

**UNIVERSITY OF KWAZULU-NATAL**

**EVALUATION OF NON-PAYMENT FOR MUNICIPAL SERVICES AT  
MAGARENG MUNICIPALITY, NORTHERN CAPE**

**DISSERTATION**

**BY**

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Submitted in partial fulfilment of the requirements for the degree of

**MASTER OF PUBLIC ADMINISTRATION**

in the

**COLLEGE OF LAW AND MANAGEMENT STUDIES**

**SCHOOL OF MANAGEMENT, INFORMATION TECHNOLOGY AND  
GOVERNANCE**

## DEDICATION

I dedicate this work to my late mother, my children, sisters and brother. I am eternally thankful for you always being there for me in this journey.

*“Bawo xa ndilahlekayo koluhambo lwelilizwe; hlal’undifundis’ukuthi mayenzek’ intando yakho.” Methodist Hymn 239*

## DECLARATION

I, **Busisiwe Mgaguli**, declare that:

- (i) The research reported in this dissertation, except where otherwise indicated, is my original research;
- (ii) This dissertation has not been submitted for any degree or examination at any other university;
- (iii) This dissertation does not contain other persons' data, pictures, graphs, table or other information unless specifically acknowledged as being sourced from other persons;
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Signature:



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Date: 26 July 2021

## ACKNOWLEDGEMENTS

First and foremost, I would like thank to the woman who gave birth to me, my late mother, Boniswa Leah Tuutuutu Mgaguli. If it was not for her sacrifices, I would not have been where I am: Jola, Krancolo.

This study would not have been a success without the much needed guidance, constant academic mentorship, constructive criticism, and wisdom of my supervisor, Professor M Subban. Her patience, commitment and dedication, especially during the crucial stages of the research process, have been extremely wonderful and most helpful.

My gratitude also goes to Mr Panganai Dell Musika, who supported me through all the storms of this journey. I am indeed very honoured and grateful for all his support in this dissertation.

I would also like to give special thanks to the following people who have played a pivotal role in my journey in this dissertation and the entire programme:

- Magareng Municipality Accounting Officer, Me Moncho, for permitting me to conduct the study.
- All participants in the study; Thank you for your time.
- To all my friends and colleagues who supported me and encouraged me to continue.
- My kids for their support and encouragement. Without your love and patience, it would have been very difficult to complete not only this research project, but also the entire programme.

## ABSTRACT

The fundamental objective of the public sector is rendering basic services to communities. Local government is key to delivery, having direct interactions with communities for effective and efficient service delivery. Municipalities have powers to charge customers for services rendered. Customers have a responsibility to pay for such services. Several sectors of consumers choose not to pay for municipal services. Magareng Municipality is no exception to this phenomenon. The study provides insight into why consumers in the selected Municipality are not paying for services. Results were categorised into four broad aspects, governance structures, emergence of Ratepayers' Associations, entrenched culture of non-payment, and level of indigents with billing-related challenges. The study theorised the Systems Theory, Contingency Theory of Leadership, and Social Contract Theory. Interviews were conducted qualitatively with selected municipal officials, consumers and other stakeholders through semi-structured questions. Reasons for non-payment included culture of entitlement, lack of trust in services rendered, lack of adequate processes to engage consumers on dissatisfaction about municipal services, absence of query resolution mechanisms, failure by the municipality to properly implement its credit policy and unaffordability. Issues of failure to collect meter readings resulted in use of estimates and unreliable billing systems. Affordability worsened during the COVID-19 pandemic, as most businesses closed, exacerbating unemployment levels. Perceived lack of engaging consumers was identified as one main cause of service delivery protests. The study could not provide much clarity on the effect of Ratepayers Associations. For Magareng Municipality to improve rates collection, it should appoint a task team to investigate and resolve all unallocated deposits, implement resolution mechanisms and processes to address credit control policy and increase accessibility. Communities need to be involved as participation is a critical process in local government. Such measures are likely to improve revenue collection and enhance service delivery, and hopefully minimise service delivery protests.

**Keywords: revenue collection rates, consumers, municipalities, municipal services, non-payment, municipal service delivery**

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## List of Acronyms

Acronym	Description
AGSA	Auditor-General of South Africa
CFO	Chief Financial Officer
COGTA	Co-operative Governance and Traditional Affairs
DBSA	Development Bank of Southern Africa
ERA	Electricity Regulation Act
FBS	Free Basic Services
IDC	International Development Cooperation
IDP	Integrated Development Plan
IGFR	Intergovernmental Relations Framework Act
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MISA	Municipal Infrastructure Support Agent
MLM	Magareng Local Municipality
MM	Municipal Manager
MPAC	Municipal Public Accounts Committees
MPRA	Municipal Property Rates Act
MSA	Municipal Systems Act
NC	Northern Cape
NCPT	Northern Cape Provincial Treasury
NDP	National Development Plan
NERSA	National Energy Regulator of South Africa
NT	National Treasury
NTLGD	National Treasury local Government Database
PAA	Public Audit Act
PFM	Public Finance Management
PPP	Private–Public Partnership
RA	Ratepayers’ Associations
RSA	Republic of South Africa
SALGA	South African Local Government Association
SDBIP	Service Delivery and Budget Implementation Plan
SPLUMA	Spatial Planning and Land Use Management Act
USAID	United States Agency for International Development
WSA	Water Services Act

## **CHAPTER ONE**

### **SYNOPSIS OF THE STUDY**

#### **1.1 INTRODUCTION**

From the beginning of democracy in South Africa, community members have devised ways and means of organising themselves into groups to protest against the lack of efficient and effective service delivery. Some of these protests have been violent. Magareng Municipality (Northern Cape) has fallen victim to this phenomenon. This was mainly due to its failure to provide efficient and effective services to its residents (Magareng Local Municipality, 2019). It became routine for local community members to protest in the streets to air their grievances.

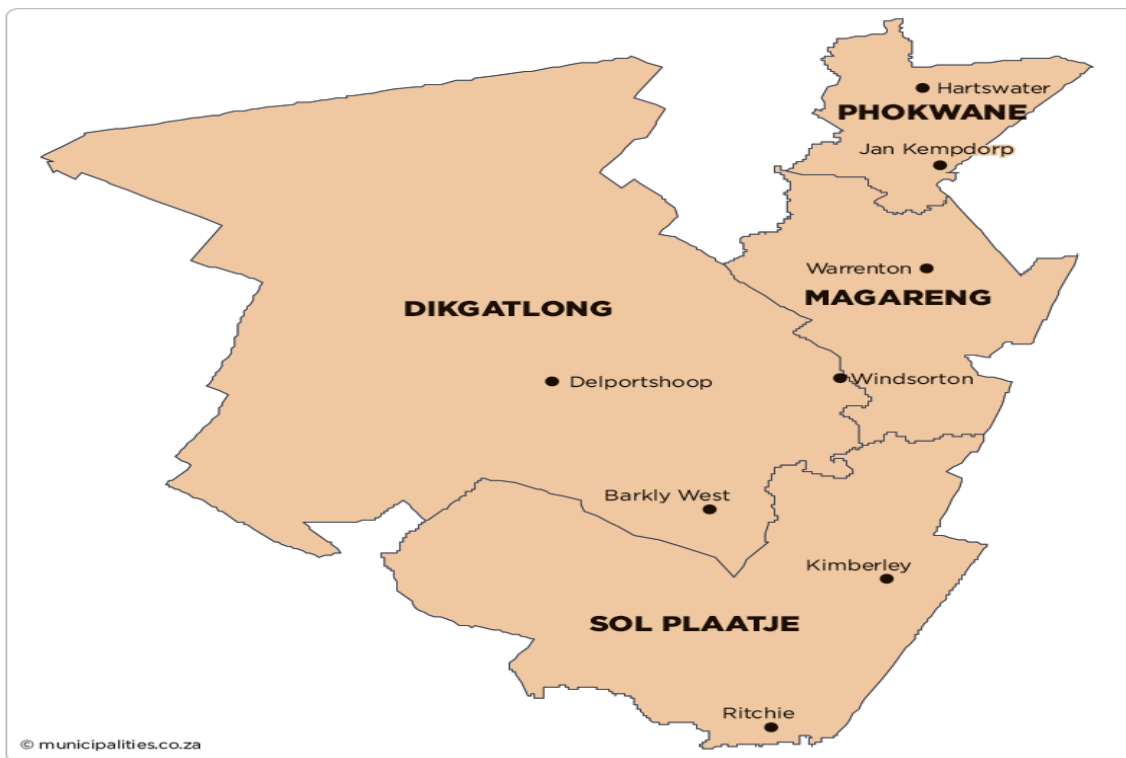
It appears that the nature of the protests in some part of the communities took on a new dimension when the service delivery protests increased and turned violent. Some residents resorted to withholding payments of municipal rates, instead of protesting violently. According to the Magareng Local Municipality (2019), in some cases, communities combined service delivery protests with their non-compliance with the relevant municipal statutes. The latter form of protest is an act where ratepayers refuse to pay property rates and services charges. At times, this includes payment for electricity consumption.

The foregoing issues motivated the researcher to conduct this research. This study has focused on the reasons why consumers do not pay for municipal services and the reasons for service delivery protests, as well as their effect on the delivery of services in the Magareng Municipality.

#### **1.2 STUDY AREA**

The researcher focused on Magareng Local Municipality, which is located about 75 km to the north of Kimberley, along the Vaal River. Figure 1.1 below sets out a map of the jurisdictional area of the municipality.

**Figure 1.1: Magareng Municipality Map**



Source: National Treasury: 2018

The municipal area is approximately 1 542km<sup>2</sup> in extent, with approximately 28 237 people: 82.9% Blacks; 12.3% Coloured; 4.2% White; and 0.6% Indian and Asian (IHS Markit, 2021).

### **1.3 BACKGROUND**

According to Khumalo and Ncube (2016: 1), about a third of the municipalities in South Africa are financially unviable and dysfunctional. The National Treasury (2018: 3), on the other hand, noted that about 125 municipalities in South Africa are at different levels of financial distress. A significant reason for these challenges has been identified as the non-payment of service charges. The former Provincial and Local Government Minister, Mr Mufamadi (2005: 32), who noted that the issue of non-payment needed to be addressed to create effective, accountable and developmental local government, confirmed the prevalence, or significance, of non-payment of services.

Several researchers, such as Fjeldstad (2014); Powell, May and Ntliziywana (2010); Hammersley and Atkinson (2007); and Cullis and Lewis (1995), have identified various reasons for this phenomenon, although the majority agree on the main issues. For example,

Fjeldstad (2014: 56) attributed this to a culture of entitlement, an inability to pay, and whether local communities believe that municipalities are serving their best interests. He then identified what he termed “three faculties of confidence and trust”, which influenced how communities behaved regarding compliance. He said that communities should have trust and confidence that municipalities: will use the money generated for the provision of quality basic services; and will have a fair and convenient way to both collect service rates and distribute basic services; and that therefore the local residents will pay their rates. Powell *et al.* (2010: 5-9) concurred, but they added elements of perceived incapacity and corruption at the local government level. Hammersley and Atkinson (2007: 58), in essence, shared the same view as Fjeldstad (2014: 56) and Powell *et al.* (2010: 5–9), when they attributed the phenomenon to the poor quality of service delivery, and to communities’ beliefs that they were being excluded from policy-making and that their efforts to engage municipal officials were always in vain. However, Cullis and Lewis (1995: 10) attributed the issue of non-payment of municipal bills by the community to poverty levels and unaffordability issues, as many sectors of the people “struggle to make ends meet”. The latter authors are, therefore, suggesting that this phenomenon is prevalent in poor communities and among those with similar socio-economic profiles.

### **1.3.1 Consumer debtors and net cash balances**

Regardless of the causes of non-payment of municipal bills, the net effect is that there has been a net increase in consumer debit balances, which is negatively affecting municipalities’ operations, cash flows, and overall service delivery. For example, according to the National Treasury (2019), Northern Cape municipalities were owed a total of R3.8 billion. A more worrying factor is that, of this amount, the government owed about 23% (R899 070). About 93% (R840 123) of that amount was 90 days past the due date. Businesses, on the other hand, owed 13% (R506 829), with 77% (R388 062) of the amount being 90 days overdue. This meant that the government and businesses in the Northern Cape Province owed municipalities about R1.4 billion (36%). Table 1.1 below shows a detailed analysis of this amount.

**Table 1.1: Consumer debtors age analysis as at 31 March 2019 (R'000)**

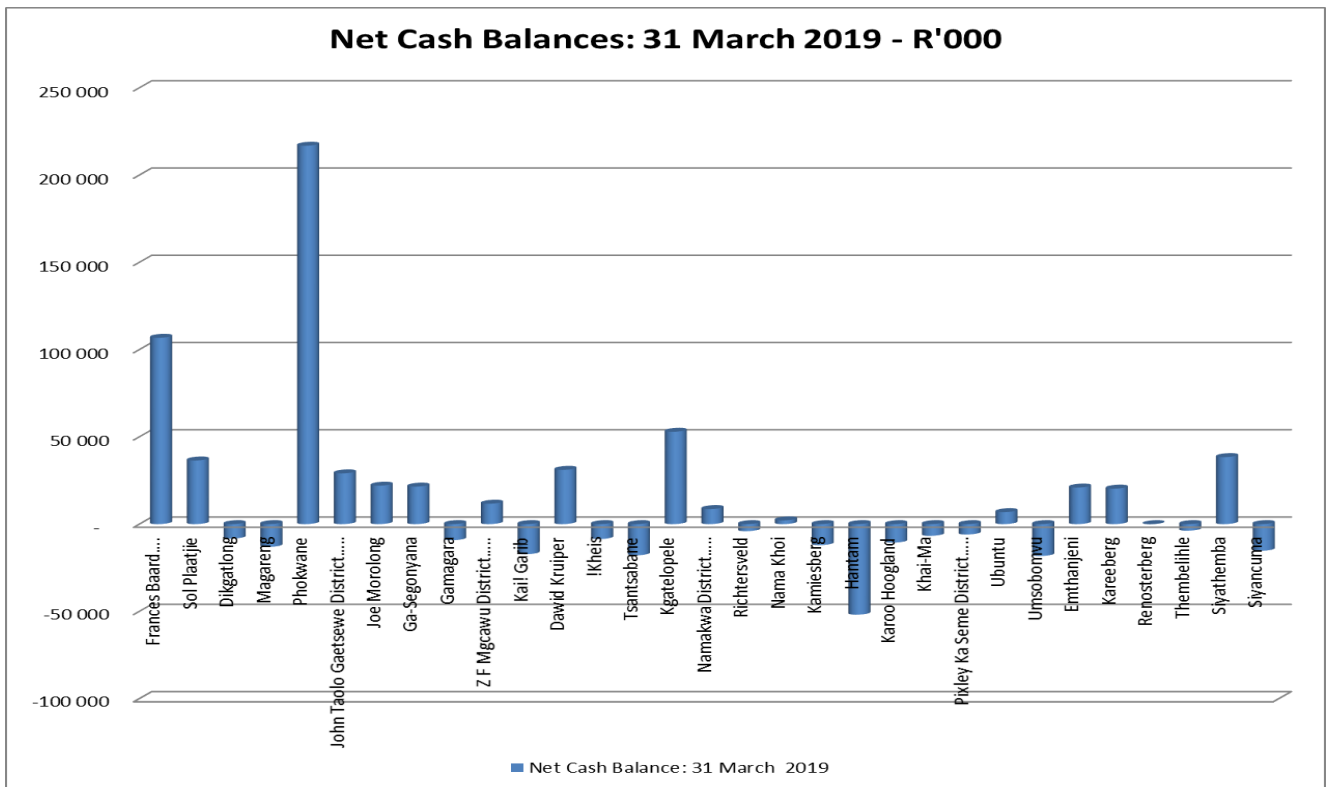
Details	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Government	25 481	3%	20 571	2%	12 895	1%	840 123	93%	899 070	23%
Business	77 482	15%	25 405	5%	15 880	3%	388 062	77%	506 829	13%
Households	97 280	4%	82 048	4%	67 741	3%	1 984 747	89%	2 231 816	58%
Other	(55 610)	-29%	13 269	7%	12 080	6%	220 857	116%	190 596	5%
<b>Total</b>	<b>144 633</b>	<b>4%</b>	<b>141 293</b>	<b>4%</b>	<b>108 596</b>	<b>3%</b>	<b>3 433 789</b>	<b>90%</b>	<b>3 828 311</b>	<b>100%</b>
Water	30 526	4%	35 204	4%	33 126	4%	715 264	88%	814 120	21%
Electricity	69 163	16%	28 832	7%	16 539	4%	328 052	74%	442 586	12%
Property Rates	(3 607)	0%	32 826	3%	21 003	2%	1 009 359	95%	1 059 581	28%
Other	48 551	3%	44 431	3%	37 928	3%	1 381 114	91%	1 512 024	39%
<b>Total</b>	<b>144 633</b>	<b>4%</b>	<b>141 293</b>	<b>4%</b>	<b>108 596</b>	<b>3%</b>	<b>3 433 789</b>	<b>90%</b>	<b>3 828 311</b>	<b>100%</b>

Source: National Treasury (2019)

The fact that government and businesses owe local municipalities over R1.4 billion means that they are part of the bigger problem of non-payment for services rendered by municipalities. This concern was emphasised by the Deputy President of South Africa, Mr David Mabuza, in his response to the National Council of Provinces in September 2019 (Naki, 2019). According to the report, government departments that owed municipalities for services rendered had to pay. Those that failed to do so would be summoned to the Office of the Presidency to provide reasons why they had broken the law.

As mentioned earlier, non-payment has a significant effect on municipalities' cash flow. Figure 1.2 below shows that most of the municipalities had either low cash balances or negative cash balances. For example, excluding the district municipalities which do not raise levies (Frances Baard; Joe Taolo Gaetsewe; Z.F. Mgcawu; Namakwa; and Pixley Ka Seme), of the complement of 26 local municipalities, 14 local municipalities had negative cash balances as of 31 March 2019. About four of the remaining 12 local municipalities had very small positive cash balances – almost zero or negative. In essence, the researcher argues that about 18 of the 26 local municipalities had negative or insignificant cash balances, since a balance of around R1 million is not of much value to local municipalities, based on their operations.

**Figure 1.2: Net cash balances as of 31 March 2019 (R'000)**



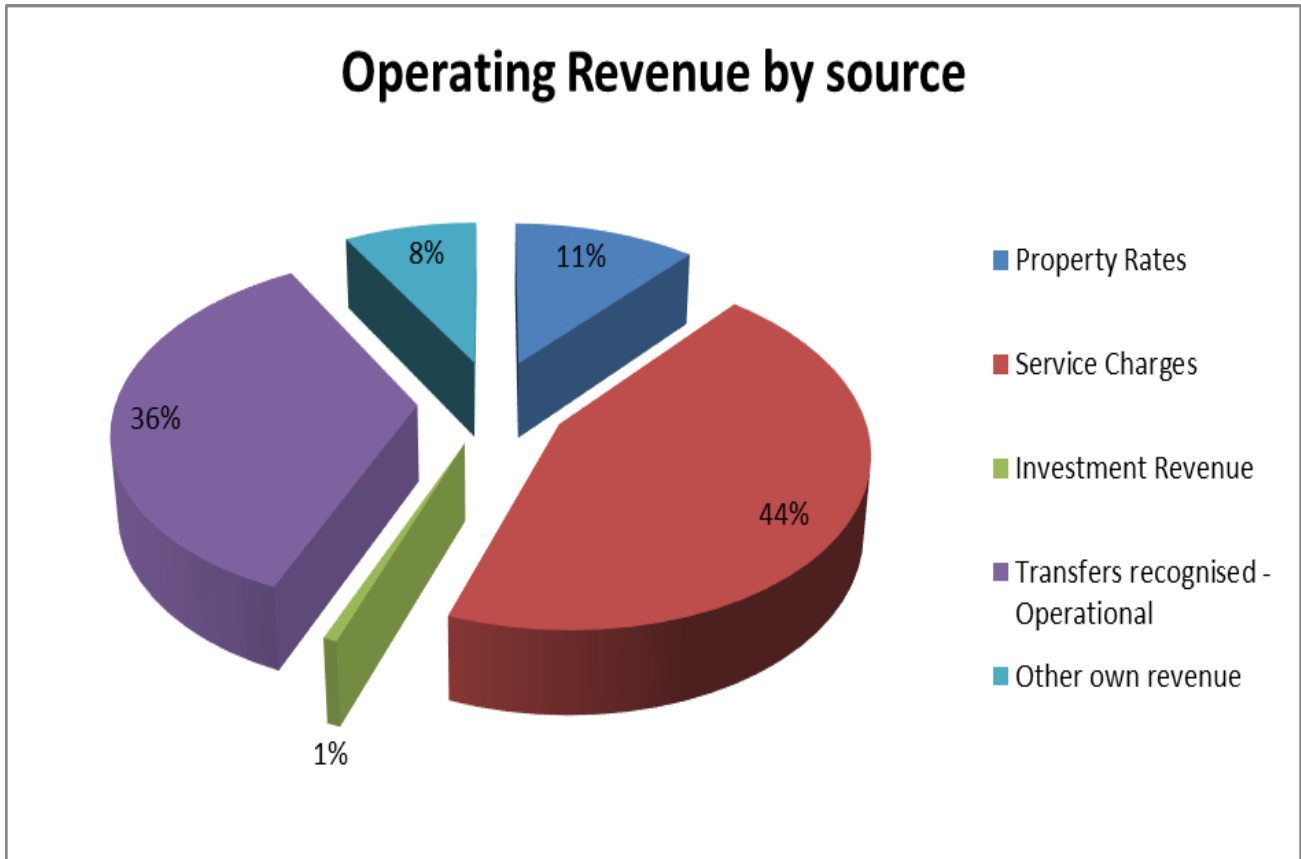
Source: National Treasury (2019)

### 1.3.2 Sources of revenue

The prevailing financial positions of local municipalities have occurred despite the fact that most local municipalities have a fairly broad revenue base, such as property rates; service charges; levies; interest on income; and unconditional and conditional grants (Municipal Money, 2020). On average, the Northern Cape Province municipalities generate approximately 74% of their revenue from their own sources (service charges, property rates, and other income), while they receive about 36% of their revenue from both provincial and national government (Municipal Money, 2020). Since transfers from provincial and national governments are in cash, an assertion that local municipalities heavily rely on government grants, despite local municipalities generating about 52% of their total income from their main sources of revenue, is accurate. This is because municipal billings do not equate to cash flow. Municipalities will still need to collect the revenue, thus converting the billings into cash. Clearly, therefore, billing (revenue generation) is not sufficient if it is not backed by effective collection mechanisms. This demonstrates further that non-payment of services not only cripples municipalities financially, but also has a resultant negative effect on service

delivery. Figure 1.3 below shows the various sources of operational revenue and their average contribution to the total revenue of the local municipalities in the Northern Cape Province.

**Figure 1.3: Operating revenue by source**



Source: Municipal Money (2020)

It is clear from Figure 1.3 above that most of the municipalities' revenue derives from their own income. Services charges and property rates constitute about 55% of municipal revenue. Despite this, municipalities continue to face cash flow challenges. This is mainly because residents are not paying for these services.

### 1.3.3 Status of Magareng Municipality

Residents have not spared Magareng Municipality from the dilemma and crisis of non-payment of service fees. From July to September 2019, Magareng Municipality's consumer debtors' book increased significantly. During the same time, the municipality's collection of rates as a percentage of current billing declined. Table 1.2 below shows these trends.

**Table 1.2: Magareng Local Municipality's debtor's book and rates of collection**

<b>Consumer Debtors</b>	<b>July 2019</b>	<b>August 2019</b>	<b>September 2019</b>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Opening Balance	226 874	231 096	236 421	226 874
Billings for the month	4 886	5 092	4 732	14 710
Computed Closing Balance	231 760	236 188	241 153	241 584
Actual Closing Balance	231 096	236 421	241 035	241 035
Computed Collections for the month	664	(233)	118	549
<b>%of collection on Total Debtors</b>	<b>0,29%</b>	<b>-0,10%</b>	<b>0,05%</b>	<b>0,23%</b>

Source: National Treasury, 2020(a)

Table 1.2 above shows that the municipality is collecting less than 1% of all its outstanding debtors every month. This is worrying and suggests fundamental problems in either the municipality's accounting records (lack of reliability and accuracy) or the level of non-payment of service charges. These deteriorating rates of collection and the growing debtor's book have been negatively affecting the financial position of Magareng Municipality. As with all municipalities, the municipality's operations are largely dependent on timeous billing and the prompt payment for the municipal services (Municipal Money, 2020).

Magareng Municipality's main sources of revenue are no different from other local municipalities. Service charges and property rates are the main sources, contributing about 56% of its total revenue, followed by government grants at 32%, with the rest coming from agency fees, the sale of stands, and the revaluation of inventory, contributing about 12% of the local municipality's total revenue (Magareng Local Municipality, 2017). This is in line with the norm for most municipalities. This analysis, however, does not mention the extent of cash collections. To this end, it is fair to mention that there are two main issues regarding revenue: one is generation, in which Magareng Municipality is succeeding fairly well; while the other is that of collection of revenue, as the ultimate objective of billing income is to convert it to cash. Revenue generation needs to be complemented by high rates of cash collection. This ideal situation is contrary to the situation on the ground at Magareng

Municipality. Most of the revenue generated is not being converted to cash. These unprecedented levels of non-payment not only result in a lack of service delivery, but also in budgetary process challenges, such as significant year-end deficits. This is contrary to the National Treasury's expectations that municipalities should consistently rely on their own income (National Treasury, 2018: 22).

The persistent increase in the level of non-payment of debt is having a spiralling effect on municipal debt. South Africa's municipal debt increased by at least 6.8% in the 2016/17 period, with the highest increase being recorded in the Free State (26,8%), with Northern Cape coming second at 19.3% (National Treasury, 2018: 10). The report further noted that Magareng Municipality has the highest debt-to-income ratio – a negative factor in the municipality's borrowings and investor perceptions. Sidimba (2021) agreed, and noted that, as of 31 March 2021, the aggregate municipal debt increased from R230.5bn to R304.7bn, before the write-off of a significant amount of R74bn.

As mentioned earlier, the culture of non-payment of service charges at Magareng Municipality has worsened significantly, such that it is now common in the Coloured and African communities. Social unrest and boycotts in Magareng Municipality began during the illegal and illegitimate era of apartheid, and continue to date, becoming the norm (Timm and Jadwat, 1998: 113; Mattes, Davids & Africa, 2000: 32). These studies noted that this is a worrying factor because the culture may not only hamper the implementation of new and sustainable systems within the municipality, but also influence other communities in the country who have similar problems. It can be construed that the challenges regarding non-payment of municipal charges may be complex and require an objective view, if they are to be understood. It requires an understanding, from the perspective of the participants, of what is commonly referred to as phenomenology. According to Sokolowski (2000: 2), phenomenology is the “study of human experiences”, ways and events that present themselves as a result of past and current experiences. Smith (2008: 16) defined it as the study of elements of consciousness, based on participants' first-hand experiences, commonly referred to as ‘first-person point of view’. He explained that the first-person point of view means that the phenomenologist analyses his or her own insights according to the perspective of living through that experience. Understanding this assisted the researcher in a variety of ways, such as deciding on which methodology, data collection and analysis to use.

In view of the foregoing, the researcher deemed it necessary to provide a brief background to this phenomenon across and within South African municipalities. The researcher also ensured that the study addressed, firstly, the theoretical views on behaviour; trust among ratepayers and municipalities; and the socio-economic and political aspects that probably influence communities' behaviour concerning municipal services; and secondly, possible ways of improving compliance.

#### **1.4 PROBLEM STATEMENT**

Section 229 of the Constitution of the Republic of South (hereinafter referred to as RSA Constitution, 1996) and section 75 of the Local Government Municipal Systems Act No 32 of 2000 (MSA, 2000) give municipalities the right to levy rates and taxes on property and to charge for services rendered to the communities. In turn, section 5(2)(a) of the MSA, 2000, places an obligation on the residents to promptly pay service fees, surcharges on fees, rates on property and other taxes, levies, and duties imposed by the municipality. Municipalities can, arguably, be said to be meeting their part of the legislative requirements. However, local communities are renegeing on their obligations, as evidenced by the significant level of consumer debt that is continuing to grow at an alarming rate across the South African municipal landscape (National Treasury, 2018: 22). Despite this ongoing challenge, local communities expect quality, uninterrupted service delivery.

Service delivery, as the core function of municipalities, is to a large extent reliant on the collection of service charges and property rates. Non-payment of rates and service charges adversely affects the cash position of municipalities, which ultimately affects the delivery of basic services, and the provision and maintenance of infrastructure assets.

##### **1.4.1 Importance of the study**

Various researchers, such as Tshabalala and Lombard (2009: 40), have undertaken research on the motives for non-payment for services in municipalities. Large portions of these studies were concluded during the early-to-mid-2000s.

This research did not only contribute to the existing body of knowledge (which is fairly dated) regarding the revenue and debt collection challenges that municipalities face, and the possible effects on service delivery, but also looked into current trends in the field. There have been several reforms and transformations in the local government environment, such as new guidelines issued, clarity by courts regarding legislation, and the emergence of ratepayers' associations. These changes and reforms warrant a detailed and up-to-date investigation of the issues that drive negative behaviour. Current studies of this nature may help municipalities to solve various problems that they face, be they strategic, operational, or planning (Shajahan, 2005: 2). Magareng Municipality is no exception in this current debacle. It could use the results of this research to turn the situation around, especially as regards revenue enhancement mechanisms. This research could encourage further longitudinal studies, aimed at exploring any other related issues. This study helped this researcher to understand some of the main reasons for poor service delivery in local government and whether this *status quo* can be transformed for the better.

The study also provided an opportunity to analytically review revenue collection, to see if there are trends that may indicate the issues at stake. Of the studies conducted regarding non-payment of services, a limited number have focused on the possible effect of non-payment of municipal bills on the operation of municipalities, including service delivery. The issue of effective credit control mechanisms has also been underscored.

Magareng Municipality is the 'heartbeat and backbone' of many rural villages that need improved services. The recommendations in this study could then assist the communities, policy-makers, decision-makers and other stakeholders to understand some of the consequences of low rates of debt collection on service delivery in Magareng Municipality. Lastly, the study helped in establishing whether the municipality's financial performance and revenue planning require an all-inclusive approach to be taken by all key stakeholders involved in this process.

## **1.5 RESEARCH QUESTIONS**

This study aimed to answer the following key questions:

- Is the local community aware of their obligation to pay for municipal services?

- Does the municipality have policies and procedures in place to submit bills to the local community timeously, and measures to hold defaulting consumers accountable?
- Does the municipality implement such measures and apply the relevant policies?
- Does the non-payment of services charges and property rates affect service delivery?

## **1.6 OBJECTIVES OF THE STUDY**

The main objectives of this research were to:

- establish why consumers fail to pay for municipal services;
- advise as to systems, policies and procedures that could be put in place regarding delivering services charges and property rate bills to the community;
- establish if the municipality has mechanisms in place to hold consumers accountable for their failure to pay for the services, thereby improving revenue collection; and
- determine if the non-payment of municipal property rates and service charges affects service delivery.

## **1.7 LITERATURE REVIEW ON NON-PAYMENT FOR SERVICES**

### **1.7.1 Ratepayers' Associations**

The practice of withholding municipal payments is a 'new' form of protest by the Magareng local community. Some of the residents have formalised these activities by organising themselves into what are called Ratepayers' Associations (Lund, 2009). This is contrary to the notion that rich and middle-income communities would not do this, as they rely on their financial resources to participate in the various municipal processes (Tshabalala and Lombard, 2009: 40).

While the methods and approaches of Ratepayers Associations' to the issues of municipal services have not been accompanied by physical violence and physical damage as seen in several other forms of protest, the effects nonetheless are equally detrimental. Firstly, they have the potential to increase the historic racial and class divisions in South Africa, thus damaging the prospects of nation-building. Secondly, the standoff between ratepayers and the municipal council has damaged effective governance and community trust in such

municipalities. The worrying trend seen in the challenges of Ratepayers Associations' is that they decide what they want to do and when to do it. For example, recently, some members of the Ratepayers' Association decided to only pay for electricity, while withholding other payments. A case in point is the Rademan case (2013), where residents were not paying for any services in the Moqhaka Local Municipality, except for electricity. According to the findings of the Constitutional Court of South Africa in 2013, in the matter of Rademan vs the Moqhaka Local Municipality (Constitutional Court of South Africa, 2013: 22), the municipality disconnected electricity to one of the residents who was only paying her electricity bill, and not for all the other services, as a way of protesting poor service delivery. The resident then took the matter to the magistrate's court, the High Court, the Supreme Court of Appeal, and ultimately, the Constitutional Court, where she lost all her cases. This practice had continued until 2013/14, when it was outlawed by the court, but the damage had already been done. This, however, shows that some of the residents, especially those affiliated with the Ratepayers' Association, withhold payments even if that is illegal. It is a considered view that some municipalities may not be aware of the court ruling, and thus the practice continues. There is no doubt that withholding payment for service charges negatively affects the municipality's cash flow, which may, in turn, significantly reduce the municipality's capital expenditure. This impairs the quality and consistent rendering of service delivery. The local government is therefore under stress because of these illegal actions. Because of the nature and spiralling extent of the effects, SALGA and other key municipal stakeholders initiated a research project to gain a more detailed understanding of the practice of withholding rates in Magareng Municipality and other municipalities.

### **1.7.2 Culture of non-payment of services**

Every municipality must collect money that is legitimately due and payable to it. This means that the amounts levied should be within the ambit of the Local Government Municipal Systems Act, 32 of 2000, and other legislative prescripts. Every municipality is further enjoined, for the collection of all money due and payable to it, to provide credit controls and a debt collection policy (Constitutional Court Ruling, 2013: 12). This clearly shows that municipalities need to develop and implement measures and mechanisms to collect that which is due from the local community. To an extent, it can be construed that the blame for the non-payment of levies may rest with the local municipality. However, as mentioned earlier, these

rights are conferred on local municipalities by Section 5(2)(b) of the Local Government Municipal Systems Act, 32 of 2000, which places an obligation on the local community to “to pay promptly” for services charges and property rates. This is emphasised in Section 64 of the Local Government Municipal Finance Management, Act 56 of 2003 (MFMA, 2003), which requires municipalities to establish systems and procedures for the collection of revenue, as well as to adopt by-laws and policies that should give effect to those processes.

Fjeldstad (2005: 86) studied why communities in South Africa are not paying for municipal services received. He identified what he termed the principle of “fiscal exchange”. Local communities would only pay in exchange of services they were offered. He further noted that this is contrary to the view that the local community does not pay due to their inability to pay (lack of funds), or a culture of entitlement. Netswera (2014: 264) and Gukelberger (2018: 67) share different views on the principles of “fiscal exchange”. While they both agree with the fact that the culture of non-payment started during the apartheid era, Netswera’s (2014: 264) arguments are inconclusive in that he does not elaborate on the reasons why it was like that then – and now. Gukelberger (2018: 67), on the other hand, noted that this was because during apartheid, homelands were ungovernable and this had become the norm. He further notes that this is a multi-faceted and complex issue, which has nothing to do with the ability or inability to pay. In essence, Gukelberger (2018: 68) is acknowledging that this was linked to the culture of non-payment, which was inherited from the apartheid era.

