

Delivery of Basic Services Based on the Allocated Equitable Share Model, Free State Municipalities

Nthabeleng Dorcas Khawe

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Supervisor: Professor Helena Van Zyl

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DECLARATION

I, Nthabeleng Dorcas Khawe, declare that the field study hereby handed in for the qualification Masters in Business Administration at the UFS Business School at the University of the Free State is my own independent work and that I have not previously submitted the same work, either as a whole or in part, for a qualification at/in another university/faculty.



ND Khawe

This 23rd day of February of 2021.

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ABSTRACT

The financial sustainability of local authorities in the Free State has deteriorated gradually, primarily due to structural difficulties and the failure of municipalities to raise and/or produce their own revenues. The subject and aim of this study was to evaluate the delivery of basic services based on the allocated equitable share model for Free State municipalities.

A quantitative format for the research process was ideally suited to attain the research objective. The analysis was done using questionnaires. The sample was chosen purposefully and included officials with expertise in financial management and those who frequently deal with municipal finances.

With most respondents suggesting that the components of the equitable share formula are no longer applicable to current prevailing circumstances, an alteration to the formula is undeniably needed. The respondents further agreed that basic services as well as institutional support were not adequately apportioned for in the formula. In order to add gravity to the claim that the formula needs to be reviewed, the respondents firmly agreed that the existing data used to determine the formula is irrelevant.

It was concerning to note that the current infrastructure was not being maintained and that the 8-10% of the budget earmarked for this maintenance was not being utilised. This means that the current infrastructure will deteriorate even more and will further impede the rate at which service is delivered to those who need it most. Also concerning was that the collection of property rates was not above 60% of the amount billed; therefore, the collection efforts of the municipalities were not effective.

The respondents alluded to the fact that credit control mechanisms were not implemented, which further impedes the ability to collect revenue. The indigent registers were also not updated regularly. With the current global economic crunch, municipalities face the real threat of a significant increase in indigent households.

This is further exacerbated by the unemployment rates currently faced by the province.

Another concern is that respondents are not of the opinion that the current budget allows the municipality to implement at least 70% of the budget for the Integrated Development Programme. This will result in poor performance by the municipalities and will compromise their ability to fulfil the undertakings made to their respective communities.

It has been concluded that the different components of the equitable share formula should be reviewed as a matter of urgency. Of significance and urgency are the following components:

- the basic services component that is meant to assist local authorities to provide basic services to the poor, as the indigent net has widened substantially since this component was last reviewed; and
- the component meant to assist with the operations of basic municipal government because the legislative and policy frameworks for municipal environments have significantly evolved since the formula was last reviewed.

The current Local Government Equitable Share formulation design needs revision to determine its suitability and significance for the current municipal climate and conditions so as to enable the Free State municipalities to better their provision of basic services to their communities.

Keywords: Delivery of basic services, Equitable Share formula, Free State municipalities, revenue distribution, basic services grant, unconditional grants, Protests Free State province.

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Acronyms

AGSA	Auditor-General South Africa
ESM	Equitable Share Model
FFC	Financial Fiscal Commission
IDP	Integrated Development Plan
LGES	Local Government Equitable Share
MDB	Municipal Demarcation Board
MFMA	Municipal Finance Management Act
PARI	Public Affairs Research Institute
QLF	Quarterly Labour Force
RRC	Revenue-Raising Capacity
SALGA	South African Local Government Association
STATS SA	Statistics South Africa

Chapter 1 – Overview

1.1 Introduction and background

Free State municipalities have struggled with service delivery as is evident in frequent and continuing service delivery demonstrations. The 2016 Community Survey carried out by Statistics South Africa reveals that the lack of a secure and reliable source of water and the lack of job opportunities were the two biggest challenges facing Free State Province residents (Statistics South Africa 2016). This survey further revealed that 47% of households in the Free State strongly disagree that municipalities attempt to resolve their problems. This points to a high degree of dissatisfaction amongst the residents of the Free State.

A 2018 report published by Municipal IQ, an establishment that monitors municipal intelligence and data around the world, further confirms this (Municipal IQ 2018). This study reveals that during 2018, the Free State witnessed the highest rate of service delivery protests. The study reports that 24 of the 237 demonstrations that took place in 2018 occurred in the Free State. This was, furthermore, reported in the Bloemfontein Courant, a local newspaper (Choane 2019).

The financial stability of Free State municipalities has declined progressively over the last number of years. With respect to financial stability, the 2018 Municipal Financial Stability Index worryingly shows the Free State as one of the worst provinces (Municipal Financial Stability Index 2018). In another study in 2019, the Auditor-General of South Africa announced that only two local authorities in the Free State had unqualified audit opinions (Auditor-General South Africa 2019). The latter report further claimed that the audit results of the province had regressed substantially due to the ongoing decline in financial and performance management transparency.

The South African Local Government Association (SALGA) advocates that the equitable share allocation received by local authorities is not appropriate to enable these authorities to provide their communities with basic services (Ledger & Rampedi 2019). In addition, the Free State is largely rural and has little capacity to

produce its own income as 42% of its population is unemployed. The 42% expanded unemployment rate is extracted from the latest data on employment statistics reported by Statistics South Africa (2019) in their Quarterly Labour Force (QLF) Survey. In addition, this QLF Survey report indicates that the Free State reported the second-largest increase, namely 3%, in the expanded unemployment rate.

In order to finance their operations, local governments are mainly dependent on two key bases of revenue: their own revenue sources and national and provincial government transfers. Own revenue sources are mainly derived from property rates, service charges/tariffs and fines. These revenue sources are further supplemented by equitable share.

The 2018 Quarterly Financial Data of Municipalities as released by Statistics South Africa (2018) reveals that the key foundation of revenue for the country's municipalities is 42% acquired from service charges (a mix of sewerage, sanitation, electricity and water purchases and refuse collection charges). At 28%, grants and subsidies, including equitable shares, follow service charges. Property rates account for 18% and 12% is derived from other income (donations, fines, licences and permits, public contributions and disposal benefits for property, plant and equipment).

Hendriks (2016) warns that provinces depend heavily on government support to carry out their service delivery functions. This government support takes the form of an equitable share since it is an unrestricted and unconditional grant that can be used by municipalities to complement their operating budgets.

Equitable share is revenue collected nationally that allows both provinces and municipalities alike to carry out the mandates for the provision of basic services assigned to them as stated in section 227(1)(a) of the country's Constitution (South African Government 1996). For the estimation of the amount of equitable share a municipality earns, a formula popularly called the Local Government Equitable Share (LGES) formula is utilised. This formula-based system to disperse revenue equally amongst all government domains was implemented by National

government when the National Treasury brought this provision into effect in its 1998 budget. At local government level this system is referred to as the LGES (National Treasury, SALGA & Cooperative Governance 2012).

There are several aspects to the formula including:

- The number of households considered indigent;
- Cost of delivering basis services; and
- The municipality's capacity to produce its own revenues.

As an advisory body to Parliament and Provincial Legislatures, section 220 of the 1996 Constitution of the Republic of South Africa established the Financial Fiscal Commission (FFC). The committee is neutral, autonomous and is separate and distinct from the government. It is a professional commission, enduringly formed with a set of general roles, institutional process and a legally prescribed framework.

The key task of the FFC is to ensure the establishment and maintenance of the country's efficient, fair and sustainable intergovernmental fiscal relations system. One of its vital directives is to campaign for the equitable allocation and distribution of revenues generated nationally.

The yearly recommendations of the commission include issues of equitable sharing, distribution of revenue collected, taxes, borrowing of financial allocations, measures used to determine these fiscal issues and the government's overall fiscal and financial policies. The FFC is mandated to make recommendations regarding the following according to the Intergovernmental Fiscal Relations Act section 9 of 1997 (Republic of South Africa 1997):

- An equitable distribution of revenues generated nationally amongst the state, provincial and local government spheres;
- Deciding the share of individual provinces in the provincial share of the revenue; and
- All other allocations of the revenue to provinces or local governments and any conditions under which such allocations should be made.

Both the 2011 and 2016 reports by Statistics South Africa for the census state that while the Free State is geographically South Africa's third-largest province, its population is second smallest and its population density is second lowest (Statistics South Africa 2011, 2016). The Municipal Demarcation Board (MDB) (2011) demarcated the province of Free State into one metropolitan municipality and four district municipalities that are additionally segmented into 18 local governments.

For the different types of municipalities, Chapter 7 of the Constitution describes:

- Category A – Metropolitan: A municipality that possesses sole executive and legislative control over its territory;
- Category B – Local: A municipality which, in its territory, enjoys municipal executive and legislative power together with a Category C municipality within which it falls; and
- Class C – District: A municipality with municipal and legislative authority in a region with more than one municipality.

Table 1.1 shows the municipalities of the Free State and their respective categories, as described in the Constitution of the Republic of South Africa.

Table 1.1: Free State municipalities and their categories

Municipalities per district	Category
Mangaung Metro	A
Xhariep Municipalities	
Xhariep District Municipality	C
Letsemeng Local Municipality	B
Mohokare Local Municipality	B
Kopanong Local Municipality	B
Lejweleputswa Municipalities	

Municipalities per district	Category
Lejweleputswa District Municipality	C
Masilonyana Local Municipality	B
Nala Local Municipality	B
Matjhabeng Local Municipality	B
Tswelopele Local Municipality	B
Tokologo Local Municipality	B
Thabo Mofutsanyana Municipalities	
Dihlabeng Local Municipality	B
Maluti-a-Phofung Local Municipality	B
Nketoana Local Municipality	B
Setsoto Local Municipality	B
Phumelela Local Municipality	B
Mantsopa Local Municipality	B
Thabo Mofutsanyana District Municipality	C
Fezile Dabi Municipalities	
Metsimaholo Local Municipality	B
Ngwathe Local Municipality	B
Moqhaka Local Municipality	B
Mafube Local Municipality	B
Fezile Dabi District Municipality	C

Source: Division of Revenue Act (2019)

The report of the Auditor-General South Africa (2019) further reveals a decline and deterioration in the financial performance of the Free State municipalities with only two out of 23 municipalities improving their audit outcome. This is illustrated in

Table 1.2 which compares the audit performance of Free State municipalities for the 2016/2017 and 2017/2018 financial years.

Table 1.2: Summary of Audit Outcomes for Free State municipalities 2016/2017 – 2017/2018

Municipalities per district	Category	Audit Outcome 2017/18 FY	Audit Outcome 2016/17 FY	Comment
Mangaung Metro	A	Audit not completed at report date	Qualified	Pending the outcome
Xhariep Municipalities				
FS161 Letsemeng Local Municipality	B	Audit not completed at report date	Disclaimed	Pending the outcome
FS162 Kopanong Local Municipality	B	Qualified	Qualified	Same audit outcome
FS163 Mohokare Local Municipality	B	Audit not completed at report date	Disclaimed	Pending the outcome
DC16 Xhariep District Municipality	C	Unqualified	Unqualified	Same audit outcome
Lejweleputswa Municipalities				
FS181 Masilonyana Local Municipality	B	Audit not completed at report date	Disclaimed	Pending the outcome
FS182 Tokologo Local Municipality	B	Audit not completed at report date	Disclaimed	Pending the outcome
FS183 Tswelopele Local Municipality	B	Qualified	Unqualified with findings	Regressed

FS184 Matjhabeng Local Municipality	B	Qualified	Unqualified with findings	Regressed
FS185 Nala Local Municipality	B	Qualified	Unqualified with some findings	Regressed
DC18 Lejweleputswa District Municipality	C	Audit not completed at report date	Unqualified with some findings	Pending the outcome
Thabo Mofutsanyana Municipalities				
FS191 Setsoto Local Municipality	B	Qualified with findings	Unqualified with findings	Regressed
FS192 Dihlabeng Local Municipality	B	Qualified with findings	Unqualified with findings	Regressed
FS193 Nketoana Local Municipality	B	Audit not completed at report date	Disclaimed	Pending the outcome
FS194 Maluti-a-Phofung Local Municipality	B	Audit not completed at report date	Audit not completed at report date	Pending the outcome
FS195 Phumelela Local Municipality	B	Qualified with findings	Unqualified with findings	Regressed
FS196 Mantsopa Local Municipality	C	Qualified with findings	Qualified with findings	Same audit outcome
DC19 Thabo Mofutsanyana District Municipality	C	Qualified with findings	Unqualified with findings	Regressed
Fezile Dabi Municipalities				
FS201 Moqhaka Local Municipality	B	Unqualified with some findings	Unqualified with some findings	Same outcome
FS203 Ngwathe Local Municipality	B	Disclaimed with findings	Qualified with findings	Regressed

FS204 Metsimaholo Local Municipality	B	Qualified with findings	Unqualified with findings	Regressed
FS205 Mafube Local Municipality	C	Audit not completed at report date	Audit not completed at report date	Pending the outcome
DC20 Fezile Dabi District Municipality	C	Audit not completed at report date	Adverse	Pending the outcome

1.2 Problem statement

Municipalities are mandated by section 152 of the country's Constitution to offer services to their residents in a sustainable and consistent manner. The section further notes that a municipality must aim to attain the goals outlined in section 152 within its economic and administrative capabilities. This is the ideal state of affairs for which municipalities must aim.

