

Municipal Revenue Management

by

Cordelia Promise Thandekile Zondo

**submitted in accordance with the requirements for
the degree of**

MASTER OF PUBLIC ADMINISTRATION

in the Faculty of Economic and Management Sciences

UNIVERSITY OF SOUTH AFRICA

SUPERVISOR: Dr SJ Tsoabisi

November 2018

DECLARATION

Name: **Cordelia Promise Thandekile Zondo**

Student number: **37285610**

Degree: **Master's in public administration in the Faculty of
Economic and Management Sciences**

**Exact wording of the title of the dissertation as appearing on the copies
submitted for examination:**

Municipal Revenue Management

I declare that the above dissertation is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

I further declare that I have not previously submitted this work, or part of it, for examination at Unisa for another qualification or at any other higher education institution.

SIGNATURE

DATE

Table of Content	Page
Chapter 1	
1. Introduction	1
1.2 Background to the study	3
1.3 Statement of the research problem	6
1.3.1 Research questions	6
1.3.2 Research objectives	6
1.3.3 Motivation for research	7
1.3.4 Research methodology	7
1.4 Overview of the chapters	8
1.5 Conclusion	9
Chapter 2	
2. Introduction	11
2.1 Budget analysis	11
2.2 Source of municipal revenue	12
2.2.1 Own revenue	12
2.2.2 Service charges and administration fees	13
2.2.3 Property rates	15
2.2.4 Other revenue sources	16
2.2.4.1 Unconditional grants	17
2.2.4.2 Conditional grants	18
2.3 Revenue management for selected municipalities	20
2.3.1 City of Johannesburg Metropolitan Municipality	20
2.3.2 Ekurhuleni Metropolitan Municipality	22
2.4 Analysis of financial position as at 30 June 2011	23
2.4.1 Cash and cash equivalents, investments and liquidity ratio's	23
2.4.2 Consumer debtors	24
2.4.3 Long term debt	25
2.5 Randfontein Local Municipality	26

(i)

2.6	Merafong City Local Municipality	28
2.6.1	Outstanding debtors to revenue	29
2.6.2	Creditors system efficiency	30
2.6.3	Employee costs	30
2.6.4	Cost coverage	30
2.7	Statement of the research problem	31
2.7.1	Non-payment, indigent management and free basic service	31
2.7.2	Billing accuracy, customer data meter reading	31
2.7.3	Budgeting, tariff determination and revenue planning	32
2.7.4	No growth in rates base	32
2.7.5	Credit control and debt management	32
2.7.6	Distribution of water and electricity losses	33
2.7.7	Cash flow planning and management	33
2.7.8	Data cleansing laws and legislation	34
2.7.9	Outstanding debtors	34
2.8	Conclusion	35
	Chapter 3	
3.	Introduction	37
3.1	Research methodology	37
3.1.1	Qualitative research method	38
3.1.2	Quantitative research method	39
3.1.3	Data collection	39
3.2	Conclusion	41
	Chapter 4	
4.	Introduction	42
4.1	Revenue collection and management	42
4.2	Billing accuracy and customer data meter reading	46
4.3	Budgeting, tariff determination and revenue planning	48

4.4	No growth in rate base	50
4.5	Distribution of water and electricity losses	51
4.6	Cash flow planning and management	52
4.7	Data cleansing laws and legislation	52
4.8	Outstanding debtors	53
4.9	Conclusion	53

Chapter 5

5.	Recommendations	54
5.1	Recommendations to improve municipal revenue management	55
5.1.1	Non-payment, no growth in rates base, indigent management and free basic service	55
5.1.2	Recommendations on billing, accuracy, customer data and meter reading	57
5.1.3	Recommendations of budgeting, tariff determination and revenue planning	59
5.1.4	Recommendations on electricity and water losses	60
5.1.5	Recommendations on cash flow planning and management	63
5.1.6	Recommendations on data cleansing, laws and legislation	64

Chapter 6

6.	Conclusion	65
7.	Bibliography	70

CHAPTER 1

GENERAL BACKGROUND

1. INTRODUCTION

The crisis in local government was a major force leading to the national reform processes which began in 1990. The passing of Local Government Transition Act, 1993 (Act No. 209 of 1993) through the Local Government Negotiating Forum sketched a process for change and resulted in a wide diversity of forms of local government. The Local Government Transition Act, 1993 encompasses all the Acts in its different sections. The repealing of this Act contributed to the passing of various pieces of legislation that are now governing municipalities to manage their own affairs.

The signing of the new Constitution of the Republic of South Africa Second Amendment Act, 2003, (Act No. 3 of 2003) shaped local government as a sphere that must strive within its financial and administrative capacity to achieve its mandatory objective. Chapter seven (7) of the Constitution of South Africa, 1996 emphasises the status of municipalities' objectives to provide democratic and accountable government for local communities and ensure the provision of services in a sustainable manner. Furthermore, the Constitution encourages the involvement of communities and community organisation on matters of local government.

To meet the above objectives of the Constitution, the systems of municipal finance need to be restructured in line with several basic policy principles amongst others revenue adequacy, sustainability; effective and efficient use of resources; accountability; transparency and good governance.

Local government in South Africa has contributed to the achievement of several significant social and economic development advances, since the ushering in of a new democratic municipal dispensation in December 2000. The passing of Municipal Finance Management Act (MFMA), 2003, (Act No. 56 of 2003) marked the beginning of municipalities' era of modernising their budgets, financial management; promoting accountability and reporting.

The MFMA aimed at placing the local government on a sustainable and viable footing to deliver most needed services to all residents, customers, users and investors. Furthermore, gives guidance on revenue and expenditure management.

The chapter starts with the background to the study and entails amongst other things, the rationale to the study, the research problem statement; hypothesis; the objective of the study; the research methodology; literature review and ends with the overview of chapters.

The primary responsibility of a municipality is to deliver services. This is what the municipality's "business" is about. Section 75 of the Municipal Systems Act 2000, (Act No. 32 of 2000) allow municipalities to levy and recover fees, charges or tariffs in respect of municipal service delivery functions and to recover collections charges and interest on outstanding amounts. Furthermore, section 96 of the Municipal System Act, requires municipalities to collect all money that is due and payable to them.

To achieve improved municipal revenue management, municipalities must adopt, maintain; implement a credit control and debt collection policies which are consistent with the rates and tariff policies that comply with provisions of the Municipal Systems Act.

The 2011 Local Government Budgets and Expenditure Review report reflect that revenue from service charges is the largest of the municipal revenue. Historically, many municipalities have been generating a surplus from their trading services to cross subsidise other services. The rapid increase in bulk tariffs reduced these surpluses. Higher prices are now leading to increasing bad debts and inducing customers to consume less.

According to Anonymous, (2012:10), non-payment by the consumers on services provided to them by municipalities has accumulated to the debt amounting to R64 billion in the whole country. It has been identified that most debt is accumulated by metropolitan municipalities which impact negatively on municipal service delivery. Experience shows that in many countries, the taxing powers of municipalities are simply not wide enough and the yield from existing sources is often inadequate to meet their expenditure. It is evidence with the unauthorised, fruitless and wasteful expenditure which is reported in the audits of municipalities in the entire country. Proper revenue management is the nerve center of the success of any municipality and which could be critical in assisting and addressing the service delivery issues currently faced by several municipalities.

1.2 Background to the study

The General Report on the audit outcomes of Local Government Gauteng, (2011-12:160) has identified that municipalities are in financial distress and others are on the verge of it. Audit outcomes 2016/2017 on the executive summary the Auditor-General still raised that the accountability failures in local government result in municipalities not achieving their objectives, which in turn has a negative impact on the lives of citizens. The audits highlighted two key areas of impact which are financial health of municipalities, delivery and maintenance of municipal infrastructure.

Overall municipalities and municipal entities took 141 days on average for collection of outstanding amounts from consumer debts where no provision was made for uncollectable debt. Metropolitan municipalities collected their debts in an average period of 83 days, but had to impair 62% of their consumer debts to achieve the target. The Auditor-General in the audit outcomes for the financial 2016/2017 in the executive summary calculated number of days for municipalities to collect debt they deemed recoverable and found that the situation got worse in 2014–15 when half of municipalities had an average debt-collection period of over 90 days. The current audits outcomes for municipalities in Gauteng for 2016/2017 revealed that inability to collect debt from municipal consumers was widespread. In total 31% of municipalities disclosed a deficit amounted to R5.6 billion. The audit report for the financial year 2014/2015 stated that the extended consumer collection periods may result in cash flow problems and adversely affecting operational management. The excessive write-off debt highlighted the culture of non-payment for services by consumers, high levels of distribution losses due to non-technical reasons and the impact of an economic recession accompanying by rising rates and tariffs. The revenue not collected impacts negatively on the capital reserves of a municipality or municipal entity. More than half of municipalities did not have enough cash reserves and faced liquidity meltdown making it impossible to meet their short-term liabilities.

The primary sources of revenue for municipalities are service charges, property rates; business licensing; taxes and operating grants according to the Municipal Finance Management Act Regulations. Although the Municipal Property Rates Act (MPRA), 2004, (Act No. 06 of 2004) which took effect from 02 July 2005, the new property rating and valuation system only takes effect when a council has adopted its rates policy and has prepared the first general valuation roll in terms of the MPRA.

Municipalities are required to compile their general valuation rolls within four years of the effective date of the legislation. The implementation of the Municipal Property Rates Act in some traditional areas proves to be contentious e.g. Limpopo Province. Where the Act has been implemented, positive increase was observed.

The assessment of municipal revenue management is based on sources which contributed positively to this study. Municipal proper budgeting is influenced by revenue, services charges; expenditure; debt; accounting; financial reporting and management. Local government finances have deteriorated significantly over the past four financial years from 2008 to 2012 as revealed by the report 424 of the National Treasury (the state of municipal finances) where the treasury uncovers worrisome picture of municipalities in South Africa. Almost half of municipalities generated their revenue from property rates and services rendered to their residents as revealed by National Treasury on the state of municipal finances. Failure to collect all monies due to them and existing culture of non-payment by some communities contributed to poor revenue generation and increased debt of municipalities. Looking at the situation currently, self-generated revenue by municipalities is no longer adequate, for instance, municipalities in the Eastern Cape Province have been faced with allegations of poor governance, lack of service delivery, corruption and maladministration (Special Investigating Unit, 2008).

In municipalities' currently budgeting, accounting, financial reporting and management practices suffer from several weaknesses. These weaknesses may act as disincentives to community participation and to private investment. In some municipalities these weaknesses include unrealistic budgeting, poor credit control; lack of budgetary and financial discipline lastly, lack of user-friendly and accessible information on the budget process.

1.3 Statement of the research problem

The research problem is on how municipalities can generate and manage their revenue to become financially viable. In South Africa municipalities are known to have financial crisis and poor revenue management. Financial crisis is influenced by revenue generated which is no longer adequate for municipalities in relation to undertaking their operations. According the Auditor-General's report, (2011:90) poor management of revenue collection by municipalities is imposing loss of revenue. To fulfill this obligation in terms of section 64(2) of the Municipal Finance Management Act, the accounting officer must take all reasonable steps to ensure that the municipality has effective revenue collection systems. Ineffective and inefficient implementation of the credit control and debt management strategies developed by municipalities has contributed to accumulation of debt. Inaccurate and incorrect billing system poses a challenge in the local government system in South Africa.

1.3.1 Research questions

- How can municipalities manage their revenue?
- What strategies can municipalities use to become financially viable?
- How can municipalities share information on best practices in financial management?

1.3.2 Research Objectives

- ✚ Develop a guide on revenue management,
- ✚ To develop strategies which will improve municipal revenue collection; and
- ✚ Promote the spirit of cooperative government and intergovernmental relations.

1.3.3 Motivation for research

The role of the provincial government is to monitor municipalities in the province in managing their own affairs, exercising their powers and performing their functions as enshrined in the Constitution. In fulfilling this mandate, a directorate namely, Municipal Finance Monitoring and Evaluation under Gauteng Department of Cooperative Governance and Traditional Affairs has been established to perform the monitoring role. Serving as a Municipal Finance Manager in this unit, there was an observation that necessitated mechanisms, processes and procedures which will positively contribute to municipal revenue management. The stimulating point is the analysis conducted starting from budgeting, operating revenue and municipal revenue documentation.

