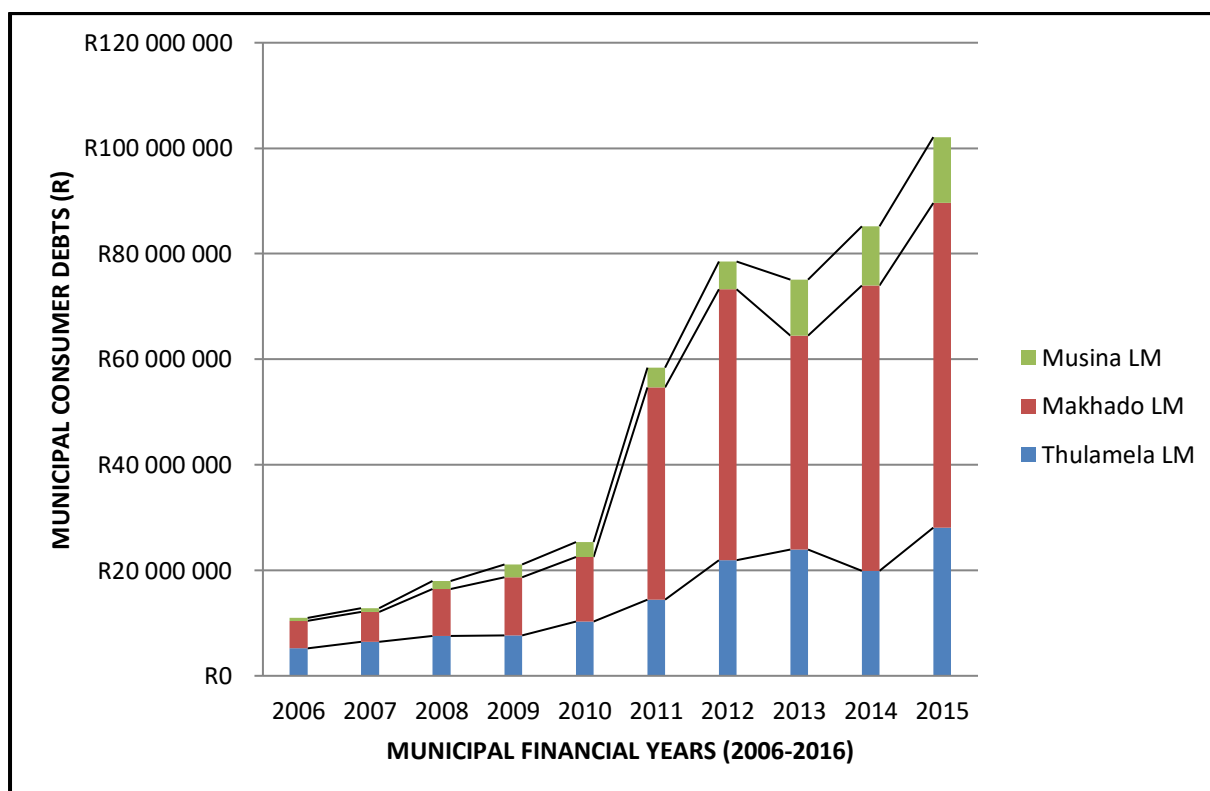


Figure 1.2: Debt outlook of Vhembe District Municipalities (VDMs)
Source: Derived from Makhado, Thulamela, Musina Revenue Expenditure Frameworks (2012-2016) financial years

According to Vhembe DM Revenue Expenditure Frameworks, Makhado LM recorded the

highest accumulated municipal consumer debts in 2016 with approximately R207 487 000 followed by Thulamela LM with R93 743 000 and Musina LM with R39 677 000. The statistics from 2006 indicate that municipal consumer debts in these rural municipalities have been on the increase and these projections are likely to produce adverse effects on service delivery because revenues are becoming fewer and fewer.

1.2.3 Debt collection footprint for Vhembe District Municipalities (VDMs)

It is imperative to link population numbers in Makhado, Musina and Thulamela local municipalities to demand for service delivery. This is to delineate the economically active population as well as the households that have the capacity to pay for rates and taxes. This is in addition to identifying the population with less capacity for paying for rates and taxes but are not in the indigent registry i.e qualify for free basic services such as electricity, water and sanitation and solid waste removal. Table 1.1 and table 1.2 shows the debt collection footprint for Vhembe District municipalities in terms of population tax bases and number of taxable households in 2001 and 2011.

Table 1.1: Population tax base for Vhembe District Municipalities (VDMs)

Population tax base for Vhembe District Municipalities (VDMs)										
Thulamela LM				Makhado LM			Musina LM			
	Elderly (65+)	Economically Active (15-64)	Young (0-14)	Elderly (65+)	Economically Active (15-64)	Young (0-14)	Elderly (65+)	Economically Active (15-64)	Young (0-14)	
2001	5.8%	59.0%	35.2%	6.6%	58.1%	39.3%	3%	69.2%	29.5%	
2011	6.0%	58.8%	40.8%	7.1%	58.1%	34.8%	2.6%	69.2%	28.2%	
Total Population size	2001	581 487			494 264			39 310		
	2011	618 462			516 031			68 359		

Source: Statistics South Africa and Community Survey Reports, (2001 and 2011)

Table 1.1 shows the population tax base footprint for VDM`s and interestingly demographic trends of the three municipalities have been on the increase in the past 10 years. Thulamela LM population increased LM from 581 487 in 2001 to 618 462 in 2011. The total collectable population tax base increasing only by 0.2% for the economically active from 2001 to 2011. In Makhado the population increased from 494 264 in 2001 to 516 031 in 2011 with an increase of approximately 4.22%. There was a slight decrease for the economically active who are assumed to be capable of paying for rates and taxes of approximately 0.2% while the elderly and the young population increased by 0.2% and 4.8% respectively. In Musina local municipality, the population increased sharply between 2001 to 2011 almost doubling from 39 310 to 68 359 people; an increase of almost 100%. The elderly, economical active and young population almost remained constant increasing by a small margin of 0.4% for the

elderly and 1.3% for the young population, (Statistic South Africa 2001; 2011). Table 1.2 shows the household collection footprint for Vhembe DM from 2001 to 2011.

Table 1.2: Household collection footprint for Vhembe District Municipalities (VDMs)

Household collection footprint for Vhembe District Municipalities (VDMs)							
Thulamela LM			Makhado LM		Musina LM		
	Urban	Traditional	Urban	Traditional	Urban	Traditional	
2001	14.0%	86.0%	6.7%	76.4%	56.6%	4.6%	
2011	14.6%	85.4%	8.3%	88.3%	62.4%	6.9%	
Total (Households)	2001	126 023		108 673		11 577	
	2011	156 194		134 889		20 042	

Source: Statistics South Africa and Community Survey Reports, (2001 and 2011)

Table 1.2 shows that to a larger extent Makhado local municipality has a majority of households under tribal authorities (88.3%), followed by Thulamela municipality with 85.4% and Musina with the least with approximately 6.9%. The scenario is different for household collection footprint in the urban areas, for the three municipalities because the majority of people living in the urban areas being higher in Musina (62.4%), followed by Thulamela (14.6%) and Makhado municipality (8.3%). Musina municipality has been featuring more in the transition of people residing in urban areas in the past 11 years starting in 2001 with an increase of approximately 5.8%, followed by a slight increase for both Makhado and Thulamela local municipalities of 1.6% and 0.4% respectively. The residents within Vhembe DM are largely rural and poor and this creates a weak revenue base of the municipality decreasing its capacity to generate sufficient own revenue to provide services, (Statistic South Africa 2001; 2011).

1.2.4 Purpose of the study

In line with the growing number of people in Vhembe District municipalities and the municipal mandate to provide people with basic services, as enshrined in the South African Constitution Act No 108 of 1996 and the Municipal Systems Act, No 32 of 2000, municipalities in rural areas are obliged to provide sustainable services to the population where majority of them live. The study explores strategies municipalities within VD are currently using to recover municipal service consumer debts as one of the revenue enhancement strategies. The study further intends to prove or disprove using different models and statistical packages, the notion that rurality is a contributing factor towards payment of rates and taxes.

1.3 Problem statement

According to Burger, (2001:10), Free Basic Service (FBS) policy in most developing countries is not only inducing pressure on municipal budgets but it compromises the quality of life of

residents in rural communities. According to Rapoo and Richards, (2010:36), Free Basic Service must be funded for rural areas because nothing can be supplied for free by municipalities because of budget constraints. It is important to note that although debt recovery is a technical and financial issue troubling municipalities there is also the political influence component. Political interference in debt recovery hinders effective provision of services to the people. This is a huge challenge in most rural municipalities in South Africa. In Metropolitan Municipalities and Vhembe District municipalities political parties sometimes hinder consumers to pay for services so that they can lure voters to vote them into office.

The high level of debts recorded in Vhembe DM is attributed to high unemployment. According to Statistics South Africa (2011), Thulamela municipality recorded a total of 43.8% unemployment rate, while Makhado recorded 36.7% and Musina recorded 18.7% unemployment level. Of these, majority of the unemployed were the youth in the three municipalities with about 40% of youth unemployment. These figures reflect a serious challenge to revenue collection because municipalities struggle to provide services due to inadequate funds.

Experiences from Western countries such as Britain as explained by Brasuell (2015:35), shows that poor billing systems play a major role in municipal budget deficit because it reduces the amount of funds collected. Effective municipal service delivery depends mainly on an efficient billing system that can provide support for recording property tariffs, tabulates rates and taxes and sends the billing statements to the right addresses. This however remains a significant challenge to rural municipalities in Vhembe District because consumers complained of receiving wrong billing statements.

A critical factor reducing municipal tax collection is the high none-proclaimed collecting footprint for rates and taxes. This is because property rates and taxes under communal land tenure are difficult to tax. A significant population reside in non-proclaimed areas where it is highly impossible to bill and collect property rates and taxes. This leaves the municipality with a low base for the collection of rates and taxes because majority of the people residing in Vhembe DM tribal areas are considered poor and are not legible to pay for rates and taxes but free basic services. These problems can be summarized as follows:-

The rural nature of municipalities from Vhembe DM is related to their poor revenue collection base and it has direct consequences on the provision of basic services (water, sanitation, electricity and solid waste management) in the communities.

1.4 Research Aim and Objectives

The study aims to explore the relationship between consumer debt recovery and municipal

service delivery.

1.4.2 Research Objectives

- i. To determine the level of payment for services by municipal consumers in Vhembe DM.
- ii. To determine the viability of external and internal sources of municipal revenue for sustainable service delivery to communities in VDM.
- iii. To calculate the Coefficient Effect Size (CES) of rurality and for payment of services by consumers in VDM to explain the implications of revenue collection on municipal service delivery.
- iv. To develop a consumer debt recovery framework that can inform rural municipalities on the implications of consumer debts on service delivery.

1.4.3 Research Questions

- i. What is the level of payment for municipal services within Vhembe DM by consumers?
- ii. To what extent is the contribution of external sources and internal sources of revenue in making up the shortfall for sustainable service delivery to communities in VDM?
- iii. What is the implication of the Coefficient Effect Size for payment of services by consumers in VDM linked to rural nature of municipalities in VDM? and how it affect service delivery?
- iv. Which tool can assist rural municipalities to address the implications of consumer debts on service delivery?

1.5 Scope of the study

The scope of this research encompasses two areas, i.e. contextual scope which puts the study into the relevant legislative as well as the geographic coverage of the area consisting local municipalities within Vhembe DM i.e. Thulamela, Musina and Makhado. Mutale LM is no longer a municipality after the recent re-demarcation in the District as it was replaced by Collin Chabane LM with its boundaries still to be finalized by the Municipal Demarcation Board. The researcher covers a ten year period between 2008 to 2017 as data available under the National Treasury Finance Database ended in 2017 financial year.

1.6.1 Deductive Scope of the study

The deductive scope of exploring municipal strategies for recovering consumer debts is based on deducing through the Pearson Correlation with respect to section 11, 96 of the Municipal Systems Act (MSA), Act 32 of 2000 and section 64 of Municipal Finance Management Act (MFMA), Act 56 of 2003. Section 64(a) of the MFMA, 2003 was used to determine if truly

rurality is an implication factor in line with municipal credit control and debt collection policy. Debt recovery is important because authors such as Molokomme and Berry (2004) who indicated that municipal revenue collection affects the provision of services such as water and sanitation, electricity and solid waste collection.

1.6.2 Geographical scope of the study

The study focused on the three local municipalities within Vhembe District, namely; Thulamela LM, Musina LM and Makhado LM excluding Mutale LM which was dissolved and replaced by is no more a municipality in Vhembe District and does not form part of this study. Similarly Collin Chabane LM was not part of the geographic coverage as the municipal boundaries and the administrative framework had not been finalized by the time the study was conducted. Figure 1.3 shows the geographic scope of the study.

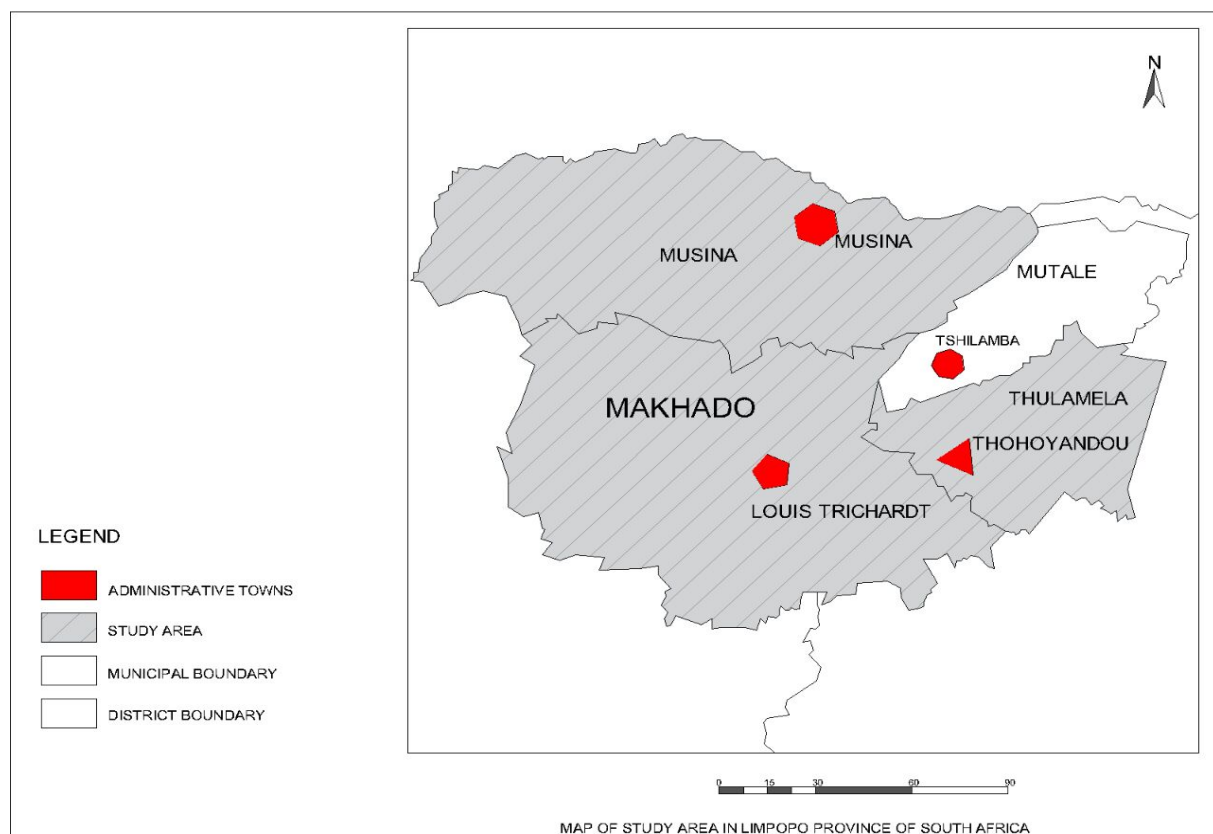


Figure 1.3: The geographic scope of Vhembe District Municipality
Source: Edited by Author 2016, Derived from Google Earth, 2016

1.7 Significance of the Study

This study generated a framework to explain the linkage between municipal debt collection and inadequate provision of services due to lack of funds. The framework explains why municipalities cannot provide services and the reason is linked to the rural economic base of the municipality. In other words to prove the notion that the more rural the municipality the less

likely it is to collect rates and taxes due to inadequate sources of revenue from the municipality. A framework on revenue generation and service delivery can be applied in rural municipalities with similar economic factors and having revenue collection challenges. The study explores municipal debt recovery strategies by outlining how municipalities can use the model to determine their viability in terms of sources of revenue and implications for municipal service delivery.

1.8 Research Assumptions

This study assumes that the rural nature of municipalities is a contributing factor to the low economic base of such municipalities. It is also assumed that when internal and external sources of municipal funding are inadequate, it impacts on services to the communities. It is assumed that the Pearson quotient analysis can indicate the level of rurality of a municipality and be linked to municipal revenue, service delivery and financial viability of municipalities. It is assumed that Vhembe DM comprise mainly of rural communities that are unable to pay for municipal service but also with urban areas that are capable of paying.

1.9 Research Delimitations

The study is limited to acquisition of most of the data from secondary sources such as Medium Term Revenue Expenditure Frameworks (MTREF), Financial Reports, Integrated Development Plans (IDP's) and Annual Reports. This may limit the findings and results. The study was limited to consumer debts as a factor that causes poor service delivery when there is lack of a reliable and sustainable municipal source of revenue. Municipalities generate own sources of revenue from different sectors but this study is confined to municipal rates and taxes which is a major contributor to internal municipal revenue. Furthermore the study was confined to Vhembe District municipalities to manage the research results in such a way that it gave room for generalization and conclusions. Preliminary studies showed that Vhembe DM had one of the highest consumer debts in Limpopo Province due to poor payment of rates and taxes and this influenced the choice of municipalities for conducting the research.

1.10 Definition of key terms

Consumer debt-: A monetary liability or obligation created by a financing agreement, note, debenture, bond or overdraft, or by the issuance of municipal debt instruments, in this case households, government institutions, commercial properties and traffic fines owed to the municipality, (MFMA 2003).

Debt collection-: It refers to the process whereby a municipality collects outstanding money, which consumers owe from the services, which the municipality renders, (Author 2015).

Debt recovery-: It is the process which municipalities can regain the money owed to them by consumers in this case people receiving municipal services at a specific cost, (Author 2015).

Defaulter-: A defaulter is a customer who owes the Municipal Council in respect of rates and taxes for a period not exceeding 45 (forty five) days from the date of account, (Thulamela Rates Policy 2014).

Fiscal distress-: This is a condition where a municipality neither meets nor has difficulty paying off its financial obligations, (SoLGF 2013:39).

Indigent Consumer-: This is a household customer qualifying and registered with the Municipal Council as an indigent in accordance with the Indigent Policy of the Municipal Council, (Thulamela Rates Policy 2014).

Infrastructure-: It is the complex technical system that provides us with varied range of valuable and essential services. Generally it includes roads, bridges, highways, runways, rail tracks, station, telecommunication networks, pipelines for water, sanitation or sewage and so forth, (Brushett and John 2006).

Municipal data cleansing-: According to MIIU (2006:47) municipal data cleansing refers to the process of ensuring that the customer details on which municipal billing processes is based on is accurate and up to date.

Municipal tax-: It means means property rates or other taxes, levies or duties that a municipality may impose on consumers, (MFMA 2003).

Ratable Property-: It refers to property on which a Municipal Council may levy a rate, excluding property fully exempted from the levying of rates, (Thulamela Rates Policy 2014).

Rates-: It is an assessment levied by local authorities for local purposes at so much per Rand of assessed value of building and land owned, (Municipal Systems Act 2000).

Pearson coefficient-: It is a measure of the linear correlation between two or more variables X; Y and Z which can be used to benchmark variable performance and the effect of altering one variable over the other, (Pearson 1880).

Rurality-: Rurality is a vague concept. Being rural as opposed to urban, or the related notion of degree of rurality, is an attribute that people easily attach to a place based on their perceptions of its characteristics. These may include low population density, abundance of farmland, and remoteness from urban areas. This study assumes rurality is linked to areas with low economic bases and or poor financial performance, (Isserman 2005:4).

Rurality quotient-: These are terms coined originally from the Location Quotient model which is used to explain what makes a particular rural region “unique” in comparison to the regional average in this case, rurality quotient benchmarks rural municipality’s performance in terms of debt recovery as compared to its regional peers, (Waldorf 2006:12)

Municipal revenue viability-: Municipality revenue viability in the municipal context speaks to the ability of municipal governments to meet the current and future demands of the local

community so that the economic, social, and environmental well-being of communities remains healthy and secure for future generations, (FPEIM 2009).

Municipal service delivery:- It refers to the ability of the municipality to provide for services such as water, electricity and refuse removal to the community due to the presence of a stable financial and economic base.

1.11 Chapter Summary

This chapter provides a general background on the implications associated with the non-payment of services in rural municipalities. It provides the notion that non-payment of services may result in consumer service debts which shrinks the revenue capacity of a municipality. It proposes that poor revenue generation within a municipality reduces its viability to deliver services to the consumers. Respondents unwillingness to pay for services, poor billing system, inadequate skills personal to perform financial tasks as well as lack of updating of the General Valuation Roll (GVR) and the indigent registry has worsened the situation especially in rural municipalities. This chapter provided a synopsis of the problem and formulated research objectives which guided the researcher to develop a comprehensive research methodology. The next chapter provides the policy, legal and theoretical framework of the study.

CHAPTER TWO: THEORETICAL, POLICY AND LEGAL CONTEXT OF THE STUDY

2 Introduction

This section presents data on the review of literature by examining reliable and existing information from different secondary data sources such as books, journals, internet websites, articles, municipal documents and policies related on the relationship between consumer debt recovery and service delivery. In addition to this, case studies were reviewed to assess the successes and failures associated with municipal debt recovery strategies within municipalities to explore the lessons that could be adopted. The first attempt in this section places theory in the context of municipal debt recovery strategies, followed by experiences on municipal debt recovery in developed and developing economies, and lastly the South African experience. A review of these aspects brought out the linkage between consumer debts and municipal service delivery.

2.1 Overview of municipal debt recovery

According to Karungari (2012:1), municipal debt recovery includes the process of regaining rates and taxes from a municipal consumer through various strategies. Debt recovery strategies include a set of coordinated, appropriate, and timely activities aimed at full collection of debts from consumers with the intention of improving municipal revenue thereby improving service delivery. Elliot (2010) stipulates that municipal revenue collection process requires significant interaction with the consumers, beginning with a careful analysis of the consumers' income situation and the capability municipal consumers have to pay for services. Critical analysis of a municipal economic base is also very important if service provision is to be done sustainably because Burger (2001) argues that a municipality with a stronger economic base offers consumers with employment and ultimately with incomes to pay for municipal services. Hammond and Wellington (2014), clearly explains that although a municipality may have a strong economic base, poor debt recovery may result in poor financing and maintenance of infrastructure and sustainable provision of municipal services in the long run. Therefore, Mori (2006:40); highlights that debt collection strategies command an immense amount of time and resources in order to be implemented well. According to the any municipality that performs well in terms of debt recovery and encourages its consumers to pay for services delivers better services than any municipality that does contrary to this.

2.2 Concept of municipal debt recovery

According to Peters (2012) debt recovery refers to the collection of the cost of services through levies, user fees, or other mechanisms that are long overdue to a creditor. Debt recovery

strategies require good public fiscal practices that benefit both the consumer and the municipality involved. It is also argued that to reduce the need for cross-subsidization from industry and higher-income households appropriate revenue management is critical in making a municipality a more financially attractive place to relocate to (Peters 2012; Reuters 2007). Other studies have highlighted the potential of cost recovery to improve basic service delivery provision and sustainability of the services, (FFC 2007). Municipal debt recovery has become a fundamental source of revenue for local municipalities to plow back to the community. Section 96 of the Municipal Systems Act of South Africa states that a municipality must collect all money that is due and payable to it and, for this purpose, must adopt, maintain, and implement a credit control and debt collection policy that is consistent with its rates and tariff policies. The Municipalities need to recover the costs for providing these services so that they can remain viable.

Further to this, MacDonald (2002) explains that the effective operation of debt recovery depends on the ability to measure consumption at household level accurately and regularly so that marginal cost pricing can be applied. Inaccurate debt information results in poor debt collection therefore consumer information, and the tariffs applied have to be correct. The debt payment system should be operational as well as effective. Therefore there is need for mechanisms to enforce payments when consumers do not pay their credit. The intention of debt recovery is to collect monies due to the municipality and to rehabilitate the debtor to ensure that the municipality reaps the benefit of the annuity cash flow going forward. It is only once this information is correct that municipalities can implement action to collect the debt and communicate with the debtor. Debt collection without accurate information may result in partial collections, if any, and a debtor that is not fully rehabilitated could continue to default and again cause other series of challenges, (FFC 2007).

2.3 Municipalities financial viability and consumer debts concepts

Lusthaus (2002:124) defines financial viability as the ability of an organization to raise the funds required to meet its functional requirements in the short, medium and long term. Financial viability is essentially about being able to generate sufficient income to meet operating payments, debt commitments and allow growth, while maintaining service levels. In the case that any municipality fails to generate adequate funds it results in the municipality failing to provide its consumers with services. Financial viability is an unstructured concept that encapsulates many specific components. At the heart of the matter is the idea of capacity in as far as financial systems and financial management are concerned. On the other hand, financial viability in local government cannot be discussed without taking into consideration the issues of transformation from the pre 2000 local government system to the developmental

local government system of today.

Financial viability at local government level cannot be discussed without taking the issues of the powers and functions which separate the local, provincial and national spheres of government into cognizance. A clear definition of powers and functions reduces the burden on financial management and allocation of resources between the responsible stakeholders. According to Lusthaus (2002:126), financial viability is an organization's ability to maintain the inflow of financial resources greater than the outflow. Assessing an organization's financial position is an increasingly important aspect of evaluating the organization's overall performance. This approach can be applied in municipal situations where in the revenue a municipality generates must be able to cater to encountered expenditures. Failure to meet expenditure demands can result in poor quality of service provision as the municipality tries to balance between financial resources available and the needs of service consumers.

2.3.1 Concepts of assessing financial viability of a municipality

Lusthaus (2002:124), indicated that the concept of assessing financial viability of an organization such as a municipality has many dimensions. However, the simplest method of assessment relates to the ability of the organization to generate enough cash to pay its debts, and in the case of non-profit organizations, to be prosperous and profitable. This refers to both short term and long-term cash flow requirements. Resources are generated through an organization's ability to create, supply and deliver products, services or programmes useful to customers, clients or beneficiaries, (Henke 1992). This relates to municipalities which are most often cash strapped, but have an obligation to provide rate payers with quality services. In order to cut the short falls municipalities' most especially rural based end up taking money from reserves or capital infrastructure coffers.

Municipalities that are unable to meet their short-term obligations of service provision present a risk to their creditors. Those to whom they provide services should be satisfied with the services provided by the municipality, (Lampe and Sutton 1997). A municipality can be financially viable if it generates enough value (both internally and from external sources) to keep stakeholders committed to the organization's continued existence. In the case of most rural municipalities, staying financially viable depends crucially on the management's ability to maintain existing linkages or create new ones to ensure a continued flow of funds over time from diverse sources. The challenge that emanates from maintenance of existing linkages and sources of financial resources such as treasury is the high level of dependency commonly being experienced by rural municipalities. Rural municipalities are failing to generate and sustain themselves through generation of internal financial resources failing in the process to meet their obligations as service providers.

2.3.2 The concept of revenue generation and the payment of consumer debts

The Municipal Finance Management Act (MFMA) Act No 56 of 2003 can produce impacts with regards to revenue collection in municipalities. The revenue must have realistic income projection, a balanced cash budget and sustainability. An ideal situation according to the MIIF report in 2013 is that municipalities must have a 3-year budgeting projection in place. Adequate provision must be made for bad debts and at the same time an effective revenue collection system consistent with the Municipal Systems Act of 2000 must be in place. Where provisions in the MSA of 2000 are clear for adjustment of budgets to cater for bad debts, it is often an under estimated task to authorities or municipalities to set aside budget reserves that can assist in alleviating the impacts bad deficits might have towards service provision. In such cases, where no plans are put in place to counteract the implications of bad debts, then again municipalities often exploit the funds meant for capital projects for example MIG and NIG.

Expenditure has to be reduced when revenue is anticipated to be less than projected. The new Municipal Property Rates Act, no 6 of 2004 has caused a shift in incidence due to the change in the basis of valuation (market value), but it has not necessarily resulted in an increase in income. There are several factors that currently impact on the ability of a municipality to improve on its revenue collection of which the major one is non-payment by consumers due to poverty and unemployment. The current economic climate in terms of rising fuel and electricity costs and rising interest rates that are eroding the value of household incomes will also have an adverse impact on the level of payments for services. Therefore while municipalities may stop financing local economic development projects ultimately it affects the level of payment of services by consumers, (MFMA 2003).

2.3.3 Critical municipal revenue dynamics

Municipalities in South Africa most especially rural municipalities are generally not self-sufficient and depend on grants from national government. As a result, they are not financially viable and service delivery is badly affected and, in some cases, can lead to collapse of service provision, (Malinen 2016). Failure of service provision most often than not lead to protests by affected communities. Such lack of financial viability justifies the cost-benefit-analysis theory that decisions by municipalities to deploy public resources is seriously affected by the state of municipal finances. Although most municipalities lack financial resources, there are some municipalities who are large, have certain capacities, can collect revenue and are, therefore, financially stable. These municipalities include metropolitan and certain secondary cities. Municipalities that are not financially viable depend mainly on transfers from the Provincial Government and equitable share and conditional grants from the National Government. Studies have indicated that most of the affected municipalities are rural based and they are

still suffering the in capabilities of service provision mostly because consumers are either unwilling to pay or are totally failing to pay for services rendered by local municipalities, (McDonald and Pape 2002).

Ismail *et al* (1997:111) argue that local government finance should be geared towards promoting the economic development of the local community, and every local authority must conduct its affairs in an effective, economic and efficient manner with a view to optimising limited resources in meeting its objectives. Normally, revenue for financing municipal activities accrues from rates and taxes and payment for municipal services rendered as well as tariffs including water, sewerage, electricity, refuse removal and bus services. Others are licenses for motor-vehicles, fire services and traffic fines. Ismail *et al* (1997:155) argue that it would be irresponsible for any local municipality to adopt any project without first determining whether they have sufficient funding or not. The worst case scenario for rural municipalities is the failure to generate own revenue at the same time launch a particular project without adequate finance to fund the project. With accrual of consumer debts in rural municipalities, it is becoming more difficult to initiate projects independently without the assistance of external financial sources such as government grants and subsidies.

2.3.3.1 The political context of municipal debt recovery

Nel and Rogerson (2005:12) highlight various political challenges local governments encounter in terms of debt management and financial allocations for services. For example, the politicisation of development is an issue where individual interests often override the greater common good a situation which has destroyed a lot of rural municipalities in South Africa. The organizational structure of municipalities consists of both technocrats and politicians of which politicians in council make the final decisions with regards to resource allocations in the form of a budget. Politicians however; are voted and elected into office and their careers depend heavily on the electorates. As a result most politicians (ward councillors and the mayor) tend to neglect putting pressure to consumers to pay for rates and taxes due to fear of protests and the backlash of residence signalling their failure in office to deliver their promises. This becomes a major challenge for revenue generation as it get embroiled with complex situations which require objective mechanisms rather than subjective strategies, (Hurt and Bundlender 2001).

There is also a clear problem of grant dependence and limited sustainability of many projects as well as need for more training, facilitation and funds. In addition, the rhetoric of pro-poor planning by local government is not always matched in practice as community focused programmes are often difficult to sustain due to lack of funding. Nel and Rogerson (2005:136) contend that local government and the community can now manage their existing resources

and enter into partnership with the private sector or other players to create jobs and stimulate economic activity in a defined economic space. This can also be significantly aided by encouraging consumers to constantly pay for services rendered by their respective municipalities.

2.3.4 Theory and practice of consumer debt recovery

According to McDonald and Pape (2002:17), consumer debt recovery refers to the practice of ensuring consumers pay for outstanding bills on rates and taxes as well as services rendered to them by the municipality. In contrast to the long standing of the state subsidising these services, consumers around the world are increasingly expected to pay in full for service delivery. The concept of cost recovery is the recovery of all, or most of the cost associated with providing a particular service by a service provider. Most South African municipalities, especially those that are small and rural, are still a long way from meeting these cost recovery goals. Another concern with the way that cost recovery is being implemented in South Africa is the harsh way in which it is enforced. More subtle forms of injustice and insult include pensioners waiting for hours on end in the heat and cold to pay their bills at understaffed municipal offices, and sometimes receive rude services from those officials who do not always ensure good customer/client care and they end up not paying while they are actually willing to pay.

Service cut-offs and evictions are indeed unconstitutional. Visser and Erasmus (2002:140) question at what stage does payment for goods and services delivered constitute debt. Visser and Erasmus (2002) argue further that recording and reporting on debts must be maintained in order to determine the amount of total debt owed to the state, the amount repaid, the amounts outstanding and the bad debt being written off. In terms of fiscal arguments, the single most important reason given for cost recovery is the need to balance books and it is a matter of good fiscal practice. Service costs vary dramatically across the country an even within municipalities. But for those who have service infrastructure, and who receive regular bills, the median total cost per month for water, electricity, sewerage and refuse removal varies.

2.4 Municipal debt recovery theories, models and case studies

In order to understand the experiences of consumer debt recovery in municipalities, several theories and models were used to explain the phenomenon. To complement these theories and models, several case studies are used from developed countries such as the USA, in developing countries such as Kenya and lastly local South African cases namely eThekweni metropolitan municipality and Mangaung municipality.

2.4.1 Ludwig`s systems theory of consumer debt recovery 1970

Systems theory/model was proposed by Ludwig in the 1970`s and furthered by Ross Ashby in 1980`s; in general it is the trans-disciplinary study of the relationship that exists between phenomenon. The Systems model can be defined as a working hypothesis, whose main function is to provide a model for explaining, predicting, and controlling phenomenon, (Bertalanffy 1962). According to Kuhn (1974) understanding one part of a system enables us to understand another part. The theory stresses the principles common to all complex entities and the models used to describe them. A systems model to debt recovery recognizes that each time one of the key revenue generation processes is enacted; there may be a ripple effect of events and behaviors that may change the state of other sub-systems, (Kuhn 1974). The systems model to debt recovery also emphasizes that debt recovery works as an overall system of interconnected stages which work together for an overall goal or objective. Kuhn (1974) also takes into consideration that if one element of a system probably payment for services is not functional within the municipality then they will be an effect to the overall objective or goal of the particular system which is municipal service delivery. Figure 2.1 simplifies the linkages within the theory.

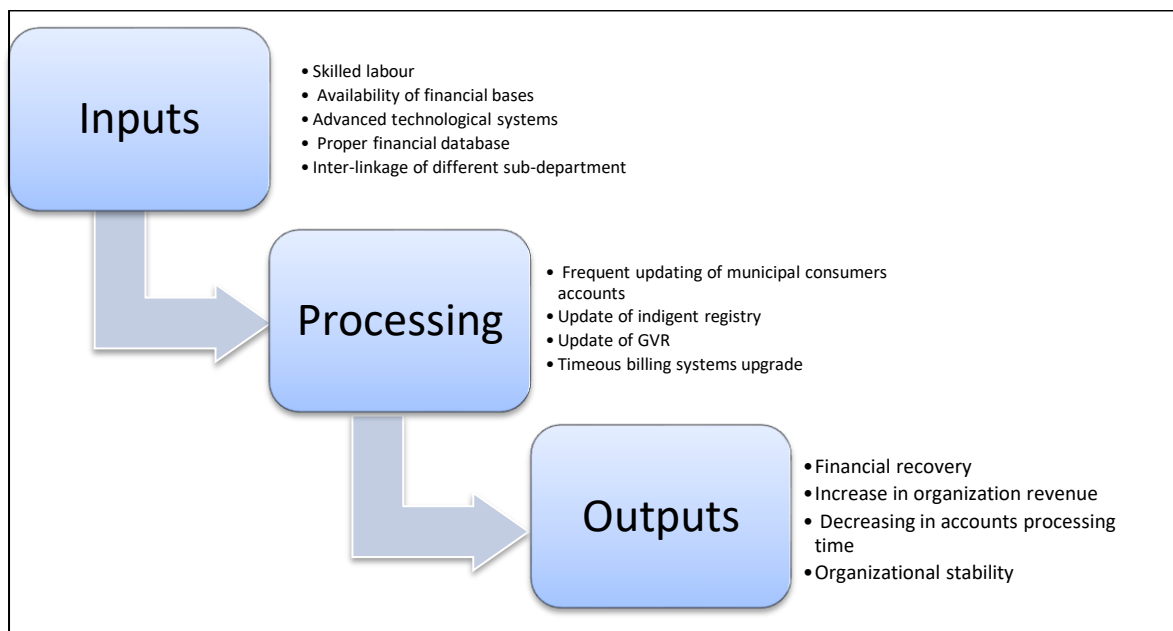


Figure 2.1: Linkages of the systems theory of consumer debt recovery
Source: Derived from the Financial Handbook, 2014, Authors construct 2018

The model views consumer debt recovery as a procedural activity that can only be accomplished by following specific processes an element which lacks in most rural municipalities such as Thulamela, Musina and Makhado local municipalities. If this system is not monitored there will be implications on municipal service delivery. The main function of the model is to provide a framework for explaining, predicting, and controlling phenomenon, in the

case of a Vhembe District Municipalities understanding municipal consumer payment trends, defaulting causes and methods of counteracting effects. The systems model also identifies two critical processes that occur between two systems; communication and transaction. This can be best applied within the context of a municipality by reviewing the communication and transaction processes between municipal consumer debts and the relevant municipal authority. A systems model to debt recovery recognizes that each time one of the key revenue generation processes is enacted; there may be a ripple effect of events and behaviors that may change the state of other sub-systems.

2.4.2 The Competence Theory

This theory by Wellman (2008), emphasizes the need for equipping employees with key competency skills for institutional improvement in terms of revenue generation and revenue expenditure. This can be done through staff training, employing skilled personnel for example in the cost recovery department and investing new resources that will benefit the overall department to function properly. This model can best be applied to rural municipalities which lack the capacity and skilled personnel to undertake debt recovery procedure in order to generate municipal revenue. The institutional competence model of debt recovery represents the need for municipalities to have a proper institutional framework with skilled personnel capable of conducting debt recovery practices in order to avert service delivery inconsistencies. Figure 2.2 illustrates the model.

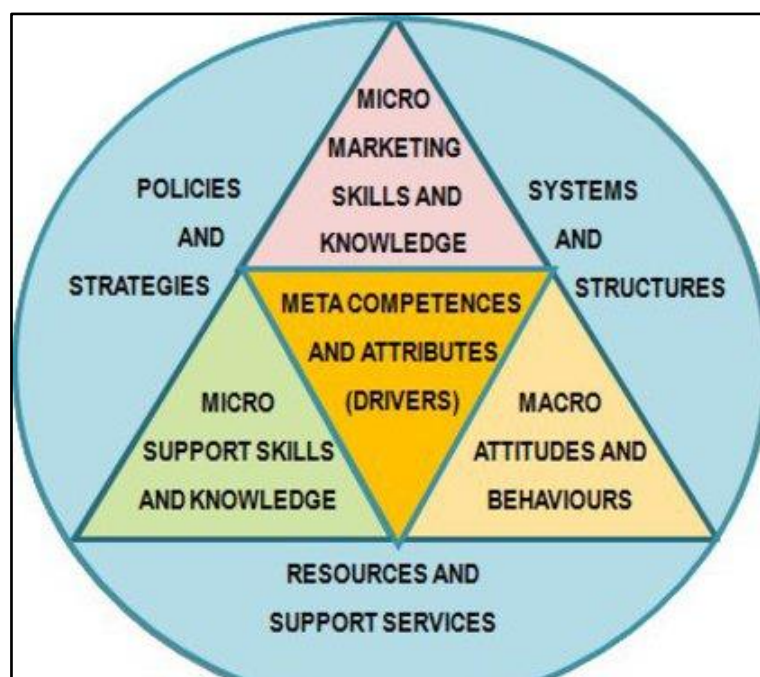


Figure 2.2 An illustration of the competence model
Source: Hierarchy of competence Handbook, 2008

This model suggests that municipalities' inability to recognize their incompetence across all the departments has an effect on municipal debt accumulation and recovery. Therefore municipalities have to appreciate knowledge gaps and deficit and this becomes the mandate of an institution to act and acquire skills so as to improve on the knowledge gaps on municipal service consumer debt recovery. In cases where municipalities lack capacity building and other technical resources the model recommends out-sourcing certain services from private consultants. In terms of application, the model can be applied in rural municipalities that lack capacity and skilled personnel to undertake debt recovery procedure in order to generate municipal revenue. The competence model also links the importance of policies and strategies, systems and structures and lastly resources and support and three core aspects crucial in achieving municipal consumer debt recovery.

2.4.3 The Pecking order theory by Myers and Majluf (1984)

Pecking order theory was first suggested by Donaldson in 1961 and it was further modified by Myers and Majluf in 1984. The theory states that municipalities as institutions prioritize their sources of financing (from internal financing to equity) according to the cost of financing, preferring to raise equity as a financing means of last resort. Hence, internal funds are used first, and when that is depleted, debt is issued, and when it is not sensible to issue any more debt, equity is issued. In corporate finance, pecking order theory (or pecking order model) postulates that the cost of financing increases with asymmetric information. This means that the quest to increase financing of services and infrastructure by local municipalities must be predominantly informed by the availability of internal sources of funds to reduce over dependence of financing from government.

Financing comes from three sources, internal funds, external funds and equitable share. Revenue functional municipalities prioritize their sources of financing, first preferring internal financing, and then debt, lastly raising equity as a last resort. Hence internal financing is used first; when that is depleted, then debt is issued; and when it is no longer sensible to issue any more debt, equity is issued. This theory maintains that institutions adhere to a hierarchy of financing sources and prefer internal financing when available, and debt is preferred over equity if external financing is required (equity would mean issuing shares which meant 'bringing external ownership' into the municipality usually in the form of Public Private Partnerships). Thus, to increase revenue in a municipality, rigorous debt recovery strategies are multi-applied so that finance is generated to provide consumers with services.

The proponents of the pecking order theory Myers and Majluf (1984) argued that equity is a less preferred means to raise capital to finance new projects or infrastructure because when

managers whom according to the Municipal Finance Management Act No 56 of 2003 are the accounting officers of a municipality must ensure consistent revenue generation. Internal sources of funds according to the theory can be boosted if a solid strategy is in place in the institution to avoid non-payment of services rendered regardless of the magnitude of the services. However, loopholes illuminate government institutions when corrupt activities start kicking in through unnecessary tariff cuts, rebates on poor performing businesses and tax breaks to none qualifying operations within the municipality.

Pecking order theory starts with asymmetric information accounting officers must know more about their municipalities' prospects and risks. Asymmetric information affects the choice between internal and external financing and between the issue of debt or equity. Therefore, there exists a pecking order for the financing of new projects, services and infrastructure.

The pecking order theory summarizes the key tenets of the relationship between financial management and consumer debt ratios-:

- ✚ Municipalities must prioritize generation of internal funds through debt recovery.
- ✚ If external financing is required, municipalities must issue the safest security first. That is, they start with debt, then possibly hybrid securities such as convertible bonds, then perhaps equity as a last resort.
- ✚ In addition, issue costs are least for internal funds, low for debt and highest for equity, therefore municipalities must maximize in generating own revenue before sourcing external funding.
- ✚ There is also the negative signalling service delivery associated with equitable share mismanagement and positive signalling associated with debt recovery.

2.4.4 The Cross Subsidization Model by Backmann 2012

The Cross-subsidization model propounded by Backmann (2012) in his economical writings on financial management in municipalities explains a scenario where a loss on one service is compensated for by a profit on another, or between groups of consumers, when a loss on one consumer type is compensated for by a profit on another. In that regard this results in implementing subsidization procedures, either from national government or from within the municipality, that ensures that tariffs, rates and taxes are affordable for all service consumers in order to be fair. Consumers with different income levels also tend to consume different quantities of services, so a rough understanding of income distribution is important for predicting the consumption of services, (Mazibuko 2013).