The unfortunate reality, as demonstrated by recent service delivery demonstrations, is that municipalities are struggling to fulfil the legislative obligation of delivering services to their residents in a manner which is sustainable. As previously reported, the Free State province was marred by service delivery protests during 2018 as a result of dissatisfaction with provision of basic services by local authorities.

Consumer unhappiness results in people not paying for their services, which further burdens the municipalities' operating budgets. This results in municipalities being unable to give communities basic services. The auditor-general report for 2017/2018 asserts that the financial stability of Free State municipalities has continued to deteriorate and that municipalities have faced severe cash flow constraints (Auditor-General South Africa 2019). The lack of capacity to collect payment for services from residents raises the reliance of the municipality on the equitable share allocation. This is stated in the LGES assessment article as published by SALGA (Ledger & Rampedi 2019).

The dependence on equitable share, as alluded to by Hendriks (2016), leads to questions such as:

- In light of the current situation, are municipalities able to fulfil their constitutional objectives of the provision of basic service delivery?
- With unemployment increasing as per the Stats SA Quarterly Labour Force Survey of 2019 (Statistics South Africa 2019), should the LGES formula not be adjusted for the current environment?

Should these problems not be addressed, the current satisfaction levels of Free State residents will worsen as municipalities will struggle even more to provide basic services to their residents.

1.2.1 Research questions

By focusing on the subsequent main questions, the study aims to ascertain whether the LGES formula, which specifies the equitable allocation of resources, empowers local authorities to offer services deemed basic to their residents. The research aims, therefore, to respond to the following research questions:

- Are municipalities in the Free State able to provide basic services based on the current equitable share allocations?
- Does the LGES allocation still satisfy its constitutional mandate in light of the current state of affairs?
- Does the present prevailing state of municipal financial affairs in the province warrant a modification of the LGES formula?
- Are the local authorities utilising the equitable share to deliver basic services or to pay operational costs due to lack of fiscal capacity?

1.3 Research objectives

1.3.1 Primary research objective

The primary research objective of this study is to evaluate the Free State municipalities' provision of basic services based on the allocated Equitable Share Model (ESM).

1.3.2 Secondary research objectives

The secondary research objectives of this research are to:

- Discuss the LGES formula;
- Consider whether the LGES fulfils its constitutional mandate;
- Determine whether the current prevailing conditions in the Free State warrant a modification of the LGES formula; and
- Consider whether the Free State municipalities are utilising the equitable share to deliver basic services or to pay operational costs due to lack of fiscal capacity.

1.4 Research methodology

A quantitative format for the research process would be ideally suited to attain the research objective. Bryman, Bell, Hirschsohn, Dos Santos, Du Toit, Masenge, Van Aardt and Wagner (2018) demonstrate quantitative analysis by conducting mathematical, statistical and numerical methods and collecting quantifiable data as a methodical study of phenomena. The analysis was done using questionnaires.

1.5 Demarcation of study

The Local Government Equitable Share model and formula. This is an unconditional allocation as determined by the constitution.

1.6 Chapter arrangement

The research chapters are delineated as follows:

- *Chapter One* outlines the introduction and discusses the overview of the study.
- *Chapter Two* examines and reviews the existing literature.
- *Chapter Three* highlights the research methods utilised during this research.
- *Chapter Four* interrogates the findings made during the research.

- *Chapter Five* examines the recommendations and formulates the conclusions.

1.7 Conclusion

The aim of this research was to examine the effect of the allocation of equitable share on the capacity of municipalities in the Free State to provide basic services. The financial sustainability of local authorities in the Free State has deteriorated gradually, primarily due to structural difficulties and the failure of municipalities to raise and/or produce their own revenues. This topic was clearly expressed by South Africa's auditor-general when he tabled his Municipal Finance Management Act 2017/2018 report (Auditor-General South Africa 2019).

SALGA (Ledger & Rampedi 2019) has also found the LGES formula lacking in the ability to comprehensively capture the expenses of delivering such basic services to people by the local authorities. Furthermore, the LGES formula does not properly consider the different municipalities' capacity or lack thereof to produce their own revenue. It implies that differentiated costing for each individual municipality should be implemented to account for their varying capacities.

Despite the improvements made thus far by local authorities, the performance of local government has been weak. With the challenging circumstances of restricted internal capacity to collect the necessary revenue to effectively fulfil the obligations entrusted to them, a number of local authorities are faced with difficult socio-economic contexts. In such a setting, the optimum selection and efficient usage of whatever financial resources are available is of utmost importance.

Chapter 2 – Literature Review

2.1 Introduction

The intention of this chapter is to review the existing literature available on equitable share models and the ability of Free State local authorities to provide basic services based on the allocated ESM. Bryman et al. (2018) consider systematic reviews of research as cornerstones of evidence-based approaches that aim to provide advice for practitioners and decision makers based on the available evidence. An illustrative table of the reviewed literature is presented in Table 2.1.

Table 2.1: Illustrative table of literature review

LGES Allocation	Impact of Allocation	Service Delivery
<ul style="list-style-type: none"> • Brand (2016) • Consitution of Republic of South Africa – LGES (1996, 2004) • Division of Revenue Act (2019) • Financial Fiscal Commission – LGES (2011, 2012, 2013, 2019) • Llano-Arias & Norman (2015) • Mpumela (2015) • Penxa (2018) • Pieters (2015) • South African Local Government Association – LGES (2012, 2019) • Statistics South Africa (2016, 2018) • National Department of Cooperative Governance (2012) • National Treasury South Africa (2019) 	<ul style="list-style-type: none"> • Auditor General South Africa (2019) • Bravo J – Effect of transfer (2013) • Financial Fiscal Commission – Impact of allocation (2016) • Free State Provincial Economic and Review Outlook (2020) • Hendriks CJ – Journal dependence on allocation (2018) • Hlalele et al. (2016) • Hlatywayo et al. (2016) • James et al. (2015) • Madumo (2015) • SALGA adequacy of allocation (2019) • Shai (2017) • Statistics South Africa (2016, 2018, 2019) • Toerien (2015) 	<ul style="list-style-type: none"> • Auditor General South Africa – Service delivery status (2018) • Auditor General (2019) • Burger (2020) • Consitution of the Republic of South Africa – Basic Service delivery (1996) • Choane (2019) • Department of Water Affairs White Paper – Basic service delivery (1994) • Dlamini & Reddy (2018) • Financial Fiscal Commission adequacy of equitable share (2017/18) • Framework for Municipal Indigent Policy (2005) • Mashau & Nyawo (2019) • Mathebula et al. (2016) • Municipal Financial Stability Index (2018) • PricewaterhouseCoopers (2020) • Statistics South Africa (2016, 2018, 2019) • Tissington (2013) • White Paper on Local Government (1998)

2.2 Equitable Share Formula

Penxa (2018) suggests that equitable share is a form of unconditional grant that encourages local authorities to offer basic services to the vulnerable. Equitable share is revenue collected at national level and this allows both provinces and municipalities alike to carry out the mandates assigned to them as stated in section 227(1)(a) of the Constitution of South Africa and the provision of basic services. For

the estimation of the amount of equitable share a municipality earns, a formula popularly called the LGES formula is utilised.

The formula-based method to allocate revenue equally through all government domains was implemented by National government through the National Treasury with its 1998 budget, brought this provision into effect. At local government level this system is referred to as the LGES (National Treasury, SALGA & Cooperative Governance 2012).

On 1 July 1998, the LGES formula came into effect. With Free State municipalities' financial stability continuously decreasing, it is important to examine the full impact of municipalities' ability to provide basic service delivery needs, as per the allocated equitable share.

The LGES formula has developed according to the discussion paper of the National Treasury, SALGA and Corporate Governance (2012). The initial formulation suggested four sub-grants guided by formulae:

- The grant of basic services (S) which supplements the cost of providing services to poor families;
- Grant to local authorities (I) to facilitate the financing of administrative and political structures;
- Tax base equalisation grant to reduce inequalities across metropolitan local sub-structures; and
- A matching grant intended to resolve the impacts of jurisdictional externality.

Ultimately, the S and I grants were considered to distribute funds. This is due to the fact that the tax base equalisation grant was no longer useful as a result of the changes to the structure of metropolitan municipalities and, due to data constraints, the matching grant was difficult to measure. The S grant accounts for 67% of the entire grant and is the largest share of the distribution to municipalities. The 33% remaining is distributed to other windows of support. The formula is outlined in Table 2.2.

Table 2.2: Formulae 1998–2005 Local Government Equitable Share Formula

Formula	Description
<p>S – GRANT FORMULA</p> $S = \alpha\beta LH_i$	<ul style="list-style-type: none"> • Alpha is a phase-in parameter with $0 < \alpha < 1$ which takes into consideration the “varying levels of the current actual servicing of the poor both in rural and in urban areas” • Beta seeks to adjust the size of the grants according to the budget that is available. It is known as the budget-adjustment parameter • L seeks to measure the approximated annualised cost of providing basic public services per domiciliary classified as poor • H is the number of domiciliaries considered poor
<p>I – GRANT FORMULA</p> $I_i = I_0 P_i - 0.075 (y_i - 250) P_i I_i$	<ul style="list-style-type: none"> • I_0 computes the total sum of cash apportioned via the I-grant. It is also known as the per capita I-grant parameter • P_i is the population for the municipality • Gamma considers any value > 0 and ≤ 1 • y_i is the monthly average per capita outlay in the Municipality I for values of y_i below the specified R250 per capita floor monthly threshold

Source: National Treasury, SALGA and Cooperative Governance (2012)

National Treasury, SALGA and Cooperative Governance (2012) reported that from 1998 to 2004, three significant amendments to the formula occurred. Firstly, in 2001/2002, funding was transferred from provincial to local government for former R293 cities, which were black townships as per the abolished proclamation R293

of 1962, and a new funding window was created to account for this adjustment in the equitable share.

In the former Bantu-homeland regions, the allocations to R293 cities and worker's subsidies to municipalities were operational. This was meant to finance the transition of municipal activities and workers from the provincial government sphere to the local government sphere.

A second significant amendment occurred in 2002/2003 when the poverty calculation, which attempts to tally the number of households considered impoverished, was altered from an income-based calculation to an imputed expenditure variable.

National Treasury, SALGA and Cooperative Governance (2012) explain that if income was found to be less than R800 per month, a household was considered poor under the income system. With the expenditure approach, however, a household is measured as poor if its expenditure is less than R1100 per month. This amendment in turn increased the number of households considered poor in each municipality and, subsequently, the distribution of the S grant.

Finally, in 2003/2004 two new funding windows were created to account for the increased cost to communities in terms of equitable share as the provision of free basic services was introduced to disadvantaged households.

The development of the LGES formula shows how equitable shares are still essentially a transfer in design through frequent short-term changes to the allocation. The formula is continuously updated and modified to suit the municipal context and to attain development goals.

The formula has evolved since its inception as follows in Table 2.3:

Table 2.3: The evolution of the LGES since 1994

BUDGET YEAR	EQUITABLE SHARE FORMULA EVOLUTION
1994/1995	First democratically elected government comes into power.
1998/1999	First introduction of the formula-based LGES.
1999/2001	The withdrawal of SALGA from the allocation through the introduction of the LGES formula as SALGA is not a recognised sphere of local government.
2000/2001	Shifting of funding functions for former R293 towns from provincial sphere to local sphere of government. This applied to the areas previously classified as homelands.
2001/2002	Census 2001 takes place.
2002/2003	Poverty measure changes from income to imputed household expenditure.
2002/2003	Nodal priority projects: additional funds for particular programmes in designated nodal areas were made available.
2003/2004	Free basic services introduced and added to formula.
2003/2004	Statistics South Africa (Stats SA) releases Census 2001 data.
2004/2005	Comprehensive formula review, fundamental data update using the 1996 to 2001 Census information.
2004/2005	Last year of distribution using the original formula.
2005/2006	Revised formula introduced.
2007/2008	Introduction of financing for local authority health services as a component of a portion of basic services.
2009/2010	Changes in the Revenue-Raising Potential (RRC) calculation and the implementation of the differentiated tax system in the RRC.
2010/2011	Modifications effected to the subsidy levels in the basic services component due to large increases in the electricity bulk price.
2011/2012	Deletion from the component of the population escalation factor and its substitution with a poverty element and reweighting of the basic services subsidies for serviced and unserved households.
2011	Census 2011 occurred.

BUDGET YEAR	EQUITABLE SHARE FORMULA EVOLUTION
2012/2013	Comprehensive review of the formula.
2012/2013	Release of data relating to census 2011 by Stats SA.
2013/2014	Revised formula introduced; phase-in changes for five years Update Census 2001 with Census 2011.

Source: National Treasury, SALGA and Cooperative Governance (2012)

Brand (2016) indicates that a more evolved financial governance framework is necessary to respond to the changing environments in which government functions. Table 2.2 indicates that the formula has not been significantly reviewed since 2013/2014 irrespective of the economic challenges the country currently faces.

Mpumela (2015) further notes that the current model of equitable share relies on data produced during the census undertaken every ten years by Statistics South Africa. Mpumela (2015) emphasises the need to keep municipal data used to compute the LGES current and relevant to prevailing conditions.

The current ESM is outdated and limits rural municipalities without capacity to generate own revenue to provide their residents with basic services. The National Treasury in their 2019 division of revenue allocation act document concedes that the ability of municipalities to raise revenue varies. The document further notes that rural local authorities produce slightly less revenue than large municipalities in urban and metropolitan areas.

