

Strengthening municipal revenue governance in South Africa: A framework for debt collection and billing integrity

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Abstract

South African municipalities face persistent challenges in revenue management and debt collection, with consequences for financial resilience and the reliability of basic service provision. Although legislative instruments require sound billing, credit control, and accountability, implementation is often uneven across departments and constrained by institutional routines, capacity limitations, and weak enforcement. This study develops an empirically informed framework for improving municipal revenue management and debt collection. A qualitative case study design was applied, drawing on semi-structured interviews with municipal officials and relevant stakeholders involved in billing, credit control, financial reporting, and related governance processes. Data were analysed through a thematic approach, combining inductive coding of participant accounts with deductive interpretation guided by institutional and organisational perspectives. The findings indicate that weak data integrity and billing accuracy, inconsistent application of indigent policies, limited consequence management, and fragmented coordination between finance and service departments are central contributors to persistent consumer debt. Participants also highlighted the need for clearer process ownership, improved communication with consumers, and more consistent monitoring of revenue collection performance. Based on these insights, the study proposes an integrated framework that aligns institutional compliance requirements with operational controls, stakeholder engagement, and enforcement mechanisms. The framework contributes a practical, context-sensitive tool that can guide municipal managers in strengthening revenue governance, improving implementation coherence, and supporting more sustainable local government finance.

Keywords: *ethical governance, indigent policy, local government, municipal revenue management, regulatory compliance*

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1. Introduction

The municipality in South Africa plays an ambivalent yet potentially vital role in the post-apartheid setting, most notably in providing core public services that directly affect citizens' quality of life. Municipalities represent entities that extend beyond the most basic level of administrative functionality; they represent the most immediate and salient manifestation of the state. They must provide an array of diverse services, ranging from water and electricity provision and sewage and waste management to the management of public infrastructure and communal areas, thereby representing locations of service delivery and democratic processes. Despite the availability of laws and policies that underpin the municipality, including the Constitution of the Republic of South Africa (1996), the Municipal Systems Act (2000), and the Municipal Finance Management Act (2003), many municipalities remain stuck within patterns of financial volatility, governance difficulty, and eroded public trust.

The Buffalo City Metropolitan Municipality (BCMM), which is a Category A municipality in the Eastern Cape, is a relevant case in point. Audited financial statements report net consumer debtors of R2.736 billion on 30 June 2024, signalling persistent pressure in the revenue and debt value chain. Nationally, the Fourth Quarter Section 71 report shows that metropolitan municipalities collected 71.1% of billed revenue in 2024/25 (against adjusted budget assumptions of 102.7%), situating BCMM's challenges within a wider pattern of collection underperformance. BCMM's SDBIP reports a collection rate ratio target of 80.5%, providing an operational benchmark against which persistent arrears concerns can be read. Whereas the results of audits and municipal records often pinpoint administrative defects, such as inefficient enforcement and outdated billing systems, this inquiry hypothesises that the core causes run far deeper and are more systemic. At the core of BCMM's revenue woes are institutionally and behaviourally rooted constraints of long standing, including political intrusion into credit management, outdated and inadequately maintained lists of indigents, fractured leadership, and compliance-oriented bureaucracies that resist transformative reform.

Despite the constitutional and legislative emphasis on developmental local government, many South African municipalities continue to face persistent weaknesses in revenue collection and debt recovery (Auditor-General South Africa, 2025; National Treasury, 2025; Chauke et al., 2024; Masungini et al., 2023). The practical problem is that municipal revenue management often remains fragmented across billing, credit control, indigent

administration, enforcement, and stakeholder communication, which results in inconsistent implementation and weak accountability (Auditor-General South Africa, 2025; LGSETA, 2020). While prior studies have examined municipal finances and debt challenges (Fjeldstad, 2004; Manyaka, 2014; Masungini et al., 2023; Chauke et al., 2024; McKenzie & Marx, 2024; Mthethwa & Tshishonga, 2025), there remains a gap in empirically grounded, practice-oriented frameworks that integrate institutional constraints, organisational routines, and frontline implementation realities into a coherent revenue management and debt collection model. Against this background, the study aims to develop and refine a framework for effective municipal revenue management and debt collection, informed by evidence from municipal stakeholders and relevant theoretical insights. Specifically, the study identifies key institutional and operational drivers of weak revenue performance, examines current revenue and debt collection practices and bottlenecks, and proposes an integrated set of framework components to guide more consistent implementation.

The study's contribution lies in offering a context-sensitive framework that links governance processes, operational controls, and compliance mechanisms, thereby providing both scholarly value and a practical tool for municipal managers and policymakers. This contribution is intentionally bounded. Rather than introducing entirely new revenue instruments, the article explains why widely cited prescriptions often underperform in practice when institutional constraints, organisational incentives, and implementation routines are misaligned, and it translates these conditions into a sequenced, evidence-informed framework. While the single-case design limits statistical generalisation, the analysis provides analytically transferable insights to inform comparable municipal contexts.