### **1.7.3 Municipal service delivery**

Section 152 of the RSA Constitution, 1996, sets out several purposes of local government, two of which are to provide a democratic and accountable government for local communities and to ensure the provision of services to communities in a sustainable manner. According to the Constitutional Court ruling, provincial and national governments are legislatively mandated to assist local government in administering their affairs and functions effectively (Constitutional Court Ruling, 2013: 10). This clearly shows that local municipalities are legislatively expected to provide services to the community that they administer. It, therefore, means that they need to ensure that they have the means and resources (both financial and human capital) to perform such functions as are entrusted to them. It is also clear, from these two records, that reliance on national and/or provincial governments is not, and should not be, an excuse. At the same time, this also shows the importance of, and possibly one of the main

uses for, allocating local municipalities' resources. This clearly shows that the generation of cash flow cannot be trivialised.

Political leadership can play a very important role in supporting the payment of services, especially if the message comes from senior political members, such as municipal councillors and provincial leadership. For example, the MEC for Finance Economic Development and Tourism in the Northern Cape Province, Mr Lekwene, in his Provincial Budget Speech for 2020/21, recommended that government departments and all residents should settle their municipal accounts or risk their properties being attached (South Africa, Northern Cape Provincial Treasury, 2020: 8 & 12). This was reiterated by Mr Vosloo, the new MEC for Finance Economic Development and Tourism in Northern Cape, in his Provincial Budget Speech for 2021/22. He stated that he would look into ways of prioritising the settlement of municipal bills. An amount of R20 million had been set aside for this sole purpose (South Africa, Northern Cape Provincial Treasury, 2021: 12). There was, however, no direct mention of the vital oversight role that institutions, such as the legislature and municipal public accounts committees (MPAC), play in the implementation and monitoring of credit control procedures. The MEC concentrated on community coercion as a key enforcement mechanism.

#### **1.7.4 Theorising non-payment of municipal services**

Some scholars have advanced theories to explain the non-payment of municipal bills by local communities. This study used three of the theories advanced, namely the Systems Theory, the Contingency Theory, and the Social Contract Theory. The researcher believes that detailed studying and understanding of these theories would significantly assist in reducing the extent of non-payment of service charges by consumers.

##### **(a) Systems Theory and municipal service delivery**

The authors Mele, Pels and Polese (2010: 126) have defined Systems Theory as an interdisciplinary theory about every system in nature, society, and in many scientific domains, as well as a framework with which one can investigate phenomena holistically. This entails greater interaction between the municipality and its external environment, converting inputs into outputs, and enhancing feedback mechanisms (Mele *et al.*, 2010: 126). Systems theorists emphasise the importance of every participant being knowledgeable about their environment

and expectations, adapting to the existing conditions, and being able to handle difficult situations (Mele *et al.*, 2010: 126). The Systems Theory proposes effective and efficient communication between an organisation (in this case, Magareng Local Municipality) and consumers (residents) to implement and improve the level of payment compliance and effective service delivery, which makes it more relevant to the study. Based on Systems Theory, all municipal officials need to be knowledgeable and aware of their external environment in all material respects; because, based on System Theory, municipal systems can either make or break the municipality's cash flow.

**(b) Contingency Theory of Leadership**

According to the Contingency Theory of Leadership, the organisation must have a wide range of measures that are aimed at resolving any challenges that might arise at work (Flynn, Hou & Zhao, 2009: 230). It is the researcher's considered view that, in essence, the theory advocates for situational leadership. Measures to resolve any challenges should be based on the nature and extent of the identified short-comings.

**(c) Social Contract Theory**

Social Contract Theory is premised on the notion that there is a contract between the government and its citizens. According to Nbeta (2012: 230), the theory, spearheaded by Hobbes and Rousseau, believes that in civil society, there is a social agreement with a balance of authority between leaders' obligations (those in power and government) and subordinates' obligations (the residents). He notes that it is premised on the fact that 'no one is above the law'. Every resident must therefore abide by the legislative prescripts governing municipalities.

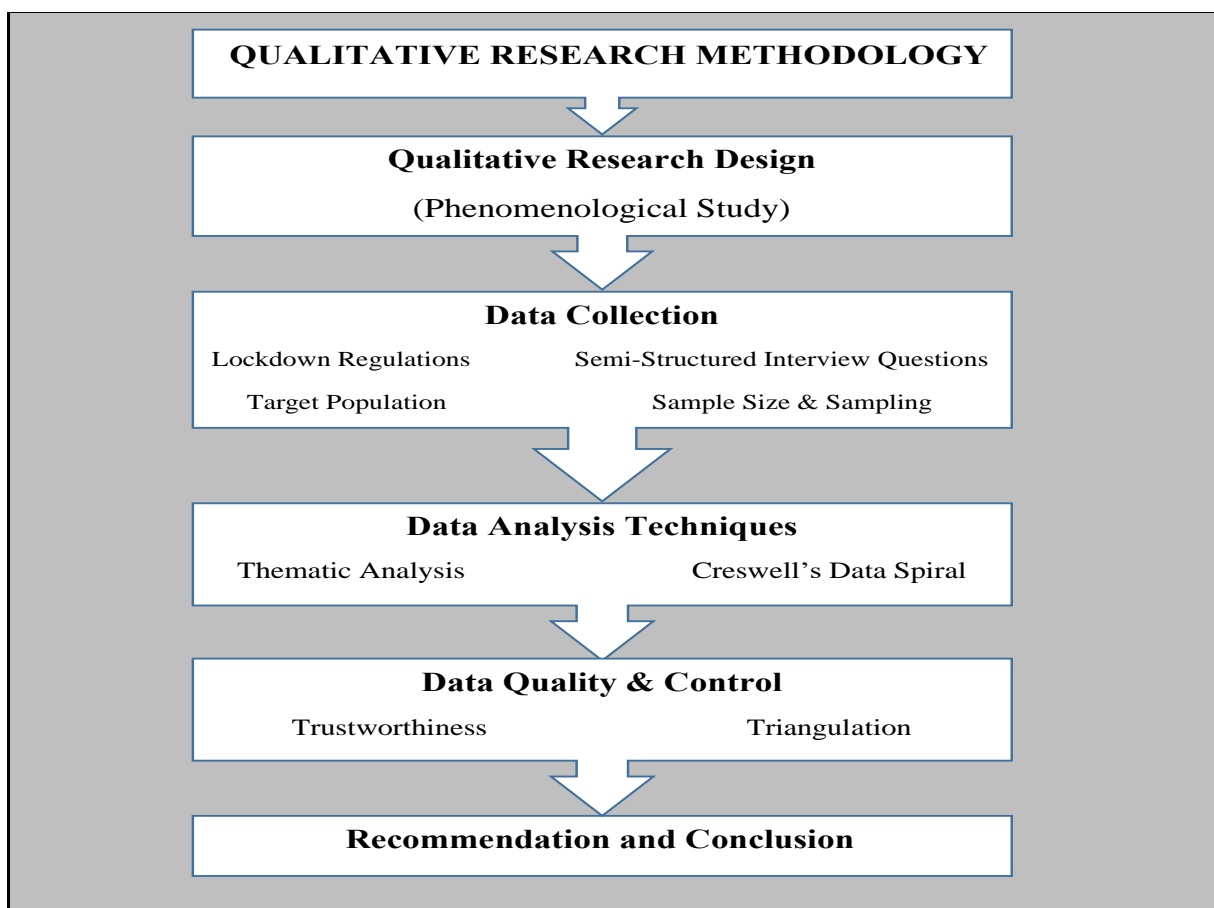
## **1.8 QUALITATIVE RESEARCH METHODOLOGY**

According to Shannon-Baker (2016: 319), methodology is used by researchers to summarise their beliefs regarding their efforts to create a new body of knowledge. Saunders, Lewis and Thornhill (2009: 49) concurred with this, although they used different terminology. Saunders *et al.* (2009: 596) defined it as an examination of a social phenomenon to gain an understanding and explanation of that phenomenon.

The common types of research methodology used are qualitative, quantitative and mixed-methods. According to Blumberg, Cooper and Schindler (2011: 144), the choice between qualitative, quantitative, or mixed-methods is an epistemological issue (concerned with how one acquires knowledge). The choice is guided by the knowledge available about the subject matter.

In this study, a qualitative research methodology was used. The methodology includes a number of aspects that were considered by the researcher. These were structured in various stages and in an orderly manner. Figure 1.4 below illustrates this methodology, and how the process flowed. The process flow does not in any way reflect the hierarchy or fixed classification of these elements.

**Figure 1.4: Summarised research methodology**



Author's perspective

The following subsections give a detailed description of these elements.

### **1.8.1 Qualitative research design**

There are five common qualitative research designs: case studies; ethnography; phenomenological studies; grounded theory studies; and content analysis. Each of these methods is ideal under various scenarios or setups.

#### **(a) Case Studies**

This is sometimes called an idiographic research (Leedy and Ormrod, 2015: 271). A case study has unique and exceptional qualities that promote an understanding of, and practice in, similar situations (Creswell, 2014: 99). In other words, it is ideal when studying an event, a particular individual, or a programme, over a defined period (Leedy and Ormrod, 2015: 271). They further noted that the design entails collecting a significant amount of data on the event(s), programme(s), or individual(s) upon which the investigation is based, using mechanisms such as observations, interviews, and documents.

#### **(b) Ethnography**

According to Leedy and Ormrod (2015: 272), this approach requires the researcher to make an in-depth analysis of the entire group that shares a common culture or traits, and is usually based on site-based fieldwork. This is done over a lengthy period, which can be many months or years, to obtain an accurate picture of the processes being observed (Creswell, 2014: 342). In most cases, there is a need for a person who paves the way for the researcher's entrance, commonly known as a gatekeeper, such as the chief in an indigenous area.

#### **(c) Phenomenological Studies**

This design is ideal when trying to understand an individual's views and perspectives concerning a specific situation, and relies more on interviews. According to Creswell (2014: 336), the researcher is the main driver of this type of design, as attempts are made to reach the core of the problem. Furthermore, in a phenomenological study, the researcher might also have experience of the subject matter under investigation. It is, however, critical for the researcher to avoid preconceived views or personal experiences, as this may interfere with 'hearing' the interviewees; a situation referred to as 'bracketing or *epoché*' (Leedy and Ormrod, 2015: 274).

#### **(d) Grounded Theory Studies**

A grounded theory study rarely begins from a theoretical background. Instead, it usually begins with the data and then develops theories from the data gathered. Furthermore, it does not rely on previous research literature and focuses more on the processes associated with the subject matter; and then develops relevant theories.

#### **(e) Content Analysis**

The premise of this design is that there must exist a body of relevant material, such as books and journals, which must be examined to identify patterns or themes. Leedy and Ormrod, (2015: 275) noted that it is usually performed in a four-step approach, which comprises identifying the appropriate body of material; defining relevant qualities or characteristics; analysing the components into smaller segments; and ultimately scrutinising the material for the expected qualities or characteristics. According to Blumberg *et al.* (2011), this design is usually not a stand-alone, but is combined with other designs such as phenomenological studies, and tends towards a mixed-method design.

In view of the nature and main features of this research, the research methodology, and the research objectives and questions, the researcher deemed a phenomenological study design as the most appropriate design to use, and a phenomenological study was therefore applied to the research.

### **1.8.2 Justification of the qualitative approach and a phenomenological study**

The qualitative method was selected because of the following reasons:

- This is social science research study, where the researcher was endeavouring to understand the participants' life situations. Blumberg *et al.* (2011) noted that qualitative research assists in understanding participants' life experiences. Such a process entails developing theories (based on the data collected from the various participants) and methods that study people's interpretation, considerations and inspirations. These principles were more than relevant to this research.

- The issue of non-payment of municipal property rates and service charges has not only occurred in the past, but continues to be prevalent in most municipalities today. Previous researchers have shown that the subject matter has many dimensions and layers. Thus, a qualitative approach is ideal, since both these elements are applicable in this phenomenon and the researchers are trying “to portray it in its multi-faceted form” (Leedy and Ormrod., 2015: 269; Onwuegbuzie and Leech, 2004: 774; Miles, Huberman & Saldana, 2014: 65).
- While many previous studies have not addressed the effect of non-payment of services by the local community on service delivery, there are large similarities between previous research and the current research. Several earlier studies, such as those of Tshabalala and Lombard (2009: 398); Pretorius and Schurink (2017:19); Fourie and Poggernpoel (2017:172); and Schoute, Budding and Gradus (2017: 508), used a qualitative methodology, which confirms its applicability.
- Based on the literature review, one of the prominent themes was that most of the communities that are not paying for services were oppressed during the apartheid era. This means that they had been marginalised for some time. According to Creswell (2014: 48), qualitative research is ideal when one attempts to understand the experience of individuals or groups of a community problem, such as oppression. He further notes that qualitative research, as an exploratory approach where data is collected using a narrative approach and interviews, captures the proper story of how the participants experienced oppression.
- A phenomenological study design was ideal because it is founded on the principle of understanding participants’ views, based on their experiences and ‘lived situations’. It can be inferred from the principles of this type of design that such a design relies on previous literature. Other designs were not likely to yield the desired results. Furthermore, the nature of this study did not meet their requirements. For example, the research was conducted over a lengthy period of time, one of the key requirements of an ethnographic design.

### **1.8.3 Target population**

This relates to a group that becomes part of the subject of research. Goddard and Melville (2001: 51) confirmed that it is not possible to study the whole population; hence, the need to target a specific group. A sample is then drawn from that group.

For this study, the target population consisted of Magareng Municipality municipal staff (whose job descriptions or work responsibilities are related to billing, payment for municipal services and debt control mechanisms), councillors, and the residents. It also included employees whose activities are at the core of service delivery. People deemed to be support staff and indirectly related to these activities, such as traffic department officials, were excluded from the population. Regarding councillors, the population consisted of the mayor and those in the Finance Portfolio Committee and in the Infrastructure Portfolio Committee, or equivalent committees. Residents of the municipality (individuals, government, and corporates) were those in arrears for at least 90 days. Key stakeholders, such as those from the Provincial Treasury, were considered for triangulation purposes.

#### **1.8.4 Sampling techniques**

These techniques involve a focused selection of participants from the entire population to obtain relevant information and knowledge (Holloway and Wheeler, 2010: 137). It is a complex process because it should be guided by the phenomenon under investigation, and be informed by the research questions (Belk, 2006: 56). Despite its complexity, sampling is critical, as it gives the researcher an opportunity to focus efforts on a smaller portion of the whole population, but to the extent that the smaller section represents the total population being investigated. This researcher adopted the following sampling methods:

##### **(a) Purposive sampling**

With this type of sampling, participants are selected based on key dimensions and because they possess the characteristics of an ideal group (Leedy and Ormrod., 2015: 183). The selection is based on judgment, as long as the participant meets pre-set criteria or “firm criterion” (Blumberg *et al.*, 2011: 48). Any sample bias was avoided so that the sample did not represent one specific sub-group of the population. Measures were adopted to avoid the possibility of bias, such as intentionally choosing only residents from the affluent areas would do.

##### **(b) Snowball sampling**

This is a situation where the initial participants, selected by the researcher, recruit other participants themselves (Sadler, Lee, Lim & Fullerton, 2010: 371). Snowballing is a form of referral in research. This is one of the convenient ways of reaching people who are ordinarily

difficult to reach. The use of snowballing may increase the study's sample size. It is, however, difficult to include these people in the sample size, as such information usually comes during the interviews. The researcher had received four (4) referrals.

### **1.8.5 Sample size**

There is no consensus among researchers regarding a definite number of participants required for qualitative research of this nature. Different researchers, such as Creswell (2014); Dworkin (2012); Ritchie, Lewis and Elam (2004); and Leedy and Ormrod. (2015), offer different guidelines, ranging from the minimum number of participants to a range that would be ideal. For example, Creswell (2014: 239) and Leedy and Ormrod. (2015: 273) have suggested a sample size of "five to twenty-five" and Dworkin (2012: 1319) has suggested five to fifty. Merriam (2009:25) and Morse (2000: 3) has suggested "at least six", while Ritchie *et al.* (2004: 82) have said that qualitative samples often "lie under 50", with Dworkin (2012: 1317) noting that, after interviewing twenty or so people, there is little more that comes out of the transcripts. Leedy and Ormrod (2015: 273), on the other hand, looked at the sample size from a descriptive perspective, rather than prescriptive. They proposed the concept of information power. This means that, the more informed the sample is about the phenomenon under investigation, the lower is the number of participants required. In that regard, they said that sample size should be based on five factors: the objective of the study; the sample specificity; the use of recognised theory; the expected quality of dialogue; and the analysis strategy. In essence, the sample size can be influenced by the extent of the relevant information that the participants have.

This researcher used a fusion of most of the views mentioned above. As such, a sample size of fifteen (15) participants, as shown in Table 1.3 below, was deemed reasonable.

**Table 1.3: Stratified sample size**

<b>Magareng Municipality Officials</b>		
<b>Designation</b>	<b>Department</b>	<b>Number</b>
Senior Managers	Municipal Manager, CFO and Technical Services Director	3
Other Municipal Staff	Budget and Treasury Office, Technical Services	2
Councillors	Ordinary Councillor	1
<b>Sub-Total</b>		<b>6</b>
<b>Magareng Municipality Residents</b>		
<b>Consumer Debtor</b>	<b>Type of Resident</b>	<b>Number</b>
Local Resident	Government	1
Local Resident	Individual	1
Local Resident	Corporate	1
Local Resident	Individual – Snowball	1
<b>Sub-Total</b>		<b>4</b>
<b>Key Stakeholders</b>		
<b>Designation</b>	<b>Department</b>	<b>Number</b>
Regulator	Provincial Treasury	1
Oversight	SALGA	1
Regulator	Department of Monitoring and Evaluation - Snowball	1
Oversight	Other – Snowball	1
Oversight	Other – Snowball	1
<b>Sub-Total</b>		<b>5</b>
<b>Total</b>		<b>15</b>

The distribution of the sample size was guided by the fact that Magareng Municipality has three main types of consumer debtors, namely government debtors, corporates, and individuals.

### **1.8.6 Data collection methods**

Data collection usually depends on the type of methodology being adhered to at a particular point. Since this researcher used the qualitative method, the process was guided by the four questions posed by Creswell (2014: 256): Do the data collection processes and outcomes benefit the entire community being studied? Will the research findings be credible and applicable to that community? Will communication with that community be effective? Does the data collection process and method open up avenues for participation in the expected social change? This was coupled with measures to ensure that the researcher adhered to the ethical issues regarding data collection.

**(a) Lockdown Regulations**

South Africa had been placed under lockdown restrictions with effect from 26 March 2020, as announced by the President of the Republic of South Africa, Mr Ramaphosa, on 23 March 2020. The lockdown conditions varied, depending on the lockdown level that was prevailing at the time, which included restricting the movement of people, and social gatherings. These conditions significantly affected face-to-face interviews. This researcher complemented face-to-face interviews with telephonic interviews and virtual meetings.

**(b) Semi-structured interview questions**

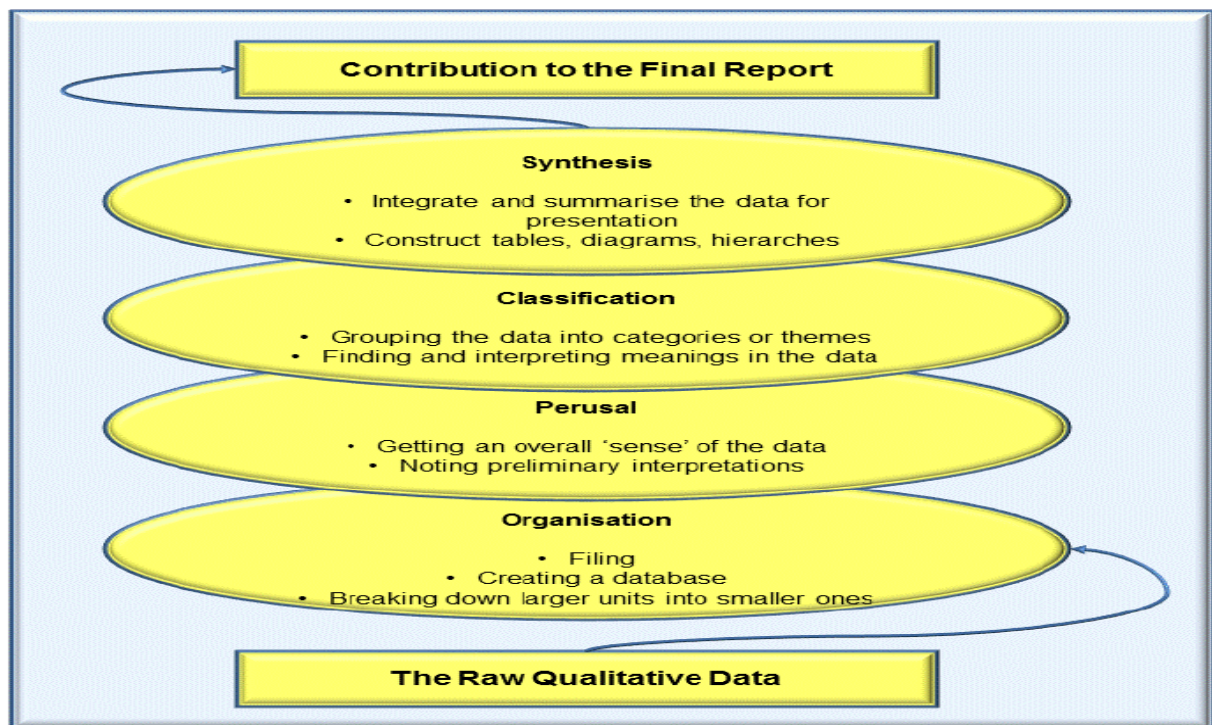
The researcher collected data from all the participants through interviews. Each participant was asked semi-structured interview questions, as set out in the questionnaire. These questions were used to collect greater in-depth information about the participants' lived experiences regarding the non-payment of municipal services. Interviews allow two-way communication and provide valuable data (Patterson 2013: 64). Interviews were conducted because the size of the population that was targeted was relatively small, so it was feasible to use this approach. Interviews provide greater insights into the phenomenon than do surveys alone. The results of the interviews were recorded on a cellular phone and backed up on a laptop, subject to the agreement by the participant. Both the phone and the laptop were password-protected. Disaster recovery measures, such as storing another backup at a different location, were implemented.

**1.8.7 Data analysis techniques**

Various researchers, such as Marshall and Rossman (2016); Blumberg *et al.* (2011); Goddard and Melville (2001); and Onwuegbuzie and Leech (2004), have endeavoured to define data analysis, with most of them agreeing on the fundamental issues. According to Marshall and Rossman (2016: 76), data analysis entails giving order, meaning, and configuration to the data collected by the reviewer. This is similar to Blumberg *et al.* (2011: 60), who view it as a process of accumulating data to a manageable level, observing patterns, and summarising the data, possibly using statistical procedures. Goddard and Melville (2001) used a more complex definition, which was more specific to qualitative research methodology, by concentrating on its outcome, such as the formulation of general theories. In substance, analysis is a process of converting data to information.

This researcher mainly used the data spiral, as proposed by Creswell (2014: 272), to analyse the qualitative data. The process entailed going through the data several times until the report was finalised. Figure 1.5 below shows how this process works.

**Figure 1.5: Creswell's data analysis spiral**



Source: Creswell (2014: 272)

The process, outlined above, meant that the study led to the development of themes or theories that explained the non-payment of municipal services, which is commonly referred to as thematic analysis (Braun and Clarke 2012: 60). According to Leedy and Ormrod (2015: 276), this is a way of searching for meaningful notions that reveal participants' diverse experiences. The researcher then integrated the various concepts into distinctive experiences.

### **1.8.8 Data quality and control**

Data collected during research must be accurate, credible, and consistent in the dynamics and patterns they reflect. To achieve these objectives, the researcher used the following strategies:

### **(a) Trustworthiness**

Leedy and Ormrod (2015: 336) defined this concept as a situation where other people perceive the findings of the study to be credible and reliable, in that they can be taken seriously. It is a useful construct that should not be ignored, but taken as a central and integral part of any research. It assures the quality of the research process and the research results. According to Shenton (2004: 63), Guba's four criteria for assessing trustworthiness, namely credibility; transferability; dependability; and conformability, have won considerable favour among most researchers. It should be noted, however, that Morse, Barrett, Mayan, Olson & Spiers (2002: 4) disagreed with both Lincoln and Guba (1985) and Anney (2014: 273). They contend that principles of validity and reliability continue to be relevant in qualitative research. Creswell (2014: 251); Lincoln and Guba (1985: 112); O'Cathain (2010: 540); and Tashakkori and Teddlie (2010: 2) do not agree with Morse *et al.* (2002) completely, but agree, in part, with Lincoln and Guba (1985). They use quality; credibility; trustworthiness; conformability; and interpretive rigour to validate a qualitative research methodology. There is, therefore, no consensus among most of the well-known researchers.

For this study, the researcher used Guba's four criteria, namely credibility; transferability; dependability; and conformability, as well as Anney's (2014) criteria of authenticity. These criteria are explained in detail below:

#### **(i) Credibility**

This relates to an attempt to demonstrate that an accurate representation of the experience under investigation is being presented. To ensure that the research complied with these criteria, various techniques such as triangulation (explained below) were used. This assisted in identifying any inconsistent and negative information based on the participant's views. This is because, in real life, people are bound to have different, and at times conflicting, information. In such cases, sharing interpretations and conclusions with the respondents before finalisation assisted in confirming whether their views had been captured correctly.

#### **(ii) Transferability**

Transferability mainly relates to the fact that theoretical and analytical generalisation is applicable beyond the study sample to similar situations, questions, and problems, even under different demographic conditions. It is an issue of the applicability of the findings to other

situations. Relevant available information is provided in this research to indicate whether or not the findings are transferable to other environments or situations.

### **(iii) Dependability**

According to Shenton (2004: 64), researchers should at least strive to enable a future investigator to repeat the study and arrive at similar findings and conclusions. This is a difficult criterion in qualitative work.

### **(iv) Conformability**

Conformability mainly relates to the fact that research findings are free from personal interests and biases, thus maintaining data neutrality. Interferences and influences were eliminated when dealing with the respondents.

### **(v) Authenticity**

According to Anney (2014: 274), in qualitative research, there is a fifth criterion, authenticity. This relates to the level to which research fairly and faithfully reflects series of experiences by the participants. In the view of this researcher, this may be construed as linked to the themes that come about from qualitative research.

## **(b) Triangulation**

According to Leedy and Ormrod (2015: 278), several qualitative researchers use a strategy called triangulation to confirm the accuracy and consistency of their findings. They further note that the process requires that multiple sources of data be collected, in the hope that they will all converge to support a particular hypothesis or theory (Leedy and Ormrod., 2015: 104). According to Tobin and Begley (2004: 392), the correct and proper use of several kinds of triangulation ('triangulation state of mind') helps to achieve the concept of crystallisation. This concept permits an infinite selection of approaches. To achieve this principle, the researcher compared the participants' responses to questions of similar principles, as well as follow-up questions.

## **1.9 ETHICAL CONSIDERATIONS**

Ethics are concerned with adhering to the code of conduct guiding the behaviour of a particular group, including professionals (Rubin and Babbie, 1997: 60). They are essential in

research as they relate to the researcher's conduct regarding participants' information. According to Burns and Grove (2003: 65), for this to be achievable, it is critical for the researcher to always establish trust with all the participants. This helps in acknowledging participants' uniqueness and in respecting the fact that they are autonomously able to make all-encompassing conclusions. This also entails reporting the findings with integrity. The researcher did not use data that was deemed confidential and personal. All the participants' identities remain anonymous. This assisted in upholding the participants' rights to privacy. Wherever necessary, pseudonyms were used to conceal the participants' confidential details.

### **1.9.1 Prior approval**

The university's prior approval for this study to be undertaken was sought before the commencement of the study. The researcher sought written approval (gatekeeper's letter) from the Municipal Manager of Magareng Municipality to conduct the study.

### **1.9.2 Informed Consent**

The requirement for informed consent was fully complied with, such that no personal and confidential information was collected from any of the participants. Information that was collected was relevant to the study.

The rights of participants were respected, and every participant was given an option to discontinue participating in the research, at any stage of the research. No participant opted to withdraw during the interviews. Consent forms to participate in the research were issued to all the participants. This was guided by the following:

- They were in writing.
- There was no direct or indirect coercion or undue enticement.
- Details of the research were provided to all participants.
- All research-related questions were answered.
- They were issued before the commencement of the interview.

### **1.9.3 Prevention of harm to participants**

It was critical to ensure that the research did not have any negative impact on, or harm, any of the participants, and that the researcher worked within the parameters of the university's Ethical Guidelines for postgraduate research. The researcher abided by this principle.

### **1.10 LIMITATIONS OF STUDY**

There were three main limitations to the study. Firstly, studies of this nature normally require significantly more time to finalise the research. The second limitation is related to budgetary constraints, mainly concerning the tools required to conduct research, especially under conditions of COVID-19 Lockdown. The COVID-19 lockdown was implemented during the research process. As such, acquiring reliable and secure software and computer equipment for virtual meetings was an important consideration. There was a huge learning curve on this kind of 'new normal' when conducting a scientific study. However, COVID-19 conditions led to other savings, such as those for travelling and accommodation. Lastly, in qualitative research where interviews are to be conducted, it is a challenge to balance the respondents' availability, and scheduling.

### **1.11 SEQUENCE OF CHAPTERS**

#### **1.11.1 Chapter One: Synopsis of the study**

The chapter contains a synopsis of the study, ranging from the research background, the research questions and objectives, the limitations of the study, to the abbreviated literature review, and ethical considerations.

#### **1.11.2 Chapter Two: Legislative prescripts underpinning the responsibility of local government for revenue and debt collection**

The chapter covers the legislative prescripts relating to local government. Those prescripts that relate to the functions and responsibilities of municipalities and the reciprocal responsibilities of residents are emphasised. These functions have been linked to billing and collection of revenue. The chapter also looked at theories developed to describe residents' behaviour and reasons regarding payment of services. In addition, the chapter provides definitions of key terminology used in the study.

### **1.11.3 Chapter Three: Tracing billing and non-payment of municipal services**

This chapter contains a literature review relating to various problems and concerns relating to the collection of revenue by local government, service delivery, and mitigating measures implemented by municipalities in other areas. It provides the definitions of key terminology used in the study; a high-level synopsis of the *status quo* of the Magareng Municipality (area of the study); a description of the key themes of qualitative analysis; the potential effect of non-payment of municipal bills on service delivery; and stakeholder influence in this regard.

### **1.11.4 Chapter Four: Research methodology and design**

The chapter describes the research methodology in more detail. In the case of this study, a qualitative research methodology was used and the reasons for this are provided in the chapter. The chapter presents the data collection and analysis techniques, the population size, sampling techniques, and data validation techniques, as relevant to the qualitative research methodology. The chapter concludes by focusing attention on the ethical considerations.

### **1.11.5 Chapter Five: Research findings, analysis, and discussion**

Chapter Five details the results of the study. It presents the results of the interviews. Thematic and content analysis was used to interpret patterns and themes.

### **1.11.6 Chapter Six: Research conclusion and recommendations**

Chapter Six summarises the research and the conclusions drawn. The chapter offers a conclusion based on the research output derived from the research. Recommendations for what can be done to minimise the risks relating to low collection rates are provided.

## **1.12 CONCLUSION**

This chapter introduced the various aspects required in a study of this nature. These issues included the study area; the problem statement; the importance of the research; and ethical requirements. The research identified gaps in the current research and identified areas for future research.

## **CHAPTER TWO**

### **LEGISLATIVE PRESCRIPTS UNDERPINNING RESPONSIBILITY FOR REVENUE AND DEBT COLLECTION**

#### **2.1 INTRODUCTION**

This chapter covers the legislative prescripts relating to municipal revenue and debt collection, as a serious concern currently faces the targeted municipality in particular and local government in general. Emphasis is given to those prescripts that relate to the functions and responsibilities of municipalities and the reciprocal responsibilities of consumers. These functions have thus been linked to billing, collection of revenue and service delivery. The chapter also provides an insight into the experience of European countries, from the researchers' perspective. In addition to the foregoing, the chapter provides relevant definitions of key terminology used in the study.

#### **2.2 INTERNATIONAL PRACTICES (EUROPEAN EXPERIENCE)**

Pursuant to the National Development Plan (2030) imperative of “building a capable state”, the National Treasury, with the support of the International Development Cooperation (IDC), solicited donor funding from the Belgian Development Agency (BDA) to develop an international Public Finance Management (PFM) programme and pilot it. In 2016, officials from the National Treasury went on a benchmark study to Brussels to develop an international PFM programme with Belgian Universities (Vrije Universiteit Brussel and Universiteit Antwerpen), as part of PFM continuing professional development. The primary objective of developing a programme was to develop a pool of PFM experts who would learn and adapt lessons applicable to South Africa. Following the successful completion of the programme, more than 30 delegates participated in a pilot PFM programme in Belgium in October 2017 and South Africa in November 2017. In light of this successful pilot, the National Treasury sent another delegation of 32 officials to attend the Belgium PFM training during November 2018. Upon completion thereof, the 3rd addition of the PFM Programme took place in Antwerp from 9 to 20 October 2017, wherein a similar delegation was sent to Belgium along with two local universities. The intention of this exchange initiative was to forge academic partnerships and extend the skills transfer programme to South African universities.

### 2.2.1 Summarised results of the Belgium experience

The visit revealed key developments in Belgium’s local government sector. One of the major developments was the privatisation of some of the functions of local government. Many European countries have privatised and outsourced essential services, such as the water and electricity functions. This mechanism transfers operational risks to the entity providing the service, leaving the municipality with ample time to focus on other services. Furthermore, the trend has led to significant reduction in losses. It was noted that, although water and electricity services were outsourced to different organisations, the tariffs are regulated for standardisation. There were, however, different cost structures among many of the European countries. These structures varied in many different aspects, and some of these examples are illustrated in Table 2.1 below.

**Table 2.1: Cost structures in different European countries**

Country	Details of the Cost Structure
Spain	<ul style="list-style-type: none"><li>• Cost mechanism covers environmental and resource costs</li><li>• Block tariffs are used.</li></ul>
Germany	Cost structure was under scrutiny as it omitted some of the key components.
France	Cost structure includes environmental and organisational costs.
Slovenia	A number of disparities in the various pricing structures. In some instances, they were at full recovery of costs, while in other instances, cost recovery was below average and dependent on local conditions.

Source: Adapted from Gertler, Martinez, Premand, Rawlings and Vermeersch (2016)

Despite the varying cost structures and noted anomalies in the various countries, there was little to no liquidity challenges in some municipalities. This enabled most municipalities to adequately fund the repairs and maintenance in their jurisdictions.

### 2.2.2 Lessons learnt

The PFM programme revealed a number of attributes necessary to turn local government around. The following are some of the key lessons learnt:

- Private–Public Partnership (PPP)

Internationally, some municipalities are using the mechanism of the Private–Public Partnership (PPP) to assist with the implementation of repairs and maintenance. For example, in Belgium, the train tunnels were repaired using a PPP arrangement. This benefited the municipalities, as they were able to deliver on the much-needed infrastructure (service delivery) with limited cash resources.

- Cost-reflective tariffs

It is important to standardise tariffs and ensure that they take into account all the key components of costs. The costs should include those that would ordinarily have been left out, such as environmental and organisational considerations. Regarding environmental costs, this is even more applicable to most local municipalities. The current tariff structures do not include any portion of landfill site rehabilitations and other restorations costs, yet these are the major component of refuse-removal related services. Furthermore, CPI-incremental costs are not an option. They negatively affect a municipality’s sustainability.

- Privatisation and outsourcing municipal services

European countries have privatised and outsourced some of the key municipal services, such as water and electricity services. As mentioned earlier, the process transfers risks to the entities providing the services. Tariff determination for such services should be properly regulated and standardised, so that low-income households are not negatively affected by this approach. This is especially so, when the outsourced service is a basic human right, like water provision.