1.3.4 Research methodology

According to Denzin, (2011) on research methodology refers to the way or method of collecting data, necessitates a reflection on the planning, structuring and execution of the research to comply with the demands of truth, objectivity and validity. Franklin, (2012) stated that research method in terms of achieving the objectives of this study is a qualitative form of research. The qualitative method investigates the why and the how of decision making, and not just the what, where and when. Silverman, (2011) in his *Qualitative research: Issues of Theory, Method and Practice* stated that the qualitative research method normally relies more on verbal data than numeric data.

The sources of data for the study thus are selective municipal revenue management reports, audit findings, interviews conducted for 40 minutes to selected municipalities and the literature related to this topic will be examined to identify recurring problems, trends and similarities in operations pertaining to municipal finance.

The research will be limited in theory by the Municipal Finance Management Act (MFMA), 2003, (Act No. 56 of 2003) and other relevant legislation governing municipal revenue in an investigation of four municipalities in Gauteng, namely, City of Johannesburg Metropolitan Municipality, Ekurhuleni Metropolitan Municipality, Merafong City Local Municipality and Randfontein Local Municipality. The research method proposed entails a horizontal and vertical comparative analysis of trends, similarities and transgressions. That is, horizontal in that the analysis will be of each individual municipality and vertical in that there is a comparative analysis across metropolitan and local municipalities to, again, identified trends, similarities and transgressions of reporting guidelines.

1.4 Overview of the chapters

Chapter 1: General Background

This chapter of the thesis discussed introduction to the study, research field; research questions; research objectives; motivation for research methodology and the overview of chapters.

Chapter 2: Literature Review

Chapter two discussed municipal sources of revenue for selected municipalities, municipal revenue management reports and other source documents. Importantly, the literature review will identify similar studies done to improve municipal revenue.

Chapter 3: Research Methodology

The chapter focused on the methodology and techniques that will be applied to conduct this research. It also presents the research scope, research assumptions and terminology associated with conducting the research.

Chapter 4: Findings

The chapter will focus on the findings by way of the horizontal and vertical comparative analysis conducted by office of the Auditor-General Reports, selected four municipal performance reports and other relevant documents.

Chapter 5: Recommendations

This chapter will make recommendations based on the trends, best practices, findings and relative to the stated hypothesis.

Chapter 6: Conclusion

This chapter will summarise findings with emphasis on the reporting procedures, capacity building and contributions to the discipline of Public Administration and contribution to be made to local government to improve municipal finances.

1.5 Conclusion

Chapter one dealt with all the aspects that are linked to the research problem and problems in municipalities. Furthermore, explores how the objectives of the research will be achieved and indicated the interconnectedness of parts to the research problem statement.

The study will bring together the analysis and reviewal of municipal state of revenue management in South Africa in the financial years. In addition, considered motivation for research; research methodology and the overviewed of chapters.

CHAPTER 2

LITERATURE REVIEW

2. INTRODUCTION

Municipalities generate revenue from trading services and property rates. Municipalities must do more to exploit the potential of their own revenue sources, this means that every effort must be made to ensure that all properties are correctly charged for property rates and for all municipal services rendered to the property. According to the MFMA Circular No. 64 from National Treasury and MFMA, regular reconciliations must be undertaken to check if billing records are complete. This means that municipalities must put the necessary processes in place to ensure integration of all municipal functions along the revenue value chain.

2.1 Budget analysis

Budget analysis is to assess how municipalities are planning to utilise their limited resources, it gives the Rand to the plans and policies outlined by Government and for which the Government is accountable, it reveals the Government's strategic choices as well as the decisions and is thus an important political tool. Budget analysis promotes the formalisation of the norms and standards governing municipal budgets and financial reporting formats, to improve the credibility, sustainability, transparency, accuracy and reliability of budgets and in-year reports of municipalities, provide budget format certainty and align budget policy to financial reporting policy. When conducting analysis of the above argument, reveals that municipal budgets are unrealistic, not funded and not informed by previous financial performance.

It is noticed that municipalities are not preparing their budgets in accordance with the budget guidelines and MFMA Circulars, 48, 51 and 54 from National Treasury, Municipal Finance Management Act No. 56 of 2003 set out the methodology that must be adopted by all municipalities when preparing their budgets and Medium–Term Revenue and Expenditure Frameworks for financial and non–financial indicators.

2.2 Sources of municipal revenue

Municipalities, like any other organisation, need money to remain operationally sustainable as to fulfil their mandates of rendering services and facilitating development within their areas of jurisdiction. A critical question in South African local government remains the extent to which municipalities can financially sustain themselves?

2.2.1 Own revenue

The municipal billing system and revenue collection are imperative in running municipal finances and sustainability (Dirie, 2008: 259). Municipalities like any other organisation, need money to remain operationally sustainable, fulfil their mandates of rendering services and facilitating development within their areas of jurisdiction. A critical question in South African government remains the extent to which municipalities can financially sustain themselves and thereby determining the well-being of constituencies in a relatively independent fashion. In terms of “self-generation” municipalities in South Africa mainly raised money from payments received for basic services rendering and property tax (Property Tax Act 2009:60).

2.2.2 Service charges and administration fees

A municipality is expected to charge for the services it provides to specific or identifiable customers that derive 'individual benefit' from the consumption of those services. Examples include water, electricity, sanitation, refuse removal, planning, building permissions and the hiring out of municipal facilities. Section 74 (2) of the Municipal Systems Act (2000) prescribes that a municipal council must adopt and implement a tariff policy on the levying of fees for municipal services which stipulates that:

"A tariff policy must reflect at least the following principles, namely;

- (a) users of municipal services should be treated equitably in the 'application of tariffs;
- (b) the amount individual users pay for services should generally be in proportion to their use of that service;
- (c) poor households must have access to at least basic services through –
 - (i) tariffs that cover only operating and maintenance costs;
 - (ii) special tariffs or life line tariffs for low levels of use or consumption of services or for basic level of service; or
 - (iii) any other direct or indirect method of subsidisation of tariffs for poor households;
- (d) tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration, replacement costs and interest charges;

- (e) tariffs must be set at levels that facilitate the financial sustainability of the service, considering subsidisation from sources other than the service concerned;
- (f) provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
- (g) provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
- (h) the economical, efficient and effective use of resources, the recycling of waste and other appropriate environmental objectives must be encouraged; and
- (i) the extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed.”

These principles created an enabling framework for establishing financially sustainable service charges while the principles require that ‘ability to pay’ should inform the structure of tariffs. The Municipal Systems Act does not place a legal obligation on municipalities to provide free basic services. When Parliament passed the Act, the intention was that all households should always make some payment (no matter how small) for the municipal services they receive, as in each instance, there is reference to poor households getting access to services based on a tariff. The requirement that the extent of any subsidisation of tariffs for poor households and other categories of users be fully disclosed is also rarely complied with by municipalities. This lack of transparency means, municipal councils and households are not aware of the revenue cost of the free benefits given/received and consequently there are ongoing demands for greater subsidies and more ‘free’ services in terms of National Treasury: Intergovernmental relations and the local government fiscal framework.

2.2.3 Property rates

Municipal property rates are levied on the market value of properties within the municipalities' areas of jurisdiction. Property rates must be determined in terms of the Municipal Property Rates Act (MPRA), 2004, (Act No. 6 of 2004). The MPRA provides for municipalities to adopt a rates policy that is consistent with the provisions of the Act for the levying of property rates on all rateable properties within its area of jurisdiction. Furthermore, municipalities must pass a by-law and publish it in the provincial gazette, this gives effect of legalized the levying of property rates by the municipality. The municipality's budget finalisation process must include passing a resolution for the levying of property rates per category of property, this resolution must be promulgated in the *provincial gazette* upon ratification of the budget decisions. Failure to comply with this promulgation process may render the cent in the Rand unenforceable for a particular financial year and consequently uncollectable thereby posing a significant risk to the municipality's financial sustainability.

According to National Treasury (2011a:40), property rates are intended to fund the economic services provided by the municipality, such as municipal roads, storm water systems, street lighting and street cleansing. The consumption of these services is non-exclusive (i.e. they cannot be limited to specific consumers) so they are funded through a general tax on all potential consumers, namely the owners of properties within the municipality's jurisdiction. The structure of rates should take account of the 'ability to pay' principle and so should be progressive. The level of rates should cover the cost of providing a defined basket of economic services efficiently and effectively, and should be set at a level where the benefits of the collective beneficiaries are commensurate with the cost imposed on those beneficiaries, i.e. the level of rates charged should comply with the 'benefit'

principle. The Act provides that the Minister of Cooperative Governance and Traditional Affairs, after consulting with the Minister of Finance, may regulate various aspects of property rates, including the provision of exemptions, maximum levels of rates and rates ratios between different categories of properties. The aim is to ensure that property rates are equitable, do not stifle economic growth and support certain national policy objectives.

2.2.4 Other revenue sources

Other revenue sources are classified as fines namely, traffic fines, rental facilities fines; library book fines; agency fees; licenses; permit fines and penalties for overdue payment of service charges. These fines are another source of revenue while at the same time motivating users of services to have a culture of obeying democratic laws, rules and deadlines. It must be indicated that municipalities collect revenue as penalties for by-law contraventions. These sources are much smaller than other sources and contribute to a pool of revenue.

The National Department of Cooperative Governance and Traditional Affairs (COGTA) report, (2009:60) continued to state that many municipalities regarding ensuring the collection of these monies are experiencing a variety of problems including:

- The enforcement of credit control, debt collection policies and an increase in aged debts (outstanding debts of more of more than 90 days); high levels of indigents; an ongoing culture of non-payment of service on the part of local communities; losses of water and electricity through illegal connections and retarding infrastructure.

In addition, to generate money on an individual basic, municipalities are, in accordance with the Intergovernmental Fiscal Relations Act, 1997, (Act No. 97 of 1997) entitled to various grants from national and provincial government. These grants are categorised according to unconditional and conditional types and examples of such grants warrant discussions.

2.2.4.1 Unconditional grants

Section 214(1)(a) of the Constitution states that: “An Act of Parliament must provide for the equitable division of revenue raised nationally among the provincial and local spheres of government”. This act is known as the Division of Revenue Act (DoRA), 2011, (Act No. 6 of 2011). When public money is allocated to whichever structure, there should always be a level of accountability.

- **Equitable share (ES)**

Local government is entitled to an equitable share of revenue raised nationally to enable it to provide basic services and perform the functions allocated to it in terms of section 227 of the Constitution. The size of local governments’ equitable share is decided through the national budget process. Local governments share then must be divided amongst 278 municipalities in a horizontal division. This is done through a formula that uses objective data so that the split cannot be arbitrarily manipulated to benefit an individual municipality.

The Local Government Equitable Share (LGES) formula was reviewed in 2012 with the intention to use a revised formula to determine the LGES allocations to municipalities in the 2013 budget. The revised formula

incorporated updated data from the 2011 Census. The number and variety of municipalities in South

-17-

Africa made it impossible to analyse municipal allocations without dividing municipalities into different groups so that we can identify different impact of aspects of the formula on different types of municipalities. Throughout the discussion document “the typology” from the Department of Cooperative Governance’s Municipal Infrastructure Investment Framework was used.

2.2.4.2 **Conditional grants**

- **Financial Management Grant**

This grant is received from National Treasury which is designed to promote and support reforms to municipal financial management and the implementation of the Municipal Finance Management Act, 2003, (Act No. 56 of 2003 (Fourie and Opperman 2007:409). It also assists in the strengthening capacity and broaden skills base for municipal financial management.

- **Neighborhood Development Partnership Grant**

According to National Treasury (2007:3), the grant’s primary focus is to stimulate and accelerate investment in poor underserved residential neighborhoods by providing technical assistance and capital grant financing for municipal projects that have either a distinct private sector element of an intention to achieve this. It is essential that this grant from treasury will provide combination of technical support and capital financing for municipal projects that will attract private sector investment to make these projects sustainable in the long term.

-18-

- **Municipal Systems Improvement Grant (MSIG)**

The Municipal Systems Grant is received from the Department of Cooperative Governance and Traditional Affairs (DCoGTA). The MSIG is a cash transfer directed to selected Local and District municipalities. The purpose of grant is to support municipalities in implementing new systems as provided in the Municipal Systems Act, Municipal Structures Act and other related local government policy and legislation, (Department of Cooperative Governance and Traditional Affairs (2010:3).