2. Literature Review

2.1. Theoretical Framework for Municipalities' Revenue Management

Municipal own-revenue management is a governance problem shaped by institutional rules, implementation routines, political incentives, administrative capacity, and perceptions of fairness. The study, therefore, adopts multi-theoretical framing to explain why formal policy requirements often coexist with persistent implementation failures. Rather than proposing a new theory of municipal finance, it uses established theories to interpret how organisational structures, incentives, leadership ethics, and distributional principles interact to shape revenue

performance in practice (Faguet, 2014). The analysis integrates four perspectives: Institutional Theory, Agency Theory, Stewardship Theory, and Optimal Tax Theory.

Institutional Theory explains how municipalities may privilege legitimacy and compliance signals over operational improvement, with reform diffusing through coercive, normative, and mimetic pressures while routine practices remain uneven (Meyer & Rowan, 1977; DiMaggio & Powell, 1983; Scott, 2008, 2014). It also accounts for inertia through path dependency, where earlier choices in indigent policy, billing architectures, and enforcement become self-reinforcing and costly to reverse (Mahoney, 2000; Pierson, 2004).

Agency Theory highlights incentive misalignment between principals (citizens and oversight bodies) and agents (municipal officials and councillors), where information asymmetry, weak monitoring, and limited accountability can weaken revenue governance. In BCMM, this is evident in politically mediated credit control and minimal consequences for poor performance, especially around election periods. Stewardship Theory complements this by recognising that officials may act as responsible custodians when conditions support ethical leadership, clear accountability, and professional norms (Davis et al., 1997; Jam et al., 2025). Interview evidence reflected both dynamics, suggesting that reform depends not only on technical controls but also on credible governance conditions that sustain trust, ethics, and integrity.

Optimal Tax Theory supports analysis of equity–efficiency trade-offs in revenue instruments, including the ability-to-pay principle and relief measures for vulnerable households, and helps assess how tariffs, indigent support, and enforcement can protect the poor while deterring strategic non-compliance (Mirrlees, 1971; Saez, 2001). Because it does not explain the institutional and political conditions shaping implementation, it is applied alongside governance theories to link distributional principles to operational realities (Pierson, 2004). This integrated framing supports a practical, evidence-informed model grounded in field-observed patterns, while contributing to public financial management scholarship and municipal reform practice.

2.2. Municipality Mandate as Per the Constitution

South Africa's Constitution positions municipalities as foundational agents in the realisation of the developmental state. Far from being mere service providers, municipalities are constitutionally mandated to promote democratic governance, ensure inclusive service

delivery, and advance social and economic development at the local level. These obligations are outlined in Chapter 7, Section 152, which sets out the objects of local government, and Section 153, which outlines municipalities' developmental duties. Among these are the responsibilities to provide services sustainably, encourage community participation, and foster a safe and healthy environment. This constitutional design reflects an ambitious vision: one where local government serves not only as the front line of service provision but also as a driver of transformation. Municipalities have the right to govern local affairs of the communities of their own accord; this is further entrenched by the Governance section (41) of the Constitution, which promotes cooperation within the three spheres. However, as several recent studies have noted (Fuo, 2022; SALGA, 2021; Rulashe & Dyan, 2023), a growing disjuncture persists between the constitutional mandate imposed on local governments and municipalities' material capacity to deliver on it.

Although the Constitution grants municipalities the right to govern local affairs on their own initiative and assigns them core developmental and service-delivery responsibilities, practice often falls short of these constitutional and developmental expectations for local government (Republic of South Africa, 1996). Many municipalities operate under sustained fiscal and administrative strain, where weak revenue collection capacity, inaccurate billing, weak internal controls and rising consumer debt constrain their ability to deliver services and maintain accountability (Auditor-General South Africa, 2025; National Treasury, 2025; Chauke et al., 2024; Masungini et al., 2023; Rulashe & Ijeoma, 2022). The BCMM illustrates this tension, with oversight and audit reporting pointing to continuing weaknesses in revenue management, billing integrity, internal controls and financial governance (Auditor-General South Africa, 2025; Parliament of the Republic of South Africa, 2025). These mandates are not fiscally neutral; they depend on an operationally reliable revenue base and credible financial governance systems, as reflected in South Africa's developmental local government policy vision and the municipal finance regulatory framework (Republic of South Africa, 1998, 2003). Revenue management should therefore be treated as a core governance function rather than a technical back-office task, because persistent shortfalls in collecting and managing own revenue signal deeper stress in institutional capability, accountability and democratic responsiveness at the local level (Auditor-General South Africa, 2025; National Treasury, 2025; McKenzie & Marx, 2024).

The Constitution also conceives municipalities as fora of participation where citizen participation informs public decisions, such as budgeting, tariffs and indigent policies design. However, in practice, public engagement in revenue management is limited and often symbolic. When combined with service delivery failures and perceived corrupt practices, this democratic deficit compounds the trust deficit between municipalities and their constituencies, with negative consequences for fiscal compliance and the broader social contract. Accordingly, although local governance has a strong constitutional and legislative foundation, there's a significant gap between the statutes and practice, which cannot be bridged by technical or procedural reform alone. It is a call for a radical reconceptualisation of local government, one whose legal authority matches its political will, institutional capacity, and ethical leadership, all of which are fortified by local responsiveness.

