

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 580 [NW636E]

580. Mr C Brink (DA) to ask the Minister of Finance:

Whether the National Treasury has undertaken any studies and/or assessment projects to determine the reason why certain municipalities consistently fail to collect more than 80% of debt owed to them by consumers in any given financial year; if not, why not; if so, what (a) were the main findings of the assessment and (b) measures do municipalities have to put in place to ensure consistent and effective debt collection?

NW636E

REPLY:

Yes, National Treasury has appointed Revenue and Budget Advisors in seven (7) provinces. These advisors have undertaken a baseline assessment on revenue and budget management in municipalities in each of the seven Provinces through a tool called the “Survey Monkey” which is a questionnaire based assessment. The results of the assessments are collated into a support plan for the respective municipality.

- (a) The following are the main findings impacting on the revenue potential of the municipality:

Covid-19 impact - During the total lockdown some businesses had to close and a large number of customers lost their jobs and did not earn an income, consequently, their ability to honour the municipal account was affected, thus, increasing the consumer debt drastically. As the result unemployment increased and these consumers failed to register as indigent beneficiaries, causing the outstanding debt to increase.

On the municipal operations side:

Effective Credit Control - Although municipalities have Credit Control Policies in place, the ability to implement them efficiently is a challenge. The officials are reluctant to implement the credit control for various unethical benefits and there is no political will to support the implementation thereof. Additionally, municipalities lack of resources to implement the credit control policy effectively.

Bad Debt Write-off – Where the situation warrants a debt write-off, municipalities fail to correct their records timeously especially in cases where there is uncollectable debt due deceased estates and indigent households.

An effective Customer Care strategy is most neglected in municipalities. This unit is not well capacitated and lack the prerequisite skill to manage a “Help Desk” with a proper control over the handling of queries. Subsequently, feedback to the customer regarding their queries are very poor resulting in a very unhappy customer.

Poor Infrastructure (Water and Electricity Networks) - Due to the poor and dilapidated infrastructure, proper credit control cannot be implemented. With poor infrastructure, illegal connections cannot be controlled. The Free Basis Services of the indigent households cannot be monitored and the indigent household cannot be restricted or disconnected when the allocated consumption is exceeded.

Billing System and Inaccurate Billing - Incorrect and inaccurate billing pose a challenge in the municipalities. The communities in the various municipalities are dissatisfied with the municipal bills and public confidence suffers, communities are unwilling to pay for the bills issued and as such, municipal debt gradually accumulates and the municipal collection rates fall.

Illegal Connections is a huge area of concern. A lot of consumers use adverse methods not to pay for the consumption. In some municipalities the technical staff seems to promote illegal connections by bypassing the system for a bribe. This behavior is unacceptable and seriously impacts on the finances of the municipality.

Indigent management – The observation is that most municipalities do have an approved and adopted Indigent policy. Indigents are not properly vetted and several households that can afford to pay for services are benefiting unjustly.

Customer information – Capturing of customer information is a critical task in municipalities. Incorrect information and outdated information makes it difficult to implement credit control when required. Equally, credit checks are not adequately undertaken and municipalities lack the methodology to do credit check for new accounts.

Non-payment Culture - Culture on non-payment for municipal services is throttling the finances. Even customers that can afford to pay are reluctant to pay due to fear that municipal finances will be misappropriated.

- (b) The first and foremost the responsibility rests with the municipality to self-correct, put in efficient processes and procedures. These are underpinned by adequate policy formulation and oversight responsibilities. This means that governance and leadership is essential and critical to ensure that prudent financial management practices are carry out. This is complimented with well-functioning system as an

enabler to bill and collect what is due to the municipality. Proper asset management serves as a conduit for efficient revenue generation in municipalities. Many municipalities underperform on their budgets for repairs and maintenance which is allocated to ensure that their revenue generating infrastructure are optimized thus impacting on a sustainable and reliable delivery of service.