- Municipal revenue value chain and accountability

It is critical to ensure that every municipality should have one person designated to oversee the effective integration of functions across the municipal value chain. This significantly improves accountability and effective revenue management. Generally, Revenue Managers are not responsible for activities such as town planning and surveyor-general functions, yet most municipalities have vast pieces of land that are unregistered, unserviced or unsurveyed. These could be serviced, surveyed, registered and sold at a much higher price.

## **2.3 INTERNATIONAL PRACTICES IN AFRICAN COUNTRIES**

The challenges relating to non-payment of municipal services continue to affect many African countries. Some countries have come up with reforms to mitigate the challenges. These reforms have varied from one country to another. The following discussions reflect on experiences and reforms undertaken by two selected countries, Tanzania and Nigeria, as cases in point.

### **2.3.1 Tanzanian Experience**

Tanzania reformed its tax collection systems in order to increase its revenue. According to Fjeldstad, Katera & Ngalewa (2008: 1), seven of the country's urban and rural councils privatised revenue collection because of defaults by consumers. This was confirmed by McCluskey, Franzsen, Johnstone & Johnstone (2003: 66), who noted that low collection rates had clearly been a concern for some time. In an attempt to improve collection rates, the government transferred the responsibility for collecting the property tax to the Tanzania Revenue Authority (TRA). Clearly, the government of Tanzania believed that transferring the administration of the property tax to the TRA could enhance revenue collection because of the TRA's considerable experience in the collection of income taxes, corporate taxes and the value-added tax. The process focused on outsourcing the function to private agents. The outsourcing activities related to most of the revenue functions, including property tax. Based on the findings of Fjeldstad et al. (2008: 3), the key features of the process of privatisation entailed:

- Outsourcing all the revenue functions, such as those relating to property rates, parking fees and access to agricultural land;
- The functions were outsourced to different agents with specific and relevant experience. For example, property rates were outsourced to private consultancy firms, specialising in tax advice, while the fish market was outsourced to a fish-dealer organisation; and
- The process was based on an open tender process, with clearly specified and agreed upon performance targets and timelines.

Most local authorities have computerised the preparation of bills, but delivery is largely done manually through coordination by ward executive officers. This led to the development of the

Local Government Revenue Collection Information System (LGRCIS). This system was deemed to be a holistic system, and its database is underpinned by a multipurpose geographic information system (GIS). The GIS is designed to incorporate all Local Government Authority (LGA) functions to ensure a single view of customers, taxpayers, land, and property, and thus provides the means to manage all revenue sources efficiently and reliably. The LGRCIS is a web-based application that is accessed through a web browser and is seen as a key tool in improving collections within LGAs. (McCluskey *et al.*, 2003:69). While some of these reforms were seen as a panacea to the problems, the increase in revenue and easing of administrative problems brought up other unforeseen challenges. For example, Fjeldstad *et al.* (2008: 1) noted that some of the urban and rural councils that privatised revenue collection “experienced substantial problems with corruption and exceptionally high profit margins for the private agents at the expense of accomplishing a reasonable return to the local government authority”. Furthermore, challenges were experienced relating to resistance to the reforms by ward executive officers; to verifying revenue retained by agents, as well as such amounts, as some agents retained about 60% of the revenue collected; and to monitoring the agents (Fjeldstad *et al.*, 2008: 6). They, however, noted that when the reforms are appropriately monitored and managed, they provide a more efficient and effective local government revenue administration.

### **2.3.2 Nigerian Experience**

Nigeria’s local government administration is facing daunting challenges to achieve its constitutionally mandated responsibilities. According to Adeyemi (2013: 86), these challenges existed in both the military and democratic eras. The author noted that Nigeria took a slightly different approach in this regard. The government adopted reforms, which emphasised a developmental approach, in trying to solve the problem. This was the case because “service delivery in Nigeria has suffered serious neglect because of institutional weaknesses” (Adeyemi, 2013: 94). The reforms entailed the following, *inter alia*:

- Developing financial management skills for greater accountability and transparency – According to Amakon (2009: 14), this included capacity building, especially after the swearing-in of officials. It was seen as equipping the officials, thereby assisting in resolving the challenges faced by local government.
- Eliminating undue interference by state governors –

According to Amaechi (2012: 12), this would allow councils to govern and manage their natural resources by using appropriate planning standards, thus giving them the opportunity to design appropriate policies and programmes, thereby effectively delivering on democratic dividends to the grassroots.

- Educating rural inhabitants on their civic responsibilities to support their local government –

According to Ovaga (2011: 140), an increased level of understanding and awareness on the part of the rural inhabitants reduces tax and rate evasions to the barest minimum. The importance of education was concurred in by Yovbi (2008: 7), although the emphasis was on elected officials.

The foregoing experiences clearly show that the two selected countries, Tanzania and Nigeria, have experienced challenges regarding the non-payment of services by consumers. Measures have been implemented by these countries to adequately address this issue. It is clear that there is no ‘one-size-fits-all’ approach and that any measure needs to be constantly monitored and reviewed, as was evident in these identified cases.

## **2.4 LEGISLATIVE ENVIRONMENT OF LOCAL GOVERNMENT IN SOUTH AFRICA**

### **2.4.1 The Constitution of the Republic of South Africa, 1996**

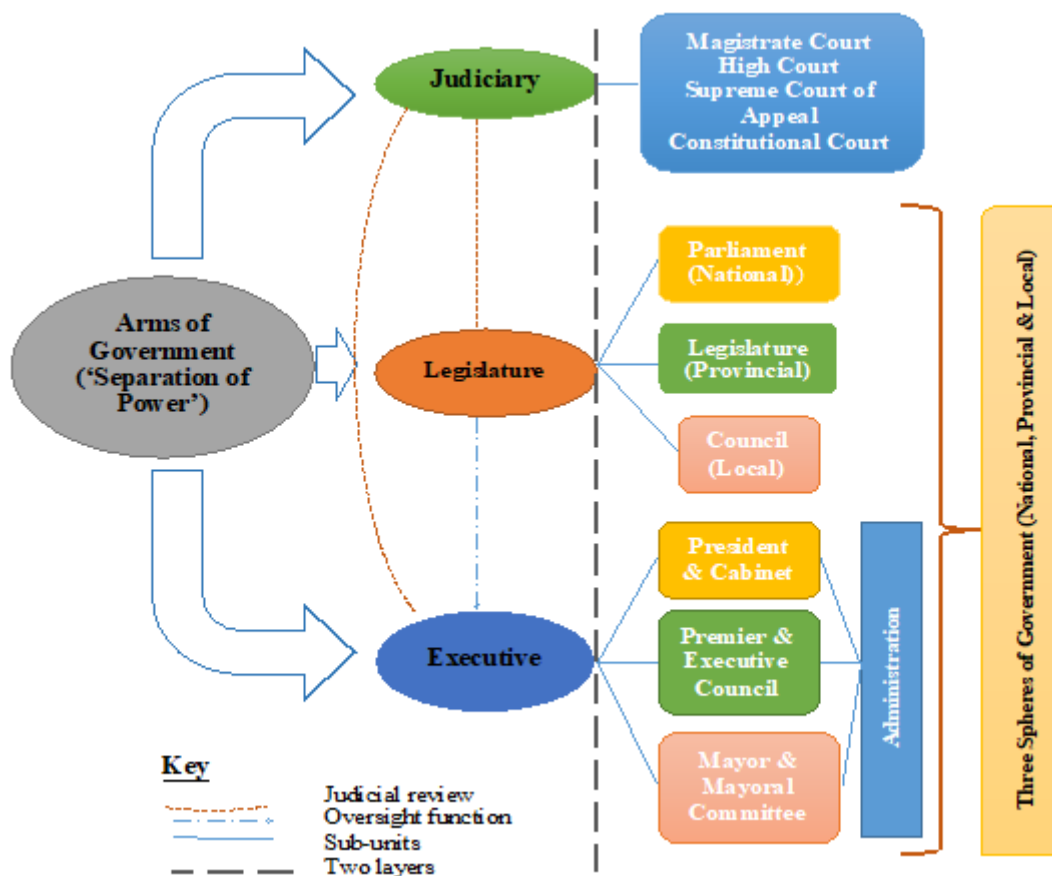
#### **2.4.1.1 Structure of government**

The South African government has two layers of governance, both of which are specifically identified in the RSA Constitution, 1996. Each layer has three distinct but interrelated components. The ‘first layer’ is made up of the Judiciary, Legislature and Executive. This layer is commonly referred to as the ‘arms of government’ or ‘separation of power’.

The ‘second layer’ is made up of national, provincial and local government, according to the requirements of Section 40 of the RSA Constitution, 1996. These three spheres are complementary and inter-related, distinct, independent, and autonomous (Makoti and Odeku, 2018: 69). As such, when providing services to the community (in terms of their priorities), the three spheres of government must not operate in isolation. They exist in a unitary South

Africa, implying that they need to cooperate and co-ordinate decision making, budgeting processes and policies especially, for those tasks are common to the three spheres (Cape Town, 2018:6). It should be noted that the autonomy of each of these spheres of government is emphasised in Section 151(4) of the RSA Constitution, 1996, which stipulates that provincial or national governments should not impede municipalities' capacity to perform their roles. Figure 2.1 below shows how the two layers of government relate to the each other and shows the components of each of these layers.

**Figure 2.1: Structure of government**



Author's perspective

It is clear from the above diagram, that the Judiciary, which has its own sub-components, is not part of the three spheres of government. One of its key roles is to offer what has been termed as 'judiciary oversight' to the three spheres of government. On the other hand, each the three spheres of government has its Executive (President and Cabinet, Premier and Executive Council, and Mayor and Mayoral Committee), Legislature (National Parliament, Provincial Legislature and Municipal Council) and Administration.

### **2.4.1.2 Separation of powers**

In a constitutional democracy, there are structures for judiciary review. This is more important in instances where a constitution, like the RSA Constitution, 1996, identifies different spheres of government. Instances of conflict, confusions and overreach by the other spheres of government tend to be a common feature and may require an independent resolution process. The RSA Constitution, 1996, identifies the Judiciary as one of the three distinct and separate arms of government, with different powers. The other two are the Legislature and the Executive. The Legislature is primarily responsible for passing relevant legislation and policies, and for holding the Executive accountable. The Executive, on the other hand, is responsible for running government affairs. As mentioned earlier, one of the roles of the judiciary arm is to work as a ‘conflict resolution’ mechanism. The power of review by the judiciary allows the courts to review the legislative and executive conduct and test it against the constitution (Ndlovu, 2019) and other governing legislative prescripts. The judiciary has an obligation to check the misuse of power by other branches of government (Parpworth, 2017: 273). This can be within or against each sphere of government and, at times, with the public.

The separation of power takes different forms. The most prominent approaches are the political question doctrine used by the United States and the “judicial self-restraint approach” used in South Africa (Ndlovu, 2019: 3). The judiciary self-restraint approach entails that every use of public power is subject to judiciary review, and that there are no disputes that are politically sensitive that they cannot be heard by the courts (Mhango, 2014: 452). While this approach may have received some criticisms from commentators such as Professor Mhango, who prefers the political question doctrine, it is this researcher’s considered view that the approach has yielded much-desired results. Regardless of the approach, the development of clear doctrines of separation of power encourages constitutional dialogue between and among the arms of government and spheres of government (Hodgson, 2018: 57) as well as the public. A case in mind is where the Constitutional Court ruled that section 9 of the National Building Regulations and Building Standards Act, 103 of 1997 was invalid. This was because the regulations allowed the National Building Regulation Board to exercise appellate power over decisions of a municipality, which is unconstitutional. The ruling went further to say that national government should not interfere with or transfer municipal powers to a different entity.

### 2.4.1.3 Spheres of government

Each of the components of government is made up of Legislative (Parliament), Executive, and Administration functions. The broad functions of each of these components are as follows:

- Legislative (Elected Members): elected by the public, approve policies and laws (including bylaws in the case of municipalities) and perform oversight powers on the executive and administration;
- Executive (Cabinet or Executive Committee), which co-ordinates the formulation of guidelines and monitors administration officials; and
- Administration (Departments and public servants) who are responsible for the execution of assigned tasks and report to the Executive (Makoti and Odeku, 2018: 69).

The following tables give a diagrammatic presentation of each of the three spheres of government.

**Table 2.2: Components of the three spheres of government**

<b>Sphere</b>	<b>Legislature (Political)</b>	<b>Executive</b>	<b>Administration</b>
National	Parliament	President & Cabinet	Director General & Departments
Provincial	Legislature	Premier & Executive Council	Heads of Department & Staff
Local	Municipal Council	Mayor and Mayoral Committee	Municipal Managers, HoDs & Staff

Source: <http://www.etu.org.za>

In order to aid the co-existence and interrelatedness of the three spheres, Section 41 (1) of the RSA Constitution, 1996, stipulates eight (8) principles that the spheres must adhere to. The principles include upholding the RSA Constitution (1996), respecting the powers and functions of government in the other spheres, co-operating with one another in mutual trust and good faith, and providing an effective, transparent, accountable and coherent government

for South Africa. It is thus clear that the co-existence of these spheres is critical in that it enhances service delivery to the South African public.

Regarding municipalities, Chapter 7 of the RSA Constitution, 1996, addresses all the key aspects relating to this component. Section 151(1) states that the local sphere of government consist of municipalities. In terms of Section 151(3), municipalities have the power to administer their own affairs in relation to the community, subject to the relevant legislative prescripts. The mandate of local government emanates from Section 152(1), which sets out the five objectives of local government, namely to:

- (a) Provide a democratic and accountable government (assist the local community to assess the trustworthiness of the municipality in using public money and resources);
- (b) Provide services to communities in a sustainable way (much-needed service delivery);
- (c) Promote economic and social development (eliminates poverty, thus possibly enhancing revenue collection and the financial viability of the municipality);
- (d) Promote a healthy and safe environment (improves the economic activities, thus improves economic development); and
- (e) Encourage community participation in municipalities (increases support for decisions made by the municipality such as revenue collection mechanisms).

These objectives culminate in the powers and functions of municipalities, depending on the type and category of the municipality. The powers and functions of municipalities are detailed in Part B of Schedule 4 and Schedule 5 of the RSA Constitution, 1996. In general, they include a range of municipal services, such as removal of refuse, solid waste disposal, street lighting, provision of electricity and water, fire-fighting services, municipal health and library services.

It is this writer's considered view that, where relevant, the community should play a role in the provision of these services, which entails paying for the services. The RSA Constitution, 1996, does not say that all of these activities should be provided for free, although some of them are basic human rights. This was confirmed by National Treasury (2011: 41), when it noted that while the ability to pay should be considered in tariff formulation, municipalities do not have a legal obligation to provide services for free. It can be construed that legislation passed by Parliament expects households to make some payment towards municipal services

received. This is so because there is mention of poor households receiving municipal services based on the approved tariff. This, however, does not take place in such a way that the amounts owed to municipalities by the residents keep ballooning. According to National Treasury (2020(a): 1), municipal consumer debts increased from R181.3 billion in the third quarter of 2019/20 to R191.5 billion in the fourth quarter. The Auditor-General of South Africa (2020: 2), who noted that about 60% of municipal revenue shown in the books of municipalities will never find its way into the bank accounts of the municipality, confirmed this. The details of this non-payment are further explored in the next chapter.

## **2.4.2 Other key legislation for municipal governance**

To facilitate smooth operations and execution of the municipality's mandate, Section 155(3) and (4) of the RSA Constitution, 1996, has mandated parliament to pass legislation that assists in the administration of municipalities. It states that the legislation must, among other things, provide for a suitable separation of powers and functions among municipalities, taking into account the need to provide municipal services equitably and sustainably. Some of the key revenue-related legislative instruments passed by parliament relevant to local government in general, and specifically to Magareng Local Municipality, are detailed below. Acts, such as the Local Government Municipal Fiscal Powers and Functions Act of 2007, have not been included as they are currently not applicable to Magareng Local Municipality. The municipality does not have any surcharges, other taxes, levies, and duties.

### **(a) Local Government Municipal Finance Management Act, 2003**

Prior to the promulgation and implementation of the Local Government Municipal Finance Management Act, 56 of 2003 (MFMA), the local government had an antiquated system of financial management. According to National Treasury (2008: 158), the old system:

- Focused on adherence to procedures and rules, which did not encourage strategic planning or balance scarce resources with the medium-term needs. The practice generally allocated resources on the basis of historic commitments, instead of present-day priorities and imminent needs.
- Lacked a culture of performance and routine reporting. For example, no regulatory obligations or emphasis was placed on revenue generation and subsequent payment of

services by the local community. This led to asymmetrical or wrong reports, which were also devoid of valuable information.

- Was not based on effective and timely communication and provision of information. There were ineffective monitoring systems in place, such that at times councils would learn about the municipality's financial challenges at late stages.

The MFMA addressed these historical weaknesses to improve efficiency in municipalities. It does this by ensuring that there are sustainable and sound procedures in place for managing the financial activities of municipalities. In addition, the MFMA enables an environment of periodic and consistent reporting, such that they can be held accountable. These periodic reporting obligations include the provision of monthly budget reports as required by section 71 of the MFMA, and the preparation and submission of annual financial statements to the Office of the Auditor-General of South Africa (AGSA) for auditing, as required by sections 122 and 126 of the MFMA. The auditing of the financial statements by AGSA assists the public and stakeholders in several ways. For example, it assists in evaluating the performance of a municipality, as well as identifying challenges that it faces regarding various activities, such as in revenue collection, the existence or non-existence of sound financial controls, and in governance structures. According to the Public Audit Act, 2008 (PAA), AGSA is obligated to pronounce on these matters in its report as part of the accountability reporting function.

According to section 64 of the MFMA, the municipality must ensure that revenue is recognised when it is earned, that amounts levied are collected, and that interest is levied on accounts that are in arrears. This section is in accordance with section 122 (preparation of annual financial statements in terms of generally recognised accounting standards) and section 63(2)(b), which requires that assets and liabilities must be measured in terms of generally recognised accounting practices (GRAP).

#### **(b) Local Government Municipal Systems Act, 2000**

The Local Government Municipal Systems Act, 2000 (MSA, 2000), sets out detailed requirements concerning the operations of municipalities. It addresses a number of activities that are directly linked to the collection of revenue and service delivery. The MSA, 2000, stipulates fundamental principles and processes that ensure the universal access to essential

services, as well as the social and economic upliftment of local communities. Some of the key activities are in defining and providing guidance on the exercise of municipal powers and functions, and the adoption and implementation of a tariff policy and credit and debt control policies. These activities significantly assist in the social and economic upliftment of local communities. It is critical to note that any policy should consider the needs of low-income residents.

For municipalities to perform these functions effectively, they must be well capacitated and employ competent officials. This was concurred in by the National Treasury (2011: 34), which noted that sections 9 and 10 of the MSA, 2000, ensure that appropriate funding and capacity initiatives are undertaken in municipalities. These activities include training municipal officials, an issue that is well articulated in section 195(1) of the RSA Constitution, 1996. According to Staff Writer (2021,) lack of capacity and training by municipal officials remains a huge challenge in most municipalities across South Africa (Staff Writer, 2021). This was concurred with by Moloto and Lethoko (2018: 749) when they noted that “capacity and expertise of officials dealing with revenue management contributes to the existing challenges of revenue management and collection because they are not providing any strategies to curb this existing revenue management and collection challenges”.

### **(c) Local Government Municipal Structures Act, 1998**

The Local Government Municipal Structures Act, 1998 (Structures Act, 1998) provides for, *inter alia*, the establishment of the different types of municipalities and the powers and functions of local and district municipalities, as well as the responsibilities of municipal office bearers.

In essence, the Structures Act, 1998, regulates how the Council (i.e., the Executive Authority) should be constituted and how it executes its mandate. This is fundamental, as Council is responsible for approving key municipal documents, such as municipal policies, budgets, and by-laws. The exact operations and set-up of each council depends on the category of the municipality (i.e. category A, B, or C).

**(d) Local Government Municipal Property Rates Act, 2004**

Property rates comprise one of the revenue streams for every metro and local municipality. This is governed by the Local Government Municipal Property Rates Act, 2004 (hereafter referred to as the MPRA, 2004). In terms of the MPRA, 2004, municipalities are required to adopt property rate policies and maintain a property valuation roll. According to National Treasury (2011: 40), municipalities must prepare and adopt a valuation roll every five years. The process should ensure that the ‘horizontal equity principle’ (similar properties should have similar values) is adhered to. Property rates are used to fund municipal operations such as storm water systems and street lighting.

By their nature, property rates are not limited to selected consumers only, but the entire community. It is critical to note that the structuring of the rates should be progressive and adhere to the ‘ability’ to pay principle (National Treasury, 2011: 43). Each municipality should thus ensure that the level of the rates covers the cost of providing basic municipal services effectively and efficiently, as well as complying with the ‘benefit’ principle (National Treasury, 2011: 44) i.e. the cost imposed on the beneficiaries is commensurate with the benefits of the collective beneficiaries.

**(e) Spatial Planning and Land Use Management Act, 2013**

According to Schedule 4, Part B of the RSA Constitution, 1996, local government has an additional responsibility for municipal planning. According to de Visser and Poswa (2019: 6), this means that national and provincial governments only have limited oversight powers regarding municipal planning. Municipalities are mandated to administer the entire municipal planning process. Before the RSA Constitution, 1996, provincial governments were the only source of laws relating to planning, and so took most of the planning decisions (de Visser and Poswa, 2019: 5).

It is therefore clear that the introduction of the Spatial Planning and Land Use Management Act, 2013 (SPLUMA, 2013) operationalised the shift of power regarding land use management to local government. This means that municipalities need to develop and implement relevant municipal by-laws. There are, however, a number of challenges that need to be addressed before the effective implementation of SPLUMA can be accomplished.

According to de Visser and Poswa (2019: 1), these challenges include the interrelationship between plans and rights, and making local government adhere to their overall powers and functions.

**(f) Intergovernmental Relations Framework Act, 2005**

The main objectives of the Intergovernmental Relations Framework Act, 2005 (IGR, 2005), are to establish a structure to encourage and simplify intergovernmental relations, to stipulate mechanisms and processes to facilitate the settlement of intergovernmental disagreements, and for matters thereto connected. IGR, 2005, gives effect to the requirements of section 41(2) of the RSA Constitution, 1996 (co-existence, inter-relatedness, and settlement of intergovernmental disputes). The Act also details, *inter alia*, the structures to be adopted, the various forums that need to be established, and the roles of each forum.

**(g) Water Services Act, 1997**

The Water Services Act, 1997 (WSA, 1997), mainly provides for various aspects relating to the provision of water to the community, which is a basic human right. WSA, 1997, provides a legislative guideline for water service authorities and providers; the setting of national standards and norms and standards for tariffs; and the establishment of water bodies, among other things. According to National Treasury (2011: 42), there is little monitoring of compliance with the WSA, 1997, such that some municipalities are setting wrong tariffs. In most cases, the tariffs are under-priced (being pitched below cost, causing a loss). This was confirmed by Minister Mboweni when he noted that a number of South African municipalities do not have ‘cost reflective’ tariffs (Staff Writer, 2021). The tariffs are thus not sufficient to cover the cost of providing services. Further, most municipalities are using estimations that are considerably higher than actual usage. These two challenges exacerbate the sustainability risk for most municipalities.

One of the vital elements regarding the provision of water is that water is basic human right. Challenges arise in terms of what constitutes ‘basic water supply’. According to the Water Affairs and Forestry (1994: 11), basic water supply has six main attributes, namely:

- Quantity: Minimum of 25 litres per person per day;
- Cartage: a person should not travel more than 200 m from their house to cart water;

- Availability: water should be available every day and the flow rate from the designated outlet should at least 10 litres. It is this researcher's considered view that this does not relate to instances where a debt control mechanism is in place, such as a supply restriction imposed due to non-payment of municipal services charges;
- Assurance of supply: water should be available at least 98% of the time. Systems repairs and maintenance must always be effective, with minimal disruptions. Maximum interruption period should not exceed one week per year);
- Quality: water quality (in relation to bacteriological chemicals and contaminants) should be within the acceptable minimum standards; and
- Upgradability: water networks should be upgradeable, and communities' desires for upgrades should be considered during planning.

Every municipality must adhere to the foregoing requirements for basic water, while at the same time implementing the debt and credit control mechanisms as envisaged in the Systems Act, 2000. In this researcher's considered view, this is a very difficult balancing act for municipalities.

#### **(h) The Electricity Regulation Act, 2006, and National Energy Regulator Act, 2004**

The distribution and consumption of electricity in South Africa has been a critical, yet neglected aspect, of the politics of energy transitions (Baker and Phillips, 2018: 177). This situation was exacerbated by the previous apartheid system, where all white residential areas, including remote farms, had reliable and secure supplies of electricity, while only a few black formal and informal settlements had fragmented access (Baker and Phillips, 2018: 179). Eskom then had total dominance in the industry by being solely responsible for price determination, with little or no regulatory oversight (Montmasson-Clair and Ryan, 2014: 53).

It is clear from the foregoing discussion that the measures implemented by the government of South Africa in enacting the Electricity Regulation Act, 2006, on the 27<sup>th</sup> of July 2006, constituted a key priority and were overdue. The Electricity Regulation Act, 2006, governs most of the key issues in the electricity sector, especially the tariff structures. Section 3(1) of the Electricity Regulation Act, 2006, states that the National Energy Regulator, established by section 3 of the National Energy Regulator Act, 40 of 2004, is the custodian and enforcer of

the regulatory framework provided for in the Electricity Regulation Act, 2006. Section 4 of the Electricity Regulation Act, 2006, details the powers and duties of the regulator. It authorises the National Energy Regulator of South Africa (NERSA) to, among other things, issue electricity distribution licences to municipalities, and regulate prices and tariffs. The licences usually have strict terms and conditions relating to, *inter alia*, the tariff setting and approval. As is required by the RSA Constitution, 1996, the principles of the Electricity Regulation Act are aligned with the requirements of the Systems Act, 2000. For example, section 22(5)(c) of the Electricity Regulation Act, 2006, states that a licensee may disconnect the supply of electricity to a client if that client has negated the payment conditions of that licensee. As such, municipalities are permitted to use electricity cut-offs as a debt control tool, provided that the credit control and debt collection policy clearly specifies that such measures are allowed. This significantly assists revenue collection mechanisms for municipalities.

The foregoing discussion attests to the fact that the authority to disconnect electricity has assisted a number of municipalities in their much-needed revenue generation and debt collection strategies. For example, according to Baker and Phillips (2018: 178), municipalities in South Africa are responsible for 40% of the country's total electricity distributions and consumptions. According to Statistics South Africa (2017), during the first quarter of 2017, the Greater Kokstad Municipality generated 93% of income from the sale of electricity, while in the Gamagara Local Municipality, 72% of its income came from electricity sales. This clearly shows that electricity income is an enormous aspect of municipal service delivery for local government.

### **2.4.3 Municipal by-laws and policies**

According to Section 156(2) of the RSA Constitution, 1996, a municipality may develop and implement by-laws as a way of effective revenue management. Section 162 further states that for a by-law to be enforced, it must be published in the official provincial gazette and be accessible to the community. The community, on the other hand, has a duty to comply with by-laws. Mandates or rights relating to by-laws are prevalent in various items of legislation. In most cases, provision is made for local government to make by-laws to either complement its rights as prescribed by the main legislation, or to cover operational aspects of the main legislation.

It should be noted that the choice regarding what areas, duties, functions, or activities should be addressed in by-laws rests with the municipality, unless specifically otherwise provided for in legislation.

For example, in terms of section 21(1)(a) of the MFMA, the mayor must co-ordinate the annual budget preparation process, including a review of the integrated development plan and budget-related policies. This is important because it assists municipalities to enforce updated and relevant policies. According to Kousky and Schneider (2003: 360), municipal policies are predominantly focused on the potential for securing realised or probable cost savings and co-benefits, rather than on community pressure. In addition to this, municipal policies may cover the gap where there is a lack of national policies to address new and identified challenges. For example, in the United States, where there is a lack of national policies to reduce emissions, municipalities have played a leading role in implementing mitigation strategies, even if only for minimal reductions (Kousky and Schneider, 2003: 370).

#### **2.4.4 Municipal debt management strategies**

When municipalities fail to live up to their Constitutional mandates, and fail to achieve the intent embodied in their carefully articulated vision and mission statements, they lose credibility among the very communities they are required to serve. The performance of municipalities with regard to managing their operations, such as the debtors' book, depends on how effectively they utilise the available tools within the legal prescripts. A common question raised in response to critical issues such as municipal debt collection practices is the matter of legal prescription concerning property rates levied and charges for services consumed. This issue is key, especially under the current circumstances where communities are not paying for their services.

For municipalities to mitigate risks of non-payment by the community, the credit control and debt collection policy must be robust. The policy should ensure that all monies due in respect of property rates and municipal services can be collected on time. It suffices to say that, fundamental to any municipal credit control activity, is the requirement that all billing information must be correct. This means that the municipality must meet all the requirements

of sound customer care processes, as required by section 95 of the MSA, 2000. Where municipalities struggle with poor data integrity and weak credit control and debt management policy, they should be more careful when exercising the disconnection of services or threatening customers with legal action.

Preventing bad debt and managing municipal debt is not a simple exercise, despite the fact that municipalities have opportunities to minimise the incidence of accumulating arrears. The following preventative measures, however, may be useful for minimising the incidence of bad debt:

- Section 103 of the MSA, 2000, states that municipal employees should not incur outstanding debts to the municipality for payment for municipal services received. Schedule 2 (Code of Conduct for Municipal Staff Members) of the MSA, 2000, makes provision for the municipality to deduct amounts outstanding for more than three months from employees' salaries.

Despite these provisions, staff debt constitutes a very significant component of most municipalities' debtor books. This is because municipalities are not able to make an effort to uphold the requirements of section 103 and Schedule 2 of the MSA, 2000. Several municipalities encourage customers to pay by debit order, yet they do not insist on this from its members of staff, or consider a policy whereby the municipal amount due is effected as a salary deduction.

- Municipal credit control policies should also afford other customers the three-month leniency period that is afforded to employees by the MSA, 2000.
- In terms of Schedule 1 (Code of Conduct for Councillors) of the MSA, 2000, a Councillor should not be in arrears with the municipality for a period longer than three months. Despite this, municipalities allow councillors to remain in arrears for longer than that period. Strict adherence to Schedule 1 would considerably assist most financially ailing municipalities and be in the interest of good financial governance.

## **2.5 LEGISLATIVE PRESCRIPTS FOR SERVICE DELIVERY**

All of the foregoing legislative prescripts, and others not mentioned above, significantly contribute to efficient local governance. Legislation regarding local government ought to

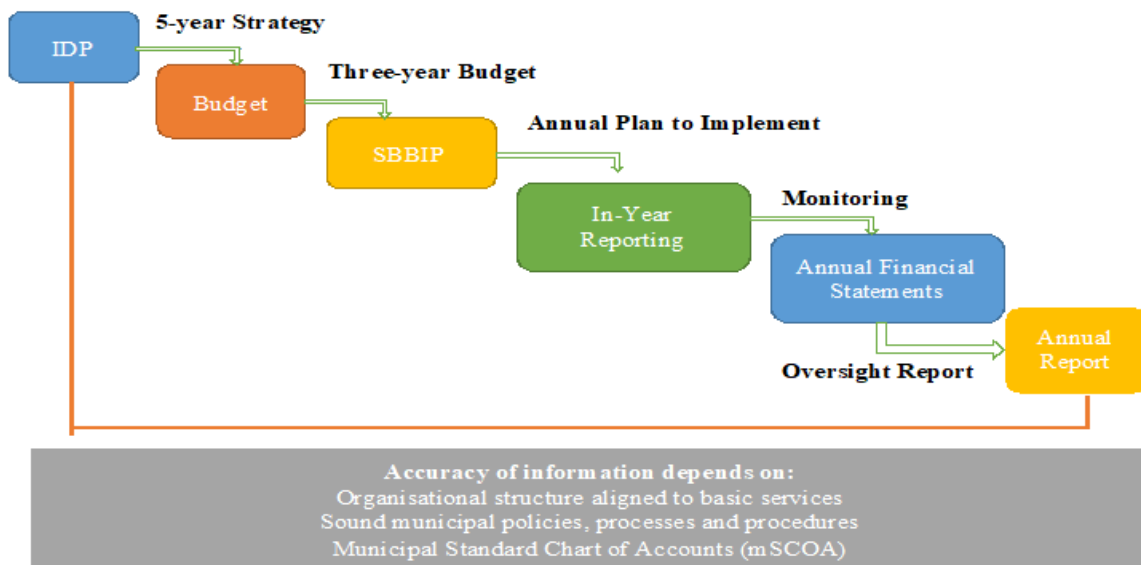
significantly contribute to accountability, performance, transparency, quality of service, value-for-money, and avoidance of corruption. This was affirmed by the National Treasury (2011: 73), which noted that the MFMA, together with the Structures Act, 1998, the MSA, 2000, and the MPRA, 2004, sets out frameworks and key requirements regarding operations, planning, budgeting, governance and accountability. It identified the following as being the key mechanisms used to achieve these aspects:

- Separating and clarifying responsibilities of councillors and officials;
- Developing a performance-oriented environment. This is done by determining service delivery strategies and priorities. For example, the Service Delivery and Budget Implementation Plan (SDBIP) sets out the performance targets and provides a link between the Integrated Development Plan (IDP) and the budget; and
- Provision of quality information on a timely basis. This will assist management to identify any challenges and develop possible solutions in time.

Fryer, Antony and Ogden (2009: 481), however, noted that expected improvements in performance management, quality of service, transparency, accountability and value-for-money have not yet materialised in local government. The consolation to their observation is that they identified three classes of the causes of this, namely technical, systems and involvement. It can be inferred that, for legislation to achieve the desired results, these external and internal factors need to be addressed. In addition to this, the legislation brings about innovation and better reporting mechanisms.

National Treasury (2011: 73) has noted that accountability in local government also comes in the form of the alignment of various items of legislation. They termed this the ‘accountability cycle’. This means that municipalities are supposed to ensure that all their activities and operations are properly aligned to each relevant and applicable item of legislation. Figure 2.2 below shows a diagrammatic presentation of the accountability cycle.

**Figure 2.2: Accountability cycle**



Source: National Treasury (2011: 76)

The accountability cycle shows the process and timeframes for each key reporting requirement for local government. It also shows how the reports or documents are interlinked. From example, it shows that the process should start from the strategic document (Integrated Development Plan (IDP) to the Annual Report, which incorporates the annual financial statement and audit report, among other things. Each of these reports should be made available to the public.

The legislation also assists local government in improving their performance and viability. Section 5(2)(b) of the MSA, 2000, states that community residents have a duty to promptly pay for municipal services received. The Structures Act, 2000, further strengthens the municipality’s right to collect the funds due from members of the community by allowing the municipality to implement credit control and debt collection measures, where relevant. These measures should, however, be consistent with any local or national policy on indigent debtors and the approved tariff policy.

## **2.6 NORMATIVE GUIDELINES OF PUBLIC ADMINISTRATION AND MUNICIPAL SERVICE DELIVERY**

The RSA Constitution, 1996, prescribes the integral values and principles of public administration that all three spheres of government should abide by. Accordingly, Section

195(1) of the RSA Constitution, 1996, requires that constitutional, democratic principles and values must be the main pillars of public administration. These principles include promoting and maintaining professional ethics; effective, efficient, and economic use of resources; and having a development-oriented public administration, which provides service with integrity. These values are affirmed through the Batho Pele Principles. This means ‘people first’, broadly saying that all municipalities should be committed to serving and putting the community first. To do so, they need to ascribe to the principles of service standards, consultation, access, information, courtesy, openness, and transparency.