2.3. Municipal Revenue Management Perception

Research on tax bargaining and tax morale shows that payment compliance depends on whether taxpayers regard the system as procedurally fair, consistently enforced, and linked to visible public value, particularly in contexts marked by inequality and uneven service delivery (Levi, 1988; Moore, 2007; Prichard, 2015). Comparative African evidence similarly indicates that weaknesses in billing integrity, dispute resolution, and credible enforcement reduce willingness to pay and normalise arrears, even where formal policies exist (Fjeldstad & Heggstad, 2012; Prichard, 2015). This frames “perception” as an operational governance issue rather than a superficial attitude, because it directly affects dispute volumes, payment discipline, and the legitimacy of credit control decisions.

Building on the work of Kuhlengisa et al. (2024) and conceptually informed by Fraser’s social justice theory, this article challenges the notion of blanket indigent policies, which tend to veil structural inequality and work against targeted relief. Instead, the analysis calls for participatory, context-sensitive policy design that recognises the lived realities of both municipal officials and communities. Fraser’s social justice perspective is relevant because it links distributional fairness, recognition and political representation to the legitimacy of governance choices such as tariff setting, indigent policy design and enforcement practices (Fraser, 2005, 2008). Applied to municipal revenue, this helps separate poverty-related non-payment from wilful default without treating enforcement as politically selective or socially

punitive, and it clarifies why indigent administration requires transparent criteria and review routines to retain legitimacy (Fraser, 2008; Prichard, 2015).

2.4. Why Revenue Mismanagement Continues to Be a Challenge?

The BCMM case highlights the persistence and complexity of municipal revenue challenges in South Africa's urban municipalities despite extensive fiscal reforms and legislative frameworks. The core problem is not the absence of laws, but weak enforcement, limited intergovernmental coordination, and fragile institutions (Auditor-General South Africa, 2025; National Treasury, 2012; SALGA, 2021; McKenzie & Marx, 2024). Within BCMM, several interconnected governance constraints undermine revenue protection and collection. Revenue estimates are often inflated, sometimes under political or administrative pressure, creating unrealistic budget expectations. These pressures intensify during election periods when councillors may intervene to weaken credit control (SALGA, 2021). This pattern is consistent with research showing how patronage and electoral incentives can distort local fiscal administration (Manyaka, 2014; Mthethwa & Tshishonga, 2025). Revenue shortfalls are compounded by chronic non-payment among middle-income households. Withholding payment reflects declining trust in the state–citizen relationship and weak policy enforcement dynamics (Fjeldstad, 2004; Masungini et al., 2023). Internal weaknesses such as corruption, irregular expenditure, and persistent non-responsiveness to audit recommendations further erode oversight effectiveness.

Operationally, BCMM is constrained by organisational and systems failures, particularly weak information management (National Treasury, 2012; Auditor-General South Africa, 2025; McKenzie & Marx, 2024). Incomplete, outdated, and poorly integrated data undermine forecasting, planning, and enforcement (National Treasury, 2012; Auditor-General South Africa, 2025; LGSETA, 2020; McKenzie & Marx, 2024). Challenges include historic asset valuations, weak ratepayer registers, and billing inaccuracies (Republic of South Africa, 2004; National Treasury, 2012; Auditor-General South Africa, 2025; LGSETA, 2020). As McKenzie and Marx (2024) and Faguet (2014) indicate, improved policy design does not translate into better outcomes where core controls and reliable administrative information are weak. Revenue crisis reflects deeper governance failure, with weak controls linked to adverse audit outcomes and poorer recovery prospects (McKenzie & Marx, 2024).

These dynamics form a self-reinforcing cycle sustained by political interference, bureaucratic inertia, weak accountability, and uneven enforcement. Addressing this requires reforms that integrate consistent intergovernmental alignment, data-driven administration, ethical leadership, and active citizen oversight (Jam et al., 2025). While existing scholarship explains fiscal stress, debt accumulation, and formal instruments for billing, credit control, and indigent support, fewer empirically grounded studies integrate institutional isomorphism and path-dependent administrative routines with African evidence on compliance and recent debates on tax justice and legitimacy. This study addresses that gap by using practitioner evidence to explain recurring implementation failures and translating these insights into an integrated framework linking operational controls, governance conditions, and equity safeguards.

3. Methodology

This study formed part of a broader inquiry that utilised a concurrent mixed-methods design, in which qualitative and quantitative data were collected concurrently to develop a richer understanding of municipal revenue governance (Creswell & Creswell, 2018). The quantitative component comprised a survey administered to 120 municipal officials involved in finance and related governance functions across the wider project. However, the present article primarily draws on the qualitative strand, as its purpose is to develop an empirically grounded framework and to explain in depth the operational and governance processes shaping revenue management and debt collection. The article is therefore positioned as a qualitative single-case study conducted in a municipality located in the Eastern Cape Province, selected purposively because it provided an information-rich setting for examining the revenue value chain and the institutional and organisational conditions influencing revenue performance (Yin, 2018).