Pieters (2015) criticises the LGES and terms it a “Robin Hood system”. His observations reveal that the revenue-raising component of the LGES requires a review. Currently, this component does not reward or encourage good performance by a municipality as displayed through its ability to raise own revenue.

Llano-Arias and Norman (2015) criticise the current LGES model for being disconnected from the realities of operation and infrastructure maintenance problems with which local authorities are confronted. The current formula of LGES was developed using an identical set of principles and goals employed in the design

of the initial formula of LGES implemented in 1998/1999 (National Treasury, SALGA and Cooperative Governance 2012).

It was further argued that most of these principles and objectives were no longer applicable to the local government's current context as they were when the original LGES formula was adopted (National Treasury, SALGA and Cooperative Governance 2012). As stated by the MDB during its enactment in 1998, the goals of the original formula preceded the demarcation of municipalities. These demarcations were implemented after the local government elections had taken place in 2000 and united metropolitan municipalities and local municipalities covering broad geographic areas were formed.

Since the LGES goals were originally established, the local government structure has changed considerably and therefore, it is fitting that they should now be reviewed and revised. It is clear from the reviewed literature that the current model of the LGES is outdated and does not allow municipalities, especially those in rural provinces such as the Free State, to provide basic services to their residents.

The following sections look at each aspect of the LGES formula to help explain the design and architecture of the new formula and how the determination of the final share to each municipality is computed.

2.2.1 The current components of the Local Government Equitable Share formula

The 2019 Division of Revenue Act notes the unconditional nature of the allocations of LGES. This grant can be utilised as operational expenditure in an effort to fulfil its statutory and constitutional obligations and mandates if the municipality so chooses. Regardless of the unconditional character of the LGES, the formula used to assess this distribution is made up of components that are founded on the basic characteristics and purposes of municipalities.

2.2.2 Structure of the Local Government Equitable Share formula

The LGES formula includes five elements; certain elements increase funds while others reduce funds. Table 2.4 summarises the structure of the formula. It is essential to remember that there are certain elements in the formula that raise funds for LGES allocations and other elements that minimise funds.

Table 2.4: Structure of the Local Government Equitable Share formula

$$\text{Grant} = BS + D + I - R \pm C$$

where

- BS** is the component for services that are considered to be basic
- D** is the component for development
- I** is the component for support from the institution
- R** is the component for correction of capacity to raise revenue
- C** is a general stabilisation and correction and feature.

Source: National Treasury, SALGA and Cooperative Governance (2012)

The LGES formula is explained as follows:

- **BS** – Basic services pay for local health services and the expense provision of basic services to poor households for free. This factor is weighted at 99.4% of the total value of the fair share.
- **D** – This component is inactive and was meant to be for development.
- **I** – A grant for the costs of operating basic municipal government is supported by the **I** representing institutional funding. This portion weighs 7.9% of the overall allocation.
- **Correction of R** – The potential to raise own revenue (RRC) eliminates 7.4% of the equal share value. This attempts to adjust for the fact that some local authorities have a greater capacity than other municipalities to increase their own revenues. For the bigger municipalities, this correction is largely successful.
- **C** – A marginal proportion of the final equal share allocations is compensated for by this adjustment and stabilisation element and ensures that all the

assurances in the formula can be fulfilled.

2.3 Equitable share allocation for Free State municipalities

The 2017/2018 Auditor-General's report states that the financial stability of Free State municipalities had declined to R6.1 billion in the current year from R4.8 billion in the previous year when assessing the net currently liability status (where current liabilities outweigh current assets) (Auditor-General South Africa 2019). This simply means that most local authorities will not be able to meet their financial obligations.

Furthermore, municipalities were confronted with severe cash flow limitations as they did not optimise the billing of profits from service charges and prices, nor the collection of unpaid sums from customers. It is therefore evident from the report that municipalities are unable to generate adequate income on their own and are thus dependent on the LGES grant for survival.

Hendriks (2016) notes that the intergovernmental fiscal relations of South Africa are distinguished by the fact that provincial authorities have more roles for expenditure than they can fund from their own revenue. He also notes that provinces rely heavily on government funding for the success of their service delivery functions. In addition, he asserts that provinces collect less than 3% of their revenue from own revenue sources.

Alm and Martinez-Vazquez (2015) indicate that provinces are largely dependent on equitable share and produce only 1% of their own revenues. In order to optimally meet their mandates, municipalities with high and recurrent vacancy rates work with an insufficient personnel complement which has a negative effect on revenue collection. In addition, efforts to grow fee and tax collection, whether through higher efficiency or higher tariffs, can exacerbate a customer's reluctance to pay, and further restrict the ability to generate own revenue (Bravo, 2013).

The lack of ability to collect on services charged to residents increases the dependence of the municipalities on equitable share. This is reported in the SALGA report on the evaluation of the LGES (Ledger & Rampedi 2019).

Shai (2017) states that despite the progress made after the 1994 elections, local government performance has been poor, with many municipalities facing challenges of raising adequate internal revenue to meet the basic service delivery mandates assigned to them.

Toerien (2015) asserts that the Free State is largely dependent on agriculture. Hlalele et al. (2016) indicate that drought has had a negative effect on the agriculture sector of the Free State. The Free State Provincial Economic Review and Outlook (Free State Provincial Treasury 2020) states that the Free State economy has struggled to create jobs since 2009. The report further states that the provincial economy has recorded negative growth in 2009, 2015, 2016, 2018 and 2019, which further limits the ability of the province to collect on services charged.

Madumo (2015) indicates that it is gradually becoming more and more difficult for government to hasten development due to problems related to poor governance, lack of proper skills, corruption, mismanagement and maladministration. Hlatywayo and Mpofo (2015) indicate that poor performance, poor conduct and corruption of municipal workers are some of the key factors prohibiting efficient provision of basic service delivery. These factors also hamper fiscal effort exerted by municipalities to increase own revenue.

Typically, fiscal exertion is constrained by factors such as inefficiencies of the local authority, administrative ability and competency level, all of which present issues compromising the attainment of goals. The number of vacancies that currently exists in municipalities is one observable indicator proving the limitation of the implementation of fiscal improvement efforts by local authorities (Financial Fiscal Commission 2013).

The Financial Fiscal Commission report (Financial Fiscal Commission 2016a) issued during 2017/2018, indicates that total allocations to local government have been increasing over the years. During 2006/2007 these allocations totalled R18.2 billion and were projected to increase to R128.4 billion by 2018/2019. During this time, the unconditional part of the total allocations was higher than the conditional

part. This should have resulted in municipalities having an improved cash flow as unconditional allocations can be added to the operational budget. The Auditor-General South Africa's (2019) report, however, conveyed the opposite as to what had been alluded previously.

The Financial Fiscal Commission (2016a) indicates that the portion of allocations of the revenue raised nationally for municipalities had also risen from 6.3% in 2006/2007 to 9.0% in 2015/2016. It was estimated to reach 9.4% in 2018/2019. In reality, the actual allocation to municipalities during 2018/2019 was only 9.1%. Therefore, it becomes increasingly important to consider whether these allocations will not decrease further as the economic challenges in the country worsen.

The Financial Fiscal Commission (2016b), when assessing the adequacy of LGES and conditional grants for rural development, concluded that transfers adequately compensate rural local municipalities for lack of own revenue in some services but not in others. This report further states that it is crucial to regularly review every transfer stream to ensure proper alignment. This further supports the view that the equitable share is not adequate and does not enable municipalities to provide basic services.

The SALGA (Ledger & Rampedi 2019) has raised the concern that while the proportion of revenue raised nationally and allocated to local government has increased from about 3% in 2001 to 9% in 2019, this is still insufficient for many municipalities to adequately provide basic services and infrastructure.

2.4 Service delivery issues in the Free State

Auditor-General South Africa (2019) alludes to the fact that the local government climate in the Free State has demonstrated a complete breakdown of internal controls. Further to this, the auditor-general warns that the Free State's financial crisis is becoming a serious concern.

Since 1994, all three government spheres (state, provincial and local) have endeavoured to improve the living conditions of South African people by offering

basic services to households that were previously not serviced or under-serviced, with particular focus on informal and rural areas. However, considering the expansion of these basic facilities, most of the existing infrastructures were ignored and adequate maintenance was not enforced to sustain the new services. This was reflected in a study published by Statistics South Africa (2016).

Mashau and Nyawo (2019) report that South Africa's rural population to this day is still deprived of access to basic services, leading to a series of other issues such as lack of access to health, education, markets and high unemployment rates.

Burger (2020) suggests that South Africa is still marked by immense backlogs in the delivery of services considering the strides achieved by the government since 1994. Local authorities are now facing the issue of non-payment of services to compound those problems. The backlog in service delivery and non-payment of providers puts undue pressure on local authorities' financial health, with some succumbing to the pressure.

Section 152 of the Constitution of the Republic of South Africa mandates that municipalities ensure the provision of services to communities in a sustainable manner and further notes that the municipality shall aim to attain the objects laid out in section 152 within its financial and administrative capabilities (South African Government 1996).

The Constitution of the Republic of South Africa, in sections 24 and 27 of Chapter 2, defines access to sanitation, water and clean and safe environments as basic human rights fundamental to all citizens. It is the responsibility of the municipalities to champion the promotion of a safe and clean environment and the provision of services under section 152 of the Constitution.

Moreover, the Department of Water Affairs and Forestry (1994) in a departmental white paper on Water Supply and Sanitation Policy describes the minimum acceptable basic standards of sanitation as:

- Appropriate hygiene and healthy behaviour and awareness;

- A manner of disposal of waste water, waste and human excreta that is economical and appropriate to the government, safe, hygienic and easily bearable and that shall not adversely affect the environment; and
- Each household must have a toilet facility.

Dlamini and Reddy (2018) explain a local authority's Integrated Development Plan (IDP) as a crucial strategy for the progression and evolution of local government. However, the successful execution of this strategy is often impeded by the lack of resources and skills. Mathebula et al. (2016) indicate that financial backlogs are one of the major challenges inhibiting the successful implementation of IDPs.

According to the Municipal Systems Act 32 of 2000, the provision of basic services to neighbourhoods with the greatest need should be prioritised. By statute, local authorities are required to prioritise them. This assists in ensuring that at the very least a certain minimum level of public services is available to all. Because of inadequate sanitation networks, community members of informal settlements face the greatest health risk and should therefore be given priority during the provision of basic municipal services (Statistics South Africa 2016).

The South African Government's (1998) *White Paper on Local Government* lays out the government's agenda for reforming local government. The Municipal Finance chapter lists the following policy goals for local government funding and the LGES model should be guided by these policy objectives:

- Revenue adequacy and certainty: Municipalities must have access to sufficient revenue sources – either their own internally generated resources or intergovernmental transfers – to allow the local authorities to perform the functions assigned to them. Municipalities ought to be given encouragement to make good use of these revenue streams in order to achieve their developmental goals. In order to allow for practical planning, municipalities should have a reasonable level of the assurance of internally generated revenue.
- Sustainability: Financial sustainability needs local authorities to safeguard that their budgets are balanced (expenditure should be covered by income). Given constraints experienced with revenue, local authorities must

endeavour to deliver services at affordable levels and must put measures in place to ensure that they can recover service delivery costs. No bailout will be granted to a municipality that is overspending its budget and/or failing to put in place appropriate controls on financial management. It is the duty of elected leaders to make sure that reasonable budgets are developed. There is, however, a need for subsidies to ensure access to basic services for disadvantaged households who are unable to pay.

With the current economic crunch, Free State municipalities lack both certainty and sustainability. Strategy (2020) refers to this economic crunch as “slowbalisation” and it will be worsened by the effects of the COVID-19 virus lockdown that the president announced. This lockdown further limits the basic service delivery abilities of Free State municipalities.

The Municipal Systems Act 32 of 2000 (Republic of South Africa 2000) lays down the machinery and techniques to allow municipalities to ensure socio-economic upliftment within their respective communities and to provide access to basic services universally. It attempts to empower the impoverished and to ensure the establishment of service tariffs and credit/debtor control policies by municipalities that incorporate the needs of the poor/indigent.

Municipalities must adopt an indigent programme under the Municipal Systems Act 32 of 2000 that allows disadvantaged households access to basic municipal services. The challenge for the municipalities is to identify the indigents accurately because false targeting of the poor threatens the distribution of the subsidy.

In 2005, local government departments both nationally and provincially created the National Framework for Municipal Indigent Policies (Department of Provincial and Local Government 2005/2006). As part of the social wage package, the social sector cluster has approved this Free Services Programme. The National Framework notes that the Municipal Indigent Strategy seeks to cover those already excluded from access to public services by establishing a social security network and by providing a framework for how this can be accomplished at the level of local

government. The National Framework is intended to provide a base on which townships will develop their own indigent policies.

By raising revenue from those who are not indigent and who can afford to pay for the services rendered, it is necessary for municipalities to remain financially viable (Department of Provincial and Local Government 2005/2006). A specific challenge is to ensure that access to free public services can be managed in the implementation of basic infrastructure to ensure that subsidies are well targeted to the indigent while not undermining municipalities' financial viability (Department of Provincial and Local Government 2005/2006).