Cross-subsidization can occur between services, when a loss on one service is compensated for by a profit on another, or between groups of consumers, when a loss on one consumer type is compensated for by a profit on another. Consumers with different income levels also

tend to consume different quantities of services, so a rough understanding of income distribution is important for predicting the consumption of services, (Backmann 2012).

2.5 Relevant policies and legislation on municipal consumer debt recovery

In South Africa different legislations have been put in place in order to enhance revenue generation and debt recovery within municipalities. These legislations include, the Municipal Systems Act (MSA No 32 of 2000), Municipal Finance Management Act (MFMA No 56 of 2003), Constitution of the Republic of South Africa (Act No 108 of 1996), Municipal Property Rates Act (MPRA No 6 of 2004) and Municipal Fiscal Powers and Functions Act (MFPFA No 12 of 2007).

2.5.1 Constitution of the Republic of South Africa, (No Act 108 of 1996)

Several provisions in the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) are of direct relevance to municipalities in dealing with consumer debts. Of paramount importance is the fact that the executive and legislative authority of a municipality is vested in the municipal council, which means that a municipal council can execute any of the functions listed in part B of Schedule 4 and part B of schedule of the Constitution and has the authority to make by-laws and to execute and administer the functions allocated to it, (Constitution of South Africa 1996). The functions listed in the Constitution include the provision of water, electricity, refuse removal and sewerage disposal. A municipality may also impose rates on properties and surcharges on fees for services provided. The raising of rates and fees for services is done on the accrual basis, which means that debtors' accounts are raised to generate the income of municipalities. This implies that credit control and debt collection must occur. One of the objectives of local government is to ensure the provision of services to communities in a sustainable manner, (Constitution of South Africa 1996).

2.5.2 Municipal Systems Act, (No Act 32 of 2000)

Municipal Systems Act, 2000 (Act 32 of 2000) empowers a municipality to levy and recover fees, charges or tariffs in respect of any function or service of the municipality and recover collection charges on any amount outstanding as long as the fees, charges and tariffs are approved through a resolution supported by the majority of the members of the council. Chapter 9 of the Act deals with establishing a sound customer management system, adopting, maintaining and implementing a debt collection and credit control policy consistent with rates and tariff policies (Section 94). Sections 99 and 100 of the MSA also, ensure the compilation and the posting of proper municipal accounts, entering into agreements with consumers for the deduction from salaries or wages of consumers of any monies owed in respect of services; and formulating ministerial regulations and guidelines to be followed by

municipalities, (MSA 2000). Section 102 provides for the consolidation of accounts and the appropriation of payments by the municipality to any of the accounts of a consumer. Section 118 of the Systems Act introduces a strong measure to ensure that all amounts due in connection with a property are paid before the Registrar of Deeds registers the transfer of immovable property. Section 118(3) also provides that an amount due for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties is a charge upon the property.

2.5.3 Municipal Property Rates Act, (No Act 6 of 2004)

In terms of this Act, the owner of a property is liable for rates, but it may also be recovered from tenants or occupiers and agents subject to the provisions of Chapter 9 of the Municipal Systems Act. The Act also requires each municipality to adopt a Rates Policy which should also refer to credit control and debt collection, (MPRA 2004). The Municipal Property Rates Act also mandates local municipalities to align this national act with municipal Tariff policies so that a complementarity is achieved. A municipality through this act has powers and functions of billing consumers with appropriate rates and taxes on properties within the gazetted property rates by the same Act. Section 36 of the Act empowers and makes provisions for local authorities to take appropriate action in order to regain the money owed by debtors, (MPRA 2004).

The objective the Municipal Property Rates Act, Act 6 of 2004 is to regulate the power of a municipality to impose rates on properties and to exclude certain properties from rating, to make provision for municipalities to implement a transparent and fair system of exemption, and finally, to make provision for fair and equitable valuations methods of properties. Essentially, the Act facilitates the collection of revenue in municipalities and establishes a uniform property rating system across South Africa. Property tax is the biggest element of local government tax revenue and is central to municipal finance.

According to Fourie and Opperman (2007:160), property tax is a form of property rates and is the main source of income to finance municipal services. Property tax is a major contributor to municipal income and is levied currently only in urban areas (Local Government White Paper 1998:114). King (1992:82) asserts that taxes on immovable property are an important source of tax revenues for local government. Although property taxes are predominantly local taxes, local governments do not generally have complete discretion over the tax base and the rate of tax, even where they are responsible for the assessment and collection of the tax. Almost all local authorities are subject to limitations on the choice of the tax base for local income and or property tax. Many municipalities are also subject to limitations on the determination of the rates of these taxes.

2.5.4 Municipal Finance Management Act, (Act No 56 of 2003)

The Municipal Finance Management Act places large responsibilities relating to revenue and credit control and debt collection on the accounting officer of South African municipalities. Section 60 of the Act establishes the municipal manager as the accounting officer of a municipality. Section 62, deals with financial management and determines that the accounting officer must ensure that the municipality has implemented a tariff policy, a rates policy and debt collection policy, (MFMA 2003). Section 64 deals specifically with the management of revenue ensuring that the municipality has an effective revenue collection system in line with Section 95 of the Systems Act which promotes the calculation of revenue for monthly basis, preparation of accounts and also that municipality maintains a finance and Information Technology System which recognize revenue when it is earned, accounts for debtors, accounts for receipt payments and budget. Relating to credit control and debt collection, contained in the Finance Management Act, the act ensures that a system for credit control and debt collection must be in place thus ensuring that income is collected to prevent a reduction in expenditure through service delivery, (MFMA 2003).

2.6 Policies and By-Laws with respect to municipal revenue collection in VDM

With respect to municipal revenue collection at a local level, municipalities are mandated to draft and approve policies and by-laws that regulate revenue generation and debt recovery. These policies and by laws include, the Credit control & Debt collection policy, Indigent management policy and the tariff policy.

2.6.1 Credit control & Debt collection policy

The Credit control & Debt collection policy implementation is in line with the Indigent Policy in place within the three local municipalities in VDM and other relevant legislations like the Tariff Policy and Municipal Rates Policy. Credit control is essential because, the most important sources of income for any municipality are revenues from households, businesses, and industries for rendered services and revenues from property taxes. However, many municipalities face severe budget constraints as a result of increased expenditures and costs on one hand and decreasing levels of payment for services provided on the other. Indeed, the debt burden is threatening the very existence of most municipalities in South Africa. This makes effective credit control imperative in order to reduce implications on service delivery, (DPLG 2007).

2.6.2 Indigent management policy

The Department of Provincial and Local Government (DPLG 2007:19) stipulates that municipalities are mandated to develop indigent policies relevant to the specific needs and financial situation of the municipality and such measures have to conform to the national

standards and norms. The rationale for indigent policy is to alleviate poverty as stipulated in the National Framework for Municipal Indigent Policy (DPLG 2007:38). The Guidelines for Implementation of the National Indigent Policy makes provision of free basic services (FBS), such as water, energy and sanitation. Since local municipalities have to cater for the expenditures on FBS, it becomes imperative for the institution to find methods of cost recovery to avoid deficits and bankruptcy. Although it is a constitutional right for communities to at least receive basic services, these need to be financed and the major challenge for provision for FBS is financing it. Rural municipalities generate less revenue from payment of services by communities but they are expected to provide a bigger population with FBS without adequate financial support from National Treasury. In light of this, it impacts negatively on the paying consumers as the municipalities end up utilizing funds to cross subsidize FBS.

2.6.3 Tariff policy

Municipal tariff policy entails that rates and tariffs correspond to the charges that the council levies on owners and consumers utilizing services provided by the municipality to ensure sustainable provision of the services in question. It outlines the various rates at which the municipality charges the various services provided to consumers. The policy further aims to “recover in full or partially, the expenses reasonably associated with the provision of each service concerned, including capital, operating, maintenance, administration, replacement and interest charges. In terms of formulation and designing of these tariffs, the municipality proposes the fees, charges or tariffs and they are presented to the Council who in turn inform the public about the tariff’s, (Thulamela, Makhado and Musina, 2014). Review of the tariff policy is not adequate in rural municipalities. A closer analysis at the Tarrif policies for Thulamela, Makhado and Musina LM indicates that they were last reviewed in 2012 for Musina LM and 2013 for Thulamela and Makhado LM. Lack of updating of the tariff policy results in incompatibility in the General Valuation Roll (GVR) which entails that less properties are billed and these is a mismatch of type of property and the property rates charged respectively.

2.7 Role players in finance management and service delivery in South Africa

With regards to municipal financial management and service delivery, different key role players are identified and explained. These role players mostly influence the way municipalities control budgets that is income generation and income expenditure as well as facilitating other administrative roles within the municipality, other government institutions and non-governmental organizations.

2.7.1 Role of SALGA

The South African Local Government Association (SALGA) is the constitutionally recognised voice of organised local government. It represents, promotes and protects the interests of all

283 municipalities in South Africa. SALGA also assists in the transformation of local government to enable it to fulfill its developmental role. It also develops capacity within municipalities. With regards to municipal finance, the overall objective of SALGA is to entrench effective municipal financial management and equitable fiscal system. SALGA also strives for fiscal review that aligns funding to local government mandate. The role also involves effective revenue and expenditure management in local government. It also works on strengthening financial management regime for local government (SALGA 2011:2). Lastly, in helping municipalities, it concentrates on Auditor General's requirements, billing, revision of municipal fiscal model, and reduction of outstanding debtors. The challenges faced by SALGA include:

- Lack of support from other spheres of government to increase financial management awareness to rural municipalities;
- Lack or inadequate training and skills capacitation to rural municipalities on municipal revenue generation and debt recovery
- Inadequate follow-ups on rural municipalities to submit their financial statements and budgets for review by National Treasury results in poor audit outcomes

2.7.2 Role of Finance and Fiscal Commission

The Financial Fiscal Commission's responsibility is to advise and make recommendations to parliament, provincial legislatures and organised local government on financial and fiscal matters. Its primary role is to ensure the creation and maintenance of an effective, equitable, and sustainable intergovernmental fiscal relations in South Africa. It advises government on the portion of revenue that should go to provincial and local government to subsidise services for poor people. In their public hearings the Fiscal and Finance Commission made some proposals towards financial management and revenue management. Improvement for municipal fiscal effort is through smart and prepaid metering, which would reduce the problems with collecting debt (FFC 2011:5). The hearings also highlight huge cost of maintaining indigent registers, while the line between affordability and social responsibility also needs to be drawn. The FFC also suggests that municipalities should be encouraged to borrow sustainably for funding capital projects, to generate income and become self-sustaining and to ensure that funds are used for their intended purpose. Investing in maintenance should be incentivised. Local Government is also represented in the FFC. The challenges faced by the Finance and Fiscal Commission are as follows:-

- Poor intergovernmental cooperation results in resource wastage due to duplication of effort which has an effect to already financially distressed rural municipalities.
- Although the FFC provides municipalities with better strategies for revenue generation and management, financial constraints inhibit these rural municipalities in adopting advanced models.

- The FFC also sometimes faces skills shortage to perform comprehensive outreach programmes even to financially distressed rural municipalities.

2.7.3 Role of National Treasury

National treasury manages national economic policy, prepares the South African government's annual budget, and manages the government's finances. It also facilitates budget slice for local government. National Treasury is also responsible for local government legislation, especially legislation that deals with municipal finances. It is also involved in capacity building programmes for municipal officials and councillors. It has also compiled easy to read documents on finances for municipalities. The most remarkable and relevant to the topic of the research is "*A Guide to Municipal Finance Management for Councillors*" written in 2006. The concerns and challenges faced by the National Treasury are as follows:-

- Disbursement of funds especially Grants (MIG, NISG etc.) sometimes is not done proportionally and appropriately resulting in continued financial distress in rural municipalities.
- Sustained budget deficits of municipalities results in treasury seeking alternative sources of funds to carter for the shortfalls.
- In the case that any local municipality borrows money from a Creditor, national treasury acts as the guarantur of the loan and sometimes municipalities make unnecessary spending constraining the financial capacity of the institution.

2.8 Implications of consumer debts on service delivery in rural municipalities

Opinions of the Auditor-General indicate the state of the Annual Financial Statements of the municipalities for each financial year. Qualification means that the financial information presented in the annual financial statements may be unreliable for one or more reasons, for example, basis of accounting, asset management, internal accounting controls, legislative non-compliance, revenue and debtors and others. An unqualified opinion means that the financial statements are a fair reflection of the financial affairs of the municipality based on the accounting standards that have been used by the municipality concerned to prepare its financial statements. An adverse opinion will entail a bad situation or a development that is unsuccessful. A disclaimer opinion entails a situation where the auditor cannot get documents for information and thus is not in a position to make an opinion and thus renounces the information. One of the most important cornerstones of democracy is accountability, If there is no clarity about which entity is responsible for a specific function, it becomes problematic to enforce accountability and to correct poor performance when it arises.

2.8.1 Lack of clarity between departments

The lack of clarity around the division of functions is exacerbated by the nature of grant funding

flowing from the provinces to local government. There is a marked difference between the management of the flow of funds from national to local on the one hand, and from provinces to local on the other. All grants for each recipient province and municipality are published in a Government Gazette not only for the current financial year, but also for the next two years. Grants from provinces are often unclear and unpredictable, and this makes it difficult to plan properly, or to spend the funds timeously when they are received. Unfunded mandates occur where municipalities perform the functions of other spheres of government and incur significant costs out of their own revenue sources.

2.8.2 Compliance with the financial management system

Compliance with the current financial management system is a constant challenge for many municipalities (Overview Report 2009:54). There are many examples of exceptional efforts and remarkable success by individual municipalities. On the other hand, the local government system does not appear to be responding to these challenges very effectively. Many municipalities can simply not leverage the funds they need for even moderate municipal functionality. Audit reports are uniformly poor for over half the municipalities. They also struggle to manage their Annual Financial Statements and processes prescribed in the Municipal Finance Management Act. The Overview Report (2009:54) continues to report that the financial environment is further challenged by a poor skills base, weak support from provinces and poor controls that leave the system open to abuse and fraudulent activity.

Municipalities are showing a poor ability to accurately plan and spend their budgets. A very significant risk going forward is that municipalities' spending plans outstrip realistically collected revenues. One of the basic principles underlying municipal finances is the principle that Local Government is substantially financed by means of own resources. This is an important feature of any democratic local government system. It ensures that municipalities are directly accountable to local residents for the functions they perform and the services they provide. Municipal revenue collection has begun to fall as greater reliance is placed on transfers as a revenue source.

2.8.3 Capacity constraints

Municipalities continue to face capacity constraints in conceptualising and implementing developmental spending programmes. Growing grant dependency is creating a dependency syndrome, which in future might be unsustainable. It makes sense that government should extend financial freedoms and flexibilities to competent municipalities in order to speed up the provision of services in a manner that can be sustained and to address bottlenecks, backlogs and neglected repairs and maintenance. Conversely, better technical assistance should be provided to municipalities with weak capabilities in financial management, external borrowing,

income generation and debt collection. The Overview Report (2009:62) concludes that the assessment has revealed that the financial arrangement in municipalities is highly problematic, at worst, fraught with poor skills base, weak support from provinces, and then open to abuse and fraudulent activity. Many municipalities lacking a tax base, short of equitable share and with a weak revenue base cannot leverage the funds they need for even moderate municipal functionality.

2.9 Emerging debates from the reviewed literature on municipal debt recovery

Mazibuko, (2013), emphasizes the need to analyze the extent municipal consumers pay for services as this results in formulation of consumer debts. The level of payment for services was determined and detriments explored. Based on the current payment for services within VDMS it is likely that in the long run implications on service delivery due to poor payment of services will surpass remedial strategies to curb the situation.

2.9.1 relationship between Internal and external sources of revenue

After reviewing information adequately on the level of payment of municipal service, the extent to which external and internal sources of municipal funds contribute towards ensuring service delivery will be sustained in the long run. Rural municipalities have been overly depending on national treasury on their budgets for service delivery and funding projects yet, government grants are supposed to fund capital projects as well as improve infrastructure. However the share from national treasury for doing this has been used by local municipalities to provide people with basic services instead of funding capital projects thus making municipalities not viable for adequate service delivery, (Kitonga 2014).

2.9.2 Billing system as a contributing factor to municipal debt

Experiences from elsewhere, Brasuell (2015), shows that poor billing systems play a major role in municipal budget deficit as it reduces the amount of funds collected. Effective municipal service delivery depends highly on an efficient billing system that is capable of recording property tariffs, tabulates rates and taxes and sends the billing statements to the right addresses. This is however a significant challenge to rural municipalities in Vhembe District as consumers have a negative tendency of not willing to pay for billed services and in the case that they are billed municipal service consumers tend to take their frustrations to the streets in the form of service protests even in cases where allegations are unfounded, (Montana 2005).

2.9.3 High none-proclaimed collecting footprint for rates and taxes

Another critical factor reducing municipal finance collectables is the high none-proclaimed collecting footprint for rates and taxes. This is as a result of failure to bill and collect property rates and taxes because the majority of the properties fall under communal land tenure. This

leaves the municipality with a low base for the collection of rates and taxes as the majority of the people residing in tribal areas are poor and are not obliged to pay outside proclaimed township areas, (Fjeldstad and Semboja 2001). This factor was tested by the Rurality quotient model to try and establish the implications of the rurality of a municipality to its viability to provide consumers with services, Karungari (2012).

2.10 Chapter Summary

This chapter takes a closer look at the theoretical and legal context of the study. A review of key theories such as the systems theory, pecking order theory as well as the cross subsidization model places the context of the study on the perspectives of different theories. The researcher also tries to align the study to the different policies and legislations within the planning framework of South Africa. This review has tried to concentrate on the closely related literature as well as current work on the subject. It also dealt with the legislative framework, and discussed extensively the Municipal Finance Management Act.

CHAPTER THREE: CASE STUDIES REVIEW

3. Introduction

This section of the study is an analysis and deduction from different case studies around the world, on the successes and failures associated with municipal debt recovery strategies in municipalities. The study explores different experiences of municipal debt recovery management strategies in the context of implications, opportunities and challenges in developed and developing economies, in addition to the South African experience. This review demonstrates and explains the linkages between consumer debts and municipal service delivery.

3.1 Municipal debt recovery in USA: A case of federal local governments

In order to understand the experiences in municipal debt recovery associated with service delivery in municipalities, case studies from local authorities from a developed countries (USA) and Britain were analyzed namely Missouri and New York City Council in United States of America.

3.1.1 Best case scenario: Municipal debt recovery in the USA

Cities in the United States of America are major recipients of federal grants. Dependency connotes some reliance on external sources of revenue to finance functions and activities for which the city is legally responsible. The extent of a city's fiscal dependency can be demonstrated by such measures as the percentage of revenue contributed by non-city government sources. Rabin and Dodd (1985:164), contend that some municipalities, despite being fiscally dependent, are fiscally distressed. Fiscal distress implies an extremely adverse condition under which a city lacks the financial resources to achieve some desired level of performance. Fiscal stress specifically refers to the gap between the needs and expectations of citizens, and the inability of the economy to generate economic growth to expand (Rabin & Dodd 1985:154).

Local Governments in USA have recently been slow to emerge from the economic recession and there is a gradual worsening decline in property tax revenue. According to Fehr (2012), top finance officers in California and New York are proposing closer state – level scrutiny of local government budgets to help prevent the distress that has plagued many cities.

Public sector organizations that have implemented modern technology and best practices to improve their debt collection operations in federal local governments in USA have been able to increase revenues by tens and hundreds of millions of dollars such as Missouri. Table 2.1

shows a summary of initiatives utilized by Missouri city council (Texas) to improve debt recovery for sustainable service delivery.

Table 3.1 Initiatives of Improving Debt Recovery in Missouri City Council (TEXAS).

Operational Reviews	Systems Modernization	Administrative Improvements	Legislative Improvement
Review current debt collection tools	Detailed work flows for managing municipal debts	Hire skilled personnel to handle debtors accounts	Formulate effective debt recovery policies & legislations
Review processes & strategies of debt recovery	Detailed case-to-debt and case-to-debt relationships	Increase skilled capacity of debt collectors	Strict enforcement of policies & legislations
In depth review of current recovery operations	Automated asset gathering of debtors	Automate previously manual processes	Blocking renewal of property licenses
Review of institutional frameworks on debt recovery	Payment agreements with monitoring tools	Increase debt collection tools to collect debts in a cost effective manner	Provide a legislative framework of communication with consumers owing.
Review debt recovery departments	Integrated correspondence engines	Provide incentives to good consumers	
	Automate debtor databases and billing systems	Provide incentives to cooperating consumer debtors.	
	Put in place automated payment options for services		
	Electronic payment reminders through SMS, Emails and other internet platforms		

Source: CGI Tax, Revenue and Collections Center of Excellence, 2015

Local governments in the USA have implemented several integrated strategies in order to collect debts and recover outstanding consumer taxes and rates. A process improvement to take full advantage of new technology, including revising statutes to enhance collection capabilities as well as consolidation of debt collection into a single agency has reduced debt accumulation in these city councils in the USA improving service delivery by a margin of more than 65% from year 2000 to 2015. The following were the most critical elements the municipalities did to elevate revenue generation:-

- A review of different revenue generation strategies to meet the current challenge the municipality was facing including poor institutional capacity to handle municipal debts and revenue generation
- Intensive and comprehensive upgrading of the systems (GVR, Billing System) from an automated advanced system which was previously absent;
- Comprehensive capacitation of departments which had positions that had been vacant for long. The personnel hired to fill a vacant post had the most relevant skills to the job they were hired for.

- Legislation was aligned to the municipalities goal and vision of self-efficiency and financial viability to meet revenue targets and improve service delivery.

3.1.2 Worst case scenario of consumer debt recovery a case of British Local Councils

According to the British Local Government Auditor General (2016), Over a two-week period every summer, residents in the UK can inspect their council's accounts under the Audit Commission Act and object to any spending they see as irrational. This may sound like a bureaucratic endeavour, and councils certainly aren't advertising it to encourage residents to become active in their local democracy. But with a more than 20% cut in central government funding under the last Parliament that has prompted the Local Government Association to warn of councils being on the brink of financial failure, local authority finances could still become an important anti-cuts battleground. Consumer debts non-repayments amount to an equivalent of 80% of Newham's council tax income. It is an extreme example, but only one of the 240 councils across the UK that have borrowed from private banks instead of central government via the Public Works Loan Board (PWLB) due to financial shortfalls annually.

The loans councils have taken out are long-term, variable interest rate loans called Lender Option Borrower Option (LOBOs), which interest rates can be up to 7-9%. The option the lender has is to change the interest rate at pre-agreed call periods, giving the borrower the option to either agree or pay the loan back in full. In many cases, the loans have started with a lower interest rates that has then increased over time, and the low interest rate environment we have seen after the financial crisis has caught councils out in far worse deals than they probably ever imagined. The main reason why the local councils had resorted to loans from private institutions was the failure by consumers to pay for council rendered services and non-payment of rateable space by property owners. This resulted in failure to adequately provide services such as water, sanitation and space maintenance, (Malinen 2016).

Contrastingly, there are always examples on how to do politics differently, in Scotland dozens of citizens have been empowered to choose council representatives that stood for participation and democratic management of resources, against corruption of the old elites. One and a half years later, many of the councils are starting to enact policies such as participatory budgeting, online participation in decision-making and debt audits. Madrid, the largest and most indebted city, is preparing an official audit to examine the origins of its debt. The urgency for this stems from a 2011 change in the Spanish constitution that forced local authorities to prioritise debt repayments over social spending, even when that is suffocating much needed public services.

Despite leading the charge, the council of Madrid is far from alone. In October, over 500 elected representatives including 40 Mayors, hundreds of Councillors, dozens of MPs and

some MEPs from across the Spanish state signed a declaration against illegitimate debt. The manifesto rejected illegitimate debts and austerity that hindered fundamental rights, access to quality services and any improvement in living standards. Elected council representatives instead of launching debt audits from public administrations the demonstrating citizens demanded the cancellation of all debts. For local authorities across the UK struggling to provide services for their residents, it too would be sensible to question whether repaying debts to councils is the right thing to do. The scenario of debt cancellation poses a threat to service delivery as the debt amounts to a huge % of the financial service budget, (Malinen 2016). The British example shows that the reasons for the failure were related to the falling major factors:

- Despite the institution of the Audit Commission Act, councils were not advertising it to encourage residents to become active in their local democracy to view councils spending resulting in massive financial losses.
- Council borrowing from the private sector and banks due to financial shortfalls has resulted in building up of loans on repayable amounts causing municipalities to sink in debt compromising service delivery.
- Failure by councils to approach the federal government and seek for financial assistance resorting to private banks charging huge interests has worsened the financial situation of most municipalities.

3.2 Regional case studies from Developing Countries

Debt recovery experiences from developed countries show that in Kenya particularly Nairobi City Council focused on debt recovery through capacitation of municipalities, increase in prepaid services (water) and an upgrade and modernization of the accounting and the billing system. In Nairobi, particularly Windhoek City Council, the municipality introduced the incentive scheme to address consumer debts which were escalating yearly.

3.2.1 Implications of debts on services in Kenya: A case of Nairobi City Council

Kenya's water and sanitation sector was financially unviable and debt-ridden. Services provided by the Water and Sewerage Department of the Nairobi City Council (NCC) were characterized by low coverage and unreliable service, high levels of Unaccounted-for Water (UFW), considerable accounts receivable, tariffs set below cost recovery levels (and even for operations and maintenance costs), and weak and ineffective management which resulted in poor service delivery. In 2002, the water sector was a key target for reform by the newly elected government. The reform process led to the creation of the Nairobi Water and Sewerage Company (NWSC) in 2004, which was created to provide water and sewerage services in greater Nairobi a corporatized, ring-fenced utility in accordance with the Water Act

of 2002. The Athi Water Services Board is the asset owner and is responsible for overall service provision in Nairobi as well as western Kenya, while NWSC is the actual service provider. The Water Service Board signed a five-year service provision contract with NWSC. This contract specifies terms and conditions defining NWSC's services, metering and billing functions, and bill collection.

The company has implemented several changes, including an upgrade and modernization of its accounting and billing system, overhaul of customer service functions, and repair of the water distribution network. To address service delivery issues, overall water production was increased between June 2004 and July 2006 from 320,000 m³ to 400,000 m³, while unaccounted for water declined in the same period, from 58% to 35%. Nairobi Water and Sewerage Company have the latitude to impose strict measures to meet its goals. For example, in late January 2007, it disconnected for two weeks thousands of customers including government departments to prompt them into paying their arrears. The utility developed a comprehensive Web site that provides options for users to report corruption, water leaks, billing problems, and general customer complaints. According to World Bank Report (2009), NWSC increased revenue collection to 54%. Further, NWSC resolved more than 90,000 outstanding billing problems and increased collection efficiency to 98%, (World Bank 2009).

3.3 Municipal debt recovery in Namibia: A case of Windhoek City Council

According to Gaomas (2006), more and more Windhoek residents have been paying their long outstanding municipal bills since the implementation of the revised Credit Control Policy in 2005. The Windhoek Municipality has recovered debts of up to N\$40 million, despite an increase in the annual bill of approximately N\$70-million and also a negative growth of N\$80 million. This had a drastic improvement on the previous N\$220 million owed by residents and business entities in the 2005 financial year in bills. However, in an effort to reward regular-paying clients, the City of Windhoek further implemented an Incentive Scheme through a lucky draw system. The Deputy Mayor, Councillor Elaine Trepper, was the head of the implementation of the Incentive Scheme.

According to the Windhoek City Council Deputy Mayor, the Incentive Scheme, was to be implemented on a monthly and quarterly basis, would benefit both residential and corporate clients. According to Trepper (2006), residents are supposed to continue paying their outstanding bills in order to assist the City in effective service delivery at the end of the day. With the daunting and challenging task of maintaining proper service delivery in a fast-growing city with a rate of 4 percent per year, this situation is placing a heavy burden on the City Council's already limited financial resources. However, with the latest policy on debt recovery

and the payment incentive scheme, the much-needed revenue from municipal debts has been collected smoothly, (Gaomas 2006). From the fore-going analysis we can deduce that the main reasons for the increase in revenue generation were as follows:-

- The implementation of the incentive scheme for the consistent consumers who paid their bills to the municipality every month.
- The introduction of a reward based system to encourage payment of services by municipal consumers has contributed to improved revenue generation.

3.4 Local case studies from South Africa

In view of experiences in municipal debt recovery strategies in South Africa, local case studies were analyzed namely eThekwini municipality and Mangaung municipality. After a closer look at these case studies positive and negative lessons from both case studies were drawn.

3.4.1 Municipal debt recovery successes in eThekwini Metropolitan Municipality

Besides the commercializing of service operations as part of municipal revenue management, eThekwini encourages payments for rates through education campaigns which are run by Community Development Workers (CDWs) who are employed on a contract basis to service the council's township education campaigns. In addition, punitive penalties for municipal service arrears are imposed on customers in accordance with the Local Authorities Ordinance act. These penalties include 1.5% per month penalty interest on any outstanding amount, for the first two months. Thereafter, this becomes 2% per month. A further 15% collection charge is payable if debt is not paid on the due date. A further 15% is levied when judgment is obtained against the owner and the Council embarks on the sale-in-execution process. However, no action is taken if the debt is less than R2500 and less than three years old. Blacklisting residents with credit bureaus and the sale of properties are other more drastic strategies employed for the Council to encourage payment for services. These have proved to be an effective measure and it is estimated that collection rates for payments are as high as 80-90%, (Ramlahl 2003).

Lewis Kruger, Director of Rates, at eThekwini Metropolitan Municipality claims that although details on arrears payments are not available for the Council as a whole, payment levels in certain newly incorporated areas was recently measured, and currently stands at approximately 35% for these areas. With respect to the poor, service charges are so minimal, that they should be able to afford them and the fear factor of being black-listed or having their homes sold provide the incentives for payment, (Ramlahl 2003). The council has not adopted any specific (positive) incentives for payment of rates. Accounts are posted to residents as hand posts and these accounts are so many. The reasons why the EThekwini debt collection

strategy was a success was because of the following reasons-:

- The commercialization of municipal service operations as part of municipal revenue generation.
- Educational campaigns held across the municipality to encourage residents to pay for their rates and taxes frequently.
- Reduction of tariffs, rates and taxes as well as service charges to match income levels of the consumers increases affordability hence elevating income generation.

3.4.2 Municipal consumer debt recovery in Mangaung Municipality

According to Botes (2003), Mangaung's municipal budget is very conservatively managed and debt collection policies and procedures have been streamlined. The municipality's debt has been stabilized around R500 million per year over the last few years. The municipality targets the easy debtors' first, including, commercial consumers, government departments and affluent neighborhoods. There have reportedly been dramatic changes in Mangaung's debt collection policies and processes. A special debt collection unit has been established to deal with the collection of municipal service arrears in a professional way. This entails differentiated debt collection procedures, including zero tolerance towards high income communities, commercial and government clients. Despite Mangaung's new policies on debt collection, 50% of its 120 000 households are in municipal service arrears and 25% of these households have made arrangements to pay these arrears or are in the process of paying their arrears over a 36 month period.

In June 2002, R161 million of bad debt had been written off. Mangaung's new 'pro-poor' policy is 'electronically and database' driven. If a household complies with the above criteria in respect of property valuation and municipal service consumption levels, qualification for subsidies is automatic. Properties with a higher value than R42 000 will be 'delinked from the pro-poor policy. Mangaung has made a deliberate attempt to link its client services with its pro-poor policy and to this end; it has established a Business Unit for Client Services. This unit deals with households who are unable to pay for services. The main reason for the shift from an indigent manually driven policy to a pro-poor 'technologically' driven policy is increased objectivity in the application criteria to qualify for municipal benefits and subsidies. Only exceptional cases will still be handled manually and additionally many more indigent households will benefit under the new scheme, (Botes 2003). The reasons why the municipal debt from Mangaung municipality were written off can be summarised as follows-:

- Lack of a pro-poor indigent registration database linking residence to their accounts encouraged debt impairment

- Lack of a specific office dealing with consumer debts in the municipality was dysfunctional resulting in poor debt management.
- Lack of subsidies to consistent payers and neglect of non-payers made the consistent payers to stop paying for rates and taxes.

3.4.3 Poor debt management system in Msunduzi local municipality

According to the DA leader in Msunduzi local municipality, the municipality's debt management system in the municipality is a crisis. Msunduzi local municipality is a Category B municipality situated within the uMgungundlovu District in KwaZulu-Natal. It is the smallest of the seven municipalities in the district. According to a January 2017 meter reading report at the municipality as of January, households made up 68% of the debt owed to the municipality, while commercial entities made up 22%, organs of state made up three percent and the seven percent was being owed by other institutions. As of January 31, the money owed to the municipality for trade services rendered reflected an increase of R75,9 million in outstanding debt compared to the previous month, bringing the total to R1,81 billion.

The observations by the DA leader with regards to the debt owed to the municipality was that the municipality was failing to tell communities about the indigent policy so they could register for it and if they qualified, they could benefit from it. According to the indigent policy, a household that makes a total income of R3 780 per month qualifies to benefit from indigent services. The low figures of households registered as indigent customers' compromises the municipality's equitable share as it is controlled by the number of household consumers registered as indigent. The equitable share is an unconditional grant that enables municipalities to provide basic services to poor households, and enables municipalities with limited resources to afford basic administrative and governance capacity and perform core municipal functions, (MSA Act No 32 of 2000).

The municipality had allowed a situation where businesses continued to owe for services rendered without implementing the debtors' policy. In the January 2017 meter report two commercial establishments were anticipated for the collection of services rendered in Ward 1, Sweetwaters, however, the report states that no meters were read. This is a clear indication that the report is misleading because the area in question, not only has more than two commercial establishments, it also has households and organs of state, including schools that are not reflected in the report as per the Land Use Scheme of the area. This further questions how the municipality would then be able to draft a realistic budget if such reporting continues. In addition to this, the report does not contain data for wards 2, 3, 4, 5 and 6 and does not state how much the municipality collected through prepaid electricity meters said Majola.

As per August 23 2017, the January 2017 meter report was submitted for consideration by the financial service portfolio committee for the recommendation in respect of section 71 of the municipal financial management act (MFMA). This shows how the municipality has failed to comply with the legislated stages of reporting in terms of the financial status of the municipality which, are section 71 which deals with monthly reporting, section 52 (b), which is quarterly reporting and the mid-year budget adjustment, which is section 28. The first stage of reporting as per section 71 of the MFMA is done 10 working days after the end of each month, the accounting officer, the municipal manager, must submit, in a prescribed format, to the mayor and relevant provincial treasury a statement reflecting the state of the municipality's budget.

The second stage of reporting as per section 52, b, of the MFMA is done quarterly within 30 days of the end of each quarter, by then a report to council on the implementation of the budget and financial status of affairs of the municipality must have been submitted. Taking a closer look at the MFMA sections this is tantamount to non-compliance by the municipality considering the report in question is being submitted in a new financial year, 2017/2018, when it is from the previous one and had slipped through monthly and quarterly reporting of the previous financial year, 2016/2017. Therefore the council of Msunduzi had been neglecting issues every month while challenges continued to accumulate including accumulation of debts within the municipality. The key reasons for poor management of debt from Msunduzi's local municipality are related to the following-:

- The rural nature of the municipality consisting of more rural to urban environments with residents lacking any disposal income to pay for rates and taxes.
- The municipality was failing to tell communities about the indigent policy so they could register for it and if they qualified,
- Poor and outdated land use scheme which compromises the quality of the General Valuation Roll (GVR) resulting in less properties paying for rates and taxes.

3.4.4 General Outlook of Financial mismanagement in the Free State Province

According to the report of the Free State Auditor-General, during the book year of 2009/2010, R1,2 billion of tax-payers' money was expended and wasted by Free State municipalities, without account being given to the poor management of funds. In the Matjhabeng municipality, for example, there is no transaction evidence for expenditure of R258 million (Volksblad, 6 July 2011). In addition to this huge financial loss the municipality failed to recover money consumers owed the municipality by simply neglecting and writing debts off. Quite often also, municipalities do not take criticism by the Auditor-General seriously, legislation is not adhered to, debt is incurred in an injudicious manner, proper cash flow management is ignored and

assets and reserves that took years to build up are stripped in the battle for survival, with no thought for the long-term consequences, (Zulu 2017).

In a report of the Auditor-General of KwaZulu Natal, it is stated that 37 of the 61 municipalities in the province have been so mismanaged that they were not even capable of balancing their own books or of maintaining due dates for the 2007/2008 book year (Bua News, 13 July 2008). According to the Auditor-General's report for the book year 2009/2010, no municipality in the Free State received a clean audit report (Volksblad, 5 July 2011). There is also a great deal of concern about municipalities that are still hiring consultants at exorbitant costs to improve their financial management. A good example in this regard is the Moqhaka Municipality (Free State) where 83 officials work in the financial section yet this municipality still has to hire consultants to do the work, (Zulu 2017).

In effect, the tax payer pays double for the same service, yet still there is no clean audit report (Volksblad, 5 July 2011). The total cost for consultants for the book year 2009/2010 was almost R30 million in the Free State. It must however be remembered that private consultants are not geared towards the necessity for public accountability as is the case in the public sector, because of the necessity for profit-making in the private sector. It is important that the government encourage municipal officials to obtain specialised skills in finances and management so that revenue management is enhanced and at the same time improve service delivery, (Mokopanele 2006:30).

Communities will have to try to obtain a measure of control over the way in which municipal finances are spent by municipal councils and also over how reporting should be done in this regard. In theory, the policy instruments to ensure such accountability are well developed, in the form of the Municipal Systems Act, 2000 (Act 32 of 2000), the Municipal Finances Management Act, 2003 (Act 56 of 2003), and the regulations on municipal performance management. It is however necessary that the executability and effectiveness of these instruments be thoroughly tested in practice since enforcement is a critical challenge in local municipalities across South Africa.

3.5 Emerging municipal debt recovery management framework

Discussions on the case studies and the analysis of events within the different municipalities in South Africa, developing and developed countries had influenced the evolution of different municipal debt recovery frameworks. The Department of National Treasury developed a recent framework on local government financial recovery and accountability. Figure 3.1 illustrates the emerging framework.

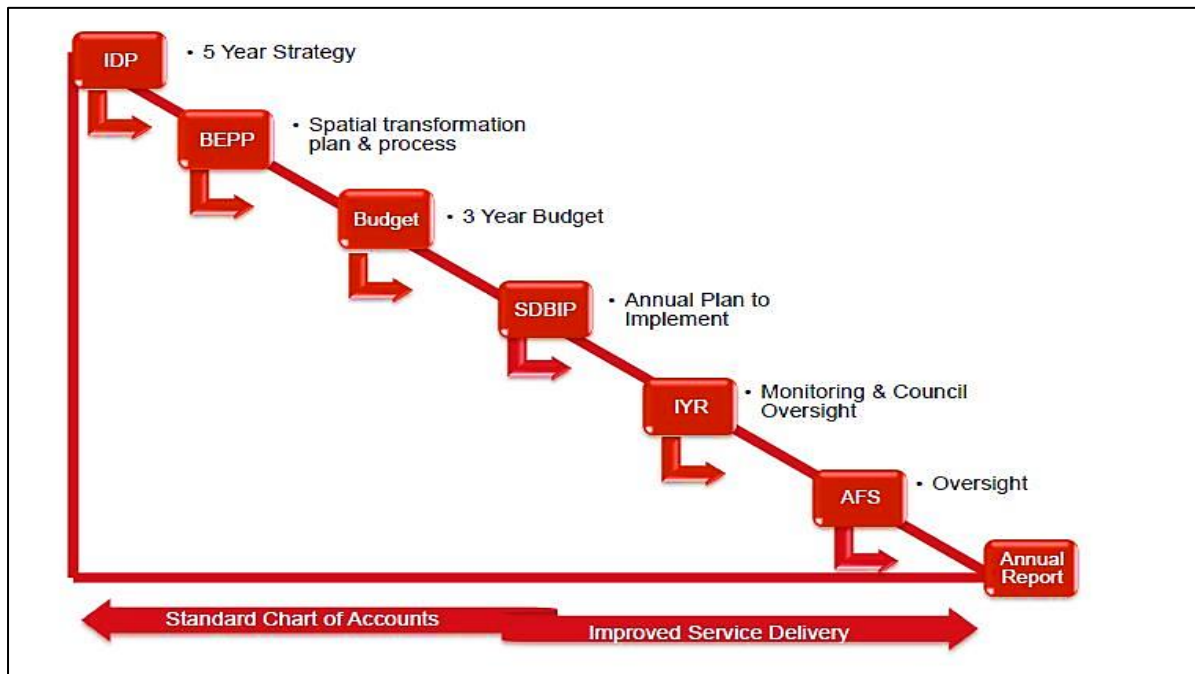


Figure 3.1: Local government financial recovery and accountability framework

Source: National Treasury; Republic of South Africa; 2017

According to the National Treasury's Report of the State of Municipalities Finance (2017:5), some municipalities are failing at effectively delivering services, billing for services and collecting the revenue due. Consequently, outstanding debtors are increasing and they are not able to maintain positive cash flows to pay creditors within the thirty days timeframe as legally prescribed. In addition, the governance at these municipalities has been weak with inadequate leadership and guidance. As a result, developing a sound framework for municipal officials and the Accounting Officers (Municipal Manager) is relevant given the prevalence of the challenge, especially in South African municipalities. The Local Government Financial Recovery and Accountability Framework (LGFRAF) provides the guideline for municipalities, especially those financially depressed, with the ability to recover from debt and be able to provide sufficient and quality services. The LGFRAF links the most critical strategies, plans, and policies in a municipality to achieve a holistic goal of achieving financial viability. The municipalities are mandated to create a 3-year budget plan to enable the absorption of shocks (internal and external) so that the municipality becomes viable.

3.6 Chapter Summary

This chapter focused on the review of international, regional, and local case studies. The intent was to extract best and worst practices from different local governments across the world and establish how consumer service debts affect service delivery. The case studies also influenced the shaping of the roles that municipal financial administration plays in the financial viability of a municipality through debt recovery and service provision.

4. RESEARCH DESIGN AND METHODOLOGY

4. Introduction

This section elaborates the research steps in a logical format that was used to explore municipal consumer debt recovery. It also describes the rationale and logic required for data collection. A combination of goal achievement and correlation quotient analysis was used to explain the linkage between service delivery and the resource base of rural municipalities. A quantitative and qualitative approach was utilized to calculate and make deductions from the primary and secondary data that was collected. The key informants and target respondents were identified to verify and explore compliance to payment of rates and taxes in the process of provision of basic services.

4.1 The notion of municipal consumer debt recovery

The notion of municipal consumer debt recovery is enshrined in financial revenue generation and fiscal stability in the municipal contest, (Powell 1997). According to Hammond and Wellington (2013), municipal consumer's debt recovery is one of the most important sources of revenue. Case studies in UK, Kenya, Namibia and USA on municipal debt recovery shows that there is a strong correlation between payment for services and the provision of basic services, (Ruiters 2007). It is also assumed that the notion of debt recovery is also linked to population, employability, application of debt recovery strategies and the implementation of the by-laws. The notion that municipalities have to depend mainly on subvention is not sustainable in the long run.

4.2 Municipal consumer debt survey approach

Municipal consumer debt recovery survey approach links municipal service delivery to the availability of internal and external sources of funds (refer to figure 1.4) as well as payment for services rendered by municipalities. The rationale to the choice of a consumer debt survey approach is because, of the emphasis on municipalities in terms of MTREF, MFMA, MIIF and MSA to be self-reliant, sustainable and able to generate own revenue. The approach assumes that payment for rates and taxes is more reliable than dependency on external sources of revenue because such can decrease or become non-existing completely, (Steyn at el 1999).

4.3 Data required to achieve research objectives

This section gives an outline of the various procedural and organizational techniques and tools that were embraced to achieve the main research objectives of the study. Table 4.1 shows a goal achievement matrix.