- **Municipal Infrastructure Grant (MIG) received from the Department of Cooperative Governance and Traditional affairs (DCoGTA)**

In terms of Municipal Infrastructure Grant (2011-2013:3), the programme is aimed at providing all South Africans with at least a basic level of service by the year 2013 through the provision of grant finance to cover the capital cost of basic infrastructure for the poor. It is part of government's overall strategy to eradicate poverty and create conditions for local economic development. The programme will therefore maximise opportunities for employment creation and enterprise development. The MIG programme fits within the overall development framework of government which is built on three cornerstones: basic services, food security and HIV/AIDS. Whilst the MIG programme directly addresses basic services, it also contributes to other elements since access to basic services improves opportunities for communities to live healthier lives and to be more productive. Pillay, Tomlinson and Du Toit, (2006:163), stated that from the above discussion municipal revenue generation and the intergovernmental grant system in the form of unconditional and conditional grants, municipalities

rely substantially on the national sphere for funding to render services in line with the constitutional provision for sharing of nationally raised revenue. In addition, the situation is complicated although provinces have a monitoring role over municipalities in their areas, the grants are directly paid to municipalities and are not channeled through the provinces except in the case of housing subsidy provision.

2.3 Revenue management for selected municipalities

An introduction to revenue management as a systematic process designed to increase revenue by leveraging tools designed to manage revenue components in selected municipalities. The challenges encountered for not meeting the targets as estimated in the budgets

2.3.1 City of Johannesburg Metropolitan Municipality

According to the City of Johannesburg's annual report (2011:28), revenue generated for the year was R53 068 853 which was below the approved budget of R138 298 545. The main reasons for this unfavorable income variance of 62% were the slump in the property market and lack of funding to complete capital projects. The City of Johannesburg Metropolitan Municipality anticipated receiving commission on land sales of R60 million but only R8 million was received. Economic conditions impacted on property prices and resulted in offers received for land sales being significantly lower than the offers initially submitted, resulting in lower income received. The company has also incurred a deficit of R7 296 147 before tax due to unrecovered revenue. To compensate for this loss of revenue, the JPC undertook an initiative to raise funds through outdoor advertising whereby negotiations were held with media owners to conclude lease agreements upon which an upfront payment would be made. A total of R114

million was raised from this initiative. Auditor-General (2011:15), found that a reconciliation of properties

-20-

in terms of the valuation roll as compared with the properties regarding the debtors' billing system was carried out by the City of Johannesburg Metropolitan Municipality had differences between the two systems. The estimated impact on assessment rates could, therefore, not be determined. In the absence of a suitable reconciliation between the water consumption points and the billing system, it was not possible to assess whether all properties within the boundaries of the municipality were included or validly excluded from billing systems of the Johannesburg water (Pty) Ltd. To that end, the impact on the revenue base of the municipality could not be determined. In the absence of detailed prior year accounting records for collections on behalf of Johannesburg Water by the core municipality, it was not possible to express an opinion on the completeness and accuracy of collections totaling R53 068 853 million by the City of Johannesburg Metropolitan Municipality.

Auditor-General report (2012:7), stated that the services charges of R28.9 billion was revenue for the supply of electricity by the City Power of Johannesburg. In that amount material differences were identified between the billing data and the source data relating to meter reading including property categories without complete evidence. Due to system integration shortcomings, property categories in the billing system differed compared to the system which contained information regarding the classification and zoning of properties resulted in a qualification in revenue and accounts receivables. About the consumer debtors the Auditor-General report, (2012:7-13-15), stated that consumer debtors had a wider financial implication to the municipality. The management at the municipality and entities did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information was accessible and available to support financial and performance.

-21-

The City's annual report, (2011:28) further stated that cash flow and revenue in the year ended with a positive bank balance of R1 million against a negative cash flow of R28 million for the same period in the 2009/10 financial year. The company was a going concern as at the end of June 2011 with a liquidity ratio of 2.93:1 as compared to the norm of 2:1.

Municipalities in South Africa are feeling the pressure of not correctly managing their revenue streams, which has resulted in service delivery protests and audits from Auditor-General receiving interest in the press. The City of Johannesburg Metropolitan Municipality experienced that correcting a billing system can result in escalating costs. For the past thirteen (13) years, the City of Johannesburg Metropolitan Municipality had tried to resolve the crisis of its billing database by procuring the new Information Technology (IT) system called the Operation Phakama billing system. The City conceded that there was a huge billing problem which impacted negatively on its revenue environment. (Smartmetro, 2011).

2.3.2 Ekurhuleni Metropolitan Municipality

According to the annual report for Ekurhuleni, (2011:58), revenue performance for the year was 6% below budget as was expected. The greatest contributors to the non-achievement of the revenue targets were Solid Waste and Water sales. The category for interest earned on unpaid accounts (both penalties imposed on property rates and interest earned on outstanding debtors) was showing a reducing trend over the last number of years because of a decline in the interest rates as well as the increased collection rates. Due to increased credit control activities, more arrangements were entered to reduce the interest charged. The interest portion is currently mainly charged on old outstanding debtors who are fully provided for as bad debt.

The annual report for the municipality (2011:59), stated that the significant tariff increases, particularly in the electricity industry was realised on user charges for services category. The increased cash balances had a positive effect on the interest earned category which showed 25% increase from the previous financial year where the lowest cash balances over the last 4 years were experienced.

2.4 Analysis of Financial Position as at 30 June 2011

The financial analysis is the process of reviewing and analysing a municipality's financial statements to make better economic decisions. These statements include the income statement, balance sheet, statement of cash flows and a statement of changes in equity. These statements also reflect the position of municipality's financial viability for a particular financial year.

2.4.1 Cash and cash equivalents, investments and liquidity ratios

The City of Johannesburg Metropolitan Municipality's cash and cash equivalents in terms of the annual report (2011:63), held at financial year end were as follows over the last three years: Cash and cash equivalents have increased significantly because of the following:

- Increased borrowings to fund long term infrastructure
- Increased collections
- On-going cost reduction strategies – all heads of departments have cost savings targets included in the performance agreements.

2.4.2 Consumer debtors

Consumer and other debtors as stated in the annual report (2011:64), have increased during the year under review, mainly because of increased service costs and not due to a weakening in collections. The collection rate increased to 91.94% from the previous high of 90.59 in 2009/2010. Consumer debtors are residential debtors in the main (85%), with 81.21% being historical debt outstanding for longer than 91%. When analysing consumer debtors per service, it is evident that the greatest challenge lies with the collection of water and more so in the areas where Eskom is supplying electricity directly to the residents of Ekurhuleni. The municipality finds itself in a precarious position in its debt management. The level of debt is significantly high which inhibits cash flow and the risks of debt write off.

This high level of debt necessitates a strategic thinking and approach to revenue management and enhancement which should be remarkably different from current practices and should result in improved revenue levels. Because of the high level of debt, the Department of Cooperative Governance and Traditional Affairs' Strategic Management Team (SMT) met and resolved that the Revenue Management & Enhancement Committee consisting of cross-departmental technical personnel be formed to facilitate Revenue Management & Enhancement Programme (RMEP). This team has effectively listed some fifty-six **(56)** critical projects which were prioritized into sixteen main projects that will improve above situation. Other projects will be attended to as the programme gains momentum. Of the prioritized projects, some projects have already started and timelines to complete the prioritized projects range from 3 to 18 months. The Revenue Management and Enhancement Programme will be driving projects for the financial year 2010/11 that have been termed a non-negotiable and must be delivered with success. The projects cover the following six areas:

- Metering and billing value chain,
- Water and electricity losses;
- Key accounts management unit;
- Indigent management;
- Telephone query management and data quality;
- The programme has identified the following key business themes which serve as strategic objectives that should drive and support revenue management and enhancement programme;
- Reduction of consumer debt through appropriate credit control and debt collection to improve revenue;
- Improved, Consistent and Accurate /Integrative property value chain;
- Improved Customer Services;
- Monitoring and Evaluation of consumption processes and efficiencies;
- Revenue Collection;
- The objectives of the programme include;
- Reduction of consumer debt through appropriate credit control and debt collection to improve revenue;
- Improved, Consistent and Accurate /Integrative property value chain;
- Improved Customer Services;
- Monitoring and Evaluation of consumption processes and efficiencies; and
- Revenue Collection.

2.4.3 Long term debt

Long term debt increased from R2,695 million to R3,891 million during the year under review. This was because of the issuing of the first municipal bond for R815 million on the 23rd July 2010 to fund a portion of the capital infrastructure programme for the 2009/10 financial year as well as a portion of the capital

programme for the 2010/11 financial year. The bond was issued for a 10-year period at a fixed interest rate of 10, 56%. A R4 billion Medium Term Domestic Note Programme was registered at the Johannesburg Stock Exchange (of which the R815m was the first issue). The second Ekurhuleni Metropolitan Municipality bond was issued on the 11th March 2011 at an amount of R800 million. This bond was taken up to finance the remainder of the capital programme for the 2010/11 financial year. The book filed at 185 basis points and the final interest rate was fixed at 10.72%, being the R208 at 8.87% (as at the time of finalising the bookbuild) + 185 basis points. The long-term loans with bullet redemption profiles was funded from sinking funds. The value of sinking funds as at 30 June 2011 was R221.5 million (against a liability of R1 367 million) of Ekurhuleni as stipulated in the Ekurhuleni annual report (2011:68).

2.5 Randfontein Local Municipality

The annual report (2011:292) for Randfontein Local Municipality stated that the overall performance on the budget was indicative of the challenges experienced. Although the deficit improved as compared to the previous year, the budget assumptions were not achieved. This was mainly attributable to revenue targets in respect of rates and taxes not being achieved in the general increase due rebates granted which reduced income drastically. The lack of additional cash resources to invest resulted in a reduction of interest revenue. Furthermore, the amount outstanding with Eskom was interest bearing which increased finance cost. Other revenue targets were also not met in terms of the adjustment budget which negatively impacted on the financial performance.

According to Randfontein's annual report (2011:16), the municipality mentioned that it was worthy to note some of critical challenges which needed their immediate intervention. The municipality observed limitations in the areas of credit control (slow revenue collection); financial constraints; loss of electricity through illegal connections and water losses; non-compliance with legislation and policies; under expenditure; maintenance issues; unemployment and homelessness. A report from Auditor-General (2011:25) highlighted emphasis in the areas of property; plants and equipment where the balance was not supported by an accurate and complete fixed asset register.

Annual report for the Randfontein Municipality (2011:298), further stated that the liquidity Ratio – Measures the municipality's ability to pay its bills and was calculated by dividing the monetary assets (due within one year) by the municipality's current liabilities. A higher ratio of 4.7 was better. Cost coverage ratio in terms of the same report (2011:299), alludes to how many months expenditure can be covered by the cash and other liquid assets available to the municipality excluding utilisation of grants and was calculated. Ratio was 4.3. for total Outstanding Service Debtors –which measures how much money was still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. It was calculated by dividing the total outstanding debtors by the total annual revenue. A ratio was 19.6, lower score was better. Debt Coverage, the number of times debt payments can be accommodated within operating revenue (excluding grants). This represented the ease with which debt payments can be accommodated by the municipality. The ratio was 29.0. Randfontein annual report (2011:300).

Randfontein Local Municipality's annual report, (2011:41) stipulated that for the year under review there were challenges experienced by the municipality which was evident from the ratio information that has been presented above.

The liquidity and cost coverage ratio showed a downward trend, which explained the municipality's inability to service the Eskom accounts. Cash flow has been under pressure during the year, especially in winter months when the Eskom account escalated, the electricity distribution losses increased where the municipality was unable to bill usage and earn revenue. Outstanding service debtors remained constant, although not favourable at 20, 5%, as the community has not paid 20% of what costed the municipality to bring services to households.

2.6 Merafong City Local Municipality

In terms of the annual report for Merafong City Local Municipality (2011:9), the implementation of Generally Recognised Accounting Practice (GRAP) 17 posed a major challenge for the year of review. All infrastructure assets had to be identified and captured on the Geographic Information System (GIS) of Council with the prevailing condition and value of the assets. The extent of the project necessitated a multiyear project, which had a significant impact on the budget. The project was successfully executed on time in compliance with the financial reporting standards. The payment levels in the Khutsong area of Merafong City was affected by the fact that the pay points were destroyed in the anti-North West demonstrations. This was also the case in the Kokosi area. The pay points in Khutsong were both repaired in the latter half of the year, which had positive effect in the following financial year. Despite the above interventions, the ability of the community to pay for services remained a challenge due to the global down turn in the economy, the large increases in bulk service tariffs by ESKOM and Rand Water. A major challenge experienced was the expenditure of the capital budget. This was since the grants were received late; the procurement process was delayed due to project complexity and slow progress by certain contractors. The municipality succeeded to improve the expenditure from 11% at the end of the first quarter to 64% at year end.