To protect institutional confidentiality and minimise organisational sensitivity, the municipality is not identified by name and is described only in general terms; participants are anonymised (Wiles, 2013). As a single-case qualitative study, the findings are not intended to be statistically generalisable; rather, they offer analytically transferable insights that may inform comparable municipal contexts where similar institutional and operational conditions apply (Yin, 2018). A potential limitation relates to selection bias because participation may

favour officials who were available and willing to participate, and access processes in municipal organisations can shape who is approached. To mitigate this risk, purposive selection was used to include participants across different functional roles and oversight levels, and recruitment and consent were handled directly with individuals to reduce pressure and social desirability effects (Patton, 2015; Wiles, 2013).

The qualitative data were generated through 12 semi-structured interviews with purposively selected, information-rich participants across the municipal revenue value chain, including finance managers, councillors and revenue practitioners involved in billing, credit control, debt recovery, indigent administration and performance oversight. Participants were eligible if they held direct responsibility for, or oversight of, revenue and debt processes and had at least 12 months relevant experience. Access was obtained through formal organisational procedures, followed by direct invitations to eligible participants; participation was voluntary and informed consent was secured. Interviews followed an objective-aligned schedule, lasted 45–60 minutes, and explored implementation routines, coordination, compliance practices and constraints affecting collection performance. Interviews were recorded and transcribed where permitted; otherwise, detailed notes were taken and expanded immediately afterwards.

The study did not interview community representatives or external oversight bodies (e.g., provincial treasuries or the Auditor-General) because the article focuses on internal implementation routines and governance processes. To support triangulation, relevant municipal documents were reviewed where available, including credit control and debt collection policies, indigent policy instruments, revenue performance reports, SDBIP extracts, annual reports, audit outcomes and committee minutes (Denzin, 1978; Bowen, 2009).

Data were analysed using reflexive thematic analysis to identify patterns and explanations grounded in participants' accounts while still allowing theoretically informed interpretation (Braun & Clarke, 2006, 2019). The analysis followed a structured sequence of familiarisation with transcripts, initial coding, categorisation, theme development, and iterative refinement across the dataset. Coding proceeded using hybrid logic: initial codes were identified inductively to capture meanings and recurrent issues emerging from the data, after which themes were reviewed deductively in relation to the study's theoretical framing to support interpretation without forcing the data into pre-existing categories (Braun & Clarke, 2019). A codebook was developed and refined iteratively, with code definitions and decision rules recorded to strengthen consistency of interpretation.

Consistency and rigour were further supported through maintaining an audit trail of coding decisions and theme revisions, repeated comparison of codes across participants and roles, and peer debriefing within the research team to interrogate alternative interpretations and reduce the risk of selective interpretation (Lincoln & Guba, 1985; Nowell et al., 2017). Member checking was undertaken by sharing a brief summary of the emerging themes with participants to confirm factual accuracy and to assess whether the interpretations reasonably reflected their accounts. Feedback was incorporated by refining theme boundaries, clarifying ambiguous points, and adopting appropriately cautious wording where needed. Where follow-up feedback could not be obtained from all participants, credibility was strengthened through systematic comparisons across participant roles and through documentary triangulation to corroborate key issues (Nowell et al., 2017).

This study was conducted in accordance with the University of Fort Hare's ethical guidelines, and the conduct of the study was approved by the University of Fort Hare's University Research Ethics Committee (UREC) (Ethical Clearance Number: BAY011SKHI01). Given the single-municipality context and the potential for workplace repercussions, additional safeguards were put in place to protect participants from retaliation. Recruitment and consent were managed directly with participants to minimise gatekeeper influence, and participation (or non-participation) was not disclosed to supervisors. Role-based anonymisation was applied alongside the removal of unit identifiers, project names, and incident-specific details that could enable indirect identification, and quotations were selected conservatively to preserve meaning while reducing identifiability. Data were stored securely with restricted access, and participants were reminded of their right to decline to answer any question and to withdraw without consequence. These measures were applied to ensure that confidentiality was practical and robust within a single-case organisational setting.

4. Findings and Discussion

This section presents the key themes from the interviews and interprets them through the study's theoretical lenses to explain recurrent breakdowns in revenue governance implementation. It further offers a critical synthesis of the empirical findings, systematically interpreted through the study's composite theoretical framework: Institutional Theory, Agency Theory, Stewardship Theory, and Optimal Tax Theory. The thematic insights presented herein

serve as foundational pillars for developing a contextually grounded, theoretically informed framework for municipal revenue management. Although dominant patterns point to recurring implementation breakdowns, the evidence also shows variation across roles and units, which is reported through contrasting cases within each theme.

4.1. Governance Gaps and Fragile Oversight Capacity

Despite the formal presence of financial oversight mechanisms, the study uncovers a disjunction between legislative compliance and practical governance outcomes. Participants repeatedly referenced weak consequence management, the prevalence of “acting” appointments, and the politicisation of revenue functions. One senior revenue manager observed: *“Most senior positions in finance are occupied in an acting capacity for more than 18 months. No one feels secure enough to implement decisions, and this has affected our revenue recovery performance.”* Another official noted: *“When we apply consequence management consistently and document decisions properly, it changes behaviour quickly. People start taking controls seriously because they can see the rules are applied fairly.”*

The implication is not simply technical, it is systemic. The persistence of unfilled or unstable leadership positions limits institutional memory, undermines policy continuity, and creates a vacuum of accountability. Institutional Theory explains this phenomenon through the lens of institutional isomorphism and path dependency, in which dysfunctional routines persist because they become internalised as norms, even when they no longer serve the organisation’s objectives (DiMaggio & Powell, 1983; Scott, 2008). These patterns reflect a deeper organisational malaise where enforcement is selectively applied or circumvented altogether.