Table 4.1: Goal Achievement Matrix (GAM)

Research Objectives	Research Questions	Data Collection		Sampling	Analysis and data presentation	Outcomes
		Primary	Secondary			
i. To determine the level of payment for services by municipal consumers in Vhembe DM.	1. What is the level of payment for municipal services within Vhembe DM?	Questionnaires to i. CFO ii. Traffic Department iii. Technical services department	i. Thulamela, Makhado, Musina Credit Control and Debt Collection policies. ii. Revenue Enhancement strategy	i. Stratified random sampling (consumers) ii. Purposive sampling (KII)	Content analysis thematic mapping text KPIA	Developing an in-depth understanding of payment levels in VDM by municipal consumer. From this have an idea of the financial situations in each of the municipalities in terms of debts owed to them.
	2. Are the strategies used by VDM's to collect rates and taxes from municipal service consumers effective?		i. Municipal documents, (Policies, plans, strategies) ii. Journals, municipal publications			
ii. To determine the viability of external and internal sources of municipal revenue for sustainable service delivery to communities in VDM.	1. What is the viability of external and internal sources of municipal revenue for sustainable service delivery to communities in VDM.	Questionnaires to i. CFO ii. Traffic Department iii. Technical services department iv. Water and sanitation v. Private Sector (NEDA, NGO's)	i. Municipal financial statements ii. Journals iii. Books iv. Internet v. Revenue Expenditure Framework	i. Stratified random sampling (consumers) ii. Purposive sampling (KII)	Content analysis thematic mapping text	The study made a comparative analysis of internally generated funding versus externally generated in order to review whether service delivery can be sustainable in the long run
	2. Are there any other external sources of funding supporting municipalities?		i. Municipal Documents (policies, plans, strategies)			
iii. To calculate the Coefficient Effect Size (CES) for payment of services by consumers in VDM to explain the implications of revenue collection on municipal service delivery.	1. How is the coefficient effect size for payment of services by consumers in VDM linked to implications of revenue collection on municipal service delivery?	Questionnaires to i. CFO ii. Traffic Department iii. Technical services department iv. Water and sanitation v. Household respondents	i. Financial statements (Makhado, Thulamela and Musina LM) ii. Budget annual reports	i. Stratified random sampling (consumers) ii. Purposive sampling (KII)	Quantitative analysis (SPSS), tables, graphs, text,	The major aim of calculating RQ and effect size (r) is to determine the implications debt accumulation has on sustainable municipal service delivery in Vhembe District municipalities.
	2. Is there a direct link between effect size and service delivery?		i. IDP reviews and commentaries			
iv. To develop a consumer debt recovery framework tool that can inform municipalities on the implications of consumer debts on service delivery.	1. Is there a possibility of developing consumer debt recovery framework that can inform municipalities on the implications of consumer debts on service delivery?	Questionnaires i. CFO ii. Traffic Department iii.	i. Municipal revenue enhancement strategy ii. Journals iii. Books iv. Internet	ii. Purposive sampling (KII)	Text analysis Graphs SPSS Ms Excel	Producing a consumer debt recovery framework was one of the outcomes of this research.
	2. Are there any critical revenue management strategies rural municipalities can adopt to improve revenue versus expenditure		Literature Review			

Source: Authors Construct, 2017

The goal achievement matrix was adopted to provide a logical outline of the specific research objectives, the corresponding questions that were asked to respondents, data collection categories i.e. primary and secondary, as well as the analysis tools and the outcomes. The table also gives the specific targets to draw the necessary data from, for instance data can be

collected using the questionnaires targeted to key informants. The GAM was utilized as it enabled the researcher to identify the required information per specific objective, streamlining the sources of the data and linking them to the outcomes of the study.

4.3.1 Primary data collection

Primary data was collected using several primary data collection tools i.e. Key Informant Interviews (KII) within Thulamela, Makhado and Musina local municipalities, questionnaires were administered to respondents and as well as field observations conducted in the field respectively. These instruments played an important role in collecting valuable primary data from municipal officials specifically the Finance Services department through answering the research questions to fulfil the research study aim and objectives. The rationale behind selecting the specific key informants is provided in the preceding paragraphs.

4.3.2. Rationale for informants' interviews and the information required

The key informants which were selected for this study include, Director of Credit Control and Debt Collection in the Financial Services Department, the Technical Director of the Technical Services Directorate and the Traffic Director under the Traffic Department within the three local municipalities in Vhembe District. Table 4.2 shows the key informants selected and the information required.

Table 4.2: Key informants and information required

Municipal Department	Key informant selected	Key information required	Linkage to research objectives	Location of access required data
1. Finance Services Department	Director Credit Control and Debt Collection	<ul style="list-style-type: none"> Annual collectable rates and taxes Annual municipal expenditure Annual collectable from external sources (MIG etc) Budgets reports and financial statements 	Pearson correlation coefficient requires total revenue generated and revenue spend to calculate effect size which provides for the calculation of implications of debt recovery for municipal service delivery	<ul style="list-style-type: none"> Thulamela LM Makhado LM Musina LM
2. Department of Technical Services	Director Technical Services	<ul style="list-style-type: none"> Budget required for technical services Total budget deficits over last 10 years 	Poor municipal revenue generation from debt recovery has implications on the technical provision of services	<ul style="list-style-type: none"> Thulamela LM Makhado LM Musina LM
3. Department of Traffic	Director Traffic Services	<ul style="list-style-type: none"> Total fines billed Total fines paid 	Traffic fines contribute towards revenue generation.	<ul style="list-style-type: none"> Thulamela LM Makhado LM Musina LM

Source: Authors construct 2017

Table 4.2 shows that the Directors of Credit Control and Debt Collection were selected as the key informants because of the need of the researcher to obtain data regarding the level consumer pay rates and taxes, the effectiveness of the strategies VDM's have in recovering consumer debts and to provide other financial related issues. The Director for Technical Services was interviewed in order to understand how the Department was affected by lack of funds emanating from poor revenue generation and debt recovery which comprises their ability to provide municipal consumers with infrastructure such as roads and storm water drainage. The Traffic Director was interviewed to get an insight regarding consumer debts

emanating from poor payment of traffic fines which has an effect on the Department's ability to implement traffic infrastructure, enforce and monitor traffic regulations.

4.4. Administration of questionnaires to respondents

Two different arrays of questionnaires were designed and disseminated to the respondents in prearranged and selected locations within Thulamela, Makhado and Musina local municipalities. One set of the questionnaire was distributed to the Finance Services Departments, The Technical Services Department and the Traffic Department of Thulamela, Musina and Makhado local municipalities and the other set of questionnaire was distributed to different municipal consumers specifically Commercial and Residential consumers within the three municipalities that were accessible and easier to communicate with due to time and financial constraints. The questionnaire that was distributed to municipal officials was in the form of open and closed ended questions which was deliberately done to obtain more intuitions into the notion of consumer debt recovery strategies in rural municipalities. On the other hand the set of questionnaire that was disseminated to municipal consumers consisted of closed—questions for easy responding of the questionnaires by municipal service consumers.

4.4.1 Rationale for limiting research to Vhembe DM

According to financial statements from SALGA (2014), on the state of municipalities' financial accountability reports, Vhembe DM was one of the bottom three District municipality with poor performing local municipalities in terms of self-sustainability. The report showed that Vhembe District municipalities depended mostly on government subsidies reaching over R2 billion annually and grants with less input from internal revenue collection contributing less than 15% of total turn-over resulting in consumer debts. This motivated the researcher to select Vhembe District municipalities as a case study.

4.5 Sampling frame and procedure

Sampling frame consist of two wards within Thulamela local municipality, that is ward 21 and 22, Makhado local municipality with five wards that is ward 1, 2, 3, 4 and 6 and lastly five wards within Musina local municipality with ward 1, 16, 20, 21 and 33. Within these specific wards different municipal consumers were identified namely residential, commercial, agricultural and institutional consumers who were supposed to pay rates and taxes to the municipality for services rendered. Each of these municipal consumers formed a strata or category in which a sample could be drawn from. A sample being a representative of the population which enables the researcher to study the variables efficiently and also be able to collect data which is necessary to achieve the intended objectives, a sample was calculated and obtained from the above mentioned sampling frame, (Neumann 2003). In addition to this

Neumann, 2003 further explains that the larger the sampling frame which is heterogeneous the smaller the sample to enable proper time and cost management. Utilizing the National Education Association handbook, (2014), the appropriate sample size for this was found to be 390, when the total population of selected municipal consumers is 45 515.

4.5.1 Stratified random sampling method

Proportional stratified random sampling method was used to select samples from the population of different municipal consumers within Thulamela, Makhado and Musina municipality. The sampling frames from which the sample was drawn consisted mainly of residential and commercial service consumers. The sample from each selected municipal consumer location was proportional to the municipal consumer population size of that particular ward, i.e. ward 21 in Thulamela had a total household population of 1 595, the proportional sample size was 40. It was derived using the Neumann's formula:-

$$\text{sample size per study location} = \frac{\text{total commercial consumers}}{\text{total municipal consumers}} \times 385$$

$$\text{sample size commercial consumers} = \frac{1\ 302}{5\ 820} \times 385 = 86$$

4.5.2 Administration of questionnaires to respondents

Based on the National Education Association handbook, (2014), formula for calculating sample size, 390 questionnaires were distributed to respondents see appendix A. This questionnaires were proportionally distributed across the study area based on Neumann's (2003) formula shown above. Table 4.3 below shows the distribution of questionnaires in different locations and categories of municipal consumers within the municipality.

Table 4.3: Questionnaires administered to respondents within VDM's

Specific Municipality	Ward selected	Type of Consumers	Total no. of properties	NQD	% Distributed	NQR	% Returned
THULAMELA LOCAL MUNICIPALITY	Ward 21 (Urban)	Residential households	1 595	36	9.23%		
	Ward 21 & 22 (tribal & semi-urban)		2 836	64	16.41%		
	Ward 21 (Urban)	Commercial (Informal traders) (Commercial properties)	1 302	30	7.69%		
Sub-total			5 733	130	33.33%		
MUSINA LOCAL MUNICIPALITY	Ward 1 & 2 (tribal & semi urban)	Residential households	8 820	43	11.02%		
	Ward 3 & 4		5 210	25	6.41%		
	Ward 6 (Urban)	Commercial (Informal traders) (Commercial properties)	12 760	62	15.90%		
Sub-total			26 790	130	33.33%		
MAKHADO LOCAL MUNICIPALITY	Ward 16 & 21 (Urban)	Residential Households	6 151	62	15.90%		
	Ward 1 & 33 (tribal & semi urban)		3 462	35	9.00%		
	Ward 20 (Urban)	Commercial (Informal traders) (Commercial properties)	3 379	34	8.71%		
TOTAL			45 515	390	100%	100%	100%

Source: Authors Field Data 2017, Statistics South Africa 2011

Table 4.2 shows how questionnaires were disseminated in different wards of Thulamela, Makhado and Musina LM. The wards were chosen from a pool of both rural and urban set up. Furthermore these wards were selected proportionally throughout the selected three municipalities in Vhembe District. The distribution of questionnaires was also done in such a way that each municipality received a 33.33% proportion of the total questionnaires from the total sampling frame to enhance objectivity of results.

4.5.2.1 Unit of observation

As part of primary data collection, field observations were done by the researcher. The researcher observed quality of the environment in the selected study areas, the availability of municipal services such as water, refuse removal, the condition of roads and storm water as well as street lighting. In the case that consumers express dissatisfaction on the level of municipal service delivery, pictures were taken during the observation processes. Field observation also assisted the researcher to understand more on the part of municipal consumers refusing to pay rates and taxes due to level and quality of services they received from Thulamela municipality.

4.5.3 Secondary data collection methods

Secondary data which is confined to municipal finance management and revenue generation was sourced from published and unpublished secondary sources which included books by authors such as Blore, I, Devas, N & Slater, R, 2004, titled '*Municipalities and finance: a source book for capacity building*' was used to understand accumulation debt within municipalities due to poor institutional arrangements. Another book by Elliot, E 2010, titled *Municipal Debt, Municipal debt: the next financial crisis* was also used to understand the magnitude of municipal debt around the world. These books helped the researcher to understand how municipal consumer debts, municipal collection of rates and taxes as well as municipal revenue generation can be been dealt with within Thulamela, Musina and Makhado local municipalities, from an international, regional and local context.

Municipal documents such as Thulamela, Makhado and Musina local municipality IDP documents, (i.e. IDP documents for 2010/2011- 2015/16 financial years), municipal budgets & MTREF & supporting tables' version 2.2 (2010/11-2014/15) to generate the payment levels of municipal consumers for services within Thulamela, Makhado and Musina local municipalities. Spatial Development Frameworks for the three municipalities were of essence in identifying different land uses and the spatial spread of land uses in these local municipalities. This assisted the researcher to identify major areas where the municipalities collected rates and taxes. Annual financial reports were reviewed to determine the revenue

generation trends within Vhembe District municipalities and how this has affected municipal consumers and the municipality in providing services. Cartographic and aerial maps were used with a scale of between 1:3000 and 1:5000. This data assisted in locating the study area and wards, as well as illustrating the physiography and demographic characteristics of the focus areas and the households in different wards for the administration of questionnaires in all the three municipalities. The majority of the maps that were used were accessed online from the Municipal Demarcations Board especially those that illustrate the study area boundaries.

4.6 Methods of data analysis and presentation

Data was collected and examined using two major methods of data analysis namely, quantitative analysis and qualitative data analysis. This was done in order to present and analyze data gathered from secondary sources i.e. Thulamela, Musina and Makhado municipal budget reports and financial statements and the related IDP documents as well as primary data gathered using administered questionnaires. The data collected was processed, edited, coded where necessary, and presented in the form of tables, cross tabulation, bar graphs and pictures and then comprehensively described and explained.

4.6.1 Quantitative data analysis

Quantitative analysis was facilitated through the use of the IBM SPSS, (Statistical Packages for Social Sciences, version 22) and Microsoft Excel. This computer softwares were used to manage data, i.e. data entry, saving and editing field data gathered using household questionnaires and to analyse data statistically and presenting the findings in the form of tables, graphs, pie charts, line graphs and bar graphs so as to help draw deductions from the field data.

4.6.1.2 Pearson r or correlation coefficient effect size model

Pearson's correlation, often denoted r and introduced by Karl Pearson, is widely used as an effect size when paired quantitative data are available; for instance if one were studying the relationship between two or more given variables the effect size model can be utilized. The correlation coefficient can also be used when the data are binary. Pearson's r can vary in magnitude from -1 to 1 , with -1 indicating a perfect negative linear r signifying a high magnitude of effect, while 1 indicating a perfect positive linear relation symbolizing no effect, and lastly 0 indicating no linear relation between two variables. Impliedly effect size can be used to determine the effect of one variable over another or the cause effect relationship between phenomenon in economics, modelling or any form of numerical trait. For this particular study effect sizes were used to determine the effect of consumer debts on service delivery. In addition to this effect size were also utilized to determine the sustainability of

municipalities when they rely on government subsidies and grants and this was done by calculating effect size of internal revenue versus externally generated revenue, (Cohen, 1992; Cohen, 1988; Pearson 1900). The data input to calculate Pearson concept of rurality with respect to the co-relation between service delivery and revenue base of the municipality include, consumer debt collection, expenditures, municipal internally and externally generated funds.

$$d = \frac{M_1 - M_2}{\sqrt{\frac{SD_1^2 + SD_2^2}{2}}}$$

$$r = \frac{d}{\sqrt{(D^2) + 4}}$$

Where, d = Cohen's d Value (Standardized Mean Difference),
M1, M2 = Mean Values of the First and Second Dataset of consumer debts calculated per annum
SD1, SD2 = Standard Deviation of the First and Second Dataset for consumer debts calculated per month or per annum
r = Effect size of consumer debts on service delivery

r = effect size

4.6.1.3 Rurality Quotient (RQ) of different consumer debts on service delivery

The RQA model was used to compliment the effect size of the variables. This model was used as an extension to calculate the municipalities' viability to deliver services to the consumers based on the effect sizes of their consumer debts footprints which should explain the rurality quotient as follows:-

$$Rurality\ Quotient\ (RQ) = \frac{\% \text{ of effect size at municipal level}}{\text{Total \% of effect size of the 3 LM}}$$

$$Rurality\ Quotient\ (LQ) = \frac{r\%}{R\%}$$

if Rurality Quotient (LQ) < 1

Then municipality is not viable to provide services to people

if location Quotient (LQ) > 1

Then municipality is viable to provide services to people

if location Quotient (LQ) = 1

Then municipality is at a balancing point between service delivery and consumer debts

4.6.2 Qualitative data analysis

Qualitative data was consequential, deduced, analyzed and interpreted using qualitative analytical tools such as thematic content analysis. The researcher drew inferences in order to discover meaningful patterns descriptive of collection of rates and taxes as well as consumer debts of Thulamela, Makhado and Musina local municipalities.

4.6.3 Deductive data analysis

Deductive analysis is often described as a step-by-step approach by which data can be sorted, organized and conclusions reached which are compatible to the data collected. Therefore, for this study deductive analysis was used, in order to group the data to identify differences and similarities and make relevant conclusions thereof. This approach was used because it requires less time and is more resourceful, (Hammond and Wellington 2013). Deductive data

analysis technique was also utilized to compare rates and taxes payment by municipal consumers within the three local municipalities in Vhembe District and the data was used to deduce future payment trends. Aerial and field work photographs assisted in the collection process of relevant primary data pertinent to the subject study. Observations were resolutely and selectively done to gather data necessary for the study. It is assumed that municipal services consumers such as households require services such as street lighting, efficient refuse removal, clean water and electricity to enable them to pay for rates and taxes. Therefore the field observations and surveys were conducted and photographs taken in order to check quality of service provision to service consumers.

4.7 Ethical considerations

The researcher obtained an Ethical Clearance letter from the University of Venda's research office. The researcher required the respondents' permission to conduct the study and the respondents were provided with sufficient information to make informed decisions on whether they wanted to be participants in the study or not. This encouraged the respondents to provide their views without fear of anything. The findings of the research were then reported fairly and accurately. The findings will be made available for academic purposes and any other critical situations that maybe necessary for the development of society and the municipality at large.

4.8. Chapter summary

This chapter outlined the research methods used to collect data in this study. It described the research approach, research notion, data collection instruments, sampling design, and the goal achievement matrix, of the study. The goal achievement matrix summarised the specific research objectives, research questions and the corresponding data collection tools. The chapter also provided a summarized outline of the information the researcher would require directly from key informants that would be essential to factor in inorder to determine effect sizes of consumer debts on service delivery.

CHAPTER FIVE: PRESENTATION OF DATA ON PHYSICAL ATTRIBUTES AND SERVICE DELIVERY IN VHEMBE DISTRICT MUNICIPALITIES

5.1 Introduction

This chapter presents data on the physical, spatial and municipal consumer distribution attributes in three local municipalities within Vhembe District Municipality (VDM). It discusses with the aid of maps the location of areas in three local municipalities the wards wherein the first place where service delivery issues are most prominent followed by the physical attributes of the areas. The reason why the physical characteristics of the areas are discussed is because they give us their general constraints to service delivery and if they in any way contribute to the quality and quantity of service delivery provision in Thulamela, Makhado and Musina local municipalities. In addition to this, a synopsis of the quality of service delivery was discussed to determine the notion that service delivery is linked to payment of rates and taxes. Importantly the chapter discusses other sources of external funds which supplement service delivery provision and may not require the payment of rates and taxes because there is adequate external sources of funds to the municipalities to disprove the notion that the municipalities do not break even due to non payment of rates and taxes.

5.2 General overview of Vhembe District Municipalities

The general overview of the three local municipalities in Vhembe District provides the general background of the location, composition of population and geographic features of the municipalities. In addition to this, the overview also describes the composition of the land uses found within each municipality which provides a guideline of the composition of the General Valuation Roll.

5.2.1 Thulamela local municipality (LIM343)

Thulamela local municipality (LIM343) is a category B municipality and it is the largest local municipality in Vhembe District with 47.7% of the entire Vhembe district population living in Thulamela, (StatSa, 2011). According to the South African Statistics in 2011, Thulamela local municipality had a total of 156 594 households and of these 85.4% were located in traditional areas, 69.7% in proclaimed farms and 14.6% households in urban oriented areas. From 2008 to 2017, Thulamela municipality collects less and less of service charges from the population which consists of 14.6% urban oriented households (Thulamela IDP, 2015). Mixed use developments are very pronounced within the municipality and these developments generally occur as a result of rezoning and land use conversions over time. Land use conversion and rezoning processes have significantly changed the spatial disposition of different land uses within the municipality. For the purposes of understanding the various revenue collection

nodes and attributes, other important land uses which were analysed include institutional, commercial, agricultural and industrial municipal service consumers. Figure 4.1 shows how spatial location of municipal service consumers in the wards within Thulamela LM, where revenue is mostly collected by the municipality.

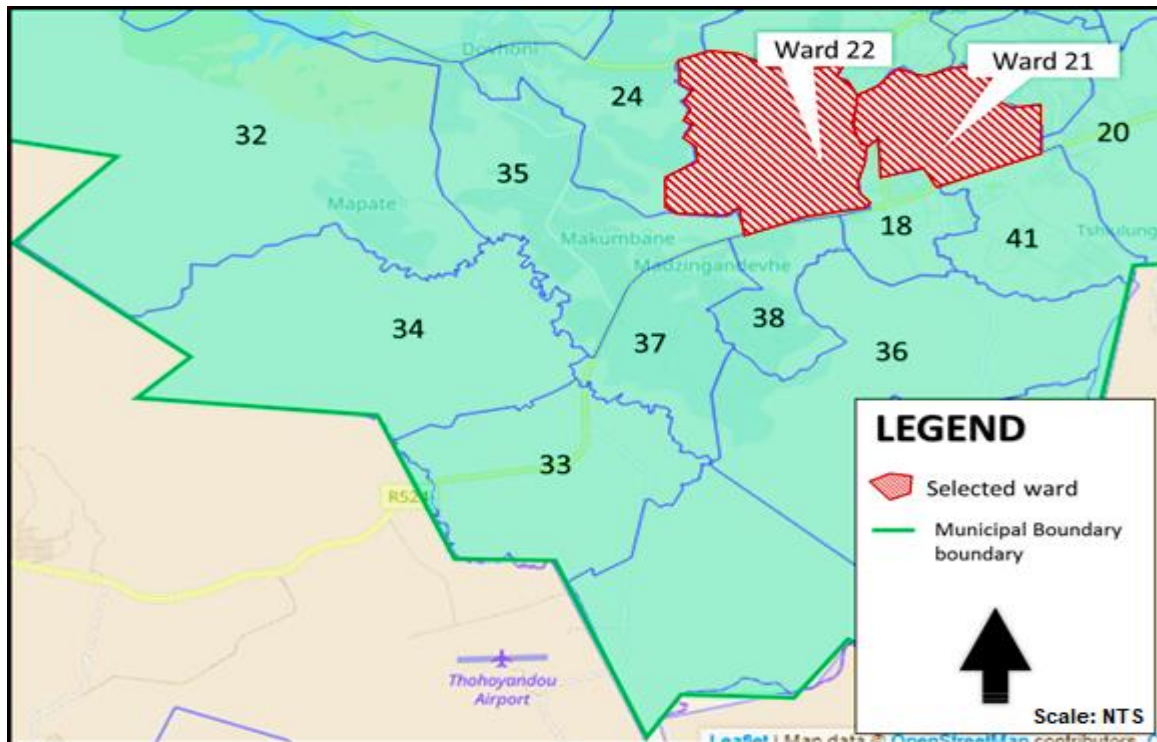


Figure 5.1: Rates and Tax base wards in Thulamela LM
Source: Thulamela IDP Edited by Author (2018)

The rates and tax base wards in Thulamela LM mostly consist of urban residential areas, growth points and commercial farming areas. Ward 21 is mostly urban residential areas (Thohoyandou F and G) and the commercial hub or growth point of the municipality since Thohoyandou CBD falls within the municipal ward. Ward 22 however, has urban residential households as well as rural communities such as Maungani Village and Thohoyandou Unit C.

5.2.2 Makhado Local Municipality

Makhado Local municipality (LIM 344) is located in the northern parts of Limpopo Province (coordinates 23° 00' 00'' S 29° 45' 00'' E) approximately 100 km from the Zimbabwean border along the N1 Route. The municipal area is 8567, 38 km² (or 856 738ha) in size and strategically located on a macro scale along a major passage between South Africa and the rest of the African continent. Approximately 516 031 people currently reside within the municipality. The rural nature of the municipality within the economic base of the municipality can be classified as predominately rural with a population density of 67 persons per square kilometre, (StatsSA 2011). From a Provincial perspective the Municipality forms part of the Vhembe District Municipality together with Musina, Thulamela and the newly formed Collin Chabane local municipality. Residents from this municipality and people travelling between

Polokwane, Musina, Thohoyandou, Zimbabwe and the Kruger National Park sometimes stop by to make purchases thereby increasing the buying base of the municipality. Other local municipalities bordering the municipality are Molemole and Blouberg Local Municipalities forming part of the Capricorn District Municipality, whilst the Greater Giyani and Greater Letaba Municipalities boarder the municipality from the South East and form part of the Mopani District Municipality. Makhado Local Municipality consists of 38 wards and it is divided into four sub-regional administrative areas namely; Vuwani, Dzanani, Waterval and Makhado. Figure 5.2 below illustrates the revenue nodes selected for the study.

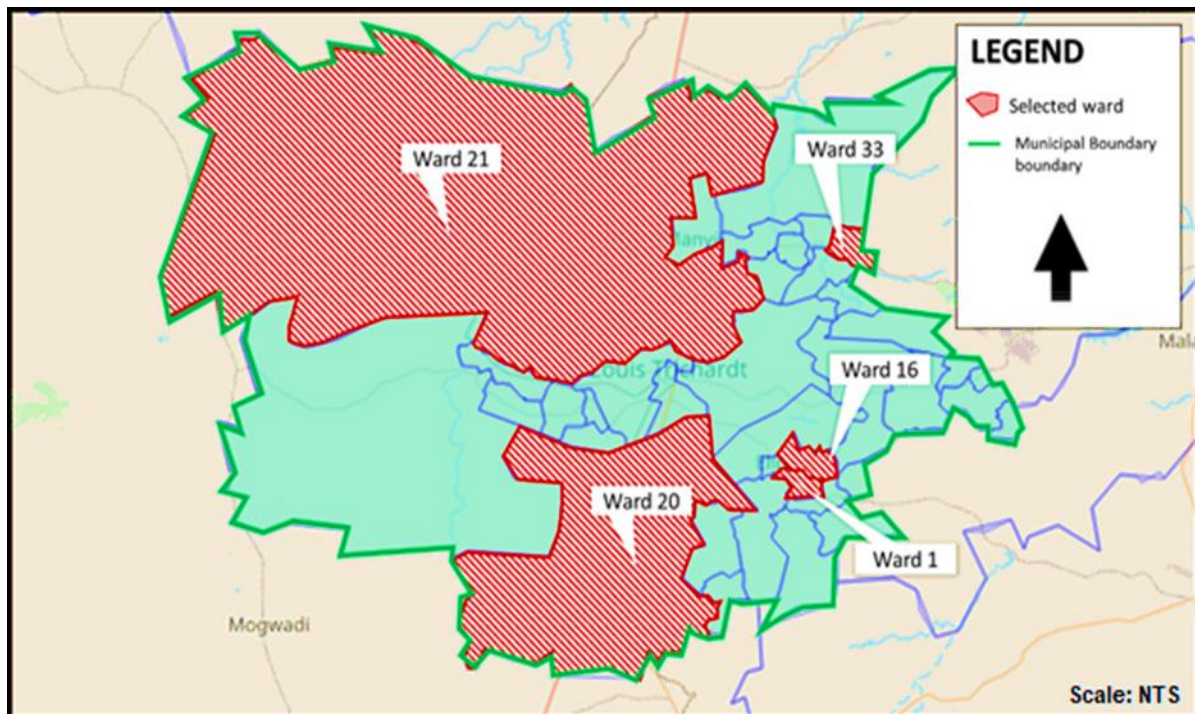


Figure 5.2: Rates and Taxes base wards in Makhado LM 2018

Source: Makhado IDP Edited by Author (2018)

Figure 5.2 shows different wards which Makhado LM collects rates and taxes from. These wards have different nodes which are used by residents to access different services such as government institutions, municipal customer care centres and buying various goods. Ward 21 is the home of the largest commercial node which the municipality collects most of its revenue which is Louis Trichardt followed by Dzanani in ward 33. Ward 20 is mostly rural with areas such as Vuwani and other rural settlements.

5.2.3 Musina Local Municipality (LIM 341)

This municipality is situated on the Northern part of Limpopo Province of South Africa it is one of the four local municipalities within Vhembe District Municipality of South Africa. Musina is a category B municipality consisting of 6 wards. According to Stats SA (2011) Musina local municipality had a total population of 68 359 made up of 20 042 households and of these 5.6% were located in traditional areas, 36.2% on proclaimed farms and 58% households in purely

urban and peri-urban areas. Musina municipal area consists mainly of commercial farms and only 0.08% of the total area is urban in nature. In terms of land ownership, privately owned land makes up 59% of the municipal area. The larger part of National and Provincial Government owned land is located on the periphery of Musina town. This land constitutes 8% of the land holdings of the Musina Local Municipality. Mixed ownership sites among government, the private sector and institutions constitutes approximately 1% of the land ownership of the municipality. The rest of the land around the Venetia Diamond Mine and Domboni is institutional land owned predominantly by De Beers Consolidated Mines and the South African Development Trust. The municipal area covers approximately 757 829ha that extends from the confluence of the Mogalakwena River and Limpopo River in the West to the confluence of the Nwanedi River and Limpopo River in the East. On its southern borders are Tshipise and Mopane bordered by Botswana and Zimbabwe in the northwest and north respectively. Of the 6 wards, ward 2 is the largest and is composed mainly of privately owned farms. Ward 1 is the second largest and is composed mainly of farms. Wards 3, 4, 5 and 6 are clustered together in a small urban area covering 0.08% of the total area (Musina SDF, 2015). Figure 5.3 shows the wards selected for the study.

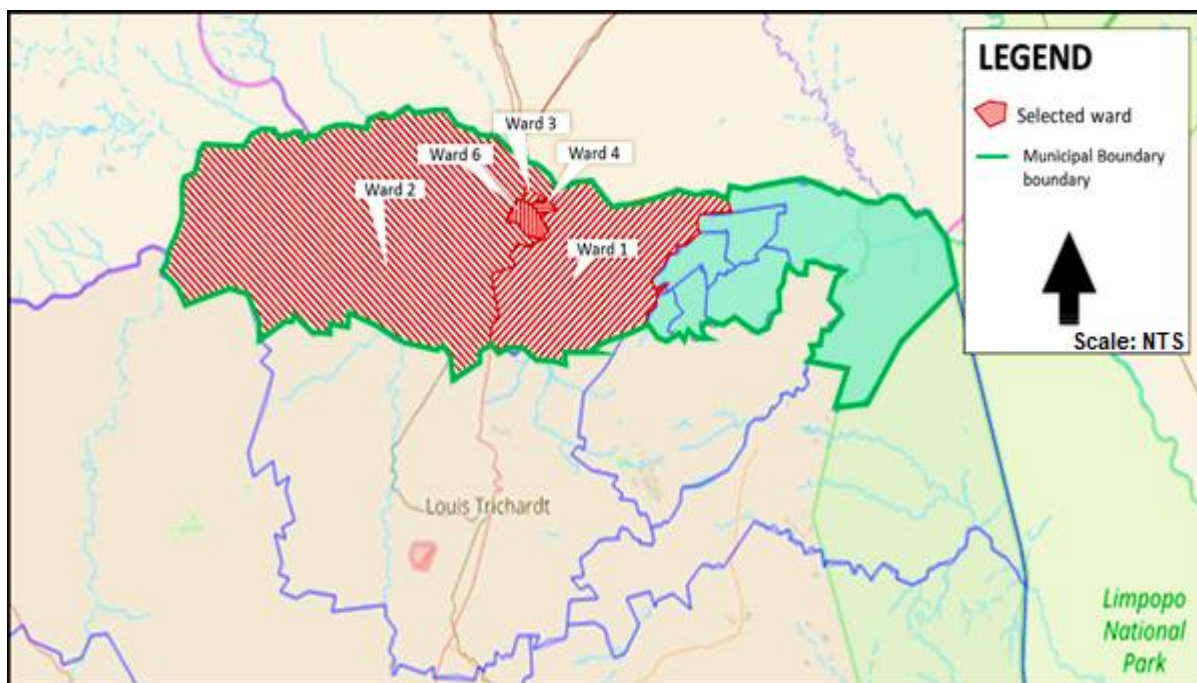


Figure 5.3 Musina local municipality and selected revenue nodes
Source: Musina IDP Edited by Author (2018)

The major revenue collection ward in Musina is ward 6, this is the commercial hub of the municipality where Musina CBD is located. Ward 3 and 4 are composed of households which the municipality collects rates and taxes from. In addition to this, ward 2 and ward 1 are commercial farms and mining areas.

5.3 Physical characteristics of Vhembe District local municipalities

The physical and service delivery situation of the study elaborates the physical characteristics of Thulamela, Makhado and Musina LM that influence revenue generation trans-border spatial development cooperation. i.e. physiography, land uses, service delivery issues and how they relate to trans-border spatial planning components for the three municipalities.

5.3.1 Physiographic features of Thulamela LM

The climate in Thulamela LM is typically subtropical, with mild, moist winters and wet warm summers characterized by Low veld i.e. arid and semi- arid climatic conditions. The area experiences an annual rainfall of approximately 500 mm per annum out of which about 87.1% falls between October and March. Thulamela area has amazing biological diversity of flora and fauna and this rich biodiversity can be attributed to the bio-geographical location and diverse topography of the area under the municipality. The municipality falls within the greater Savanna Biome, commonly known as the Bushveld with some small pockets of grassland and forest Biomes. The municipality is characterized by an undulating terrain due to a series of mountains and hills that spreads across the municipality. However, other parts of the municipality have fairly gentle slopes which are developable. Following the undulating topography of the area, inappropriate land uses are always evidenced in the river valleys with numerous household developments on such valleys (Thulamela IDP 2015). The challenge to the municipality in this regard is the provision of services such as water, appropriate roads and sewerage connections. Provision of basic services in elevated topographic areas is costly per unit (DBSA 2013).

5.3.2 Physiographic features of Makhado LM

With respect to the geomorphology of the landscape of Makhado, 13,61% of the total areas is known as Lowveld, 8,4% as the Great Escarpment, 17,24% as Soutpansberg, 34% as the Limpopo Flats, and 26,02% as the Polokwane Plains. The soil profile acts as an indicator of suitability of the geology and soil composition to undertake different activities such as agriculture on the land. The geology also acts as a form giving element to the spatial structure of the area such that the full potential of land is achieved when the soil properties of land is matched with what the land can be best used for, like for example the Vuwani agricultural belt. The climate of the municipal area ranges between 18 degrees Celsius in the mountainous areas to 28 degrees Celsius, with an average of 25.5 degrees Celsius. Maximum temperatures occur during the month of January while the minimum temperatures occur in July. The main period for rainfall is January to February with an annual rainfall of 450mm in the low-lying plains to 2300mm in the Soutpansberg. The general average rainfall for the Municipal area ranges between 450mm to 800mm hence very productive in terms of agricultural activities.

The areas north of the Soutpansberg have less rainfall than the lower western foothills and central and eastern high lying areas of the mountain itself.

5.3.3 Physiographic features of Musina LM

The municipal area of Musina is largely flat with the exception of a few prominent terrain features. The visible terrain types are because of the underlying geology (Musina IDP 2016). No significant terrain features affect general development in the municipal area. However, Limpopo River has served as a national boundary line between the two local municipalities. In terms of geology, Musina municipal area is largely underlain by rock and soil classifications belonging to the Beaufort Group, which is mainly associated with predominantly fossil and coal deposits (Musina SDF 2016). There is also a substantial number of kimberlite pipes with potential for diamonds, copper and various other minerals. Musina is located in one of the warmest regions of South Africa. The maximum temperatures exceeding 30°C are experienced throughout the municipal area. The Limpopo valley is the warmest with maximum temperatures exceeding 33°C on average. Within the South Africa weather system, Musina falls within the rain shadow of the Soutpansberg. The generally low rainfall across the municipal area has a significant impact on development within the municipality. This restricts agricultural activities and has a measurable impact on the soil potential in many areas of the municipality. The wetlands in Musina cover an area of 4 403.7 ha. Musina municipal area is classified as a savannah landscape in terms of Acocks broad classification (Musina SDF 2016). Predominantly four types of vegetation are found within this landscape, namely the Limpopo Ridge Bushveld, the Musina Mopane Bushveld, the Soutpansberg Mountain Bushveld and the Subtropical Alluvial Vegetation.

5.4 Land uses that are rateable and taxable in the District

The study investigated the influence of different rateable and taxable land uses in different local municipalities in Vhembe District. The major focus was placed on residential and commercial municipal consumers; these were discussed in terms of their spatial distribution, density concentration, spatial location and the propensity to pay for rates and taxes.

5.4.1 Residential municipal service consumers

The residential service consumers are divided into two distinct classes, i.e. urban oriented and rural oriented municipal service consumers. This classification was done in order to distinguish between municipal revenue collection, cost recovery and payment behaviours by different municipal service consumers in different locations within Vhembe. The assumption is that urban located municipal service consumers pay rates and taxes better than rural municipal service consumers due to different factors such as employment, level of service provision, billing systems in proclaimed and un-proclaimed areas and lastly land administration issues.

The traits of residential consumers in all the three local municipalities in Vhembe had similar spatial traits, that is all the households had detached households which received bills from their respective municipalities for collection of refuse, water and the maintenance of property fees. The billing system for all the municipalities is similar except for Thulamela municipality which does not bill for water tariffs which is the responsibility of Vhembe District municipality. Of the three local municipalities, Musina's urban areas are the most densely populated settlements, mainly because all the other land consists of privately-owned farms and the rural component of the municipality is very limited. The density of people in Musina town is as a result of immigrants from the neighbouring country Zimbabwe. The immigrants are concentrated in the small town as it is the first town of arrival after crossing the border post. The implication this has on municipal service stocks is that the more consumers end up utilizing more of services than they ought to pay for as rates are charged mostly using standards rates not per individual basis. This scenario is different from the two other local municipalities; Thohoyandou has low densities as the towns are probably far away from the border post. Table 5.1 shows the rates and taxes paid in residential areas.

Table 5.1: Payment of rates and taxes by residential households in Vhembe District 2008-2016

Specific Municipality	Ward selected	Type of Consumers	Taxable stands	No of taxable Stands paying	% Total of stands paying
THULAMELA LOCAL MUNICIPALITY	Ward 21 (Urban)	Residential households	1 595	895	56.1%
	Ward 21 & 22 (tribal & semi-urban)		2 836	1 698	59.8%
Sub-total			4 431	2 593	58.5%
MUSINA LOCAL MUNICIPALITY	Ward 1 & 2 (tribal & semi urban)	Residential households	8 820	3 789	42.9%
	Ward 3 & 4		5 210	2 323	44.5%
Sub-total			14 030	6 112	43.3%
MAKHADO LOCAL MUNICIPALITY	Ward 16 & 21 (Urban)	Residential Households	6 151	3 400	55.2%
	Ward 1 & 33 (tribal & semi urban)		3 462	1 245	35.9%
Sub-total			9 613	4 645	48.3%
TOTAL			28 074	13 350	41.4%

Source: Municipal Finance Data; National Treasury; 2008-2016

Payment for services is very low generally in Vhembe District due to the rurality of the District. This is evidenced by the dominance of non-proclaimed areas as compared to the proclaimed wards. Table 5.1 shows that payment for services in selected wards in Vhembe District was high for Thulamela LM at 58.5% followed by Makhado LM (43.3%) and Musina LM at 48.3%. Generally payment for services in Vhembe District stood at 41.4% from 2008 to 2016 financial

years. These statistics indicated that due to a number of challenges for non-payment of services discussed in chapter one and the literature review, more needed to be done in order to elevate payment of services by households in the District Municipality.

5.4.2 Commercial land uses

The commercial properties of the three local municipalities were identified to be very similar with very compact Central Business Districts (CBD) having similar informal and formal business activities. The towns had buildings mainly owned by old mutual group being rented out as small malls or shopping complexes, while informal traders occupied the walkways selling immediate goods. The payment of services by formal and informal commercial consumers is summarised in table 5.2.

Table 5.2: Payment of rates and taxes by commercial consumers in Vhembe District (2008-2016)

Specific Municipality	Ward selected	Type of Consumers	Total no. of consumers	No of taxable stands paying	% Totsl of stands paying
THULAMELA LM	Ward 21 (Urban)	Commercial (Informal traders) (Commercial properties)	1 302	960	73.7%
MAKHADO LM	Ward 6 (Urban)	Commercial (Informal traders) (Commercial properties)	12 760	8 659	67.8%
MUSINA LM	Ward 20 (Urban)	Commercial (Informal traders) (Commercial properties)	3 379	2 348	69.4%
TOTAL			17 441	11 967	68.6%

Source: Municipal Finance Data; National Treasury; 2008-2016

Table 5.2 shows that payment of services by consumers in selected wards in Vhembe District was higher as compared to those from Household indexes. Payment for services by commercial consumers was high in Thulamela LM which stood at 73.7% from 2008 to 2016 financial years. This was followed by Musina LM at 67.8% and lastly Makhado LM at 67.8%. Commercial consumers have a business reputation to worry about hence have a limited chance to compromise non-payment of services as it results in operating losses. However; non-payment was largely due to informal traders operating illegally but documented who had less to worry about.

5.4.2.1 Formal activities

Most of the formal commercial activities which are dominant in the three local municipalities are malls, that is Thavhani mall, Game Complex and Mvusuludzo mall in Thulamela, while in Musina there is Musina Mall, Great North Plaza and the Spar Complex. In Makhado the dominant malls included the Makhado Crossing Mall, Louis Trichardt Plaza and Game Complex. The developments in these municipalities were seen to be closely a likened to each other such that when one visits a town in Thulamela it would still feel like they were in

Makhado. The malls usually do not have any challenges in payment of rates and taxes as they are owned by bigger real estate giants such as Old Mutual who would risk not paying for rates and taxes as it would compromise their reputation. The challenge emanates from the downtown shops were in bigger shops moved from going to rent space in the malls leaving small business renting space. Because the rentals are high the small businesses tend to fail to maintain payments resulting in inconsistencies in payment. As a result of this, the downtown shops are left without water in certain periods of times and there are numerous power cuts while also the municipality fails to consistently collect refuse in those areas.

5.4.2.2 Informal activities

While it is imperative to have an informal economy in every city or town and trying to formalise an informal part of the economy has proven to be a very difficult task for every municipality, the authorities have been faced with the reality of accepting the informal activities into the mainframe economy. Informal activities are very predominant in rural small towns such as Thohoyandou, Louis Trichardt and Musina town such that it has become very much difficult to monitor pedestrian movement in walkways as they are packed with informal traders. The biggest challenge is that informal traders as municipal service consumers, are only consuming services and not paying for rates and taxes, for example the unlawful occupation of space in prime Central Business Districts without compensation is a biggest challenge to the municipality as they end up chasing business to bigger corporations renting property lawfully in the CBD.

Plate 5.1: Informal trading activities in Musina, Makhado and Thulamela LM



Source: Authors fieldwork 2018

Plate A shows informal trading along Garden route in Thohoyandou CBD, wherein the street is lined with informal traders selling school uniforms, cooked and uncooked food and other accessories. Plate B illustrates informal trading along the N1 in Musina CBD, wherein informal traders were observed selling vegetables such as tomatoes, onions and cucumbers. The last image labelled C illustrates informal trading along Kruger street in Makhado CBD selling drinks, buns and other food items.

5.4.3 Institutional land uses

Local municipalities in Vhembe District have a fairly equal distribution of institutional services ranging from local government offices, educational facilities (primary, secondary and tertiary), health institutions as well as other government institutes such as the public works departments all present in the three local municipalities. Most of these institutional land uses are primarily located within the urban centres expect for schools and health facilities which were found to be widely spread within the different nodes within the local municipalities. This study looked at institutional uses specifically government owned which had tracks of debts in water, electricity and refuse removal in all the three local municipalities as per the Debt Outlooks of all the three municipalities. The extent of the debt will be reviewed in the following chapter were in the implications and the level of debts of Institutions will be unearthed.