It is critical for municipalities to adopt measures that adhere to all the constitutional and Batho Pele principles. The consultation and value for money principles entail effective communication with the community, and economic and efficient provision of services to the community. Municipalities should ensure that residents are encouraged to evaluate the extent of services being rendered by the municipality, the challenges that they may have, and the reasons for their low payment for services, as well as any proposed improvements they require. A practical and feasible action plan to address any identified challenges should be implemented. Such measures encourage participation by residents in the efficient, economic and effective use of scarce resources. This may, in turn, assist residents to pay for the services in time, thereby improving municipalities’ cash flows and service delivery. The process indirectly encourages the public to participate in policy-making and may be viewed as the municipality’s commitment to respond to the community’s needs.

The foregoing entails a delicate balance between engagement and the municipality’s proper assessment of the results, especially on matters relating to the tariff structure. A tariff structure need to be economic and fair, which means it should cost reflective. This enigma is seen against the background that some councils reduce proposed tariffs, based on their perception of what is affordable to their constituencies (Staff Writer, 2021), without any scientific basis. Furthermore, Minister Mboweni has noted that the full absorption of costs, such as bulk purchases, may lead to unaffordable tariffs for low-income households (Staff Writer, 2021), thus being detrimental to revenue collection. In such cases, the municipality should consider other revenue streams and allocate an equitable share to subsidise the tariffs for the indigent and low-income households.

Section 41 of the MSA, 2000, requires that a municipality should set and monitor key performance indicators. The indicators cover all aspects of municipal operations, such as revenue collection, which are directly related to service delivery. The indicators should be communicated as widely as possible to the residents, using various forms of communication such as annual reports, notice boards and notices placed on municipal websites. It is a considered view that the publication of key information not only improves accountability, but also fosters transparency regarding the provision of information to the public, especially its accessibility and accuracy. This further ensures compliance with the service standards, and principles regarding information, openness and transparency. According to Boldbaatar, Kunz and Werker (2019: 777), transparency and accountability potentially act to combat corruption and to increase public benefits. It can then be construed that an increase in public confidence and a community's belief that there is no corruption are likely to positively affect payment rates by the community.

The principle of access entails service delivery to all municipal residents, including those that are socially and culturally disadvantaged. It is this researcher's considered view that this includes ensuring that residents should not struggle to make payments, whenever they need to. As such, municipalities should ensure that they have adequate and easily accessible payment point and methods, as well as purchase points for services such as electricity tokens. In this modern era, this includes the use of technology, but in a fair and equitable manner. There should be no significant additional cost to the residents when providing such services.

Human capital is key to the performance of local government. Human capital is the sum total of a population's health, skills, knowledge, experience and habits (Kim, 2018: 92). This has been one of the main challenges in local government. Most municipalities have huge vacancy rates and staff members are not regularly trained. This was indirectly confirmed by Minister Mboweni in his response to Parliamentary Questions (Staff Writer, 2021). He noted that municipalities do not calculate tariffs through scientific means, but merely impose a CPI-incremental increase to the previous year's tariff. He further stated that Treasury is providing technical assistance to municipalities to assess and set cost-reflective tariffs, as well as instituting a study to determine the true costs for various services. These measures will influence better tariffs, he continued. It can be reasonably inferred the Minister was also noting municipalities' challenges in relation to their human capital. As a result of this, most municipalities appoint consultants to perform some of their functions, such as compilation of

the annual report. It is a considered view that the purpose of such compilations then becomes a compliance process, rather than service delivery function, where the reports should be interrogated to establish reasons why certain targets were not met. Municipalities should, therefore, implement good human resources management and career development practices so as to maximise human capital. These measures should be based on ability, objectivity, fairness and the need to redress the imbalances of the past to achieve broad representation. Well-trained staff is key to assisting and encouraging residents to pay their municipal bills when they fall due, as well as to properly record residents' payments. Any queries should be followed up and resolved timeously. It is thus clear that the principles of courtesy and redress can significantly improve revenue collection and service delivery by municipalities.

## 2.7 CATEGORIES OF LOCAL GOVERNMENT IN SOUTH AFRICA

The present legislative framework for municipalities identifies three categories of municipalities, namely metropolitan, local and district. Section 155 of the RSA Constitution, 1996, has classified them as Category A, B, and C municipalities. When read together with the relevant sections of the Structures Act, 2000, the categories for these municipalities can be summarised as follows:

**Table 2.3: Categories of Local Government**

RSA Constitution, 1996 (Section 155)	Municipal Structures Act, 2000, Descriptions	
	Category & Additional Title	Key Features
<b>Category A</b> Has exclusive municipal executive and legislative authority in its area.	Category A (Metropolitan Municipality)	The area is a conurbation, featuring areas of high population density, and multiple business districts, industrial areas, etc.
<b>Category B</b> Shares municipal executive and legislative authority in its area with the Category C municipality within whose area it falls.	Category B (Local Municipality)	Responsible for basic services not assigned to the district municipality.

<b>Category C</b> Has municipal executive and legislative authority in an area that includes more than one municipality.	Category C (District Municipality)	Responsible for broader matters such as integrated planning development, public transport and bulk supply of water.
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Author's perspective

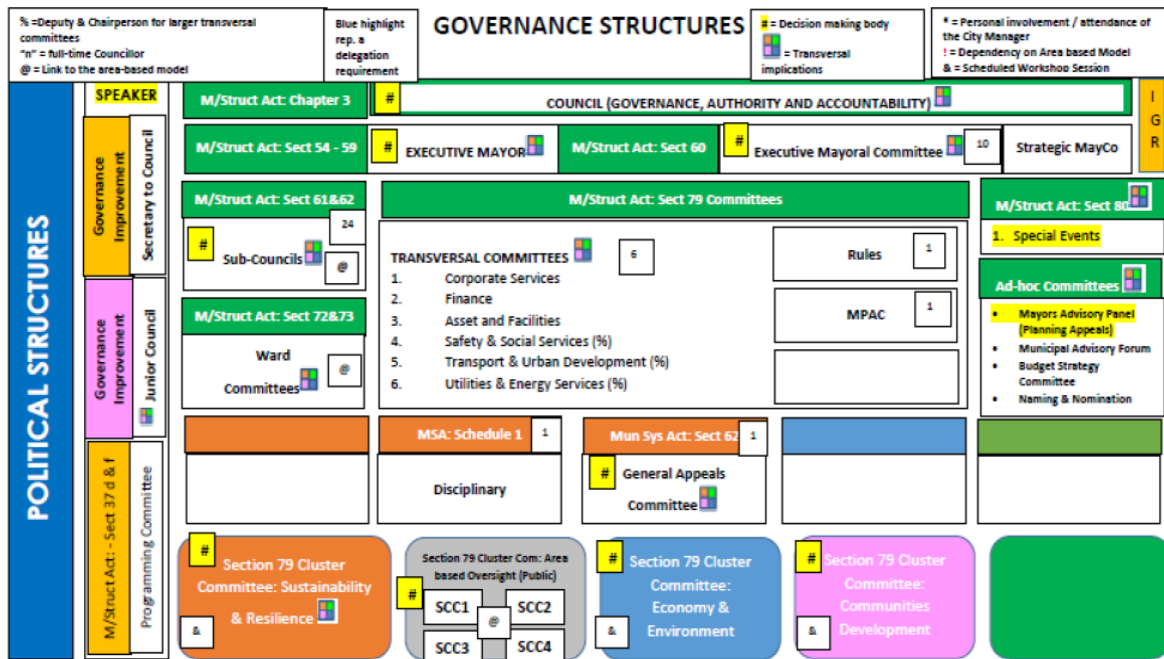
Category B and C municipalities can have either a collective executive or a plenary legislative system. It should be noted that an area that has category C and B municipalities is termed a district management area.

It is clear from the foregoing descriptions, that Category A is a single-tier, while Category B and C are a two-tier, type of local government. Category C municipalities shares jurisdiction with a numeral Category B municipalities. The allocation of functions between these municipalities is one of the key determinants of a complex and difficult exercise to differentiate between them. There is no single methodology, as each exercise has to be specific to the objective of doing so, and each categorisation methodology has its own strengths and weaknesses (National Treasury, 2011: 20). Furthermore, there are different ways in which municipalities differ from each other. These range from size and structure of the population, to spatial characteristics, and to the institutional capacity of the municipality (National Treasury, 2011: 19).

## **2.8 LOCAL GOVERNMENT GOVERNANCE STRUCTURE**

The executive and legislative authority of a municipality vests in the Municipal Council. The Systems Act, 1998, MSA, 2000, and MFMA, among other items of legislation, describe the various roles, responsibilities, and relationships of the legislature, executive authority, and administration relating to local government. Figure 2.3 below shows the relationships and responsibilities of each stakeholder within a municipal environment. These activities and each stakeholder's responsibility are intertwined and hinge on the understanding that services must be delivered to the community within the principles described in section 195(1) of the RSA Constitution, 1996.

**Figure 2.3: Governance structure in municipalities**



Source: National Treasury 2008

It is clear from the foregoing that service delivery is not a simple process. It is a result of intertwined activities and process, fused with human capital at both operational and strategic levels. Human capital should operate within the relevant legislative prescripts, as is relevant. For example, the municipality should have a properly constituted Council, transversal committees (as per section 79 of the Systems Act, 2000), and Ward Committees. Council should approve Municipal Policies and By-laws, such as a Credit Control Policy. Such policies significantly assist in the collection of revenue and, ultimately, service delivery. An official who may breach regulations and policies should be subjected to the Disciplinary Board, which is set up in terms of Schedule 1 of the Structures Act, 1998. In addition to this, every municipality should recognise the importance of inter-governmental relations (IGR), as the three spheres of government are interrelated and all aim to deliver services to the community.

## 2.9 INTERGOVERNMENTAL RELATIONS STRUCTURES

Municipalities do not operate in isolation. There is significant interdependency with various other stakeholders. The need for such relationships is premised in the RSA Constitution, 1996, and the Intergovernmental Relations Framework Act, among others. Some of these stakeholders are described in the subsections that follow.

### **2.9.1 National and Provincial Government**

The other two spheres of government, at the national and provincial levels, play a critical role in the administration and financial viability of local government. The role ranges in extent from oversight to capacitation and performance evaluation. For example, the National Treasury provides clarity and guidance to local government through circulars, generic policies, and standard operating procedures. In local government, financial viability plays a critical role. This was noted by Ndebele and Lavhelani (2017: 345), who stated that financial support systems affect service delivery. They further noted that municipalities must build a solid revenue base to avoid heavy reliance on grants from the national government fiscus.

When local government struggles with revenue collection from other spheres of government, the legislation allows them to seek the assistance of provincial treasuries. Such assistance may depend on the nature of the challenges being experienced by municipalities. For example, Samuels (2014) noted that the Gauteng MEC for Finance, Barbara Creecy, stated that the Gauteng Provincial Treasury would assist local government with a data-cleansing exercise so as to ensure that they have accurate indigent registers. She also stated that she would work with the Department of Co-operative Governance and Traditional Affairs (CoGTA) in this regard. Apart from this, the Gauteng MEC also stressed the importance of government departments paying their monthly bills for electricity and water, on time (Sandton Chronicle, 2021). She offered to provide assistance in the regard. These aspects clearly show the importance of collaboration between all the spheres of government, and in the resolution of disputes.

Regarding CoGTA, it has intervened in various municipalities to strengthen their capacity and governance. For example, Minister Mkhize has stated that the Municipal Infrastructure Support Agent (MISA), the implementing agent, has intervened extensively with regard to the development and maintenance of infrastructure in dysfunctional and distressed municipalities (South African Government, 2019). It is a considered view that a focus on infrastructure is key to development, as it significantly assists in the reduction of water and electricity losses. Minister Mkhize further noted that this saves municipalities their scarce resources, while at the same time significantly contributing towards the reliability of water and electricity supply and revenue collection (South African Government, 2019).

The foregoing measures should take into account the development and evaluation of performance management, considered as another key responsibility of CoGTA. The importance of performance management and evaluation in local government has been concurred in by Sanderson (2002: 303), who noted that modern trends in local government place more emphasis on performance review, monitoring and evaluation. He went further to say that municipalities now need to ensure that capacity for evaluation and learning is an embedded attribute of the 'culture' for achieving the best results. Matsiliza (2017: 16) agreed with Sanderson's (2002) views, but she added that the various approaches need to be integrated.

## **2.9.2 South African Local Government Association**

The RSA Constitution, 1996, provides for the formation of an organisation representing municipalities. In terms of section 163(a), there must be national and provincial organisations that represent municipalities. Pursuant to this requirement, Parliament passed the Organised Local Government Act, No 52 of 1997. This paved the way for the formation of the South African Local Government Association (SALGA), as one of the key stakeholders in local government. The membership of municipalities is established in terms of the Structures Act, 1998. SALGA's main mandate and strategic roles are to, *inter alia*:

- Represent, promote and protect the interests of local government in the intergovernmental system;
- Transform local government so that it fulfils its developmental responsibility through service delivery;
- Assist in finding solutions for challenges relating to local government such as governance and capacitation; and
- Facilitate knowledge sharing and communications capacity within the local government.

The foregoing clearly shows that SALGA robustly strengthens the much-required intergovernmental relations, in a more coordinated approach.

To realise these identified strategic roles, SALGA has identified the following enabling priorities (SALGA, 2016):

- Support local government on its objectives and service delivery mandate, e.g. municipal finances, debt collection;
- Innovation – exploring new and better ways of service delivery;
- Research and knowledge management – develop and draw on the best practices, globally. The European tour undertaken by the researcher is a good example of such initiatives.
- IGR advocacy and structured engagement – representation of such forums may assist in advocating for the payment of municipal services charges, especially by organs of state; and
- strategic partnerships – identifying and recommending programmes and activities that will assist in developmental goals.

## **2.10 CONCLUSION**

This chapter presented a synopsis of the various legislative prescripts relating to municipal service delivery in the identified case study and within local government in general in South Africa. The chapter also looked at how the various items of legislation establish the existence of municipalities within local government, and at the importance of the co-existence of all three spheres of government. The chapter concluded by making brief references to the international environment and practices in local government, more specifically the cost-reflective tariffs. The next chapter looks into the literature and reasons as to why local communities fail to pay for essential municipal services received. The discussion includes a wide range of aspects relating to the non-payment for municipal services.

## **CHAPTER THREE**

### **TRACING BILLING AND NON-PAYMENT OF MUNICIPAL SERVICES**

#### **3.1 INTRODUCTION**

The financial challenges that are encountered in most municipalities in South Africa are a result of failure to collect municipal service fees because of the non-payment actions by citizens. Other contributing factors exacerbating non-compliance in paying for municipal services arise mostly because of unprecedented poverty levels among households, and the existence of an ‘entitlement culture’ among some sectors of communities. These gross non-compliance issues are evident among communities with the same socio-economic features and characteristics (Botes, 2018: 243).

This chapter describes the theories developed in relation to the non-payment for municipal services. It also examines a literature review relating to various problems and concerns relating to the collection of revenue by local government, to service delivery, and the mitigating measures implemented by municipalities in other areas. It provides definitions of key terminologies used in the study, and sets out a high-level overview of the *status quo* of the Magareng Local Municipality. The chapter also identifies the area of the study, gives a description of the key themes of qualitative analysis, and discusses the potential effect of non-payment of municipal services on service delivery, and ultimately, stakeholder influences in this regard.

#### **3.2 DEFINITIONS OF KEY TERMINOLOGIES**

The following are definitions of some of the key terminologies used in this research study. In some cases, these terms may have a different meaning from the norm. For the purposes of this research, they shall refer to what they are attributed to below:

- (a) Municipal services – refers to services such as water and electricity that are provided by the municipality to the community or residents, in return for revenues paid by residents (Local Government Municipal Systems Act, 2000);
- (b) Non-payment – refers to the inability to pay for municipal services, such as water, electricity, refuse collection, property rates and sanitation, as well as paying traffic fines;

- (c) Resident – is defined as a person who lives or has their home in a particular place (Cambridge Dictionary, 2020). For this research, residents would include individuals, businesses and government departments which use properties within the jurisdictional area of the Magareng Local Municipality, and thus receive municipal services. This also includes the farming community within the jurisdiction of Magareng Local Municipality, whether it receives municipal services or not. This term was used synonymously with the local community or members of the community;
- (d) Municipal Customers – refers to the local community that expects responsiveness, courtesy, value for money, and affordable services from the municipality (Van Rooyen, 2003: 132);
- (e) Services delivery – refers to the provision of clean water, electricity, proper infrastructure assets, and community assets/services such as parks, to the local community;
- (f) Consumer debts – refers to the gross amount outstanding from the local community as a result of municipal services provided to the local community, including property rates. Such amounts, if and when collected, may be used for service delivery to the residents;
- (g) Local Municipality – refers to one of the three spheres of government and the level of government that is closest to the people. The roles of these municipalities include management of water, sanitation, refuse removal, parks, recreation, and providing service delivery; and
- (h) Magareng Local Municipality – refers to the local municipality, number NC093, within the Frances Baard District Municipality, Northern Cape Province. The name of the municipality is shortened to Magareng in the greater part of the research.

### **3.3 MAGARENG LOCAL MUNICIPALITY'S *STATUS QUO***

Magareng Local Municipality has not been spared in the dilemma and crisis of non-payment of service fees by residents. From July to September 2019, the Magareng Local Municipality's consumer debtors' book had been significantly increasing. During the same time, the municipality's collection rates, as a percentage of current billing, have been deteriorating. Table 3.1 below shows these rising negative trends.

**Table 3.1: Magareng Local Municipality's debtors' book and collection rates**

Consumer Debtors	July 2019	August 2019	September 2019	Total
	R'000	R'000	R'000	R'000
Opening Balance	226 874	231 096	236 421	226 874
Billings for the month	4 886	5 092	4 732	14 710
Computed Closing Balance	231 760	236 188	241 153	241 584
Actual Closing Balance	231 096	236 421	241 035	241 035
Computed Collections for the period	664	(233)	118	549
<b>% of collection based on Computed Closing Balance</b>	<b>0,29%</b>	<b>(0,10)%</b>	<b>0,05%</b>	<b>0,23%</b>

Source: Adapted from National Treasury, 2020(b).

Table 3.1 above shows that the municipality, in the time period referred to, had been collecting less than 1% of all its outstanding debtors every month. This negative trend is a worrying factor and a serious cause for concern, as it shows fundamental problems, regarding either the municipality's accounting records (lack of reliability and accuracy), or an increasing level of non-payment of service charges. These deteriorating collection rates and increasing debtors' book negatively affected the financial position of Magareng Local Municipality, and continues to do so in the current era. Ostensibly, the municipality's operations are heavily dependent on timeous billing and the timeous payment for the municipal services received by households (Municipal Money, 2020).

The main sources of revenue of the Magareng Local Municipality are no different from other local municipalities. Service charges and property rates are the main sources, contributing about 56% of its total revenue, followed by government grants at 32%, with the rest, such as agency fees, sales of stands and re-evaluation of inventory, contributing about 12% of the total revenue (Magareng Local Municipality, 2017). This latter analysis, however, does not mention the extent of cash collections. To this end, it is fair to mention that there are two main issues regarding revenue. One of the issues is the generation of revenue, which Magareng Local Municipality is achieving fairly well, and the other one is the collection of the revenue, as the ultimate objective of billing income is to convert it to cash. The ideal is that revenue generation needs to be complemented by a high level of cash collection rates. This ideal

situation is contrary to the situation on the ground at Magareng Local Municipality, as most of the revenue generated is not being converted to cash. These unprecedented levels of non-payment not only result in a lack of service delivery, but also in budgetary process challenges such as significant year-end deficits. This is contrary to the National Treasury's expectations that municipalities should consistently rely on their own income (National Treasury, 2008: 22) for the generation of their own revenue.

The persistent increase in the level of non-payment of debt is having a spiral effect on municipal debt across most municipalities. South Africa's municipal debt increased by at least 6.8% in the 2016/17 period, with the highest recording being realised in the Free State (26,8%), with the Northern Cape coming second, at 19.3% (Statistics South Africa, 2017). The report further noted that Magareng Local Municipality then had the highest debt-to-income ratio, resulting in a negative factor for the municipality's borrowings and investor perceptions.

As mentioned above, the culture of non-payment of service charges at Magareng Local Municipality has significantly worsened. It has worsened such that it is now common in diverse communities. The social unrest and boycotts in Magareng Local Municipality began during the illegal and illegitimate era of apartheid, and continues to date, which is fast becoming a norm: Timm and Jadwat (1998: 113); Mattes *et al.* (2000: 32). These studies noted that this is a serious worrying factor because this culture of non-payment may not only impede the implementation of a new and sustainable system within the municipality, but may also influence other communities in the country that have similar problems. It can thus be construed that challenges regarding non-payment of municipal charges may be complex, and it requires an objective view to try to understand the phenomenon. It further requires an understanding that, from the perspective of the participants, such attempts are what are commonly referred to as phenomenology. According to Sokolowski (2000: 2), phenomenology is the study of human experiences and of the ways in which things present themselves to us, in and through such experiences. Smith (2008: 16) has defined phenomenology as the study of structures of consciousness, as experienced from the first-person point of view. He explained that the *first-person point of view* means that the phenomenologist, the investigator of consciousness, studies his or her own experience from the point of view of living through that experience, and not through introspection.

Understanding this aspect assisted this researcher in a variety of ways, such as deciding on the methodology, data collection and analysis that was to be used to undertake the research.

### **3.4 THEORIES *VIS-A-VIS* NON-PAYMENT OF MUNICIPAL SERVICES**

Some scholars have advanced theories to explain the non-payment of municipal services charges levied by the local communities. This study used three advanced theories, namely the systems theory, the contingency theory, and the social contract theory. The researchers in this field believe that the detailed studying and understanding of these theories significantly locates the discussion and the study relating to the extent of non-payment of service charges by consumers.

#### **3.4.1 Systems Theory**

Capra (1997) defined Systems Theory as an interdisciplinary theory about every system in nature, society, and in many scientific domains, as well as a framework for investigating phenomena from a holistic approach. This therefore entails that every unit should interact with its external environment, converting inputs into outputs, and obtaining feedback from the same external environment (Mele *et al.*, 2010: 126). Systems theorists emphasise the importance of every participant being knowledgeable about their environment and expectations, adaptability to the existing condition, and being able to handle difficult situations (Mele *et al.*, 2010: 126). The Systems Theory proposes effective communication between an organisation (Magareng Local Municipality, in this case) and consumers (residents) for enhancing effective payment compliance and efficient service delivery, which makes it more relevant to the study. Based on the Systems Theory, all municipal officials need to be knowledgeable and aware of their external environment in all material respects. This is so because, based on the System Theory, municipal systems can either break or make the municipality's cash flow, as consumers find various excuses for not paying their bills.

#### **3.4.2 Contingency Theory of Leadership**

According to the Contingency Theory of Leadership, management should have different strategies for each situation. This means that, managers are expected and encouraged to make decisions based on the current situation and surrounding environment. A 'one size fits all'

approach will not work in local government as different challenges require different ways and means of solving the problem. Each municipality and situation is different from the other. Thus, management should always assess the situation and identify the best solution for that purpose. These elements mean that management should constantly and adequately communicate with the residents on key issues, properly articulate residents' needs, understand their reasons for non-payment, and develop appropriate strategies to resolve these pertinent issues (Flynn *et al.*, 2009). It is the researcher's considered view that the essence of the Contingency Theory of Leadership is that it advocates situational and servant leadership. In the endeavour to reduce the level and extent of non-payment, municipalities need to be customer service-oriented, where all problems are scanned and addressed timeously, before they get out of hand.

### **3.4.3 Social Contract Theory**

The Social Contract Theory is premised by the fact that 'no one is above rules'. This means that ruling class is, therefore, prevented from making bad rules through the existence of principles such as moral rules, the enforceability of rules and state nature. People are assumed to be rational individuals, who are willing to receive shared benefits, as long as those in power are willing to obey the same rules. Nbeta (2012: 230) went further to define morality, as a way of strengthening the need to adhere to the rules by every person. He defined it as the embodiment of rules, detailing how citizens should treat one another, which rational people would accept to receive mutual benefits, on the condition that others would obey those rules as well. It should also be noted that the issue of morals and civil contract was echoed by Berdufi (2015: 230) who suggested that the need to reform a culture within which people live is the foundation upon which citizens' morals and political responsibilities are based. It is thus clear that emphasis is placed on social contract and the Rule of Law, which should bind all the citizens, irrespective of their positions in society.

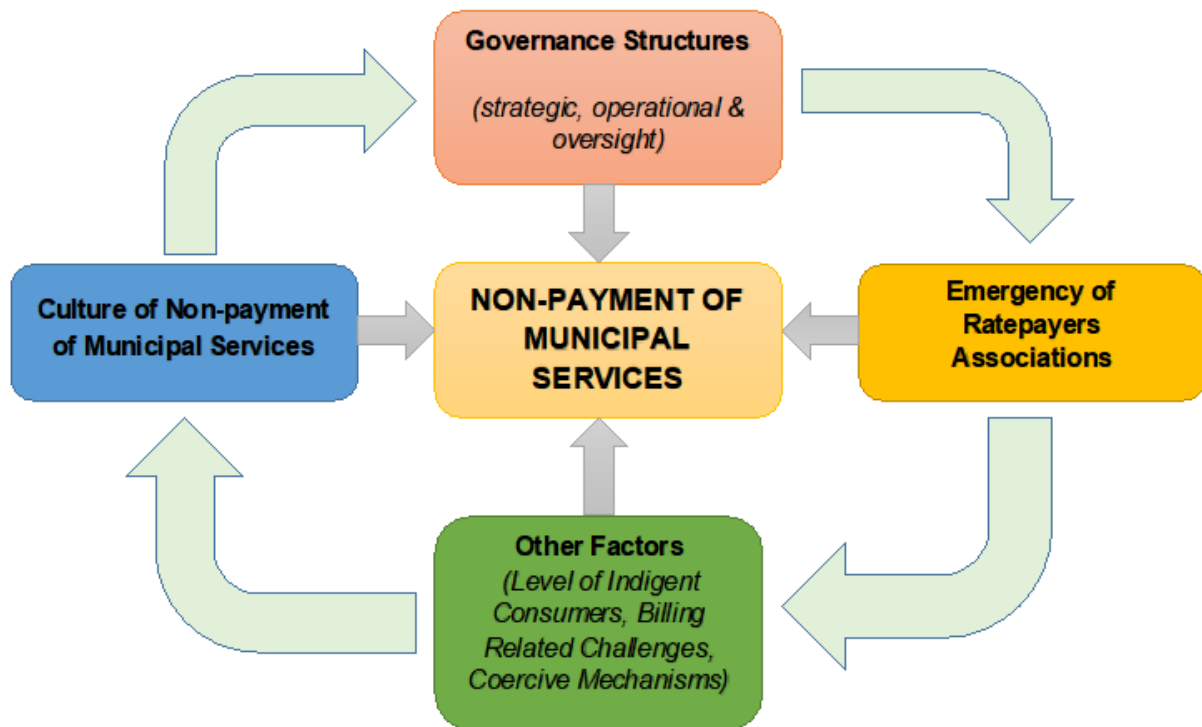
The social contract is considered to be among the most revolutionary of theories, which has improved the functionality of society, and protects and offers citizens a more secure life and more secure property (Berdufi, 2015: 230). It continues to be important in political spheres because it is the basis for the creation of a civil society, where leadership and subordination exist, as well as for the framing of government legitimacy. This theory significantly promotes

the aim that municipalities should have service agreements with consumers, with binding clauses that have serious consequences for failure to pay for services. It can be construed that emphasis on the social contract could assist municipalities in maintaining effective credit control mechanisms that would eliminate many protest actions because of the implementation of these measures by municipalities. The effect of the credit control policy on the collection of municipal services charges was concurred in by Molobela (2016: 266).

### **3.5 KEY THEMES RELATING TO NON-PAYMENT FOR MUNICIPAL SERVICES**

Based on the empirical studies on qualitative studies, there are a number of key themes that are identified regarding non-payment of municipal services charges, such as emergence of ratepayers' associations, the culture of non-payment, governance structures (strategic, operational and oversight), the potential effect on service delivery of three theories, namely the Systems Theory, Contingency Theory of Leadership and Social Contract Theory. These interrelated themes may have a bearing on the extent to which consumers pay their municipal bills, and so ultimately affect service delivery. Some of these themes act as mitigating measures, which potentially reduce or influence the nature and strength of their cause-and-effect relationship (Leedy and Ormrod, 2015).

**Figure 3.1: Relationship of key themes**



Author's perspective

The foregoing themes are discussed separately in the sections that follow in the research study.

### **3.6 NON-PAYMENT OF CHARGES FOR SERVICES**

Non-payment of municipal services charges is prevalent in most municipalities. Powell *et al.*, (2010) have provided various reasons. Some of the reasons are broad and some specific, while others are contradictory. What is agreed unanimously, however, is that this challenge needs to be addressed to create an effective, accountable and developmental local government (Mufamadi, 2005:32), and that it negatively affects the municipalities' cash flow basis (National Treasury, 2018: 22).

The following analysis provides a detailed discussion of some of the reasons provided by previous researchers. These findings have been categorised into three broad areas, namely ratepayers' associations, a culture of non-payment, and other factors.

### **3.6.1 Governance structures**

It is clear that in all cases, consumers noted that service delivery challenges emanate from failures in municipal systems, as well as broader institutional challenges. For example, the Auditor-General's media statement dated 2020 clearly shows that challenges of this kind are common in Magareng Municipality (Tsibani, 2014: 56). The Auditor-General's report noted that there is a high probability that governance issues provide a substantive basis for addressing most of these disputes, suggesting the need to reform some of the aspects of governance and administration. This may prevent a recurrence of such disputes in the future. Tsibani (2014:34) was in agreement with this, when he noted the point that the offices of the mayor or the municipal manager are meant to be the principal points of contact between municipalities and their consumers, including ratepayers' associations. Several meetings were held between these two critical and main forms of contact, coupled with formal correspondence between themselves. At Magareng Local Municipality, Tsibani (2014: 34) noted that there was evidence of such kinds of contact. He further noted that engagements at the right level of governance are a key indication that both parties are keen to resolve the prevailing disputes, even in situations where the two parties are locked in legal battles. It can then be inferred that municipalities should not employ aggressive legal mechanisms (such as disconnecting services) to compel payment as the first option, but rather engage with the ratepayers' associations and other consumers to find an amicable solution to these challenging issues.

Researchers Tshishonga and Mbambo (2008: 45) looked at the importance of governance structures in a slightly different way. They proposed that representative structures of local government (governance structure) should prioritise nation building, as a critical exercise in dealing with the local community. This is in keeping with the contestation that participation has no meaning unless the people involved have significant control over the decisions concerning the organisation to which they belong (Tshishonga and Mbambo, 2008: 771). Nation building, in this context requires, that everyone actively builds a local political community for the long-term. To achieve that goal, leading sectors of a local community should have incentives to engage on the matters and establish mutual ground on the material issues that separate and unite them. It can, therefore, be construed that the process needs to be all-encompassing and inclusive of all structures, especially those with decision-making authority. Undertaking such a process through ward committees only, for example, will not

yield the benefits of nation building. Local community representation should not only have a proportional stake in the decision-making process, but also have reasonable and objective influence. The passing of legislation mandating municipalities to embrace meaningful participatory government shows its importance. This view is supported by Ababio (2004: 273), who noted that community participation was then a buzzword in local government circles, and leads to the enactment of special legislation to make community participation an obligation in municipal administration and management.

The Municipal Public Accounts Committee has concurred with the view that governance structures play a key role in the payment of municipal services charges. The Committee acknowledged that political leadership (from municipal councillors to the ward committees) could play an important role in advocating for payment of services charges. It further noted the importance of coercion as a measure to implement enforcement. There is no mention of the critical role that oversight bodies, such as Audit Committees and Municipal Public Accounts Committee (MPAC), can play in ensuring that measures, such as credit control procedures, are implemented consistently to all residents, including councillors.

The National Treasury perspective (2018: 28); Schoute *et al.* (2017: 506), and Ndevu and Muller (2018: 185) have concurred regarding the role that governance directly contributes to the financial health of municipalities. This implies that it indirectly affects the non-payment of services charges. They identified a number of governance factors that may negatively affect the financial health (and non-payment of services), such as political infighting at council level, interference in administration, leaderships' inaction/inconsistent actions (which creates a culture of 'no consequences'), blatant disregard of controls, compliance with legislation and the Auditor-General of South Africa (AGSA) recommendations. Unlike other researchers, such as Tshishonga and Mbambo (2008: 49), National Treasury (2018: 28) acknowledged the importance of oversight units, such as internal audit and external Audit Committees, in this regard.

To the contrary, de Visser and Mbazira (2006: 65) disagreed on the importance of governance structures in assisting in resolving consumers' challenges. Governance structures, such as council, usually offer few incentives, as deliberations are rarely bi-partisan, but based on party interest, because council structures, and ultimately party caucuses, are organised along political party lines. It is clear that the executive mayoral committee system is neither an

effective instrument for local nation building nor suited to conditions in our country (de Visser and Mbazira, 2006:54). This enhances the party caucus and entrenches executive-centredness. They further noted that this significantly frustrates proponents of engagement and communications, as they believe the exercise would be futile from the beginning.

Governance structures should not be looked at in isolation. By their nature, they bring into account the relevance of leadership and whether leadership and governance should be co-attributes. According to Matshabaphala (2015: 498), in the public sector, leadership and governance is critical and this entails attributes such as respect, a caring, considerate public service, and a public service that is capable of doing more for society with limited resources. Enwereji and Potgieter (2018: 227) concurred when they noted that municipalities should uphold the prescripts of strategic management and strategic leadership, so as to be visionary, dynamic, goal-oriented, transformational and tactical when managing payment culture and strategy conflict.

It is a considered view that these issues are even more critical in the current environment, where municipal financial resources are limited and the rate of defaulting consumers is on a serious, negative upward trend. This is notwithstanding researchers, such as Rybnikova, Toleikiene, Lang, & Saparniene (2015: 217) who looked at leadership and governance structures in the light of developing key reactionary strategies such as the development and implementation of revenue enhancement strategies, with much community participation, which implied the involvement of Councillors.

### **3.6.2 Emergence of Ratepayers Associations**

From about 2009, the phenomenon of Ratepayers' Associations expanded to most municipalities in South Africa (Powell *et al.*, 2010: 97). According to the National Taxpayers Union of South Africa, ratepayers in 42 towns are currently engaged in legally declared disputes in terms of section 102 of the MSA, 2000 (Municipal IQ: 2021). Instead of paying rates and other service charges over to the municipality, the Associations are paying them into trust accounts (National Treasury, 2011: 22). This practice entailed the withholding of payments for municipal services by some of the residents, especially those in white communities and professional people in the traditionally 'well-off' communities, in a

‘formalised’ and well-coordinated manner (Lund, 2009). This has been corroborated by National Treasury (2011: 23), which noted that wealthier communities tend to organise themselves into ratepayer associations, and seek to engage with municipalities around particular issues, either directly through meetings, or indirectly through letter writing and petition campaigns. This is contrary to the perception that middle-income to rich communities would not do that, as it might be expected that they could rely on their financial resources to participate in the various established municipal processes (Tshabalala and Lombard, 2009: 40). The local community has not spared Magareng Municipality from this ‘new’ form of protest.