Cash and equivalent for the council's cash and cash equivalent for the financial year end 2010/11 was R278 937 257, ratio of 1:1.04. (Annual report 2011:112) for Merafong City Local Municipality. The current ratio measures the ability of the municipality to pay its current liabilities out of the current assets. The industry norm was a ratio of 2:1. The acceptable ratio was 1:1 for municipalities. Council achieved a ratio of 1:04 which showed councils ability to settle existing short-term liabilities. Council's liquidity ratio has increased constantly over the past years with a slight decrease in the 2010/11 financial year. The reason for the decrease was that council's fleet contract expired at the end of October 2011. Included in current portion of long-term debtors was the final installment of the contract. Although an amount of R22 million was not disclosed, council did not settle the loan as the vehicles were returned as settlement. Outstanding debtors to revenue, the ratio gives an indication of the liquidity of debtor. The industry benchmark was 8.3%. The ratio council achieved was 14.41%, which comparatively was better than the average of municipalities in Gauteng, which for the past two years was 18% and 21% respectively.

2.6.1 Outstanding debtors to revenue

Council budgeted for a collection rate of 87% over for the past year. Collection rate achieved was 85.66%. The down-turn in the global economy and the elections during the latter part of the financial year had negatively affected the payment of services. Council had implemented a decision that credit control must be implemented to its fullest extent. Various community meetings were held which bared positive outcome. The payment levels stabilised during the past three years. The political situation in Khutsong was addressed by transferring of Merafong to Gauteng. Council re-opened the pay points in Khutsong which enabled the community to pay for their services. Merafong Local Municipality's Annual report, (2011:19).

2.6.2 Creditors system efficiency

According to annual report (2011:113), the ratio gave an indication of average creditor's payment period. The benchmark was 30 days and the municipality complied with Section 65(2) (e) of the MFMA on payment of creditors.

2009/2010	2010/2011	2011/2
30 days	30 days	30 days

2.6.3 Employee costs

The ratio indicated a percentage of salary costs to total expenditure and the ratio illustrated the risk of salary costs being unmanageable.

2009/2010	2010/2011	2011/2012
30.9%	32.4%	28.9%

2.6.4 Cost coverage

The ratio indicated the availability of cash plus short-term investments to cover the monthly fixed operating expenditure. Council has enough cash to cover current liabilities for the financial year 2010/11. About billing, council did not experience large number of billing complaints from consumers. Meters were read monthly and were reasonably accurate. During the budget consultation meetings, few complaints were received. Council compiled the new general valuation roll which was implemented on the 1st July 2012. This was the second valuation roll in terms of the Municipal Property Rates Act. The Council had approved budgets and budget related policies and Medium–Term Revenue and Expenditure Framework

(MTREF) for the financial years 2012/2013 to 2015/2016. The Council procured Caseware Financial Statement software for the compilation of the annual financial statements to improve the quality of the financial statements and the efficiency in revising financial statements.

2.7 Problems in municipalities

Based on the municipal annual reports for 2011, audit outcomes for 2011, White paper on Local Government, 1998 and other research papers relevant to this dissertation the following problems were identified:

2.7.1 Non-payment, indigent management and free basic service

Non-payment by consumers due to poverty and unemployment is a threat to revenue collection and growth. The economic climate in terms of rising fuel, electricity costs and interest rates are eroding the value of household incomes and had adverse impact on the level of payments.

2.7.2 Billing accuracy, customer data meter reading

Billing processes play a critical role in revenue for several public sectors organisations, including municipalities. In the delivery of public services, for example, billing drives cash flow and is the key source of information for customers using these services. In many countries, reforming billing processes, coupled with strengthening collection processes has improved revenue collection. Most of the evidence about the role of billing in revenue collection derived from water sector. According to (USAID, 2005:4) argued that billing systems based on consumption are more likely to be paid by individual users. In the water sector, this could take the form of universal adoption of water metering or spot-billing (Agrawal 2008). According to Agrawal, (2008:4-10) poor billing and

collection practices hurt municipalities. Often, municipalities consider billing and collection.

-31-

2.7.3 Budgeting, tariff determination and revenue planning

The Auditor-General's report on the audit outcome of Local Government Gauteng, (2010-11:80) revealed that budgeting, accounting, financial reporting and management practices of municipalities suffer from a few weaknesses which included unrealistic budgeting which contributed to poor expenditure management (i.e. unauthorised, irregular, fruitless and wasteful expenditure), poor budget process and lack of budgetary and financial discipline. Most of the management information generated by municipalities not integrated and as a result municipality are reporting the same information in different formats.

2.7.4 No growth in rates base

The National Treasury Revenue Management, (2012:19-20), stipulated that the Municipal Systems Act, section 11 (3) permits municipalities to impose and recover rates, taxes, levies, service fees and surcharges on fees, including setting and implementing tariff, rates, tax and debt collection processes. Tariffs for trading services should be determined in relation to the cost of providing such services. The Municipal Systems Act states that municipalities must "*ensure that persons liable for payments receive regular and accurate accounts that indicate the basis for calculating the amounts due*". There are however several municipalities that are not meeting these minimum requirements.

2.7.5 Credit control and debt management

Municipalities' customer care and debt management practices should be stipulated in their credit control and debt collection policies for implementation. Credit control and debt collection policies must be revised annually and

supported by the relevant by-law, as prescribed in Chapter 9 of the Municipal Systems Act. A credit and debt

-32-

collection policy may differentiate among different categories of ratepayers, service users, debtors, taxes, services, service standards and other matters if the differentiation does not amount to unfair discrimination as stipulated in section 97(2) of the Municipal Systems Act.

2.7.6 Distribution of water and electricity losses

Tariff increases affect not only end users of electricity but also municipalities. The provision of electricity is a significant source of revenue (electricity tariffs represent approximately a third of total municipal revenue) and a major expenditure item for municipalities. Significant tariff increases, coupled with the poor economic environment, present a dilemma for municipalities because the electricity sector is subject to administered prices. The National Energy Regulator of South Africa (NERSA) imposes regulatory restrictions that limit the extent to which tariffs can be increased.

Auditor-General's report, 2011 stipulated that there was significant water loss attributable to ageing infrastructure, unmetered areas in the informal settlements, unnecessary high pressures in the water distribution system, steel pipes more than 400 mm which are cathodic protected and burst pipes. At Merafong City Local Municipality an uncommon event that led to a water loss was that a reservoir built on sink hole collapsed. The report further stated that electricity losses are mainly attributable to technical losses, ageing infrastructure, meter tampering, illegal connections and in some instances political unrest.

2.7.7 Cash flow planning and management

De Loitte & Touche (2013) in Municipal Clean Audit Efficiency Series, stipulated that effective cash management requires municipal management to take appropriate actions to maintain adequate levels of cash for operational and capital

-33-

requirements and to invest idle cash thereby, allowing the entity to benefit from the related investment returns. Such practices benefited communities as incremental investment income and can then be used to offset escalating costs without any additional burden of cost imposed to ratepayers. Furthermore, ensured that capacity for service delivery to communities was maximised.

The Auditor-General's report on the audit outcome of Local Government Gauteng, (2011-12:110) further emphasised that financial management skills within the South African public sector need to be considered, improving accountability and oversight from senior officials, appropriate and/or committed leadership, efficient internal controls required to support sound financial management and corporate governance principles.

2.7.8 Data cleansing laws and legislation

One of the biggest municipal challenges was to convert their data into accurate and useful information. Most local government planning was based on inaccurate and incomplete information. The importance of customer information and billing accuracy; debt management must be viewed as of great necessity for municipalities to have sound billing and collection systems.

2.7.9 Outstanding debtors

Municipalities in the entire country are faced with culture of non-payment of the services provided to their consumers. The culture of non-payment affects the revenue management of municipalities, own contributions to the capital projects and management of day-to-day operations. This scenario has caused municipalities to put more reliance on grants and subsidies from National sphere

-34-

of Government. According to Mr. Ramphela in his paper on Municipal Financial Viability, (2008:11) the increase in debt owed to municipalities (which range from outstanding property rates, charges for municipal services) and the non-recovery thereof was a serious threat to the financial viability and sustainability of municipalities. Problems associated with the recovery of outstanding debt differ from one municipality to the other, therefore, a holistic and structured approach would need to be embarked upon to develop regulations that could be implemented by all municipalities in the country.

Some municipalities believe that the introduction of free basic services has served to discourage residents from paying. In the Report of the Study Tour of municipalities by the Portfolio Committee on Provincial and Local Government, 15 April (2003:22), municipalities raised the sentiments which says “People say why should they pay? These services are free”.

2.8 Conclusion

The own revenue sources and other income being internal and external generated by a municipality will be affected by the good or bad quality of the municipal billing system under financial period. It must be stated that own revenue sources are paramount to the sustainability of the municipality if these resources are

effectively exploited and collected. The municipal billing systems have a negative impact on the revenue sources such as the property rates, service charges, levies, borrowing grants and other sources if the billing information input from the metering operation into the billing system is incorrect or inaccurate. The municipal state of affairs will have an impact on the improvement of public confidence in that communities will protest those incorrect or inaccurate bills and the revenue of the municipality will not be entirely collected and as such, debts will accumulate and be irrecoverable. The grants transferred to the municipality and borrowing would

-35-

affect the terms of the loan which would be incorrect and the interest calculated would also be affected.

Effective revenue management and legislative compliance relating to revenue collection and implementation of debt and credit control strategies will contribute to financial soundness and stability of municipalities. The high level of outstanding debt not only is having serious negative consequences on the cash flow and revenue management of most municipalities, but also holds a much greater threat

since the bulk of municipal revenue comes from the payment for services, municipal revenue is becoming increasingly depleted. Section 96 of the Municipal Systems Act of 2000 states that a municipality must collect all money that is due and payable to it and for this purpose, must adopt, maintain and implement a credit control and debt collection policy that is consistent with its rates and tariff policies.

-36-

CHAPTER 3

RESEARCH METHODOLOGY

3. INTRODUCTION

All research is based on some underlying philosophical assumptions about what constitutes 'valid' research and which research method(s) is/are appropriate for the development of knowledge in each study. To conduct and evaluate any research, it is therefore important to know what these assumptions are. This chapter discusses the philosophical assumptions and the design strategies underpinning this research study. Common philosophical assumptions were reviewed and presented; the interpretive paradigm was identified for the framework of the study. In addition, the chapter discusses the research methodologies and design used in the study including strategies, instruments, data collection, analysis methods while explaining the stages and processes involved in the study.

3.1 Research methodology

According to Denzin, (2011) on research methodology refers to the way or method of collecting data, necessitates a reflection on the planning, structuring and execution of the research to comply with the demands of truth, objectivity and validity. Franklin, (2012) stated that research method in terms of achieving the objectives of this study is a qualitative form of research. The qualitative method investigated the why and the how of decision making, and not just the what, where and when. Silverman, (2011) in his *Qualitative research: Issues of Theory, Method and Practice* stated that the qualitative research method normally relies more on verbal data than numeric data.

The research method is a strategy of enquiry which moves from the underlying assumptions to research design and data collection (Myers, 2009). Although there are other distinctions in the research modes, the most common classification

of research methods are into qualitative and quantitative. At one level, qualitative and quantitative refer to distinctions about the nature of knowledge, how one understands the world and the ultimate purpose of the research. On the other level of discourse, the terms refer to research methods, that is, the way in which data is collected, analysed and the type of generalization derived from the data.

3.1.1 Qualitative research method

According to Bryman and Burgess, (1999:45), the quantitative research methods were originally developed in the natural science to study natural phenomena. Qualitative research methods were developed in the social sciences to enable researchers to study social and cultural phenomena. Some researchers as stated by Brysman and Burgess, prefer to use mixed methods approach by taking advantage of the differences between the quantitative and qualitative methods, and combine these two methods for use in a single research project depending on the kind of study and its methodological foundation. Qualitative research method asks broad questions, collects word data and produces information on a case studied. As stated by Creswell, (2003), in qualitative research method, different knowledge claims, enquiry strategies, data collection methods and analysis are employed. Qualitative data sources include observations, interviews, questionnaires and documents. Data derived from direct observations, interviews and written opinions and from public documents as stated by Sprinthall, Schmutte and Sirois (1991: 101). According to Denzin and Lincoln, (2000:3), an obvious basic distinction between qualitative and quantitative research is the form of data collection, analysis and presentation.