4.2. Systemic Inefficiencies in Billing and Data Infrastructure

The study reveals that revenue management systems within BCMM are outdated, fragmented, and prone to manual errors. A critical theme emerging from both qualitative interviews and quantitative responses was the lack of integration across key systems. As one official from the ICT unit explained: *“We have multiple systems for customer data, credit control, and metering. These are not linked, which means each unit has a different version of the truth. This makes it impossible to act on real-time data.”* A colleague also added: *“If we align customer, metering, billing, and credit control on one platform, we reduce disputes*

immediately. It becomes easier to trace issues, fix them fast, and restore confidence in the account.”

The consequences of this fragmentation are significant. Not only does it hamper forecasting accuracy, but it also leads to overbilling, underbilling, or duplicated charges, all of which erode ratepayer trust. These concerns are consistent with South African municipal revenue literature, which links weak billing systems, poor data integrity and fragmented operational controls to reduced revenue performance and public trust (National Treasury, 2012; Auditor-General South Africa, 2025; Khiva et al., 2025). Using Agency Theory, these inefficiencies can be interpreted as a failure in the principal-agent relationship: oversight bodies (principals) cannot accurately monitor or evaluate agents (municipal officials) when the data they rely on is inaccurate, inconsistent, or manipulated.

4.3. Indigent Register Manipulation and Weak Debtor Profiling

A recurring and troubling finding concerns the misuse and politicisation of the indigent register, a tool intended to protect the most vulnerable. Many participants raised concerns about the absence of credible, regularly updated socio-economic assessments. *“There are households on the indigent register that haven’t been verified in more than five years. Some of them own spaza shops, while really poor people aren’t even listed,”* said a senior community development officer.

The finding is consistent with scholarship showing that indigent policy implementation may be weakened by political-administrative interference, uneven verification, poor targeting and administrative discretion (Fuo, 2020; Kuhlengisa et al., 2024). It also undermines Optimal Tax Theory, which advocates for progressive, differentiated taxation and subsidies based on ability to pay (Mirrlees, 1971). When municipalities cannot distinguish between genuine poverty and strategic default, they not only lose revenue but also violate fundamental principles of equity and fairness. Moreover, the failure to maintain an accurate debtor profile limits the municipality’s ability to segment its credit control approach, a necessary condition for effective debt recovery.

A municipal administrator stated, *“When verification is done properly, and reviews happen on schedule, it protects the genuinely vulnerable and reduces abuse. It also helps staff apply the policy with fewer arguments and less pressure.”* This observation aligns with South African evidence showing that indigent support can either protect vulnerable households or,

when administrative routines are weak, unintentionally deepen inequality (Kuhlengisa et al., 2024; Fuo, 2022). In their analysis of the Amathole District Municipality, Kuhlengisa et al. (2024) emphasise that the credibility of indigent programmes depends heavily on implementation controls such as accurate verification, routine review cycles, and consistent application of eligibility criteria. When verification is systematic, and reviews are conducted on schedule, municipalities are better able to distinguish genuine inability to pay from opportunistic non-payment, reduce leakage and misuse, and maintain procedural fairness. This, in turn, strengthens frontline implementation by lowering contestation, limiting discretionary pressure on officials, and stabilising the administrative legitimacy of indigent decisions. Read alongside the participant's account, the study reinforces the argument that indigent governance is not only a social protection instrument but also an operational foundation for revenue legitimacy, because well-managed indigent processes support equity while enabling credible enforcement for wilful default (Kuhlengisa et al, 2024).

4.4. Erosion of Public Trust and the Social Contract

Perhaps the most revealing and concerning theme was the pronounced breakdown of trust between citizens and the municipality. Respondents repeatedly linked payment refusal not just to affordability but to protest, disillusionment, and perceived injustice. *“People do not believe that their money goes to services. When they see no improvement, they stop paying, not because they cannot, but because they feel betrayed,”* explained a ward councillor from Mdantsane.

The finding aligns with Fjeldstad's (2006) argument that compliance in developing contexts is often more closely tied to perceived legitimacy than to enforcement capabilities. From the Stewardship Theory perspective, this suggests that ethical leadership, public engagement, and transparency are essential for rebuilding the social contract. Without them, municipalities risk entrenching a culture of disengagement, where non-payment becomes a form of civic resistance rather than a mere financial lapse.

4.5. Political Interference and the Undermining of Credit Control

Participants painted a consistent picture of how political considerations distort revenue enforcement, particularly in the lead-up to local government elections. Credit control officers described how instructions to halt disconnections often come from political leadership, without

regard for policy or revenue imperatives. One respondent stated, *“We are told to suspend all disconnections during campaign season. The councillors do not want bad publicity. So, we lose four or five months of enforcement every cycle.”* Such interference highlights tensions between political logic and fiscal responsibility. From an Agency Theory perspective, elected officials (agents) often pursue their own self-interest rather than their principals' (citizens and institutions) goals, resulting in inconsistent enforcement, impunity for defaulters, and weaker deterrence. Kanyane (2014) and Fjeldstad and Heggstad (2012) identify political interference, weak administrative capacity and limited enforcement support as barriers to sustainable revenue generation in local government.