Burger (2020) notes that the current debate on non-payment of services is concerned with the issue of whether non-payment arises from poverty (a problem of capacity to pay) or a culture of non-payment (a problem of willingness to pay).

Tissington (2013) suggests that one of the biggest problems in terms of funding for basic services is that the LGES grant is not being sufficiently applied or targeted, particularly in rural municipalities and in former homelands. This further means that the LGES no longer fulfils its constitutional mandate and thus warrants a review.

2.5 Conclusion

This chapter focused on reviewing the literature that exists for equitable share models and the ability of Free State local authorities to deliver basic services based on the allocated equitable share. It examined the theoretical and legislative framework governing basic service delivery and equitable share. This chapter also highlighted that the current LGES allocation is clearly not adequate enough to allow municipalities in the Free State to provide basic service delivery. There are also very few prospects of municipalities being able to increase their own revenue generation capacity due to high unemployment rates and a recessionary economy.

The following chapter describes the research methodology adopted for this study.

Chapter 3 – Research Methodology

3.1 Introduction

Research methodology is the process that researchers adopt in order to carry out their research. In this chapter, the researcher will focus on the methods of research design and data collection that were employed during this study. The research design outlines the research approach and the instruments used to collect data.

Bryman et al. (2018) explain epistemology in terms of the issue of what is (or should be) considered appropriate knowledge in a particular discipline. In particular, in any field of study, epistemology is concerned with possibilities, existence, origins and information limitations. Alternatively, epistemology can be branded as the study of the criteria by which the researcher seeks to classify what can and cannot constitute knowledge.

Various sources of expertise exist in the study of this theory. In particular, sources of information relating to market research can be categorised into the following four groups according to Bryman et al. (2018):

- Intuitive knowledge is founded on intuition, belief and convictions. In intuitive intelligence, human emotions play a greater role than facts;
- Authoritarian expertise is founded on information from publications, books, research documents, supreme powers and experts;
- Logical knowledge is the development of new knowledge by means of logical reasoning; and
- Scientific knowledge is based on previously developed and proven facts that are objective.

Bryman et al. (2018) explain that three basic epistemological positions exist, namely:

- Positivism – emphasises the importance of using or mimicking natural science approaches. Therefore, reliable evidence or outcomes can be produced only by measurable phenomena;

- Interpretivism – assumes that the discrepancies between people and the objects of the natural sciences ought to be respected by every scientific approach. It thus focuses on subjective significance and social phenomena; and
- Realism – claims that external truth is different from the descriptions of scientists and that social and natural sciences should in fact apply identical methods to collecting and to interpreting such data.

3.2 Research design

A suitable structure for the analysis and presentation of the research was designed. In order to accomplish the purpose of the study, a quantitative research design was best suited. By conducting mathematical, statistical and numerical methods and obtaining quantifiable data, Bryman et al. (2018) describe quantitative analysis as the methodical study of phenomena. The study was carried out using a questionnaire.

3.3 Sampling strategy

A purposive sampling method and a non-probability sampling method were utilised for the recruitment of respondents. For the purposive sampling approach, specific respondents were selected intentionally from the population with the expectation that given their levels of experience and position they would possess adequate and appropriate knowledge about the subject of the research.

The sample was chosen purposefully and was comprised of officials with expertise in financial management and those who deal frequently with municipal finances. The population included representatives from the following institutions:

- Provincial and National South African Local Government Association (SALGA);
- Provincial and National Treasury;
- National and Provincial Department of Cooperative Governance;
- Financial Fiscal Commission;
- One metropolitan municipality;

- Four district municipalities; and
- Eighteen local municipalities.

For each municipality, the sample included the following officials (acting or appointed):

- Chief Financial Officer; and
- Budget Manager.

For other stakeholders, the following officials (acting or appointed) were included in the sample:

- Eight National SALGA representatives;
- Eight Provincial SALGA representatives;
- Eight National Treasury representatives;
- Eight Provincial Treasury representatives;
- Eight Provincial Department of Cooperative Governance representatives;
- Eight National Department of Cooperative Governance representatives;
- and
- Eight Financial Fiscal Commission representatives.

The other stakeholders for the purposes of completing the questionnaires were selected from a municipality based on their access to information and the reports of the municipality. A total of 102 respondents were included in the sample. Participants were recruited telephonically after their telephone numbers were obtained from their respective work websites. This recruitment occurred only after ethical clearance was granted by the university.

3.4 Data collection method

A questionnaire was utilised to gather data. Kabir (2016) explains that a questionnaire comprises a series of questions aimed at gathering data from selected respondents. Questionnaires were desirable due to the following reasons:

- The extensive number of respondents who could be reached;
- Less time and resources to conduct the data-gathering were needed;

- They presented the prospect of anonymity because names are not required;
- There was less room for bias because they were presented in a consistent way; and
- The ease associated with distributing the questionnaires.

The literature reviewed in Chapter Two formed the basis of the questionnaire. The questionnaire was compiled and discussed with the researcher's supervisor and submitted for ethical clearance approval where it was further scrutinised. It was only after this scrutiny that clearance was granted.

On account of the COVID-19 global outbreak, the questionnaires were sent via electronic mail and were thus administered electronically. The researcher, therefore, limited contact with the respondents by using electronic means to gather data. Nayak and Narayan (2019) asserted that online questionnaires provide flexibility to respondents. The need for increased flexibility was further exacerbated by the COVID-19 outbreak.

All respondents were asked to answer an identical list of statements. Accordingly, the questionnaire was expected to produce the valuable data needed to attain the research objectives.

The questionnaires were based on a Likert scale. Responses to each statement were given using a Likert scale of five points, for which 1 equals "strongly agree" to 5 equals "strongly disagree". The responses were then tallied up to determine a score. A total of 17 statements were put to each respondent.

Statements were crafted to answer the following research questions:

- Is there provision of basic service delivery by municipalities in the Free State based on the current equitable share allocations?
- Does the Local Government Equitable Share (listed per component), in light of the current situation, still fulfil its constitutional mandate?
- Does the current state of municipal financial affairs in the Free State warrant an adjustment of the Local Government Equitable Share formula?

- Are the municipalities utilising the equitable share to deliver basic services or to pay operational costs due to lack of fiscal capacity?

Furthermore, the questionnaire consisted of four sections as follows:

- Section A – Personal data of the respondents;
- Section B – Reason for service delivery problems;
- Section C – Revenue generation capacity and sustainability; and
- Section D – Relevance of the current components of the LGES formula.

3.5 Data analysis

Data was analysed with the assistance of a statistician. Post the collection of the data, the electronic systems utilised preliminarily analysed and evaluated the data to ensure that erroneous items were not included in the entries. The raw data was converted into a scientific format with the aid of statistical tools. This conversion process included assessing the questionnaires and designing and assigning numeric values for each of the likely responses. The data was then computed into the programme.

The questionnaire is included in Appendix A. Data saturation, a point where no new information is observed in the data, was considered and not found to have been reached.

3.6 Ethical considerations

In conducting the research, every effort was made to ensure that the integrity and the quality of the research were not compromised. Informed consent was sought from all participants, the relevant institutions and authorities. All participants participated in the research voluntarily and were at all times protected against harm.

Informed consent for performing research was a significant ethical issue. Informed and free consent comprises the following features as described by Bryman et al. (2018):

- A prelude to the research;

- Research purpose detailed explanation;
- Clarification about the choice of the research subjects; and
- The process and procedures that would be implemented.

The researcher informed the participants about the approaches to be utilised to protect their confidentiality, privacy and anonymity. They were also given an indication of the individual whom they could approach to discuss the study. Finally, it was explained that they had the freedom to withdraw from the research at any given point. All measures deemed possible were implemented during the research in an effort to safeguard participants from possible psychological stress, social damage or physical danger both during the research and after the circulation of the research results.

Bryman et al. (2018) further indicate that data privacy is protected by ensuring the following:

- Unauthorised access to private and confidential data is eliminated by utilising access controls;
- Inappropriate use of data is prevented by ensuring that data is only utilised for its intended purpose;
- Completeness and accuracy is ensured when collecting data by technological means; and
- The rights to inspect, update or correct the data is granted only to authorised individuals.

Permission from the institutions chosen to participate in the research was obtained prior to the start of the study. The letters granting permission are included as Appendices E and F. Formal letters were also sent to the participating organisations seeking their approval for data collection purposes. These letters of request are included in Appendices B and C.

Furthermore, the Free State University's Ethics Committee granted ethical clearance prior to the commencement of data collection. This process included submitting a research proposal, copies of the questionnaires used in the research and approval letters confirming the participation of all institutions included in the

research. Clearance number UFS/HSD2020/0504 was granted in this regard. The ethical clearance document is included in Appendix D.

As a result of the COVID-19 global outbreak, the questionnaires were sent via electronic mail and were therefore administered electronically utilising an online survey-based tool called EvaSys. This was done in an effort to limit the potential spread of COVID-19 between the researcher and the participants and to observe the regulations the government had put in place to flatten the curve of virus spread.

EvaSys, enterprise survey management software, drives high survey response rates and powerful reporting for all stakeholders. EvaSys helps to improve the distribution and design of online surveys. It assists in the production of statistical reports and sets input processes in motion at the push of a button that sends regular reminders to the participants, thus enhancing the credibility of data collection. Each participant had a unique password which further protected the respondents.

No inconvenience from this study was experienced. The respondents were encouraged to complete the questionnaires during their lunch breaks or at any other time that did not interfere with their employment hours or duties.

3.7 Conclusion

Chapter Three concentrated on the nature and methods that underpin this research. In this chapter, specific information about research methods has been clarified. The following chapter builds on from the methodological propositions made in this chapter by focusing on and analysing the data collected.

Chapter 4 – Data Analysis and Interpretation

4.1 Introduction

This chapter addresses the analysis and interpretation of the study's data. The main aim of the study was to determine if the LGES formula, which specifies the equitable allocation of resources, empowers the municipalities of the Free State to offer basic services to their residents.

A questionnaire was utilised as a data-gathering tool. These questionnaires were sent via electronic mail and were thus administered electronically utilising an electronic survey tool called EvaSys. Each respondent was requested to respond to an identical list of statements. The questionnaire was developed based on a five-point Likert scale. A total of 17 statements were presented to the participants.

The first part of this chapter establishes a comprehensive view of the backgrounds of the respondents from their biographical details gleaned from the questionnaires. This outline is followed by the analysis of the data obtained and the related summary thereof. The analysis of the data has been simplified by the use of graphs. The data collected was analysed using the Statistical R Programme. Inferential tests were also conducted on the data.

The questionnaire was divided into four sections as follows:

- Section A is the biographical data;
- Section B attempts to assess whether problems with service delivery are due to budgetary constraints. This section also considers whether the existing inefficiencies in capacity constrain the fiscal activities of local authorities and seeks to understand the budgetary and planning processes of each municipality;
- Section C's statements are intended to obtain an understanding of the revenue generation capacity of the municipality and the sustainability of available resources; and

- Section D aims to decipher whether the respondents deem the current components of the formula relevant to the existing local government conditions and discourse.

4.2 Response rate

The survey targeted 102 respondents both nationally and provincially with national targeted participants at 31.38% and provincial targeted participants at 68.62% of the sample. Of the 102 questionnaires distributed, 62 respondents participated in the survey. Of the 62 responses, 10 were received from national participants and 52 from provincial participants. This represents a 60.78% overall response rate with 16.12% representing the national responses and 83.87% coming from within the Free State. Of the questionnaires completed, two were only partially completed and therefore, not considered in the formulation of the overall analysis. The overall response is depicted in Figure 4.1:

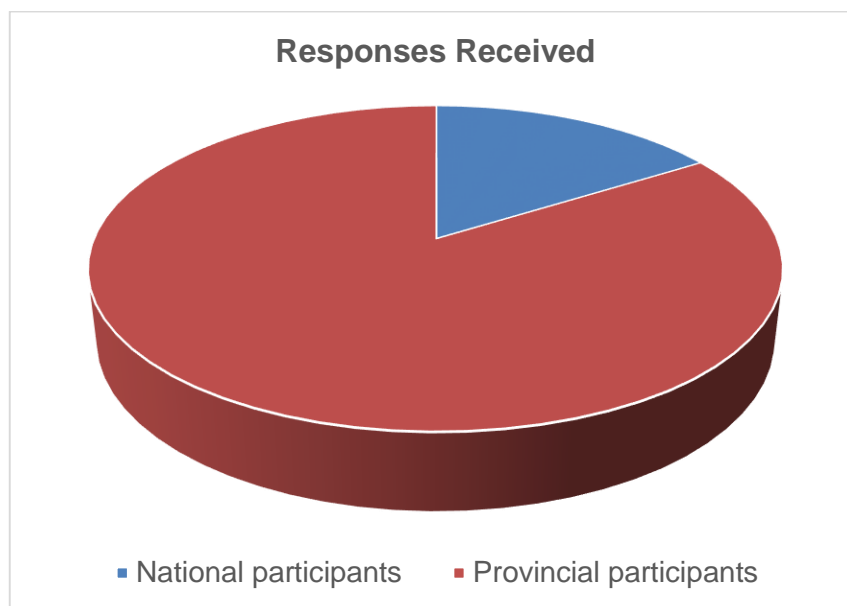


Figure 4.1: Overall response rate

For questionnaires distributed electronically, the 62% response rate can be accepted as a reasonable rate. Sekaran and Bougie (2010) argue that for questionnaires distributed via email and thus PC media a reasonable response rate is approximately 30% or more. The 30% reasonable response rate was not only reached but surpassed.