Qualitative research is primarily exploratory research as stated by Slevitch, (2011). It is used to gain an understanding of underlying reasons, opinions, and motivations. It provides insight into the problem or helps to develop ideas or hypotheses for potential quantitative research. Qualitative research also used to uncover trends in thought, opinions and dive deeper into the problem. Qualitative data collection methods vary using unstructured or semi-structured techniques. Some common methods included focus groups, individual interviews and participation.

3.1.2 Quantitative research method

Wele (2015), stated that Quantitative research method presents statistical results represented by numerical or statistical data, qualitative research presents data as descriptive narration with words and attempts to understand phenomena in natural settings. Quantitative research used to quantify the problem by way of generating numerical data or data that can be transformed into usable statistics. It is used to quantify attitudes, opinions, behaviors, other defined variables and generalize results from a larger sample population. Quantitative research uses measurable data to formulate facts and uncover patterns in research. Quantitative data collection methods are much more structured than qualitative data collection methods. Quantitative data collection methods included various forms of surveys, paper surveys, face-to face interviews, longitudinal studies and telephone interviews.

3.1.3 Data collection

Data collection tools for quantitative research are surveys and experiments. Experiments can provide specific results regarding the cause-and-effect relationship of several independent factors related to a problem.

The most common approach in doing quantitative research is a survey or questionnaire. Surveys can include interviews, which can be carried out using several different methodologies including face-to-face, telephone, online or computer assisted interviews. The research is limited in theory by the MFMA and other relevant legislation governing municipal revenue in an investigation of four municipalities in Gauteng, namely, City of Johannesburg Metropolitan Municipality, Ekurhuleni Metropolitan Municipality, Merafong City Local Municipality and Randfontein Local Municipality.

Interviews for forty (40) minutes were conducted with officials responsible for revenue management in municipalities stated above with the intention to obtain relevant information for the completion of the study especially on the issues raised by the Auditor-General in the municipalities' reports relating to the revenue management. The sources of data for the study used was municipal revenue management reports, national treasury reports, municipal annual reports, audit findings and the literature related to this topic to identify recurring problems, trends and similarities in operations pertaining to municipal finance.

Bamberger (2012) stated that evaluation is the process of systematically collecting data that represents the opinion and experience of its participants or other stakeholders. The primary data sources included the municipal reports and officials responsible for revenue management in selected municipalities. The main data collection techniques used in this research study were the literature reviews, interviews, municipal audit reports and national treasury reports. The research method proposed entails a horizontal and vertical comparative analysis of trends, similarities and transgressions. That is, horizontal in that the analysis is of each individual municipality and vertical in that there is a comparative analysis across metropolitan and local municipalities to, again identify trends, similarities and transgressions of reporting guidelines.

3.2 Conclusion

For every research conducted it is necessary to mention the research methodology that encompasses the study or research. This chapter has outlined the research paradigm, research methodologies, strategies, data collection tools, research mechanisms and designs. Although there are other distinctions in the research modes, the most common classification of research methods is into qualitative and quantitative. At one level, qualitative and quantitative refer to distinctions about the nature of knowledge: how one understands the world and the ultimate purpose of the research. On the other level of discourse, the terms refer to research methods, that is, the way in which data is collected, analysed, and the type of generalisation derived from the data.

CHAPTER 4

FINDINGS

4. INTRODUCTION

As discussed in Chapter 1, challenges with municipalities is the revenue collection involved providing services to customers as efficiently and effectively as possible. Revenue collection depends on the integrity of metered service delivery and billing. This critical element includes the collection of revenue, customer management, debt and credit control including indigent management. The question regarding indigents poses serious challenges to local government as large portion of municipal customers are indigent and therefore cannot afford to pay for services. Indigents must be factored into financial planning and strategy development. Non-payment by consumers due to poverty and unemployment is a threat to revenue collection and growth. The economic climate in terms of rising fuel, electricity costs and interest rates that are eroding the value of household incomes will also have an adverse impact on the level of payments.

4.1 Revenue collection and management

It is evident from the selected municipalities when comparing their revenue management for the two metropolitan municipalities, **City of Johannesburg** in its annual report (2011:28), state that revenue generated for the year was R53 068 853 below the approved budget of R138 298 545. The main reasons for this unfavorable income variance of 62% were the slump in the property market and lack of funding to complete capital projects. The Johannesburg Property Company (JPC) anticipated receiving commission on land sales of R60 million but only R8 million was received. Economic conditions impacted on property

prices

-42-

and resulted in offers received for land sales being significantly lower than the offers initially submitted, resulting in lower income received.

City of Johannesburg Metropolitan Municipality, on issues raised by the Auditor-General on material differences that were identified between billing data and source data relating to property categories and market values. The municipality responded to validate category of property by exception reporting and validate category on Land Information System (LIS). Furthermore, the municipality enforced Town Planning Law (TPL) to compile municipal property registers. About revenue per billing, the reports generated by the municipality did not reconciled to the accounting records at least on a weekly basis as required by section 64(2) (h) of the MFMA. On interview conducted the municipality responded by stating that the Rates and Taxes Finance Department will in future prepare monthly revenue reconciliations that will be balanced back to the general ledger. The JPC has also incurred a deficit of R7 296 147 before tax due to unrecovered revenue. To compensate for the loss of revenue, the JPC undertook an initiative to raise funds through outdoor advertising whereby negotiations were held with media owners to conclude lease agreements upon which an upfront payment would be made. A total of R114 million was raised from this initiative.

Regarding **Ekurhuleni's** annual report, (2011:58), revenue performance for the 2010/11 financial year was, as expected, just about 6% below budgeted amount. The greatest contributors to the non-achievement of the revenue targets were Solid Waste and Water sales. The category for interest earned on unpaid accounts (both penalties imposed on property rates and interest earned on outstanding debtors) shown a reducing trend over the last number of years because of a decline in the interest rates as well as the increased collection rates. Due to increased credit control activities, more arrangements were entered

to reduce the interest charged. The interest portion was mainly charged on old outstanding debtors who were fully provided for as bad debt.

-43-

The annual report for the municipality (2011:59), further stated that the significant tariff increases, particularly in the electricity industry was evident in the year on year increase in the user charges for services category. The increased cash balances had a positive effect on the interest earned category which showed a 25% increase from the previous financial year where the lowest cash balances over the last 4 years were experienced.

Ekurhuleni Metropolitan Municipality annual report stated that on material losses of water and electricity losses of R402, 1 million and R165,1 million respectively, the municipality prioritised metering projects so that it could implements those that have a bigger impact on revenue management. The metering project which involved installation of water consumption management meters that have the capability of enabling the consumers to manage their consumption. The municipality further alluded to the fact that material losses can be divided in technical and non-technical losses. Technical losses are related to copper, iron, heat losses and are generally between 5% and 7% which was in line with the industry norm. These losses cannot be reduced and are inherited in any electricity network. Non-technical losses can be attributed to illegal connections and electricity theft. Over the period of twelve (12) months the average loss figure was 5% of units purchased from Eskom are lost through illegal connections, bypassed meters and technical errors. The Energy Department restituted areas to repair the electrical network, installed protective structures and prepaid meters to reduce illegal connections and tempering. An Energy balance has been created and showed losses within acceptable norms, although more was done to reduce these losses. By-law “sting” operations were executed regularly with the Ekurhuleni Metro Police Department (EMPD).

Randfontein Local Municipality, as stated in its annual report (2011:292), the overall performance on the budget of the municipality was indicative of the challenges experienced by the municipality in that the deficit, although improvement was observed as compared to the previous year, the budget assumptions were not achieved. This was mainly attributable to revenue targets in respect of rates and taxes not being achieved in the general increase in rebate reduced income drastically. The lack of additional cash resources to invest resulted in a reduction of interest revenue. Furthermore, the amount outstanding with Eskom was interest bearing which increased finance cost. Other revenue targets were also not met in terms of the adjustment budget which negatively impacted on the financial performance. The municipality revealed during the interview that for the 2010/11 financial year suffered material losses to the amount of R24 755 654 and R1 779 064 were incurred because of water and electricity losses respectively. The municipality has developed plan to address the distribution of water and electricity losses. Implementation of credit and debt management policies including cut offs on illegal connections were strictly monitored and enforced.

Lastly, at **Merafong City Local Municipality** similar evidence as at Randfontein was experienced on not achieving the projected revenue estimates was due to the payment levels in the Khutsong area which was affected by the fact that the pay points were destroyed in the anti-North–West demonstrations. This was also the case in the Kokosi area. The pay points in Khutsong were both repaired in the latter half of the year, which only had a positive effect in the following financial year. Despite the above interventions, the ability of the community to pay for services remained a challenge due to the global down turn in the economy, the large increases in bulk service tariffs by ESKOM and Rand Water. A major challenge experienced was the expenditure of the capital budget because the grants were received late; the procurement process was delayed due to project complexity and

slow progress by certain contractors. The municipality succeeded to improve the expenditure from 11% at the end of the first quarter to 64% at year end. Cash and equivalent for the council's cash and cash equivalent for the financial year end 2010/11 was R278 937 257 1:1.04. (Annual report 2011:112). The municipality for the year under review, submitted financial statements which were not prepared in all material respects in accordance with section 122(1) of the MFMA. Material misstatements of assets were identified by the Auditors were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion. On this matter, Merafong municipality had receivable for services provided to the North–West Department of Health, totaling to R15 852 038 which had been outstanding. On discussions, the municipality stated that the Auditor-General had advised the municipality to request the Council to make provisions for doubtful debt for the total amount. On receipt of the Council resolution, the municipality amended its financial statements to read as advised.

4.2 Billing accuracy and customer data meter reading

Rao (2012:1) stated that billing processes played a critical role in revenue for several public sectors organisations, including municipalities. In the delivery of public services, for example, billing drove cash flow and is the key source of information for customers using these services. In many countries, reforming billing processes, coupled with strengthening collection processes has improved revenue collection. Most of the evidence about the role of billing in revenue collection comes from the water sector.

Accurate billing system is essential as substantial portion of any local municipality's revenue derived from the delivery of services. The billing system regarding revenue collection was affected by factors prevalent in the municipal billing environment, such as absence of information from the formal cadastral registration, data from the meter operations or readings, electronic fund transfer, lack of standardization, integration and support, lack of capacity both in terms of the billing software, hardware and human capital.

In terms of Annual report for the Auditor-General (2011) as posted by Smartmetro (2011), municipalities in South Africa were feeling the pressure of not correctly managing their revenue streams, which resulted in service delivery protests and audits from Auditor-General report receiving interest in the press. One of the most frequent and widely publicised manifestations of system failure is the billing crisis in the City of Johannesburg Metropolitan Municipality, where incorrect billing was occurring regularly. To understand the possible problems, the process must be mapped. The City of Johannesburg Metropolitan Municipality experienced that correcting a billing system could result in escalating costs. For the past thirteen (13) years, the City of Johannesburg Metropolitan Municipality had tried to resolve the crisis of its billing database by procuring the new IT system called the Operation Phakama billing system.

The City of Johannesburg conceded that there was a huge billing problem which impacted negatively on its revenue environment (Smartmetro, 2011). Billing processes play a critical role in revenue for many public sector organisations, including municipalities. In the delivery of public services, for example, billing drives cash flow and is the key source of information for customers using these services. In many countries, reforming billing processes, coupled with strengthening collection processes has improved revenue collection. Most of the evidence about the role of billing in revenue collection comes from the water sector.

It has been argued by USAID, (2005), that billing systems are based on consumption and are more likely to be paid by individual users. In the water sector, this could take the form of universal adoption of water metering or spot-billing (Agrawal 2008). Other measures to improve revenue collection include computerising customer databases and billing systems. Some experts argue that human handling should be eliminated from all billing processes to prevent fraud and billing errors (Misra and Kingdom 2012). In addition, some advocate pre-payment as a means of increasing collections: this means that rather than billing after service consumption/usage, it may be better to employ pre-payment. This can ensure payments for services, as well as help households monitor and plan their expenditures. This may be more important when providing services for poorer customers, who may also benefit from the option. According to Agrawal, (2008:4-10) poor billing and collection practices hurt municipalities. Often municipalities consider billing and collection.

4.3 Budgeting, tariff determination and revenue planning

The Auditor-General's report on the audit outcome of Local Government Gauteng, (2010-11:80) revealed that budgeting, accounting, financial reporting and management practices of municipalities suffer from a few weaknesses which included unrealistic budgeting which contributed to poor expenditure management (i.e. unauthorised, irregular, fruitless and wasteful expenditure), poor budget process and lack of budgetary and financial discipline. Most of the management information generated by municipalities was not integrated, as a result, municipalities were reporting the same information in different formats. Current synopses in the four selected municipalities reveals that all four municipalities have experienced unrealistic anticipated revenue as none of the four have achieved the set targets for the revenue collection as per the all four municipal annual reports.