A manager expressed, *“When enforcement is protected from political instruction, and we follow the policy step-by-step, it becomes predictable and fair. That consistency is what improves compliance over time.”* This observation is consistent with research showing that compliance improves when enforcement is experienced as procedurally fair, predictable, and insulated from arbitrary influence. Procedural justice scholarship argues that neutrality, consistency, and transparent decision-making build legitimacy, which in turn strengthens voluntary compliance beyond deterrence alone (Tyler, 2006). This aligns with tax morale research indicating that perceptions of fairness and the legitimacy of public authority are central drivers of compliance, including in developing and African contexts (OECD, 2019). In South African local government, oversight reporting similarly links persistent performance weaknesses to inconsistent consequences management and limited accountability, reinforcing the practical importance of stable, rule-bound enforcement (Auditor-General South Africa, 2025).

4.6. Towards a Context-Sensitive Framework for Reform

Revenue management in BCMM and similar municipalities is a governance challenge shaped by institutional inertia, fragmented accountability, socio-political pressures, and ethical weaknesses rather than a set of isolated administrative lapses. Underperformance arises through linked mechanisms. First, poor billing integrity and inaccurate accounts fuel distrust, disputes and reduced willingness to pay, thereby normalising arrears; the framework therefore prioritises data integrity controls and a clear query-resolution protocol as the first stabilisation layer (National Treasury, 2012; Auditor-General South Africa, 2025; Khiva et al., 2025; Masunguni et al., 2023). Second, weak coordination across billing, customer services, credit

control and service departments diffuses accountability and delays escalation, producing uneven policy application; the framework responds through process ownership, defined workflows and escalation rules consistent with the requirements for sound financial management, internal controls and performance accountability in municipal administration (Republic of South Africa, 2000, 2003; National Treasury, 2012; McKenzie & Marx, 2024). Third, inconsistent indigent administration undermines legitimacy and blurs the boundary between inability to pay and wilful default; standardised procedures, verification cycles and transparency safeguards are therefore central to protecting vulnerable households while maintaining the credibility of enforcement (Department of Provincial and Local Government, 2006; Kuhlengisa et al., 2024; Fuo, 2020). Finally, selective or delayed enforcement weakens deterrence and public trust, so consequence management is treated as sequenced and rule-bound, intensifying only after billing integrity, query resolution, and coordination controls have been stabilised (Tyler, 2006; OECD, 2019; Auditor-General South Africa, 2025; Mthethwa & Tshishonga, 2025). The following principles, therefore, emerge as foundational for a practice-oriented revenue management framework, as shown in Table 1.

Table 1*Context-sensitive framework for reform*

Reform	Articulation	Policy and Legislation	Insight
Ethical and Professional Leadership	Appointing permanent, competent leaders with performance-based contracts and enforced codes of conduct is essential for building credibility and stabilising policy continuity (Stewardship Theory).	<p>Municipal Systems Act, No. 32 of 2000 (Sections 55–58): Outlines the responsibilities of municipal managers and senior officials, including ethical conduct, performance-based contracts, and accountability.</p> <p>Municipal Regulations on Minimum Competency Levels (2007): Specifies professional qualifications and training standards for financial officials and managers.</p> <p>Public Administration Management Act, No. 11 of 2014: Encourages ethical leadership and professionalisation of the public service across all spheres.</p>	Recommendations for appointing permanent, performance-bound officials are legally supported, although often poorly enforced.
Integrated, Real-Time Revenue Systems	Investment in a single, synchronised digital platform that links customer databases, billing, indigent status, and enforcement records	<p>Municipal Finance Management Act, No. 56 of 2003 (Sections 62–65): Mandates sound financial governance and internal control systems, including the use of reliable and integrated financial data.</p> <p>MFMA Circulars 58 and 64: Promote electronic billing systems, e-</p>	The legal basis for integrated ICT systems already exists; municipalities just need the political and administrative will to implement it fully.