In some cases, the actions of ratepayers, such as through ratepayers’ associations, are not to pay their municipal bills and keep the funds in a trust account. In some areas, the ratepayer associations use these funds to perform essential maintenance and to pay private companies for the delivery of services (National Treasury (2011: 20). This is unlawful and a breach of the Rule of Law. A case in mind is the Rademan case, a Constitutional Court case between Olga Rademan and Moqhaka Local Municipality and Others (Case CCT 41/12: 2013: ZACC 11). Ms Rademan and other residents were not paying for any services in Moqhaka Local Municipality, except electricity. Moqhaka Local Municipality disconnected electricity to one of the residents who was only paying the electricity bill, and not all the other services, as a way of protesting for poor service delivery. The resident then took the matter to the magistrate court, High Court, Supreme Court of Appeal, and ultimately, the Constitutional Court, where she lost all her cases. The Constitutional Court declared the actions by the municipality as lawful, and at the same time, declared the ratepayer’s actions as unlawful. Despite the ruling, some of the residents, especially those affiliated with the Ratepayers Association, withheld payments, notwithstanding that it was illegal to do so. It is a considered view that some municipalities may not be aware of the court ruling, and thus the trend of this behaviour continues.

May (2010: 97) further reiterated the point that ratepayers who are receiving services are effectively running a ‘parallel and illegal’ municipality. Explicitly or by inference, some of the political heads perceive this as a sinister agenda at play. In the eyes of the public, these measures can be viewed as either a racist, political or anti-developmental agenda. According to May (2010: 32), one of the most common inferences drawn is that such ratepayers are well-off whites, who want their money to be used only on service delivery in their residential areas.

He further noted that this may be due to the perception that some white ratepayers are resistant to democratic changes in South Africa, and want to destabilise the government's legitimacy.

Withholding monies due for municipal services by Ratepayers Associations is depriving many municipalities of much-needed cash resources. According to May (2010: 28), ratepayers' associations are currently holding over R10 million, across 35 municipalities, with at least 50% of that amount belonging to three municipalities. These measures are increasing the level of mistrust between local communities and the municipalities, further widening the gap between the two parties, especially in communities that are socially, geographically and economically variant. Where there are challenges, the only way to encourage cooperation and accommodation of each other, is to pursue the development of dialogue and peaceful co-existence, rather than through protests and adversity (May, 2010: 28). The issue of lack of political trust by the community is mainly based on the belief that politicians display an attitude of non-responsiveness and a culture of self-interest, defying the essence of Mandela's legacy, as noted by Botes (2018: 245). Although Botes (2018: 245) did not link this to the ultimate non-payment of municipal services charges, it could be seen as logical and reasonable to construe that it plays a role in the non-payment of municipal services charges. According to Hammersley and Atkinson (2007: 58); and National Treasury (2011: 23), an evaluation of service delivery protests and the emerging form of protest in the practice of withholding rates reveals that many of the reasons that drive service delivery protests are also imperatives for rates withholding. There is, therefore, an urgent need to improve the service delivery situation in this identified municipality, and in local government in general in South Africa.

The need for dialogue and communication is critical, especially against the background that some of the disputes and complaints are genuine. These are linked to poor service delivery and there is a high degree of conformity between both parties regarding the substantive nature of the basis underpinning these disputes. Such measures are more critical because, in some instances, genuine cases are marred by minimal or negligible 'politics' at play, with the intention of diverting attention from the core and real issues in hand. This was confirmed by May (2010: 67) when it was noted that, despite the fact that there may be politics at play, at the end of the day, ratepayers would not have space for withholding rates payments, if the municipality had done what it was supposed to do. One can, therefore, argue that when the

local community protests in this form of ratepayers' associations withholding money due to the municipality, they may be negating the essential consideration in service delivery that may have primarily led to mobilise discontent. The local community should always remember that consensus on the substantive challenges provides a strong foundation for addressing any dispute; regardless of the perceptions both parties may hold about each other's motives.

The importance of the inclusion of all stakeholders in various municipal processes and of proper engagement with the community cannot be ignored. According to Orton (2004: 509) and Ndevu and Muller (2018: 184), the breakdown in open and frank engagement precipitated all the disputes with ratepayers' associations, hampered any endeavours to find a solution, and bred discontent and misunderstanding. It is critical to note that strong communication and community engagement is about taking practical actions to resolve real problems, followed by reliable and responsible actions, and not merely talking about the problem. The need to involve ratepayers' associations should be recognised, despite the fact at times that ratepayers' associations are divided regarding participating in the municipal activities. Some have participated and others have refused, while a further group have expressed discontent about the accessibility and efficacy of these participatory mechanisms, leading to neither party offering any examples of progress being made (Magareng Local Municipality, 2019). From the foregoing, it can be inferred that, if ratepayers' associations feel that engagements and participatory structures are not addressing their concerns due to issues such as poor administration, this would add to their discontent, and further fuel their form of protest action.

### **3.6.3 Culture of non-payment of services**

According to Fjeldstad (2005: 89), communities with similar socio-economic statuses tend to have significant dissimilarities in compliance levels, due to the culture of entitlement. These authors argue that some citizens have a dependency attitude. Citizens argue that municipal services are free, and they constitute a basic right. Serious perceptions are raised about consumers. For example, it is noted that consumers are free riders and no one would voluntarily contribute to the government fiscus, unless there are threats of punishment. Fjeldstad (2005: 89); Levi and Stoker, (2000: 15) further identified three relationships that exist between consumers and municipalities, namely that of fiscal change, trust and coercion, and the impact of social influences. These three relationships entail the following aspects:

- (a) The fiscal exchange states that the payment of municipal service charges, due for the provision of basic services by the municipality, can be interpreted as the contractual obligation of the consumer (Fjeldstad, 2005: 89). It is argued that most ratepayers cannot measure the value of services received from municipalities, and think they are free, and have incorrect attitudes and impressions relating to the terms of trade with their municipalities.
- (b) Regarding coercion, Nakhaie and de Lint (2013: 173), Ruiters (2007: 489) states that trust and coercion are closely related to compliance and governance. The author further noted that, for laws to shape citizens' behaviour, they must be supported with effective enforcement mechanisms. Levi and Stoker (2000: 19), concurred by saying that the government must establish a level of trust with the citizens by consistently using coercion to punish any non-compliers.
- (c) Social influences mean that social mediums and mainstream media also played a role in influencing non-payment of services, as some citizens visualise, share and learn about the fact that some communities are not paying for their services. Neighbours, friends and relatives also influence people's thoughts on municipal services, and this could have an impact on their way of thinking, including their behaviour towards these issues.

The culture of non-payment for municipal services received, which is now strongly prevailing in the public domain, started during the 1980s (Moses, 2001:1). This occurred at the peak of racial segregation, when towns and municipal boards were demarcated by race. He further noted that some municipalities neglected to give enough land to black communities, and made inadequate investments in infrastructure assets such as water, power, and sewerage networks. While the devastated, truly 'dark territories' were relied upon to pay for municipal services, they did not get any improved services. As a result, any cash paid by residents in the verifiably distraught territories was furrowed once again into the more princely white municipalities (Heymans and Thorne-Erasmus, 1998: 661). This prompted the black communities to not settle their municipal bills.

Mabotja (2002: 69) and Booysen (2001: 674) have presented a different view regarding the culture of entitlement. They noted that communities always believe that local municipalities have enough money to enable them to render free services. The community further believes that, in the unlikely event that the municipality does not have the financial resources to render

services, this will be attributable to the fact that the national government is unwilling to provide the necessary financial resources for the same. Orton (2004: 507) concurred, saying that the ‘irresponsible citizens’ do not pay for municipal services received, not because of a deficit of responsibility (feeling entitled to free services), but because of “insecurity and struggle to make ends meet”.

#### **3.6.4 Other factors**

Another factor that has been attributed for the high level of non-payment of services charges is the extent and level of indigent consumers. Municipalities are experiencing challenges with indigent people who are subsidised, but still have huge debts. According to the governments’ Free Basic Services (FBS) policy, indigent people are exempted from paying for basic services below a certain threshold (Molobela, 2016: 266). This is a common practice across all municipalities in the country, at large, based on the level of indigency. Municipalities do not regularly update indigent registers, which means that indigent people may be counted as being among some of the defaulters, which also falsely inflates the extent of consumer debtors. Researchers, such as those conducting research through the Centre for Development Support at the University of the Free State (CDS, 2001: 12); Booysen (2001: 678); Botes and Pelsler (2001: 75); Molobela (2016: 262); and Orton (2004: 504) have concurred that the non-payment of municipal services charges is mostly a component and product of an inability to pay. It is contested that the poverty levels of most households render them incapacitated, rather than un-interested in paying. Therefore, facilities are provided to the deserving residents – the poorer segments of the population – for free basic services and/or a lowering of the rates. Molobela (2016: 262) added a note of concern about the ever-increasing unemployment in the local community.

According to Business Unity South Africa (BUSA), irregular billing, incorrect billing, unhappiness with services received, and high tariffs significantly affect municipal debt (National Treasury, 2018: 44). Powell *et al.* (2010: 5) asserts that, coupled with these reasons are the failed attempts to engage municipalities to remedy the *status quo*, a sense of frustration and futility about accessing and influencing key decisions-making processes within municipal councils, and allegations of incapacity, mismanagement and corruption at the municipal level.

A number of individuals strongly believe that improvements in their lives and the improvement of services could have been achieved through applying coercive mechanisms against defaulters, such as blacklisting. According to Brilliant (2018: 10), coercive mechanisms such as blacklisting has fuelled the rate of non-payment and encouraged consumers to continue with the legacy of the after-effects derived from the long periods when the culture of payment avoidance was being the formed. This has directly brought about the stagnation and, further, the degeneration in the ascendancy recently gained, in previously 'dark locations'. Tragically, no legislation can help to change the hearts and minds of individuals so as to convert and make them believe in a culture of payment for services received.

Consumers' views and intentions are also informed by negative perceptions about municipalities. Some of these negative perceptions relate to corruption, rampant maladministration, and incapacity in their local municipalities. These issues, coupled with the view that the municipality's failure to engage the local community represents an attempt to enforce political dominance by the majority party and keep ratepayers at an arms-length from municipal affairs, encourage local community boycotts, including payment of municipal bills (Breakfast, Bradshaw & Nomarwayi, 2019: 107).

### **3.7 IMPACT ON SERVICE DELIVERY**

A number of municipalities in South Africa are experiencing financial viability challenges (Moloto and Lethoko, 2018: 750). This directly affects the delivery of services, as constrained financial resources imply that municipalities are unable to discharge their functions (Kanyane, 2011:936). A significant portion of a municipality's funding should come from its own revenue, albeit complemented by national and provincial transfers. The moment the scale shifts in favour of national and provincial transfers, service delivery is adversely and negatively affected. This is so because fiscal contributions are dwindling and minimal, and as a result, municipal funds will be directed to specific municipal projects, but not to all of them. Further, funding from national and provincial government is subject to many approval processes and national government prioritisation, which may take long to materialise (National Treasury, 2018: 32).

Service delivery relies on cash flow generation. As long as municipalities are not able to convert revenue earned into cash, service delivery would be negatively affected. This phenomenon is common and prevails in most municipalities. According to the National Treasury (2018: 18), as at 30 June 2018, consumer debts to local municipalities (excluding metropolitan municipalities) constituted at least 60% of municipal revenue. This is way too excessive, and what is even more worrying, is that this trend has been substantially increasing over the past three years. In addition to this, as at 30 June 2018, a total of 123 (of the 150) local municipalities (excluding metropolitan municipalities) were receiving a significant portion of their incomes from national transfers (National Treasury, 2018: 18). Municipalities are thus not able to generate sufficient cash flows to fund key service delivery projects that are not accommodated by national and provincial transfers.

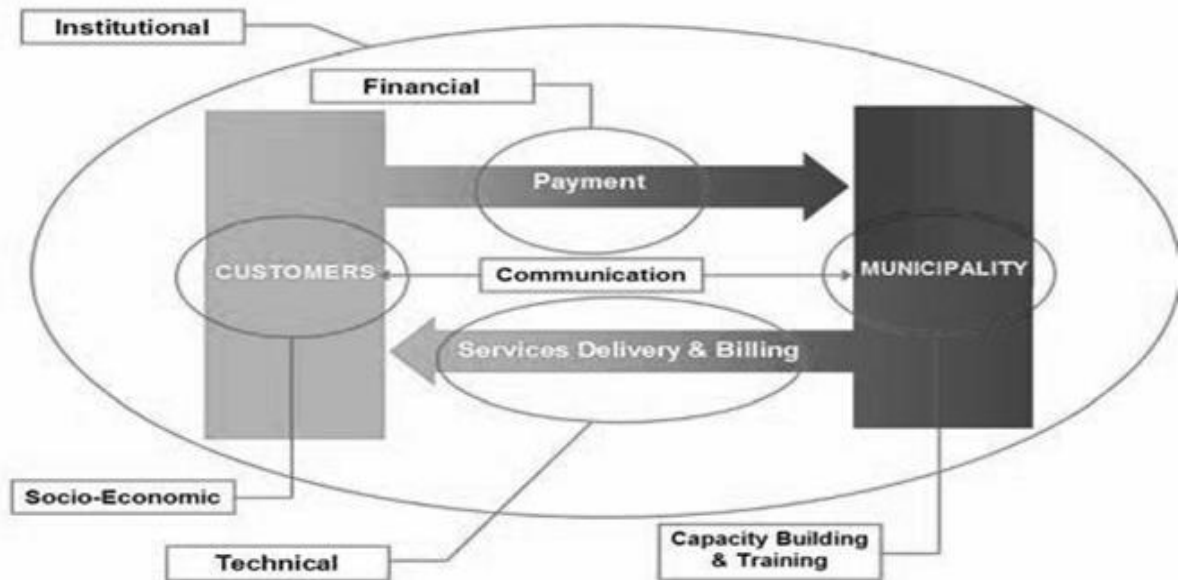
According to the National Treasury (2018: 28), instability in senior management positions has a negative impact on service delivery to communities. This negatively affects service delivery in that this delays the appointment of service providers, as well as resulting in institutional inability to make basic managerial decisions, and overall financial sustainability. A detailed analysis of this situation shows that these issues emanate from the fact that when the position of the Municipal Manager (MM) becomes vacant, accountability is weak, while when the position of Chief Financial Officer (CFO) is vacant, managing the Budget and Treasury Office, overseeing the municipality's finances, and ensuring compliance with public finance legislation and council policies tend to become neglected (National Treasury, 2018: 29). It can be construed that Fourie and Poggernpoel (2017: 175) concurred with the fact that the lack of accountability (an element that is prevalent when members of senior management are in acting capacities) plays an important role in the issue regarding the non-payment of municipal services charges. They contended that, in addition to lack of resource optimisation and a non-compliance culture, accountability seems to be the main problem area in the local government and public sectors at large.

### **3.8 STAKEHOLDER INFLUENCE AND INVOLVEMENT**

Stakeholders play an important role in the collection of municipal services charges. According to Molobela (2016: 267), it is critical to include key stakeholders, such as ward committees, to be part of the revenue planning process. The author further noted that the active and timely

involvement of ward committees and councillors encourages citizens to settle their municipal bills. The United States Agency of International Development (2016: 5) developed a strategic revenue collection model that includes all key stakeholders, and shows their roles and interaction to improve the collection rates. Figure 3.2 below depicts this model.

**Figure 3.2: Strategic Revenue Collection Model**



Source: USAID (2016: 5)

Apart from the foregoing, stakeholders such as the Department of Provincial Treasury and Co-operative Governance, Human Settlements, and Traditional Affairs (COGHSTA), play an important role in assisting local municipalities to collect funds due from consumers. Their role is even more critical, especially regarding equally ballooning government debts. They can further assist in encouraging the community to settle their bills.

### 3.9 CONCLUSION

This chapter looked at three of the theories advanced towards dealing with the non-payment of municipal services charges. The theories are based on some of the reasons why consumers do not pay for municipal services. As such, they can be viewed as a consolidation of those factors, taking into account the main themes around those reasons. The chapter presented a variety of separate reasons as to why local communities fail to pay for municipal services. The reasons included cultural issues, poverty, and lack of communication and proper

governance structures. Some of these individual reasons are directly and/or indirectly included in the said theories. The next chapter will discuss the rationale for the research methodology, sampling methods, data collection and analysis mechanisms.

## **CHAPTER FOUR**

### **RESEARCH METHODOLOGY AND DESIGN**

#### **4.1 INTRODUCTION**

The previous chapter looked at the local government environment in South Africa, evaluated the literature review regarding the non-payment of municipal services by residents, and examined the potential effects of non-payment of municipal services charges on service delivery. This chapter describes the research methodology in more detail. In this study, a qualitative research methodology was used and the reasons for such are provided. The chapter looks at data collection and analysis techniques, population size, sampling techniques, and data validation techniques, as are relevant to the qualitative research methodology. The chapter concludes by looking at elements of ethical consideration.

Based on the theory and evidence of previous research on this subject matter, it was possible to put forward the following research questions:

- Is the local community aware of their obligations to pay for municipal services?
- Does the municipality have policies and procedures in place to submit bills to the local community timeously, and measures to hold defaulting consumers accountable?
- Does the municipality implement such measures and apply the relevant policies?
- Does the non-payment of service charges and property rates affect service delivery?

From the foregoing, the research objectives were formulated, as follows:

- To establish why consumers fail to pay for municipal services;
- To advise as to systems, policies, and procedures that could be put in place regarding delivering services charges and property rate bills to the community;
- To establish if the municipality has mechanisms in place to hold consumers accountable for their failure to pay for the services, and enhance revenue collection; and
- To determine if the non-payment of municipal services and property rates affects service delivery.

## **4.2 RESEARCH PHILOSOPHY**

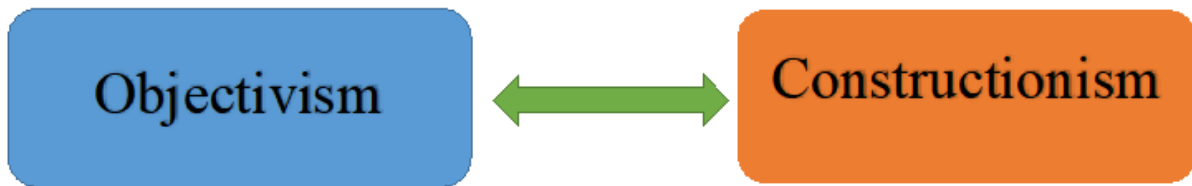
Research philosophy comprises a system of beliefs and assumptions about the development of knowledge (Saunders *et al.*, 2009: 12). They further noted that there are three research assumptions namely ontology, epistemological and axiological. A researcher should try to match the research philosophy to the methodology and research problem. Various philosophies are possible in any science of research, but approaches that are extreme can be delimiting (Holden and Lynch, 2004: 399). Further, it is critical to note that the research should not be methodologically led, but the methodological choice should be consequential to the researcher's philosophical stance and the social science phenomenon to be investigated (Holden and Lynch, 2004: 397).

This study was guided by the pragmatist view that the objectives of research should determine the paradigm. The study's three objectives required both a deductive approach, where existing theories are tested, and an inductive approach, where new theories are made from findings. The inductive aspect of the study pointed towards the interpretivist view that enables one to understand and theorise participants' subjective perceptions. The objectives are exploratory, as the study needed to explore possible reasons behind the non-payment of municipal services charges.

### **4.2.1 Ontology**

Ontology deals with the nature of reality as being "how things are" (Klakegg, 2016: 171) or what reality is and what it is not (Lincoln and Guba, 1985: 108). Within a pragmatist context, reality is not only external and internal, but also stems from multiple views. This pragmatist, ontological view accommodates the interpretivist view that reality is subjective and internal to the participant with the positivist view that reality is external and absolute (Saunders *et al.*, 2009: 43). This study accepted that the reality of the challenges affecting municipalities in the collection of revenue for services rendered could be both external and internal. They could also be a result of several varying realities, as postulated by the ontology of pragmatism. Klakegg (2016: 169) presented the foregoing aspect in two distinct directions, known as objectivism and constructionism or constructivism. Figure 4.1 below shows the two ontological positions.

**Figure 4.1: Ontological positions**



Source: Klakegg (2016: 171)

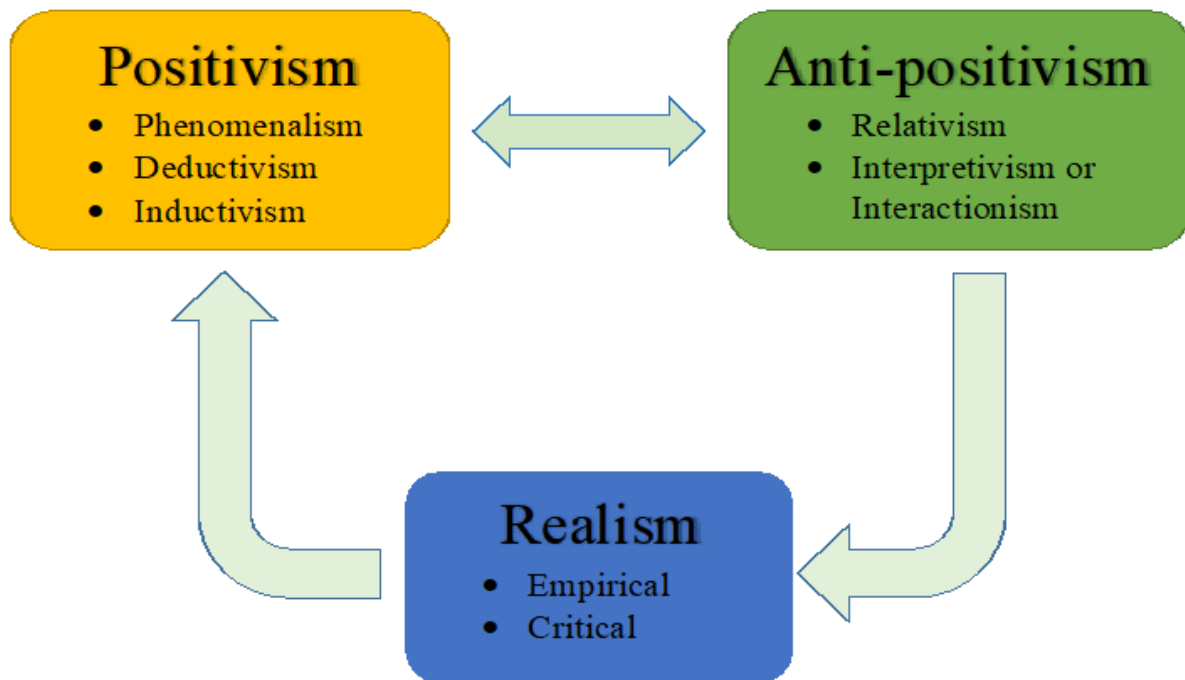
According to Klakegg (2016: 173), objectivism emphasises the point that a social phenomenon does have a meaning and existence, independent of the people associated with it. This means that society and organisations have structural elements, such as hierarchy, rules, and regulations, roles, and responsibilities that people should adhere to. This is a situation that Hawkesworth (2006: 160) referred to as ‘speak truth to power’. By so doing, it means that there is a high degree of objectivism and the assumption that the organisation is meaningfully independent of other social entities.

Constructivism or constructionism, on the other hand, asserts that social phenomena and their meanings are not only being continually accomplished by social actors, but produced by social interactions and in a constant state of revision (Bryman, 2004: 16). This means that individuals within society tend to react to and change the way things are done, which can be influenced by several factors such as culture. The environment is thus fluid, and constructivists always question whether meeting with society will reveal the truth.

#### **4.2.2 Epistemology**

Epistemology of research is a philosophical branch that is interested in determining the qualities that knowledge should possess (Saunders *et al.*, 2009: 43). Epistemology assumes that knowledge is interpretive and can either be true or untrue (Klakegg, 2016: 167). As such, it must be treated with caution. Positivist epistemology states that knowledge has meaning and value only if it is objectively observable, while interpretivist epistemology states that knowledge is meaningful in its subjective form (Bryman and Bell, 2011: 12). Klakegg (2016: 171) identified three distinct directions of epistemology, which are shown in Figure 4.2 below.

**Figure 4.2: Epistemological positions**



Source: Klakegg (2016: 171)

Positivism is regarded as a natural science in that a statement is true knowledge if it can be confirmed by data. In trying to explain positivism, Inters (2008: 19) introduced the term ‘reductionism’, which is closely linked to causality. The process entails that complex systems can be understood by the interaction of their parts, and reduced to the account of individual constituents. This means that there is a directional relationship between one event (the cause) and another event (the effect), which is the consequence (the result) of the first (Klakegg, 2016: 173).

Relativism, on the other hand, is based on the fact that any phenomenon is dependent on other elements, such that humans can understand and evaluate beliefs and behaviours only in terms of their historical or cultural context (Klakegg 2016: 175). The author further noted that this has brought about two other principles, namely truth relativism (there is never any absolute truth on any issues because results are always relative to some particular reference) and absolutism (there is one true and correct view). Interpretivism promotes the idea that nothing in society can be determined, since people can break away from any label (Bryman, 2004: 19). He attributed this to the fact that people and the objects of nature are different. This was concurred in by Avgerou (2005: 105), who noted that post-positivists claim that the world

exists apart from our understanding of it, while constructivists insist that the world is created by our conceptions of it.

Inductive reasoning is an approach to the relationship between theory and research, in which the former is generated out of the latter, while deductive reasoning is an approach to the relationship between the theory and research, in which the latter is conducted with references to hypotheses and ideas inferred from the former. Abduction is a type of reasoning with strong ties to inductive reasoning that grounds social scientific accounts of social worlds in the perspectives and meanings of participants in other social worlds (Bryman and Bell, 2011). Saunders *et al.* (2009) emphasised that the inductive approach is a more open-ended and exploratory method, and it that involved the generation of theory emerging from data gathered. The authors indicated that a deduction method is a research approach, which involves the testing of a theoretical proposition by using a research strategy that is specifically designed for testing aspects raised in the research.

According to Bryman (2004: 12), realism is based on the premise that both natural and social sciences can and should apply the same approach to data collection and explanation. There is always an external reality to which researchers can direct their attention. Mir and Watson (2000: 944) noted that Kant identified two separate directions for realism, namely empirical realism (reality can only be understood through the appropriate choice of method) and critical realism (recognises that reality is provisional and its effects can be observed). This clearly shows that realism can relate to both quantitative and qualitative methodology in the research.

### **4.2.3 Axiology**

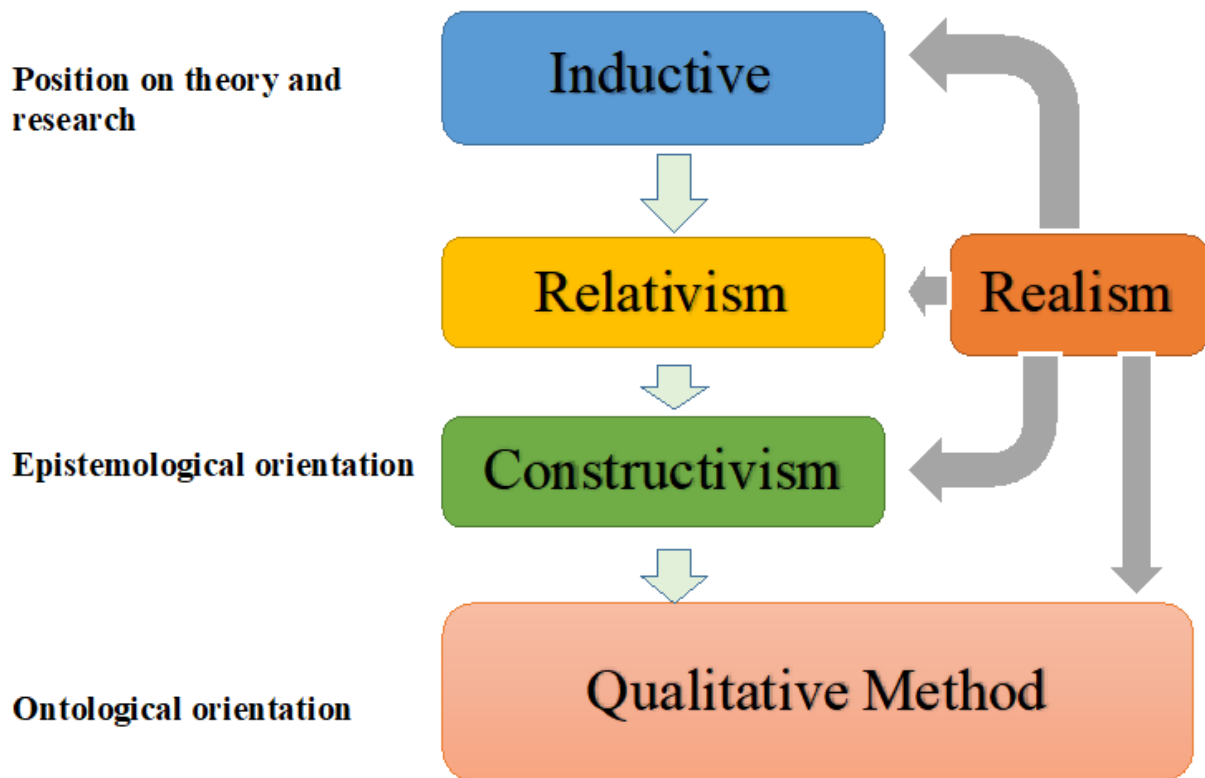
Axiology is the concept of pragmatic ethics; an idea that reaches a positive value after becoming an effective route to an end. There is no assurance that something is good or bad. In pragmatic aesthetics, an appearance achieves its value from a group. In the case of judgments, a person considers the wisdom of a group rather than that of a particular individual in the group. In pragmatic logic, a person takes an active role in life by deducing knowledge in the right way (Smith, 2008: 16). Individuals who do not engage in any activity tend to interpret knowledge differently. The consistent relationships with learning strategies represent how people can exploit the functioning of the human intellectual system to optimise the encoding, storage, and integration of knowledge.

#### **4.2.4 Adopted philosophy**

A pragmatic approach in research accommodates either the ontological views or the epistemological views, and even both sides of the two views (Rubin and Babbie, 1997: 19). Knowledge could, therefore, be either subjective or objective, based on the research interest at hand, and it should still be meaningful in meeting the research objectives.

This study adopted inductive reasoning and constructivism, with the relevant aspects of realism. This is deemed a subjective approach in extracting and interrogating knowledge from the municipal officials, members of the community, and councillors. This approach accepts that their views and perceptions of the challenges they encounter when enforcing the obligations of consumers to pay for services received. Councillors' roles in promoting payments to communities and the communities' views on their failure to fulfil their obligations may differ. This approach was guided by the pragmatic view that epistemology can be applicable in both its interpretivist and inductivist forms (Rubin and Babbie, 1997: 19). Figure 4.3 below shows how the lens, dominated by inductive, realistic and constructivist positions (Klakegg, 2016: 175), leads to qualitative methods of data collection and analysis, as well as indicating how these elements are related to each other.

**Figure 4.3: Methodological positions as part of research strategy**



Adapted from Klakegg (2016: 175)

#### 4.2.5 Rationale for the choice

This research study applied the pragmatism paradigm for the collection, analysing, and interpretation of data. Pragmatism research can serve as a philosophical programme for social research, regardless of whether the research uses qualitative research, quantitative, or mixed methods. Pragmatism has been regarded as the most suitable research paradigm, which comes about as a result of the aligning between the nature of the proposed subject matter of the study thesis, objectives, approach and techniques with the paradigm’s foundation and principles in mixed-method research (Heinz, Klein & Myers 1999: 72). Experiences always involve a process of interpretation such that what happens will be in a semi-automated state that does not require much careful decision-making (Kaushik and Walsh 2019:13).

The study’s semi-structured interview questions, data collection techniques, and need for context comply with the elements of inductive, relativism, and constructivism (Orlikowski & Baroudi, 1991; Shannon-Baker, 2016: 322). This was compounded by the fact that gaps in

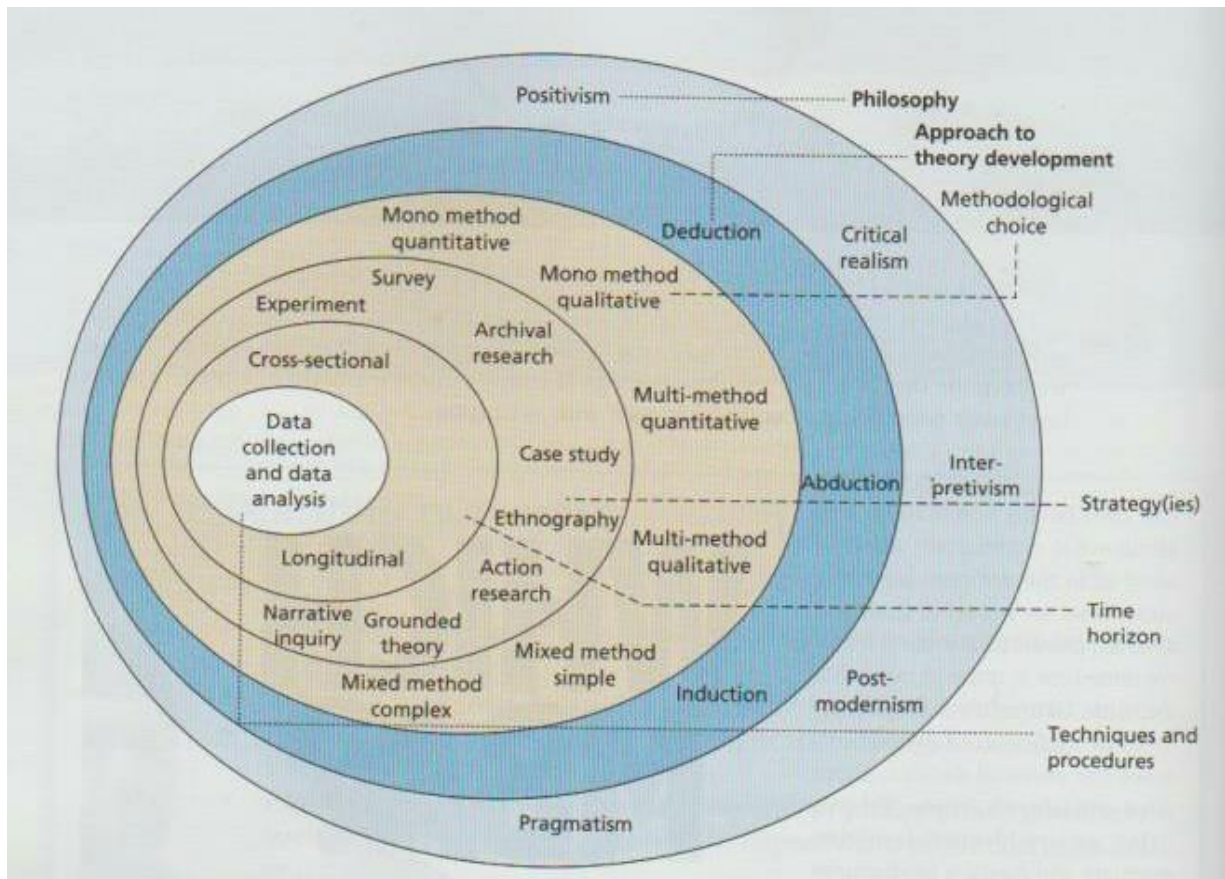
current research on non-payment of municipal services charges showed that some of the theories had an inadequate base from which to challenge and contrast different views, as required to provide a comprehensive critique.

Another rationale for proposing to use pragmatism as a paradigm was that it acknowledges that knowledge and reality are based on beliefs and habits that are socially constructed (Kaushik and Walsh, 2019:89). This meant that the paradigm agreed with the concept that what is known in the world is socially constructed, although some of the social constructs tie or align with individuals' experiences more than others. They further noted that an inquiry, such as the one undertaken by the researcher, is an investigation to understand some parts of reality and create knowledge to bring about change in that reality. As such, the approach would significantly assist in creating knowledge in the interest of change and improvement in the context of municipal matters. This was concurred in by Marshall and Rossman (2016: 38), who noted that inductive reasoning is a trait of qualitative research in that it commences from an insignificant perspective (known but fairly little knowledge), with the significance and comprehension of the perspective coming to the forefront as the process evolves, based on the narrative responses that emerge in the research.