The main instrument of municipal planning is the five-year Integrated Development Plan (IDP). The Municipal Finance Management Act (MFMA), Act No. 56 of 2003 states how finances should be handled in various municipalities and that the budget processes are done in terms of the IDP process of the municipality. Irrespective of any governmental objective and priorities accorded to a specific object, the availability of lack of funds is certainly one of the most vital criteria for

implementation, at times even to the exclusion of national political contemplation. Each municipal council is required to approve a new IDP in the first year following election, and then review it on an annual basis and this should include plans on the municipal revenue collection and billing system.

Fourie, Opperman and Scott, (2011:185) on financial reporting stated that in-year reports, the administration reports must be submitted to council on the implementation of the budget and SDIP. The council uses the reports to monitor both the financial and service delivery performance of the municipality's implementation actions. Annual financial statements are reports on the implementation of the budget and reflect the financial position of the municipality and they give council an opportunity to understand how the municipal billing systems impact on revenue collection and to formulate a policy to that effect. (White paper on Local Government, 1998:126).

Regarding accounting, for the **City of Johannesburg**, Auditor-General (2011:15), found that a reconciliation of properties in terms of the valuation roll as compared with the properties regarding the debtors' billing system carried out the City of Johannesburg Metropolitan Municipality had differences between the two systems. The estimated impact on assessment rates could, therefore, not be determined. In the absence of a suitable reconciliation between the water consumption points and the billing system, it was not possible to assess whether all properties within the

boundaries of the municipality were included or validly excluded from billing systems of the Johannesburg Water (Pty) Ltd. To that end, the impact on the revenue base of the municipality could not be determined. In the absence of detailed prior year accounting records for collections on behalf of Johannesburg Water by the core municipality, it was not possible to express an opinion on the completeness and accuracy of collections totaling R53 068 853 million by the City of Johannesburg Metropolitan Municipality.

For **Ekurhuleni**, the annual report (2011:59), stated that the significant tariff increases, particularly in the electricity industry was evident in the year on year increase in the user charges for services category. The increased cash balances had a positive effect on the interest earned category which showed 25% increase from the previous financial year where the lowest cash balances over the last 4 years were experienced.

4.4 No growth in rates base

The National Treasury Revenue Management, (2012:19-20), stipulates that the Municipal Systems Act, section 11 (3) permits municipalities to impose and recover rates, taxes, levies, service fees and surcharges on fees, including setting and implementing tariff, rates, tax and debt collection processes. Tariffs for trading services should be determined in relation to the cost of providing such services.

The Municipal Systems Act states that municipalities must “*ensure that persons liable for payments receive regular and accurate accounts that indicate the basis for calculating the amounts due*”. There are however several municipalities that are not meeting these minimum requirements. Washington (1977), stated that

one of the most important single municipal problems to be considered is that of obtaining enough revenue to finance essential

-50-

services. In that way, the local revenue system may be adapted to local economy and there must be some guideposts that may be useful to municipal officials in analysing and solving the problem. Due to inadequate and restricted tax resources, municipalities have a difficult time financing local service.

The alarming spiraling of municipal debt in South Africa could eventually have a destabilising effect on the national economy. It can be emphasised that the *Municipal Systems Act, (Act No. 32 of 2000)*, places duties on municipalities in terms of the debt collection responsibilities which are briefly indicated that a municipality must collect all money that it is due and payable to it, subject to the *Municipal Systems Act, (Act No. 32 of 2000)* and any other applicable legislation.

4.5 Distribution of water and electricity losses

Tariff increases affect not only end users of electricity but also municipalities. The provision of electricity is a significant source of revenue (electricity tariffs represent approximately a third of total municipal revenue) and a major expenditure item for municipalities. Significant tariff increases, coupled with the poor economic environment, present a dilemma for municipalities because the electricity sector is subject to administered prices. The National Energy Regulator of South Africa (NERSA) imposes regulatory restrictions that limit the extent to which tariffs can be increased. Auditor-General's report, 2011 stipulated that there was significant water loss attributable to ageing infrastructure, unmetered areas in the informal settlements, unnecessary high pressures in the water distribution system,

steel pipes more than 400 mm which are cathodic protected and burst pipes.

At Merafong City Local Municipality an uncommon event that led to a water loss was that a reservoir built on sink hole collapsed. The report further stated that electricity losses are mainly attributable to technical losses, ageing infrastructure, meter tampering, illegal connections and in some instances political unrest.

-51-

As clean water is the most significant resource for reducing water-borne diseases and improving quality of life of the poor, the elimination of water losses would go a long way towards alleviating the plight of many people presently living in unserved communities.

4.6 Cash flow planning and management

De Loitte in Municipal Clean Audit Efficiency Series, (2013) stipulates that effective cash management requires municipal management to take appropriate actions to maintain adequate levels of cash for operational and capital requirements and to invest idle cash thereby, allowing the entity to benefit from the related investment returns. Such practices also benefit communities as incremental investment income can then be used to offset escalating costs without any additional burden of cost imposed to ratepayers. Furthermore, it ensures that capacity for service delivery to communities is maximised.

The Auditor-General's report on the audit outcome of Local Government Gauteng, (2011-12:110) further emphasised that financial management skills within the South African public sector need to be considered, improving accountability and oversight from senior officials, appropriate and/or committed leadership, efficient internal controls required to support sound financial management and corporate governance principles.

4.7 Data cleansing laws and legislation

One of the biggest municipal challenges is converting their data into to accurate and useful information. Most local government planning is based on inaccurate and incomplete information. The importance of reviewing customer information accuracy, billing accuracy; debt management must be implemented for municipalities to have sound billing and collection system.

-52-

4.8 Outstanding debtors

Municipalities in the entire country are faced with culture of non-payment of the services provided to their consumers. The culture of non-payment affects the revenue management of municipalities, own contributions to the capital projects and management of day-to-day operations. This scenario has caused municipalities to put more reliance on grants and subsidies from National spheres of Government. According to Mr. Ramphele in his paper on Municipal Financial Viability, (2008:11) the increase in debt owed to municipalities (which range from outstanding property rates and charges for municipal services) and the non-recovery thereof is a serious threat to the financial viability and sustainability of municipalities. Problems associated with the recovery of outstanding debt differ from one municipality to the other, and therefore a holistic and structured approach need to be embarked upon to develop regulations that could be implemented by all municipalities in the country.

4.9 Conclusion

Some municipalities believe that the introduction of free basic services has served to discourage residents from paying. In the Report of the Study Tour of municipalities by the Portfolio Committee on Provincial and Local Government, 15 April (2003:22), municipalities raised the sentiments which says “People say why should they pay? These services are free”.

CHAPTER 5

5. RECOMMENDATIONS

The chapter introduces us to the recommendations on how municipalities need to improve the revenue management in their areas of jurisdictions. It has been revealed in this research that there are trends, best practices regarding revenue collection and debts in various municipalities and the selected metropolitan municipalities that gave a general picture of municipal revenue administration in the country. The trends in the accumulation of debts apparently might be the result of the impact of the municipal billing system on dwindling public confidence which mainly emanated from incorrect and inaccurate bills.

The National Treasury (2011b: 20), stated that an aggregate of municipal consumer debts amounted to R75,5 billion as at 31st December 2011, of which national and provincial governments' contribution represents 4,7% or R3,5 billion, households accounted for the largest component of consumer debtors, namely 63,9% or R48,2 billion. As at 31st December 2011, the outstanding debt due to metropolitan municipalities was R44,5 billion. This represents an increase of R7.7 billion or 20,9% from the second quarter of 2010/2011 financial year.

The research identified the following problem of arrears as occasioned by the bills issued to customers such as the lack of effectiveness oversight monitoring and control, non-payment, indigent management and free basic services, billing accuracy, customer data meter reading, budgeting, tariff determination and revenue planning, no growth in rates base, credit control and debt management, distribution of water and electricity losses, cash flow planning and management, data cleansing laws and legislation lastly outstanding debtors.

5.1 Recommendations to improve municipal revenue management

Municipalities in dealing with their revenue management challenges by developing implementable revenue management & enhancement strategies. Furthermore, enhancing municipal revenue through improving core revenue processes, systems, data quality, advising on cash management methods, systems and processes and improving coordination across the various departments in municipalities to break down the silo effect and improve service delivery including measurement and management of the impact of free basic services.

5.1.1 Non- payment, no growth in rates base, indigent management and free basic service

Various attempts have been made to enforce payment for services delivered and eradicate the culture of non-payment for such services. Another tool that can be used to encourage payment is the effective implementation of the credit control policies by municipalities to cutting /disconnecting of services, however, the use of this measure is politically contentious. In addition, total cut-offs are not possible for certain services such as water, which is considered a basic human right (Macdonald, 2002). Measures for acceleration of the fiscal reform process, including a tighter short-term stance to counter inflation, an appropriate medium-term deficit target to eliminate government dissaving, further revision of the tax structure and a range of budgetary restructuring initiatives to sharpen the redistributive thrust of expenditure and contain cost (published by Department of Finance). These initiatives should be implemented to improve revenue growth.

The critical role which local government provides in ensuring the effective functioning of the local economy is notable. This is expressed in section 152(1)(c) of the Constitution in terms of which local government is required to

strive within its financial administrative capacity to promote social and economic development.

-55-

It is essential that municipal services are adequate to improve the economy, if municipal services do not function adequately the economy will be seriously undermined, municipalities must take cognisance of the rates burden to its resident when impose costs on services rendered.

The recent depreciation of the rand represents one in the improved competitiveness which the economy must achieve for higher growth to be sustained. Although higher import prices will impact negatively on importing firms in the short term, the advantages of a lower rand for producers of traded goods for both export and domestic markets represent a crucial window of opportunity over the next few years. It is government intention to utilise this opportunity to the fullest to accelerate growth as stipulated in the Department of Provincial Local Government (DPLG) national framework. Improvement in economic growth, together with improved tax administration should lead to a strong increase in tax revenue relative to Gross Domestic Product (GDP). This will in due course, contribute to improved collections and greater fairness of the tax system.

The importance of effective governance administration needs to be stressed. Without this, a form of institutional poverty will continue in many parts of South Africa. In this situation poor households often access services from non-municipality controlled. By the nature of its developmental mandate local government is concerned with the problem of poverty which lead to municipalities' revenue not to grow, moreover, because of the allocation of powers and functions across the spheres of government, some of the most important services for the poor fall in the jurisdiction of local government water, sanitation, electricity, waste

environmental health and planning. The fact that water and electricity are not only the financial life blood of municipalities, but that they are traditionally

provided only to those who can afford to pay for them, understanding the inter relation between

-56-

poverty and local government in designing an indigent policy. The social environmental, political and economic dimensions of poverty are all therefore relevant to local government to be addressed.

Effective screening including proper identification of indigents, data management of indigents and additional institutional dimensions are key elements to be implemented by municipalities. Levinsohn (2007:9) identified three consequences of unemployment, namely a loss of economic outputs, dynamic impact skills and knowledge not being utilised and developed, and the different to measure phenomenon of nation losing hope.

It is recommended by many researchers that, the implementation of strategies that were developed to promote human dignity to address poverty, unemployment and social injustice should be implemented. Implementation of these strategies will lead to opportunities and a space where people could develop and participate in mutually beneficial ways. Nordstokke (2009:46) alluded to the fact that participation of the beneficiaries should be aimed at empowering them to become involved in the improvement of their lives and could be viewed as one way to address dependency on formal structures (e.g. governmental services and funding).

5.1.2 Recommendations on billing accuracy, customer data and meter reading

Better billing can ensure that what is put into a service delivery system is paid for at the end and providing stronger revenue streams. Kingdom et al (2006) stressed the importance of improving meter reading and billing, noting that a significant portion of commercial losses arose from mistakes in the meter reading and billing

chains, because of the poor technology, antiquated property registers and data handling errors among other things.

-57-

Other measures to improve revenue collection include computerising customer databases and billing systems. Some experts argue that human handling should be eliminated from all billing processes to prevent fraud and billing errors (Misra and Kingdom 2012). In addition, some advocate pre-payment as a means of increasing collections: this means that rather than billing after service consumption/usage, it may be better to employ pre-payment. This can ensure payments for services, as well as help households monitor and plan their expenditures. This may be more important when providing services for poorer customers, who may also benefit from the option.