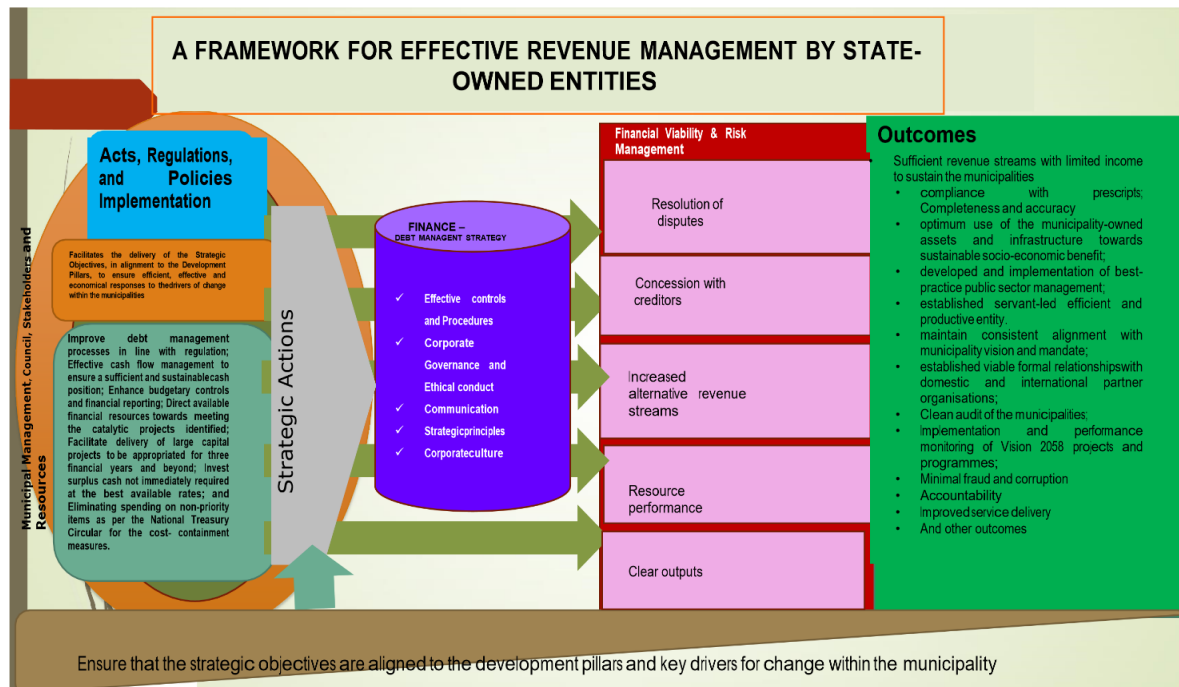
Reform	Articulation	Policy and Legislation	Insight
	is non-negotiable (Institutional Theory).	governance platforms, and revenue enhancement strategies. Local Government: Municipal Property Rates Act, No. 6 of 2004: Requires municipalities to maintain accurate property data and valuation rolls.	
Differentiated Debt Management	The framework must apply nuanced enforcement, protecting the truly indigent while pursuing habitual defaulters, with clear segmentation strategies (Optimal Tax Theory).	Municipal Systems Act, Section 97: Requires municipalities to adopt and implement a credit control and debt collection policy that is equitable and considers the needs of indigent households. National Credit Act, No. 34 of 2005: Provides norms on responsible lending and debt recovery, relevant for ethical treatment of defaulters. MFMA Circular 71: Emphasises differentiated indicators and socio-economic analysis for municipal budgeting.	Segmentation and tailored enforcement align with equity provisions in existing law, especially concerning indigent support.
Rebuilding Trust through Transparency	Public campaigns, participatory budgeting, ward-based service tracking, and citizen report-back platforms are crucial to re-establishing legitimacy (Stewardship & Agency Theories).	Promotion of Access to Information Act, No. 2 of 2000 (PAIA): Grants citizens the right to access financial and service-related records from municipalities. Municipal Systems Act, Sections 16–18: Emphasises public participation, communication of council decisions, and community-based planning processes. Integrated Development Plan (IDP) Framework: Mandates the use of participatory planning and reporting tools, such as ward committees.	Legislative instruments already incorporate participatory governance principles; however, municipalities often fall short in their implementation.
Insulating Credit Control from Politics	Enforceable policy mechanisms should be created to shield revenue enforcement from electoral interference, including external audits of political instruction logs (Agency Theory).	Code of Conduct for Councillors (Schedule 1 of the Municipal Systems Act): Prohibits councillors from interfering in administrative matters, including credit control. Municipal Systems Act, Section 51(d): Requires that political structures and office-bearers refrain from involvement in administration. Public Audit Amendment Act, No. 5 of 2018: Strengthens consequence management by giving the Auditor-General the power to refer material irregularities for enforcement.	There is a legal foundation for depoliticising enforcement, but oversight and enforcement mechanisms must be strengthened.

These reforms should be framed not only as technical fixes but as matters of fiscal justice and democratic accountability. A municipality's revenue performance signals legitimacy, professionalism, and responsiveness, not simply financial competence. The proposed framework is distinctive in three ways: it is mechanism-focused, linking

underperformance to specific breakdowns (billing integrity, coordination, indigent administration, and consequence management); sequenced, indicating what must be stabilised first (data integrity and billing controls) before escalation (enforcement and performance accountability); and accountability-oriented, clarifying process ownership across the revenue value chain and treating coordination failures as governance problems rather than individual shortcomings. In this way, it explains why routine prescriptions often fail and translates empirical patterns into implementable components.