5.5 Service delivery in the local municipalities in Vhembe District

Service delivery within Thulamela municipality is determined by the powers and functions the municipality holds as stipulated by the provisions of the Municipal Structures Act of 1998. Thulamela municipality has a billing system for tariff's charged to municipal service consumers on rates and taxes and refuses removal.

5.5.1 Water service provision

Water service provision in rural municipalities is usually the mandate of the District Municipality. Vhembe District is the Water Service Authority across all the local municipalities in Vhembe District. Table 5.3 summarises municipal consumer household water service provision.

Table 5.3: Household water service provision standard (2008-2017).

Municipality	Total No of Households	Households receiving water	Households under FBS	Water Backlog	% Total of Households not paying for water
1. Thulamela LM	156 194	16 764	9 200	63 797	46.73%
2. Makhado LM	134 889	17 668	28 212	35 623	47.3%
3. Musina LM	20 042	6 953	2 982	10 107	65.3%

Source: Thulamela, Makhado and Musina IDP 2008-2017

Thulamela has a relatively limited supply of both ground and surface water. The area comprised of few catchment areas which are stressed by high demand of water for development activities such as agriculture, human consumption and mining. Number of clinics supplied with water and sanitation 52. A total of household water supply backlog was 63 792 from 2008 to 2017. No access to piped (tap) water 17 395. A total of 9200 households are benefiting from Free Basic Water Services. According to STATS SA, 372 557 people are without income and 162 764 people earn between R1 and R800. This means that the majority of households within the municipality are unable to pay for services.

According to Makhado IDP 2018/19 financial year, a total number of 35 623 households (backlog) were below the required water provision distance of less than 200m from the dwelling as per the required standards. There were households within the urban areas of municipality which had no access to piped tap water amounting to 17 668 households. Makhado Local Municipality strives to provide free basic water and electricity to all indigent households. Indigents are defined as those households, who are unable to make a monetary contribution towards basic services, receiving Free Basic Water were found to be approximately 28 212 households. The backlog for households between the year 2012 to 2018 were approximately 35 623 households which increased annually. All clinics and health centers according to the IDP were provided with water and sanitation. Total of 305 025 mostly rural villages did not have access to water per household stand but received community stand piped water.

The municipality supplies water through two methods i.e. household water taps connections and stand pipes. The former are utilised in Musina and Nancefield whereas stand pipe supply is done in Madimbo, Malale, Domboni, Tanda and Tshikhudini respectively. According to the municipal IDP 2013-2014, 88% of households have access to piped water and 12% have access to water service below RDP standards; this includes households with no access to water services. Households in rural villages are provided with communal stand pipes at a basic services level (Musina Local Municipality 2013-14). According to the Musina reviewed IDP 2012/13 about 7879 houses in the urban areas of Musina had metered water connections. In the rural areas of Madimbo 1037 households, Malale 700 households, Domboni 127 households, and Tshikhudini 192 households, have standpipes of RDP standard. Currently, all people irrespective of rural or urban have access to water. Out of 7879 urban households, 2459 receive free basic water and out of 2056 only 523 villagers also receive free basic water.

5.5.2 Electricity services

Eskom is generally the Energy Service Authority for rural municipalities such as Thulamela, Makhado and Musina local municipalities. Although each of these municipalities have the ability to apply for a license to become Energy Service Providers. Energy standards in Vhembe District Municipality as from 2008 to 2017 are shown in table 5.4.

Table 5.4: Energy provision standards in VDM as from 2008 to 2017

Municipality	Total No of Households	Households receiving conventional energy	Households under FBS	Energy Backlog	% Total of Households not paying for energy
1. Thulamela LM	156 194	135 645	12 459	8 090	13.1%
2. Makhado LM	134 889	99 071	28 212	7 606	26.5%
3. Musina LM	20 042	16 471	2 459	1 112	17.8%

Source: Thulamela, Makhado and Musina IDP 2008-2017

Eskom has a District Energy Master Plan to deal with electricity supply and since Thulamela local municipality is not an Electricity Distributor it depends on Eskom for energy supply. The backlog within Thulamela is currently at 9 x 132/22KV to be built at Singo, Mashau, Mamaila, Mageva, Mbahe, Jilongo, Mandala, Tshilamba, and Lambani to cater for the 8 090 households without electricity within the municipality. The challenges are Energy supply and interruption, lack of capacity to supply the demand, insufficient capacity of the power station to supply all areas in the municipality, cable theft, Illegal connections, poor project management and slow rate of construction for the electricity facilities.

Approximately 7606 households within Makhado municipality are without electricity and the municipality has a Free Basic Electricity policy targeted at poor households. About Free 50 Kilowatts units of electricity are given to the indigent households on a monthly basis. An indigent register of households earning less than R1 880 per month and/or are unemployed is kept and updated annually, (Makhado IDP 2018/19). About 28 212 indigent households in both Eskom and the Municipal licensed areas are receiving free basic electricity. It must also be noted that the Municipality had not reached the 2014 National Electrification target given its current MTEF allocation. This was largely due to the burden of the ever increasing indigent registry, non-payment for electricity by consumers not utilizing pre-paid metered electricity as well as illegal electricity connections.

Eskom is responsible for the distribution of electricity in Musina local municipality just like in Thulamela local municipality. About 7879 households in the urban area have metered conventional and pre-paid connections while 2459 Indigent households receive free basic electricity. Madimbo, Domboni and Malale are serviced; 523 households in the rural villages receive free basic electricity from Eskom. There is no backlog on electricity supply in municipal urban areas. The total backlog on electricity in the villages is approximately 1112 households. According to municipal IDP 2013-14, it is indicated that about 76.4%, 65.8% and 53.5% of households have access to electricity for lighting, cooking and heating respectively. 0.6%,

0.3% and 18.9% have no access to electricity for lighting, cooking and heating respectively (Musina Local Municipality 2017/18).

5.5.3 Solid waste management

According to Thulamela IDP (2015), waste collection within Thulamela LM is done in both urban and rural areas. Thulamela municipality collects 5761 cubic metres of solid waste weekly. Waste collection in rural areas is not done systematically; therefore 400 villages in rural areas institute a backlog. There are transfer stations that were established in rural areas within Thulamela namely Tshikombani, Tshaulu, Makonde, Mulenzhe and Mhinga. The collection is done once a week in the proclaimed areas and every day in the CBDs of major townships that is Thohoyandou, Sibasa and Malamulele nodal points (Thulamela IDP 2015). Refuse removal constitute one of the components which municipal service consumers are billed for by the municipality and in rural areas the majority of the consumers fail to pay for those services.

Makhado local municipality is responsible for operating and maintaining the waste management service dealing with solid waste collection, storage and management particularly at household and business level. There is only one permitted landfill site within the municipality which is currently full to capacity. The process of establishing a new landfill site is underway and there are also plans in the pipeline to develop waste drop off terminals in villages. Currently the study area manages its own refuse through burning after disposing off in a pit. The lack of adequate waste disposal facilities especially in the rural communities contributes to the illegal disposal of waste by burning and this consequently affects the air quality (pollution). The municipality must contribute towards improving waste management in areas where the municipality does not collect refuse so as to avoid people illegally disposing in environmentally sensitive areas as indicated in plate 5.2.

Approximately 7879 urban households have access to refuse removal services once a week, and 1864 households in Madimbo, Malale, and Domboni have access to refuse removal once a week. Tshikhudini and Tanda have no access to refuse removal. Public institutions, government buildings and commercial properties are serviced on a daily basis. One landfill solid site is operational. There is one licensed landfill but privately-owned by Venetia mine. There are serious challenges in terms of solid waste dumping sites and illegal disposal in open spaces.

Plate 5.2: Illegal waste disposal in Thulamela, Makhado and Musina LM



Source: Authors field work 2018

Plate A illustrates excessive disposal of waste in Thohoyandou CBD showing that the municipality takes longer to collect waste than it should. The plate labelled, B shows illegal disposal of waste in Makhado municipality at a bus stop due to lack of disposal facilities such as a bin. The last image labelled C is waste that is disposed on an open piece of land probably due to inconsistent collection of waste in the neighbourhood that has resulted in residents identifying an open pocket of land and disposing waste. This is being done along an open pocket of land along Nile street in Musina.

5.5.4 Transport, roads and storm water services

A provincial road passes through the municipal area that is the R524 and that emphasizes the municipality's strategic position within the Limpopo Province. The other settlements road infrastructure is the responsibility of local municipality. There is a huge backlog in opening and maintaining access streets most especially in the rural villages of the municipality. According to the municipality's 2017/18 IDP document rural road infrastructure backlog is unknown but it is above 60% of all the total roads available in the municipality. The urban roads are provided with storm water drainage systems but due to lack of maintenance most of them are in a bad condition. This is due to the fact that maintenance plants that are available cannot adequately and timorously reach all areas at the same time. For gravel roads, Council has a programme of gravelling and blading of internal streets. This has been done and many areas were covered in the past but during rainy seasons all the gravelled roads are washed away. Through MIG, streets are being tarred and maintenance of streets is done regularly, (Thulamela Municipality IDP 2017/18).

In the case of Makhado municipality internal street networks in the rural areas are predominantly gravel and un-tarred and are therefore generally problematic, particularly during rain seasons. Those in town and the surrounding townships are generally tarred and provided with storm water drainage systems however maintenance is a challenge. Most of the roads linking the villages are gravelled and lack proper maintenance and cannot be used in

very wet conditions. In general, the roads in Makhado Municipal area are in a bad condition and require upgrading from gravel to tar. The total road and storm water management system backlog is estimated at approximately 4 400km. The Vuwani Region has the largest backlog followed by Dzanani Region. The Municipality is currently upgrading some of the roads from gravel to tar. It is also important to indicate that the Roads Agency Limpopo is responsible for provincial and district roads whereas, the Municipality is responsible for local roads, (Makhado municipality IDP 2018/19)

Municipal roads are local roads which include streets and accesses in Musina are essentially tarred but most of these roads are not numbered or lack street names. The backlog in gravel roads that have to be tarred is approximately 20 kilometres and the backlog in tar roads that have to be upgraded / resurfaced is 25 kilometres. Musina municipality has 02 cost center maintaining 529,06 km surfaced and 992,82 km unsurfaced roads. The main problems are regular break down of machines and equipment, shortage of machines and ageing personnel are the routine maintenance major challenges in the district. Plate 5.3 shows the state of roads and storm water in Vhembe District.

Plate 5.3: The state of roads and storm water in Thulamela, Makhado and Musina LM



Source: Authors field work, 2018

Plate A shows a blocked storm water drainage along the N1 in Musina which contributes to clogging and flooding on the tarmac. Image B shows a damaged storm water drainage along Kruger street in Makhado which is a healthy risk to pedestrians. The last image labelled C shows a blocked storm water along R523 in Thulamela which disrupts movement of run-off usually after rainfall. Table 5.5 shows the total in Kilometres (KM) of paved and unpaved road network system in Vhembe District.

Table 5.5: Paved and Unpaved Road Network System in VDM (2012-2015)

Paved and unpaved road network system in Vhembe District							
Municipality	Total length of sealed/paved roads (KM)			Total length of gravel/dirt roads (KM)			Total length of roads (KM)
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15	2014/15
Vhembe DM	1 410	1 464.7	1 285.5	2 673	2 573.6	2 566.7	3 852.2
Thulamela LM	360.3	401	328.4	704.7	658.1	651.1	979.5
Makhado LM	489.3	510.8	404.6	892.7	869.3	868.8	1 273.4
Musina LM	420	413.8	413.8	661	605.9	650.9	1 064.7

Source: DoRT, 2014

Table 5.5 shows that the total length of VDM roads is 3 940 km as recorded in the Vhembe District Municipality IDP (2015). The the 2017/2018 financial year the district recorded 67% of untarred or unpaved roads and of which 37% of roads were tarred/paved. The total length of gravel roads which constituted a backlog was 2 566.7 km. Makhado LM had the highest number of unpaved roads constituting approximately 868.8 km followed by Thulamela LM at 651.1 KM and Musina LM had the least number of paved roads which were approximately 650.9.

5.6 Service delivery, municipal budget linkages and existing gaps

The essence of the study is that it unpacks the inability to provide municipal services by rural municipalities due to non-payment of rates and taxes. It is also linked to the rural economic base of the municipality in other words the more rural the municipality the less likely it is to collect rates and taxes due to inadequate sources of revenue for the municipality. The study uses the linkage framework below to gauge the rurality of a municipality, the rural economy and poor service delivery. The status quo identified that rural municipalities encounter revenue generation and service delivery challenges as they face the same financial predicaments, have similar economic factors and have revenue collection challenges.

The study also identified that in terms of internal sources of funds, the municipality still depended heavily on pre-paid payment of services such as water and application fees that is for Makhado and Musina municipality which are WSP`s while household payments of rates and taxes was very minimal for all the three local municipalities. Traffic fines for the three municipalities were fairly paid but the challenge was on the delays in payments for the fines due to the three months window period for payment.

In the case of external sources of funds, all the three municipalities depended heavily on the equitable shares, such that in its absentia no municipality within the District could operate.

Other external sources of funds the municipality depended heavily on was the Municipal Infrastructure grant as well as the Neighborhood Improvement Grant. It is imperative to note that the challenges discussed in this chapter were mainly due to poor payment of rates and taxes and poor maintenance of infrastructure. The municipalities were more focused on provision of new infrastructure with less on the maintenance of existing infrastructure. Funding of maintenance of infrastructure must be done through internal revenue generation pockets in order to ease the burden of external revenue pockets.

5.7 Chapter summary

This chapter described the physical characteristics of the study area. It indicated the location of the study area, physiography, spatial distribution of different municipal service consumers and the various land uses within Vhembe District Municipality. The chapter presented the status of various municipal service consumers within the selected local municipalities. An exposition of different municipal service consumers was necessary to understand the constraints and opportunities associated with municipal service consumer debt recovery within local municipalities in Vhembe District. The existing linkage framework provided guidelines on the connection existing between sources of municipal funds (internal and external) versus service delivery constraints and opportunities.

CHAPTER SIX: PRESENTATION, ANALYSIS & INTERPRETATION OF DATA ON MUNICIPAL CONSUMER SERVICE DEBT RECOVERY

6. Introduction

This chapter presents the findings of the field investigations and elucidation of data on the implications of non-payment of service by consumers on service delivery within the three rural municipalities in Vhembe District of Limpopo province. The three municipalities which were selected for this study were Thulamela, Makhado and Musina local municipality. The distribution of questionnaires within the selected wards of the three municipalities was done to both household respondents and key informants consisting of municipal officials from three departments (finance, technical and traffic services). The study also made use of comprehensive field observations to acquire first hand service delivery status quo information presented particularly in chapter five. After completing data collection, the process of data cleansing followed, wherein the data was processed. The analysed data was made possible through the use of two computer programs, namely SPSS and Ms Excel, these programs created grouped bar graphs, tables and charts presenting the data obtained from the study areas. The first section of this chapter presented the demographic statistics which was followed by the service delivery situation based on household respondents in relation to municipal service consumers debts. The second and third sections of the study provide an insight into the implications of municipal service consumer debts on service delivery from three municipal departments namely finance, technical and traffic.

6.1 Demographic profile of municipal service consumer respondents

Discussions on the demographic situation of the three rural municipalities looked at mainly the age, gender, educational qualification, employment status and source of income for household respondents. It is critical for demographic analysis as this provides an insight on the linkages that exist between household sources of income to payment of services, education status of respondents to employability which translates also to sources of income. In addition to this, the demographic analysis enabled us to link the socio-economic attributes of municipal consumers to their ability to pay for rates, taxes and service charges.

6.1.2 Ward location of municipal service consumers respondents

The wards of different municipal service consumers of respondents were analysed to determine the geographic location of respondents within Vhembe District, as well as show the representation of the population because the area is comprised of different locations, i.e. semi-urban wards and rural tribal wards. The selection and distribution of questionnaires in the

selected rural municipalities was undertaken evenly across the wards to eliminate chances of bias. In Thulamela LM, questionnaires were administered to ward 21 and 22, while in Makhado questionnaires were distributed in wards 1; 16; 20; 21 and 33 and in Musina distribution was done in wards 1; 2; 3; 4 and 6. Table 6.1 shows the final statistics of questionnaire distribution in three selected municipalities in Vhembe District.

Table 6.1: Distribution of Questionnaires in respective wards in Vhembe District

Specific Municipality	Ward selected	Type of Consumers	Total no. of properties	NQD	% Distributed	NQR	% Returned
THULAMELA LOCAL MUNICIPALITY	Ward 21 (Urban)	Residential households	1 595	36	9.23%	30	8.33%
	Ward 21 & 22 (tribal & semi-urban)		2 836	64	16.41%	60	16.67%
	Ward 21 (Urban)	Commercial (Informal traders) (Commercial properties)	1 302	30	7.69%	30	8.33%
Sub-total			5 733	130	33.33%	120	33.33%
MUSINA LOCAL MUNICIPALITY	Ward 1 & 2 (tribal & semi urban)	Residential households	8 820	43	11.02%	40	11.11%
	Ward 3 & 4		5 210	25	6.41%	20	5.56%
	Ward 6 (Urban)	Commercial (Informal traders) (Commercial properties)	12 760	62	15.90%	60	16.67%
Sub-total			26 790	130	33.33%	120	33.33%
MAKHADO LOCAL MUNICIPALITY	Ward 16 & 21 (Urban)	Residential Households	6 151	62	15.90%	60	16.67%
	Ward 1 & 33 (tribal & semi urban)		3 462	35	9.00%	30	8.33%
	Ward 20 (Urban)	Commercial (Informal traders) (Commercial properties)	3 379	34	8.71%	30	8.33%
Sub-total			12 992	130	33.33%	120	33.33%
TOTAL			45 515	390	100%	360	100%

Authors field data; 2018

Due to time and resource constraints, the researcher failed to achieve a 100% questionnaire turnover from the respective respondents. Table 6.1 shows the number of questionnaires returned (NQR) versus questionnaires distributed (NQD) and each ward had a slight shortfall of NQR. This was mostly influenced by other respondents failing to cooperate in filling in the questionnaires while others requested to fill the questionnaire in their own time but due to time limitations in their part failing to meet the researchers request. The margin of error was found to be less than 0.05 which has no to very little effect on the results obtained from the survey. To counter the small effect on the survey the researcher undertook key informant interviews using the questionnaires as guiding parameters to avoid bias and poor recording of data. In light of the survey summary, the researcher was guided by table 6.1 to provide the research outcomes from the selected municipalities in Vhembe District and the selected municipal wards thereof.

6.1.3 Gender profile of municipal service consumer respondents

The gender of respondents was analyzed to determine the proportion of male versus female household respondents. Community Surveys conducted in 2016 in Vhembe District revealed that generally there are more females compared to males in the District and this trend has been constant from year 2011 where the last national statistics was conducted. Community survey results show that there are more female headed households in the District as compared to male headed households which implies that more females are responsible for payment of rates and taxes for municipal services judging from the household statistics only. Figure 5.1 shows the proportion of male versus female respondents in the study areas.

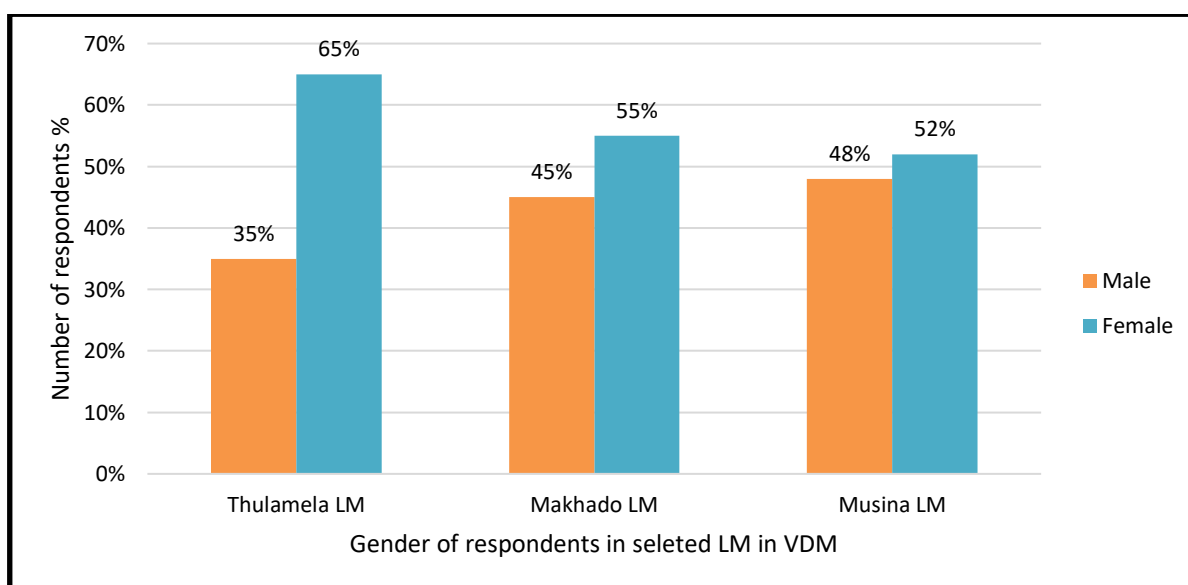


Figure 6.1: Gender of respondents
Source: Authors field data, 2018

Figure 6.1 shows that, relatively all the three rural municipalities in Vhembe District were characterized by a positive skewness in female population as compared to their male counterparts. In Thulamela LM, 65% of the respondents were females while 35% were males, the neighboring municipality Makhado however, had a 10% difference in population composition wherein females comprised of a 55% majority as compared to 45% male population. Lastly Musina LM had a marginal difference between the male and female population where females were just 4% more than the males who constituted 48%. The high ratio of female respondents was attributed to more female headed households present during the distribution of questionnaires. Upon investigation in all the three local municipalities males were employed as compared to their female partners who occupied household roles. Another contributing factor was that since the study was conducted in a rural setup, the study revealed that the males migrated to bigger towns and cities because the municipalities had failed to offer them with job opportunities. In addition to this, the skewedness in the sex ratio shows that in general there were fewer males compared to females in all the three municipalities but

it was the male respondents that paid more for rates and taxes as compared to their female counterparts. In addition to this because more males were employed in higher paid jobs as compared to females they had the capacity to pay for rates and taxes.

6.1.4 Age of municipal service consumer respondents

The age of the respondents was explored to understand the different age groups of the respondents as well as to determine the age bracket that paid significantly for municipal services. The researcher divided the age groups into four classes five significant classes that is the 15-25; 26-35; 36-45; 46-55 and lastly 56+ years. These classes were made inline with the national statistics standards and the findings from the survey as presented in figure 6.2.

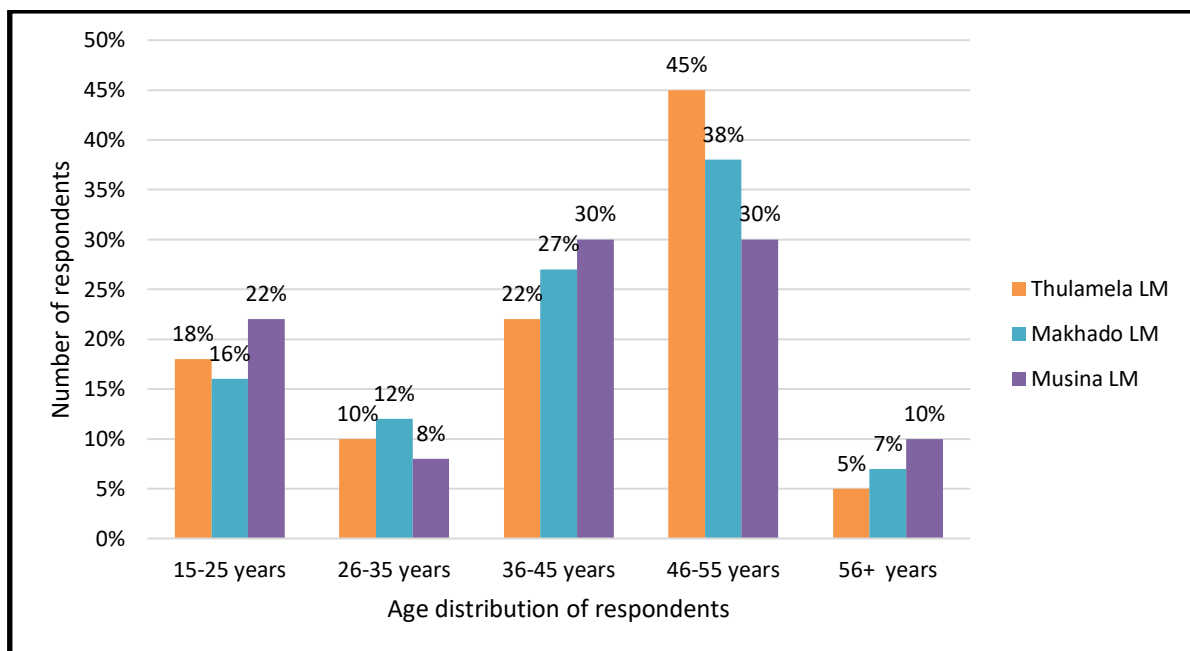


Figure 6.2: Age of respondents
Source: Authors field data, 2018

Figure 6.2 shows that Musina had the highest age group of between 15-25 year consisting of 22%, this was followed by Thulamela municipality with 18% and lastly Makhado with 16%. The age group which recorded the highest population was the 46-55 years followed by the 36-45 years and lastly the 56+ age group had the lowest population bracket. In the 46-55 years age bracket Thulamela had the highest population recording 45% followed by Makhado with 38% and lastly Musina municipality with 30%. The dominance in the age groups, 36-45 and 46-55 years was because from the on set the researcher targeted household heads and most of the home owners are expected to be elderly people who would have settled on a permanent basis on a location. The age groups 15-25 and 26-35 years who are deemed economically active were not significant, despite the need for a dominance in the economically active population to increase the chances for payment of rates and taxes, the situation in all the three local municipalities was different. Rural areas are characterised by excessive out-migration or

rural-urban migration as urban areas provide more economic opportunities than their rural counterparts. With larger populations leaving the rural municipalities, it compromises revenue bases for these municipalities in-turn reducing the level and quality of service delivery.

Study findings revealed that the age group between 36-45 years were dominantly paying for rates and taxes in the three local municipalities. Household heads were mostly people of the ages 36-45 and 46-55 years. The reason for the dominance by the 36-45 years age bracket paying consistently for rates and taxes was because they were aware of the consequences of non-payment of rates and taxes as some of them had tried to sell properties. On the other hand the 15-25 age brackets although were household heads were predominantly dependent on the child support grants and other grants such that they were left with very little disposable income as shown by almost 18%, 16% and 22% in the Thulamela, Makhado and Musina LM for the 15-25 years age bracket who dependent mostly child grants had very little disposable income for payment of municipal services.

6.1.5 Educational profile of municipal service consumer respondents & their ability to pay for rates and taxes

The investigation following the educational background of the respondents was linked to the notion to determine whether formal education had any effect on the respondent's ability to pay for rates and taxes, the respondents were asked to provide their educational qualification. Figure 6.3 shows the qualifications of the respondents.

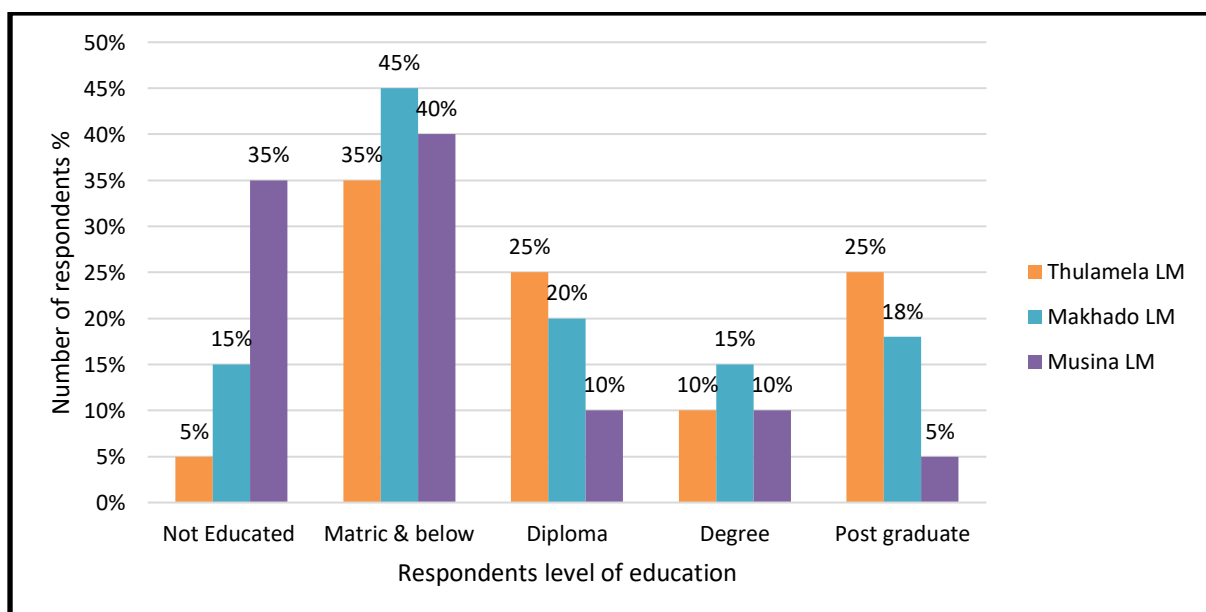


Figure 6.3: Educational attainment and payment for municipal services

Source: Authors field data, 2018

Across the three local municipalities in Vhembe district, the educational qualifications of most respondents were generally matric and below falling within the 40% range. Makhado had the

highest number of respondents with matric qualification and below constituting 45% followed by Musina (40%) and lastly Thulamela (35%). Another important aspect about the qualification of respondents was the element of those that had no education as well as those with significant qualifications to land them a job. Thulamela had the least number of not educated respondents (5%), followed by Makhado (15%) and Musina (35%). This trend was influenced by the number of immigrants in Musina who had business techniques as they took advantage of Musina a border town but lacked educational qualifications. In terms of degrees and post graduate qualifications, on average, all the three municipalities had lesser populations with degrees and post graduate qualifications falling below an average of 25%. An analysis of the educational profile of respondents revealed that educational qualifications influenced the ability of residents to pay for rates, taxes and service charges. Those with higher educational qualifications were employed in high income formal jobs i.e. banking sector, retail, and teaching; hence they could afford to pay for rates and taxes. Whereas, those with primary and matric qualifications formed part of the semi-skilled labour force and earned less income hence they could not pay.

An interesting outcome of the study also revealed that regardless of having a formal educational background and high qualifications some of residents paid for rates, taxes and service charges inconsistently. This outcome was according to the key informants' interviews with the municipal officials was evidence of an un-written culture whereby communities in rural municipalities have residents who do not pay for rates and services that is they are supposed to be provided free of charge as an entitlement (Karungari 2012). Contrary to disputes for payment of services, the highest paid service not influenced by the educational qualifications of individuals was services on a prepaid payment plan such as electricity and water. Nonetheless where such services were still being provided using conservative means such as parts of Musina and Thulamela payment was still a challenge.

6.1.6 Respondents employment status and their ability to pay for rates and taxes

To understand the issues of municipal service consumer debt in Vhembe District it was appropriate to analyse the influence of employment status on the payment of rates and taxes. The respondents were requested to indicate their employment status. This falls in line with one of the research objectives of the study which was to determine the level of payment of municipal services with respect to employment status. It was assumed that those who were employed would pay for rates and taxes while unemployed respondents would struggle to pay for rates and taxes. Table 6.2 shows the employment status of the respondents and ability to pay for rates and taxes.

Table 6.2: Employment status of respondents and their ability to pay for services

Employment status of respondents and their ability to pay for rates and taxes			
Employment status of respondents	Thulamela LM	Makhado LM	Musina LM
Employed	36%	46%	24%
Self Employed	26%	23%	52%
Not Employed	38%	31%	24%
% of Consumers not able to pay	53%	48%	56%
% of consumers able to pay	47%	52%	44%

Source: Authors field data, 2018

The levels of employment were spread evenly across the rural municipalities in Vhembe District. Unemployment has always been a significant challenge in rural areas despite efforts by government to improve the situation, the levels of unemployment have remained higher than in urban areas. Makhado recorded the highest level of employed respondents (46%), followed by Thulamela (36%) and Musina with (24%). These figures clearly showed that employed was below the provincial and national average of 55% and 60% respectively. These statistics raised the question of affordability of residents to pay for rates and taxes given the amount of money left as disposable income. The interesting scenario was based on the statistics of self-employed respondents with Musina recording more than 52% of self-employed respondents, followed by 26% in Thulamela and Makhado at 23%. The study showed that out of a total of 62% of employed people including self employed in Thulamela, only 47% were able to pay as compared to 53% who could not pay for services including those who were unemployed. The situation was even worse for Musina LM wherein out of all the respondents interviewed, 56% expressed that they could not pay for rates and taxes due to several reasons such as poverty, the municipality's responsibility to provide them with services for free and inability to pay.

It is imperative for local municipalities to see the importance of small business and enterprises for generation of disposable income that can elevate payment levels of rates and taxes by residence. In addition to this scenario, the high unemployment rate in these rural municipalities were linked to low levels of education leading to lack of skilled labour force required in high income jobs, as well as lack of Local Economic Development initiatives to create adequate employment for the local communities. According to a report by Financial and Fiscal Commission (2013:150, the high unemployment in rural municipalities was a result of poor economic performance attributed to lack of sound local economic development strategies because of lack of capacity, inadequate financial resources and poor rural development policies. The inability of most of the respondents to have a sustainable income played a major

role in lack of capacity to settle their bills on rates, taxes and service charges in all the three rural municipalities.

6.1.7 Monthly income levels of municipal service consumer respondents and their ability to pay for rates and taxes

Determining whether there is direct or indirect link between income and payment for services, the respondents were asked to indicate their monthly income. It was assumed that those who earn higher (+R3 200) income can pay for rates and taxes therefore have a lesser chance of having arrears in terms of municipal bills. With most residents earning below +R3 200 it leaves most of the households with less disposable income or none at all to pay for services such as refuse collection, sewer management and other payable services that consumers ought to pay to the municipality. The researcher created four classes of income analysis that is, >R1000; R1001-R2000; R2001-R5000 and finally <R5001 wherein the respondents were asked to indicate by ticking the income bracket which they fell under. Table 6.3 shows the monthly income level of the respondents and their ability to pay for rates and taxes.

Table 6.3 : Income levels of respondents and their ability to pay for rates ad taxes

Income levels of respondents and their ability to pay for rates ad taxes						
Income brackets	Thulamela LM		Makhado LM		Musina LM	
	% of respondents income	% of respondents not able to pay	% of respondents income	% of respondents not able to pay	% of respondents income	% of respondents not able to pay
>R1000	15%	15%	14%	10%	18%	18%
R1001-R2000	55%	45%	40%	35%	52%	48%
R2001-R5000	20%	10%	30%	20%	18%	15%
<R5001	10%	-	16%	2%	12%	3%
Total	100%	70%		67%		84%

Source: Authors field data, 2018

Table 6.3 shows that the highest recorded income bracket for Thulamela, Makhado and Musina local municipality was between R1001 and R2000. Thulamela had the highest number of respondents earning between R1000 and R2000 of about 55% followed by Musina at 52% and lastly Makhado at 40%. Generally, a smaller portion of the respondents earned below R5000 monthly with Thulamela recording 10%, Makhado 16% and Musina LM 12%. According to the South African Local Government Agency, (2011), any individual earning below R3 200 monthly is entitled to be registered on the Indigent. With the income situation in all the three municipalities almost 60% of the residents is entitled to indigent registration.

In terms of the ability to pay based on the different income brackets for Thulamela, Makhado and Musina, LM, the findings revealed that people with an income below R1000 and between R1000 to R2001 were the highest in terms of non-payment of municipal services. For example the income bracket between R1001 and R2001 had the highest number of respondents that expressed failure to pay for rates and taxes with Makhado recording the least number of respondents of 35% followed by Thulamela at 45% and Musina having the highest number of respondents not able to pay for rates and taxes at 48%. Overall percentage inability to pay for rates and taxes was highest in Musina LM which recorded almost 84% of the respondents. The reason for the highest number of respondents not able to pay based on their income brackets was high in Musina LM due to the fact that a most residents in the municipality were self employed and earned very little leaving them with limited disposable income.

With such a huge population under indigent it leaves the rural municipalities with a limited revenue to finance service provision and when the equitable share and other government grants such as MIG are used to finance service provision it compromises other processes such as establishment of townships in the effort of creating quality housing for all. On further investigation the study revealed that the high population of people with low income within Vhembe District was attributed to lack of formal education which leaves a significant proportion of the economy in the informal sector, as indicated in figure 6.4, and consequently lack of skills required for high income jobs. With almost 65% earning less than R3000 across the municipalities, it simply meant that most households could not afford to pay for rates and taxes and should access free basic services and this in turn affects the audit sheet of the rural municipalities.

6.1.8 Income sources of unemployed respondents and payment of services

The composition of municipal households plays a significant role in the income and expenditure of a municipality. When a municipality depends heavily on government grants it surely entails a higher revenue expenditure by the municipality to pay for service provision and the opposite it true. The researcher tried to analyse the composition of municipal residents and this was done through an analysis of sources of income of the unemployed residents. Different sources of income enjoyed by those who were not employed as shown in figure 6.4.

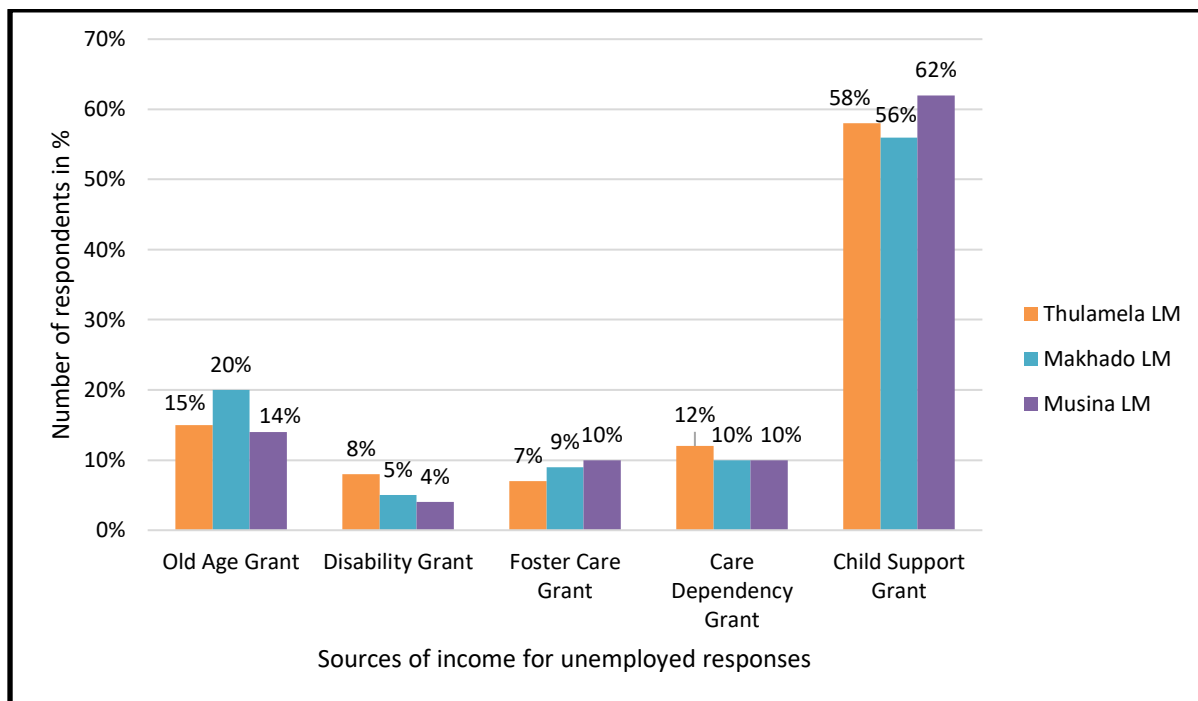


Figure 6.4: Sources of income for unemployed respondents
Source: Authors field data, 2018

Most of the respondents depend on Child Support Grants (CSG) across the three local municipalities with Musina recording the highest dependency grant at 62%, while Thulamela came second with 58% and Makhado at 56%. As for other sources of income such as the Old Age Grant (OAG), the Disability Grant (DAG), Foster Care Grant (FCG) and the Care Dependency Grant (CDG), the figures all fell below 20%. Makhado LM had the highest number of respondents depending on the OAG at 20% followed by Thulamela (15%) and Musina at 14% with the least number of people that benefited from OAG. Nonetheless, the number of respondents on different categories of the grant proved the fact that, they were not able to pay for rates and taxes. Those with above 50% depending on the CSG amounted to R410 effective as of 1st of April 2018 while the OAG was benchmarked at R1800 effective as of 1st of April 2018, National Treasury Budget Speech (2018). The respondents that earned below R3200 qualified for indigent registration.

In view of that, the study showed that a large population depended heavily in subsidies and free basic services as shown by 56% of people who depended on child support grants in Makhado, 58% in Thulamela and 62% in Musina LM. In addition to this, those who were found to be dependent on government and social grants had no other sources or means of generating income which implied that affordability of paying for rates and taxes was out of the question. Due to the dependency on government grants and subsidies, these residents were left with no disposable income as the maximum possible income was R1 800 for old age grants which was below the amount benchmarked for indigent registry that is R2 500.

6.2 Responses on constraints and frequency of payment of rates and taxes

The respondents' views on constraints and frequency of payment of rates and taxes were discussed looking specifically at factors such as respondents' frequency of payment of rates and taxes, constraints to payments of rates and taxes, and opportunities to improve municipal service consumer debts. These factors were explored to create a linkage between constraints to payment of services and formulation of consumer debts in rural municipalities.

6.2.1 Respondents' frequency of payment of rates and services

The study explored the implications of non-payment of services by consumers because it was necessary for the respondents to indicate their frequency of payment of rates and taxes. The study assumed that if municipal service consumers frequently pay for rates and taxes within the required timeframes it would eventually reduce municipal service consumer debts. Figure 6.5 shows the respondents' percentage frequency of payment of rates and services.

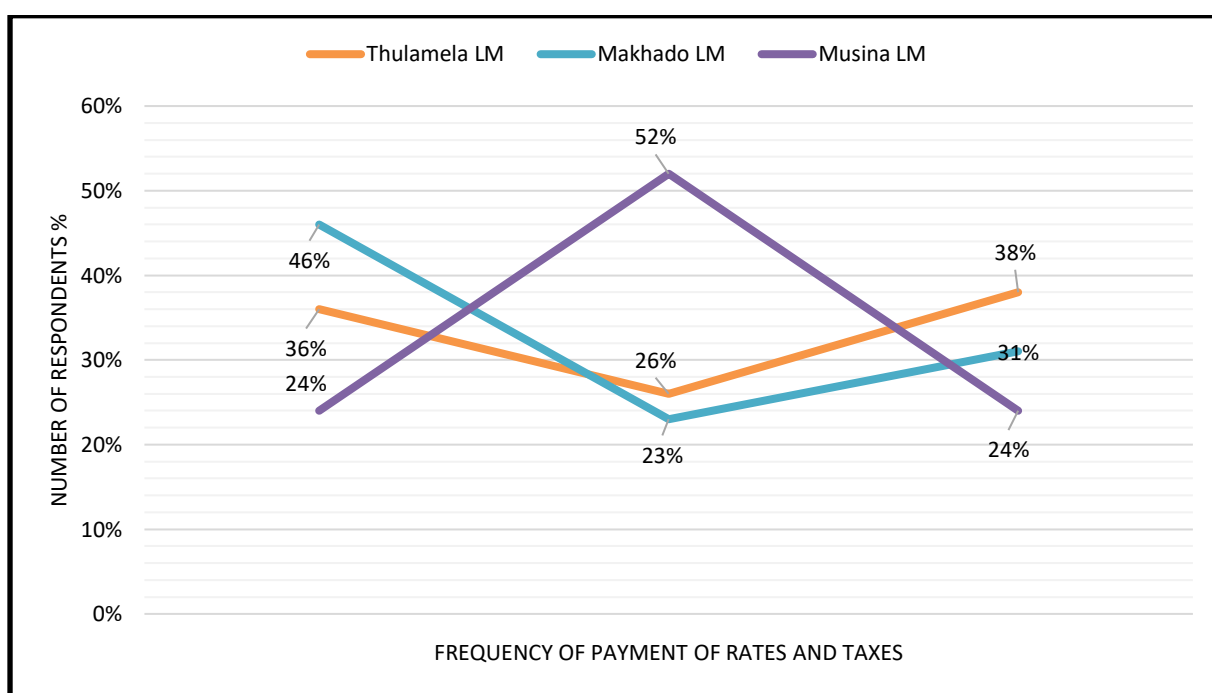


Figure 6.5: Respondents frequency of payment of services
Source: Authors field data, 2018

Figure 6.6 indicates that, Makhado LM had the highest number of paying municipal consumers (46%), followed by Thulamela LM at 36% and Musina LM at 24%. Non-payment for services by consumers was highest in Thulamela at 38% followed by Makhado at 31% and Musina at 24%. Interestingly, Musina had the highest number of inconsistent service payments with 52% of the respondents revealing that they sometimes paid for municipal service. Similarly, Makhado had the highest number of people that paid for municipal rates and taxes at 23%, while Thulamela had a slightly higher figure seating at 26%.