4.3 Analysis and interpretation of biographical data

Section A included four normally scaled statements. The biographical information required was as follows:

- Name of Municipality/Organisation;
- Level of Management;
- Position of Participant; and
- Years of Experience.

Of the sampled institutions, all institutions participated except for three of the local municipalities in the Free State.

As part of a purposeful sampling process, particular respondents who are “required” to be knowledgeable about the key concepts were selected from the population. The sample was purposefully chosen and included officials with financial management experience and others who have extensively interacted with municipal finances. The analysis of the biographical data is therefore crucial to ensure the relevance of the research results. This analysis will determine whether the respondents could reasonably be expected to be well acquainted with the concepts of the research study. The biographical data related to the level of management are as follows in Figure 4.2:

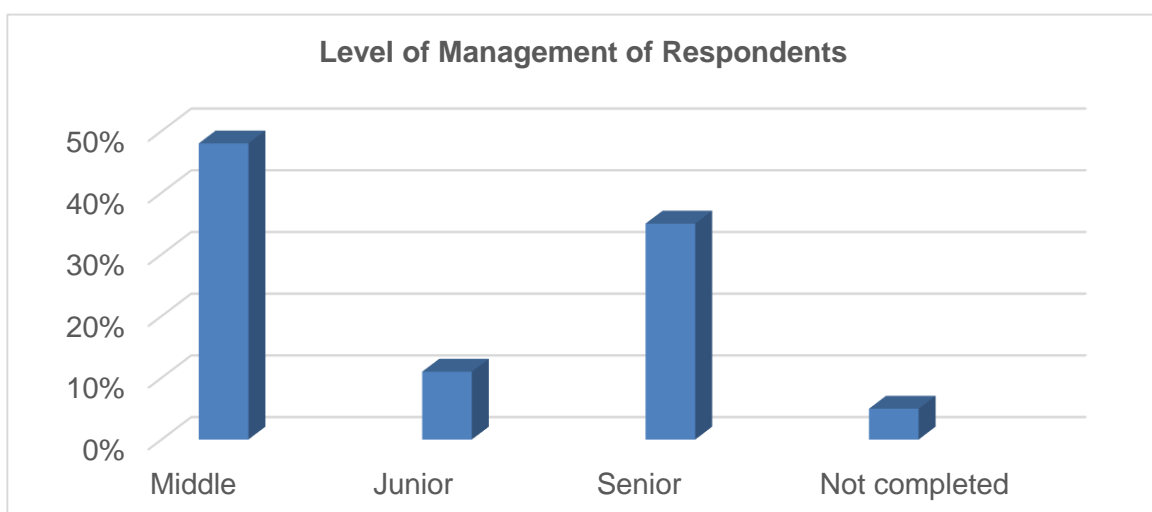


Figure 4.2: Level of management of respondents

The biographical data relating to the respondents' management positions is illustrated in Figure 4.3. When judging from the positions the respondents occupy in their respective organisations, the intent to sample respondents who are expected to be familiar with the research concepts has been supported.

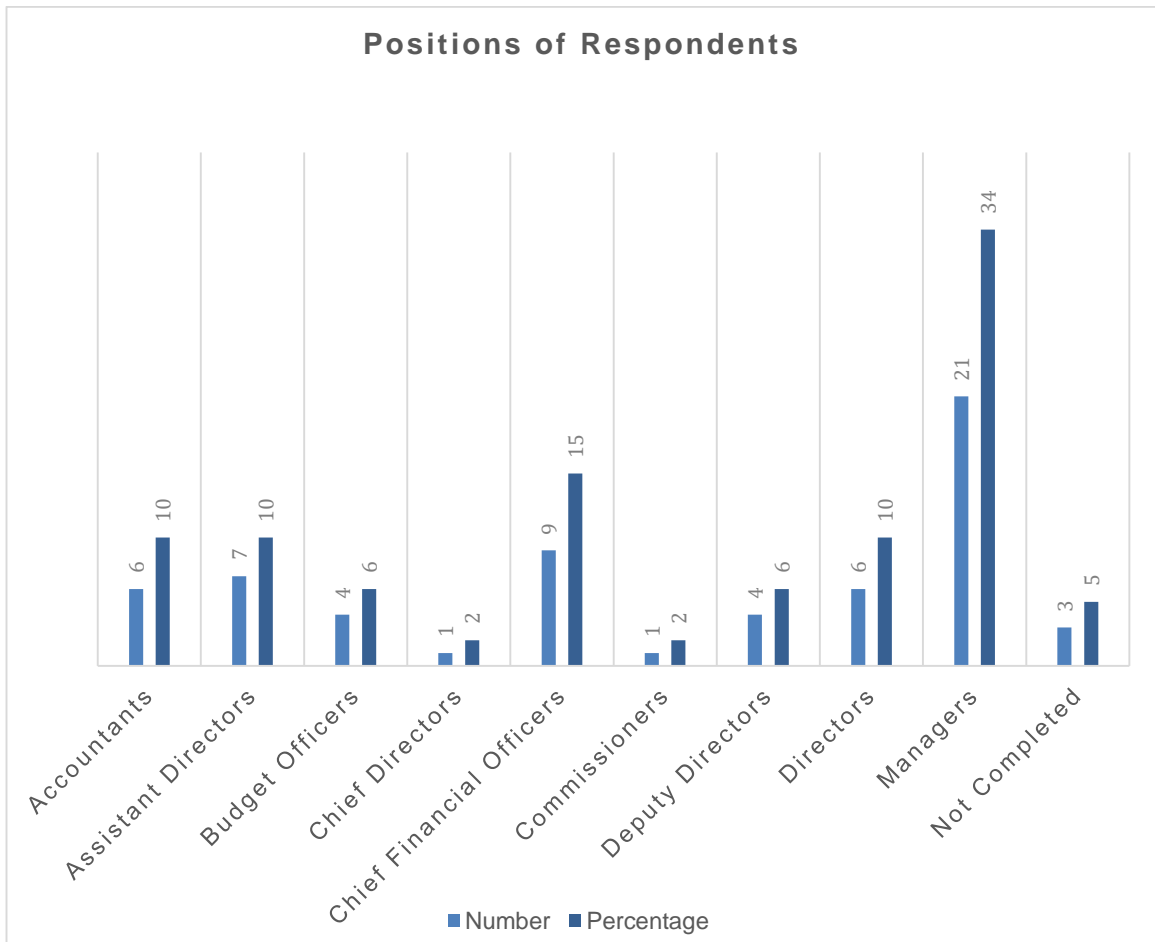


Figure 4.3: Positions of respondents

In Figure 4.4, the biographical data relating to the years of experience in management or managerial roles also supports the sampling methodology strategy by indicating that the selected respondents have occupied managerial roles and can thus be expected to be knowledgeable about the main concept being researched.

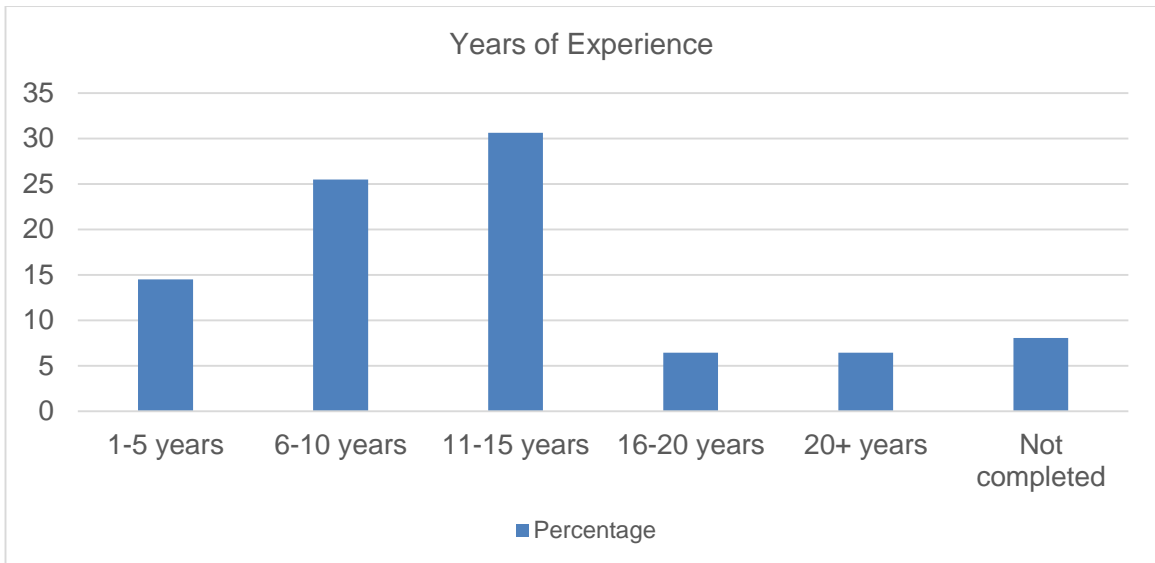


Figure 4.4: Years of experience of respondents

As the information in Figure 4.4 indicates, the respondents are mainly at the middle to senior management level and have more than five years of work experience in the municipal environment. This means the purposive sampling intent of including respondents who are expected to have knowledge of the concepts being researched was attained. The research results can therefore be interpreted with confidence.

4.4 Analysis and interpretation of the questionnaire

4.4.1 Section B

Section B attempts to assess whether problems with service delivery are due to budgetary constraints. This section also discusses whether current capacity inefficiencies limit local authorities' fiscal operations and aims to understand each municipality's budgetary and planning processes. The researcher classified the "strongly disagree", "disagree" and "moderately disagree" responses together. In the same fashion, the responses for the scores obtained for "agree" and "strongly agree" were also interpreted together.

The first two statements were concerned with understanding whether the municipality can fund 5% of capital projects that enhance basic service delivery

from internally generated funds and whether 8-10% of operational budgets are allocated to maintenance. The fourth statement examined whether the LGES grant accounts for between 55% and 60% of current budget revenue sources that fund the operating budget of the particular municipality.

The results obtained from this study indicate that 58.33% of the respondents agree that 5% of capital projects are financed by the municipality from internally generated resources, while the remaining 41.67% accept that the municipality does not have the capacity to internally generate revenue. The respondents generally therefore believe that adequate and sufficient internal sources of revenue exist to enable their respective municipalities to fund 5% of capital expenditure from own sources.

Furthermore, consistent with the literature review, 56.66% of the respondents do not agree that 8-10% of the budget is dedicated to the maintenance of the existing infrastructure and 43.34% of the respondents agree that this was the case. The literature review in Chapter Two revealed that since 1994, the three spheres of government (state, provincial and local) have been working to improve the quality of life of South Africans by enhancing the provision of basic services to households not previously serviced or under-serviced, with a particular emphasis on rural and informal areas.

However, most of the existing services have been neglected during the expansion of these essential facilities and proper maintenance has not been implemented to maintain the new infrastructure. It is important that new and current municipal infrastructures are properly maintained in order to ensure the sustainable delivery of quality service. Infrastructure is a significant asset to all municipalities and the country at large. Failure to maintain it properly will decelerate service delivery and in turn negate the impact of increased expenditure on new infrastructure.

The answers received suggest that 73.33% of the respondents do not agree that the LGES allocation funds 50-60% of the current budget for municipalities; the other 26.67% agree. This again suggests that respondents are of the opinion that their individual municipalities can raise revenue internally from own sources and therefore the LGES does not fund the major portion of the municipalities' budgets.

Figures 4.5-4.7 indicate the findings for these three statements.