Figure 1

All-hands framework for effective municipal revenue management



Source: Authors' Constructions (2026)

Figure 1 depicts the “all-hands” framework as an integrated and sequenced approach requiring coordinated action across municipal departments, political leadership, resource managers and stakeholders, with higher spheres of government supporting implementation capacity and alignment. The framework begins with billing integrity and dispute resolution, as payment resistance was linked to inaccurate accounts and unresolved queries. It then strengthens coordination and accountability across the revenue value chain, followed by standardised indigent administration to protect equity and system legitimacy, supported through council-led communication and statutory engagement with residents (Chikeya, 2017;

Khiva et al., 2025). Only once these foundations are stabilised does the framework escalate to consistent consequence management and enforcement, which participants viewed as ineffective when applied on top of weak administrative controls. Implementation remains anchored in applicable legislation, regulations and municipal policies, with compliance assessed through the Auditor-General's audit process and reflected in audit findings where requirements are not met.

Effective implementation requires clear roles and shared ownership across municipal units, political leadership, residents and businesses, supported by provincial and national stakeholders. Local economic growth also matters because it broadens the tax base and reduces fiscal vulnerability. Revenue and debt management should be aligned to the IDP and budget, with targeted investments such as metering and billing upgrades to improve measurement, billing accuracy and collection.

Implementation rests on four linked conditions. Sound processes require credible IDPs and balanced budgets, supported by fit-for-purpose procurement and supply chain arrangements, with revenue activities aligned to applicable laws and policies. Performance management should link objectives, timeframes and KPAs to revenue outcomes and track performance at individual and departmental levels. Good governance depends on ethical leadership and accountability across officials, councillors and employees; political interference in credit control and debt enforcement should be avoided, and rules and consequences applied consistently to strengthen credibility and payment culture.

Figure 2

A summary of the dunning actions



Third, communication requires strong two-way engagement between the municipality and residents to clarify service obligations, billing expectations, dispute processes, and indigent support, alongside strengthened staff capability through appropriate recruitment, placement, appraisal, and ongoing training in revenue management, budgeting, and debt

administration. Fourth, strategic principles require that debt collection steps be applied consistently in line with approved policies and bylaws, while excluding indigent households from standard debt recovery stages, as they are managed through the indigent policy. Councillors should support community understanding of the process and uphold compliance, including during election periods. Figure 2 provides a synopsis of the debt collection process.

4.7. Financial Viability, Sustainability, and Risk Management

A municipality's ability to provide services is related to its financial viability. Municipalities require a stable economy in which residents can earn a living wage and invest their money in the community through both large and small businesses, thereby ensuring the long-term health of the municipality (Ramphela, 2008). The municipality will face significant challenges fulfilling its constitutional and legal obligations without a solid, stable economic foundation. According to Deloitte (2014), the following strategies emphasise how the framework can assist municipalities in improving and sustaining financial viability.

Debt disputes must be prioritised and tracked until they are resolved. Prior to disconnection or any subsequent dunning, debt issues should be settled locally. Non-payment should be properly diagnosed, and if it is found to be due to poor management, appropriate action should be taken. Municipal officials and residents who repeatedly break the MFMA are punished more severely.

Accounts should be paid on time, or the city should negotiate discounts with creditors. This will help to reduce the interest rate of past-due accounts. This necessitates revising the current payment allocation policy to prioritise capital replenishment over interest repayment.

Developing new methods of making money. Consequently, investors and benefactors may become more interested.

While the framework is designed to strengthen the coherence and feasibility of revenue governance interventions, its effects on collection outcomes should be treated as propositions that require further testing across municipal contexts and over time. The implications are prioritised and best implemented sequentially. First, stabilise billing integrity and query resolution because credible accounts are a precondition for compliance and enforcement. Second, strengthen coordination and process ownership across the revenue value chain, supported by routine performance monitoring. Third, standardise indigent administration to protect equity while distinguishing inability to pay from wilful default. Fourth, apply consistent

consequence management and enforcement escalation, aligned to transparent decision rules to protect legitimacy.

5. Conclusion

This study developed an integrated, evidence-informed framework for municipal revenue and debt management to address persistent consumer debt and recurring implementation failure despite statutory requirements. The framework treats revenue management as a governance function linked to legitimacy, accountability, and administrative credibility, and organises common reform measures into a sequenced pathway: stabilising billing integrity and dispute resolution, strengthening coordination and accountability across the revenue value chain, standardising indigent administration to protect equity and system legitimacy, and only then escalating consequence management and enforcement. In doing so, the framework explains why technical prescriptions often underperform when applied in fragmented or weakly governed administrative contexts and translates practitioner-identified failure points into implementable components.

The contribution should be interpreted within the study's limits. As a qualitative single-case study, the analysis does not support statistical generalisation and reflects the perspectives of internal municipal implementers primarily, community representatives and external oversight actors were not included, which limits insight into external accountability dynamics. Future research should test and refine the framework through comparative multi-case designs across municipalities with differing capacity profiles and incorporate external stakeholders to assess applicability, boundary conditions, and whether the proposed sequencing yields improved revenue outcomes over time.

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Institutional Review Board Statement

This study was conducted in accordance with the University of Fort Hare's ethical guidelines. The conduct of this study has been approved and given relevant clearance(s) by the University of Fort Hare's University Research Ethics Committee (UREC) – Ethical Clearance Number: BAY011SKHI01.

AI Declaration

The authors utilised QuillBot in the preparation of this work to improve readability and language. The authors reviewed and edited all content produced using these tools, for which they fully accept responsibility in the final publication, and Scribbr helped with reference formatting.

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