Consistence in payment for municipal services is critical to explain the root causes of the research problem. A combination of non-payment and inconsistent payment indicated by (sometimes), contributes to a larger extent to debt formulation. The respondents indicated that they sometimes paid for municipal services and they were responsible for high consumer service debts in municipalities they resided in. Musina LM had the highest number of respondents who stated that they sometimes paid for rates and taxes. Inconsistent paying of rates and taxes culminares to municipal service consumer debts in municipalities. However, if municipal service consumers fail to pay for rates and taxes totally then the debt owed to the municipality will increase thereby affecting total revenue collection. If the debtors roll is huge the municipality will become fiscally stressed and face challenges in meeting its revenue collection mandate.

6.2.2 Respondents ratings on constraints to payment of services and debts

In order to find out the ratings of payment of municipal services in Vhembe DM, the respondents were asked to rate their views with respect to whether they agree, disagree or strongly disagree that there are constraints to payments of rates and taxes. Their responses enabled us to determine at a later stage the reasons for the constraints. Table 6.4 shows the constraints to payment for rates and taxes.

Table 6.4: Respondents ratings on constraints to payment of services and debts

Constraints to payment of rates and taxes		Constraints hindering payment of rates and taxes											
		Thulamela LM				Makhado LM				Musina LM			
		1	2	3	4	1	2	3	4	1	2	3	4
		Strongly disagree	Disagree	Agree	Strongly Agree	Strongly disagree	Disagree	Agree	Strongly Agree	Strongly disagree	Disagree	Agree	Strongly Agree
		%	%	%	%	%	%	%	%	%	%	%	%
1	I am unemployed	20	20	30	30	42	14	20	24	10	12	38	40
2	Dissatisfaction with service provision (i.e. poor waste collection)	14	12	34	40	20	10	40	30	5	5	35	55
3	Service charges are too expensive	12	28	26	34	4	25	17	54	10	16	34	40
4	In accurate billing of services	20	15	45	20	30	30	18	22	20	30	40	10
5	Corruption	10	20	60	10	10	5	35	50	15	10	25	50
Total		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Authors construct; 2018

Table 6.4 shows different factors that acted as constraints for respondents to pay for rates and taxes. Approximately 30% agreed that unemployment played a role as a constraint to payment of rates and taxes in Thulamela LM. Furthermore, 30% of the respondents in the

same municipality strongly agreed that unemployment was a major obstacle in the payment of rates and taxes. Similarly, 38% and 40% agreed and strongly agreed respectively that unemployment hindered them from payment of rates and taxes in Musina LM. The reason behind a higher number of respondents posing unemployment as an obstacle to payment of rates and taxes in Musina LM was because most of the residents in the municipality were not formally employed hence had no stable incomes to enable them to budget for payment of municipal services. Further details on the constraints to payment of municipal services are discussed below.

6.2.2.1 Unemployment

Further analysis on the extent unemployment contributed towards non-payment of rates and taxes was done and the results are summarised in table 6.4.1.

Table 6.4.1: Unemployment as a constraint to payment of rates and taxes

Unemployment as a constraint to payment of rates and taxes					
Selected municipality	Strongly disagree	Disagree	Agree	Strongly Agree	Total
Thulamela LM	20%	20%	30%	30%	100%
Makhado LM	42%	14%	20%	24%	100%
Musina LM	10%	12%	38%	40%	100%

Authors field data; 2018

Approximately 30% of the respondents in Thulamela LM agreed to the fact that they were unemployed hence could not be able to pay for rates and taxes. An additional 30% further strongly agreed that unemployment was a major hindrance to payment of rates and taxes. Similarly, 38% and 40% of the residence in Musina LM agreed and strongly agreed that unemployment acted as an impediment to payment of rates and taxes. This is due to the fact that, in Musina the majority of the people are self employed and not formally employed hence they disclosed that they could not afford to pay since they had no disposable income. This is despite the notion that service delivery is dependent of financial resources, the respondents felt as if they were entitled to services from their respective municipalities irrespective of them paying or not.

6.2.2.2 Dissatisfaction with service provision as a constraint to payment of services

In terms of dissatisfaction as a factor for non-payment of rates and taxes the results were tabulated in table 6.4.2.

Table 6.4.2 Dissatisfaction with service provision as a constraint to payment of rates and taxes

Dissatisfaction with service provision as a constraint to payment of rates and taxes					
Selected municipality	Strongly disagree	Disagree	Agree	Strongly Agree	Total
Thulamela	14%	12%	34%	40%	100%
Makhado	20%	10%	40%	30%	100%
Musina	5%	5%	35%	55%	100%

Authors field data; 2018

More than 90% of respondents in Musina LM combining respondents that agreed and strongly agreed to the notion that dissatisfaction with service provision was a huge impediment to payment of rates and taxes. This was compared to 40% and 30% that agreed and strongly agreed to the fact dissatisfaction with the municipal service provision in Thulamela hindered them from payment of rates and taxes. There are higher chances of residents residents being unwilling to pay accounts because of dissatisfaction with services rendered (for example wrongful cutting off of services, number of power outages in particular areas, poor maintenance of street lights, pavements, roads and parks (De Vries *et al*, 2008:62). The necessity to collect arrear debts cannot be overemphasised. If municipalities neglect to carry out this important function effectively and efficiently, it can lead to a situation where municipalities do not have sufficient funds to deliver services. Therefore, quality service delivery is directly linked to payment of rates and taxes by service consumers.

6.2.2.3 Expensive Services charges as a constraint to payment of services

Respondents were asked to express how they felt about the cost of paying for municipal services in the three municipalities. The results of the findings were summarised in table 6.4.3.

Table 6.4.3: Expensive Service charges as a constraint to payment of services

Expensive service charges as a constraint to payment of services					
Selected municipality	Strongly disagree	Disagree	Agree	Strongly Agree	Total
Thulamela	12%	28%	26%	34%	100%
Makhado	04%	25%	17%	54%	100%
Musina	10%	16%	34%	40%	100%

Authors field data; 2018

Residents in Makhado municipality alluded to the fact that they paid higher municipal rates and taxes as shown by 17% and the 54% that agreed and strongly agreed to the notion respectively. This was followed by residents in Musina LM wherein 34% and 40% of residents agreed and strongly agreed to the notion that they failed to pay for rates and taxes due to the fact that they were expensive. A comparison of rates and taxes for municipalities in Vhembe District and those for City of Johannesburg revealed that the charges for Vhembe District were 40% lower than those for COJ. Although rates and taxes cannot be similar for rural based municipalities and urban municipalities, the difference between the two was very high questioning the respondents' perspective of rates and taxes being expensive for them hence their failure to pay. Nonetheless, higher service charges result in service consumer retaliating and not paying for rates and taxes totally. This scenario is highlighted in the City of Johannesburg where in the City of Johannesburg elevated rates and taxes. Residences protested this hiking for rates and taxes and sent objections to the municipality. Responding

to queries and suggestions that the city was unfairly raising the value of properties, rates and service charges in order to rake in much needed revenue, the COJ revealed that the Metro is self-funding and has always relied on charges for rates to fund service delivery. This can be realistic for urban municipalities that has the majority of municipal consumers generating revenue from their private properties through rental, leasing and other agreements. However, in rural based municipalities the scenario is different because there are less opportunities to generate revenue through rentals.

6.2.2.4 Inaccurate billing system as a discouraging factor for payment of services

The study sought to determine whether inaccurate billing system had an effect on the payment of municipal services by consumers and the findings are shown in table 6.4.4.

Table 6.4.4: Inaccurate billing system as a discouraging factor for payment of services

Inaccurate billing system as a discouraging factor for payment of services					
Selected municipality	Strongly disagree	Disagree	Agree	Strongly Agree	Total
Thulamela	20%	15%	45%	20%	100%
Makhado	30%	30%	18%	22%	100%
Musina	20%	30%	40%	10%	100%

Authors field data; 2018

Inaccurate billing of services plays a contributory role in service consumers being inconsistent in making their payments as shown by the findings in table 6.4.4. Approximately 45% and 20% agreed and strongly agreed respectively that inaccurate billing system was a major obstacle in the payment for municipal services in Thulamela local municipality. The research findings revealed that, Thulamela LM had the highest number of incorrect or inaccurate billing of approximately 65% combined. This was because when consumers received an inaccurate bill they did not to pay in retaliation to the incorrect billing system. Related to the billing issue, another critical factor causing debt accumulation within Thulamela municipality was attributed to incorrect customer personal data hence accounts were being sent to incorrect addresses and were not received on time or not at all. The study revealed that those in rural wards did not receive accounts stating exactly what they were paying for exactly especially in Musina local municipality as evidenced by 40% of the respondents agreeing that they were being inaccurately billed for municipal services. Consequently, such consumers received basic services which were mostly free. With regard to transport services consumers located in rural areas indicated that the provision of transport infrastructure such as roads would enable them to access key opportunities in the market so that they can trade their produce and earn an income which would then enable them to pay for services rendered by the municipality.

6.2.2.5 Corruption as a constraint to payment of rates and taxes

In order to find out whether corruption was a factor in constraining respondents in paying for rates and taxes, the researcher made an enquiry into the extent to which corruption hindered respondents from paying for rates and taxes. The findings are shown in table 6.4.5.

Table 6.4.5: Corruption as a constraint to payment of rates and taxes

Corruption as a constraint to payment of rates and taxes					
Selected municipality	Strongly disagree	Disagree	Agree	Strongly Agree	Total
Thulamela	10%	20%	60%	10%	100%
Makhado	10%	05%	35%	50%	100%
Musina	15%	10%	25%	50%	100%

Authors field data; 2018

The process of recruiting in rural municipalities has been questioned by many most especially rural consumers. Approximately 50% of respondents strongly agreed while 35% agreed Makhado LM had corruption activities taking place, while 25% in Musina agreed and 50% strongly agreed that also corruption was the order of the day in the municipality. Similarly, 60% in Thulamela expressed the same concerns on corrupt officials. Corruption in rural municipalities is mostly pronounced in the recruitment of workers, tendering processes as well as the supply and chain management. The last factor or constraint of concern is the number of municipal councillors with no previous experience in local government (De Vries, Reddy & Haque, 2008:62). In a report on skills in municipalities, the Department of Cooperative Government and Traditional Affairs (2007:2) states that as many as 36% of managers have only a matric with a diploma or less, and 10% of municipal managers does not even have a matric qualification; 37% of municipal managers have less than 5 years' experience in local government, while 74% have eleven or less years' experience in local government in South African municipalities. The lack of experience of municipal officials and councillors, which must be seen together with the lack of sufficient funding, causes inefficient service delivery at local government level. Furthermore, money is wasted, and loopholes encourage fraud. This exacerbates the existing financial crisis in municipalities, which, once again, leads to inefficient service delivery.

6.3 Level of involvement of communities in service provision

Service delivery is not just a technical nor a financial process, but it incorporates other critical social responsibilities by local government (MFMA, 2003). We investigated the role community engagement played in the fulfilment of rural municipalities in delivering municipal services to the communities. This was done by determining the extent rural municipalities engage the communities in service delivery matters such as quality of service delivery to explain the linkage to service delivery. Figure 6.5 shows the results of the findings.

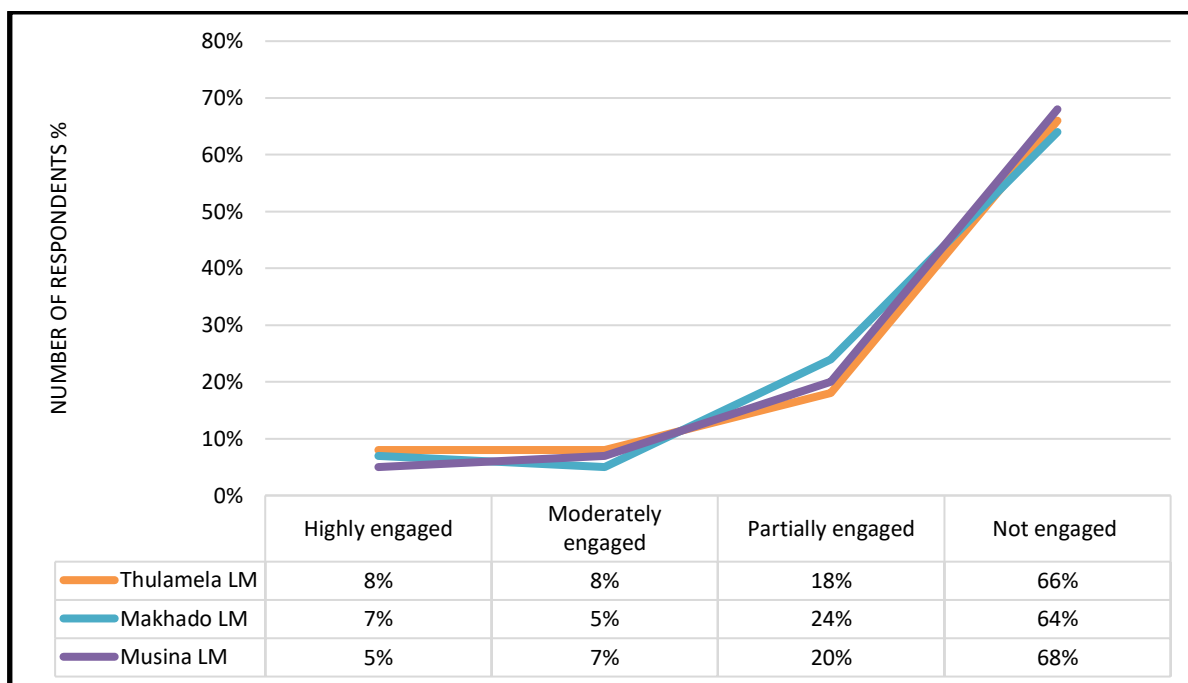


Figure 6.5: Levels of community engagement in service delivery

Source: Authors field data, 2018

Figure 6.5 shows the results of the research findings in relation to the level rural municipalities engaged the communities in service delivery matters. The higher percentages were for respondents that rated high on the notion that their municipalities they resided in had not been engaging them. The study showed that in Thulamela LM 8% of the respondents revealed that as compared to 7% in Makhado and 5% Musina. With respect to little or no consultation by the municipalities, Musina LM recorded 68%, Makhado 64% and Thulamela 66%. The reason why Thulamela had the highest level of engagement of the community was because the municipality had more municipal wards as compared to Makhado and Musina which called for employment of more Community Based Workers (CBWs). Due to resources constraints rural municipalities failed to perform community wide participation engagements resulting in moderate to partial engagement of communities as evidenced by 18%, 20% and 24% of respondents revealing that Thulamela, Musina and Makhado local municipalities respectively partially engaged them. Poor engagement of communities resulted in poor payment of rates and taxes since municipal consumers were likely to receive the quality and type of services they needed their municipalities to provide them.

6.5 Respondents levels of satisfaction with municipal services

There is a direct relationship between consumer service satisfaction and the extent they are willing to pay for such a service. It was important to analyse the levels of service provision in the three municipalities because the level at which municipal services are provided influences the willingness to pay for such services by consumers. Table 6.5 shows the respondents'

ratings on the level of satisfaction with service provision from Thulamela, Makhado and Musina LM based on a scale of 1 to 4 with 1 bearing the lowest and 4 representing highest score.

Table: 6.5 Respondents levels of satisfaction with municipal services

Respondents levels of satisfaction with municipal services					
Level of satisfaction with services	Rating of services	Thulamela LM	Makhado LM	Musina LM	Total
Not satisfied	0-1	45%	48%	58%	100%
Moderately satisfied	1-2	20%	15%	17%	100%
Satisfied	2-3	20%	24%	15%	100%
Highly satisfied	3-4	15%	13%	10%	100%

Authors field data; 2018

Figure 6.6 further displayed the respondents' ratings on the level of satisfaction with service provision from Thulamela, Makhado and Musina LM.

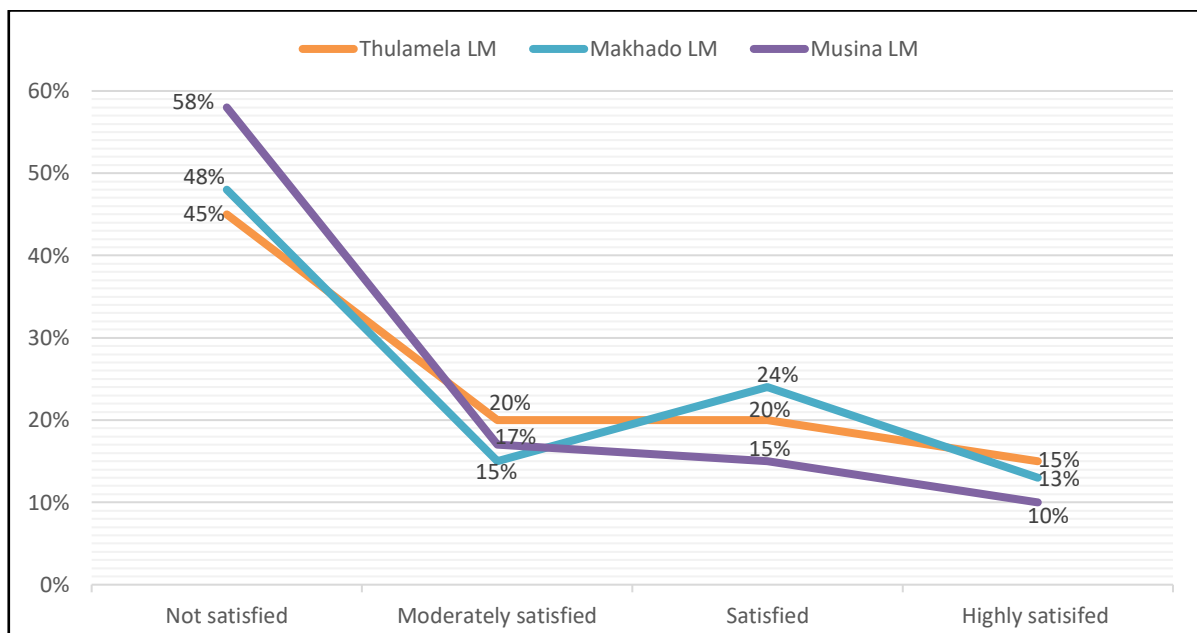


Figure 6.6: Level of satisfaction of municipal services provided by municipalities

Source: Authors field data, 2018

Consumer satisfaction is regarded as one of the factors to determine the rate of intake of a particular service and the satisfaction of a consumer with respect to the service provided. As table 6.5 shows that 45% of the respondents were not satisfied with services provided in Thulamela as compared to 48% in Makhado and 58% in Musina. The higher number of those not satisfied with service provision was generally higher across all municipalities, however Musina had the highest non-satisfaction because further investigation revealed that most of the people that expressed dissatisfaction were informally settled within the municipality hence they were not covered under the Service Delivery Budget Implementation Plan (SDBIP).

Approximately 24% of respondents in Makhado were satisfied with the level of municipal services from the municipality which was higher as compared to 20% and 15% level of satisfaction with service provision from Thulamela and Musina respectively. The reason for the high rating in the level of service provision was because the municipal mayor for Makhado held more mayoral imbizos as compared to Thulamela and Musina mayors. These imbizos acted as platforms for the community to engage with municipal officials expressing their concerns on service delivery issues.

6.5.1 Level of payment of municipal services by Commercial and household consumers

Payment for services varies from location to location and from consumer to consumer. It is important to analyse the composition of municipal consumers falling within different categories so that the level of primary revenue generation is known. Respondents both commercial and households whether they are free basic services (FBS), Full Payment, Intermediate or Subsidized as shown in figure 10 for commercial and household respondents. Table 6.6 shows commercial and household levels of municipal services provision payment.

Table 6.6: Level of payment of municipal services by Commercial and household consumers

Level of payment of municipal services by Commercial and household consumers				
	Payment Categories	Thulamela LM	Makhado LM	Musina LM
Household Service consumers	Free Basic Services	61%	58%	67%
	Full Payment	6%	5%	7%
	Intermediate	40%	44%	40%
	Subsidized	4%	3%	7%
	Total	100%	100%	100%
Commercial Service Consumers	Free Basic Services	10%	8%	14%
	Full Payment	66%	75%	67%
	Intermediate	20%	14%	12%
	Subsidized	4%	3%	7%
	Total	100%	100%	100%

Source: Authors field data, 2018

With respect to commercial consumers, it was discovered that for the four categories consumers paid namely free basic services (FBS), full payment (FP), Intermediate payment (IP) and subsidized services (SS), the highest was for fully paid services. Makhado LM had the highest number of people paying for FP at 75% followed by Musina LM at 67% and Thulamela LM at 65%. These results showed that, Makhado municipality had the largest urban footprint consisting of more commercial consumers as compared to its other two counterparts Thulamela and Musina LM. Musina on the other had commercial businesses depending highly on efficient supply of services due to demand from cross border traders within the CBD which is situated closer to Beitbridge border post. The high demand for fully paid services meant that, the municipality had to increase the service stock to meet the demand. Due to non-

payment then this was getting harder and harder for the municipality to meet its primary obligation of sustaining service delivery. The low levels of supply for services within other brackets (FBS; IP and SS); meant that revenue generation had to be at par with service delivery, but this was not the case. In terms of FBS by commercial consumers, the levels were very low with Thulamela recording 10%, Makhado 8% and Musina LM 14%. Most of these commercial consumers that received FBS were normally informal traders that were registered with the municipalities and fell with the LED strategy bracket of the municipalities. Municipalities were providing these consumers with free services as a mechanism for economic empowerment which was in line with elevating Local Economic Development in rural municipalities.

In the case of household payment categories, the researcher identified that, Musina had the highest number of residents that received FBS from the municipality (67%), followed by Thulamela LM (61%) and the least being in Makhado LM (58%). Although Musina LM was found to be smaller in size as compared to Makhado and Thulamela LM since it had the largest number of people residing in non-proclaimed areas that were unemployed. A large number of people of more than 70% reside in rural villages in rural municipalities with more than 80% of residents in Thulamela residing in non-proclaimed areas.

The study findings also revealed that a significant population of residents fell within the intermediate payment category (IP) such that 20%; 14% and 12% of the residents in Thulamela, Makhado and Musina respectively received intermediate services. Of the respondents that revealed that they received FBS, services such as water, refuse collection and maintenance of infrastructure such as roads were not paid for but fully provided by the municipalities in the form of community stand pipes which were accessed by 10-15 households, a central point for refuse collection and quarterly maintenance of gravel roads. The implication of a heavy load of FBS to the consumers meant that the municipalities had to find means of paying for the indigent and one of these methods was using the cross-subsidization method described in the literature review. Another model for financing these indigent households was through finance diversion techniques where funds meant for financing key capital projects was being used to fund for FBS an illegal process which contravened several sections of the MFMA No 56 of 2003.

6.6 Municipal rates and tax Incentives received by municipal consumers

The three municipalities had different methods of encouraging consumers to pay for rates and taxes and one of these methods was provision of incentives. Incentives were created in order

to motivate them to pay for services in the long run. With respect to this, the respondents were requested to indicate the type of incentives they received as shown in figure 6.11.



Figure 6.11: Incentives received by municipal consumers

Source: Authors field data, 2018

One of the reasons why incentives were introduced by the three municipalities was because they each wanted to motivate the consumers to improve their payment for municipal rates and taxes. In terms of rebates and tax incentives there was almost no difference between the three municipalities. However, Thulamela LM gave rebates of upto 28% as compared to Makhado with 27% and Musina with 25%. In terms of tax incentives, Musina gave tax incentives of 7% as compared 6% in Thulamela and 5% in Makhado LM as shown in figure 6.11. The differences for rebates and tax incentives for the three local municipalities was because the billing and tariff system for these municipalities was similar and the composition of the commercial consumers was also generic.

Similarly reduction in taxes were higher for the three municipalities as compared to rebates and tax incentives with Thulamela recording 40%, Makhado 44% and Musina 40%. The reason why reduction in tax was higher as compared to rebates and tax incentives was because tax reduction was solely dependent on the municipal consumers. This means that municipal consumers had the obligation to ensure that their taxes are reduced through consistent payment of rates and taxes, donations to other institutions, using energy saving utilities and adopting mechanisms that were cost effective for the benefit of the municipalities.

One of the major identified strategies commercial consumers were utilizing to enhance tax reduction and tax breaks was the use of eco-friendly energy and sustainable waste management systems.

In addition to this, the municipalities also gave consumers incentives in the form of tax breaks. This was popular among the commercial consumers and also the difference was not much among the three local municipalities. Thulamela offered 26% tax breaks to municipal consumers, while Makhado offered 26% and Musina 28%. The little difference was because of the spatial location of these municipalities; Thulamela had a higher tax break system as compared to Makhado LM so that it could be able to attract investment since its located far from major development corridors. In Musina, the tax break was higher because the municipality had a larger proportion of commercial consumers in the form of farms and mines as compared to the two counterparts therefore in order to encourage the payment of higher operating tariffs tax breaks were supposed to be set higher.

6.7.1 Improvement strategies to encourage of payment of rates and taxes by consumers

In chapter one, one of the assumption that was made was that there is no different between urban and rural consumers to what they perceived should be the key areas for municipal service provision to motivate them to pay for rates and taxes. Five categories were suggested for them and their responses are presented in table 6.7.

Table 6.7: Possible opportunities for municipal consumers to pay for services

Selected Municipality in VDM	Total municipal service consumers	NQD (Number of Questionnaires Distributed)	NQR (Number of Questionnaires Returned)	Specific location of municipal service consumers	Opportunities for municipal consumers to pay for services																			
					If billing is accurate				If service delivery is improved				If corruption is addressed				If mechanisms for encouraging payment are put in place				If informed about consequences of non-payment			
					S/Disagree	Disagree	Agree	S/Agree	S/Disagree	Disagree	Agree	S/Agree	S/Disagree	Disagree	Agree	S/Agree	S/Disagree	Disagree	Agree	S/Agree	S/Disagree	Disagree	Agree	S/Agree
					%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Thulamela LM	5 733	130	120	Urban Areas	14	15	25	46	16	12	16	56	13	14	11	62	10	15	13	62	30	15	11	44
				Rural Areas	12	10	13	65	04	01	11	78	03	04	15	70	04	10	18	68	15	25	12	48
Makhado LM	12 992	130	120	Urban Area	13	14	31	42	02	02	19	56	01	05	15	76	14	15	13	58	20	08	20	52
				Rural Areas	16	12	16	56	01	02	15	64	06	12	18	64	03	16	14	67	30	05	15	50
Musina LM	26 790	130	120	Urban Areas	14	24	12	50	01	01	22	74	10	02	03	85	13	14	11	62	30	10	13	56
				Rural areas	-	-	34	56	-	04	12	84	02	02	10	86	16	12	16	74	10	05	27	48
Total	45 515	390	360		100%				100%				100%				100%				100%			

Source: Authors field data, 2018

From table 6.7 the five categories of improvement were improvement in the billing, and in service delivery, addressing corruption, putting in place mechanisms for encouraging payment of services and informing consumers about the consequences of non-payment of rates and taxes. The respondents were asked whether they strongly agreed, agreed, strongly disagreed and disagreed with the suggested improvements to enhance payment of rates and taxes.

6.7.1.1 If billing is made accurately

Billing of services for urban and rural areas is not similar therefore in order to find out whether improvement in the billing system encouraged payment for municipal services, respondents were asked to provide their opinion. Figure 6.8.1 shows the findings from the field survey.

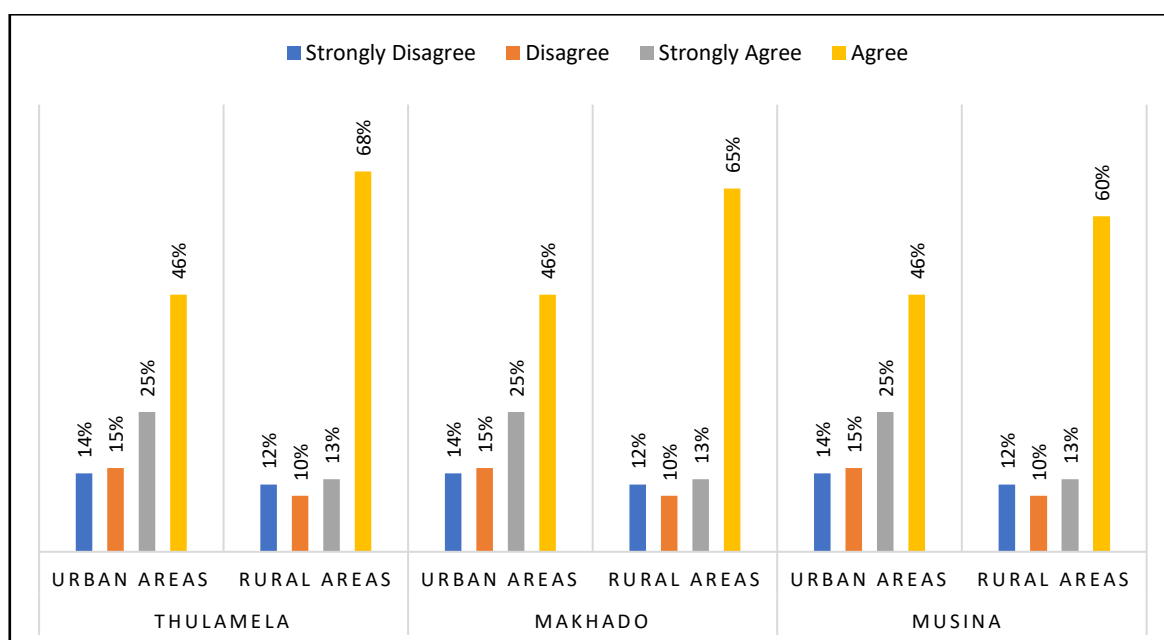


Figure 6.8.1: Improvement of the billing process on payment of rates and taxes

Source: Authors field data, 2018

Approximately 68% of rural respondents in Thulamela expressed concerns over receiving inaccurate bills while the urban counterparts constituting only 46% expressed the same concerns. Similarly, in Makhado LM the rural residents (65%) and in Musina (60%) complained that they received inaccurate bills from their respective municipalities. The challenge of residents claiming to be receiving wrong bills from the municipalities in rural communities was that, there is an assumption that services delivered are FBS hence they should not pay however municipalities charge each household with a service charge for road maintenance and maintenance of community water facilities. The reason why consumers complained more on the issue of inaccurate billing system in Thulamela more than in Makhado and Musina LM was that the municipality had more rural wards as compared to Musina and Makhado.

In urban areas, statistics for respondents complains were lower with 42% in Makhado, 46% in Thulamela and 50% in Musina LM. Despite the fact that the municipality agreed to having the

best quality billing system, this was not always the case as evidenced by the responses from field surveys. Sending wrong bills to wrong municipal service consumers contributes significantly to debt formation and debt accumulation of consumers who do not receive accurate bills even if they were willing to pay. The reason why even urban households sometimes received wrong bills was due to poor postal services and lack of improvement in the databases which were responsible for the billing process for all the three local municipalities.

6.7.1.2 If service delivery is improved

There is strong evidence internationally, to substantiate, that poor households are willing to pay for a service that they regard as valuable and a necessity such as water, refuse removal and property tax. Nonetheless, residents can only pay for consistent service delivery and quality and when this is compromised respondents can easily stop making payments. Figure 6.8.2 shows respondents perspective on the determination to pay for services if municipal service delivery is improved.

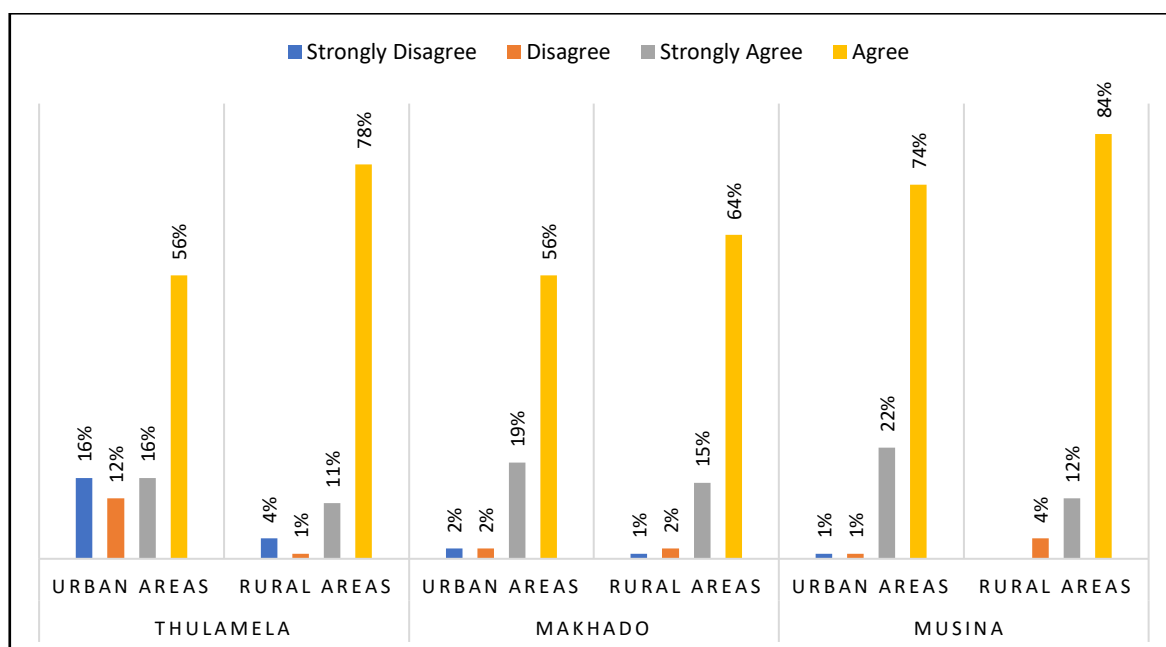


Figure 6.8.2: Improvement of service delivery to increase payment of services
Source: Authors field data, 2018

Approximately 84% of respondents in rural areas in Musina municipality were determined to pay for rates and taxes if service delivery is improved. Similarly 64% and 78% of rural consumers in Makhado and Thulamela LM respectively expressed the same sentiments about service delivery. The reason for such expression was that rural villages lack proper transport infrastructure such as roads, storm water drainages and bus stops. In addition to this the villages have outside ventilated inlet pit latrine toilets which the majority of the respondents do

not recommend for use especially at night. Water and sanitation and lack of street lighting are examples of poor municipal service delivery (Thulamela, Makhado and Musina IDP, 2017/2018). In the event that these issues are addressed respondents expressed their willingness to pay for rates and taxes.

In the case for urban areas, the complaints related to service delivery improvement were lower as compared to rural areas with Thulamela LM recording 56%, Makhado 56% and Musina 74% of respondents agreeing on the need for service delivery improvement so that they could pay more for rates and taxes. Respondents in urban areas that disagreed that service delivery was poor were high in Thulamela as compared to Makhado and Musina. Thulamela LM recorded 16% as compared to 2% and 1% in Musina LM. The high rating of disprovement of service delivery improvement to encourage payment of rates and taxes in Thulamela as compared to Musina and Makhado was because Thulamela LM had quality road infrastructure, better waste collection systems and water connection in urban areas as compared to Musina and Makhado where water challenges were pronounced in urban areas.

6.7.1.3 If corruption is addressed

Respondents were asked to rate the effect of corruption as a determinant factor to encourage them to pay for rates and taxes and the findings are shown in figure 6.8.3.

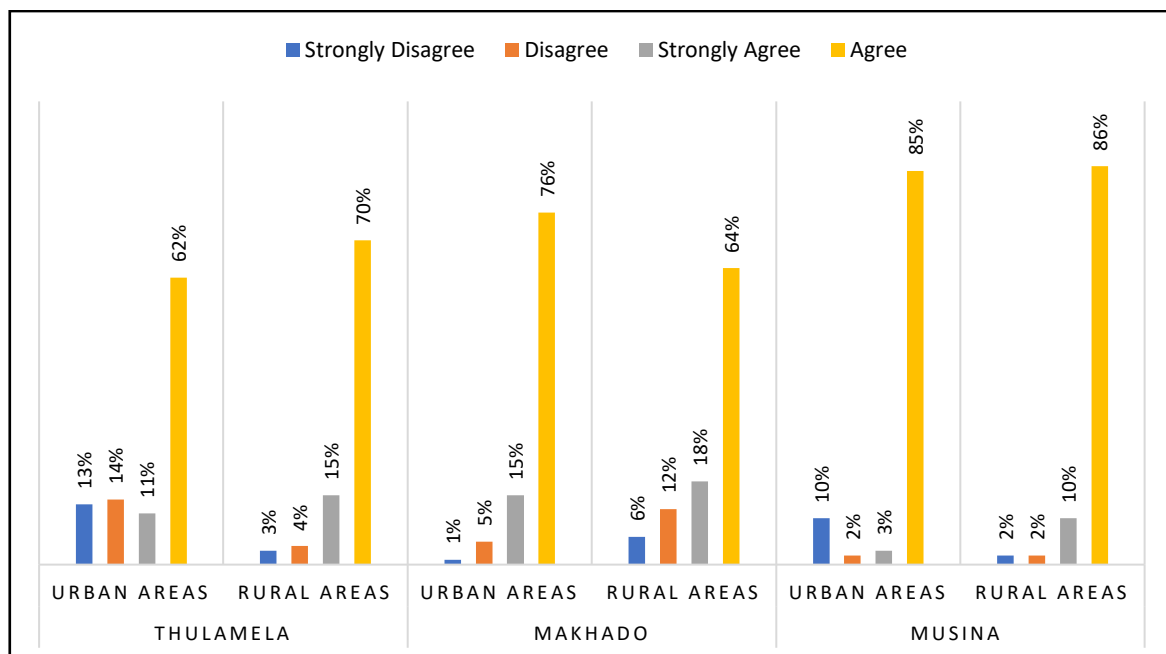


Figure 6.8.3: Improved payment of service due to redress on corruption
Source: Authors field data, 2018

Field survey results indicated that Musina LM had the highest number of residents who expressed serious concerns of municipal corruption and nepotism that is 85% in urban areas and 80% in villages. This was followed by 76% in Makhado urban areas and 64% in villages while for Thulamela it was 62% in urban centres and 70 in rural areas. The biggest grievance

of respondents was the recruitment process which they claimed municipal officials were biased towards their friends and relatives leaving them without employment hence failing to acquire employment. Political leaders also canvassed and campaigned promising better-quality service delivery once elected in office, but the reality of matters was the worsening of service delivery evidenced by wide spread protests in these rural municipalities questioning the authenticity of political leaders to their electorates. When elections were nearing politicians had a tendency of cutting consumer debts clearing residents of money they would be owing the municipalities a move which created vast consequences for future service delivery of the municipality. Therefore, eliminating corrupt activities and influence of politics in municipalities affects revenue generations significantly compromising quality service delivery.

6.7.1.4 If mechanisms for encouraging payment are put in place

On further investigations municipal service consumers were asked if they would increase their level and willingness to pay for rates and taxes if they were provided with incentives, reduction on service charges and rebate is offered by the municipality. The results of the survey are shown in figure 6.8.4.

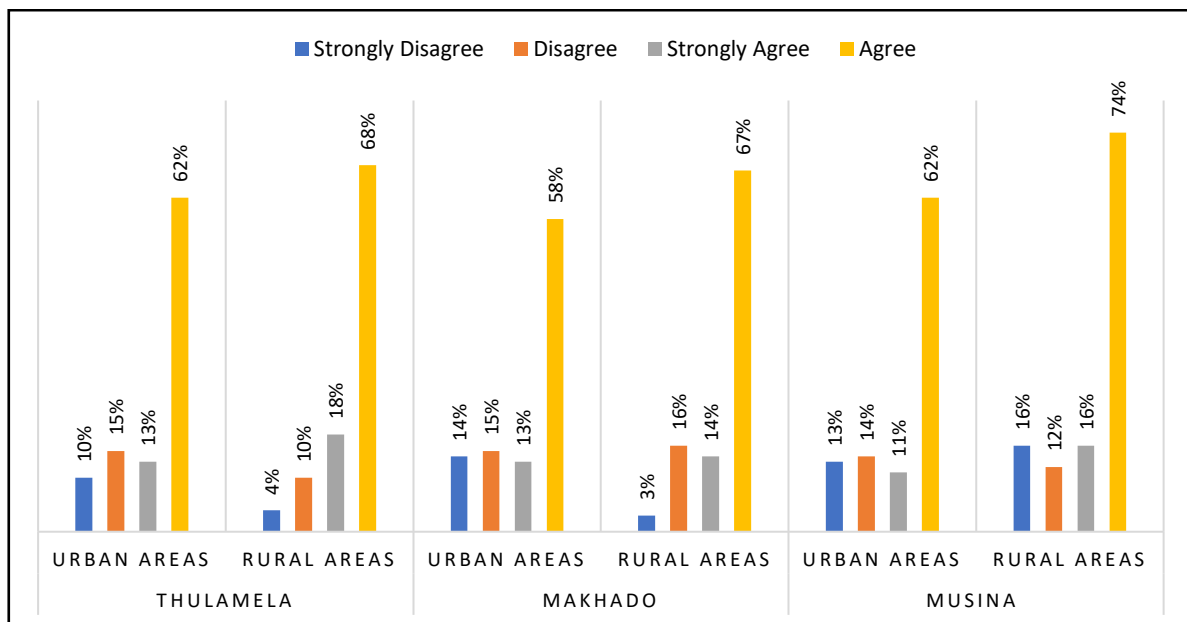


Figure 6.8.4: Putting in place mechanisms for encouraging payment of services
Source: Authors field data, 2018

Approximately 62% of the respondents in urban areas and 68% in rural areas in Thulamela reported that rebate on property tax would enable them to pay for rates and taxes because they relied on government grants, pensions scheme and unemployment grants. Similarly 58% of the respondents in urban areas and 67% in rural areas of Makhado shared the same view. In Musina, the figures were slightly higher for rural respondents with almost 74% of the respondents expressing the need for incentives to encourage them to continuously pay for rates and taxes. Commercial and industrial consumers located in the CBD and industrial zones

expressed the essence of rebate on service charges since they were billed differently from other municipal service consumers.

In addition to this, 69% of respondents require a reduction in service charges such as waste collection; to enable them to pay, because they have low levels of monthly incomes. Furthermore, 19% considered that if tax incentives on property were put in place it will enable them to pay. This was because they were those that may not qualify for rebates, if given tax incentives they indicated that they are willing to pay. Incentives encourage municipal service consumers to pay for rates and taxes. They are an opportunity that municipalities should capitalize on to minimize debt formulation and accumulation (Malokomme & Berry 2004).

6.7.1.5 If informed about consequences of non-payment

The study aimed to determine whether the level of respondents awareness to the consequences of non-payment had an effect on the improvement of service delivery and payment of rates and taxes. The respondents were asked to provide their views on the component of improvement of payment of rates and taxes as shown in figure 6.8.5.