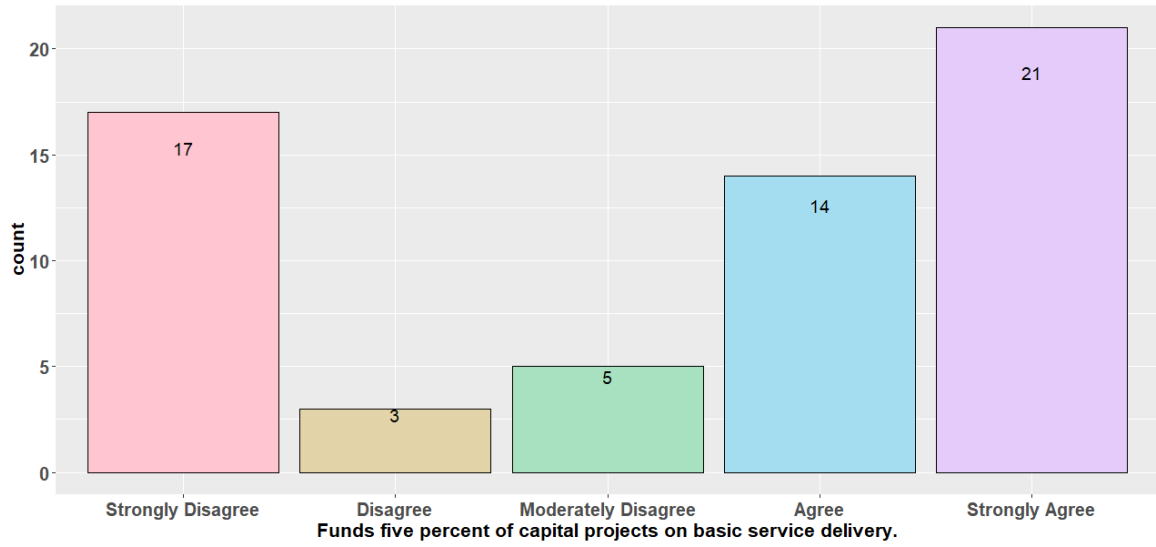


Figure 4.5: Funding of capital projects

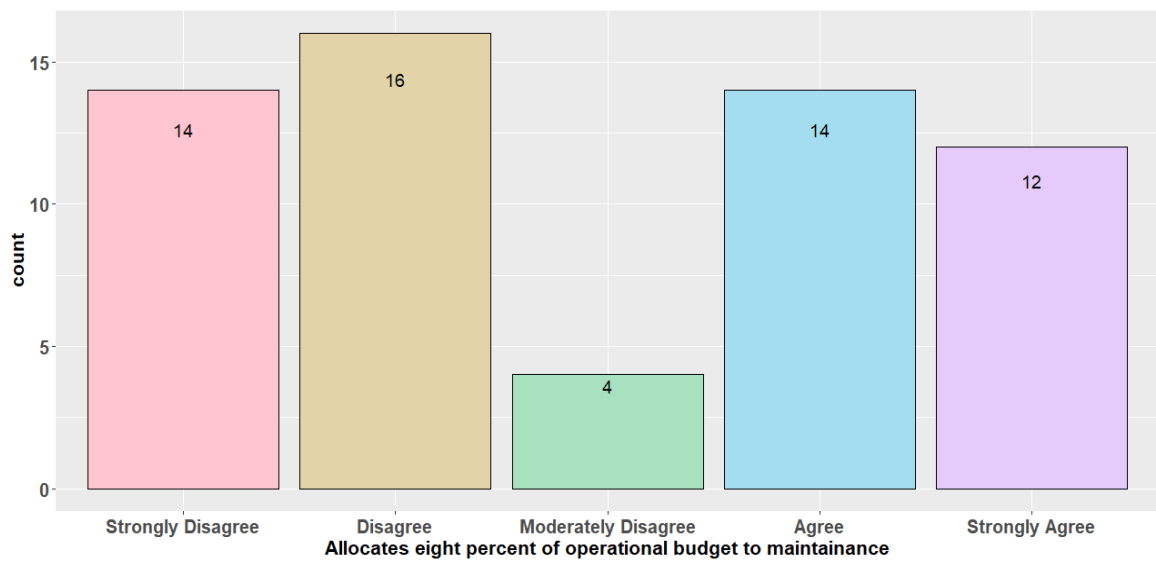


Figure 4.6: Percent of budget allocated to maintenance

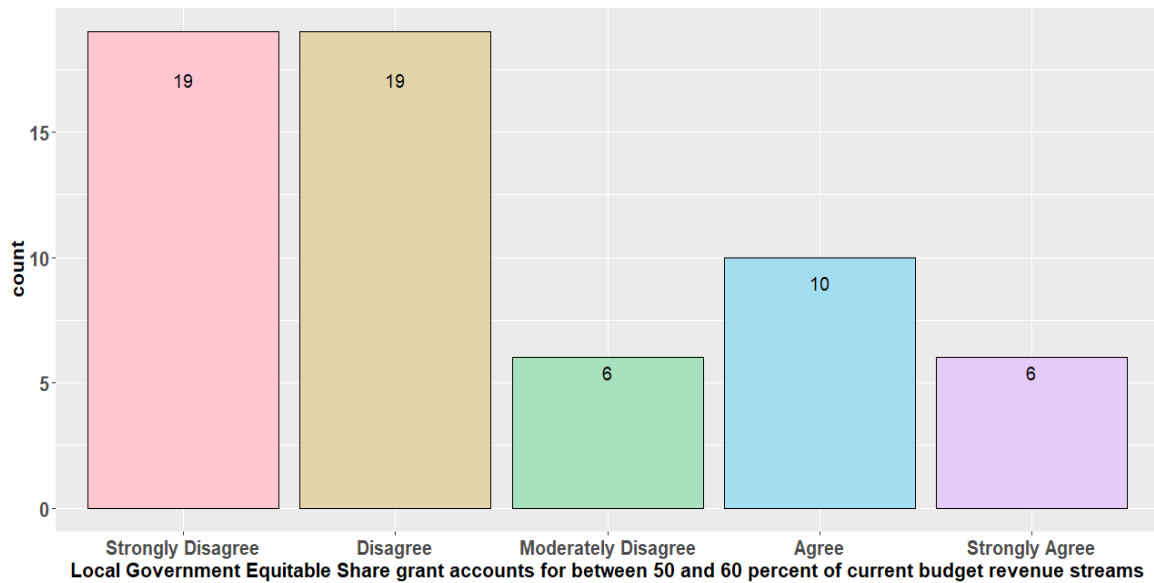


Figure 4.7: LGES percentage for budgeted revenue

In order to fulfil the main mandate of local government, which is to maximise service delivery, municipalities are required to have budgets that address the basic needs of their residents as outlined in the municipality’s IDP. Based on actual trends, current performance reports and resources available, the third statement sought to determine whether the municipality will be able to implement at least 70% of the IDP.

Most of the respondents expressed concerns that, due to budgetary constraints, the municipality would not implement 70% of the projects as per the IDP. The majority is represented by 66.66% of the population, while the other 33.33% claim that 70% of the IDP will be implemented by utilising the current budget. It is alarming that the majority of the respondents believe that 70% of the projects as per IDP will not be implemented.

The IDP document is a promise municipalities make to their communities to deliver certain listed projects that are pertinent to the community. This further improves service delivery and creates trust between the municipality and its residents. Failure to implement the project as per the IDP will diminish the trust the municipality has created within the community and decelerate service delivery.

The fifth statement sought to determine whether the municipality could pay for its operational expenses from the revenue generated internally. The majority of the respondents (53.33%) agree with the statement while the remaining 46.67% do not agree. This further supports the assertion made by respondents that their respective municipalities can generate enough revenue from own sources consistently over time. This is further supported by the fact that the majority of the respondents are of the opinion that the municipalities have balanced budgets. The results for these two statements are presented in Figures 4.8 and 4.9.

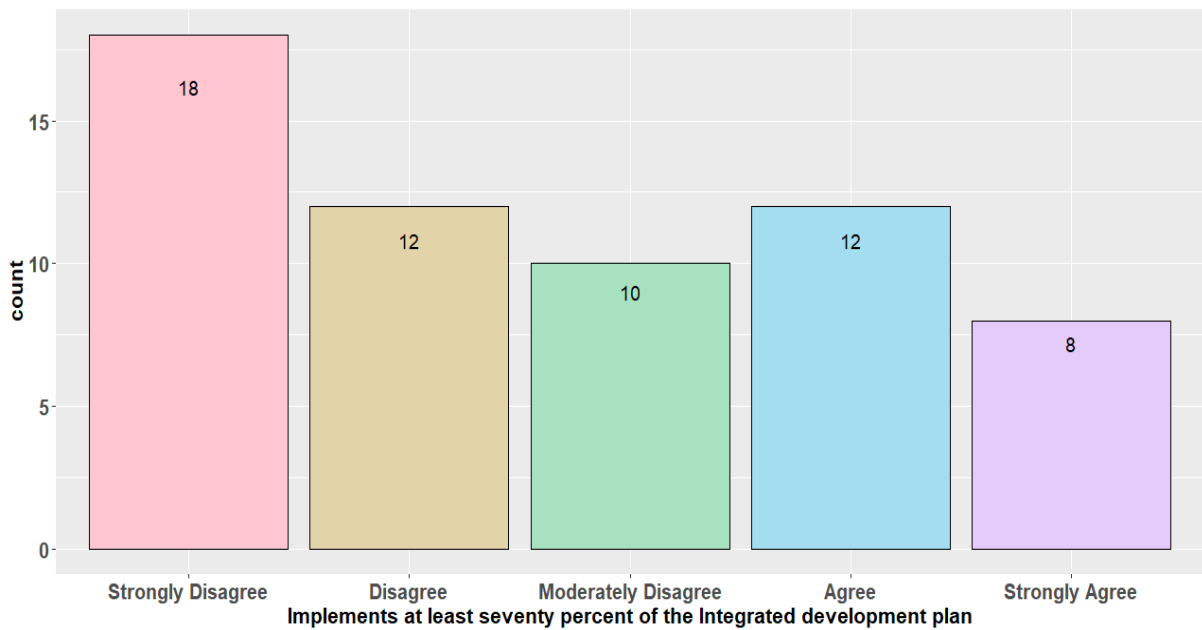


Figure 4.8: Implementation of IDP

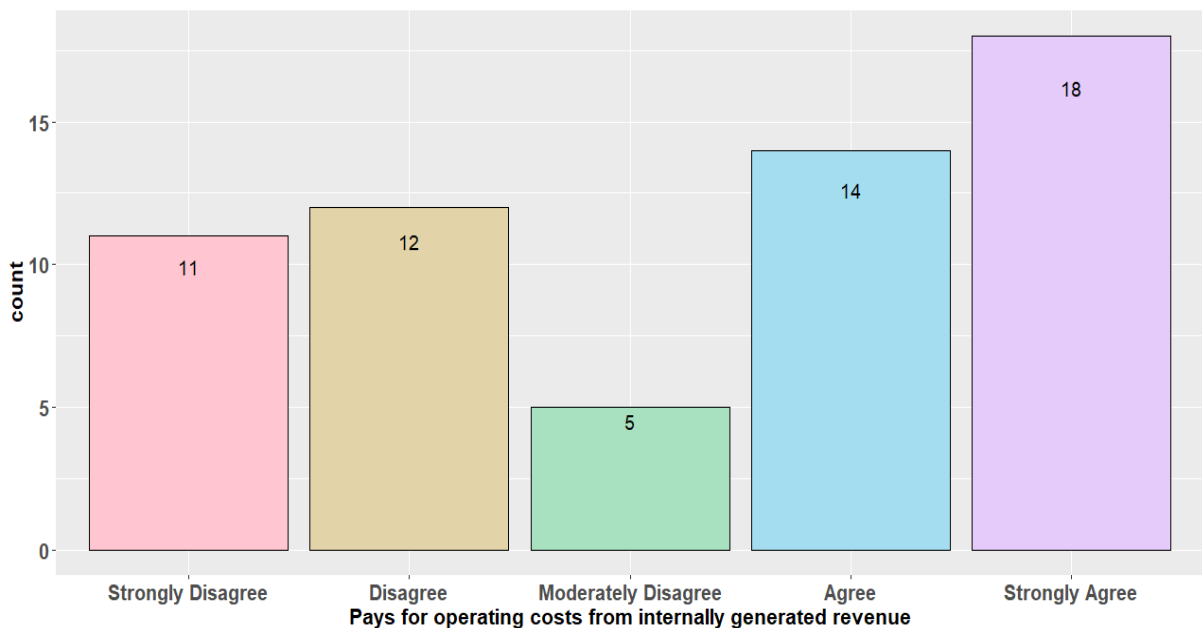


Figure 4.9: Payment of operational costs

The literature reviewed in Chapter Two indicates that sub-standard performance of duties, conduct which is poor and corruption of municipal employees are some of the key factors barring the efficient provision of basic service delivery. These factors also hamper fiscal effort exerted by municipalities to increase their revenue. The fiscal effort is typically limited by factors such as municipal inefficiencies, administrative capacity and levels of competency. A measurable proxy for the fiscal effort is the number of vacancies in the municipalities.

Statements six to nine seek to address the assertions made by the reviewed literature and to determine whether a particular municipality's collection rate for property taxes based on actual prevailing payment trends is above 60%. Property taxes are an easy revenue base for most municipalities and the collection thereof should be effortless. It is concerning to note that 56.57% of the respondents indicate that this is not the case while 43.33% are of the opinion that their respective municipalities are collecting more than 60% of property taxes. The municipality's base for property rates is the value of all rateable properties within the boundaries of the municipality. This finding supports the assertion that fiscal efforts are constrained by internal challenges.

Municipalities are failing to collect the debts due to them. The rate at which these current bad debts need to be reduced is impaired. This worsens the financial state of the municipalities as they incur enormous amounts of debt that cannot be collected and will eventually need to be written off. This is shown in Figure 4.10.