### **4.3 RESEARCH METHODOLOGY**

According to Goddard and Melville (2001: 67), 'methodology' is a term that describes how the research is carried out, as a means of supporting the philosophical assumptions that underpin the research project. The process entails more than simply the methods that are going to be used to collect data. In this regard, the methodology for this study was undertaken by using the research onion processes, as proposed by Saunders *et al.*, (2009: 123). They described the metaphor for outlining the layers of the research process, as shown in Figure 4.4 below.

**Figure 4.4: Research onion**



Source: Saunders *et al.* (2009: 124)

It is clear from Figure 4.4 that the research onion summarises the entire and ideal research process, irrespective of the research methodology. The outer layers contain thinking about research philosophies and approaches to theory development, while the central layers reflect the need to consider research strategies and choices. The chapter initially discussed the research philosophy, research approaches, and strategies used for the research, as well as reasons for their selection. The sixth layer consists of data collection and analysis, which are critical components of any research.

#### 4.4 QUALITATIVE RESEARCH METHODOLOGY

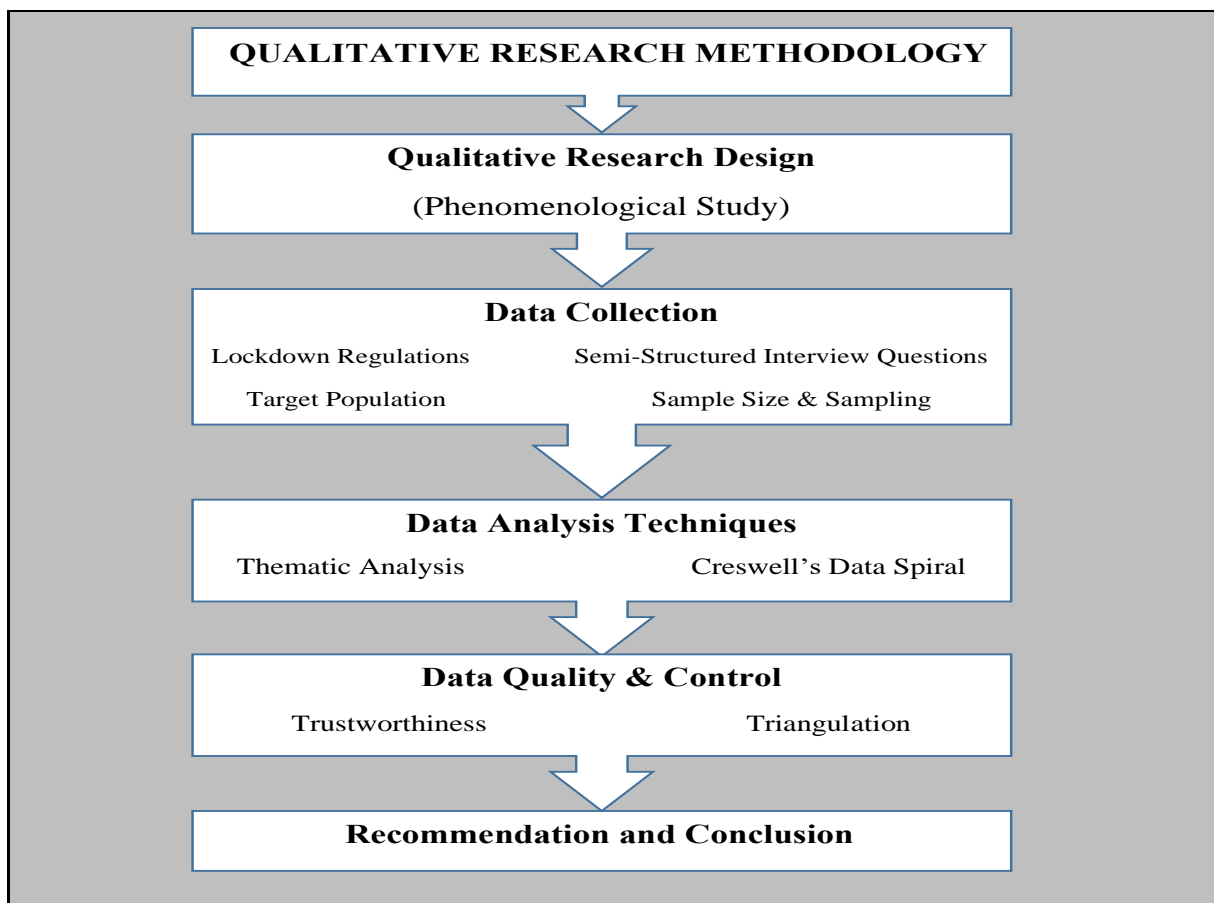
According to Shannon-Baker (2016: 319), methodology is a way that researchers use to summarise their beliefs regarding their efforts to create a new body of knowledge. This was concurred with by Saunders *et al.* (2009), although in different terminology. Saunders *et al.*

(2009: 596) defined it as an examination of a social phenomenon to gain an understanding and explanation of that phenomenon.

The common types of research methodology are qualitative, quantitative, and mixed-method. According to Blumberg *et al.*, 2011: 144), the choice between a qualitative, quantitative, or mixed-method is an epistemological issue (concerned with how one acquires knowledge). The method of choice is guided by the knowledge available about the subject matter.

In this study, a qualitative research methodology was employed. The methodology entailed several aspects that were considered by the researcher, which have been structured in various stages in some orderly manner. Figure 4.5 below shows an illustration of this methodology and how the process flowed. The process flow does not in any way depict the order of hierarchy, or the fixed classification of these elements.

**Figure 4.5: Summarised Research Methodology**



Author's perspective

The following subsections set out a detailed description of these elements.

#### **4.4.1 Qualitative research design**

There are five common qualitative research designs, namely Case Study, Ethnography, Phenomenological Study, Grounded Theory Study, and Content Analysis. Each of these methods is ideal, under various scenarios or setups.

##### **4.4.1.1 Case Study**

This is sometimes called idiographic research (Leedy and Ormrod, 2015: 271). This research is a case study, which has unique and exceptional qualities that will promote an understanding and practice for similar situations (Creswell, 2014: 99). In other words, it is ideal when studying an event, particular individual, or programme over a “defined period” (Leedy and Ormrod, 2015: 271). They further noted that the design entails collecting a significant amount of data on the event(s), programme(s), or individual(s) upon which the investigation is based, using mechanisms such as observations, interviews, and documents.

##### **4.4.1.2 Ethnography**

According to Leedy and Ormrod (2015: 272), this approach requires the researcher to make an in-depth analysis of the entire group sharing a common culture or traits, and is usually based on site-based fieldwork. This is done over a lengthy period of time, which can be many months or years, to obtain an accurate picture of the processes being observed (Creswell, 2014: 342). In most cases, there is a need for a person who paves the way for the researcher’s entrance, commonly known as a gatekeeper, such as the chief in indigenous areas.

##### **4.4.1.3 Phenomenological Study**

This design is ideal when trying to understand an individual’s views and perspectives in relation to a specific situation, by relying more on interviews. According to Braun and Clarke (2012:66), the researcher is the main ‘driver’ for this type of design, as she or he tries to reach the core of the problem. Further, in a Phenomenological Study, the researcher might also have past experiences of the subject matter under investigation. It is, however, critical for the researcher to avoid preconceived views or personal experiences, as these may impair ‘hearing’ the interviewees, a situation referred to as ‘bracketing or *epoche*’ (Holloway and Wheeler (2010: 46); Leedy and Ormrod., 2015: 274).

#### **4.4.1.4 Grounded Theory Study**

A Grounded Theory Study rarely begins from a theoretical background. Instead, it usually begins with the data and then develops theories from the data gathered. Further, it does not rely on previous research literature and focuses more on the process associated with the subject matter, and then develops relevant theories therefrom (Morse *et al.* 2002: 65; O’Cathain, 2010: 454; Burns and Groove, 2003: 67).

#### **4.4.1.5 Content Analysis**

The premise of this design is that a body of relevant material must exist, such as books and journals, which must be examined to identify patterns or themes. Leedy and Ormrod (2015: 275) noted that it is usually performed in a four-step approach, which comprises the identification of the appropriate body of material, defining relevant qualities or characteristics, analysing the components into smaller segments, and, ultimately, scrutinising the material for the expected qualities or characteristics. According to Tobin and Begley (2004: 389), this design is usually not a stand-alone approach, but is combined with other designs, such as Phenomenological Study, and tends to lead to mixed-method design.

Based on the nature and type of study being undertaken, this researcher relied on a Phenomenological Study design. This was the ideal design, as the researcher sought to understand the views of participants under their existing situations and environment.

#### **4.4.2 Justification of the qualitative approach and Phenomenological Study**

The qualitative method was selected for the following reasons:

- This study constituted social science research, where the researcher attempted to understand the participants’ life situations. Blumberg *et al.* (2011) noted that qualitative research assists in understanding participants’ life experiences. Such a process entails developing theories (based on the data collected from the various participants) and methods that study people’s interpretation, considerations, and inspirations. These principles were more than relevant to this research;

- The issue of non-payment of municipal services has not only occurred in the past, but continues to be prevalent in most municipalities today. Furthermore, previous research has shown that the subject matter has many dimensions and layers. Qualitative approaches are ideal, since both these elements are applicable to this phenomenon, and researchers try to portray the phenomenon in its multi-faceted form (Leedy and Ormrod., 2015: 269; Onwuegbuzie and Leech, 2004: 774);
- While many previous studies have not addressed the effect of non-payment of services charges by the local community on service delivery, there are large similarities in those previous research studies and the current one. Several previous research studies, such as those by Tshabalala and Lombard (2009: 398); Pretorius and Schurink (2017:19); Fourie and Poggernpoel (2017:172); Schoute *et al.* (2017: 508) used a qualitative methodology, which confirmed its applicability;
- Based on the literature review, one of the themes that took prominence was that most of the communities who are not paying for services were oppressed during the apartheid era. This means that they had been marginalised for some time. According to Creswell (2014: 48), qualitative research is ideal when one attempts to understand the meaning of individuals or groups afflicted with a community problem, such as oppression. The author further noted that qualitative research, as an exploratory approach where data is collected using a narrative approach and interviews, captures the proper story of how the participants experienced oppression;
- The Phenomenological Study design is the most ideal because it is founded on the principle of understanding participants' views, based on their experiences and 'lived situations'. Furthermore, the researcher attempted to reach the core of the problem, and it can be inferred from the principles of this type of design that it does rely on previous literature. Other designs are not likely to yield the desired results, and the nature of this study does not meet their requirements or scenario. For example, the research was not conducted over a lengthy period, being one of the key requirements of the Ethnography design;
- Blumberg *et al.* (2011: 144) and Dworkin (2012: 1322) concurred that the qualitative research method is most commonly used for exploratory research studies. This method is ideal where researchers lack a clear understanding of the issues to be encountered during the study. A qualitative study allows the researcher to gain a better understanding of the

concepts at hand, and contribute to an improved research design through an inductive reasoning approach. In addition to the foregoing, Belk (2006: 187) noted that qualitative research is essential for understanding detailed systems within people and companies, and how these systems evolve. The scholars further argued that qualitative research is essential for gathering what people encounter, and how they interpret these encounters. This was done via a concentrated and lengthy process with participants in a normal environment, engaging oneself to find the underlying causes of what one is trying to understand (Anney, 2014: 278).

## **4.5 POPULATION AND SAMPLING FRAMEWORK**

The amount of data collected should not only convey a clear picture of the scale and scope of the research, but should also include and build on the readers' confidence that the research methods are workable (Denscombe, 2012).

### **4.5.1 Target population**

This relates to a group that is the subject of the research. In this regard, Goddard and Melville (2001: 51) confirmed that it is not possible to study the whole population, thus the need to target a specific group. A sample is then drawn from that group.

For this study, the target population consisted of Magareng Municipality municipal staff (whose job descriptions or work responsibilities are related to billing, payment for municipal services, and debt control mechanisms), councillors, and its residents. It also included employees whose activities are at the core of service delivery. As such, people deemed to be support staff and indirectly related to these activities, such as traffic department officials, have been excluded from the population. Regarding councillors, the population consisted of the Mayor and those who are on the Finance Portfolio Committee and Infrastructure Portfolio Committee, or equivalent committee. Residents of the municipality (which constitute individuals, government, and corporates) were those who had been in arrears for at least 90 days. Key stakeholders, such as those from the Provincial Treasury, were considered for triangulation purposes.

## **4.5.2 Sampling techniques**

Sampling involves a focused selection of participants from the entire population to obtain relevant information and knowledge (Holloway and Wheeler, 2010: 137). It is a complex process because it should be guided by the phenomenon under investigation and be informed by the research questions (Belk, 2006: 56). Despite its complexity, sampling is critical as it provides researchers with an opportunity to concentrate their efforts on a smaller portion of the whole population, but to the extent that the smaller section represents the total population being investigated. The researcher adopted the following sampling methods:

### **4.5.2.1 Purposive sampling**

With this type of sampling, participants are selected based on key dimensions and because they possess characteristics of an ideal group (Leedy and Ormrod, 2015: 183). The selection is based on judgment, as long as the participant meets pre-set criteria or “firm criterion” (Blumberg *et al.*, 2011: 48). Any sample bias has to be avoided, so that the sample does not represent one specific sub-group of the population. Measures were adopted to avoid the possibility of bias, such as intentionally choosing only residents from the affluent areas.

### **4.5.2.2 Snowball sampling**

This is a situation where the initial participants selected by the researcher go on to themselves recruit other participants (Sadler *et al.*, 2010: 371). Snowballing is a form of referral in research. This is one of the convenient ways of reaching people who are ordinarily difficult to reach. It usually makes it easier for the researcher to be accepted by those new participants. The use of snowball sampling may then increase the study’s sample size. It is, however, difficult to include these on the sample size, as such information usually comes forward during the interviews. The researcher received four (4) referrals.

## **4.5.3 Sample size**

There is no consensus among researchers regarding a definite number of participants required for qualitative research of this nature. Different researchers, such as Creswell (2014), Dworkin (2012), Ritchie *et al.* (2004), and Leedy and Ormrod., (2015) give varied guidelines, ranging from the minimum number of participants to a range that would be ideal. For

example, Creswell (2014: 239) and Leedy and Ormrod. (2015: 273) suggested a sample size of “five to twenty-five”, Dworkin (2012: 1319) suggested five to fifty; Morse (2000: 3) suggested “at least 6”, Ritchie *et al.* (2004: 82) says qualitative sample often “lie under 50”, and Green, Cornelsen, Dangour, Turner, Shankar, Mazzocchi, & Smith, (2013: 3) noted that after interviewing twenty (20) or so people, there is little that comes out of the transcripts. Malterud, Siersma and Guassora (2015: 223), on the other hand, looked at the sample size from a descriptive perspective, rather than a prescriptive one. They proposed a concept of information power. This means that, the more informed the sample is about the phenomenon under investigation, the lower is the number of participants required. In that regard, they said that sample size should be based on five factors, namely (a) the aim of the study, (b) sample specificity, (c) use of established theory, (d) expected quality of dialogue, and (e) analysis strategy. In substance, the sample size can be influenced by the extent of relevant information that the participants have.

This researcher used a fusion of most of the views mentioned above. As such, a sample size of fifteen (15) participants, as shown in Table 4.1 below, was deemed reasonable.

**Table 4.1: Stratified sample size**

<b>Magareng Local Municipality Officials</b>		
<b>Designation</b>	<b>Department</b>	<b>Number</b>
Senior Managers	Municipal Manager, CFO & Technical Services Director	3
Other Municipal Staff	Budget & Treasury Office, Technical Services	2
Councillors	Ordinary Councillor	1
<b>Sub-Total</b>		<b>6</b>
<b>Magareng Local Municipality Residents</b>		
<b>Consumer Debtor</b>	<b>Type of Resident</b>	<b>Number</b>
Local Resident	Government	1
Local Resident	Individual	1
Local Resident	Corporate	1
Local Resident	Individual – Snowball	1
<b>Sub-Total</b>		<b>4</b>
<b>Key Stakeholders</b>		
<b>Designation</b>	<b>Department</b>	<b>Number</b>
Regulator	Provincial Treasury Analyst	1
Oversight	Oversight Specialist	1
Regulator	Department of Monitoring and Evaluation - Snowball	1
Oversight	Other – Snowball	1
Oversight	Other – Snowball	1
<b>Sub-Total</b>		<b>5</b>
<b>Total</b>		<b>15</b>

Distribution of the sample size was guided by the fact that Magareng Municipality has three main types of consumer debtors, namely government debtors, corporates, and individuals.

#### **4.6 DATA COLLECTION METHODS**

Data collection usually depends on the type of methodology being adhered to at that particular point. Since the researcher used the qualitative method, the process was guided by the four (4) questions posed by Creswell (2014: 256), which are (a) do the data collection process and outcomes benefit the entire community being studied? (b) will the research findings be credible and applicable to that community? (c) will communicating with that community be effective? (d) do the data collection process and method open up avenues for participation in the expected social change? This was coupled with measures to ensure that the researcher adhered to the ethical issues regarding data collection.

#### **4.6.1 Lockdown regulations amid the COVID-19 pandemic**

The country was placed under lockdown from the 26<sup>th</sup> of March 2020, as announced by the President of the Republic of South Africa, Mr Ramaphosa, on the 23<sup>rd</sup> of March 2020. The lockdown conditions varied, depending on the lockdown level that was prevailing at a point in time, with the movement of people and social gatherings being restricted, among other events. These conditions significantly affected face-to-face interviews. The researcher therefore devised other reasonable means to conduct interviews and collect data. The measures included (but were not limited to) telephonic interviews and the use of other applications, such as Skype and Zoom.

#### **4.6.2 Semi-Structured interview questions**

The researcher collected data from all the participants through interviews, which were conducted with the selected participants. Participants were grouped into three main groups, namely (i) Residents, (ii) Stakeholders and MMC, and (iii) Municipal Officials. The main reason for this was that some of the questions were not relevant to the other groups, yet they were critical in the overall research. For example, regarding the billing system in place: the residents did not have much information regarding that aspect, while it was too operational for the Councillor. Further, some of the municipal officials comprised a key component that shed light on the challenges regarding the non-payment of municipal services charges.

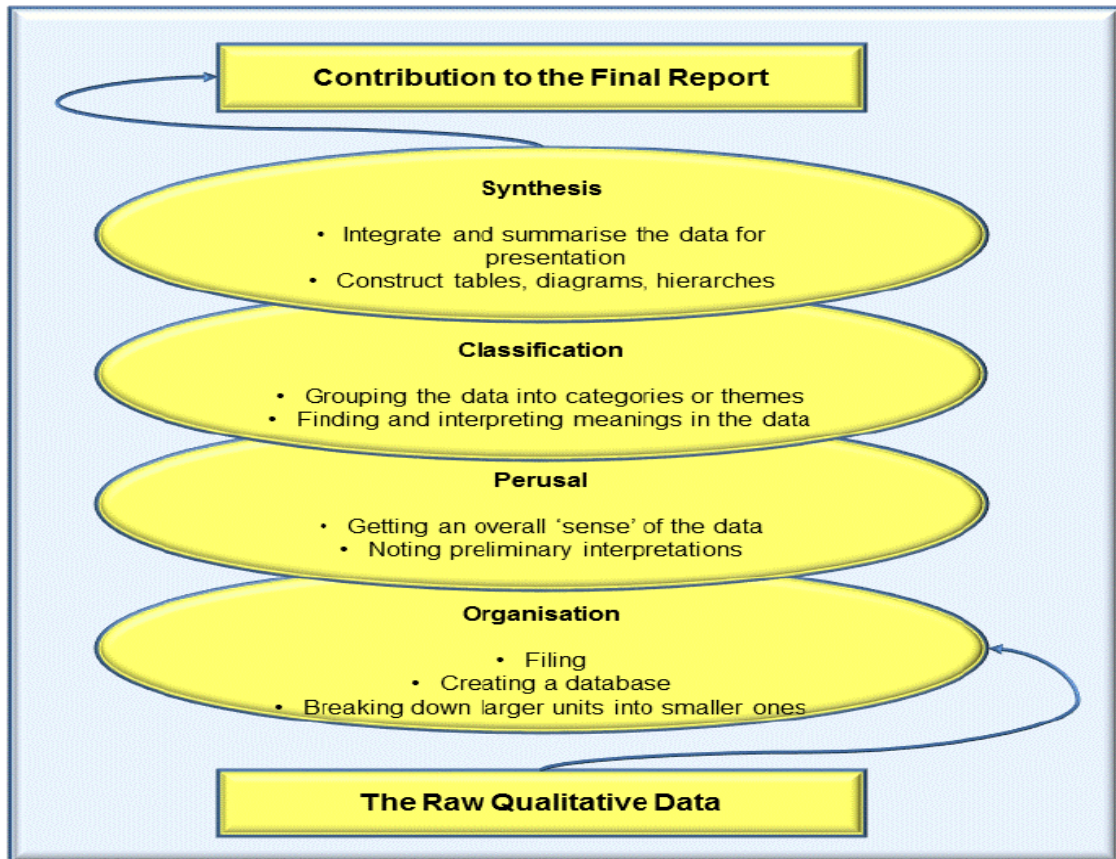
Each participant was asked semi-structured interview questions, as set out in the questionnaire. These questions were used to collect more in-depth information from participants' lived experiences regarding the concerns for non-payment of municipal services charges. Interviews allow for two-way communication, thus providing more valuable data (Patterson, 2013: 64). Moreover, interviews were conducted because the size of the population that was targeted is relatively small; hence, it was more feasible to use this approach, since interviews provide greater insights into data than the surveys alone do. The results of the interviews were recorded on the relevant device and backed up on a laptop, subject to the agreement of the applicant, and with a password. Disaster recovery measures, such as storing another backup at a different location, were then implemented.

## 4.7 DATA ANALYSIS TECHNIQUES

Various researchers, such as Marshall and Rossman, (2016: 71), Blumberg *et al.* (2011), Goddard and Melville (2001) and Onwuegbuzie and Leech, (2004), have endeavoured to define data analysis, with most of them in agreement on the fundamentals issues. According to Marshall and Rossman (2016: 76), data analysis entails giving an order, meaning, and configuration to the data collected by the reviewer. This is similar to Blumberg *et al.* (2011: 60) who view it as a process accumulating data to a manageable level, observing patterns, and summarising the data, with a possibility of using statistical procedures. Goddard and Melville (2001: 167) used a more complex definition, but more specific to qualitative research methodology, by concentrating on its outcome such as in the formulation of general theories. In substance, it is a process of converting data to information.

The researcher significantly used the data spiral as proposed by Creswell (2014: 272) to analyse qualitative data. The process entailed going through the data several times until the report was finalised. Figure 4.6 below shows how this process works in research.

**Figure 4.6: Creswell's Data Analysis Spiral**



Source: Creswell (2014: 272)

The foregoing illustration means that the study led to the development of themes or theories that explained the non-payment of municipal services charges, which is commonly referred to as thematic analysis (Braun and Clarke, 2012: 60). According to Leedy and Ormrod (2015: 276), this is a way of searching for meaningful notions that reveal participants' diverse aspects of their experience. The researcher then integrated the various concepts into a seemingly distinctive experience.

#### **4.8 DATA QUALITY AND CONTROL**

Data collected during research must be accurate, credible, and consistent in the dynamics and patterns they reflect. To achieve these objectives, the researcher used the strategies described in the following subsections.

### **4.8.1 Trustworthiness**

Leedy and Ormrod (2015: 336) defined trustworthiness as a situation where other people perceive the findings of the study to be credible and reliable, in that they can be taken seriously. It is a useful construct that should not be ignored, but taken as a central and embedded part of any research. It assures the quality of the research process and the research results. According to Shenton (2004: 63), Guba's four criteria for assessing trustworthiness, namely credibility, transferability, dependability, and conformability, have won considerable favour among most researchers. It should be noted, however, that Morse *et al.* (2002: 4) disagreed with both Lincoln and Guba (1985: 34) and Anney (2014: 273). They contend that principles of validity and reliability continue to be relevant in qualitative research. Creswell (2014: 251): Lincoln and Guba (1985: 112); O'Cathain (2010: 540); and Tashakkori and Teddlie (2010: 2) partially agrees with Morse *et al.* (2002). These latter researchers use quality, credibility, trustworthiness, conformability, and interpretive rigour for validating qualitative research methodology. There is, therefore, no consensus among most of the well-known researchers.

For this study, this researcher used Guba's four criteria, namely credibility, transferability, dependability, and conformability, as well as Anney's (2014) criteria of authenticity. These criteria are explained in detail below:

#### **4.8.1.1 Credibility**

This relates to an endeavour to demonstrate that an accurate representation of the experience under investigation is being presented. To ensure that the research complied with these criteria, various techniques such as triangulation (explained below) were used. This assisted in identifying any inconsistent and negative information based on the participants' views. This is because in real life, people are bound to have different, and at times conflicting, information. In such cases, interpretations and conclusions were shared with the respondents before finalisation so that they could confirm if their views had been captured correctly.

#### **4.8.1.2 Transferability**

This aspect mainly relates to the fact that the study's theoretical and analytical generalisation should be applicable beyond the study sample, under similar situations, questions and problems, and even under different demographic characteristics. It is an issue of the

applicability of the findings in other situations. Relevant available information was provided in the research so that readers could decide whether or not the findings were transferable to another environment or situation.

#### **4.8.1.3 Dependability**

According to Shenton (2004: 64), researchers should at least strive to enable a future investigator to repeat the study and arrive at similar findings and conclusions. This is a difficult criterion in qualitative work, given the varying views of participants in relation to a particular lived experience or setting that may present some unique aspects.

#### **4.8.1.4 Conformability**

This mainly relates to the fact that research findings are free from personal interests and biases, thus maintaining data neutrality. Interferences and influences were eliminated when dealing with the respondents.

#### **4.8.1.5 Authenticity**

According to Anney (2014: 274), in qualitative research, there is a fifth criterion referred to authenticity. This relates to the level to which research fairly and faithfully shows a series of experiences by the participants. The view, therefore, is that this is linked to the themes that emerged from qualitative research.

### **4.8.2 Triangulation**

According to Leedy and Ormrod (2015: 278), several qualitative researchers have used a strategy called triangulation to confirm the accuracy and consistency of their findings. They further noted that the process entails that multiple sources of data are collected, with the hope that they will all converge to support a particular hypothesis or theory (Leedy and Ormrod, 2015: 104). According to Tobin and Begley (2004: 392), the correct and proper use of several kinds of triangulation ('triangulation state of mind') helps to achieve a concept of crystallisation. The concept permits for an infinite selection of approaches. To achieve this principle, this Researcher compared the participants' responses to questions having similar principles, as well as to follow-up questions.

## **4.9 ETHICAL CONSIDERATIONS**

Ethics is concerned with adhering to the code of conduct guiding the behaviour of a particular group, including professionals (Rubin and Babbie, 1997: 60). Ethics are essential in research, as they relate to the researcher's conduct towards the information of participants. According to Burns and Grove (2003: 65), for this to be achievable, it is critical for the researcher to always establish trust with all the participants. This helps in acknowledging the participants' uniqueness and in respecting the fact they are autonomously able to make all-encompassing conclusions. This also entails reporting the findings with integrity. The researcher did not use data that is deemed confidential and personal. All the participants' identities remain anonymous. This assisted in upholding the participants' rights to privacy. Wherever necessary, pseudonyms were used to conceal the participant's confidential details and to protect them.

## **4.10 APPROVAL**

The University's approval for the study was sought before the commencement of the study. Furthermore, the researcher sought written approval from the Municipal Manager of Magareng Municipality to conduct the study. This entailed, *inter alia*, obtaining a written authorisation (gatekeeper's) letter before conducting the research

## **4.11 INFORMED CONSENT**

The requirement for informed consent was fully complied with, such that no personal and confidential information was collected from any of the participants, but only information that was relevant to the context and focus of this study.

The rights of participants were respected, such that each participant was given an option to discontinue from participating in the research, at any stage of the research. They were not asked to provide any reasons nor penalised for non-participation. Consent to participate in the research was requested from all the participants. This was guided by the following aspects:

- All the forms giving consent were to be in writing;
- No direct or indirect coercion and undue enticement was offered;
- Details of the intended research were provided to all participants;

- All research-related questions were answered; and
- Each consent form was issued before the commencement of the interview.

#### **4.12 PREVENTION OF HARM TO PARTICIPANTS**

It is critical to ensure that the research being conducted does not have any negative impact upon, or cause harm to, any participant, and the researcher worked within the parameters of the University's Ethical Guidelines for postgraduate research. The researcher abided by this principle throughout the research process undertaken.

#### **4.13 LIMITATIONS OF THE STUDY**

There were three (3) main limitations to the study. Firstly, studies of this nature normally require significantly more time to be allocated to finalise the research. The second limitation is related to budgetary constraints, mainly concerning tools required to conduct the research, especially under the conditions of the COVID-19 Lockdown. The COVID-19 lockdown was implemented during the research process. As such, acquiring reliable and secure software for virtual meetings including obtaining computer equipment. Furthermore, there was a huge learning curve involved for this kind of 'new normal'. However, the COVID-19 regulations led to other savings being achieved, such as funds no longer being required for travelling and accommodation. Lastly, in qualitative research where interviews are to be conducted, there is a challenge of balancing the respondents' availability and timing. For example, in some cases the respondents' work schedules resulted in the need for more time to be allowed to interview the respondents.

#### **4.14 CHAPTER SUMMARY**

This chapter provided a detailed description of the methodology used, the determination of the sample size, and the key ethical considerations to be followed in the research study. All of these elements are vital in ensuring that the research results meet the requirements of internal and external validity. Regarding the sample size, some of the participants referred the researcher to other participants who could assist in the research project (snowball). Because of this, three snowball participants came in, increasing the number of participants to fifteen. The next chapter provides the research findings and detailed analysis of the findings.

## **CHAPTER FIVE**

### **RESEARCH FINDINGS, ANALYSIS AND DISCUSSION**

#### **5.1 INTRODUCTION**

This chapter aims to present the research findings. The data was collected from selected municipal officials, residents, and other stakeholders through using semi-structured interview questions. These participants formed part of the population. The findings are infused with concepts described in the literature review.

#### **5.2 PRESENTATION OF THE DATA**

All the respondents who participated in this study responded to the interview questions that were specific to their category. The categories were residents, stakeholders (those with a direct and indirect relationship with the municipality), and Magareng Municipal officials. The research findings are presented per type of participant, together with the relevant themes identified in that group of participants. The following is an analysis of these findings.

#### **5.3 RESIDENTS**

Each resident participated in answering the semi-structured interview questions, based on nine identified themes. There were four participants in the residents' category, one of whom was a snowball participant. All of the four participants have been residents of Magareng Local Municipality for at least five years. Furthermore, they receive all the basic services (consumption services and non-consumption services, such as refuse removal). Their responses are as detailed below:

##### **5.3.1 Obligation to pay for services**

All of the four participants noted that their payments for the services that they are receiving are not up to date. However, they, did not provide any reasons in response to this aspect. Fundamentally, they all noted that they settle their bills when they receive their municipal accounts, which is rare and random. Three of the participants said that they only pay for municipal services when there is no interruption of services.

### **5.3.2 Municipal policies and procedures for submission of bills**

Based on the responses from all the participants, the rate at which the residents receive municipal bills is worrisome. They noted that they receive bills once in a while, not in a consistent manner. Whenever they do receive the bills, it is usually during the mid-month period. They noted that in the past, they used to receive them by post. One participant noted that at the time she would:

*“Go to the municipality to ask for my account but I’m unable to do that all the time I’m working.”*

Regarding the effect of the rate and timing of them receiving the municipal bills, they all noted that this significantly affects them. In essence, all the respondents stated that they need to receive their bills on time so that they are able to budget accordingly in their household financial planning. One participant remarked as follows:

*“Know how much to put aside for the municipal account.”*

When they receive municipal bills only after budgeting their funds, they do not re-allocate the funds. This means that the residents could go into arrears. It would appear that residents are not prepared to make a provisional estimate of the amount they are likely to pay for municipal services, and would prefer to be given the realistic bills on time for planned payments accordingly.

### **5.3.3 Query resolution mechanisms**

All of the respondents noted that they have queried their municipal bills on numerous occasions. One participant noted that she had queried her municipal bills more than “*ten times*” in the past twelve months. Their queries varied, but the common queries were as follows:

- The name of the debtor on the municipal bill did not belong to the said resident, although the account number was correct;
- Incorrect readings were received, in that they were too high to be considered as considered estimates; and
- Random significant increases were encountered in the municipal bills, although the number of people staying at the said property has been consistently the same.

These are significant concerns for this municipality in particular, and to several other municipalities in the country, at large, as one often sees complaints being raised by various communities on social media platforms and community chat groups.

Regarding the time it took for the municipality to resolve the query, respondents were unanimous in that:

- In the rare cases where a query was resolved, it took a considerably long time to address the query. One resident stated that some of the reasons provided were unreasonable, the same all the time, and probably represented a negligent and unresponsive attitude from the municipality staff who are dealing with such queries. For example, the official would always tell one of the participants that, “the CFO is not around or available”. Another resident stated that the query was only resolved after he indicated his non-conformance in making payment. His remarked as follows:

*“I stopped paying and indicated to them that I would accept to be disconnected as long as there is still a dispute.”*

The municipality seems to not prioritise the resolution of residents’ queries. As such, some of the queries are more than four years and remain unresolved.

#### **5.3.4 Measures of accountability of defaulting consumers**

Two of the residents confirmed that their water or electricity services have been disconnected in the past. This was due to arrears on their accounts. The residents had not paid for their current account and were then owing significantly huge amounts. They further noted that their water and/or electricity was reconnected after twenty-four hours, upon visiting the municipality and making a payment arrangement. Of these two respondents, one confirmed that he never honoured the payment arrangement, right from the inception.

The other two residents have never been disconnected, despite owing arrears to the municipality. However, they stated that they are aware of residents who have been disconnected due to non-payment of their municipal accounts. They further stated that they are not aware why they were never disconnected, despite owing arrears to the municipality. Based on these two positions of these two residents, the researcher believes that this may indicate a fundamental problem with the credit control system or a selective application of the policy.

### 5.3.5 Implementation of appropriate reconnection measures and policies

Regarding the issue of disconnection fees, both residents who had once been disconnected acknowledged that they had paid reconnection fees, which were charged to their accounts. As is expected in such situations and approaches, all the residents unanimously agreed that the charging of reconnection fees to the main account does not prompt them to settle their municipal bills on time. This was compounded by the fact that the municipality also enters into a settlement agreement, without asking for any upfront payment. One of the residents said that:

*“It really will not prompt me to pay. The reason I’m saying this is because after they disconnect, they expect me to go to municipal offices to commit to paying and sign an acknowledgment of debt, and say how much I will pay by when. To me, that is fruitless really. I think they should ask for money upfront before they reconnect; a person must pay something.”*

Both of the residents who had been disconnected in the past expressed their dissatisfaction over the payment of the reconnection fee. They both felt that it was not fair and reasonable. Their opinion of reasonability was not based on the amount, but on the process leading to the disconnection. One of them was more elaborate on this issue. She said that:

*“It was not fair to disconnect me, whereas they don’t even send accounts to me. I feel they take advantage of people who stay in town. Some people stay in the location who do not pay and nothing happens to them. Municipal officials owe the municipality, but because they stay in the location, they don’t pay or get disconnected.”*

She went on to say this is the case, even though the municipality needs money for operations.