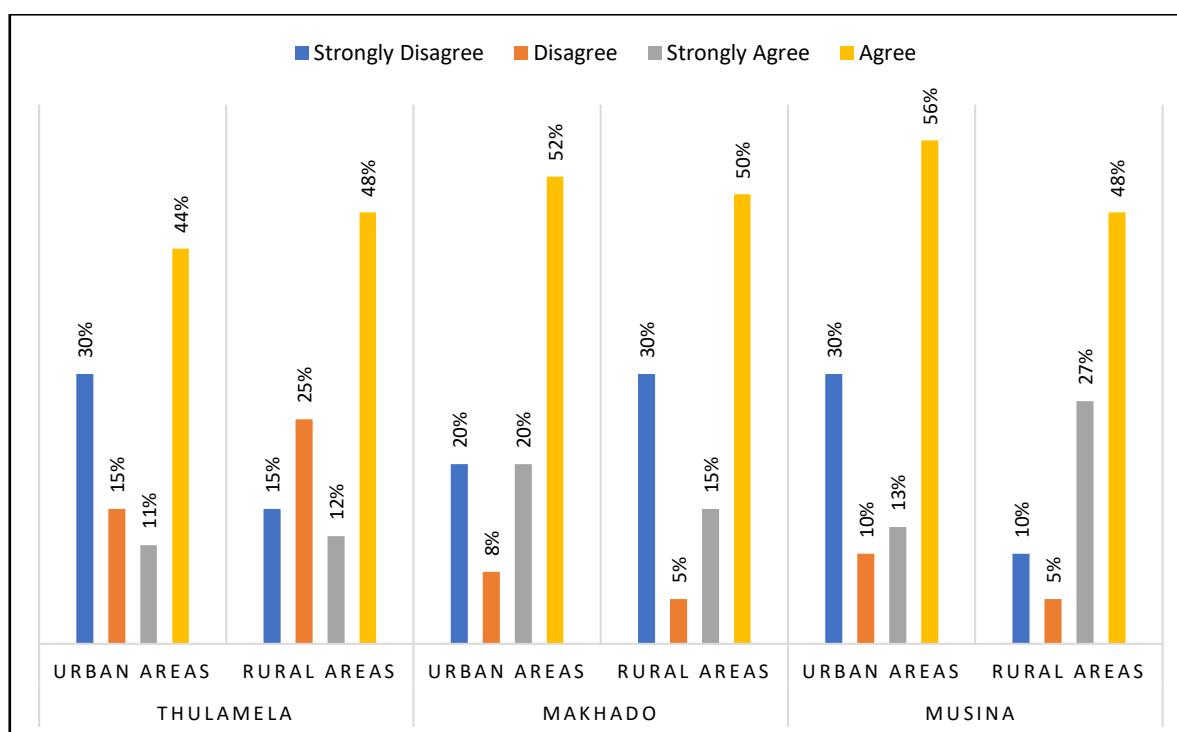


Figure 6.8.5: Informing consumers on the consequences of non-payment
Source: Authors field data, 2018

Approximately 44% in urban areas within Thulamela LM and 48% in traditional areas revealed that they were of the opinion that if they were made aware of the implications of not paying municipal rates and taxes, they will be willing to pay. This was similar in Makhado and Musina LM in which 52% in urban Makhado and 50% in rural areas of the same municipality required an enlightenment of the consequences of non-payment to both the municipality and to

households. On a comparative level, the study findings revealed that respondents were not aware of the consequences of non-payment of rates and taxes based on the notion that, a large proportion of respondents across the municipalities strongly agreed that if they were aware of the consequences of non-payment of rates and taxes they would be encouraged to pay. Approximately 15% of respondents in Thulamela municipality disproved that awareness of consequences of non-payment had an effect on non-payment of rates and taxes in urban areas. Similarly 8% and 10% of respondents in urban areas of Makhado and Musina shared the same view. Irrespective of consequences to both the municipality and the consumers themselves.

In contrast to this, urban areas had the highest number of respondents that disproved the notion that lack of awareness to consequences of non-payment had an impact on the level of payment of rates and taxes as shown by 30% in Thulamela and Musina revealing that lack of awareness of the consequences to non payment of services had dire effect to service provision. The reason for this outcome of findings was because urban consumers received payment warning letters from their respective municipalities but chose to ignore the letters reminding them to make the appropriate payments. Therefore, municipal officials together with community representatives need to play a leading role in undertaking awareness campaigns to educate households about the essence of payment of rates and taxes and the implications of not doing so. One significant element which the respondents expressed to be unaware of, was the failure to transfer property ownership and applications for a business permit if the property they need to transfer ownership or perform business activities owes the municipality.

6.8 Discussions with key informants from Vhembe District Municipality

In order to confirm or refute the notion that the reasons why municipal service consumers do not pay for rates and taxes, it was important to interview and discuss with the municipal officials in the three municipalities to obtain their perceptions on the collection of rates and taxes. Those interviewed were deeply involved in issues connected with rates and taxes. Those interviewed included the Finance Officers (FO) in Finance Services Department (FSD) of Thulamela LM, Makhado and Musina were interviewed. The FO are responsible for enforcement of credit control and debt collection within the three municipalities, the Traffic Officer (TO) in the Traffic department and the Technical and Operations Manager (TOM) in the Technical and Operational Service department were interviewed. The discussion mainly focused on municipal service consumer debts and their implications on non-payment of services in Thulamela, Makhado and Musina LM. The discussions with them investigated the causes of municipal service consumer debts, constraints impacting on payment of rates and taxes, opportunities and suggestions on improving municipal debt recovery for Vhembe District Municipality to know the official version of the matter.

6.8.1 Internal sources of municipal revenue in rural municipalities

The key informants that consisted of Financial Officers (FO) within the Financial Services Department (FSD) of Thulamela LM, Makhado and Musina LM were interviewed to indicate the sources from which the municipalities collected rates, taxes and service charges and these categories included, property rates, electricity, refuse removal etc. Table 6.4 shows the key informants' responses with regards to collection of rates, taxes and service charges.

Table 6.7: Internal sources of municipal revenue in rural municipalities

	Revenue category	Key Informant Responses on sources of revenue collection					
		Thulamela LM		Makhado LM		Musina LM	
		YES	NO	YES	NO	YES	NO
1	Property rates	11.1%		11.1%		11.1%	
2	Electricity		11.1%		11.1%		11.1%
3	Water		11.1%	11.1%			11.1%
4	Sewerage		11.1%	11.1%			11.1%
5	Refuse	11.1%		11.1%		11.1%	
6	Rental of facilities	11.1%		11.1%		11.1%	
7	Fines	11.1%		11.1%		11.1%	
8	Licences and permits	11.1%		11.1%		11.1%	
9	Other income	11.1%		11.1%		11.1%	
	Total	66.6%	33.3%	88.8%	11.1%	66.6%	33.3%

Sources: Authors field data; 2018

Table 6.4 shows that Makhado LM collects revenue from more sources as compared to Thulamela LM and Musina LM. Makhado municipality recorded a total of 88.8% in sources of revenue collection as compared to 66.6% from Thulamela LM and Musina LM. The three local municipalities collect rates, taxes and service charges from properties and service charges for refuse removal, rental of

facilities, collects traffic fines and charges for issuance of licenses, permits, building plans applications and building inspections done by the technical services department. In addition to these services Makhado collects revenue from electricity as it is an electricity provider. Of these sources of revenue generation, the three municipalities shed almost 40% in indigent service provision most especially in villages or traditional areas. This limits the maximum potential of rural municipalities in generating sufficient revenue as compared to urban municipalities or category A municipalities with very smaller rural proportions or none at all. The reason why Makhado municipality generates more revenue than Thulamela and Musina LM respectively is because Makhado municipality has a license for electricity distribution which Thulamela and Musina LM lack at the moment.

6.8.2 Key Informants responses on the level of implementation of municipal debt recovery strategies and payment of services in Vhembe District Municipalities

Although rural municipalities in line with LED strategies have developed municipal debt recovery strategies, consumer debts continue to escalate as a result of inadequate implementation of municipal debt recovery strategies. This study assumed that determining the major components of the municipal debt recovery strategies would enable the researcher to determine if Thulamela was effectively implementing the key strategies for municipal debt recovery. A further analyses on the extent to which rural municipalities implemented different strategies to recover municipal consumer debts using different ratings that is; implemented effectively; moderately implemented and not effectively implemented. The rating implemented effectively was given a score of 100%, moderately implemented a score of 50% and not effectively implemented a score of 0%.

6.8.2.1 Implementation of programmes and plan designs for payment of rates and taxes in Vhembe District Municipalities,

The study analysed the extent rural municipalities implemented different strategies to recover municipal consumer debts and enhance payment of municipal services. The key informants were asked to provide their thoughts in terms of implementation of credit control and debt collection as well as the implementation of other key strategies such as enforcement of penalties on defaulting consumers, and the results are shown in table 6.8.1.

Table 6.8.1: Key informant Views on the extent implementation of programmes and plan designs for debt recovery

Key informant Views on the extent implementation of programmes and plan designs for debt recovery and payment of services										
Debt recovery strategies	Thulamela LM			Makhado LM			Musina LM			
	Implemented Effectively (100%)	Moderately Implemented (50%)	Not effectively Implemented (0%)	Implemented Effectively (100%)	Moderately Implemented (50%)	Not effectively Implemented (0%)	Implemented Effectively (100%)	Moderately Implemented (50%)	Not effectively Implemented (0%)	
1	implementation of programmes and plan designs for debt recovery and payment of services									
1. Credit Control & Debt Collection policy outlining clear objectives and goals	100%			100%			100%			
2. Key municipal strategies reflecting the expectations of the municipality that is supported by all stakeholders		50%		100%						0%
Total Proportional	100	50%	-	100%	-	-	100%	-	-	0%

Source: Authors field data, 2018

Table 6.8.1 shows the three Financial Officers in the FSD in Thulamela, Makhado and Musina indicated that the credit control and debt collection policy outlined clear objectives and goals, financial integrity and the rural municipalities had a clear strategy of curbing debt formation and debt recovery. In terms of the implementation of programmes and plan designs for debt recovery and payment of services, Makhado had 100% achievement in the implementation of the CCDC while Thulamela and Musina had an average of 50% implementation for implementation of key strategies reflecting the expectations of the municipality. The credit control and debt collection policy (CCDC) had minimum stakeholder support especially from political leaders who always felt the policy as an impediment to winning support from the electorates.

The responses from the Financial Officers reflected that there was a contradiction between the responses they provided and the actual ground reality due to the fact that municipal consumer debts would drastically decrease if all the major components of the municipal service consumer strategies had been effectively implemented as revealed by the Financial Officers. The policies for curbing debt collection in all the three municipalities lacked stakeholder buy-in and that was a major impediment the rural municipalities had to resolve. The 50% level of implementation for key strategies for payment of municipal services in Thulamela and Makhado was being caused by factors such as lack of administrative personnel and as well as enforcement agencies to drastically enforce policies and laws on payment of rates and taxes defaulting consumers.

6.8.2.2 Municipal System Data Cleansing and payment of municipal services

Data cleansing is the process of detecting and correcting (or removing) corrupt or inaccurate records from a record set, table, or database which is done through the identification of incomplete, incorrect,

inaccurate or irrelevant parts of the data and then replacing, modifying, with accurate records, (Kimball and Caserta 2004). In order determine whether rural municipalities practised systems data cleansing, key informants were asked to indicate the extent their level of practising municipal data cleansing exercises as shown in table 6.8.2.

Table 6.8.2: Key informant Views on the implementation of municipal system data cleansing

Key informant Views on the implementation of municipal system data cleansing									
Debt recovery strategies	Thulamela LM			Makhado LM			Musina LM		
	Implemented Effectively (100%)	Moderately Implemented (50%)	Not effectively Implemented (0%)	Implemented Effectively (100%)	Moderately Implemented (50%)	Not effectively Implemented (0%)	Implemented Effectively (100%)	Moderately Implemented (50%)	Not effectively Implemented (0%)
2	Municipal System Data Cleaning								
1. Accurate Customer database		50%			50%			50%	
2. Financial Integrity		50%			50%		100%		
Total Proportional	-	50%	-	-	50%	-	100%	50%	-

Source: Authors field data, 2018

The interviews with the key informants from Musina LM, indicated that they effectively implemented the Financial Integrity which was different from the opinions from Makhado and Musina LM which indicated a 50% level of implementation of financial integrity as we as well maintenance of correct consumer database information. According to the Financial Officers in the three municipalities, consumer database was recorded moderately at 50% which was in contradiction with the respondents views that expressed that sometimes they received inaccurate bills from the municipality which amounted to more than 60% of the total interviewed respondents. This shows that Thulamela, Makhado and Musina LM were failing to effectively manage consumer information to reasons such as the lack of updating consumer debt databases and having inaccurate debtors roll financials. The reason why Musina LM indicated that they had a financial integrated system was because all payments and revenue management systems were centralised such that the Financial Office ensured that disbursement of funds as and revenue generation was managed by a sore department which was different from Thulamela and Makhado LM.

6.8.2.3 Indigent Registration

The Financial Officers from the Thulamela, Makhado and Musina local municipalities indicated that rehabilitation and management of a clean debtor book has been partially implemented over the previous years. This implementation has been prompted by several reasons such as those stipulated above. According to the three Financial Officers is very difficult to attain a clean debtor book. The municipalities have been struggling to push the level of payment of rates and taxes regardless of key strategies due to non-adherence to municipal by-laws and policies and poor coordination by different municipal departments. This argument was observed by Mavhungu (2011), who explained the

importance of coordination of various municipal departments to achieve maximum collection of rates and taxes to enhance municipal debt recovery, was premedial.

6.8.2.4 Debt Collection and service delivery practices in rural municipalities

Technical Operations Officers (TOO) were interviewed as key informants from the Technical Services Department. They revealed that poor updating of the indigent register by FO`s resulted in poor service delivery to a greater extent. The results of the outcomes of the key informants with regards to implementation of debt collection strategies are shown in table 6.8.4.

Table 6.8.4: Key informant Views on the implementation of debt collection strategies

Key informant Views on the implementation of debt collection strategies										
Debt recovery strategies	Thulamela LM			Makhado LM			Musina LM			
	Implemented Effectively (100%)	Moderately Implemented (50%)	Not effectively Implemented (0%)	Implemented Effectively (100%)	Moderately Implemented (50%)	Not effectively Implemented (0%)	Implemented Effectively (100%)	Moderately Implemented (50%)	Not effectively Implemented (0%)	
4	Debt Collection strategies									
1. Collection of outstanding Municipal debt		50%			50%			50%		
2. Clean debtor book			0%			0%				0%
3. Rehabilitation of existing debtors		50%			50%			50%		
Total Proportional	-	50%	0%	-	50%	0%	-	50%	0%	

Source: Authors field data, 2018

The study findings revealed that all the three municipalities had no clean debtor`s roll, that is municipalities are owed monies by municipal service consumers. The reasons for the existence of consumer debts as discussed earlier varied from unemployment, lack of disposable income to pay for services, dissatisfaction with municipal services resulting in consumers resorting to non-payment as well as shortages of municipal personel to enforce penalties to non-paying consumers among other reasons. In terms of collection of outstanding debts and rehabilitation of existing service consumer debts, the Financial Officers from the Finance Services Department in Makhado and Thulamela LM revealed that there was a moderate implementation of strategies to recover existing debts and collecting of outstanding debts. However, this contradicts with the accumulated municipal consumer service debts from 2008 to 2016 which have been on the rise annually by almost 20%-40% annually as indicated by the figures in chapter 7. Among the key reasons why rural municipalities have failed to maintain a clean debtors roll is that, consumers have an over dependence on local government to provide municipal services such that they do not see the need to pay for services.

6.8.2.5 Skills training and knowledge transfer

Skills training and transfer is an important factor for ensuring continuous payment of rates and taxes in rural municipalities since they are characterised with skills shortages and poor knowledge transfer. In order to understand the level of skills training and knowledge transfer, key informants within Thulamela, Makhado and Musina LM were asked the extent and magnitude of transferring skills and

knowledge to officials who were responsible for debt management and payment of rates and taxes by municipal consumers. The results of the findings are summarised in table 6.8.5.

Table 6.8.5: Key informant Views on the implementation of skills and transfer

Key informant Views on the implementation of skills training and knowledge transfer										
Debt recovery strategies	Thulamela LM			Makhado LM			Musina LM			
	Implemented Effectively (100%)	Moderately Implemented (50%)	Not effectively Implemented (0%)	Implemented Effectively (100%)	Moderately Implemented (50%)	Not effectively Implemented (0%)	Implemented Effectively (100%)	Moderately Implemented (50%)	Not effectively Implemented (0%)	
5	Skills Training and transfer techniques									
	1. Capacity building plan to ensure skills transfer in FSD			0%		50%				0%
	2. Training of financial officers		50%			50%		50%		
	Total Proportional	-	50%	0%	-	50%	-	-	50%	0%

Source: Authors field data, 2018

All the three Financial Officers from Thulamela, Makhado and Musina LM indicated that skills training and transfer of skills training in the section of Financial Services was being moderately implemented at a 50% level. The TSD had more personnel receiving skills training and skills transfer in the form of the Expanded Public Works Program (EPWP). Concentration of skills transfer in the TSD neglecting the FSD is a huge error by the rural municipalities as the TSD depends heavily on funds which are generated from the FSD.

In terms of capacity building, Makhado LM had a 50% implementation level for officers in the FSD as compared to a 0% implementation level in Thulamela and Musina LM. The key informants from Makhado indicated that all the personnel in the FSD attended a revenue management course or workshop once every quarter for every financial year. This was a unique example for the the three rural municipalities. Capacity enhancement enables and improves the level of revenue generation.

6.9 Key informants perspectives on constraints on municipal services consumer debt recovery and service delivery

In order to find out the factors affecting effective collection of rates, taxes and service charges and associated impacts for Thulamela, Makhado and Musina LM, key informants were asked to indicate the key causes of poor collection of rates and taxes. The constraints were categorised and linked to how they affected service delivery within the three rural municipalities respectively. Different categories of constraints were developed so that the key informants would provides their views. The key informants were made to give a score from 1 to 10 were 1-3 represent low impact, 4-6 moderate impact and and 7-10 high impact. The results are shown in tables 6.9.1 to 6.9.5.

6.9.1 Non-payment of services and impact on service delivery

The Financial Officers interviewed in Thulamela, Makhado and Musina LM expressed various factors acting as constraints to non-payment of services by residents. The factors that had high impact was the perception by residents that there were entitled to receiving services by the municipality and also consumers inability to pay due to affordability. Table 6.9.1.

Table 6.9.1: Non payment of services as an impact to service delivery

Poor billing system as a constraints to payment of rates and taxes									
Constraints to consumer debt recovery and service delivery	Thulamela LM			Makhado LM			Musina LM		
	High impact (7-10)	Moderate Impact (4-6)	Low Impact (1-3)	High impact (7-10)	Moderate Impact (4-6)	Low Impact (1-3)	High impact (7-10)	Moderate Impact (4-6)	Low Impact (1-3)
1	Non-payment of services								
1. Unwillingness or refusal by residents to pay, due to perceptions of poor service delivery	9			8			8		
2. Inability to pay rates and taxes	7			9			9		
3. Government not paying rates and service charges	7					3	7		
4. Lack of payment options/ Inaccessible payment points		5				2		4	
Total score	23	5	-	17	-	5	24	4	-

Source: Authors field data, 2018

On a score of 1-10, the key informants in Thulamela rated unwillingness of residents to pay for services due to dissatisfaction of service delivery highest with 9 points as compared to 8 points in Makhado and Musina. The reason why Thulamela LM had a fairly high score for unwillingness of consumers to pay for services as a result of dissatisfaction with service delivery was because it was discovered that almost 80% of the municipality's residents stayed in rural areas hence they have no privilege to receive some of the services as frequent as their urban counterparts which resulted in dissatisfaction. Poor service delivery in these rural municipalities was due to ageing infrastructure hence proper municipal infrastructure is needed to encourage consumers to pay for the services which they received from their respective municipalities.

Residents' inability to pay for rates and taxes due to lack of disposable incomes was rated highest in Makhado and Musina scoring 9 points each while in Thulamela the key informants rated the factor low at 7. This was because in Musina LM more people were unemployed and depended more on government grants as shown in figure 6.3 and 6.4. Non-payment of rates and taxes poses a very negative impact on municipal service delivery as some consumers fail to pay deliberately such as government institutions which scored high impact with a score of 7 for both Thulamela and Musina LM. Continued non-payment of rates and taxes by consumers accumulating on a yearly bases contributes to ageing of infrastructure which causes consumer dissatisfaction leading to non-payment.

6.9.2 Poor billing system as a constrain to payment of rates and taxes

The Financial Officers from the slected rural municipalities in Vhembe District revealed that their billing system had very low to moderate impact to payment of services. Table 6.9.2 shows the level and degree of impact of poor billing system as a constraint to payment of rates and taxes.

Table 6.9.2: Poor billing system as a constraints to payment of rates and taxes

Poor billing system as a constraints to payment of rates and taxes										
	Constraints to consumer debt recovery and service delivery	Thulamela LM			Makhado LM			Musina LM		
		High impact (7-10)	Moderate Impact (4-6)	Low Impact (1-3)	High impact (7-10)	Moderate Impact (4-6)	Low Impact (1-3)	High impact (7-10)	Moderate Impact (4-6)	Low Impact (1-3)
2	Poor billing system									
	1. Inaccurate customer data		5		7			9		
	2. Inaccurate billings	10			7				6	
	Total score	10	5	-	14	-	-	9	6	-

Source: Authors field data, 2018

Key informants from Musina LM indicated that, inaccurate customer data in the system acted as a constraint to payment of rates and taxes and resulted in poor debt recovery as indicated by a 9 of 10 score indicating high impact. The key informants from Thulamela and Makhado scored 5 of 10 and 7 of 10 indicating moderate impact and high impact respectively. Musina LM had the highest score on incorrect customer data as some of the residents in the municipality were immigrants staying illegally in Musina however consuming municipal services. Consumption of services without accounting and paying for them resulted in a huge pressure on municipal service stocks. The key informant from Makhado LM indicated that sometimes wrong capturing of data into the system which results in inaccurate billings to wrong consumers.

Inaccurate bills was among the highly rated factor causing a high impact on the payment of rates and taxes in Thulamela receiving a score of 10 points out of 10 followed by a 7 of 10 score in Makhado LM and a moderate impact score of 6 of 10 in Musina LM. This however contradicts the Thulamela and Musina Draft Budget speech 2016/2017 which revealed a continuous and up to date billing system within the two respective municipalities which makes poor billing a none contributing factor to municipal service consumer debt accumulation. De Wet, (2004:10), adds that “lack of field audits with regards to property registrations causes municipalities to have inaccurate customer databases”. Poor billing causes bills not to be paid in time and ultimately not to be paid at all and as a result residents refuse to pay inflated bills compromising service delivery targets in the long run. However; the reality of the matter is that inaccurate customer data and inaccurate billing negatively has a high impact on the collection of rates and taxes for any municipality both urban and rural.

6.9.3 Poor indigent registration process

In order to determine the extent of effect of indigent registration on service delivery, key informants from Thulamela, Makhado and Musina LM were asked to provide their views on their indigent registration roll as shown by table 6.9.3

Table 6.9.3: Poor Indigent registration process as a constraint to payment of rates and taxes

Poor Indigent registration process as a constraint to payment of rates and taxes										
Constraints to consumer debt recovery and service delivery	Thulamela LM			Makhado LM			Musina LM			
	High impact (7-10)	Moderate Impact (4-6)	Low Impact (1-3)	High impact (7-10)	Moderate Impact (4-6)	Low Impact (1-3)	High impact (7-10)	Moderate Impact (4-6)	Low Impact (1-3)	
3	Poor Indigent Registration									
1. Lack of regular updating of Indigent Register	10			7			7			
2. Registration of unqualifying residents		5			6		7			
Total score	10	5		7	6		14			

Source: Authors field data, 2018

The key Financial Officers in the Financial Services Department concurs to the notion that poor indigent registration impacts to a larger extent on municipal consumer debt recovery as shown by the 10 of 10 score for Thulamela LM and the 7 of 10 score indicating a high impact for Makhado and Musina LM. This view was picked up by several authors such as Rakabe (2011) and Kanyane (2011) who view lack of regular updating of the indigent register within municipalities as a contributing factor to non-payment of services and ultimately increases in debt owed to the municipality. Administration costs associated with sending accounts to indigents who were not eligible to pay for rates and taxes added to the cost of processing bills. Any municipal service consumer earning below R2500 per month qualifies for registration as an indigent (Thulamela, Makhado and Musina IDP 2016/2017).

Lack of regular updating of the indigent register which ideally was supposed to be done on a monthly basis did not address consumer details who have shifted from indigent profiles to full payment services but kept on receiving bills thus adding to administrative costs. However the FO's from Thulamela and Makhado LM indicated that the factor had a moderate impact scoring it 5 of 10 and 6 of 10 respectively. In Musina LM, registration of unqualifying residents for indigent rural municipalities have a higher population falling with indigent registry due to low levels of economic opportunities as compared to larger municipalities such as category A municipalities. This decreases the collecting footprint of rates and taxes inducing pressure on external sources of income to provide for services as explained by the conceptual framework on internal and external sources of funds in chapter one and chapter five.

6.9.4 Ineffective implementation of debt recovery strategies as an impediment to debt recovery

Debt recovery is an important component of revenue generation caused mainly by the non-payment of rates and taxes. Failure to pay by municipal consumers results in debt accumulation and formation. To obtain an insight on the failure by rural municipalities to effectively implement debt recovery strategies, key informants from Thulamela, Makhado and Musina were asked to provide their views. The results of the discussions with the key informants are summarised in table 6.9.4.

Table 6.9.4: Ineffective implementation of debt recovery strategies as an impediment to debt recovery
 Source: Authors field data, 2018

Ineffective implementation of debt recovery strategies as an impediment to debt recovery									
Constraints to consumer debt recovery and service delivery	Thulamela LM			Makhado LM			Musina LM		
	High impact (7-10)	Moderate Impact (4-6)	Low Impact (1-3)	High impact (7-10)	Moderate Impact (4-6)	Low Impact (1-3)	High impact (7-10)	Moderate Impact (4-6)	Low Impact (1-3)
4	Ineffective implementation of debt collection strategies								
1. Poor collection of outstanding Municipal debt	9			9			8		
2. Lack of adequate debt collection administration capacity		6		9			7		
Total score	9	6		18			15		

The key informants indicated that lack of a sound strategy for the collection of outstanding debt was an impediment to consumer debt recovery as indicated by the scoring of 9 of 10 by both Thulamela and Makhado LM while the key informant scored the factor 8 out of 10. Further investigations revealed that negligence of rural municipalities to conduct follow ups on municipal service consumer debts to clear outstanding arrears regardless of stipulated penalties on default payment in the credit control and debt collection policy of the municipality was not addressed. The evidence was shown from the financial analysis of the selected rural municipalities from 2008 upto 2018 showing a marginal increase of consumer debts annually year in year out by more than 40%.

Lack of sufficient and efficient administrative capacity to monitor and manage the payment levels of rates and taxes by consumers is also an important factor in promoting financial viability for rural municipalities. The Financial Officer from Makhado scored the factor 9 out of 10 indicating a high impact factor which was in contrast with the Financial Officer from Thulamela who scored the same factor 6 out of 10 indicating a moderate impact factor constraining payment of rates and taxes. Molokomme and Berry (2004:8) suggest that an over-reliance by rural municipalities on external sources of revenue played a significant role in these municipalities in failing to meet their obligations to provide quality services due to financial constraints to train staff and personnel on revenue enhancement practices.

6.9.5 Institutional factors and the challenges on debt recovery

There are several internal factors within the municipality that compromise payment of rates and taxes such as lack of political support to enforce penalties on payment defaulters, high level of personnel vacancies and inadequate technological systems to manage revenue generation capacity for rural municipalities. The key informants views with regards to the contribution of these factors to non payment of rates and taxes are shown in table 6.9.5.

Table 6.9.5: Institutional factors the constraints to consumer debt recovery and payment of rates and taxes

Institutional factors the constraints to consumer debt recovery and payment of rates and taxes										
Constraints to consumer debt recovery and service delivery	Thulamela LM			Makhado LM			Musina LM			
	High impact (7-10)	Moderate Impact (4-6)	Low Impact (1-3)	High impact (7-10)	Moderate Impact (4-6)	Low Impact (1-3)	High impact (7-10)	Moderate Impact (4-6)	Low Impact (1-3)	
5	Institutional factors									
	1. Lack of political support for implementation of credit policy	9			9			8		
	2. Inadequate technological systems			3			3			3
	Total score	9		3	9		3	8		3

Source: Authors field data, 2018

The Financial Officers indicated that lack of ICT infrastructure was one of least factors impacting municipal service consumer debt recovery and payment of rates and taxes as shown by the 3 out of 10 scores given by the key informants. This perception was based on the notion that Thulamela, and Musina municipality had the necessary infrastructure in place i.e. computers and other hardware components critical for municipal consumer debt management. Nonetheless, in follow up questions to the key informants on whether technology to track municipal consumer debtors using GIS technologies and whether they can locate the debtors online was an important factor. The FOs indicated that although the necessary hardware was available the challenge was mostly software. The investigation further revealed lack of software infrastructure in rural municipalities for example that GIS tracking systems for payment defaulters, recording of areas with poor road networks, customer complaints desk operating 24 hours and database management systems for billing purposes was a major and critical challenge. Manual processing of the debtors roll resulted in production losses as well as inaccurate data management which deter effective and efficient municipal consumer debt recovery processes.

Lack of political support for the effective implementation of credit control and debt collection policy was ranked 9 out of 10 points by Financial Officials from the three rural municipalities. Municipalities were controlled mostly by the council since it was responsible for making critical decisions affecting

the day to day operations of the municipality. The political system in rural municipalities was so much involved in the technical and financial affairs of the municipality such that when a policy was not backed by council it was difficult to achieve an efficient payment system. Poor enforcement of policy resulted in lack of enforcement of penalties by administration as council usually failed to support anything that compromised the voting numbers from the community.

6.11 Key informant views on strategies to improve payment of services

To enable the researcher to advance measures on how to improve and enhance municipal service consumer debt recovery for Thulamela, Makhado and Musina LM, the Financial Officers were asked to indicate the areas of municipal debt recovery that required improvement on a scale of 1-10 where 1-3 represented the least important measure, 4-6 fairly important measure and 7-10 the most important measure that needed improvement. Table 6.8 shows the responses of the key informants from the selected rural municipalities.

Table 6.10: Measures to improve and enhance municipal debt recovery

Financial Officers responses on the measures to improve and enhance municipal debt recovery and payment of rates and taxes									
Areas of revenue enhancement strategy that requires improvement	Thulamela LM			Makhado LM			Musina LM		
	Important (7-10)	Fairly Important (4-6)	Not Important (1-3)	Important (7-10)	Fairly Important (4-6)	Not Important (1-3)	Important (7-10)	Fairly Important (4-6)	Not Important (1-3)
	3	2	1	3	2	1	3	2	1
1	8			9			10		
2		5		6			6		
3	9			8			7		
4		6		5			6		
5	9			9			8		
6		6		6			6		
7			1			1			1
8		5		4			7		
9		4		4			6		
10	7			6			6		
11	7			7			7		
12	9			9			9		
13	10			9			9		
14		6		7			8		
15		5		4			4		
Total score	59	37	1	58	35	1	65	34	1

Source: Authors field data, 2018

Table 6.10 shows the Financial Officers responses and measures they deemed most important and those they deemed less important to improve and enhance revenue generation in their respective municipalities in the context of consumer debts on a scale of 1 to 10.

6.11.1 Improvement in service delivery and addressing service delivery backlogs to enhance payment of rates and taxes

The FO`s from these municipalities indicated five aspects which they thought where critical and these five aspects were marked as the most important by all the three municipalities. These included, improvement of service delivery, enforcement of penalties on payment defaulters, improvement of indigent management, addressing service delivery backlogs and ensuring post office deliveries of bills from the municipality. These aspects or factors were scored between 7 and 10 points out of a total of 10 points. Of these five indicated most important factors Thulamela LM FO indicated that data cleansing and effective debt collection was important for the municipality. The FO of Makhado Municipality added that in order to improve revenue generation the municipality needed support from other spheres of government. Lastly, the FO for Musina added support from other spheres of government as well as improvement of technological systems for the municipality.

6.11.2 Privatisation of debt collection to recover revenue generation

The three FO`s indicated that privatisation of debt collection processes was the least important factor to improve and enhance revenue generation as shown by low rankings by Thulamela, Makhado and Musina LM at 1 out of 10. The main reason why the FO`s had that perception was that, they believed privatisation of debt collection was more expensive than the current methods they had in place. The FO`s were of the view that, it was not important to lose more money than the municipalities were losing already as funds were a bigger constrain to the municipality. The FO`s indicated that for delinquent accounts to be professionally managed and collected by a third party a contingency fee is charged on the municipality or a percentage of what they collect (from 25 to 50 percent) money which rural municipalities couldn't afford to lose. A debt collector who lacks communication skills may create ill will between the municipality and the consumer of which residents had the tendency to formulate protests. These protests often led to destruction of property and vandalism increasing already existing service delivery backlogs for the municipality.

6.11.3 Effective communication to enhance payment of rates and taxes

Enhancing effective communication between the municipality and the communities or consumers was moderately ranked as a factor for improving payment of rates and taxes. Thulamela and Musina LM ranked the need to improve communication 6 out of 10 while Makhado Financial Officer ranked it 5 out of 10. Effective communication is regarded as an essential measure required to enhance municipal service consumer debt recovery. Chapter 4 of the MSA 32 of 2000 mandates municipalities to have Community Development Workers (CDW) per ward to enhance effective communication

between the municipality and the community (MSA, 2000). However, this is one of the challenges for Thulamela municipality which is faced with communication challenges as most of the CDW posts were vacant. Respondents indicated that they sometimes do not pay because accounts are not received because information was not communicated to the authorities hence the need for the CDW's to facilitate engagements with local residents. Effective communication plays an important role in educating municipal service consumers about the implications and essence of paying for rates and taxes to enhance a clean debtor book in the municipality (MIIU, 2006).

6.11.4 Increasing payment points and filling municipal vacancies to enhance payment of services

The informants revealed that increasing payment points, and filling vacancies and training staff were fairly important to improve consumer service debts and enhance revenue. Increasing payment points was rated 5 out of 10 in Thulamela LM, 4 out of 10 in Makhado and Musina LM. The reason for the low ranking of this factor as a hindrance for consumers to pay their bills was ranked moderately because various alternatives for payment such as ATMs, SPAR Shops, PEP Stores, throughout the municipality payment points and any internet banking facility. Therefore increasing payment points was not a serious factor to hinder consumers to settle their bills in time. In addition to this, we discovered that filling vacancies and training staff was ranked moderately important to improve municipal consumer debt recovery and payment of services. Key informants ranked this factor 4 out of 10 for both Thulamela and Makhado while it was higher in Musina LM which ranked the factor 6 out of 10. In this case, filling vacancies in the debt management, revenue generation and GVR will increase the efficiency of these selected rural municipalities. As was observed in Musina LM that although the FSD was centralised it had vacant posts of more than 35% as compared to Thulamela and Makhado LM.

6.11.5 Enforcement of penalties to defaulters and improving the billing system to improve payment of service

The Financial Officers from Thulamela, Makhado and Musina scored enforcement of penalties for payment defaulter 9 of 10, 8 of 10 and 7 of 10 respectively. There was different for improvement for the billing system which was scored 6 of 10 across the three municipalities. The FO revealed that improvement in the billing system was not a major challenge currently for the municipalities to increase payment levels. Major focus was placed on the need for the rural municipalities to steer and force people to pay for services which they received and the best way was to impose penalties on the defaulting consumers. The reason why in Thulamela the need to enforce penalties for defaulting consumers was raised as the FO iterated that enforcement was still very low in the municipality due to capacity shortages.

6.12 Traffic Officers from the Traffic Departments in Vhembe District.

Traffic Officers from Thulamela, Makhado and Musina LM were interviewed in order to determine how non-payment of traffic fines and other traffic related services affected their operations within the confines of their respective municipalities. The TO`s revealed although municipalities had traffic services most of the functions were done at Provincial level, these included licensing of motor vehicles, road and vehicle inspection and registration of motor vehicles. The function of municipal traffic officers was to enforce the law on reckless drivers through issuing of fines, decongesting the road, assisting municipalities to generate revenue, developing a sound road infrastructure system within the municipality such as installation of road markings, traffic lights and others. These functions were also shared with the Departments of Public Works who assisted with creating quality road infrastructure in rural communities. The Traffic Officers revealed that there were available strategies which the Traffic Departments utilized in order to recover traffic debts from traffic defaulters although some of these strategies failed due to a number of reasons such as lack of follow ups and reprimanding defaulters. The table 6.9 summarizes the strategies and challenges the TO`s from Thulamela, Makhado and Musina LM implemented.

Table 6.11: A summary of strategies and challenges faced by TO`s in Vhembe District

	Strategies	Challenges
1	Policing technology (RADAR systems; Traffic Cameras)	Road users always developed loopholes of not being caught (Dashboard Radar systems), Early warning signs by other road users
2.	Sending reminders for payment of fines	Road users always ignored paying fines until samons are sent to them
3	Reprimanding outstanding defaulters	Reprimanded road users sometimes paid officers to escape reprimands
4	Instituion of court orders for warranty of arrest	First time offenders always escaped jailtime and repeated mistakes
5	Upgrade of road infrastructure	Financial constraints impeded the department to install advanced infrastructure to suit the needs of the road users.
6	Continuos training and skills capacitation of TO`s	Trained officers applied for transfers to other municipalities especially metros
7.	Discounts on early payments of fines	Road users always paid on the last minute of the end of the grace period

Source: Authors Construct; 2018

The traffic departments utilized strategies such as the execution of a warranty of arrest of payment defaulters i.e. if a defaulter does not clear debts and payment of traffic fines within a period of 6 months. The departments also provided a discount if payment was made within a specified period of time to encourage payment of traffic fines, however, the challenge was that road users always paid late their fines. In the case of defaulters with traceable addresses a traffic officer could be sent to track payments and in the case of an untraceable address media broadcasting can be done through newspapers in order to enhance payment of outstanding fines. Due to consumers changing there places of residents and not upgrading the new addresses to the traffic departments, fine tickets were continuously being send to wrong addresses causing an increase in debt.

The Traffic Officers in Thulamela, Makhado and Musina LM rated the level of payment for traffic fines and outstanding fines as very poor. This was evidenced by the 40% collection level in Thulamela LM, 55% in Makhado and 35% in Musina LM. These low levels of revenue collection limited the abilities of the departments to perform their functions and duties as they depended more on the Municipal Support Grant which was conditional depending on the viability and availability of funds from National Treasury. This compromised service delivery with respect to traffic and road infrastructure further elevating non-payment for services by the municipalities.

6.13 Key Informant responses from the Technical Services department

The Technical Services Department (TSD) in any municipality is responsible for roads, electricity, water, buildings and any other infrastructure related issues. The Technical Operations Officers (TOO`s) under Thulamela, Makhado and Musina LM revealed that despite efforts by the municipality, a lot of challenges were still eminent in rural municipalities. The TOO`s for these municipalities were asked to rate the quality of infrastructure within the respective municipalities. The TOO`s were asked to rate the quality of the infrastructure on a scale of 1-3 where 1 was poor condition, 2 was moderate condition and 3 good condition. The results of the ratings were tabulated and shown in table 6.12.

Table 6.12: Quality of infrastructure in Vhembe District

Opportunities to enhance debt recovery		Opportunities to enhance payment of services								
		Thulamela LM			MakhadoLM			Musina LM		
		Poor Condition	Moderate Condition	Good condition	Poor Condition	Moderate Condition	Good condition	Poor Condition	Moderate Condition	Good condition
		1	2	3	1	2	3	1	2	3
1	Water Infrastructure		20%			20%			20%	
2	Electricity Infrastructure			20%			20%			20%
3	Road Infrastructure		20%				20%		20%	
4	Storm water Drainages			20%	20%					20%
5	Public Furniture (walkways; bins etc.)			20%			20%		20%	
	Total		40%	60%		40%	60%		60%	40%

Source: Authors Construct 2018

The Technical Operations Officers for Thulamela and Makhado revealed that electricity infrastructure was in good condition as indicated by 60% in Thulamela and Makhado LM. Musina LM recorded the least in terms of the quality of electricity. The status quo findings revealed that among the best services these three municipalities were rendering to communities electricity received the best ratings with only a few reports of illegal connections. The biggest challenge discovered by the status quo analysis was on the road and storm water drainage infrastructure. For all the three municipalities, these were in a poor state (see images in chapter five). This was in contradiction with the TOO`s for the three municipalities who revealed that, roads and storm water were either in a good condition or in a moderate state. Although this could be said to be true for the urban environments for the municipalities, the rural municipalities were having poor road network systems which worsened after

heavy rainfall. Most of the road network system in rural communities in Thulamela, Makhado and Musina LM were mostly gravel which had eminent potholes. Despite efforts by both the municipality and the Department of Public Works (DPW), more still needs to be done. Nonetheless, if the condition of these infrastructure remained as was then payment for services was going to be more difficult.

Another questioned aspect was on the state of public amenities such as walkways, street disposal facilities and street monuments for Musina, Makhado and Thulamela. Public goods maintenance has always been a challenge not only for rural municipalities but also for urban and larger municipalities. Government always funds for the installation and maintenance of public infrastructure. However; the bigger question is “Where does the money to fund the installation and maintenance of public infrastructure come from”. Local government acquires funds from rates, taxes, services charges and government grants. When municipal consumers fail to pay for services then public amenities are not maintained properly. Therefore, there is a direct relationship between payment of services and the ability of the municipality to deliver such services holding other factors constant.

6.14 Chapter summary

This chapter presented data on municipal service consumer debt for Thulamela, Makhado and Musina local municipalities, focusing mainly on the socio-economic conditions of municipal services to consumers, constraints hindering municipal service consumer from paying, opportunities for effectively collecting property rates and taxes and the effectiveness of strategies on cost recovery for the municipality. This analysis was done in light of the assumption that rurality affected revenue generation for a municipality as compared to larger urban municipalities such as metros. Data was presented using graphs, charts and tables generated by SPSS and Microsoft Excel. Both primary and secondary data sources for instance secondary data obtained from Thulamela IDP documents and municipal budgets for 2006 to 2017 were used. Primary data was provided by household respondents through questionnaires as well as interviews with Financial Officers, Technical Operations Managers and Traffic Officers who acted as key informants provided ground data truth. The following chapter provides the financial analysis and implementation of the correlation statistics for the three rural municipalities.

CHAPTER SEVEN: STATISTICAL ANALYSIS OF CONSUMER DEBTS AND APPLICATION OF EFFECT SIZE MODEL

7. Introduction

This chapter presents the statistical analysis of municipal consumer debts from 2008 financial year to 2017 financial year. The research methodology provided a model on the calculations of the correlation quotient as well as the effect size model which was developed to prove or disprove whether rurality was a contributing factor to non-payment of municipal services by the consumers. Through the Statistical Package for the Social Sciences (SPSS) and Microsoft Excel Statistical Analysis System, the researcher managed to generate the standard deviations, the mean values as well as the rurality quotient values. The effect size will be calculated using consumer debts data sets of municipal consumer debts from the three local municipalities that is, Thulamela, Makhado and Musina. Following the determination of the effect size of non-payment of rates and taxes, we will calculate rurality quotient which will be used to disprove whether rurality is a factor or non-factor in the level of payment of rates and taxes. The chapter will further generate projection values for the next ten years holding other factors constant and assuming the level of non-payment of rates and taxes remains the same in the three local municipalities. This will be done using base data sets of consumer debts from 2008 to 2017 to project for the increase or decrease of consumer debts from 2018 to 2027 in Vhembe District Municipalities.