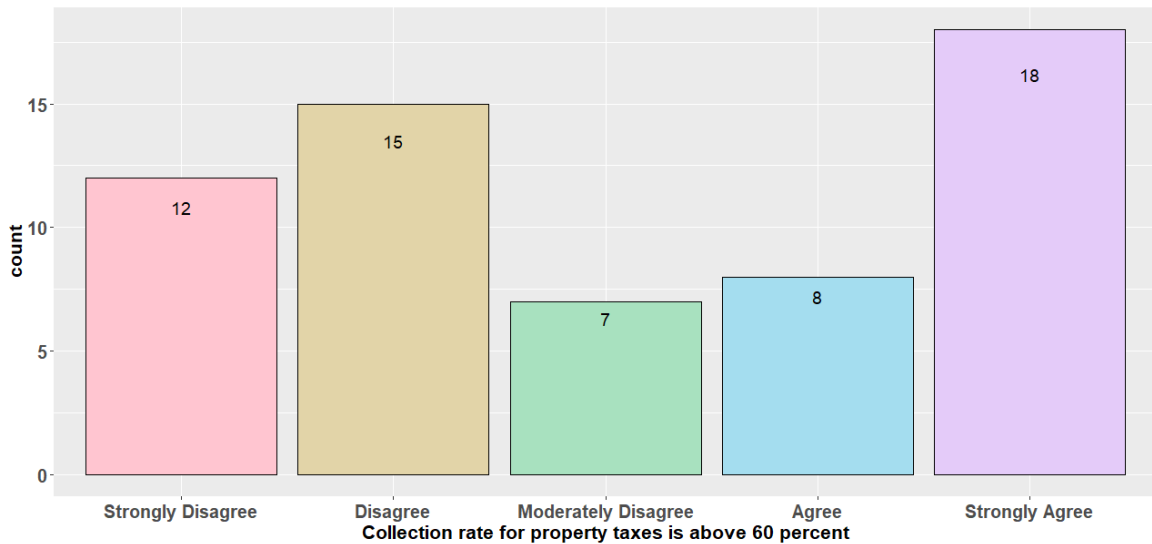


Figure 4.10: Collection of property rates

While credit management measures should be enforced monthly for non-paying customers in an attempt to raise revenue, 66.67% of the respondents confirmed that the municipality did not enforce the credit management programme at least once a month for non-paying customers. The other 33.33% indicated that credit control enforcement was a monthly occurrence. A growing debtors' book is symbolic of the difficulties regarding the collection of revenue and of its detrimental impact on municipal finances. This is shown in Figure 4.11.

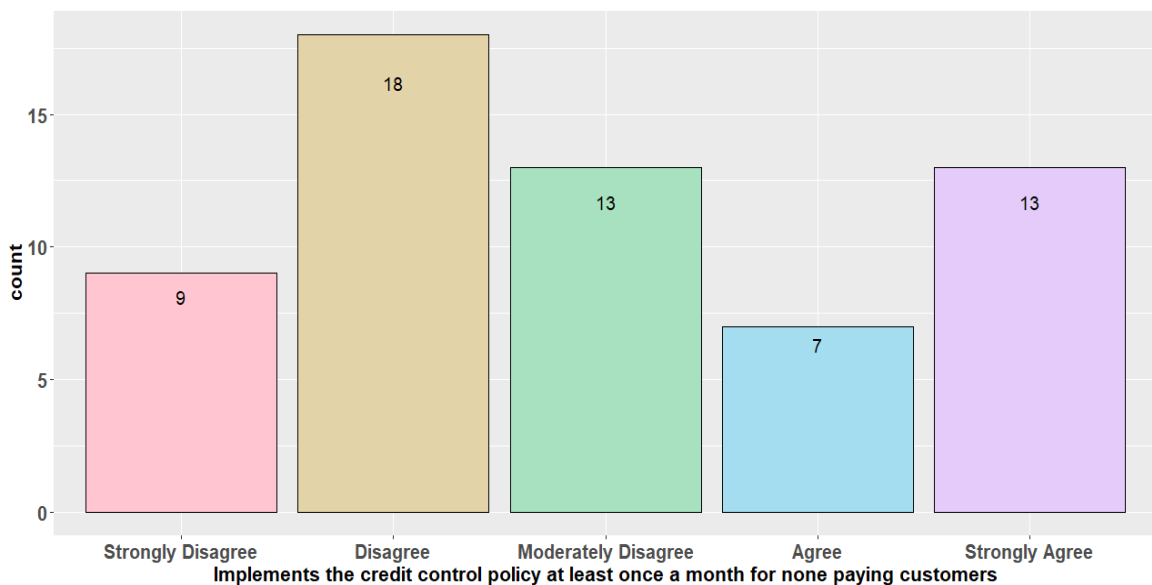


Figure 4.11: Credit control policy implementation

In order to further assess the capacity of the municipality to produce its own income, respondents were asked to assess whether at least 50% of its expected results

were obtained from the current revenue enhancement programme in place as adopted by the council. As depicted in Figure 4.12, the majority, namely 51.67%, of the respondents showed that these revenue enhancement initiatives indeed generated at least 50% of the expected outcomes. The remaining 48.33% claimed that they did not.

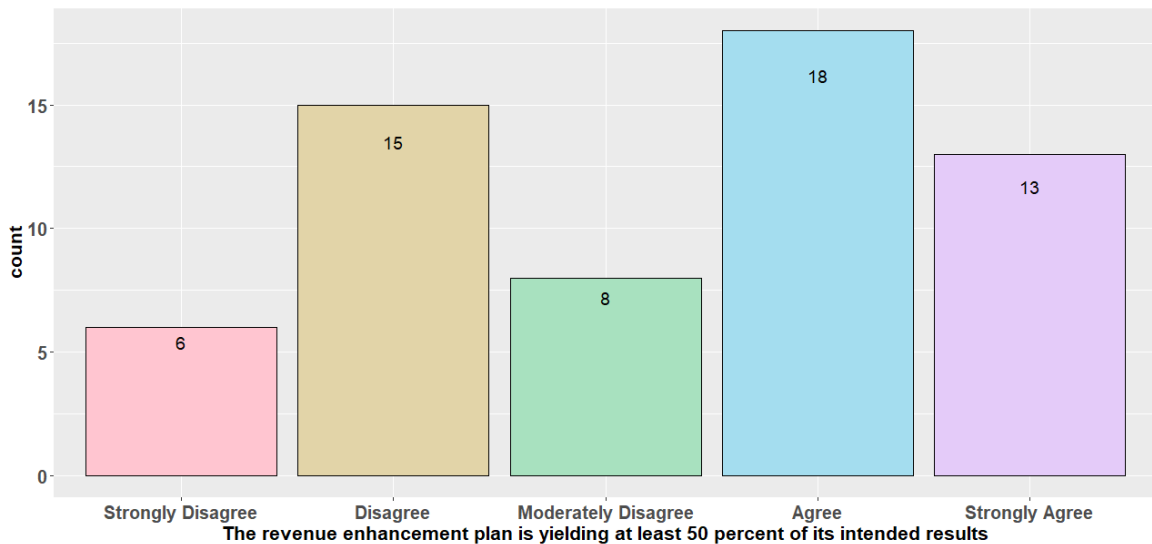


Figure 4.12: Revenue enhancement plan results

In order to further ascertain the capacity of a particular municipality to improve its revenue generation base, the respondents were asked to evaluate whether the municipality is continuously updating the register of indigent households based on the latest available data. Disappointingly, 76.66% of respondents' state that the register for indigent households is not routinely updated. This means that the municipalities are not fully cognisant of all the indigent households within their municipal jurisdiction. It is therefore possible that provision of free basic services is not enjoyed by all qualifying households. Only 23.34% of respondents believe that qualifying households do receive their free basic services. These results are shown in Figure 4.13.

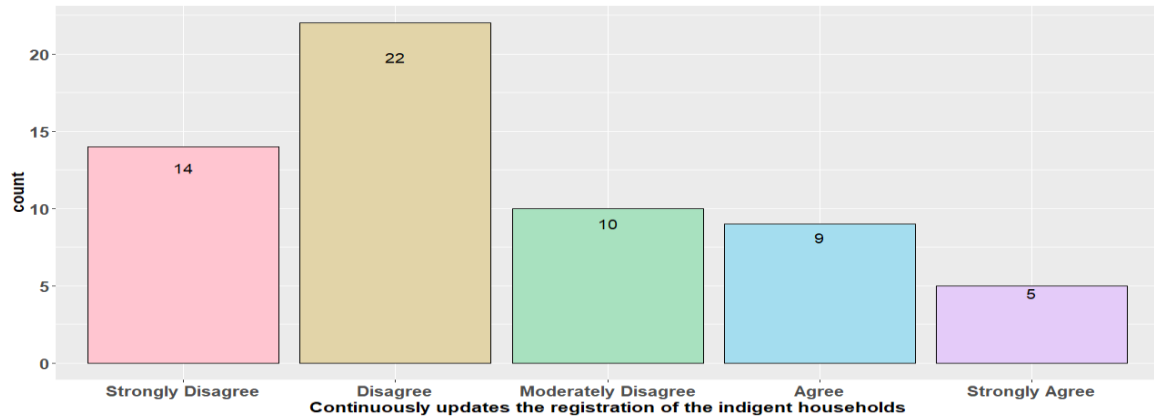


Figure 4.13: Frequency of update of indigent register

The last statement of this section is intended to establish the origin of protest actions as witnessed by the participants. During 2018, the Free State witnessed the highest rate of demonstrations surrounding service delivery. The reviewed literature revealed that 24 of the 237 demonstrations that occurred in the country during 2018 occurred in the Free State.

The respondents, however, replied differently and suggested that according to the protest memorandums handed in during strikes in their respective municipalities, protests were not related to discontent with basic service provision. Approximately 85% of the respondents suggested that the strikes were not related to frustration with service delivery, while the remaining 15% accepted that they were directly connected. This is shown in Figure 4.14.

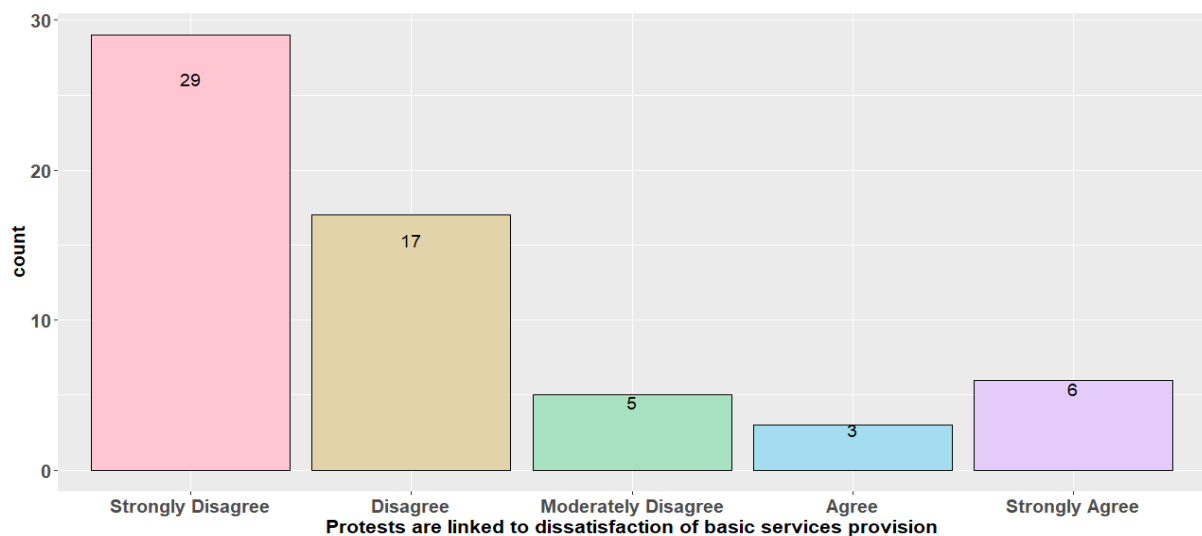


Figure 4.14: Protests linked to service delivery

4.4.2 Section C

This section consisted of three statements. An aggregation of the “strongly disagree”, “disagree” and “moderately disagree” responses was done by the researcher in order to interpret the results. Similarly, the responses for the scores obtained for “agree” and “strongly agree” were also aggregated for purposes of interpreting the results.

As part of the literature, the 1998 white paper on local government was reviewed in Chapter Two (South African Government, 1998). This paper clearly referred to the adequacy and assurance of revenue needed to ensure realistic planning for municipalities. The paper also noted that municipalities should balance their budgets to guarantee financial stability.

For each of the statements contained in the questionnaire, the respondents’ average observation unexpectedly was found to indicate that not only did 60% of the respondents find the municipal revenue to be sufficient, but 51.67% of the respondents indicated that the municipality had the ability to sustain the current revenue levels.

Additionally, 52% believe that the budgets of the municipalities are balanced. This suggests that respondents have confidence that their individual municipalities have the internal capacity to collect own revenue and to sustain these collections into the foreseeable future. Furthermore, the respondents are of the view that the budgets of the municipalities are in equilibrium and that all operational and capital expenditures are funded adequately. These results are depicted in Figures 4.15 to 4.17.