All the respondents proposed changes that they expect to see at Magareng Local Municipality. Some of the measures are as follows:

- Councillors should lead by example, by paying for their own municipal bills;
- All residents should be treated the same, regardless of whether they stay in town or in ‘locations’;
- Municipal officials should also pay for their bills;
- Municipal accounts should be sent to the residents in time and every month; and

- The municipality should always enforce and follow up on agreed-upon payments plans.

### **5.3.6 Accessibility of municipal payment points and options for consumers**

Regarding the accessibility of municipal payment points and options available to the residents, all four participants expressed some concerns in this regard. Three of the four participants identified two payment options available, namely the bank (electronic funds transfer) and municipal offices. The other respondent was only aware of one option, being the municipal offices. However, they all agreed that municipal offices are open during critical hours, such as 1 pm to 2 pm, although these payment options are not adequate and not in line with the current trends. They noted that the municipality needs to pursue other payment options and to ensure that it increases the number of collection points.

### **5.3.7 Convenience of municipal payment points and options for consumers**

All of the participants indicated that the current payment points and options are not convenient for the residents. For example, one resident stated that, *“if you don’t have internet banking, you are out”*. All the residents proposed an increase in the number of payment points and payment options. One of the residents proposed having a collection point in every ward.

### **5.3.8 Effect of payments unallocated to consumer bills**

Three of the residents stated that they had made payments that were not allocated to their accounts, while the other resident had never experienced that. Of those residents who had experienced the issue of unallocated payments, two of them noted that the issue had been resolved after they had taken their proof of payment to the municipal offices. The other stated that the issue has not yet been resolved, despite providing proof of payment to the municipal officials. Regarding the frequency of such a challenge, all three officials said that this remains a common challenge.

It was worrying to note some of the reasons provided to the residents by the municipal officials for the unallocated payments. All of the three residents fundamentally agreed that the blame was usually placed on the system. In one instance, two of the residents were provided the following reasons for the unallocated deposits: *“The municipality was not aware of which services was I paying for.”*

- *“People who were capturing direct deposits were on leave.”*

In some instances, blame was placed on the residents in that they did not provide the correct information. In this researchers’ view, this a fair reason but needs a proper mitigating measure to avoid such issues occurring in the future.

### **5.3.9 Effect of non-payment of service charges and property rates on services delivery**

All of the four residents concurred that it is important for consumers to settle their municipal bills. They all showed their dissatisfaction with the level of services delivery in Magareng Local Municipality. They felt that, despite them paying, and although some may be in arrears, services were not being rendered. They all cited different examples. The following are some of the reasons cited for their dissatisfaction:

- Refuse is not being removed and is piling up;
- Sewerage is spilling into streets;
- Potholes are all over the municipal areas;
- There are several electricity interruptions;
- Parks are not maintained and the grass grows very high, which is risky for people’s safety and security; and
- Failure to resolve grievances on time.

In view of the foregoing and other reasons, residents felt that they are not receiving value for money. One resident even stated that:

*“I don’t know why I should pay for the municipal services. For example, they charge us for property rates but there is still an unfinished issue of valuation roll that was never resolved.”*

Regarding the link between the level of payment for services by the residents and service delivery, all four participants agreed that there was a direct link between these two issues. They all noted that funds generated from municipal services significantly assist in the acquisition and maintenance of infrastructure assets.

Each of the four residents suggested ways for improvement. While some of the recommendations were different, there were some commonalities among them. The key recommendation resulted in the following key issues being identified:

- After disconnecting services, residents must make an upfront payment, not just sign a payment plan agreement’;
- Improving communication with customers;
- Cleanse and verify accounts so that customers can have confidence in the billing; and
- Meter readings should be done every month, and the municipality should not use estimates all the time.

### **5.3.10 Additional themes identified**

The foregoing information leads to the following additional themes:

- Cyclical effects: some of the blame placed on the municipality is not of their own making. For example, regular interruptions of electricity. This is a problem beyond the control of the municipality. It is mainly caused by Eskom. However, some residents may withhold payments due to frustrations relating to electricity disruptions.
- Frequency and magnitude of estimates: municipalities should endeavour to perform meter readings at least every two months. The use of estimates should not be the norm, as this negatively affects the collection of rates.

## **5.4 STAKEHOLDERS**

Stakeholders participated in semi-structured interviews, responding to questions, which were consolidated into six main themes. The responses are summarised below:

### **5.4.1 Obligation to pay for services**

The central matter in this discussion was collection rates. The researcher was interested in establishing the level of collection rates, why residents do not pay their bills, and measures that could be taken to encourage residents to settle their bills. According to all the respondents, Magareng Local Municipality’s collection rate is low. The challenges included

internal factors, such as failure to implement credit control measures and inadequate general administration, as well as external factors such as high unemployment rates. Three of the respondents also noted challenges relating to the frequency and mode of sending out municipal bills, as well as the accuracy of the bills. The respondents noted that bills are generally not delivered on time, and they are inaccurate. Coupled with these challenges, in some cases, the bills would show other residents' details, which is a mix-up of information. One of these respondents noted that the municipality is still relying on outdated mechanisms, such as using the Post Office. This mode of delivery has a negative and spiral effect, in that the Post Office's inefficiencies ultimately cascade upon the municipality.

Regarding the issue of whether residents do not pay for their services due to a culture of entitlement, four of the five respondents affirmed this proposition. One of the respondents who concurred even noted that sometimes residents feel entitled to receive services for free, as "*they fought for the country*". The other concurring respondent added that some of the respondents do not pay because "*they see their next-door neighbour not paying and decide not today as well*". He further noted that "*some residents are just not responsible citizens. For instance, an indigent customer would have backrooms where s/he gets rent from, but does not settle municipal bills*". He attributed this to an engraved culture of entitlement, and not affordability. The one respondent who did not agree with the assertion of a culture of entitlement stated that in most cases this is due to affordability, especially under the current conditions of COVID-19. The respondent noted that she could not rule out the culture of non-payment, although on a smaller scale. According to this researcher, this shows concurrence with the principle of a culture of entitlement, *albeit* coupled with other reasons.

On the issue of affordability, two of the respondents fully agreed with the assertion that it is a fair and reasonable conclusion that some of the consumers do not pay because of a lack of means. They cited reasons such as high unemployment rates in Magareng Local Municipality. One of these two respondents even noted that this is the reason why some of the "*indigents who are subsidised try to manage their consumption-driven services so that they do not consume more than what they can afford. In the instances that they do so, they pay a certain amount, although it may be less than the full bill*". The other three respondents partly agreed with the notion that consumers do not pay their bills due to a lack of means. Fundamentally, the respondents noted that, at times, residents do not pay their municipal services charges because they prioritise payment of other debts, and not municipal bills.

Regarding the issue of whether the non-payment of services has a significant bearing on the municipality's budget, all of the five respondents were very clear in that this is negatively affecting the budget. One of the respondents noted that *"this has to led to unfunded budgets for the past three years or more"*. He further noted that this tends to have two ripple and related effects in that *"it forces the municipality to divert capital funds, mainly provided by the government, to operating expenditure"*. Further, *"this indirectly affects the municipality's ability to attract investment, as unfunded budgets are generally viewed as a sign of poor cash flow management and lack of leadership"*. All the respondents further concurred that, under conditions of unfunded budgets, Magareng Local Municipality is not able to pay salaries, thereby reducing municipal morale among the staff. Based on the comments noted above, it could be concluded that the respondents were saying that this has a negative effect on the collection of revenue, which leads to insufficient cash flow, and which in turn negatively affects service delivery. In some cases, this leads to services delivery protests, an issue that some municipal officials would support, albeit not openly for fear of victimisation.

#### **5.4.2 Emergence and influence of Ratepayers' Association**

This theme proved to be a major challenge for all the respondents. It was not well responded to by all the respondents. Some of the respondents did not know much about this aspect, while others were not sure whether the phenomenon existed in Magareng Local Municipality. For those who tried to engage on the matter, they ended up mixing the issues with other principles, such as what one respondent termed a *"business association"*, which was said to be inactive at the moment. The other two respondents were very clear that they *"were not sure"* about this issue. In addition to this, the respondents were not fully aware of the Constitutional Court ruling which confirmed that, among other issues, residents cannot pay for selected services on a consolidated account. In view of the foregoing and the fact that all the questions under this theme were based on the main principle and existence of the Ratepayers' Association and the Constitutional Court ruling, responses to subsequent questions were deemed to be 'non-responsive'.

### 5.4.3 Oversight role mechanisms

Regarding this theme, one participant (who provided a written response) did not respond to all the questions, while the other four participants responded. As such, the responses being commented on relates to the four participants.

The consensus was that council is playing a huge oversight role regarding the level of non-payment of services. Three of the respondents identified the council's approval of municipal policies as the main mechanism of its oversight role, while the other respondent noted councils' approval of the financial recovery plan. The three respondents who identified municipal policies, however, noted that while the council and its committees are not supposed to implement these policies, it is not supporting municipal officials to implement them, especially the credit control policy. Although this was not elaborated on, it appears that these respondents feel that the council is not fully performing this function. The respondent who identified the approval of the financial recovery plan expanded this issue by identifying two other activities, namely the *"implementation of deduction from Councillors and municipal officials' salaries and encouraging indigent's debtors' registrations"*. The respondent noted that, without its oversight role, the council would not have been persuaded to approve deductions from its salaries to go towards the payment of their municipal bills. According to him, such measures confirm their commitment to payment of municipal services and ultimately the performance of their oversight role. This was equally the same regarding the registration of indigent debtors.

Regarding the issue of what should be done to improve the payment of municipal services charges, the respondents were divided according to two different issues. Two of the respondents identified two issues, namely engaging consumers and developing proper customer services. The respondents believe that residents need to be engaged in all major decisions and activities being undertaken by the municipality. That way, they feel, they are not only recognised but are part of the entire family. Further, they believe they would be able to assist the municipality in coming up with practical and feasible solutions. According to them, the issue of customer service is also paramount as it is the 'cornerstone' of the municipality. They noted that well-implemented, managed customer service goes a *"long way"* in addressing this current challenge.

The other two respondents identified the following activities:

- The imposition of fair and equitable rates;
- Consumers with conventional meters should have those meters replaced with smart prepaid meters; and
- The establishment and capacitation of a proper credit control unit, which will perform its duties without interference.

The foregoing was given against the background that, currently, Magareng Local Municipality does not have a functioning Credit Control Unit. The one that is there is “*just in the name*”. This is a fair analysis and recommendation. For example, if the rates are not equitable and fair, this may bring disgruntlement among the residents, which may lead to boycott and service delivery protests. Further, fair and equitable rates are enshrined in the MFMA and other relevant legislation governing municipalities.

#### **5.4.4 Measures of accountability for defaulting consumers**

All the respondents confirmed the existence of a Credit Control Policy at the municipality. However, the stakeholders did not agree on the date the policy was approved by Council. One respondent cited 2018, while the other cited 2020, as the dates the policies were approved. The other two respondents were not sure. While the date of approval is important in that an outdated policy may not be relevant and applicable any more, not much emphasis was placed on this aspect. The oldest date is within a reasonable period.

There were, however, divergent views on the adequacy of the existing policy in addressing the current challenges and municipal concerns. Two participants believed that the existing policy does not address the current challenges at all, while the other participant stated that they do. The other respondent stated that they do not “*fully*” address the current challenges, while the remaining participant said that they “*partially address*” the concerns and current challenges. The responses of those who provided an affirmative answer may be seen to be contradictory to the fact that the question related the non-payment of municipal services as being an indication of the lack of adequate measures concerning credit control and management of consumers’ bills. This is against the background that all the respondents affirmed this position, including those who had said the credit control policy adequately

addresses the municipality's concerns and current challenges. It becomes difficult to establish the exact position of the two participants who affirmed the preceding question.

Regarding the role played by the political leadership in improving the collection rates, all the respondents agreed on this aspect. They all noted that councillors have a role to play. The following are some of the specific responses from the three participants who expanded on their responses:

- ***“Councillors have a role as Administration need their support”;***
- ***“They were elected by the people so people respect them and see them as their leaders”;*** and
- ***“Politicians can encourage people to pay for services and settle their accounts. The challenge is that the politician wants votes and popularity so they compromise the municipality”.***

The respondents further proposed the role and measures that they believed political leadership should play in this matter. While the reasons and mechanisms varied, they all hinged on assisting municipal officials in engaging the community. The respondents noted that councillors should encourage the residents to pay and show them the benefits of doing so. One respondent approached the issue in a different way and identified what councillors should not do. He stated that councillors should *“stop interference on administration matters”*. While this may be a valid point, it is this researcher's considered view that it depends on the administrative matters that councillors are involved in. For example, engaging residents to pay their municipal bills may be a necessary involvement of councillors in operational matters. Such activities should not be seen as interference, let alone unwarranted. The current levels of non-payment of municipal bills may justify a marginal 'piercing of the veil', but within the agreed parameters. It thus means that management and councillors may need to agree upfront on the modalities. This researcher's view is that it would work as a 'two-tier approach' for community engagement. The following are the additional roles and mechanisms that were proposed by some of the respondents:

- ***“Raise awareness on the importance of paying for municipal services”;***
- ***“They should hold ward committee meetings and tell people to pay for what they consume”;*** and

- *“Community engagements on tariffs of municipality and reasons of paying for services”*

#### 5.4.5 Effect of unallocated deposits on consumer bills

The responses from the five participants fell into two categories, namely low and high. The majority (three) noted that the level of unallocated deposits was high, while the other two said that it was low – a complete opposite of the positions. None of the respondents provided a reason for such. This researcher, however, noted that even those who said the level of unallocated deposits was low, provided many reasons why management does not allocate these deposits, and proposed mitigating measures. Some of the proposed mitigating measures were significantly more far-reaching than those proposed by those who said it is high. While this may be a sign of understanding the subject matter by those who said it low, this appears to be contradictory. However, it can also be argued that, correctly so, it is not contradictory but a sign that these participants are more knowledgeable on the subject matter. From the research perspective, this may bring about challenges regarding arriving at a reasonable conclusion on the subject matter. Table 5.1 below shows some of the reasons and mitigating measures provided by the participants:

**Table 5.1: Reasons and mitigating measures for unallocated deposits**

Reasons	Mitigating Measures
<ul style="list-style-type: none"> <li>• Understaffed (no resource dedicated to reconciling the account).</li> <li>• Lack of skills, as officials are not sure who paid, thus not being sure which account to credit.</li> <li>• Consumers are at times not helping, as they put incorrect reference details or do not indicate a reference.</li> <li>• Consumers’ failure to submit proof of payment to the municipality to enable allocating the money to their accounts.</li> <li>• Inadequate financial management systems.</li> <li>• Systems that are not integrated to trace unallocated deposits.</li> </ul>	<ul style="list-style-type: none"> <li>• Recruitment and staff training.</li> <li>• Reconcile the accounts daily or weekly.</li> <li>• Cleaning of indigent register &amp; collection of relevant data (Data Cleansing).</li> <li>• Integration of financial management systems &amp; billing systems.</li> </ul>

#### **5.4.6 Effect of non-payment of service charges and property rates on services delivery**

All five participants agreed on the importance of consumers paying for their services received. They all agreed that this is important as it assists in service delivery. Some of the participants were more specific to the issues relating to service delivery, such as the improvement of infrastructure and ability to maintain the existing infrastructure. All the participants showed their dissatisfaction with the extent of overall service delivery in Magareng Local Municipality.

Regarding the link between the level of payment for services by the residents and service delivery, all the participants agreed that there was a direct link between these two. They all noted that funds generated from municipal services significantly assist in the acquisition and maintenance of infrastructure assets. The other participant went further to state that the improved collection rates also assist in achieving key standards, such as the Blue Drop water certification.

On the issue of any other sustainable means being available to fund service delivery-related projects, there were a few divergent views or proposals. One participant proposed that the national government should increase the level of conditional grants. It is the researcher's view that this proposal may not be sustainable, especially under the current condition of the COVID-19 pandemic. Government resources have been dwindling and continue to do so. Currently, the national government is operating at a deficit. The other participants proposed measures such as Public–Private Partnerships (PPP), embarking on investment drives, and the development of small businesses. The researcher believes that these measures are worth pursuing and, in the long-term, they may be more feasible.

All the participants went further and proposed other general measures that could be implemented to improve collection rates. The following are some of the proposed measures:

- *“Improved community participation”;*
- *“Flexible (and timeous) response to community complaints”;*
- *“Accurate and timeous delivery of consumer bills”;*
- *“Capacitation of staff”;*

- *“Segregation of duties especially in credit control unit”* ;
- *“Political buy-in and support* ;
- *“Correct meter reading”*;
- *“Managing indigent consumptions of services such as water and electricity”*;
- *“Effective leadership”*; and
- *“Improved financial management system in place”*.

## **5.5 MUNICIPAL OFFICIALS**

Each municipal official participated in the semi-structured interview questions, based on eleven identified themes. The researcher interviewed five municipal officials and a councillor. However, for the research, all of them will be deemed to be municipal officials and treated equally. Their detailed responses are as follows:

### **5.5.1 Obligation to pay for services**

All the municipal officials indicated that it was very difficult to deal with residents to settle their accounts. Most of the residents are responding negatively to the collection mechanisms. As noted by all the officials, this is attributable to many factors. Some of the factors identified are as follows:

- High unemployment rates among the residents of Magareng Local Municipality;
- Delays by the municipality in sending out the municipal bills; and
- Failure by the municipality to respond or attend to residents’ queries.

Regarding the issue of engagements with the residents, all the participants except one concurred that there are no appropriate platforms to engage the community. One of the five concurring officials qualified the reasons for saying so, in that the mere fact that *“there are no formalised setups and confirmed frequency to manage and hold ward committee engagements or meeting means that the activities are non-existent.”* While this appears to be a fair proposition, the other official disagreed completely. She noted that the ward committees are conducting their duties effectively, and administrative officials are regularly invited by

Councillors to attend their engagements with the residents. Further, residents are also engaged during budget engagements. These activities clearly show that community engagement is effective.

The foregoing proportional split among the officials was also evident on the issue relating to monitoring and investigation of fluctuations in collection rates. The same officials concurred that there are no mechanisms in place. In some instances, this is done through the perusal of the report presented to the council monthly. This, they added, is not adequate, sufficient, and sustainable. However, the official with a dissenting view stated that the municipality uses the financial systems to do monitoring and investigation. This was stated, notwithstanding the fact that this same official noted that the financial system is not reliable. This appears to be a contradictory position on the part of that official.

Regarding the issue of landlord and tenant accounts (split accounts), one official noted that she was not aware of such issues. The other five participants confirmed their existence, although they could not say how prevalent they were. However, the same four officials agreed that this is causing problems in the system and collection rate. The process needs to be looked at and improved. It should be noted that there were varying views on whether the status should be maintained or not. Three officials believe that landlord's and tenant's accounts should be maintained separately in the financial system. One such proponent stated that *“it would be better if the accounts can be split as landlords are collecting the money for municipal services but not paying to the municipality. This leaving the tenants exposed to the municipality's credit control mechanisms”*. The other two critics of the setup say that split accounts are not ideal, as tenants do not own the property. Services are rendered to the property, not to the account holder. This is a fair analysis and complies with the Systems Act, especially when it comes to collecting old debts and selling the property.

### **5.5.2 Municipal billing module in place**

All five officials concurred that there are huge challenges regarding the billing module. These challenges are casting doubt on the accuracy and reliability of municipal billing. One of the participants noted the other cause as being the unreliability of the system, as it can charge different amounts that cannot be explained, and with no reasonable audit trail from the

system. According to the official, these and other system matters have been cascaded to the system providers, but they have failed to resolve the issues. The other participant added another cause of this problem. She attributed this to migration challenges when the municipality moved from the Sebata system to the new system. It appears the data was not cleansed properly. As such, these problems have not been resolved since 2011. Over time, these challenges keep compounding, such that to date, the challenges regarding the valuation roll have worsened the situation.

In addition to the foregoing, one other issue identified relating to the system cover the charges that appear in the resident's statement. For example, all statements have a charge called "other", which both the municipality and system providers cannot tell what it relates to and how to stop the charge. This further frustrates the consumers.

Regarding the use of estimates, all the participants concurred that the billing module does not have a limit on the number of times that estimates are used in the system. This is a challenge that the municipality has been experiencing for a long time, but has not been able to resolve.

### **5.5.3 Municipal policies and procedures for presentation of bills**

One of the officials noted that municipal bills are sent out monthly, although some officials say that they are not receiving them. This was, however, was not in line with the other five officials who noted that the rate of sending municipal bills out is sporadic. This is mainly caused by the fact that the municipality is currently using meter readers and the Expanded Public Works Programme (EPWP) to deliver the bills. All five officials concurred that this mode of delivering the bills is negatively affecting collection rates.

### **5.5.4 Query Resolution Mechanisms**

Five of the six officials agreed on all the aspects of this theme, while one official had different views on all the aspects, except for the frequency of the queries raised by the residents. The officials who concurred noted the following:

- There are no dispute resolution mechanisms in place. This is despite the fact that the frequency of queries by residents is very high;

- The municipality does not investigate and resolve queries raised by the residents timeously and satisfactorily. As such, most of the queries remain unresolved for a very long time. One of the officials gave an example of a business account query that has not been resolved since 2014;
- The concurring officials believe that the municipality should change the financial system or possibly upgrade it, if it would assist in resolving the queries; and
- The municipality should have a person designated for resolving queries for the residents. Such a person should develop and maintain adequate internal control mechanisms. Currently, there is no official performing this function.

The dissenting official, on the other hand, had a different view concerning this theme. She noted the following issues instead:

- Queries are resolved using recalculation, based on the known averages. This, she believed, is a reasonable starting point, especially under the current system problems. Both the municipality and the resident should be able to ‘meet common ground’, as long as both parties are willing and committed to doing so;
- Queries are being resolved, albeit not all the time;
- Some queries are resolved. The only challenge is that the residents may not be happy with the way the issue would have been resolved. She cited one example where the resident’s meter has been changed several times, but the same resident is still not happy or satisfied. According to her, there are therefore no long outstanding queries; and
- Mechanisms to be adopted should centre on policy review. This is on the premise that the current policy does not make provision for issues such as the treatment of the unemployed.

### **5.5.5 Measures of accountability of defaulting consumers**

All of the participants agreed that the key measures in place do address this theme. The officials noted that consumption services are disconnected when consumers default on their payment obligation, be it agreed upon (payment plans) or in the normal obligations. These

measures were, however, deemed to be insufficient, and require improvements. Proposed improvements hinged on updating the policy.

#### **5.5.6 Incentives for early settlement of old consumer debts**

Regarding this issue, all the participants concurred that residents need to be incentivised, if they are to settle their old debts. The issue has been pursued and views were sought from the Northern Cape Provincial Treasury. The municipality needs to re-initiate the process and finalise it. Some of the proposals from the participants included agreeing on a settlement figure with the residents and writing-off the difference, and offering pure discounts upon early settlement.

#### **5.5.7 Implementation of appropriate reconnection measures and policies**

Regarding this issue, all the participants concurred that there are mechanisms in place to effect disconnections and reconnections. However, these mechanisms are not adequate and need significant improvements. For example, one official questioned the logic of charging the resident's accounts for reconnection fees, instead of making it a cash payment. Further, this should be coupled with a down payment of a component of the bill, rather than just a payment plan.

#### **5.5.8 Accessibility of municipal payment points and options to consumers**

Regarding the accessibility of municipal payment points and options available to the residents, all the municipal officials expressed some concerns in this regard. They identified two payment options available, namely the bank (electronic funds transfer) and municipal offices. Further, they all agreed that municipal offices are open during critical hours, such as 1 pm to 2 pm, and that these payment options are not adequate and not in line with the current trends. They noted that the municipality needs to pursue other payment options and ensure that increase the number of collection points.

#### **5.5.9 Convenience of municipal payment points and options to consumers**

All of the participants indicated that the current payment points and options are not convenient for the residents. For example, one official noted that some of the residents do not have smartphones. As such, it can be reasonably said that internet banking is not one of the options available to them. She further noted the need to urgently complete renovations of one

of the township offices to enhance the collection points. One of the officials even proposed having a collection point in every ward, in the future.

#### **5.5.10 Effect of unallocated deposits on consumer bills**

The officials stated that they have made payments that were not allocated to their personal municipal accounts. The amount keeps increasing every month. This is a huge challenge for the municipality, which needs urgent attention. However, no one of the officials, except one, provided any proposed solutions. The official who provided a proposal stated that there is a need to categorise the amounts unallocated and develop a strategy to address them. Looking at the number of unallocated deposits, the bias should be towards high-value amounts. She further noted that, in the past, the municipality sought their banks' assistance in providing the relevant information. The exercise proved costly, as the bank was charging about R100 per transaction. As such, this was abandoned.

#### **5.5.11 Effect of non-payment of service charges and property rates on services delivery**

All of the officials concurred that it is important for consumers to settle their municipal bills. They noted that there is a direct link between the level of payment for services received by the residents and service delivery. They all noted that funds generated from municipal services significantly assist in the acquisition and maintenance of infrastructure assets. Each of the officials provided ways of improvement. While some of the recommendations were different, there were some commonalities among them. The following are some of the key issues identified:

- After disconnecting services, residents must make an upfront payment, not merely enter into a payment plan agreement;
- Improving communication with customers on all levels regarding their issues of their utility bills relating to service delivery provision;
- Cleanse and verify accounts so that customers can have confidence with the billing; and
- Meter readings should be done every month instead of using estimates on a continuous basis as a means of convenient billing.

## **5.6 CHAPTER SUMMARY**

This chapter summarises all the participants' responses gathered by the researcher. As outlined in the research methodology, all respondents were open-minded and participated without any pressure. It was apparent that, in some cases, participants differed on the subject matter in question, while in some instances, they concurred on aspects that affect them. This trend also applied to the different categories of participants (stakeholders, municipal officials, and residents). There was a huge challenge regarding the Ratepayers' Association in respect of their willingness to pay for services. None of the participants understood the theme in detail. This could be one area needing further analysis and warrants more engaged attention in the future. The next chapter present the recommendations and conclusions.

## **CHAPTER SIX**

### **RESEARCH CONCLUSION AND RECOMMENDATIONS**

#### **6.1 INTRODUCTION**

This chapter discusses the research findings, based on the results revealed in Chapter Five. The findings are discussed in line with the research objectives and in alignment with the rationale for the study. The recommendations, conclusion, and areas for future studies form the final part of the chapter.

#### **6.2 DISCUSSION OF FINDINGS**

##### **6.2.1 Research Objective One**

###### **To establish why consumers fail to pay for municipal services**

###### **Findings**

The findings showed that the municipality's collection rate is low. The challenges included internal factors, such as failure to implement credit control measures and inadequate general administration, as well as external factors such as high unemployment rates. This is mainly because most of the participants indicated that they only settle their bills when they receive their municipal accounts, which is a rare and random phenomenon. Some of the participants noted that they only pay for municipal services when there is no interruption of services. This has the effect of increasing the municipality's debtors' book, and possible future write-offs. According to SALGA (2016: 2), debt outstanding continued to show real growth over the period from 1996 to 2016, and this situation continues to worsen, to date, indicating less than optimal debt management and credit control practices by municipalities.

Some of the participants noted that residents do not pay for their services due to a culture of entitlement, and not to affordability. A respondent who did not agree with the assertion of a culture of entitlement, stated that, in most cases, this is due to affordability and lack of means, especially under the current conditions of COVID-19, where people are losing jobs. The pandemic has worsened the situation, in that it has led to an increase in unemployment, as most companies and businesses are closing down. These assertions are in line with available literature on this *status quo*, as was pointed out in earlier chapters. Felix (2020) noted that

COVID-19 is having a significant impact not only on the economy, but also on payment options by consumers. Chigwada and De Visser (2021); Felix (2021) concurred with this when they noted that the pandemic has worsened the gap between municipal revenue and expenditures. They went on to state that unfortunately, municipalities cannot count on government transfers to close this gap (as they did before COVID-19) because of the fiscal consolidation measures.

The other respondents, with the concurrence of SALGA (2016), noted that residents do not pay for their municipal services because of the following identified factors:

- High unemployment rates among the residents of Magareng Local Municipality;
- Delays by the municipality in sending out the municipal bills;
- Failure by the municipality to respond or attend to residents' queries; and
- Prioritisation of other debts, not municipal bills.

## **Discussion**

The foregoing results show that there are varied reasons why consumers do not pay municipal bills. The reasons advanced are in line with the literature review. For example, Managa (2012: 1) concurred that a culture of non-payment is one of the common reasons for the non-payment of municipal bills. Other researchers, such as Worku (2018: 101) and Enwereji and Potgieter (2018), have noted that this is usually coupled with other factors such as affordability.

It can also be argued that the current pandemic has worsened the situation. COVID-19 has led to the closure of companies and businesses, which in turn has led to increased unemployment rates. This was concurred with by Managa (2012: 8) when he noted that COVID-19 continues to lead to exacerbating the unemployment levels.

It should, however, be noted that no research has been done that has focused on the effect of the delivery of municipal bills to the residents. The closest research or research findings that have been produced relates to the municipal billing and financial systems in use. Worku (2018: 103) noted that municipal billing and financial systems in use (billing modules) have a significant bearing on the collection rates. Examples cited include failure to provide audit trails for charges debited in municipal bills.

## 6.2.2 Research Objectives Two and Three

**To establish systems, policies, and procedures to be put in place regarding delivering services charges and property rate bills to the community, holding consumers accountable for their failure to pay for the services, and enhancing revenue collection.**

### Findings

Most of the respondents noted that the municipality does not have adequate formalised setups. The participants noted that this entails having functioning ward committees, which are conducting their duties effectively, and where administrative officials are regularly invited by councillors to attend their engagements with the residents. This should include engaging residents during budget engagements. Some of the participants disagreed with the foregoing notion, and noted that community engagement is, in fact, effective in Magareng Municipality. These factors were concurred with by SALGA (2016).

Other respondents cited the issue of landlord and tenant accounts (split accounts), which is causing problems in the system and collection rate. They proposed that this needs to be looked into and improved. The main challenge identified in this regard was that some tenants pay their municipal bills to the landlords, being part of the rent. Landlords, in turn, do not pay the municipal service component to the municipality. When the municipality effects credit control measures and tries to effect measures such as disconnection, tenants prove that they paid the rent as per the contractual arrangement with the landlords. This then leaves the tenants exposed to the municipality's credit control mechanisms.

The delivery of municipal bills to the residents is a major factor concerning collection rates. All the participants stated that the rate and timing of the receipt of municipal bills is worrying. They noted that they receive them once in a while, and not in a consistent manner. The other concern noted relates to the timing of the delivery of the municipal bills. In essence, all the respondents stated that they do not receive their bills in time, which would ordinarily enable them to budget properly. They stated that when they receive municipal bills after budgeting their funds, they do not and are not able to re-allocate the funds. This means that the residents would go into arrears. Further, residents are not prepared to make a provisional estimate of the amount they are likely to pay for municipal services. The mode of delivering these bills has

been cited as the main contributing factor in this regard. Currently, the municipality is using meter readers and EPWP to deliver the bills. This researcher's considered view is that this is expected to lead to deliver delays, as these officials are highly conflicted. This function is not one of their main mandate or job description.

Challenges regarding the billing module were also prevalent among most of the stakeholders and municipal officials. They cast doubt on the accuracy and reliability of the municipal billing system. It was noted that the municipality's billing system is so unreliable that it charges amounts that cannot be explained. There is no reasonable audit trail available from the system. These problems were compounded by the lack of a proper strategy when a new system was implemented (migration from Sebata to Venus). It appears that the financial data was not cleansed properly when the municipality was changing the system.

Regarding the use of estimates, all the participants concurred that the billing module does not have a limit on the number of times estimations of billing can be processed in the system. This is a challenge that the municipality has been experiencing for a long time, but has not been able to resolve it.

## **Discussion**

The researchers' considered view is that the foregoing viewpoints are reasonable. When municipalities change financial systems, there is always a need to ensure that the take-on balances are corrected before being processed in the new system. This was concurred in by Worku (2018: 99). This is so because financial systems play a pivotal role in the justifiably correct collection of revenue.

It should, however, be noted that Magareng Municipality should amend its by-laws to ensure that it adequately addresses the issue of split accounts (landlords and tenants). In principle, the amendments should ensure that if a tenant defaults on a utilities account in the tenant's name, the municipality should be empowered to claim payments of arrears on the tenant's account from the owner of the property. The justification for this should be that it is the property owner's duty to ensure that his or her property is being properly attended to, including servicing debts incurred in its use. Accordingly, the municipality should not suffer a loss as a result of the 'misuse' of the property by a tenant.

### **6.2.3 Research Objective Four**

**To establish if the non-payment of municipal services affects service delivery.**

#### **Findings**

All of the participants noted that there is a direct link between the level of payment for services by the residents and service delivery. The main assertion was the linkage of the revenue and cash flow. They all noted that funds generated from municipal services significantly assist in both operational and capital expenditure. Some of the participants were more specific to the issues relating to service delivery, such as improvement of infrastructure and ability to maintain the existing infrastructure. The other participants linked the aspect of service delivery to health-related matters, such as the provision of clean water (National Treasury, 2020(a): 191).

The other participants noted that collection rates have a direct bearing on service delivery, which in turn may assist in attracting investment such as Public–Private Partnerships (PPP) and the development of small businesses encouraging entrepreneurial perspectives.

#### **Discussion**

The linkage of collection rates and service delivery is an undisputed fact. Some researchers, such as Sebola and Tsheola (2017) confirmed this linkage. In some cases, however, the linkage is inferred rather than direct, as confirmed by Akinboade, Mokwena and Kinfack (2013: 460). It can also be inferred that this is one of the reasons why most of the service delivery protests occur in municipalities with low collection rates (Arora & Ricci, 2006: 26). This linkage was also re-iterated by Sandton Chronicle (2021) which stated that “without the payment of municipal rates by ratepayers, municipalities are unable to cover running costs and that of certain development projects initiated within various communities to facilitate the delivery of services”. They summed it up by saying ‘Paying is caring’. Local government is everybody’s business.

It can be noted that, at times, service delivery protests should be watched critically. This is so because these are times often used to settle political scores, as argued by Akinboade *et al.* (2013: 457).

## **6.3 RECOMMENDATIONS**

The following are the recommendations arising from the study, based on the findings:

### **6.3.1 Data cleansing and write-offs**

One of the common findings in the study was that there is a challenge regarding data integrity and quality. This is mainly in terms of consistency, accuracy, and believability. A sizeable number of the information details on the municipal bills may not be accurate. For example, it was noted that Magareng Local Municipality municipal bills included an item called “other”, which cannot be substantiated as being due. Noticeably, when the municipality moved from Sebata financial system to Venus, insufficient data cleansing was undertaken. This has been a major challenge for a long time. The issue of data integrity in relation to debtors is not peculiar to Magareng Local Municipality.

It is, therefore, recommended that the municipality should consider data cleansing for all debtors’ books. The process should be done objectively, such that every key transaction on each bill should be interrogated. Depending on funding, this may entail the use of interrogation systems such as ACL. This would significantly improve the quality of the information and ultimately enhance decision-making (Boselli, Cesarini, Mercurio & Mezzanzanica, 2103: 85). During this process, it is inevitable that some of the debtors’ balance balances may need to be written-off. This was concurred in by Sidimba (2021), who stated that SALGA plans to conduct a thorough examination of the gross debt owed to municipalities, establish realistically collectable debt, and identify that debt which should be considered for write-off or to abandoned as being historically uncollectable amounts.