7.1 Statistical presentation of municipal consumer debt outlook in VDM

In order to fulfil the requirements of proving or disproving whether rurality was a factor in the non-payment of rates and taxes as well as formulation of municipal service consumer debts in rural municipalities, we analysed the trends of municipal consumers debts. Using the data of municipal consumer debts in Musina, Thulamela and Makhado LM, we managed to tabulate the growth of municipal consumer debts in these respective municipalities. The data that was used to fulfil this aim included the data sets of consumers debts for the three local municipalities from the year 2008 to 2017. These data sets were then used to calculate the effect size in section 7.2 of the same chapter.

7.1.1 Accrued consumer debts in Thulamela LM using 2008 as the base financial year

Non-payment of services by municipal consumers results in municipal consumer debts which results in poor service delivery (water, electricity, roads and infrastructure). The study tabulated the accrued consumer debts in Musina, Thulamela and Makhado municipality from 2008 until 2017. The reason for selecting 2008 as the base year was due to the availability of

municipal records on the National Treasury's Municipal Finance Database. Table 6.1 shows accrued municipal consumer debts in Thulamela LM.

Table 7.1: Accrued municipal consumer debts in Thulamela LM (2008-2017)

Thulamela LM Combined Financial Statements 2008/2017 Financial Years				
Financial Year	Operating Revenue (R)	Operating Expenditure (R)	Debt Impaired (R)	Consumer debt (R)
2008	345 456 321	365 456 432	8 765 677	20 000 111
2009	374 474 738	336 009 396	6 567 455	38 465 342
2010	412 919 976	439 427 698	12 346 788	26 507 722
2011	532 620 475	596 737 399	18 530 000	64 116 924
2012	543 461 000	677 792 041	40 022 000	134 331 041
2013	591 399 142	623 851 843	34 942 474	32 452 701
2014	671 453 123	655 046 721	12 893 946	134 331 041
2015	769 088 113	710 826 754	24 309 745	58 261 359
2016	847 458 000	781 478 686	68 112 685	65 979 314
2017	864 289 644	882 149 327	48 782 216	17 859 683
Total	5 952 620 532	6 068 776 297	275 272 986	592 305 238

Source: National Treasury Municipal Finance Data; 2017

Table 7.1 shows that between year 2008 and 2017, municipal consumer debts were fluctuating based on the income and expenditure framework of the municipality. Despite recording a higher level of revenue as compared to the expenditure, Thulamela LM still recorded consumer debts since, previous years the municipality would be having an existing consumer debt. For example, in 2014 Thulamela recorded the highest consumer debts of almost R134 331 041 and the following year consumer debts were recorded to be a positive R58 261 359 due to a higher revenue as compared to the expenditure. However, National Treasury recorded it as a consumer debt due to factors such as debt impaired of almost R24 309 754 in 2015. From 2008 to 2017 Thulamela LM lost millions of Rands approximately R20 685 352. In terms of revenue and expenditure for the municipality, these were in the increase from 2008-2017. Figure 7.1 illustrates the trends for revenue and expenditure for the municipality from 2008 to 2017.

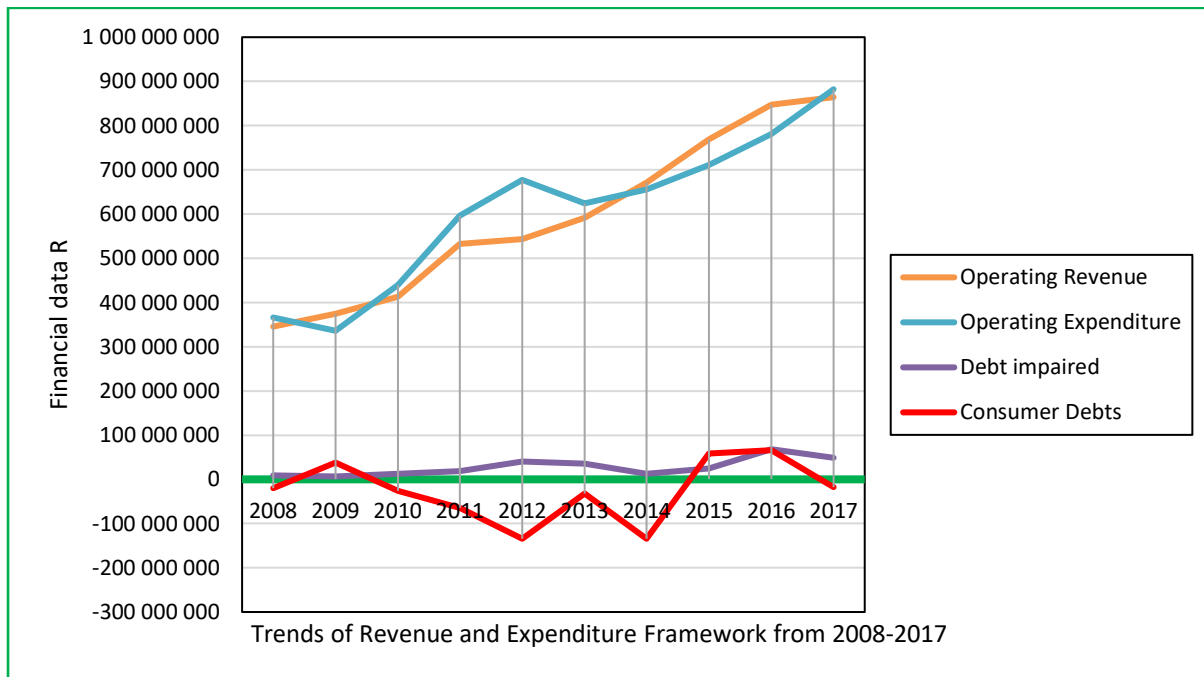


Figure 7.1: Thulamela LM Revenue and Expenditure Framework (2008-2017)
Source: Adopted from National Treasury Municipal Finance Data; 2017

With regards to the operating and expenditure of Thulamela LM, figure 6.1 shows that the municipality has been spending more in service provision and construction of projects as evidenced by an expenditure of R365 456 432 in 2008 which increased to R1 723 794 505 in 2017. This was due to the expansion of the municipality and increase in population in the municipality over the years. These factors also contributed to the increase in revenue especially the increase in equitable share from National Treasury to cater to finance gaps.

7.1.2 Accrued consumer debts in Makhado LM using 2008 as the base financial year

A similar scenario in terms of accrued municipal consumer debts was evidenced for Makhado LM wherein the escalation of municipal consumer debts from 2008 to 2017 was a challenge. In 2008 to 2017 both operating revenue and operating expenditure increased significantly. Table 7.2 shows the accrued municipal consumer debts from 2008 to 2017.

Table 7.2: Accrued municipal consumer debts in Makhado LM (2008-2017)

Makhado LM Combined Financial Statements 2008/2017 Financial Years				
Financial Year	Operating Revenue (R)	Operating Expenditure (R)	Debt Impaired (R)	Consumer debt (R)
2008	354 509 432	367 509 445	10 987 287	13 000 013
2009	374 474 738	336 009 396	23 566 456	38 465 342
2010	412 919 976	439 427 698	16 678 554	26 507 722
2011	532 620 475	596 737 399	18 530 000	64 116 924
2012	543 461 000	677 792 041	40 022 000	134 331 041
2013	591 399 142	623 851 843	34 942 474	32 452 701
2014	671 453 123	655 046 721	12 893 946	16 406 402
2015	769 088 113	710 826 754	24 309 745	58 261 359
2016	847 458 000	781 478 686	68 112 685	65 979 314
2017	864 289 644	882 149 327	48 782 216	17 859 683
Total	5 961 673 643	6 070 829 310	298 825 363	467 380 501

Source: National Treasury Municipal Finance Data; 2017

In the year 2008, Makhado LM recorded municipal consumer debts of approximately R13 000 013, this increased to R38 465 342 due to compound interest in the 180 days interest period according to the tariff policy regulations. Consumer debts continued to increase significantly until 2016 financial year recording approximately R65 979 314. The same applied to the amount of debt impairment the municipality experienced. Although in 2017 the municipality recorded a smaller amount of consumer debts of R17 859 683, it was mostly due to the R48 149 327 of debt the municipality had impaired in the same financial year. This serves to prove that; a significant amount of revenue is lost in rural municipalities annually from non-payment of rates and taxes. Figure 7.2 shows the trends for operating revenue and expenditure in Makhado LM.

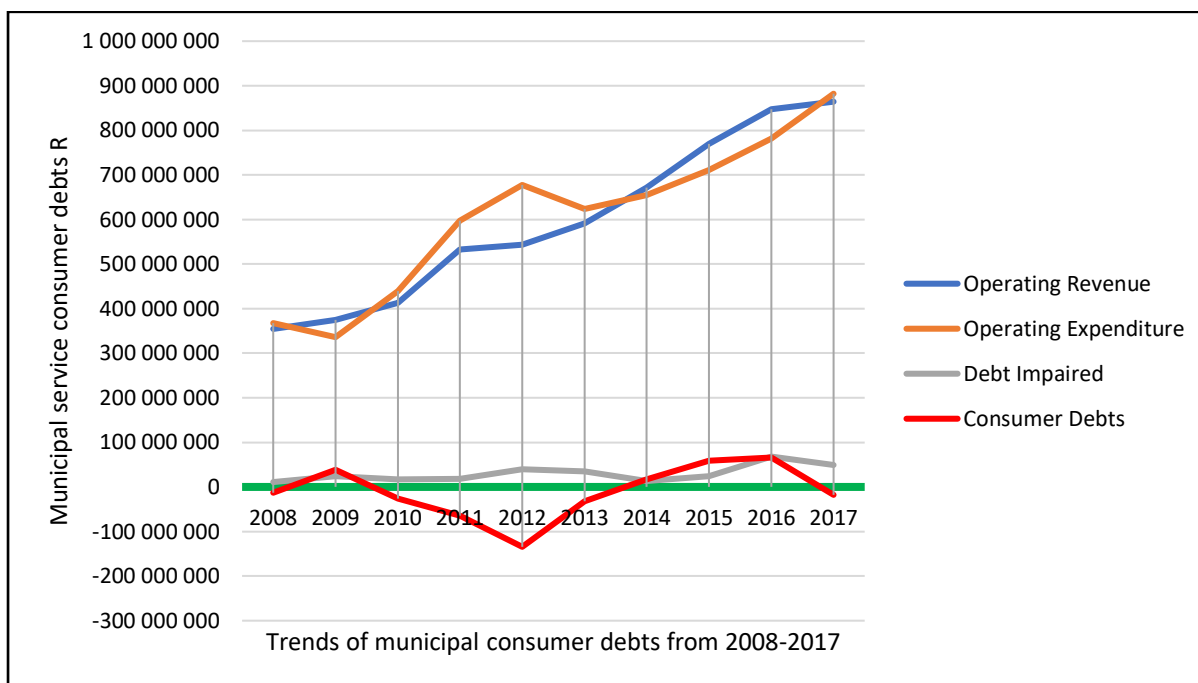


Figure 7.2: Makhado LM Revenue and Expenditure Framework (2008-2017)
Source: Adopted from the National Treasury Municipal Finance Data; 2017

Figure 7.2 shows that operating revenue for Makhado municipality increased from R354 509 432 in 2008 to R864 289 644 in 2017. Similarly, operating expenditure escalated from R367 509 445 in 2008 to R882 149 327 in 2017. With population and household increase from 2001 to 2011 up until 2017 (see table 1.1 and 1.2 in Chapter one), household demand for provision of services increased raising the need for Makhado as well as other rural municipalities to generate more revenue and spend the generated revenue on service provision. The demand for service provision however; outplayed revenue generation which resulted in formation of municipal consumer debts which increased over the years as shown by red sticks in figure 7.2.

7.1.3 Accrued consumer debts in Musina LM using 2008 as the base financial year

Just like Makhado and Thulamela local municipalities, Musina LM is faced with the same predicament of non-payment of services by residents mostly households and commercial consumers. Although the level is slightly different from Thulamela and Musina LM, Musina recorded a substantial number of municipal consumers from 2008 to 2017. Table 7.3 shows accrued municipal consumer debts in Musina LM from 2008 to 2017 financial years.

Table 7.3: Accrued municipal consumer debts in Musina LM (2008-2017)

Musina LM Combined Financial Statements 2008/2017 Financial Years				
Financial Year	Operating Revenue (R)	Operating Expenditure (R)	Debt Impaired (R)	Consumer debt (R)
2008	98 456 910	112 342 492	1 234 578	13 885 582
2009	166 036 685	89 511 636	976 392	76 525 049
2010	93 310 873	108 152 233	976 392	14 841 360
2011	131 168 000	130 534 000	100 000	634 000
2012	159 120 000	163 064 000	976 000	3 944 000
2013	171 480 000	195 608 963	1 136 000	24 128 963
2014	174 931 578	205 984 044	3 456 322	31 052 466
2015	178 808 872	243 115 607	5 017 721	64 306 735
2016	235 508 774	221 154 248	528 538	14 354 526
2017	246 329 398	254 327 282	6 283 409	7 997 884
Total	1 655 151 090	1723794505	20 685 352	251 670 565

Source: National Treasury Municipal Finance Data; 2017

It is important to note that Musina municipality is much smaller as compared to Makhado and Thulamela LM based on population size and coverage. Musina LM has 6 wards which is only almost a sixth of the wards for Thulamela and Makhado LM in terms of both coverage and population. Based on that the number of residential consumers is lesser as compared to the two comparative municipalities hence the lower levels of municipal consumer debts. In addition to this, Musina municipality has a smaller coverage of non-proclaimed households (see table 1.2 in chapter 1), because of this, revenue generation becomes generally higher as compared to Thulamela LM and Makhado LM. Table 7.3 shows that, Musina Municipality experienced a fluctuation of consumer debt levels from 2008 to 2017. The highest recorded amount of consumer debts was R76 525 049 in 2009 followed by R64 306 735 in 2015. In terms of the operating revenue, figure 7.3 provides the trends on the performance of the municipality over a period of 10 years starting 2008.

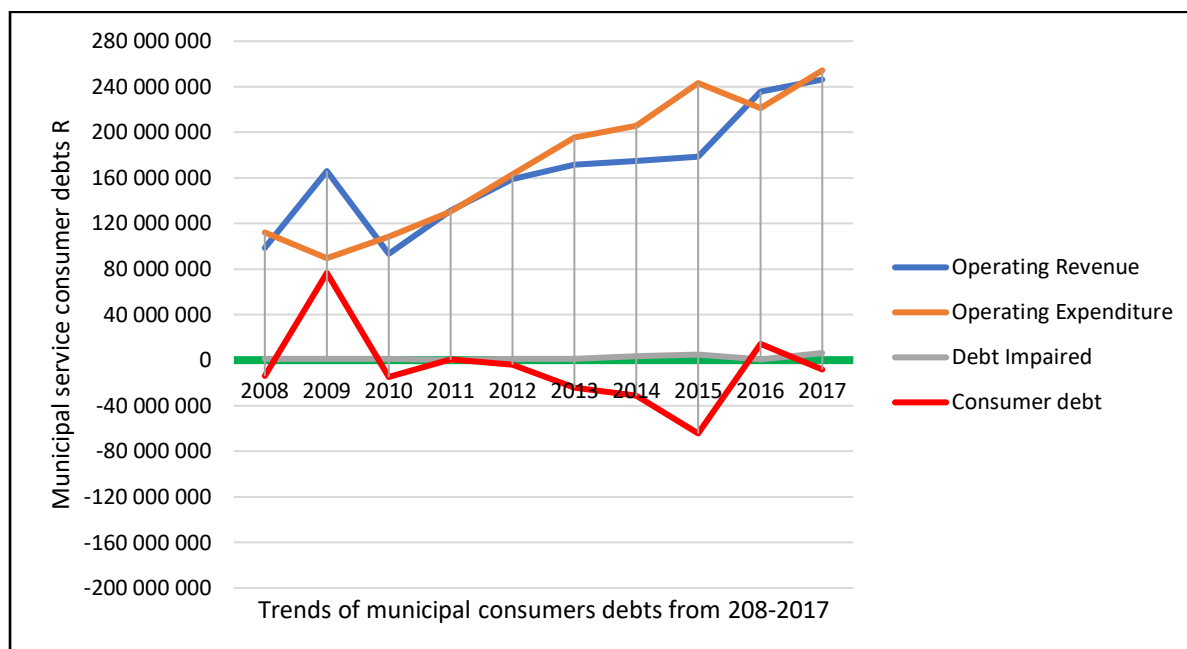


Figure 7.3: Musina LM Revenue and Expenditure Framework (2008-2017)
Source: Adopted from National Treasury Municipal Finance Data

Revenue and expenditure in Musina increased drastically from 2008 to 2017, with an increase of more than R100 million from R98 456 910 in 2008 almost doubling to R246 329 398 in 2017. In terms of operating revenue there was an increase of almost R150 million from R112 342 492 in 2008 to R254 327 282 in 2017. The municipality generated approximately R1.5 billion in revenue between 2008 and 2017 with an operating expenditure of approximately R1 723 794 505 over the same period. Expenditure was higher with almost R200 million over the ten-year period, with government subsidies catering for the shortfall together with municipal loans. This means that the municipality generated less than it spends over the last 10 years and it is without doubt that non-payment of services by municipal consumers resulted in the under collection of operating revenue.

7.2 Effect size of consumer debt on service delivery in Vhembe District

Pearson's correlation, often denoted r and introduced by Karl Pearson, is widely used as an effect size when paired quantitative data are available; for instance if one were studying the relationship between two or more given variables the effect size model can be utilized. The correlation coefficient can also be used when the data are binary. Pearson's r can vary in magnitude from -1 to 1 , with -1 indicating a perfect negative linear r signifying a high magnitude of effect, while 1 indicating a perfect positive linear relation symbolizing no effect, and lastly 0 indicating no linear relation between two variables. Impliedly effect size can be used to determine the effect of one variable over another or the cause effect relationship between phenomenon in economics, modelling or any form of numerical trait. To calculate the

effect sizes for the three municipalities, consumer data sets from the year 2008 to 2017 were used as the primary variable. These variables were entered into the SPSS and Excel Packages to calculate the means and standards deviations. These standard deviations were then used to determine the linear relationships that existed between the binary consumer debts data sets thereby determining the effect sizes. For this study effect sizes were used to determine the effect of consumer debts on service delivery and table 7.4 shows the effect sizes of the three local municipalities.

Table 7.4: Calculated effect size of consumer debt on service delivery in Thulamela LM

Calculated effect size of consumer debt on service delivery in Vhembe District					
Selected Municipality	Statistical Data	Financial Years	Municipal Consumer Debts	x-mean	(x-mean) ²
Thulamela LM	Sum	10 Years	R 592 305 238,00	R 0	R 16 820 135 807 597 400,00
	Count (n)	10	10	10	10
	Average Mean		R 59 230 523,80		R 1 682 013 580 759 740,00
	Variance (S ²)				R 1 868 903 978 621 930,00
	Standard Deviation (SD _i)				R 43 230 822,09
	Calculated Effect Size (r)				-0.8 959 981.29
Makhado LM	Sum	10 Years	R 467 380 501,00	R 0	R 12 051 569 380 749 700,00
	Count (n)	10	10	10	10
	Average Mean		R 46 738 050,10		R 1 205 156 938 074 970,00
	Variance (S ²)				R 1 339 063 264 527 750,00
	Standard Deviation (S)				R 36 593 213,37
	Calculated Effect Size (r)				-0.8 814 846.27
Musina LM	Sum	10 Years	R 251 670 565,00	R 0	R 5 903 145 473 497 680,00
	Count (n)	10	10	10	10
	Average Mean		R 25 167 056,50		R 590 314 547 349 768,00
	Variance (S ²)				R 655 905 052 610 853,00
	Standard Deviation (S)				R 25 610 643,35
	Calculated Effect Size (r)				-0.7 441 470.85

Source: Authors Construct 2018; Derived from the National Treasury Municipal Finance Data; 2017

One of the key specific research objectives was to calculate the coefficient effect size for payment of services by consumers in VDM to explain the implications of revenue collection on municipal service delivery. The Pearson's correlation Effect Size Model was developed and modified to achieve this specific research objective. Statistical data was used to calculate the different effect sizes using IBM SPSS Programme and the results were tabulated in table 7.4.

Thulamela LM had an effect size of approximately **-0.8 959 981.29** which is the highest in the three local municipalities. These results are influenced by the fact that through the discussion of research findings and the analysis of consumer debts the municipality recorded the highest municipal consumer debts over the 10-year period starting in 2008. The accrued municipal consumer debt affected the standard deviation and the variance resulting in a more negative effect size. This was followed by Makhado LM which had a calculated effect size of

approximately **-0.8 814 846.27** the second highest from Thulamela LM. The same implications as those of Thulamela LM affected the total effect size of the municipality wherein, municipal consumer debts were higher than those of Musina LM.

The least calculated effect size was that of Musina LM which was calculated at **-0.7 441 470.85**. The outcomes of the least effect size in Musina LM was because of less municipal consumer debts in all the three local municipalities in Vhembe District. In addition of the composition of municipal service consumers determining the outcomes of the effect sizes in the selected local municipalities, the composition of households in proclaimed and non-proclaimed in local municipalities determined the outcomes of the magnitude of effect size. Musina LM had the least households in non-proclaimed municipalities hence rurality was lesser as compared to Makhado and Thulamela hence the smaller effect size. This was discussed on the Rurality Quotient (RQ) section below.

7.3 Calculation of the Rurality Quotient (RQ) of selected municipalities in Vhembe District

The notion that rurality contributes to the low revenue base of municipalities has to be factored in to establish the linkage between the rural nature of municipalities in Vhembe DM and their ability to pay for the provision of services to communities. The Rurality Quotient (RQ) was used by Wardorf (2006) to calculate if municipalities in the Eastern Cape in South Africa were financially viable to provide services because of their rural nature as well as to explain the notion that rurality affects payments for rates and taxes. To determine the RQ of the three municipalities Thulamela, Makhado and Musina LM, the effect sizes of the consumers debts footprints can be calculated as follows-:

$$Rurality\ Quotient\ (RQ) = \frac{\text{of effect size at municipal level}}{\text{Total of effect size of the 3 LM}}$$

$$Rurality\ Quotient\ (LQ) = \frac{r}{R}$$

if Rurality Quotient (LQ) < 1

Then municipality is not viable to provide services to the municipal consumers

if location Quotient (LQ) > 1

Then municipality is viable to provide services to people

if location Quotient (LQ) = 0

Then municipality is at a balancing point between service delivery and consumer debts (breakeven point)

The RQ was calculated using SPSS package and Microsoft Excel Programmes and the results are shown in table 7.5. The rationale for the use of SPSS and Microsoft Excel Programmes was

because they satisfied the parameters and variables available that is the use of a single set of data set of municipal service consumer debts. The data inputs for calculating the RQ was sourced from the National Treasury Municipal Finance Database (2017) and Municipal Revenue Expenditure Frameworks (2008-2017).

Table 7.5: Rurality Quotient (RQ) of selected municipalities in Vhembe District

Selected Municipality	Calculated Effect Size (r)	Calculated Effect size for 3 Municipalities (R)	Rurality Quotient (RQ)
Thulamela LM	-0.8 959 981.29	2.5 216 298.41	-0.35 532 500.23
Makhado LM	-0.8 814 846.27	2.5 216 298.41	-0.34 956 939.86
Musina LM	-0.7 441 470.85	2.5 216 298.41	-0.29 510 559.91

Source: Authors Construct 2018; Derived from the National Treasury Municipal Finance Data; 2017

For the purposes of distribution of questionnaires and observation of phenomenon, selected wards were chosen from Thulamela, Makhado and Musina local municipality. In Thulamela the researcher chose 6 wards, in Makhado 6 wards and in Musina LM 6 wards. The findings from these wards enabled the researcher to generalize the findings on whole municipality. However, in case of calculations for the effect size and the Rurality Quotient (RQ), the researcher utilized data for all municipal service consumers to increase reliability and accurateness of the data.

Rurality Quotient (RQ) was used to benchmark whether rurality of a municipality based on its financial base influenced the viability of a municipality to provide municipal services. According to Isserman (2005:4), `Financial viability is the ability to generate sufficient income to meet operating payments, debt commitments and, where applicable, to allow growth while maintaining service levels`. Therefore, the viability of the three selected rural municipalities was done using the RQ`s as benchmarks to determine whether they were able to meet their service delivery obligations as well as to disprove or approve whether rurality influences service delivery in rural municipalities. Thulamela LM had the highest negative RQ of -0.35 532 500.23 followed by Makhado LM at -0.34 956 939.86 and the least RQ was for Musina LM which was approximately -0.29 510 559.91. To calculate the RQ financial data for municipalities in Vhembe District was used from 2008 to 2017.

The parameters for determining the extent of rurality indicated that if Rurality Quotient (LQ) is less than 1 base point then, the municipality is not viable to provide services to people. The

results of the calculations of the RQ's for Thulamela, Makhado and Musina LM indicated that they all fell below 1 since they were in the negatives. This proved due to the rurality nature of the three local municipalities they were not viable to provide consumers with quality services. The results of the RQ for the three local municipalities enabled the researcher to develop a strategic framework for consumer debt recovery to increase the financial viability of rural municipalities.

7.4 Projected municipal consumer debts and viability (2018-2027)

Using the Microsoft Excel Linear Projection technique, the researcher forecasted municipal consumer debts for Thulamela, Makhado and Musina LM over the next 10 years (2018-2027). The forecast or projection was done to facilitate the preparation of the selected rural municipalities from the adverse effects on poor revenue generation due to non-payment of municipal consumers. The projections were based on the availability of the 10-year (2008-2017) available municipal service consumers, with the probability of a 0.1 level of significance and margin of error. In addition to this, the ten-year forecast also depended on the assumption that there will be constant non-payment of rates and taxes, rural municipalities economic base remains poor and there is constant increase in operating expenditure as compared to operating expenditure.

The Forecast function the researcher utilized the formula, (x, known y's, known x's) function which returned the predicted values of the dependent variable (represented in the data by known y's) for the specific value, x, of the independent variable (represented in the data by known x's) by using a best fit (least squares) linear regression to predict y values from x values (y values being consumer debts and x values being the period of forecast and the known x values being the previous 10 years recorded financial years. Appendix 8 shows the projected municipal consumer debts for the next ten years for Vhembe District (see appendix 8).

Based on the method described above the projected municipal consumer debts in Thulamela revealed a steady increase over the trendline of best fit. Appendix 8 shows that it is likely that, municipal service consumers will steadily increase from the upper R70 million mark toward R100 million an increase of more than R30 million from 2018 to 2027. In the year 2018 consumer debts were projected at R 73 926 062,07 and increased to R97 973 306,50 in 2027. In revenue terms, it means that Thulamela LM is likely to lose more than R70 million annually due to the projected outcomes ranging between R70 million and R100 million.

For Makhado LM, the forecast was in the range of upper R50 million increasing steadily towards the mid R60 million. The lower mark of consumer debt projections was recorded to be R53 935 967,24 which increased to R65 714 377,11 in 2027. The increase for municipal

consumers based on the linear regression forecast was lower as compared to that of Thulamela LM. However, this was influenced by the lower levels of municipal service consumers generally in Makhado Municipality as compared to those of Thulamela LM.

In terms of the forecasts, Musina had the least municipal consumer debts recorded over the ten-year period starting 2018 and ending 2027. The least projected municipal consumers for Musina LM were recorded in 2018 as at R24 243 928,47 which increased sharply by more than R25 million doubling to R54 916 896,80 in 2023 and closed at R56 109 398,39 in 2027. Nonetheless, Musina recorded the least municipal service consumers due to the composition and household population of the municipality. The municipality had the least number of rural wards as compared to Thulamela and Makhado LM which had more of rural wards as compared to Musina LM. It is therefore imperative for the rural municipalities to generate a solid comprehensive debt recovery strategy to avoid the implications of poor revenue generation on municipal service delivery. Based on the application of the Linear Forecasting Technique (LFT), the results of the projections were recorded and tabulated in figure 7.4.

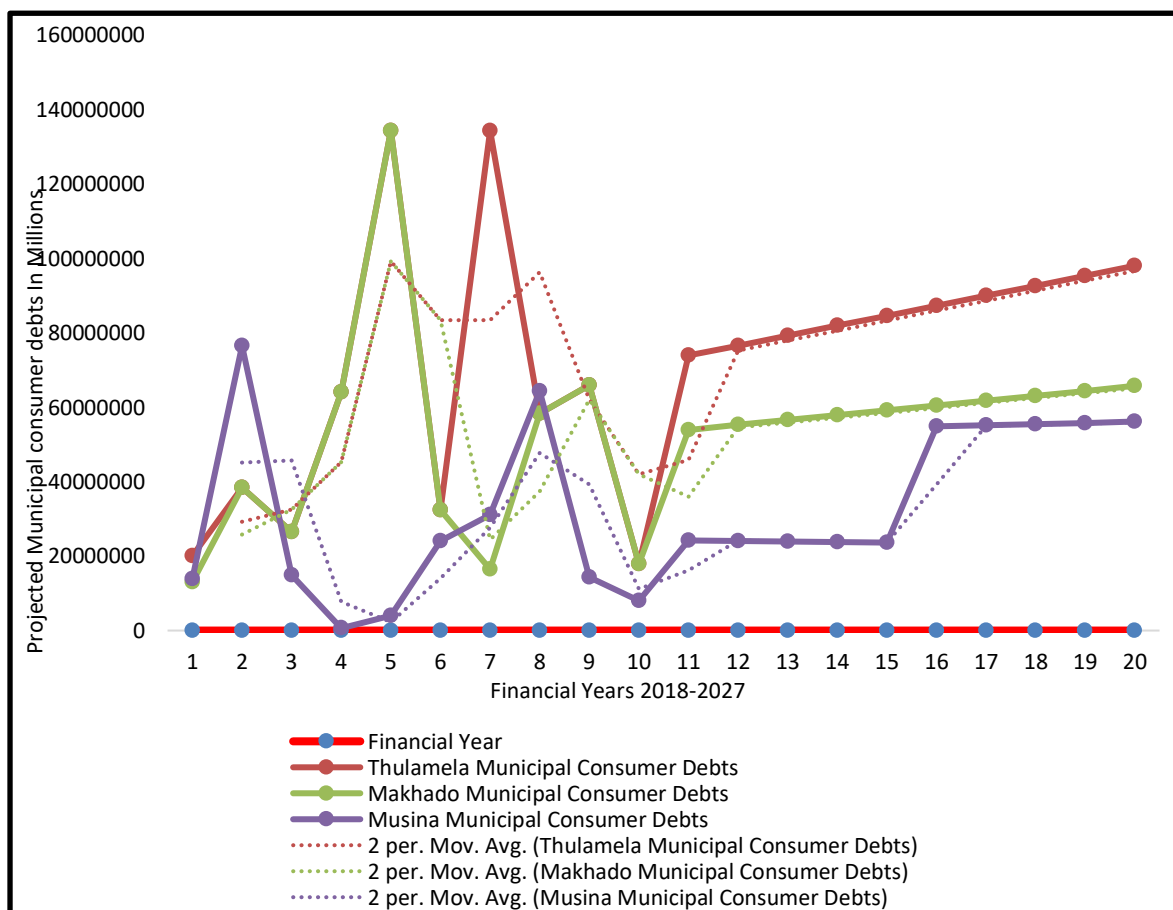


Figure 7.4: Projected municipal consumer debts for the next ten years for Vhembe District (2018-2027)

Source: Source: Authors Statistical Data, Derived from National Treasury Municipal Finance Data; 2017

Figure 7.1 shows that Thulamela Municipality consumer debts increased from R73 926 062,07 in 2018 to R97 973 306,50 in 2027 an increase of almost R30 million. This was the highest recorded municipal service consumer forecast in Vhembe District followed by Makhado LM. Makhado recorded an increase from R53 935 967,24 in 2008 to R65 714 377,11 an increase of almost R15 million. Musina however; recorded an increase in municipal forecasted consumer debts from R24 243 928,47 to R 56 109 398,39 an increase of almost R25million trending closer to Thulamela LM in terms of increase of municipal consumer debts. Although Musina had the least total municipal consumer debts from 2018 to 2027, the rate pf increase was higher as compared to that of Makhado by almost R10 million. The total calculated municipal consumer debts from 2008 to 2027 over a ten year period was highest in Thulamela LM which recorded a total of R1 451 802 080,85, followed by Makhado at R1 065 632 222,7 and lastly Musina LM at R 648 757 805,10.

7.5 External and Internal sources of municipal revenue and viability to provide municipal service delivery

In order to determine the level and extent of the contribution of external and internal sources of revenue in the total operation revenue in rural municipalities. A proportional comparison of external and internal sources of revenue was done using the proportional contribution of own revenue (internal) against externally generated revenue. Table 7.6 shows the comparison of internal and external sources of revenue for municipal service delivery.

Table 7.6: External and Internal sources of municipal revenue and viability to provide municipal service delivery

	Sources of Operational Revenue	Proportional Contribution of source in Thulamela LM	Proportional Contribution of source in Makhado LM	Proportional Contribution of source in Musina LM
Internal sources of revenue				
1.	Property Rates (PR)	15%	18%	12%
2.	Water Charges (WC)	2%	3%	4%
3.	Sewerage Charges	4%	3%	3%
4.	Refuse Removal Charges (RRC)	4%	5%	2%
5.	Rental of Facilities Tariffs (RFT)	2%	4%	2%
6.	Traffic Fines (TF)	4%	3%	6%
7.	Licences and Permits (LP)	1%	2%	5%
	Sub-total	32%	38%	34%
External sources of revenue				
1.	Municipal Infrastructue Grant (MIG)	11%	14%	13%
2.	Equitable Share (ES)	40%	35%	38%
3.	National Electrification Programme Grant (NEPG)	4%	5%	7%
4.	Municipal Water Infrastructure Grant (MWIG)	8%	10%	5%
5.	Rural Households Infrastructure Grant (RHIG)	12%	7%	9%
6.	Capacity-Building Grant (CBG)	3%	2%	5%
7.	Rural Roads Assets Management Systems Grants (RRAMSG)	3%	1%	5%
	Sub-total	68%	62%	66%
	Total	100%	100%	100%

Source: Authors construct, 2018

Table 7.6 shows that in terms of proportional distribution of internal and external sources of revenue, municipalities depended heavily on external sources of funds in the form of the equitable share and conditional grants. Thulamela LM had the highest proportional share of external sources of revenue amounting to 68%. This is because when we were discussing the level and statistics of service delivery backlogs in section 5.5 in chapter 5 we discovered that Thulamela had the highest number of municipal wards which had service delivery backlogs. This was followed by Musina LM which had a 66% share of external revenue sources and Makhado LM had the least with 62%. Of these external sources of revenue the highest contribution was the Equitable Share which is the money municipalities received from the National Treasury to meet their operational needs such as payment of employees. Thulamela had the highest amount of Equitable Share at 40% followed by Musina LM at 38% and Makhado LM receiving the least amount at 35%. According to the National Treasury, share formulas are used when determining developmental needs and when allocating specific conditional grants such as the Municipal Infrastructure Grant (MIG) to provinces and municipalities. These grants are allocated to municipalities according to the number of households without access to basic services (South Africa, Republic, 2015b: 3).

With respect to internal sources of revenue in rural municipalities, the study findings revealed that internally generated revenue accounted for almost a third of the total operational revenue with rural municipalities. This is shown by the share contributions of 38% of internally generated revenue for Makhado LM which was the highest followed by 34% in Musina and 32% for Thulamela LM. The reason for the higher internal revenue for Makhado LM was based in the notion that as discussed in section 6.94 in chapter 6 Makhado LM performed better in terms of effective implementation of debt collection and enforcement of the CCDC policy. The municipality also was more urban although lesser urban than Musina LM; it had more revenue generation pockets. The highest collection sources was from rates which accounted for almost a quarter of the total internal sources of revenue with 18% collection of rates from Makhado, followed by 15% in Thulamela and lastly 12% in Musina LM. Internally generated revenue affected the share of conditional grants and the equitable share as municipalities which generated less own revenue received more to meet their operational and service delivery needs. This was a challenge as it encouraged poor collection in these municipalities as they were assured of receiving external revenue support from the grants. Figure 7.5 shows a graphical illustration of the proportional share of internal and external sources of revenue in Thulamela, Musina and Makhado LM.

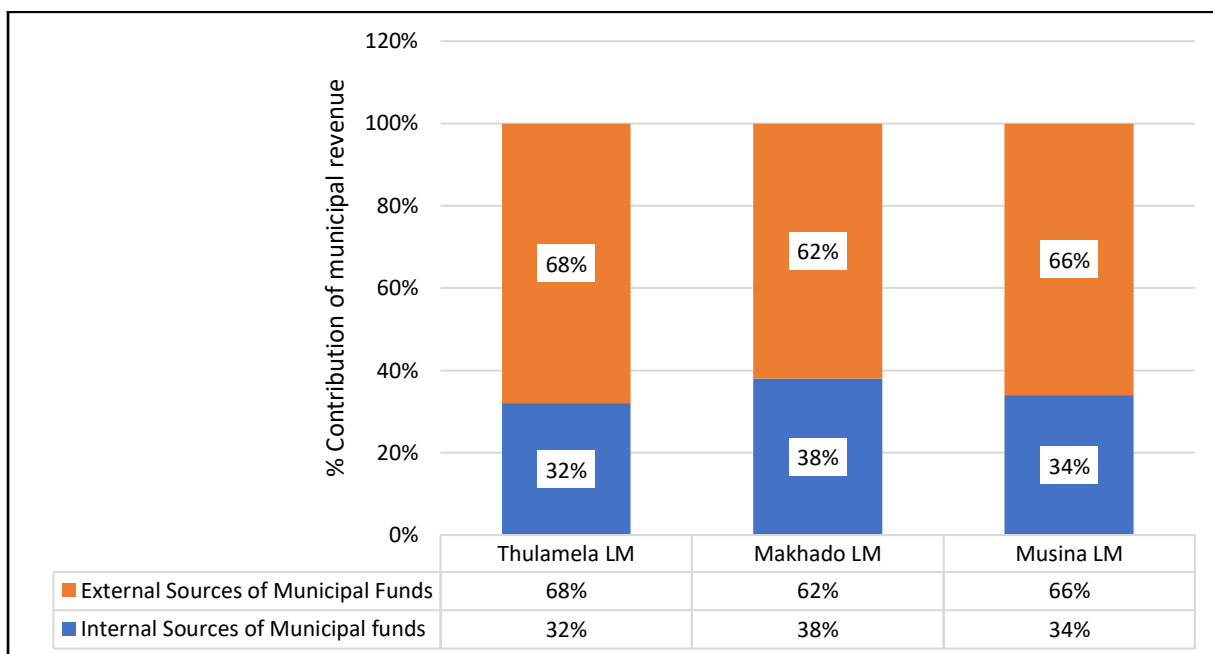


Figure 7.5 Proportional Share of External and Internal sources of municipal revenue
Source: Authors construct 2018

Figure 7.5 shows the proportional share of internal and external sources of revenue in Thulamela, Makhado and Musina LM wherein external sources of revenue are higher as compared to internal sources. The graph shows that Thulamela received almost 68% of its revenue from external sources while internal sources contributed only 32%. Similarly Musina LM received 66% of revenue from external sources with internal sources contributing only 34%. However, the situation was slightly different for Makahdo LM wherein the municipality performed better in terms of generating their own revenue with almost 38% of revenue being internally generated. This is because the study findings revealed that the municipality enforced reveue generation policies such as the CCDC policy effectively as compared to the other two rural municipalities.

7.6 Chapter Summary

The chapter analysed the trends for operating revenue, operating expenditure and the accrued municipal consumer debts in Thulamela, Makhado and Musina LM for the last ten years (2008-2017). This statistical analysis was done using two key packages Microsoft Excel 2016 and IBM SPSS. One of the key objectives of the study was to determine whether rurality affects payment of services using the Pearson Correlation Effect Size Model (PCESM) which was modified by the researcher to fit the data. Application of the model was done to achieve this objective with the help of the Rurality Coefficient which the researcher utilized to calculate the effect size of non-payment of rates and taxes by municipal service consumers. Furthermore, the chapter discussed municipal debt projections using the stated packages for statistical analysis which provided the anticipated threats of accumulated consumer service debts in

VDM. The next chapter summarizes the research findings and provides recommendations on the anticipated threats, challenges and constraints on non-payment of rates and taxes.

CHAPTER EIGHT: SUMMARY, CONCLUSION AND RECOMMENDATIONS

8. Introduction

This chapter presents the summary of the research findings from the analysis provided in chapters one to five. At the beginning of the study, objectives were formulated to unpack the various challenges faced by Thulamela LM with regards to payment of rates and taxes and debt recovery strategies on municipal service consumers.

8.1 Summary of research findings

At the beginning of this research, we set out to prove the notion that municipal consumer debt is related to rurality and has impacted on service delivery. In order to prove or disprove this notion, four objectives were formulated to address the issues. With respect to the first objective which states that “the level of payment for rates and taxes by residents can contribute to adequate service delivery” a number of aspects were covered. The literature on level of rates and taxes according to De Wet, (2004), shows that the more people pay for services the more there will be sufficient funds for the provision of service by the municipalities. The study showed in chapter 6 on section 6.2.2 which discussed the respondents ratings on constraints to payment of services that in the three municipalities more than 60% of respondents across the rural municipalities agreed with the notion that the provision of services is dependent on the level of payment by consumers. However, further investigation as confirmed by the rurality quotient and the key informants shows that the rural nature of the municipalities contributed to low economic base due to low employment and low income as discussed in section 6.1.6 and 6.1.7 in chapter 6. The rurality question comes up as a strong reason because Musina LM which is more urban accounted for 55% of payment for rates and taxes, followed by Makhado LM which is less urban but Thulamela LM is more rural had a payment rate of 43% thus proving that payment for rates and taxes is a major contributor to municipal revenue base and the capacity to provide services.

The second objective was to determine the extent to which external and internal municipal sources of revenue contribute to sustainable service delivery to communities in VDM. In terms of external sources of revenue, the municipalities received a larger percentage of revenue almost 60% from the Equatable Share by the National Treasury as discussed in chapter seven under section 7.5 under the contribution of internal and external sources of revenue. In addition to this, the National treasury had allocations to Thulamela, Makhado and Musina for other revenue grants such as the MIG, NIIG and MSIG among others depending on the plans available by the municipality in that particular financial year. Furthermore, section 7.2 shows

that the operational revenue had large components of external sources of funds as compared to own revenue for example in Thulamela LM almost 65% of the operational revenue was from external sources of revenue. According to the Pecking order theory in the literature by Myers and Majluf (1984), the failure by rural municipalities to generate own revenue is a primary cause of rural municipalities to provide consumers or residents with poor quality municipal services.

The objective on proving and disproving the notion that the coefficient effect size and rurality is related to revenue collection and municipal service delivery was discussed in section 7.2 and 7.3 in chapter seven wherein the Pearson's correlation Effect Size Model was developed and modified to achieve this specific research objective. The results of the calculation revealed that Thulamela LM had an effect size of approximately **-0.8 959 981.29** which was highest among the three local municipalities. These results are influenced by the fact that through the discussion of research findings and the analysis of consumer debts the municipality recorded the highest municipal consumer debts over the 10-year period starting in 2008. This was followed by Makhado LM which had a calculated effect size of approximately **-0.8 814 846.27** the second highest from Thulamela LM. The same implications as those of Thulamela LM affected the total effect size of the municipality wherein, municipal consumer debts were higher than those of Musina LM. The least calculated effect size was that of Musina LM which was calculated at **-0.7 441 470.85**. The outcomes of the least effect size in Musina LM was because of less municipal consumer debts in all the three local municipalities in Vhembe District. Lastly Rurality Quotient (RQ) was used to benchmark whether rurality of a municipality based on its financial base influenced the viability of a municipality to provide municipal services. The findings revealed that the three rural municipalities have a negative RQ showing that rurality was a contributing factor to the non-payment of rates and taxes in rural municipalities.