It is important that the municipality must have a programme dealing with customer account layouts with a view of simplifying them. Provide training to ward committees on all aspects of municipal billing system regarding the compilation and layouts of the accounts. Municipalities need to timeously clean corrupt static data such as customer names and addresses, debtor and property classification, inactive accounts, correct meter reading, property valuations, verify the existence all customers that may affect the billing integrity.

Smith explains that although there is only one account holder in each indigent household, there may be many residents within the household. Unless municipalities have an accurate grass of who afford to pay and who cannot afford to pay and maintained, understand the scope of the customer base, they cannot plan properly for free basic service delivery. Water and Sanitation Program (2005: 2) revealed that effective billing and collection systems are critical component for ensuring the viability of a municipality. Improving billing and collection activities has an immediate impact on the revenue streams of a municipality that can, in turn, help the municipality in improving services. The

water and sanitation program further indicated that any successful billing practice must ensure that bills are raised monthly and should be volumetric-based, such that customers pay for what

-58-

they consumed. This makes it mandatory for a municipality to adopt a 100% metering of all its customer connections. Municipalities must realise that an effective billing and collection system that rides on these principles can bring about immediate improvements in revenue streams. However, to ensure that such practices remain effective, it is essential that municipalities have updated, robust and computerized customer database such that the billing function can be easily implemented.

Blore, Devas and Slater, (2004:85 – 86) stated that outsourcing can improve the municipal billing system and revenue collection in the system of local government. Using improved technology like spot billing could further ease the billing function, thus improving collection efficiencies and eventually revenue streams. Outsourcing or putting certain essential processes, like billing and collection, in the hands of companies that have proven expertise in such fields enables municipalities to focus on the more important functions and core activities for improving the quality of services. Such functions are outsourced to a separate company that remains wholly responsible for the entire billing and collection function including debt management either through service contracts that are adopted only for this or through other contracting forms where the entire service obligation is outsourced to a third party.

5.1.3 Recommendations on budgeting, tariff determination and revenue planning

As stated in the Auditor-General's report on the audit outcome of Local Government Gauteng, (2010-11:80) it is recommended that municipalities must improve on their budgeting, accounting, financial reporting and management

practices as these suffer from several weaknesses including unrealistic budgeting which contributed to poor expenditure management (i.e. unauthorised, irregular,

-59-

fruitless and wasteful expenditure). Municipalities must implement strategies that improve poor budget process and financial discipline. Most of the management information generated by municipalities is not integrated, there is a need to integrate information generated to improve reporting.

Sound financial management practices are essential to the long-term sustainability of municipalities. They underpin the process of democratic accountability. Weak financial management results in the misdirection of resources and increases the risk of corruption.

The key objective of the MFMA, is to modernise municipal financial management in South Africa to lay a sound financial base for the sustainable delivery of services. It is essential that municipalities must comply with section 153 of the Constitution by structuring and managing its administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community. The MFMA and Municipal Systems Act, 2000, aims to facilitate compliance with this constitutional duty by ensuring that municipalities priorities, plans, budgets and implementation actions reports are properly aligned.

5.1.4 Recommendations on electricity and water losses

The sale of electricity is a major source of revenue for municipalities, but also a technically difficult operation, requiring skills and investment that not all municipalities to manage. Municipalities will have to carefully manage their relationship with Eskom in areas where Eskom distributes electricity.

-60-

Municipalities must ensure that they have supply contracts with Eskom for these areas and together with National Electricity Regulator of South Africa (NERSA), develop the capacity to oversee Eskom's operation. Local Government Revenue and Expenditure (2011:160), stated that aging distribution infrastructure in municipalities requires significant investment in repairs and maintenance if supply distributions are to be minimised. Municipalities should plan accordingly and step up efforts to ensure that their infrastructure is properly maintained. Funding investment in the repairs, maintenance and upgrading of municipal electricity distribution infrastructure will require municipalities to either increase tariffs to consumers or find the funds from elsewhere in their budgets.

To increase transparency about tariff revenue and surcharges for cross-subsidisation, norms and standards should be devised to guide municipalities on the application of surcharges as envisaged in terms of the Municipal Fiscal Powers and Functions Act (MFPFA), 2007 (Act No. 12 of 2007). As described in section 3 of the MFPFA, the norms and standards need to take a differentiated approach, based on both category and capacity of a municipality and the service in question. Due to lack of transparency, it is difficult to say whether electricity tariff revenue or surcharges on electricity tariffs are being more severely affected by increases in the price of bulk electricity purchases. Strictly enforcement of these norms and standards is recommended and used by oversight bodies to determine the extent to which reinvestment should be happening within a sector, relative to cross-subsidisation of non-sector expenditure.

According the guidelines for reducing water losses, many municipalities struggle to appreciate the necessary and benefits of dealing with water losses in their reticulation systems. Municipalities must address the obvious which refer to the budget for the installation of pre-paid metering, automatic meter reading, repairs and maintenance of infrastructure. It is recommended that municipalities must consider using pressure management as an intervention that should be used

when attempting to drive down water losses. Local Government Revenue and Expenditure (2011:137), stipulated that municipalities are expected to develop a comprehensive water conservation and water demand management strategy which provides strategic direction to reduce non-revenue water. Including in the strategy, could be programmes for leak detection and repairs, passive leak control, consumer meter audits and management, water use efficiency education and awareness, water and sewer network information management, water audits and determination of water balance for each water network in the supply area. The strategy should also aim at implementing internationally accepted water balance model developed by International Water Association (IWA).

There has been under-investment in the maintenance and refurbishment of infrastructure, of which most municipalities in South Africa as stated in the Local Government Revenue and Expenditure (2011:138), have not paid enough attention. The quality and availability of the water and are of extreme importance to the quality of human life and living standards. The most recent information confirms that progress in extending access to these services continue to be made. However, these efforts are being constrained by skills shortages within the sector which both municipalities and sectors must address. Implementation of several reforms and measures is essential to improve the efficiency of the water sector as well as measures to improve sanitation to prevent outbreaks of related diseases. A concerted effort is required from all stakeholders in the water sector to address challenges such as deterioration in the water services and infrastructure which impact on the quality and reliability of service and ultimately the quality of water itself.

5.1.5 Recommendations on cash flow planning and management

A municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework in terms of section 13 of the MFMA. The objective of the investment policy is to gain the highest return, without unnecessary risk, during periods when excess funds are not being used. The preservation and safety of investments as the primary aim. Diversification of investment and liquidity is also important. To establish this, it is essential that municipalities have an effective cash flow management program.

The Auditor-General recently released its findings on the audits of local government for the 2011/2012 period, cash flow forecasts are an important tool that can be used to assess whether a municipality will need to fund temporary cash deficits through short-term borrowing or take other mitigating action such as declaring a moratorium on the municipality's spending.

Sound cash flow management practices should be enforced to ensure that a municipality is able to identify the early warning signs of financial distress. Successful budgeting, planning and completion of capital and operational projects will go a long way in promoting acceptable standards of service delivery, thereby building stronger communities and bettering the lives of our citizens. In terms of Municipal Clean Audit Efficiency Series (2011:5), leadership of local government must advocate the need for sound cash management practices including budget, revenue and expenditure management and monitor the efficiencies and effectiveness of such practices on a regular basis. We believe that this key to developing and maintaining an acceptable level of financial health in local government.

5.1.6 Recommendations on data cleansing, laws and legislation

Armitage and Berry (1987) stated that data cleansing requires an understanding of data, demographics that makes up a municipal's customer base. Data cleansing looks at updating property ownership, occupancy and affordability information. All three aspects provide a holistic view to information on a property needed for the corrective billing and collection. Municipalities must implement successful data cleansing to detect and removes major errors and inconsistencies in single data sources, utilise tools to reduce manual inspection and programming efforts and work in conjunction with schema-related data transformations and specific mapping functions. Municipalities must develop data quality plan with other departments to keep communication open and emphasise that better intelligence to save every department.

Municipalities must, when imposing a surcharge on fees for services provided comply with any norms and standards referred to in section 8 of the Municipal Fiscal Powers and Functions Act of 2007 to improve revenue. Furthermore, must comply with section 75A of the Local Government: Municipal Systems Act, 2000, (Act No. 32 of 2000), disclose any municipal surcharges. Both Municipal Systems Act and the MFMA are quite clear that municipalities must collect payments, including arrears (with interest), from people and entities, such as businesses and government departments that owe money. It is the responsibility of the council to debate and decide on how their policy is going to be in respect of arrears and to ensure that officials implement the policy in a clear and consistent way. Enforcement of these laws and promulgation of regulations to support the Acts leaves much to be desired in the system of local governance. This is the challenge that municipal administration and political leadership must address. According to Burden and Rose, (2003:1 – 17), there is a need to enforce legislation, gazetted policies and procedures governing the whole commercial cycle by municipalities to be able to collect all the revenue outstanding.

CHAPTER 6

6. CONCLUSION

This chapter introduces us to the conclusion of the research deliberating on the findings and discipline on public administration to improve municipal revenue management. In terms of financial management in South Africa, the 1994 transition in government to a democratic state brought the realisation that renewed public financial initiatives were required, not only to fulfil the demands of the new constitutional framework, but also as a new approach to bring about the improved substantial outcomes sought in terms fiscal sustainability improved alignment of spending with the new national priorities and the maximisation of existing resources towards these priorities.

It is imperative that municipal financial management must adequately control the total level of revenue, expenditure and appropriately allocate municipal resources. This must be supported by the quality of the municipal billing system as planned and implemented by the municipality. Municipal financial administration and structures in the context of the spheres of government are therefore critical. The local government can achieve this through the roles and responsibilities accorded by the Acts of Parliament and the strategic environment in which these spheres find themselves ensuring that sound financial management and good governance are applied to local government.

Municipalities must take seriously the audit findings and the recommendations of the Auditor-General including the Audit Committees and implement without reservation to improve revenue management. The South African public revenue and expenditure management systems have undergone substantial reform. The early reforms shaped macroeconomic stability and strengthened public spending, the more recent emphasis of reform programmes has been on efficient resource allocation and effective service delivery.

This resulted in the enactment of new financial legislation of roll-out of a new intergovernmental system, which requires all three levels of government to formulate and approve their budgets based on a newly introduced medium term expenditure framework (MTEF) and revised formats for budget documentation, which include a strong focus on service delivery information. In addition, changes to the budget process have allowed role players to deliberate on key policy choices on the matching of available resources to plans.

Public administration must be governed by the democratic values and principles enshrined in the Constitution. The main concern of public financial management is how efficiently and effectively utilise public resources to meet the needs of the community in an equitable manner. A sound financial management system allows governments to make the best use of all available resources, including development assistance to improve the quality of life of society. This includes both managing expenditure and raising revenue. Raising revenue is essential for development of municipalities.

The financial health of local government is highly dependent on the ability of municipalities to earn and collect revenue and make payments in a productive, competent and effective manner, to maximise capacity for consistent and sustainable service delivery to communities. To achieve this, municipalities must abide with legislative requirements on financial management to ensure effective revenue collection and allocation. For example, Section 96 of the Municipal Systems Act states that a municipality must collect all money that is due and payable to it and for this purpose, must adopt, maintain and implement a credit control and debt collection policy that is consistent with its rates tariff policies.

Leadership of local government must advocate the need for sound financial and cash management practices, including mobilising the community through enhanced participatory budgeting and civic participation because this will engage the citizens and facilitate enhanced revenue collection. Taxpayers and business owners must be convinced to pay their tax obligations, and this can be facilitated if they observe improved local services provision and perceive that the taxes and fees are being administered fairly and efficiently. The sound and cash management practices efficiencies and effectiveness must be closely monitored on a regular basis with a believe that is key to developing and maintaining an acceptable level of financial in local government.

Furthermore, municipalities must implement strictly the established laws, regulations and procedures to ensure that the taxes and fees are being administered in a transparent, accountable and fair manner to improve revenue collection. Management and operational staff need to ensure that the property tax and business registers are complete and kept up to date, assessments are calculated properly, tax demand notices are distributed, taxpayers are made aware of their obligations and the procedures to pay taxes and fees which are collected systematically and fairly from all rate payers and businesses.

Sound financial and cash management should be enforced to ensure that municipalities are able to identify early warning signs of financial distress or better yet, avoid it altogether. Successful budgeting, planning and completion of capital and operational projects will go a long way in promoting acceptable standards of service delivery, thereby building stronger communities and bettering the lives of our citizens.

Excessive levels of municipal debt from residential customers, businesses and government, which undermine the long-term financial viability of the government spheres, must be reduced through constant taxpayer education and incentives by way of general improvement in provision of good quality services. Municipalities need to develop measures to convince residents to pay their taxes such as strong public awareness and proactive revenue collection departments would help in revenue collection.