In addition to the foregoing, the municipality should perform data cleansing for its valuation roll, and more especially, the municipality’s property register. Often, it is not regularly updated, related objections and queries are not attended to timeously. The consequence is that the municipality often does not know who owns what property, and significantly, who to bill for rates. These sentiments were also echoed by most of the respondents.

### **6.3.2 Installation of smart pre-paid meters**

It was noted that most of the consumption-based services are measured by conventional meters on the consumer’s side. History has shown that this method is not only outdated, but

has also been causing major challenges in the municipality. These challenges include delays in taking meter readings, the use of estimates for long periods, and the subsequent failure by residents to pay for the municipal services. Further, it is the writer's considered view that under the model of the conventional meter, consumption is usually not driven by affordability since the residents ultimately do not pay for the services.

In view of the foregoing, the municipality should consider implementing smart meters. Such systems not only assist in securing the municipality's cash flow, but also encourage residents to monitor their electricity and water usage to keep their consumption within limits that they can afford. This was confirmed by Ramoabi and Hofisi (2016: 154), who stated that smart meters assist customers in changing their behaviours in energy usage to decrease the peak loads, to receive better service delivery, to assist the municipality in demand control, and to assist Eskom in network planning. This was concurred in by Sidimba (2021), who stated that municipalities should negotiate for the installation of pre-paid smart meters, especially for households, who owed about 72.5% (R167.3bn) of the R230.7bn, as at 31 March 2021.

It should be noted that, should the municipality decide to install smart meters, there is a need to ensure that a detailed strategy, which involves the residents, should be developed and adopted. The strategy should include informing consumers that smart meters do lead to additional costs and benefits.

### **6.3.3 Unallocated deposits and account queries**

The prevalence of unallocated deposits in Magareng Local Municipality is relatively fair in total. Management noted that the balance in its suspense account is at least R8 million. Based on all the participants' responses, this appears to be mainly caused by the lack or absence of adequate query resolution mechanisms in the municipality. The municipality takes a long time to resolve residents' queries, with some remaining unresolved for very long periods.

In view of the foregoing, the municipality should consider establishing a Task Team to address the challenges. The main responsibilities of the Task Team should, *inter alia*, be to:

- Develop and implement a strategy to resolve unallocated deposits. In the meantime, the municipality should stratify all the unallocated deposits in terms of the amounts.

The Task Team should then follow up on the bigger amounts until all the amounts are allocated; and

- Develop and implement a strategy to address all outstanding queries. In the interim, the Task Team should prepare a Query Register where all queries are registered. The register should be based on the existing knowledge of the pending queries, and updated as and when residents lodge new queries.

Once the systems are in place and the backlog has been resolved, the Task Team should then hand over their activities to a dedicated official, who should be responsible for these issues. It is thus important for the Accounting Officer to set clear targets and timeframes for the Task Team.

#### **6.3.4 Establishment of a Customer Care Unit**

Some of the problems identified, such as the issue of queries, hinge directly on the absence of a Customer Care Unit. The municipality should consider:

- Establishing a Customer Service Unit. This should be adequately trained and capacitated so that it can adequately attend to the residents' queries and complaints;
- Developing a system that would assist the Customer Care Unit; and
- Implementing monitoring mechanisms for the unit.

#### **6.3.5 Buy-in of political leadership**

Based on the participants' responses, political leadership plays a critical role in the collection of municipal bills. While there are divergent views on how this is being done in Magareng Local Municipality, the principle remains the same, that their involvement is key. It is therefore recommended that:

- Councillors should enhance their assistance in the payment of municipal bills. It would be ideal if they could have such an issue as a standing Agenda item for all their engagements with the community; and
- The municipality should consider escalating the issue to provincial and possibly national levels, especially concerning government debt. The provincial government should be able to assist municipalities in collecting from all government departments. For example, the Gauteng MEC for Finance and Government, Nomantu Nkomo-

Ralehoko, stated that Premier David Makhura's administration will continue to assist municipalities with the facilitation of government debt payments and increase its efforts to ensure that the arrears are drastically reduced in the current financial year (Sidimba, 2021). This was against the background that government departments owed municipalities over R15.5bn as at 31 March 2021, which is a major cause for concern for the sustainability of municipalities in the country.

### **6.3.6 Proper implementation of Credit Control policies**

It was evident from the research findings that the municipality's Credit Control policy is fairly outdated and is not being implemented properly. This is detrimental to the collection of rates and taxes, and other debts owed to it. The municipality should:

- Update its credit control and debt policy as a matter of urgency, so that it includes all the current trends and developments; and
- Upon finalisation and adoption of the new policy by the Council, the municipality should develop a comprehensive collection strategy and pass by-laws to give legal enforcement authority to the new policy. Regarding the strategy, it should encompass issues such as stratifying its debtors' book according to 'quick wins', type of debtor, and amounts owed. It should then target all the big customers. One such group of customers that should be targeted comprises defaulting government departments. This was concurred in by Sidimba (2021), who stated that SALGA is proposing that municipalities should be targeting government properties and business, through disconnection, where there is sufficient merit and in line their credit control policies. It should, however, be noted that disconnections of government facilities should only be a last resort, which requires a great measure of consultation, research, and advice. This is so because the IGR Act and Water Services Act prescribe stringent processes that ought to be followed first.

It should be noted that the foregoing processes should only be undertaken once data cleansing has been completed.

### **6.3.7 Offering incentives to consumers**

As mentioned earlier, only R37 bn of the R231 bn owed to municipalities as at 31 March 2021 is collectable (Sidimba, 2021). While part of this can be attributable to data integrity issues, the issue remains that it is a huge amount. Most municipalities are struggling to collect from residents. According to Ensor (2020), the situation has worsened as a result of the COVID-19 pandemic. She noted that large metropolitan councils, for example, have lost about 30% of their monthly revenues. She further noted that SALGA has also painted a bleak picture of the effects of the pandemic on the third sphere of government. This is further compounded by the fact that SALGA proposed the suspension of disconnections of water and electricity supplies for the duration of the lockdown and the cutting of rates to ease the effect of the pandemic (Ensor, 2020).

In addition to the foregoing, SALGA projected that the pandemic (depending on how long it will last) is likely to cause a 5% drop in payment rates and would cost municipalities about R14 bn (Ensor, 2020). This is mainly attributable to the following: (a) reduction in revenue from water and electricity as a result of reduced consumption due to the closure of companies and businesses, and (b) reduction in the rental of municipal facilities, such as conference centres and community halls.

It is thus critical for municipalities, including Magareng Local Municipality, to think ‘outside the box’ and offer payment incentives or discounts to their residents. This is more critical under conditions caused by COVID-19. Failing this, the money may not be collectable in any event, and may be subject to write-off in future years. Muller (2020), who recommended that local government should introduce rates relief measures to assist landlords and tenants who were suffering from severe cash flow constraints due to the COVID-19 lockdown, concurred with the principle of offering incentives.

### **6.3.8 Partnering**

The trends have been that municipalities look at their situation and endeavour to address the challenges by their own internal efforts. At times, this is not possible because some of the contributing factors are exogenous. Further, the issues may be blamed on the municipality since they are the ones closer to providing service delivery. For example, one of the

respondents noted that he does not pay his municipal bills because there are always electricity interruptions, which is an Eskom challenge. Further, if the issues are not handled properly, they may lead to the same frustrations by consumers. For example, if the municipality reduces its tariffs and other stakeholders, such as water authorities and Eskom, do not follow suit, it will get to a point where the municipality will fail to afford to fund the reductions, leading to poor service delivery and protests.

This means that municipalities should ensure that, whatever strategies they embark on, these should include all the stakeholders. For example, Eskom should also be encouraged not to cut electricity to struggling municipalities. This was echoed by Sorensen (2020: 368), who reported that SALGA has proposed that Eskom should suspend all electricity disconnections during the nationwide lockdown, and review interest on arrears linked to the national state disaster. The pandemic requires everyone to play a role to avoid burdening one of the most challenging sectors, i.e. a 'weaker' sector like local government.

#### **6.4 CONCLUSION**

This study has shown that Magareng Local Municipality is faced with a significant challenge relating to its debt collection rates. However, there is an opportunity to remedy the situation. The municipality needs to ensure that it develops and implements strategies that would address the current challenges. This means that the municipality needs to re-assess its current status and develop a 'roadmap' for actions to take. Since the challenges are not peculiar to Magareng Local Municipality, there are reference points that the municipality can refer to regarding other equally challenged municipalities in the country.

#### **6.5 SUGGESTIONS FOR FURTHER RESEARCH**

The research has identified a number of areas where the participants' response provided little or no information to conclude on a position or effect of these transactions on the collection of rates. The following are some of the issues of concern:

- Ratepayers Association: as mentioned earlier, there are many Ratepayers Associations that have been established in most municipalities in South Africa. During this study, the researcher was not able to obtain enough information to conclude on this subject

matter. This was mainly because the respondents did not have much information on the issues, while some of them were not aware of the phenomenon;

- Split accounts (landlords and tenants accounts): a number of municipalities open tenant accounts for consumption services, and landlord accounts for property rates and fixed service charges. Some municipalities open one account as they believe that the tenant–landlord relationship has no bearing on the municipality. In the case of Magareng Municipality, there are split accounts. The researcher could not obtain much information to adequately analyse the effect of this approach on collection rates; and
- Effect of delivery of municipal bills on collection rates: the researcher intended to establish the effect of the irregular delivery of municipal bills on the collection of rates. However, the participants provided conflicting responses and information. As such, the researcher could not conclude on this matter.

Based on the foregoing, the researcher recommends that further research should be undertaken on the above-mentioned issues. This is mainly so because these issues are critical in such analysis and could have a catastrophic effect on the sustainable future of this municipality, and others sharing the same challenges in the country.

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**ANNEXURE A**  
**ETHICAL CLEARANCE CERTIFICATE FROM THE UNIVERSITY OF**  
**KWAZULU-NATAL**



05 August 2021

**Miss Busisiwe Patience Mgaguli (200004694)**  
School Of Man Info Tech & Gov  
Westville Campus

Dear Miss Mgaguli,

**Protocol reference number:** HSSREC/00001811/2020

**Project title:** Evaluation of non-payment for municipal services Magareng Municipality, Northern Cape

**Amended title:** Evaluation of non-payment for municipal services at Magareng Municipality, Northern Cape

**Approval Notification – Amendment Application**

This letter serves to notify you that your application and request for an amendment received on 27 July 2021 has now been approved as follows:

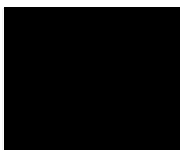
- Change in title

Any alterations to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form; Title of the Project, Location of the Study must be reviewed and approved through an amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

**PLEASE NOTE:** Research data should be securely stored in the discipline/department for a period of 5 years.

All research conducted during the COVID-19 period must adhere to the national and UKZN guidelines.

Best wishes for the successful completion of your research protocol.



.....  
Professor Dipane Hlalele (Chair)

/dd

---

Humanities & Social Sciences Research Ethics Committee  
UKZN Research Ethics Office Westville Campus, Govan Mbeki Building  
Postal Address: Private Bag X54001, Durban 4000  
Tel: +27 31 260 8350 / 4557 / 3587  
Website: <http://research.ukzn.ac.za/Research-Ethics/>

Founding Campuses: ■ Edgewood ■ Howard College ■ Medical School ■ Pietermaritzburg ■ Westville

**INSPIRING GREATNESS**

**ANNEXURE B**  
**GATEKEEPER'S LETTER FROM MAGARENG MUNICIPALITY**

**MAGARENG**



**MUNICIPALITY**

MAGRIETHA PRINSLOO STREET  
WARRENTON  
8530  
Tel No : 053 497 3111  
E - Mail : dovemoncho@gmail.com  
Enquiries : EM Moncho

P.O. BOX 10  
WARRENTON  
8530  
Fax No : 053 497 4514

Reference:

13 January 2020

**TO: Busisiwe Patience Mgaguli**

**FROM: Municipal Manager  
Magareng Local Municipality**


**REQUEST FOR PERMISSION TO CONDUCT RESEARCH IN THE MUNICIPALITY**

The municipality confirm receipt of letter dated 02 January 2020.

Kindly note that, permission is hereby granted to conduct research in Magareng Local Municipality.

The municipality would like to take this opportunity to wish you good luck on your studies.

Should you need any clarity please don't hesitate to contact us.

  
E M MONCHO  
MUNICIPAL MANAGER

---

All correspondence must be addressed to the Office of the Municipal Manager, P.O. Box 10, Warrenton, 8530, Tel No: 053 497 3111, Fax No: 053 497 4514

**ANNEXURE C**  
**LETTER FROM LANGUAGE PRACTITIONER**

Reg. No. CK2002/071156/23

VAT Reg.: 4630220822

**CONLING**

**Language & Translation Consultants cc**

P.O. Box 165, Aurora 7325, RSA

Tel: +27 82 803 0957

Fax: 086-650-0013

E-mail: [info@conling.com](mailto:info@conling.com)

**Ref.** BM210713613274

**Date:** 24-07-2021

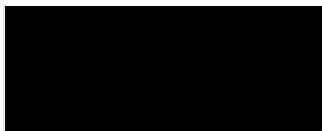
To Whom It May Concern

**Language Editing certification for:  
Evaluation of Non-payment for Municipal Services at Magareng Municipality,  
Northern Cape  
(Busisiwe Mgaguli)**

This is to certify that the dissertation detailed above was language edited by the professional English-language academic editing staff at Conling Language & Translation Consultants and delivered to the Client on 24-07-2021.

In no way did we change the content.

Yours faithfully,



**F. de Foglio**

Project manager / Projekbestuurder

Conling Language & Translation Consultants cc

**ANNEXURE D1**  
**LETTER OF INFORMED CONSENT AND INTERVIEW SCHEDULE FOR**  
**STAKEHOLDERS**

**UNIVERSITY OF KWAZULU-NATAL**  
**School of Management, IT and Governance**  
**MPA Research Project**  
**Researcher:** Busisiwe Patience Mgaguli (081 736 9630)  
**Supervisor:** Prof M. Subban (031 260 7736)  
**Research Office:** Mrs M. Snyman (031 260 8350)  
**Ethical Clearance Number:** HSSREC/00001811/2020

Dear Respondent,

My name is Busisiwe Mgaguli, a registered Masters in Public Administration Student at the University of KwaZulu-Natal. My contact details are [Bmgaguli@gmail.com](mailto:Bmgaguli@gmail.com) or 081 736 9630.

You are being invited to consider participating in the research study entitled: *Evaluation of Non-Payment for Municipal Services at Magareng Municipality, Northern Cape*. The aim and purpose of this research is to establish the reasons why consumers do not settle their municipal bills and the potential effect on service delivery. The study is expected to include interviews. The interview will be based on structured open-ended questions and will be conducted either telephonically or via video calling using applications such as Zoom, Microsoft Teams, WhatsApp Calling (video or voice), or FaceTime. The duration of your participation if you choose to participate and remain in the study is expected to be approximately one hour.

I hope that the study will add value to Magareng Municipality officials and their community, other relevant and key stakeholders such as the Provincial Treasury. Your anonymity will be maintained by the researcher and the School of Management, I.T. & Governance. The research will pose no risk to any of the participants and information/responses obtained will not be used for any purposes outside of this study.

This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee, approval number (HSSREC/00001811/2020).

In the event of any problems or concerns/questions, you may contact the researcher at email: [bmgaguli@gmail.com](mailto:bmgaguli@gmail.com) and cell: 081 736 9630 or the researcher's supervisor, contact details as follows: Prof M Subban, [subbanm@ukzn.ac.za](mailto:subbanm@ukzn.ac.za)

**HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION**  
Research Office, Westville Campus  
Govan Mbeki Building  
Private Bag X 54001  
Durban 4000 KwaZulu-Natal, SOUTH  
AFRICA Tel: 27 31 2604557- Fax: 27 31  
2604609  
Email: [HSSREC@ukzn.ac.za](mailto:HSSREC@ukzn.ac.za)

Your participation in this informed consent for the study is voluntary and by participating, you are granting the researcher permission to use your responses in the research study entitled *Evaluation of Non-Payment for Municipal Services at Magareng Municipality, Northern Cape*. The data collected will be treated with the strictest confidentiality and anonymity. You may refuse to participate or withdraw from the study at any time with no negative consequences. There will be no monetary gain from participating in the study.

All data, both electronic and hard copy, will be securely stored during the study and archived for 5 years in accordance with the policy for research at the University. After this time, all data will be destroyed.

If you have any questions or concerns about participating in the study, please contact me or my research supervisor at the details listed above.

Sincerely,

---

*B Mgaguli*

**CONSENT TO PARTICIPATE**

I..... have been informed about the study entitled: **“Evaluation of Non-Payment for Municipal Services at Magareng Municipality, Northern Cape”** by Busisiwe Mgaguli email: [bmgaguli@gmail.com](mailto:bmgaguli@gmail.com).

I understand the purpose and procedures of the study.

I have been given an opportunity to ask questions about the study and have had answers to my satisfaction.

I declare that my participation in this study is entirely voluntary and that I may withdraw at any time without affecting any of the benefits that I usually am entitled to.

If I have any further questions/concerns or queries related to the study I understand that I may contact the researcher at the email address above.

If I have any questions or concerns about my rights as a study participant, or if I am concerned about an aspect of the study or the researcher, then I may contact:

**HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION**

Research Office, Westville Campus

Govan Mbeki Building

Private Bag X 54001

Durban

4000

KwaZulu-Natal, SOUTH AFRICA

Tel: 27 31 2604557 - Fax: 27 31 2604609

Email: [HSSREC@ukzn.ac.za](mailto:HSSREC@ukzn.ac.za)

I hereby provide consent to:

Audio-record my interview YES / NO

Video-record my interview YES / NO

**Signature of Participant**

**Date**

**Signature of Witness**

**Date**

## INTERVIEW SCHEDULE FOR STAKEHOLDERS

### STUDY PROJECT: EVALUATION OF NON-PAYMENT FOR MUNICIPAL SERVICES AT MAGARENG MUNICIPALITY, NORTHERN CAPE

Providing information below is optional:

TITLE:		AGE:	
GENDER:		WARD:	
PERIOD OF STAY IN THE WARD			

#### 1. Obligation to pay for services

1.1 In your view, how would you characterise the collection rate of municipal services for Magareng Local Municipality in terms of low, moderate or high?

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1.2 How has the rate of non-payment of services affected the municipality's budget?

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1.3 For the consumers that does not pay their bills often, what do you think are some of their reasons?

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1.4 In you view, what do you think can be done to encourage the community to pay for services rendered?

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1.5 Would you characterise the reasons for non-payment for municipal services as general culture entitlement by the consumers?

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1.6 Do you think the notion that some consumers do not pay their municipal services due to lack of means is a fair and reasonable analysis of the problem?

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**2. Emergence and influence of Ratepayers' Association**

2.1 Is there an existing and operational Ratepayers' Association in Magareng Local Municipality?

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2.2 How would you characterise its membership?

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2.3 Are they currently withholding consumers' payments in their account?

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2.4 Do you think that Ratepayers Associations have a bearing on the rate of non-payment of services

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2.5 Are they holding consumers' payments for all the services rendered by the municipality or only for a selected type of services?

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2.6 Where they are paying for water and electricity, is the municipality implementing appropriate Credit Control measures to them?

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2.7 If Credit Control measures are not being implemented, what are the reasons for such, especially from the fact that there is a Constitutional Court ruling allowing for Credit Control measures to be implemented?

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2.8 To your knowledge, has there been any engagements with the Ratepayers' Association and the municipality to resolve the matter?

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2.9 In your view, have the engagements yielded any positive results?

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2.10 Has the municipality ever applied for remittance of the funds to the municipality or an interdict of their operations in terms of the law?

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**3. Oversight role mechanisms**

3.1 What role is council and its committees playing regarding the level of non-payment of consumer bill?

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3.2 What would you want changed in this regard so as to improved the payment rate for consumer bills?

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**4. Measures of accountability to defaulting consumers**

4.1 Does the municipality have an approved Credit Control Policy in place?

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4.2 Does the Credit Control Policy adequately address the municipality's concerns and current challenges?

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4.3 Do you think the non-payment of municipal services is an indication of lack of adequate measures in relation to credit control and management of consumers' bills?

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4.4 Are you aware of any complaints by paying consumers on the municipality's lack of implementing proper Credit Control measures to non-paying consumers?

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4.5 In your view, does political leadership have any role to play regarding the rate of non-payment for services rendered?

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4.6 What role and measures would you consider the political leadership to play, if any?

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**5. Effect of unallocated deposits on consumer bills**

5.1 Based on the periodic reports or returns received from management, how would you characterise the level of unallocated deposits in terms of low, medium or high?

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5.2 What is managements reasons for not allocating those payments to the relevant consumers' accounts?

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5.3 What measures have been put in place to mitigate these challenges?

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**6. Effect of non-payment of service charges and property rates on services delivery**

6.1 How important is it for the consumers to pay for services rendered?

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6.2 Are you happy with the extent and level of service delivery in your area?

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6.3 Do you think the consumers' level of payment for services rendered directly impact on service delivery by the municipality?

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6.4 In your view, are there any other sustainable means to fund service delivery related projects?

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6.5 In your view, how can the level of payment for services rendered be improved?

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**ANNEXURE D2**  
**LETTER OF INFORMED CONSENT AND INTERVIEW SCHEDULE FOR**  
**MUNICIPAL OFFICIALS**

**UNIVERSITY OF KWAZULU-NATAL**  
**School of Management, IT and Governance**  
**MPA Research Project**  
**Researcher:** Busisiwe Patience Mgaguli (081 736 9630)  
**Supervisor:** Prof M. Subban (031 260 7736)  
**Research Office:** Mrs M. Snyman (031 260 8350)  
**Ethical Clearance Number:** HSSREC/00001811/2020

Dear Respondent,

My name is Busisiwe Mgaguli, a registered Masters in Public Administration Student at the University of KwaZulu-Natal. My contact details are [Bmgaguli@gmail.com](mailto:Bmgaguli@gmail.com) or 081 736 9630.

You are being invited to consider participating in the research study entitled: *Evaluation of Non-Payment for Municipal Services at Magareng Municipality, Northern Cape*. The aim and purpose of this research is to establish the reasons why consumers do not settle their municipal bills and the potential effect on service delivery. The study is expected to include interviews. The interview will be based on structured open-ended questions and will be conducted either telephonically or via video calling using applications such as Zoom, Microsoft Teams, WhatsApp Calling (video or voice), or FaceTime. The duration of your participation if you choose to participate and remain in the study is expected to be approximately one hour.

I hope that the study will add value to Magareng Municipality officials and their community, other relevant and key stakeholders such as the Provincial Treasury. Your anonymity will be maintained by the researcher and the School of Management, I.T. & Governance. The research will pose no risk to any of the participants and information/responses obtained will not be used for any purposes outside of this study.

This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee, approval number (HSSREC/00001811/2020).

In the event of any problems or concerns/questions, you may contact the researcher at email: [bmgaguli@gmail.com](mailto:bmgaguli@gmail.com) and cell: 081 736 9630 or the researcher's supervisor, contact details as follows: Prof M Subban, [subbanm@ukzn.ac.za](mailto:subbanm@ukzn.ac.za)

**HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION**  
Research Office, Westville Campus  
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2604609  
Email: [HSSREC@ukzn.ac.za](mailto:HSSREC@ukzn.ac.za)

Your participation in this informed consent for the study is voluntary and by participating, you are granting the researcher permission to use your responses in the study entitled *Evaluation of Non-Payment for Municipal Services at Magareng Municipality, Northern Cape*. The data collected will be treated with the strictest confidentiality and anonymity. You may refuse to participate or withdraw from the study at any time with no negative consequences. There will be no monetary gain from participating in the study.

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If you have any questions or concerns about participating in the study, please contact me or my research supervisor at the details listed above.

Sincerely,

---

*B Mgaguli*

#### **CONSENT TO PARTICIPATE**

I .....have been informed about the study entitled: **“Evaluation of Non-Payment for Municipal Services at Magareng Municipality, Northern Cape”** by Busisiwe Mgaguli email: [bmgaguli@gmail.com](mailto:bmgaguli@gmail.com).

I understand the purpose and procedures of the study.

I have been given an opportunity to ask questions about the study and have had answers to my satisfaction.

I declare that my participation in this study is entirely voluntary and that I may withdraw at any time without affecting any of the benefits that I usually am entitled to.

If I have any further questions/concerns or queries related to the study I understand that I may contact the researcher at the email address above.

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4000

KwaZulu-Natal, SOUTH AFRICA

Tel: 27 31 2604557 - Fax: 27 31 2604609

Email [HSSREC@ukzn.ac.za](mailto:HSSREC@ukzn.ac.za)

I hereby provide consent to:

Audio-record my interview YES / NO

Video-record my interview YES / NO

**Signature of Participant**

**Date**

**Signature of Witness**

**Date**

## INTERVIEW SCHEDULE FOR MUNICIPAL OFFICIALS

### STUDY PROJECT: EVALUATION OF NON-PAYMENT FOR MUNICIPAL SERVICES AT MAGARENG MUNICIPALITY, NORTHERN CAPE

Providing information below is optional:

TITLE:		AGE:	
GENDER:		WARD:	
PERIOD OF STAY IN THE WARD			

#### 1. Obligation to pay for services

1.1 How and what has been your experience in dealing with the consumers regarding payment of services rendered?

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1.2 Are there any platforms or consumer engagements where the municipality engages and informs the consumers regarding payment of services?

---

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1.3 For consumers that does not pay their bills often, what do you think are some of the attributors?

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1.4 In your view, are there any mechanisms in place to monitor and investigate fluctuations in the collection of rates?

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1.5 What are the monitoring mechanisms and how often are they performed?

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1.6 What is the prevalence of landlord and tenant consumer accounts (split accounts) in the municipality?

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1.7 In your view, what do you think may be effect of allowing for split accounts on the payment of municipal bills

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## **2. Municipal billing module in place**

2.1 Are there any billing challenges that you have experienced that may cast doubt on the accuracy and reliability of municipal billing?

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2.2 Could you provide examples and explanations as to the possible effect on the payment of municipal bills?

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2.3 How long did the municipality take to satisfactorily resolve those challenges?

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2.4 Does the billing module allow for use of estimate reading for consistently long period, beyond three months?

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**3. Municipal policies and procedures for submission of bills**

3.1 How often and when does the municipality send municipal bills to the consumers?

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3.2 How are the bills sent to the consumers?

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3.3 Do you believe the timing and delivery mechanisms for municipal bills affect the payment rate for municipal services?

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**4. Query Resolution Mechanisms**

4.1 What dispute or query resolution mechanism is currently in place?

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4.2 How would you characterise the level of frequency of the queries raised by consumers, in terms of low, moderate or high?

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4.3 Could you provide examples and explanations for such a level of frequency?

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4.4 Does the municipality investigate and resolve queries raised by the consumers timeously and satisfactorily?

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4.5 Are you aware of any long outstanding and still not yet resolved?

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4.6 Could you provide examples and reasons for the delays?

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4.7 Are there any changes that you would like seen adopted so as to enhance the existing dispute or query resolution mechanism in place?

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**5. Measures of accountability to defaulting consumers**

5.1 What measures does the municipality undertake regarding defaulting consumers?

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5.2 Do you think that these measures are adequate and consistently applied to all consumers?

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5.3 Have you experienced or witnessed any interference from senior management or political office bearers while implementing appropriate measures regarding defaulting consumers?

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5.4 Could you provide examples of such and how the situations were ultimately resolved?

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**6. Incentives for early settlement of old consumer debts**

6.1 What policies and measures are in place to encourage the community to settle their long outstanding bills?

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6.2 Do you think giving incentives for settlement of old consumer debts will significantly encourage consumers to settle them?

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6.3 Do you have any proposals for incentives that the municipality could adopt and implement so as as to improve the payment rates for municipal bills?

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**7. Implementation of appropriate reconnection measures and policies**

7.1 When water or electricity is disconnected, is there a policy that guides officials on how to calculate the amount to be paid prior to reconnection?

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7.2 What does the existing policy guideline require?

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7.3 Does the municipality have a policy to accept, guide and monitor payment plans by consumers?

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7.4 Does the municipality charge reconnection fees, prior to water or electricity being reconnected?

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7.5 Are there any measures that you would recommend regarding the current disconnection and reconnection process that may deter consumers from defaulting on their consumer bills?

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**8. Accessibility of municipal payment points and options to consumers**

8.1 What payment options are available to the community?

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8.2 Are municipal revenue offices open during critical hours such as 1pm to 2pm?

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8.3 Are there alternative payment options available after working hours?

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**9. Convenience of municipal payment points and options to consumers**

9.1 Do you think the payment options available are convenient to you?

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9.2 Does the municipality accept and honour payment plans agreed upon?

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9.3 Does the municipality have collection points in all wards?

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**10. Effect of unallocated deposits on consumer bills**

10.1 Based on your experience and the financial records, how would you characterise the level of unallocated deposits in terms of low, medium or high?

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10.2 Does the municipality have a strategy to address the issue of unallocated deposits?

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10.3 Could you explain how the situation is being addressed?

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**11. Effect of non-payment of service charges and property rates on services delivery**

11.1 In your view, how important is it for consumers to pay for services rendered?

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---

11.2 Are you happy with the extent and level of service delivery in your area?

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---

---

11.3 Would you say there is value-for-money for payment made to the municipality?

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---

11.4 Do you think the consumers' payment for services rendered directly impacts on service delivery rendered the municipality?

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---

---

11.5 In your view, how can payment for services rendered be improved?

---

---

**ANNEXURE D3**  
**LETTER OF INFORMED CONSENT AND INTERVIEW SCHEDULE FOR**  
**RESIDENTS**

**UNIVERSITY OF KWAZULU-NATAL**  
**School of Management, IT and Governance**  
**MPA Research Project**  
**Researcher:** Busisiwe Patience Mgaguli (081 736 9630)  
**Supervisor:** Prof M. Subban (031 260 7736)  
**Research Office:** Mrs M. Snyman (031 260 8350)  
**Ethical Clearance Number:** HSSREC/00001811/2020

Dear Respondent,

My name is Busisiwe Mgaguli, a registered Masters in Public Administration Student at the University of KwaZulu-Natal. My contact details are [Bmgaguli@gmail.com](mailto:Bmgaguli@gmail.com) or 081 736 9630.

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In the event of any problems or concerns/questions, you may contact the researcher at email: [bmgaguli@gmail.com](mailto:bmgaguli@gmail.com) and cell: 081 736 9630 or the researcher's supervisor, contact details as follows: Prof M Subban, [subbanm@ukzn.ac.za](mailto:subbanm@ukzn.ac.za)

**HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION**  
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AFRICA Tel: 27 31 2604557- Fax: 27 31  
2604609  
Email: [HSSREC@ukzn.ac.za](mailto:HSSREC@ukzn.ac.za)

Your participation in this informed consent for the study is voluntary and by participating, you are granting the researcher permission to use your responses in the study entitled *Evaluation of Non-Payment for Municipal Services at Magareng Municipality, Northern Cape*. The data collected will be treated with the strictest confidentiality and anonymity. You may refuse to participate or withdraw from the study at any time with no negative consequences. There will be no monetary gain from participating in the study.

All data, both electronic and hard copy, will be securely stored during the study and archived for 5 years in accordance with the policy for research at the University. After this time, all data will be destroyed.

If you have any questions or concerns about participating in the study, please contact me or my research supervisor at the details listed above.

Sincerely,

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*B Mgaguli*

## **CONSENT TO PARTICIPATE**

I ..... have been informed about the study entitled: **“Evaluation of Non-Payment for Municipal Services at Magareng Municipality, Northern Cape”** by Busisiwe Mgaguli email: [bmgaguli@gmail.com](mailto:bmgaguli@gmail.com).

I understand the purpose and procedures of the study.

I have been given an opportunity to ask questions about the study and have had answers to my satisfaction.

I declare that my participation in this study is entirely voluntary and that I may withdraw at any time without affecting any of the benefits that I usually am entitled to.

If I have any further questions/concerns or queries related to the study I understand that I may contact the researcher at the email address above.

If I have any questions or concerns about my rights as a study participant, or if I am concerned about an aspect of the study or the researcher, then I may contact:

### **HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION**

Research Office, Westville Campus

Govan Mbeki Building

Private Bag X 54001

Durban

4000

KwaZulu-Natal, SOUTH AFRICA

Tel: 27 31 2604557 - Fax: 27 31 2604609

Email: [HSSREC@ukzn.ac.za](mailto:HSSREC@ukzn.ac.za)

I hereby provide consent to:

Audio-record my interview YES / NO

Video-record my interview YES / NO

**Signature of Participant**

**Date**

**Signature of Witness**

**Date**

## INTERVIEW SCHEDULE FOR RESIDENTS

### STUDY PROJECT: EVALUATION OF NON-PAYMENT FOR MUNICIPAL SERVICES AT MAGARENG MUNICIPALITY, NORTHERN CAPE

Providing information below is optional:

TITLE:		AGE:	
GENDER:		WARD:	
PERIOD OF STAY IN THE WARD			

#### 7. Obligation to pay for services

7.1 How long have you been a resident of Magareng Local Municipality?

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7.2 What services do you receive from the municipality?

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7.3 Are there some other services that you should be receiving but are currently not receiving them?

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7.4 For those services that you are currently receiving, are you paying for them?

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7.5 What motivates you to pay for services received?

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**8. Municipal policies and procedures for submission of bills**

8.1 How often do you receive municipal bills, and how are they delivered to you?

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8.2 What time of the month do you get these bills, and is the timing fairly consistent each month?

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8.3 Does the timing affect you?

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**9. Query Resolution Mechanisms**

9.1 Have you ever queried any of your municipal bills?

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9.2 In the past twelve months, how often have you queried your bills?

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9.3 What has been your major queries, if any?

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9.4 Was the query resolved timeously and satisfactorily?

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9.5 How long did it take the municipality to resolve the query?

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**10. Measures of accountability to defaulting consumers**

10.1 Has the municipality disconnected water or electricity to your premises at any time?

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10.2 If your water or electricity has not been disconnected, are you aware of any other consumers whose services were disconnected?

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10.3 What were the main reasons for the disconnections?

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10.4 How long did it take for the water or electricity to be reconnected?

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10.5 What necessitated the reconnection of the water or electricity?

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**11. Implementation of appropriate reconnection measures and policies**

11.1 Did you pay any reconnection fees in addition to the amount due, prior to water or electricity being connected?

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11.2 Do you think this was fair and reasonable?

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11.3 Will this action (reconnection fees) prompt you to settle your municipal bills on time in future?

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11.4 What changes would you like to see in this process?

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**12. Accessibility of municipal payment points and options to consumers**

12.1 What payment options are available to consumers, that you are aware of?

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12.2 Are municipal revenue offices open during critical hours such as 1pm to 2pm?

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12.3 Are there alternative payment options available after working hours?

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**13. Convenience of municipal payment points and options to consumers**

13.1 Do you think the payment options available are convenient to you?

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13.2 Does the municipality accept and honour payment plans agreed upon?

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13.3 Does the municipality have collection points in all wards?

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**14. Effect of unallocated deposits on consumer bills**

14.1 Have you made any payments to the municipality but were not allocated to your account?

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14.2 Were the payments made finally allocated to your account?

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14.3 What reasons did the municipality provide?

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14.4 Is this a common occurrence regarding your account?

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**15. Effect of non-payment of service charges and property rates on services delivery**

15.1 In your view, how important is it for consumers to pay for services rendered?

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15.2 Are you happy with the extent and level of service delivery in your area?

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15.3 Would you say there is value-for-money for payment made to the municipality?

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15.4 Do you think the consumers' payment for services rendered directly impacts on service delivery rendered the municipality?

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15.5 In your view, how can payment for services rendered be improved?

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