8.2 Conclusion of research findings

With respect to payment of rates and taxes, the study findings revealed that, several constraints inhibited payment of rates and taxes and this was mainly due to the unavailability of economic opportunities for gainful employment, poor updating of municipal policies such as the tariff and GVR. Section 6.2 and 6.9 in chapter 6 showed that dissatisfaction contributed to a larger extent to non-payment of rates and taxes by consumers. In addition to this, lack of awareness campaigns, poor collection of rates and taxes, poor service delivery, lack of human capital training essential to facilitate debt recovery processes, poor technological and ICT components all contribute to hampering municipal debt recovery. The study findings also revealed that rural municipalities had an overly dependency on external sources of revenue

failing to create their own viable revenue bases as discussed in section 7.5 in chapter 7 wherein more than 60% of revenue was from external sources of funds to facilitate service delivery as a result quality service delivery was compromised due to financial shortfalls. Municipal consumer debts forecasts/projections showed that consumer debts were likely to increase steadily in the next 10 years (2018-2027) if strategies to combat the increase are not put in place hence compromising the viability to provide municipal services. With regards to the concept of rurality and payment of rates and taxes, we can conclude that to a larger extent based on the findings in section 7.2 and 7.3 wherein it was illustrated that the more urban a municipality is the more consumers paid for rates and taxes. To summarise the research recommendations, a municipal debt recovery framework was developed in order to satisfy the parameters of dealing with non-payment of rates and taxes as well as enhancing municipal service delivery.

8.3 Recommendations

Objective number four of the study, stipulated that, the research was intended to propose recommendations and a municipal debt recovery framework tool that would enable rural municipalities to benefit from. Several recommendations were discussed to enhance revenue generation for rural municipalities and enhance service delivery levels.

8.3.1 Review of critical debt recovery policies (indigent registry and GVR)

Municipal policies and strategies need to be reviewed more frequent than they are currently being reviewed. There are changes that occur within the municipality to filter in the changes that are significant in promoting payment of rates and taxes. A holistic indigent policy approach is crucial for rural municipalities such as Thulamela, Makhado and Musina LM and is critical for municipal service customers who are poor and are not able to pay for rates and taxes. The importance of a holistic indigent approach to municipal service consumer debt recovery is that more often than not municipal service consumers who might have improved in terms of their income status are supposed to be upgraded out of the indigent register and start paying for rates and taxes. However, this process takes long and sometimes does not happen at all and in the process the municipality loses money. In addition to this, the Credit Control and Debt Collection policy, General Valuation Roll as well as the Tarrif Policy should match the service delivery needs of the communities based on the changes and the priority needs of both the communities and the municipality. This therefore means the municipality has to update all the strategies and policies linked to the financial viability to rural municipalities.

8.3.2 Increasing service delivery quality and targets

In line with the level of dissatisfaction by most of municipal service consumers within rural municipalities giving reference to Thulamela, Malhado and Musian LM there is a need to

urgently improve on the quality of services to ensure that customer's willingness to pay for rates and taxes is raised. With regards to this, the municipality is supposed to work on improving the collection rate through improvement of service delivery and clearing outstanding arrears on bill payments rather than focus on venturing in other revenue generating activities. Despite service delivery as a factor that affects payment of rates and taxes, non-payment of services comprises the quality of services delivered to the people.

8.3.3 Provision of incentives and rebates to consistent paying consumers

Rural municipalities must not focus on municipal consumers that consistently pay for rates and taxes. They should employ strategies such as formulation of incentives and rebates for non-paying consumers so that they are encouraged to pay. An improved data base can generate realistic data that can inform decision making processes of municipalities so that incentives and rebates are given to consistent payers and when non-consistent payers are recognized they are given a chance to elevate their payment levels. In the event that inconsistent rate payers continue not paying for their rates, municipalities must attach a fine so that they are forced to pay. Implementation of systems, programs, policies etc. in municipalities require not only effective technical training but an educational component so that users can grasp the value of the system and understand their role as part of the whole. This revelation of purpose should be accompanied by behaviour change process such that prevalent culture of fraud and neglect can be transformed into honest caring.

8.3.4 Explore the use of technologically advanced financial systems

Rural municipalities should have a proper mapping and GIS system, such a system should improve operational efficiency in the identification of new connections, meter reading, bill distribution and following up revenue collections, disconnections and reconnections. This integrated system hugely helps with data currency because only one set of data is needed which can be shared by all who need it (many departments needing the data). GIS mapping can help in updating customer records, getting robust record of all properties hence all customers. The GIS system will also enable the credit control and debt collection unit to keep records of municipal service consumer debtors, their addresses, payment plans and other elements that are necessary in enhancing debt recovery. Linking the GIS system should be linked to the General Valuation Roll as well as the Indigent Registry so that non-payment of rates and taxes is elevated.

8.3.5 Municipal consumer Debt Recovery Framework for rural municipalities

Desktop research findings on the implications of municipal debts on service delivery in the three rural based economies revealed that if internal and external sources of municipal revenue are inadequate this can tantamount to poor service delivery. This is supported by

Ludwig's (1970) concept of consumer debt recovery and Wellman (2008) theory which state that equipping municipal employees with relevant financial skills, performing adequate and consistent financial data analysis is critical in subverting accumulation of municipal consumer debts. Furthermore, the Municipal Property Rates Act (No 6 of 2004) and the Municipal Finance Management (Act No 56 of 2003) outlines a series of measures that can be harmonised in the form of a framework. A diagrammatic interpretation of Municipal Consumer Debt Recovery Framework to address service delivery in rural municipalities is proposed in figure 8.1.

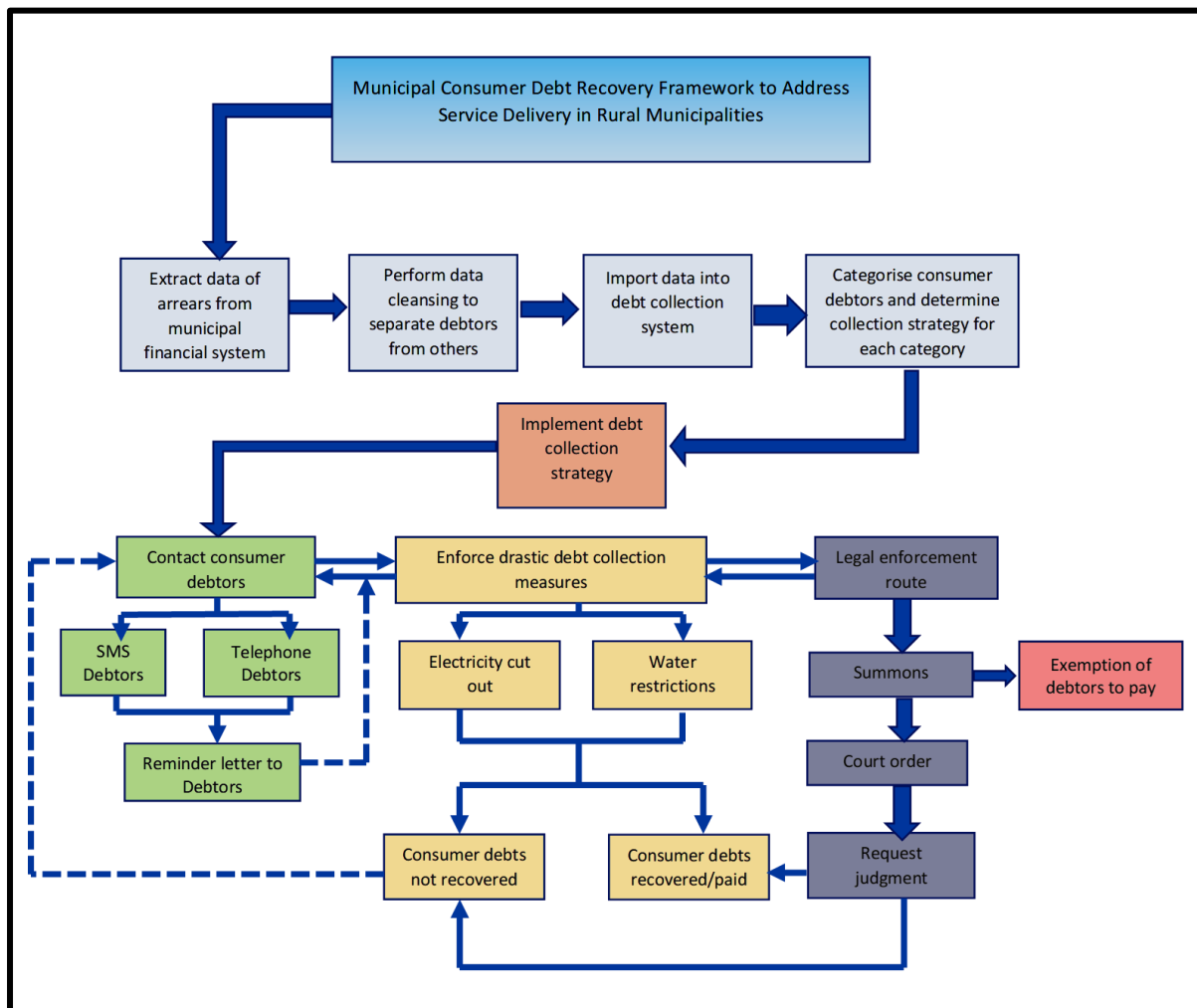


Figure 8.1: Proposed Municipal Consumer Debt Recovery Framework Diagram
Source: Authors construct; 2018

Figure 8.1 shows the proposed rural municipal service consumer debt collection framework tool to enhance revenue generation and address service delivery in rural municipalities. The framework tool begins the process of consumer debt recovery by extracting consumer debts data from the municipal financial system. When this data is extracted, the next stage is performance of a data cleansing exercise to separate debtors from creditors, suppliers as well as other consumers. Importation of debtors roll into the debt collection system follows

immediately after data cleansing process. Categorisation of consumer debtors into specific categories follows to determine the appropriate strategy to execute for each specific category of debtors. When the process of data sorting is complete, the implementation of debt collection strategies follows as each specific category of consumer debtors is addressed independently to maximise the potential of consumer debt recovery output.

The process of implementing collection strategies for consumer debt recovery strategies begins with contacting the consumer debtors through the Short Message Service (SMS) and or a telephone call. When consumer debtors fail to respond to the two methods of contact then a reminder letter is sent to the debtors to evoke payment of municipal arrears. This process is done in line with Chapter 4 of the Municipal Systems Act No 32 of 2000, Section 4(2)(c) read together with Section 21-23 which states that municipalities must consult the communities which they serve prior any decision making process. In the case that the consumer debtors fail to settle their outstanding bills, then the respective municipalities have to enforce drastic debt collection measures such as electricity cut outs and water restrictions. The reason behind water restrictions instead of total water shutdown is because under Section 195(1)(e) of the Constitution (Act No 108 of 1996), all citizens are entitled to basic services such as water and sanitation and cannot be deprived of accessing those basic services. In the case that drastic measures are not effective in enabling consumer debtors to clear their arrears to their respective municipalities, then with the powers vested to the Accounting Officer according to the Municipal Finance Management Act No 56 of 2003 Section (41)(b), a legal route will have to be pursued. The legal route will constitute the delivery of court summons to the consumer debtors followed by a court order for consumers to appear in court for a judgement.

However, after the delivery of summons then the legal officer and the FSD check whether a consumer is exempted to pay for rates and taxes or not and if not the consumer has to appear in court for a judgement. A judgement is then requested from the court authorities upon completion of court proceedings on how the consumers can be dealt with. Two options are bound to happen after the court makes a decision, its either the consumer debtor is made to pay the outstanding municipal funds through a payment plan or debt is not recovered of which the debt recovery process is reinitiated.

8.3.5.1 Merits of the framework tool

The Municipal Consumer Debt Recovery Framework was developed to address challenges of non-payment of rates and taxes as well as to facilitate cost recovery. A number of merits are linked to the framework and these include:-

- i. The framework can be utilized by any local municipality that intends to recover consumer arrears and boost municipal revenue.
- ii. The framework is simplified so as to enable municipal personnel in various departments to institute and enforce it to recover consumer debts;
- iii. The framework also explains logically how to resolve different conditions and steps in the case that a scenario that is unexpected arises in the process of instituting it.
- iv. Although setting up the required personnel, financial softwares as well as other resources might be expensive, the returns on investment on the framework are marginal in the long-term.

8.3.5.2 Demerits of the framework tool

While the framework on consumer debt recovery can be appreciated, it is also relevant to acknowledge the presence of demerits and these include:-

- i. Setting up the framework for implementation can be very costly as there is a need for skilled personnel, purchasing of hardware and advanced software and as a result this is likely to be a limitation to poor rural municipalities. However this can be counteracted by enforcing the framework manually while the system is being upgraded step by step in time.
- ii. Enforcement of the framework requires cooperation of municipal consumers and investing in the critical areas of the rural economy to elevate affordability of consumers to pay for services as well as increasing the disposable income for rural dwellers.

8.5 Areas for future research

There are many areas that can be further researched in relation to implications of municipal service consumer debts on service delivery. The study findings revealed that consumer debts is not only a rural phenomenon but also larger urban municipalities such as Metros encounter similar challenges. An urban approach to the study can be pursued to identify the outcomes of whether urbanity has an effect on payment of rates and taxes.

8.6 General Conclusion

The study set out to prove the notion that rurality was a factor in municipal service consumers failing to pay for rates and taxes due to poor economic bases. Furthermore the study aimed at determining and assessing the implication of municipal service consumer debts on municipal service delivery in rural municipalities such as Thulamela, Makhado and Musina local municipalities. Using the Rurality Quotient and Effect Size model, the study managed to prove that rurality has an impact on the payment of services by municipal service consumers as rural municipalities had very poor economic bases and depended heavily on external sources of funding in the form of subsidies and government grants. Furthermore, the study findings also revealed that the more rural a municipality, the more effects and implications

likely to be encountered from non-payment of rates and taxes. In terms of opportunities, rural municipalities had for revenue generation, the study findings clearly showed that it was a matter of improving on the current strategies and factor in more advanced strategies to improve revenue collection from the municipal consumers. It can also be concluded that, the study concurred with the theories discussed in the literature for example Ludwigs systems theory of consumer debt recovery (1970); the competence theory and the Pecking Order theory (1884) which that was an existing linkage between non-payment of services and poor service delivery practices in rural municipalities. The study revealed that municipal consumer debts were likely to increase steadily in the next 10 years (2018-2027) based on the forecast calculations if strategies to combat the increase are not put in place, as such it is critical for rural municipalities to address the challenges for non-payment of rates and taxes to avert service delivery implications using the proposed Debt Recovery Framework tool as well as other recommendations. The proposed framework tool was identified as a guideline to address non-payment of rates and taxes in municipalities facing consumer debt challenges due to a low economic base.

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APPENDIX 1: FORMULA TO DETERMINE SAMPLE SIZE

The sample size was determined using the formula published by the National Education Association, (Krejcie and Morgan 1970: 607) as shown below:

$$s = \frac{x^2 NP(1-P)}{d^2(N-1)} + x^2 P(1-P)$$

Where,

s = required sample size.

X² = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

N = the population size.

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (.05).

Sample size for Thulamela Local Municipality

N is 5 762 municipal consumers

$$s = \frac{3.841 \times (5\,762) \times 0.50 (1 - 0.50)}{0.05^2(5\,762 - 1)} + 3.841 \times 0.50 (1 - 0.50)$$

s = 385.1

Therefore the appropriate sample size for municipal consumers is 385

APPENDIX 2 : CONSENT TO PARTICIPATE IN A RESEARCH STUDY



University of Venda

Consent to Participate in a Research Study

Title of Study: Implications of consumer debts on municipal service delivery in rural municipalities: A case study of Vhembe District Municipality, Limpopo Province, South Africa.

Investigator:

Name: Tivavone B **Dept:** D.URP **Phone:** 072 528 0068

Introduction

- You are being asked to be in a research study of implications of consumer debts on service delivery in rural municipalities.
- You were selected as a possible participant because you fall within the selected wards within Vhembe District Municipality
- We ask that you read this form and ask any questions that you may have before agreeing to participate in the study.

Purpose of Study

- The purpose of the study is to unpack the implications of consumer debts on service delivery and find strategies on how rural municipalities can improve revenue generation.
- Ultimately, this research may be published in accredited journals and the University of Venda as well as the rural municipalities will receive a copy of the study.

Description of the Study Procedures

- If you agree to be in this study, you will be asked to do the following things:
- Answer questions from the questionnaires
- Answer oral interview questions

Risks/Discomforts of Being in this Study

- The study has the following risks:-
 - Financial disclosure of payments of rates and taxes can make you be targeted as a ward by the municipality to force you to pay for rates and taxes.
 - Disclosure of payments of rates and taxes can make you be obliged to register under indigent registry

Benefits of Being in the Study

- The benefits of participation are:-
 - The municipality will receive your views on the state of service delivery in your area
 - The findings of the study will be used to improve revenue in other similar municipalities.

Confidentiality

This study is anonymous. We will not be collecting or retaining any information about your identity.

The records of this study will be kept strictly confidential. Research records will be kept in a locked file and all electronic information will be coded and secured using a password protected file.

We will not include any information in any report we may publish that would make it possible to identify you.

Your identity will not be disclosed in the material that is published. However, you will be given the opportunity to review and approve any material that is published about you if it becomes necessary.

Payments

- You will not receive any payment/reimbursement for participating in this study.

Right to Refuse or Withdraw

- The decision to participate in this study is entirely up to you. You may refuse to take part in the study *at any time* without affecting your relationship with the investigators of this study or Smith College. Your decision will not result in any loss or benefits to which you are otherwise entitled. You have the right not to answer any single question, as well as to withdraw completely from the interview at any point during the process; additionally, you have the right to request that the interviewer not use any of your interview material.

Right to Ask Questions and Report Concerns

- You have the right to ask questions about this research study and to have those questions answered by me before, during or after the research. If you have any further questions about the study, at any time feel free to contact me, B Tivavone at billytiva@gmail.com or by telephone at 072528 0068. If you like, a summary of the results of the study will be sent to you.

Consent

- Your signature below indicates that you have decided to volunteer as a research participant for this study, and that you have read and understood the information provided above. You will be given a signed and dated copy of this form to keep, along with any other printed materials deemed necessary by the study investigators.

Respondents Name: _____

Respondents Signature: _____ Date: _____

Investigator's Signature: _____ Date: _____

APPENDIX 3: MUNICIPAL CONSUMERS RESPONDENT QUESTIONNAIRE

**MUNICIPAL CONSUMERS RESPONDENT QUESTIONNAIRE
UNIVERSITY OF VENDA**



**SCHOOL OF
SCIENCES
DEPARTMENT OF URBAN
PLANNING**

**ENVIRONMENTAL
AND REGIONAL**

This questionnaire is directed to households in Thulamela; Makhado and Musina local municipality

I am undertaking a research study entitled, **“IMPLICATIONS OF MUNICIPAL CONSUMER DEBTS ON SERVICE DELIVERY IN RURAL MUNICIPALITIES: A CASE STUDY OF VHEMBE DISTRICT MUNICIPALITIES, LIMPOPO PROVINCE SOUTH AFRICA”**. The study is a requirement to complete my Masters Degree in Urban and Regional Planning. I humbly request, for your objective assistance by completing this questionnaire. Your responses will be solely used for academic purposes only and information collected will be treated with utmost confidentiality.

Researcher : Tivavone Brilliant
Student No : 11626917
Supervisor : Prof P Bikam
Co-Supervisor : Dr J Chakwizira

ADMINISTRATIVE INFORMATION

Date :
Questionnaire no :

Section A: Respondents Profile

Instruction: Please tick or cross on your response.

1. Ward

1	Ward 32	2	Ward 21	3	Ward 22	4	Ward 37
----------	---------	----------	---------	----------	---------	----------	---------

1. Location of municipal service consumer

Please (specify).....

2. Gender

1	Male	2	Female
----------	------	----------	--------

3. Age

1	15-25 years	2	26-35 years	3	36-45 years	4	46-55 years	5	56+ years
----------	-------------	----------	-------------	----------	-------------	----------	-------------	----------	-----------

4. What is your highest qualification?

1	Matric and below	2	Diploma/Certificate	3	Degree	4	Postgraduate
----------	------------------	----------	---------------------	----------	--------	----------	--------------

5. What is your status of employment?

1	unemployed	2	employed	3	self employed
----------	------------	----------	----------	----------	---------------

6. If you are unemployed and not self employed what is your source of income?

1	Old Age Grant	
2	Disability Grant	
3	Foster Care Grant	
4	Care Dependency Grant	
5	Child Support Grant	
6	Other (Specify)	

7. What is your monthly income level?

1	less than R 1000		2	R1001-R2000		3	R2001-R5000		4	Above R 5001	
---	------------------	--	---	-------------	--	---	-------------	--	---	--------------	--

8. To what extent does the municipality incorporate your ideas of making service provision better in there service provision strategies?

	1	2	3	4
	Very High Extent	Moderate extent	Partially	Null
Extent of incorporating community ideas in promoting service delivery				

9. Do you think political interference compromises quality of service provision within the municipality?

1	Yes		2	No	
---	-----	--	---	----	--

If yes what are your suggestions to curb political interference within the municipality

.....
.....

Section B: Constraints and Opportunities of Municipal Debt Recovery.

1. As a business entity do you think the municipality is charging fair rates and taxes on you?

1 Yes

2 No

2. How frequent do you pay for rates and services?

1 Always

2 sometimes

3 never

3. To what extent do you agree or disagree that the following constraints hinders you from paying services

Constraints hindering payment of rates and services		1	2	3
		Strongly disagree	Disagree	Strongly agree
1	I am unemployed			
2	I do not receive any accounts notifying me to pay for rates and services			
3	I do not earn enough income to pay for rates and services			
4	The payment points are not accessible			
5	Perception that services provided are poor (i.e. poor waste collection)			
6	Service charges are too expensive			
7	In accurate billing of services			
8	Lack of adequate communication between the municipality and residents			
9	Corruption			
10	Not aware of the implications of not paying rates and services			

4. To what extent do you agree or disagree that if the following are done you are willing to pay for rates and services?

Opportunities for municipal consumer debt recovery		1	2	3
		Strongly disagree	Disagree	Strongly agree
1	If billings are accurate			
2	If services delivery is improved			
3	If corruption is stopped			
4	If the payment points are accessible			
5	If accounts are accurately sent to the right address			
6	If service charges are reduced			
7	If educated about the implications of not paying for rates and services			
8	If communication between the municipality and residents about importance of paying for rates and services improved			

5. Indicate your level of satisfaction with the services being provided by your municipality?

1 Not at all satisfied

2 Not satisfied

3 satisfied

4 Highly satisfied

6. Which of the following services do you think your municipality should improve on to enable you to pay for services and rates? You can select more than 1 option.

1 Sanitation

2 Waste collection

3 Roads

4 Other specify

7. Which of the following incentives do you need to enable you to pay for rates and services? You can select more than 1 option.

1 Rebate

2 Reduction of service charges

3 Tax incentives

4 Other specify

Section C: Questions 15 - 21 are strictly for commercial, agricultural, institutional and industrial consumers

1. Do you have a licence or permit to operate?

1	Yes	
---	-----	--

2	No	
---	----	--

2. If yes when last did you renew your permit?

1	Less than a year	
---	------------------	--

2	1-2 years ago	
---	---------------	--

3	More than 2 years ago	
---	-----------------------	--

4	Other (specify)	
---	-----------------	--

3. What kind of services do you provide/ produce

1.	Please specify
----	----------------

4. Which special services do you require from your municipality of jurisdiction?

1	Sanitation	
---	------------	--

2	Waste collection	
---	------------------	--

3	Roads	
---	-------	--

4	Other specify	
---	---------------	--

5. In which of these categories are the services you receive from the municipality?

1	Free Basic Services	
---	---------------------	--

2	Full payment	
---	--------------	--

3	Intermediate Services	
---	-----------------------	--

4	Other specify	
---	---------------	--

APPENDIX 4: KEY INFORMANT QUESTIONNAIRE

**KEY INFORMANTS QUESTIONNAIRE
UNIVERSITY OF VENDA**

**SCHOOL OF ENVIRONMENTAL
DEPARTMENT OF URBAN AND
PLANNING**



**SCIENCES
REGIONAL**

Thulamela; Makhado

This questionnaire is directed to
and Musina local municipality officials

I am undertaking a research study entitled, **“IMPLICATIONS OF MUNICIPAL CONSUMER DEBTS ON SERVICE DELIVERY IN RURAL MUNICIPALITIES: A CASE STUDY OF VHEMBE DISTRICT MUNICIPALITIES, LIMPOPO PROVINCE SOUTH AFRICA”**. The study is a requirement to complete my Masters Degree in Urban and Regional Planning. I humbly request, for your objective assistance by completing this questionnaire. Your responses will be solely used for academic purposes only and information collected will be treated with utmost confidentiality.

Researcher : Tivavone Brilliant

Student No : 11626917

Supervisor : Prof P Bikam

Co-Supervisor : Dr J Chakwizira

ADMINISTRATIVE INFORMATION

Date :

Questionnaire no :

CONTACT INFORMATION

a. Name :

b. Contact no. :

Section A: KII Respondent Profile

Instruction: Please tick or cross on your response.

SECTION A

1. From which department of the municipality do you belong?

1. Financial services department	<input type="checkbox"/>	2. Technical department	<input type="checkbox"/>	3. Traffic department	<input type="checkbox"/>
----------------------------------	--------------------------	-------------------------	--------------------------	-----------------------	--------------------------

2. From which of the following areas of service delivery do you collect rates and taxes?

	Revenue category	1. YES	2. NO
1	Property rates		
2	Electricity		
3	Water		
4	Sewerage		
5	Refuse		
6	Rental of facilities		
7	Fines		
8	Licences and permits		
9	Other income		
10	Others (specify)		

3. To what extent does your department implement and enforce the Credit Control and Debt Collection Policy (CCDCP) according to MFMA requirements? On a scale of 1 to 4 where 1 is the highest and 4 the lowest.

	1	2	3	4
	Very High Extent	Moderate extent	Partially	Null
Extent of implementation and enforcement of CCDCP				

4. If the answer to the above question is NO please specify the reason(s) for failing to comply with the MFMA requirements?

.....
.....

5. What is the extent to which existing municipal debt recovery strategies working towards increasing the revenue viability of the municipality towards service provision?

	1	2	3	4
	Very High Extent	Moderate extent	Partially	Null
The extent to which existing municipal debt recovery strategies are working towards increasing the revenue viability of the municipality and increasing service provision?				

6. If answer to above question is Null state reason(s) for the strategies being ineffective towards achieving their goals and objectives.

.....
.....
.....

7. The table below presents major components of other known municipal debt recovery strategies for rural municipalities. To what extent do you implement the listed project outcomes and deliverables effectively?

	1	2	3	4
	Very effectively implemented	Moderately implemented	Partially implemented	Not implemented
1 Program and Implementation Plan Design				
1. Credit Control and Debt Collection policy outlining clear objectives and goals				
2. Key municipal strategies reflecting the expectations of the municipality that is accepted and supported by all stakeholders				
2 Municipal System Data Cleaning				
1. Accurate Customer database profiles				
2. Financial Integrity and accountability				
3. In-house approaches to debt recovery process				
4. Implementation of legal action on payment defaulters				
3 Indigent Registration				
1. Accurate and complete Indigent Register				
4 Debt Collection				
1. Collection of outstanding Municipal debt				

	2. Clean debtor book				
	3. Rehabilitation of existing debtors				
5	Water service Efficiency				
	1. Detailed Water Demand management Strategy				
	2. Implementation of pro-active strategies (prepaid meters)				
6	Skills Training and transfer				
	1. Capacity Building plan to ensure skills transfer				
	2. Training of Economic Profile Register Auditors				

8. When last did you review policies and strategies for debt recovery within the municipality?

1	Less than 1 year		2	1-3 years ago		3	3-5 years ago		4	5-7 years ago		5	never reviewed	
---	------------------	--	---	---------------	--	---	---------------	--	---	---------------	--	---	----------------	--

9. To what extent are the following constraints impacting on municipal service consumer debt recovery?

		1	2	3	4
		Very High Impact	Moderate Impact	Partial Impact	No Impact
1	Non-payment of services				
	1. In-ability of municipal service consumers to pay for rates and taxes				
	2. Unwillingness or refusal by residents to pay, due to perceptions of poor service delivery				
	3. Entitlement to services				
	4. Accounts not sent or sent to incorrect addresses				
	5. Government not paying rates and service charges				
	6. lack of payment options/Inaccessible payment points				
2	Poor billing				
	1. Inefficient metering systems				
	2. Inaccurate customer data				
	3. Tampering with meters				
	4. Inaccurate billings systems				
	5. Masses of returned bills				
3	Poor Indigent Registration				
	1. lack of regular updating of Indigent Register				
4	Poor Debt Collection				
	1. Lack of collection of outstanding Municipal debt				
	2. Accounts not sent to debtors or sent to incorrect addresses;				
	3. Lack of rehabilitation of existing debtors				
	4. Lack of regular revenue reconciliation				
	5. Incomplete customer databases				
	6. Ineffective customer care service centres				
	7. Poor implementation of Credit control and Debt Collection measures				
	8. Incomplete cadastral data				
	9. Lack of adequate debt collection administration capacity				
5	Poor service delivery				
	1. Absence of maintenance plans				
	2. Low levels of service or not reliable				
	3. Water and electricity loses				
	4. Over reliance on external funding				
	5. Revenue policies not updated or implemented				
	6. Inappropriate taxes and tariffs				
6	Institutional factors				
	1. Lack of ICT infrastructure (manual processing)				
	2. Lack of political support for implementation of credit policy				
	3. High vacancies and lack of skills among staff				

	4. Inadequate technological systems				
	5. Lack of clarity around responsibility for debt recovery administration				
	6. Other key policies, by-laws are absent				

10. What measures can be initiated to enhance and improve municipal consumer service debt recovery for your municipality?

Rating from 1-5 (1-least important measure.....5-most important measure)

		1	2	3	4	5
		Least				Most
1	Improve service delivery level/reliability					
2	Revision of tariffs and service charges					
3	Enforcement of penalties to defaulters					
4	Effective communication with municipal consumers					
5	Effective debt collection					
6	Improve billing systems					
7	Privatization of debt collection					
8	Technological improvements					
9	Filling vacancies and training staff					
10	Data cleansing					
11	Ensuring post office delivers					
12	Improve indigent management					
13	Reducing service backlogs					
14	Regular updating of tax roll					
15	Support from other spheres of government					
16	Increase payment points for service charges					

11. What is the current overall financial position of your municipality?

Financial component	Estimated value (R)
Total Expenditure (A)	R
Total Revenue (B)	R
Total Equitable Share	R

12. What was the total budget for your municipality for the following financial years?

Year	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Amount										

13. In terms of revenue collected in the financial year under review, what was the distribution (in percentages) of the following three consumer categories of your municipality:-

1. Government		2. Households		3. Commerce	
---------------	--	---------------	--	-------------	--

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

.....

15. Does your municipality deliver accounts to all users on a regular basis?

1. YES		2. NO	
--------	--	-------	--

If NO why do you fail to deliver sometimes?

.....

16. What method (s) do you employ to deliver accounts?

17. Does your municipality have numerous customer service centres and payment points?

1. YES	<input type="checkbox"/>	2. NO	<input type="checkbox"/>
--------	--------------------------	-------	--------------------------

18. What was the audit opinion of the Auditor General for the financial year under review?

.....

19. Indicate the total uncollected consumer service debts for the following financial years

1. 2010	<input type="text"/>	2. 2011	<input type="text"/>	3. 2012	<input type="text"/>	4. 2013	<input type="text"/>	5. 2014	<input type="text"/>
---------	----------------------	---------	----------------------	---------	----------------------	---------	----------------------	---------	----------------------

20. How old should outstanding municipal consumer debt be before it is written off?

1. > 1 month	<input type="checkbox"/>	2. 2-6 months	<input type="checkbox"/>	3. 6-12 months	<input type="checkbox"/>	4. 12-24 months	<input type="checkbox"/>	5. < 24 months	<input type="checkbox"/>
--------------	--------------------------	---------------	--------------------------	----------------	--------------------------	-----------------	--------------------------	----------------	--------------------------

21. Comparing the current and previous municipal consumer debts written off, is there any improvement?

1. YES	<input type="checkbox"/>	2. NO	<input type="checkbox"/>
--------	--------------------------	-------	--------------------------

22. If answer above is NO state the reason(s) for no improvement

.....

.....

23. If the debt is acknowledged, is there any arrangement made for municipal consumers to repay?

1. YES	<input type="checkbox"/>	2. NO	<input type="checkbox"/>
--------	--------------------------	-------	--------------------------

24. If answer to above is YES what are some of these arrangements?

.....

.....

25. Are municipal service consumers made aware of free services and those services that require payments?

1. YES	<input type="checkbox"/>	2. NO	<input type="checkbox"/>
--------	--------------------------	-------	--------------------------

26. According to the credit control policy, when is the debt handed over to a third party for collection?

1	Less than 1 month	<input type="checkbox"/>	2	1-6 months	<input type="checkbox"/>	3	6-12 months	<input type="checkbox"/>	4	12-24 months	<input type="checkbox"/>	5	never	<input type="checkbox"/>
---	-------------------	--------------------------	---	------------	--------------------------	---	-------------	--------------------------	---	--------------	--------------------------	---	-------	--------------------------

27. According to the credit control policy, are there municipal consumers exempted from rates and taxes?

1. YES	<input type="checkbox"/>	2. NO	<input type="checkbox"/>
--------	--------------------------	-------	--------------------------

28. If yes list and explain them

.....

.....

29. Are the surrounding communities aware of the exact fees payable to the municipality?

1. YES	<input type="checkbox"/>	2. NO	<input type="checkbox"/>
--------	--------------------------	-------	--------------------------

30. What is it that you need to do better to enhance municipal debt recovery within and outside the municipality?

.....

.....

SECTION B: STRICTLY TECHNICAL SERVICES DEPARTMENT

1. What are some of the constraints this department face in providing technical services to municipal consumers due to poor payment of services?

.....
.....
.....
.....

2. Are you receiving adequate financial shares from the municipal budget to enable you to provide better quality services to the people.

If No what are some of the reasons why as a department you have not been receiving adequate financial shares from the budget

3. What is the frequency of service protests and consumers complaints due to poor services do you receive on a monthly basis?

4. With the current payment of municipal services by consumers persist, what effects will this pose on the quality of services provided to consumers in future?

.....
.....

5. Do you have services being sub-contracted outside the municipality?

6. If Yes what are some of those services and reasons why they are sub-contracted outside the municipality

7. Are the services you are providing in line with the Service Delivery Budget Implementation Plan (SDBIP) of the municipality)?

8. How frequent do you incur budget deficits and fail to achieve your service delivery targets?

SECTION C: STRICTLY TRAFFIC SERVICES DEPARTMENT

1. Which strategies do you have in place to recover outstanding fines from traffic defaulters?

.....
.....
.....

2. How can you rate the level of payment for traffic fines and outstanding fines by traffic defaulters?

1. Very poor	<input type="checkbox"/>	2. Poor	<input type="checkbox"/>	3. Average	<input type="checkbox"/>	4. Good	<input type="checkbox"/>	5. Excellent	<input type="checkbox"/>
---------------------	--------------------------	----------------	--------------------------	-------------------	--------------------------	----------------	--------------------------	---------------------	--------------------------

3. What are some of the challenges of providing quality traffic services due to poor payment of fines?

.....
.....
.....

4. Which strategies can this department put in place to increase clearance of debts and payment of traffic fines?

.....
.....
.....

Your participation is highly appreciated. Thank you

APPENDIX 5: REQUISITION TO CONDUCT RESEARCH IN THULAMELA, MAKHADO AND MUSINA LM.



University of Venda

School of Environmental Sciences

Department of Urban and
Regional Planning

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azwidowi.mashangu@univen.ac.za

The Municipal Manager
Makhado Municipality
Private Bag X2596
Louis Trichardt
Limpopo
0920

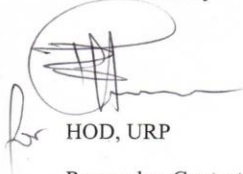
Subject: Request for permission to conduct M.URP research

With reference to the above mentioned subject, I the undersigned hereby write to request for permission to conduct a research by Tivavone B an M.URP student at the University of Venda. The student research topic is titled **IMPLICATIONS OF MUNICIPAL CONSUMER DEBTS ON SERVICE DELIVERY IN RURAL MUNICIPALITIES: A CASE STUDY OF VHEMBE DISTRICT MUNICIPALITY, LIMPOPO PROVINCE SOUTH AFRICA**. The research covers all the three local municipalities within Vhembe District, namely Thulamela, Musina and Makhado local municipalities.

Our request is that you will authorize Him to conduct his research within the municipality to enable Him obtain the relevant data/documentation from the relevant sections of the municipality.

Your Assistance in this regard will be very much appreciated.

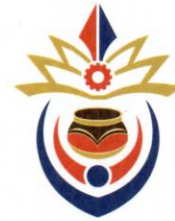
Yours Sincerely



HOD, URP

Researcher Contact Details

[072 5280068 : Email address:- billytiva@gmail.com]



University of Venda

School of Environmental Sciences

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The Municipal Manager
Thulamela Local Municipality
P Bag X5066
Thohoyandou
0950

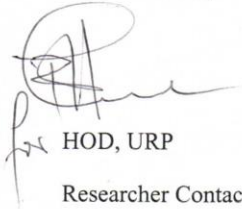
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Yours Sincerely



HOD, URP

Researcher Contact Details

[072 5280068 : Email address:-: billytiva@gmail.com]



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Department of Urban and Regional Planning

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azwidowi.mashangu@univen.ac.za

The Municipal Manager
Musina Local Municipality
Private Bag X611
Musina
0900

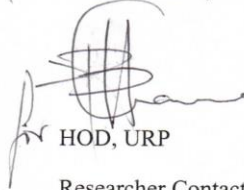
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Your Assistance in this regard will be very much appreciated.

Yours Sincerely



HOD, URP

Researcher Contact Details

[072 5280068 : Email address:-: billytiva@gmail.com]

APPENDIX 6: PERMISSION TO CONDUCT RESEARCH FROM THULAMELA, MAKHADO AND MUSINA LM



Private Bag X5066
Thohoyandou
0950
Limpopo Province
Tel: 015 962 7500
Fax: 015 962 5328
015 962 4020

Ref : 4/3/4/1
Enquiries : Matloga S.T
Tel : 015 962 7514
Fax : 015 962 4020
Email : matlogast@thulamela.gov.za

To : HEAD OF DEPARTMENT: URBAN AND REGIONAL PLANNING
UNIVERSITY OF VENDA

From : THULAMELA MUNICIPALITY

Date : 02 December 2017

Subject : PERMISSION TO CONDUCT URP RESEARCH IN
THULAMELA MUNICIPALITY BY:

o TIVAVONE B. (STUDENT NO:11626917

1. The above matter refers.
2. Kindly note that your permission to conduct research has been granted.
3. Contact Human Resource Section for more information.
4. Yours in service delivery


ACTING MUNICIPAL MANAGER
MALULEKE H.E



No: 0028896

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MAKHADO MUNICIPALITY

Vision : "A Dynamic Multi-Pol State – Economic Development By 2020"
Mission : "To ensure effective utilization of economic resources to address socio-economic disparities through mining, tourism and agriculture"

To: Head of Department: Urban and Regional Planning at the University of Venda

From: Makhado Municipality

Date: 08 December 2017

Subject: PERMISSION TO CARRY OUT A MURP RESEARCH IN MAKHADO LM BY TIVAVONE B HAS BEEN GRANTED

The municipality hereby grants Mr Tivavone B of the University of Venda permission to conduct a MURP research.

Further Enquiries can be directed to:

The Manager: Finance Revenue, Tel No 015 519 3000

Office of the Chief Financial Officer: Tel No 015 5190 3210

Civic Center
83 Krogh Street
Louis Trichardt

File No: 09080/7078

MR M J KASHWINDO
ACTING MUNICIPAL MANAGER

1



MUSINA LOCAL MUNICIPALITY

Private Bag X811,

MUSINA, 0900

Request number 02/2017/2018

05 December 2017

Tel: 015 – 534 8100

Fax: 086 517 0049

To: Head of Department: Urban and Regional Planning at the University of Venda
From: Musina Local Municipality

**RE: PERMISSION TO CARRY OUT A MURP RESEARCH IN MAKHADO LM BY
TIVAVONE B HAS BEEN GRANTED**

Mr Tivavone B of the University of Venda has been granted permission to conduct a MURP
research at the Musina Local Municipality.

For further enquiries contact the under mentioned.

**T N TSHIWANAMBI
ACTING MUNICIPAL MANAGER**

097/80809.79

APPENDIX 7: TURNITIN PLAGIARISM REPORT

EXPLORING IMPLICATIONS OF MUNICIPAL CONSUMER DEBTS ON SERVICE DELIVERY IN RURAL MUNICIPALITIES: A CASE STUDY OF VHEMBE DISTRICT MUNICIPALITIES, LIMPOPO PROVINCE SOUTH AFRICA

ORIGINALITY REPORT

% **18**

SIMILARITY INDEX

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INTERNET SOURCES

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2	cgta.mpg.gov.za Internet Source	% 3
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4	www.ruralpa.org Internet Source	% 1
5	www.saimm.co.za Internet Source	% 1
6	www.mcser.org Internet Source	% 1
7	www.donorth.com Internet Source	% 1
8	www.be.unsw.edu.au Internet Source	% 1
9	siteresources.worldbank.org Internet Source	% 1

165

APPENDIX 8: LETTER FROM THE RESEARCH EDITOR

1334 Lusaka
Highfield, Zimbabwe
+27 72 594 8848
mawokomayi@gmail.com



Date: 05/05/2018

RE: TO WHOM IT MAY CONCERN

This letter serves to confirm that I have edited a master's dissertation entitled:

Exploring implications of municipal service consumer debts on service delivery in rural municipalities: A case study of municipalities in Vhembe District, Limpopo province South Africa.

By Tivaone Brilliant

Student number 11626917

I carefully read through the dissertation, focusing on grammatical errors and spelling mistakes.

Please do not hesitate to contact me for any queries.

Yours Sincerely,



Miss Mawokomayi Betina
E-mail: mawokomayi@gmail.com



Betina Mawokomayi, M.Sc, Communication, (University of Fort Hare) B.A. Hons, Lit. & Media Studies (University of Venda), B.A. Media Studies (University of Venda). Language and Writing Consultant (LWC) (University of Fort Hare).

APPENDIX 9: PROJECTED MUNICIPAL CONSUMER DEBTS FOR THE NEXT TEN YEARS FOR VHEMBE DISTRICT (2018-2027)

Projected municipal consumer debts for the next ten years for Vhembe District (2018-2027)			
Financial Year	Thulamela LM	Makhado LM	Musina LM
2008	R 20 000 111,00	R 13 000 013,00	R 13 885 582,00
2009	R 38 465 342,00	R 38 465 342,00	R 76 525 049,00
2010	R 26 507 722,00	R 26 507 722,00	R 14 841 360,00
2011	R 64 116 924,00	R 64 116 924,00	R 634 000,00
2012	R 134 331 041,00	R 134 331 041,00	R 3 944 000,00
2013	R 32 452 701,00	R 32 452 701,00	R 24 128 963,00
2014	R 134 331 041,00	R 16 406 402,00	R 31 052 466,00
2015	R 58 261 359,00	R 58 261 359,00	R 64 306 735,00
2016	R 65 979 314,00	R 65 979 314,00	R 14 354 526,00
2017	R 17 859 683,00	R 17 859 683,00	R 7 997 884,00
2018	R 73 926 062,07	R 53 935 967,24	R 24 243 928,47
2019	R 76 597 978,12	R 55 244 679,45	R 24 076 087,01
2020	R 79 269 894,16	R 56 553 391,66	R 23 908 245,55
2021	R 81 941 810,21	R 57 862 103,87	R 23 740 404,09
2022	R 84 613 726,26	R 59 170 816,07	R 23 572 562,63
2023	R 87 285 642,31	R 60 479 528,28	R 54 916 896,80
2024	R 89 957 558,36	R 61 788 240,49	R 55 209 098,55
2025	R 92 629 474,41	R 63 096 952,70	R 55 505 257,28
2026	R 95 301 390,45	R 64 405 664,90	R 55 805 361,32
2027	R 97 973 306,50	R 65 714 377,11	R 56 109 398,39
Total	R 1 451 802 080,85	R 1 065 632 222,77	R 648 757 805,10

Source: Authors Statistical Data, Derived from National Treasury Municipal Finance Data; 2017