The municipality should work with private companies and appoint a firm of professional debt collectors who should be registered members of the Council for Debt Collectors to undertake all debt collection. This public-private partnership will enable municipalities to improve revenue since all debts are collected by a private company on their behalf. The leadership of the municipality should capacitate all the relevant units of the municipality with skilled and experienced personnel to ensure timely, accurate and quality production of reports and financial statement within the time frames appropriate to comply with the Public Finance Management Act, 1999, (Act No. 1 of 1999) and in the manner prescribed by the applicable accounting framework.

The municipality should have close supervision and improved management of revenue collection because this can improve the revenue yield and equity of the rating and business licensing system. Transparency in the whole process is essential. In La Paz, Bolivia for example, then Mayor Ronald MacLean Abaroa supported collection through established banks, and adopted external auditing mechanisms to minimize possibilities of corruption (Klitgaard et al. 2000).

Municipalities must consider the option of outsourcing the municipal billing and collection to improve the municipal billing system and revenue collection in the system of local government as stated by Blore, Devas and Slater (2004:85). Using improved technology like spot billing could further ease the billing function, thus improving collection efficiencies

and eventually revenue streams. Outsourcing or putting certain essential processes, like billing and collection, in the hands of companies that have proven expertise in such fields enables municipalities to focus on more important functions and core activities for improving the quality of services.

The municipality must conduct a ratepayer campaign within their jurisdiction to educate the ratepayers on the need and importance of paying rates and taxes. During the campaign the municipality will also have an opportunity to discuss and propagate their successes in revenue collection. The municipalities regulatory frameworks should be strengthened and aligned to enable them to use more instruments for revenue collection while in the interim enforcing compliance using the existing legislation and the enforcement will need to be applied internally and externally. Based on this research findings, reforms, recommendations and the implementation of these concluding remarks, municipalities' revenue management will improve.

Bibliography

Agrawal, P. 2008. *Performance Improvement Planning: Developing Effective Billing and Collection Practices*. Field Note 44119. Water and Sanitation Program – South Asia: World Bank.

Anonymous. (2012). *Municipal debt*. Mail and Guardian, Johannesburg, 6 March, pg 3.
Slack, E. (2009). *Guide to Municipal Finance*. Nairobi: Un-Habitat.

Armitage, P. and Berry, G. (1987). *Statistical methods in medical research*. 2nd ed. Oxford: Blackwell Scientific Publications. 559 p.

Bamberger, M. 2012. *Introduction to Mixed Methods in Impact Evaluation, Guidance Note No. 3*. InterAction, Washington, D.C., August 2012.
<http://www.interaction.org/impact-evaluation-notes>.

Blore, I., Devas, N. and Slater, R. 2004. *Municipalities and Finance: A Sourcebook for Capacity Building*. London. Earthscan. Chapt. 4.

Bryman, Alan E. & Burgess Robert G. (Eds.) (1999). *Qualitative Research (4 volumes)*. London: Sage.

Burden, D.O. and Rose, T.D. 2003. *Billing collection and enforcement. Establishing a stormwater utility in Florida*. Florida: Florida Stormwater Association.

Creswell, J. W. (2003). *Research design: Qualitative, quantitative, and mixed methods approaches (2nd ed.)*. Thousand Oaks, CA: Sage.

Deloitte & Touche. 2013. *Municipal Clean Audit Efficiency Series*. Effective Cash Management. Johannesburg.

Denzin, N. K., & Lincoln, Y. S. (2000) (eds). *Handbook of qualitative research*. London: Sage Publications.

Denzin, N. K., & Lincoln, Y. S. (2011). *The SAGE Handbook of qualitative research* (4th ed.). Los Angeles: Sage Publications.

Dirie, I. (n.d.). 2008. Municipal Finance: Innovative Resourcing for Municipal Infrastructure and Service Provision. CLG International LLC, Washington, DC.

Fourie, M. and Opperman, L. 2007. Municipal Finance and Accounting. Pretoria: Van Schaik.

Fourie, M.L., Opperman, L. and Scott, D. 2011. Municipal Finance and Accounting. Pretoria: Van Schaik.

Franklin, M. I. (2012), "*Understanding Research: Coping with the Quantitative-Qualitative Divide*". London / New York. Routledge.

Kingdom, B., Liemberger, R. and Marin, P. 2006. *The Challenge of Reducing Non-Revenue Water (NRW) in Developing Countries. How the Private Sector Can Help. A Look at Performance-Based Service Contracting. Water Supply and Sanitation Sector Board. Discussion Paper Series, Paper 8, World Bank*.
<http://siteresources.worldbank.org>.

Klitgaard, Robert E., Ronald MacLean-Abaroa, H. Lindsey Parris. 2000. *Corrupt Cities: A practical Guide to Cure and Prevention*. Institute of Contemporary Studies. ICS Press (April 2000).

Levinsohn, J. 2007. Two Policies to Alleviate Unemployment in South Africa. Ford School of Public Policy University of Michigan and NBER. August 28, 2007.

McDonald, D. A. 2002b. '*The bell tolls for thee: cost recovery, cutoffs, and the affordability of municipal services in South Africa*', in D. A. McDonald & J. Pape, eds. *Cost Recovery and the Crisis of Service Delivery in South Africa*, 161–79.

Misra, S. and Kingdom, W. 2012. *Improving Urban Water Supply and Sanitation Service Provision*. Lessons from Business Plans for Maharashtra, Rajasthan, Haryana and International Good Practices. World Bank and Ministry of Urban Development. Worldbank.

Myers, M. D. 2009. '*Qualitative Research in Business & Management*'. Sage, London

National Electricity Regulator of SA (NERSA), 18 June 2008: *Media Statement on the determination of ESKOM's application for price increase*. South Africa.

Nordstokke, K 2009. *Diakonia in Context: Transformation, Reconciliation and Empowerment*. Geneva: Te Lutheran World Federation.

Pillay, U., Tomlinson, R. and Du Toit, J. (eds). 2006. *Democracy and delivery: urban policy in South Africa*. Cape Town: HSRC Press.

Portfolio Committee on Provincial and Local Government, National Assembly: *Report on Study Tour of Municipalities*, 15 April 2003.

Ramphela, C.W. 2008. *Municipal Financial Viability Paper*. DDP Conference on Local Government Financing and Development in SA. 11-12 August 2008.Durban.

Rao, S. 2012. *Impact of municipal billing systems on revenue collection*. Governance and Social Development Resources Centre. Birmingham: University of Birmingham.

Silverman, David, (ed), (2011), "*Qualitative Research: Issues of Theory, Method and Practice*". Third Edition. London, Thousand Oaks, New Delhi, Sage Publications.

Slevitch, L. (2011). Qualitative and Quantitative Methodologies Compared: Ontological and Epistemological Perspectives. *Journal of Quality Assurance in Hospitality & Tourism*, 12(1), 73-81. doi: 10.1080/1528008x.2011.541810

Smartmetro (2011). Municipal Revenue Enhancement Through More Effective Data Analysis. <http://www.smartmetro.co.za/index.php?myarticle&articleid=12>. Dated 26 – 10 – 2011.

South Africa. (1993). *Local Government Transition Act, 1993 (Act 209 of 1993)*. Pretoria: Government Printer.

South Africa. (1996). *Constitution of the Republic of South Africa Second Amendment Act, 2003 (Act 3 of 2003)*. Pretoria: Government Printer.

South Africa. (2003). *Constitution of the Republic of South Africa Second Amendment Act, 2003 (Act 3 of 2003)*. Pretoria: Government Printer.

South Africa. (1997). *Intergovernmental Fiscal Relations Relations Act, 1997 (Act 97 of 1997)*. Pretoria: Government Printer.

South Africa. (1998). *Municipal Structures Act, 2000, (Act 117 of 1998)*. Pretoria: Government Printer.

South Africa. (1998). *White Paper on Local Government, 1998*. Pretoria: Government Printer.

South Africa. (1999). *Public Finance Management Act, 1999, (Act 1 of 1999)*. Pretoria: Government Printer.

South Africa. (2000). *Municipal Systems Act, 2000, (Act 32 of 2000)*. Pretoria: Government Printer.

South Africa. (2003). *Municipal Finance Management Act, 2003, (Act 56 of 2003)*. Pretoria: Government Printer.

South Africa. (2003). *Report of the Study Tour of municipalities by the Portfolio Committee on Provincial and Local Government. (15 April 2003:22)*. South Africa.

South Africa. 2004. Department of Provincial and Local Government (DPLG). *The Municipal Infrastructure Grant Programme – An introductory guide*. Pretoria: Government Printer.

South Africa. (2004). *Municipal Property Rates Act, 2003, (Act 6 of 2004)*. Pretoria: Government Printer.

South Africa 2006. Department of Provincial and Local Government (DPLG). *Stimulating and Developing Sustainable Local Economies. National Framework for LED in South Africa 2006 – 2011*. South Africa.

South Africa. (2007). *Municipal Fiscal Powers and Functions Act, 2007 (Act No. 12 of 2007)*. Pretoria: Government Printer.

South Africa. 2007. National Treasury. *Neighbourhood Development Partnership Grant: NDPG Toolkit (No 1 of 5) Grant Overview*. www.treasury.gov.za/OperationsGuideLibrary/2.1.1.1%20NDPG%20Toolkit%201%20of%205%20Grant%20Overview.pdf. Accessed on 18 June 2015.

South Africa. 2008. *Special Investigating Unit. Annual Report 2007 – 2008*. South Africa.

South Africa. 2009. Department of Cooperative Governance and Traditional Affairs (COGTA). *Municipal Systems Improved Grant (MSIG) Activity Plan for 2010/11 Financial Year*. Pretoria: Government Printer.

South Africa. (2009). *Property Tax Act, 2009, (Act 18 of 2009)*. Pretoria: Government Printer.

South Africa. Auditor-General (2010). *General Report on audit outcomes of Gauteng Local Government*. South Africa.

South Africa. 2010. Department of Provincial and Local Government (DPLG). *The Municipal Infrastructure Grant Programme – An introductory guide*. Pretoria: Government Printer.

South Africa. (2011). *Annual Performance Report for the period 01 July 2010 to 30 June 2011*. City of Johannesburg Metropolitan Municipality. Johannesburg.

South Africa. (2011). *Annual Report for 2010/2011*. City of Ekurhuleni. Germiston.

South Africa. (2011). *Annual Report for 2010/2011*. Randfontein Local Municipality. Randfontein.

South Africa. (2011). *Annual Performance Report 2010/2011*. Merafong City Local Municipality. Carletonville.

South Africa. Auditor-General (2011). *General Report on audit outcomes of Gauteng Local Government*. South Africa.

South Africa. (2011). *Division of Revenue Act, 2011, (Act 6 of 2011)*. Pretoria: Government Printer.

South Africa. 2011b. National Treasury. *Local Government Revenue and Expenditure: Third Quarter Local Government Section 71 Report*. For the period 1 July 2011 to 31 December 2011. Press release. 5 March 2012. Pretoria: National Treasury.

South Africa. 2011. City of Johannesburg Metropolitan Municipality. Billing. www.joburg.org.za available online. Accessed June 2013.

South Africa. Auditor-General (2012). *General Report on audit outcomes of Gauteng Local Government*. South Africa.

South Africa. 2012. *Local Government Equitable Share (LGES)*. South Africa.

South Africa. 2012. National Treasury. *Revenue Management (2012:19-20)*. South Africa.

South Africa. (2012). National Treasury. *Revenue Management*. MFMA Circular 64. 20 November 2012. Pretoria: National Treasury.

South Africa. Auditor-General (2017). *General Report on audit outcomes of Gauteng Local Government*. South Africa.

Sprinthall, R. C., Schmutte, G. T.; & Sirois, L. (1991). *Understanding Educational Research*. New Jersey: Prentice-Hall.

USAID 2005. *A guide to enhancing municipal revenue*. Municipal Infrastructure Investment Unit, USAID. http://www.psu.co.za/images/Rev_Ehancement_Guide.pdf.

Washington, D.C. 1997. *International City Managers' Association. Municipal Yearbook*. pp.145 – 159.

Wele, J. 2015. *Difference between qualitative and quantitative research*.
<http://www.snapsurveys.com/blog/what-is-the-difference-between-qualitative-research-and-quantitative-research/>). September 21, 2015 at 1:32 am
(<https://www.snapsurveys.com/blog/qualitative-vs-quantitative-research/#comment-2974>)
said.