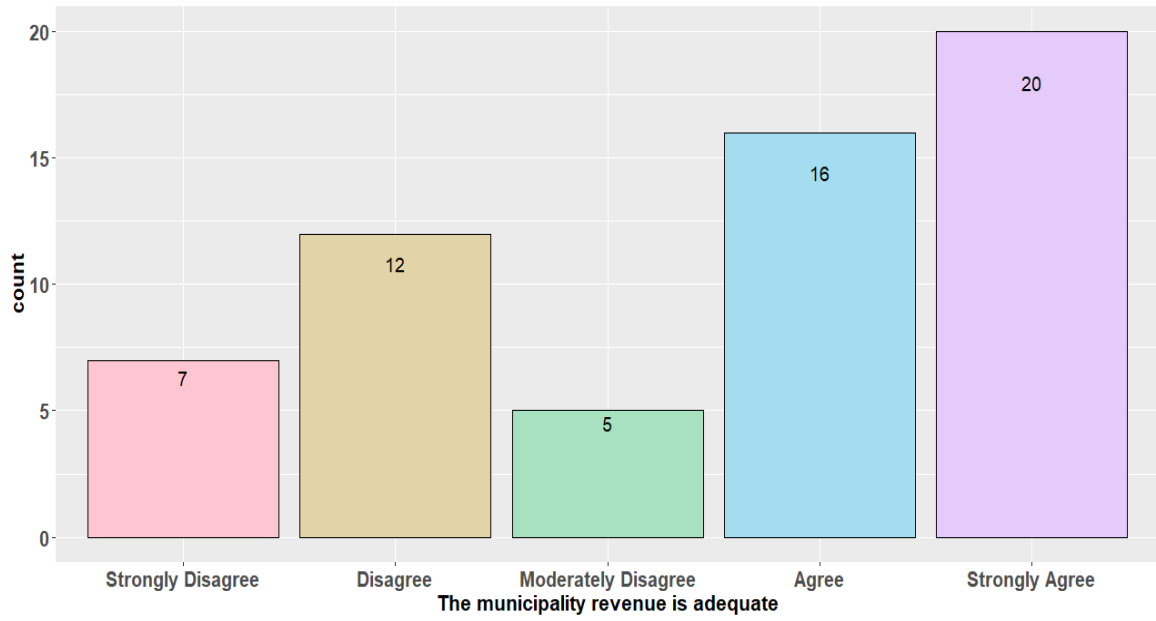


Figure 4.15: Adequacy of revenue

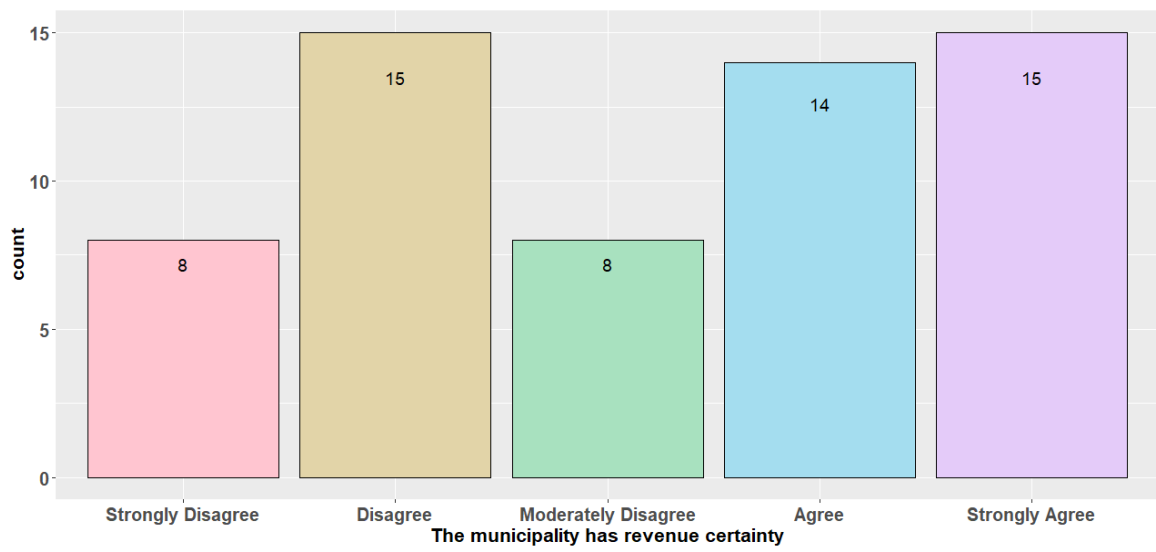


Figure 4.16: Revenue certainty

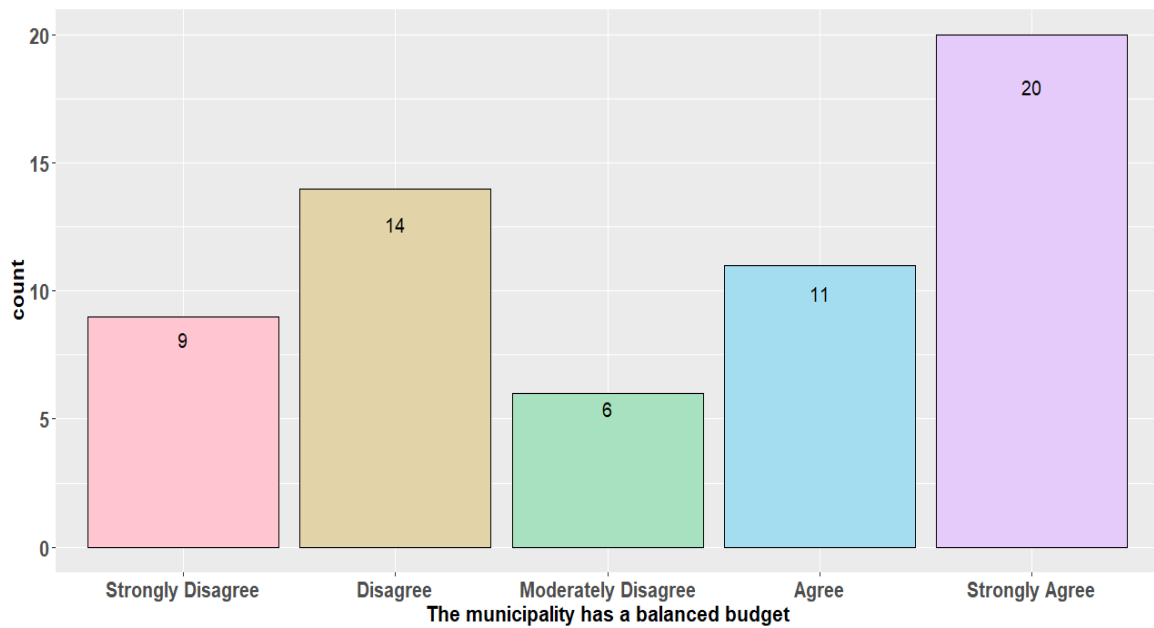


Figure 4.17: Balanced budget

4.4.3 Section D

Section D intended to evaluate whether respondents deem the current components of the formula relevant to the existing local government conditions and discourse. The section contained four statements. The researcher classified the “strongly disagree”, “disagree” and “moderately disagree” together for interpretation purposes. In the same way, the answers for the scores obtained for “agree” and “strongly agree” responses were also interpreted together.

The first statement of Section D seeks to determine whether the respondents are of the opinion that the existing data used in the computation of the LGES allocation is the most current data. With 61% of the respondents strongly of the opinion that the current data are irrelevant, it holds that the components of the formula need to be revisited as indicated by the literature reviewed in Chapter Two. The results are depicted in Figure 4.18.

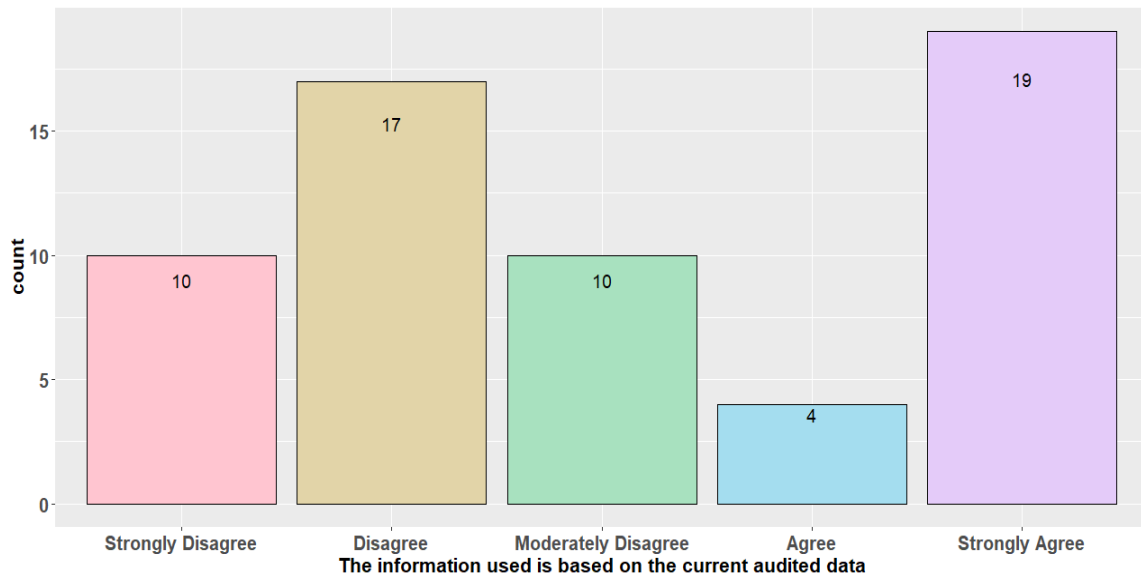


Figure 4.18: The information used is based on the current audited data

Figure 4.19 shows that the majority, namely 51.6%, of the respondents strongly disagree that the current 7.9% in the existing allocation is sufficient to run basic municipal administration. The remaining 48.4% of the respondents believe that the 7.9% is sufficient. This was in response to an assessment of the adequacy of the institutional support component of the LGES formula. It is interesting to note that while respondents are of the view that municipalities are able to generate their own internal revenue, they equally believe that the current allocation of 7.9% in the formula for basic municipal administration is not adequate.

Many cost containment guides have been issued to municipalities throughout the country to try to curb the costs of administration. They have had only temporary impact as most municipalities practise them during the first few weeks of implementation and then revert to traditional ways that better facilitate functionality.

The administrative burdens placed on municipalities have evolved significantly post the 2000 elections. This was the last time the components of the formula were adjusted. It stands to reason, therefore, that the 7,9% allocation for basic municipal administration is no longer adequate or reflective of the current policy and legislative environment in which local authorities operate.

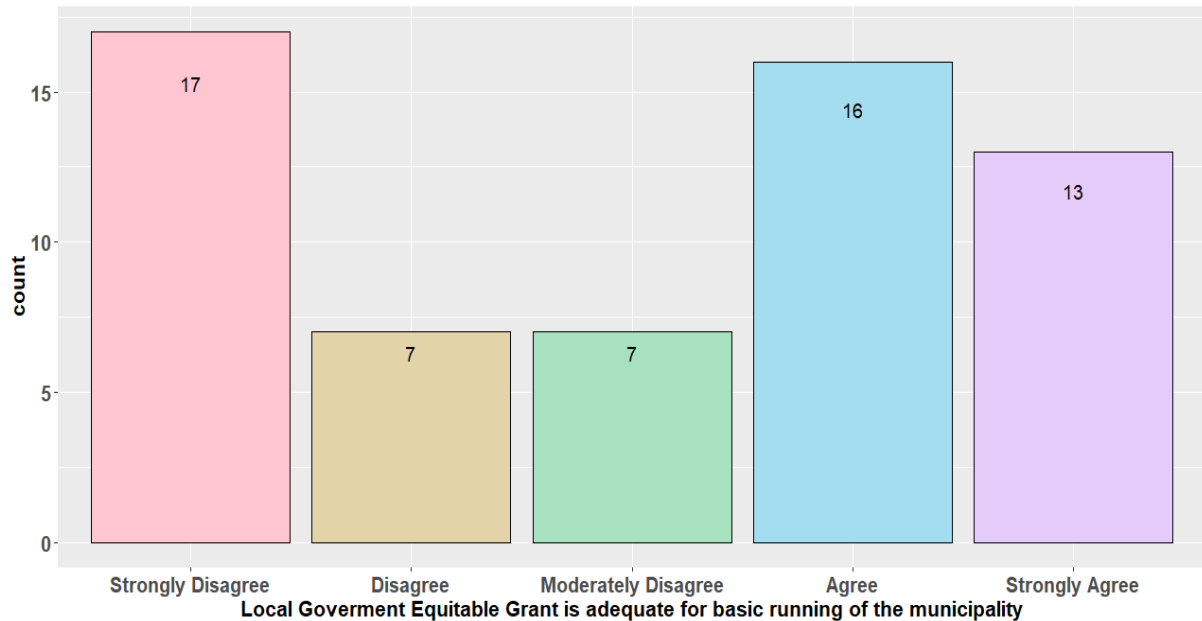


Figure 4.19: Local Government Equitable Share Grant is adequate for basic running of the municipality

The basic services component accounts for 99.4% of the equitable share allocation and covers health services and free basic household subsidy services to those identified as indigent. With 53.3% of the respondents disagreeing that the basic service portion of LGES is appropriate to cover the costs, it stands to reason that the different components of the formula must be reviewed. Chapter Two’s literature review clearly asserts that one of the primary responsibilities of municipalities is to provide their residents with basic services and that failure to do so would be a breach of the communities' basic rights. The findings are shown in Figure 4.20.

The rise of municipal debt is a strong indicator of the fact that local authorities are unable to collect their debts from the residents with the capacity to pay. This is inflated by many factors such as a decline in the economic climate and an increase in unemployment rates. One can also infer that the current economic environment has undoubtedly led to an increase in the number of households considered indigent. This further increases the financial burden of the local authorities and provides more reason for the need to urgently review this basic services component.

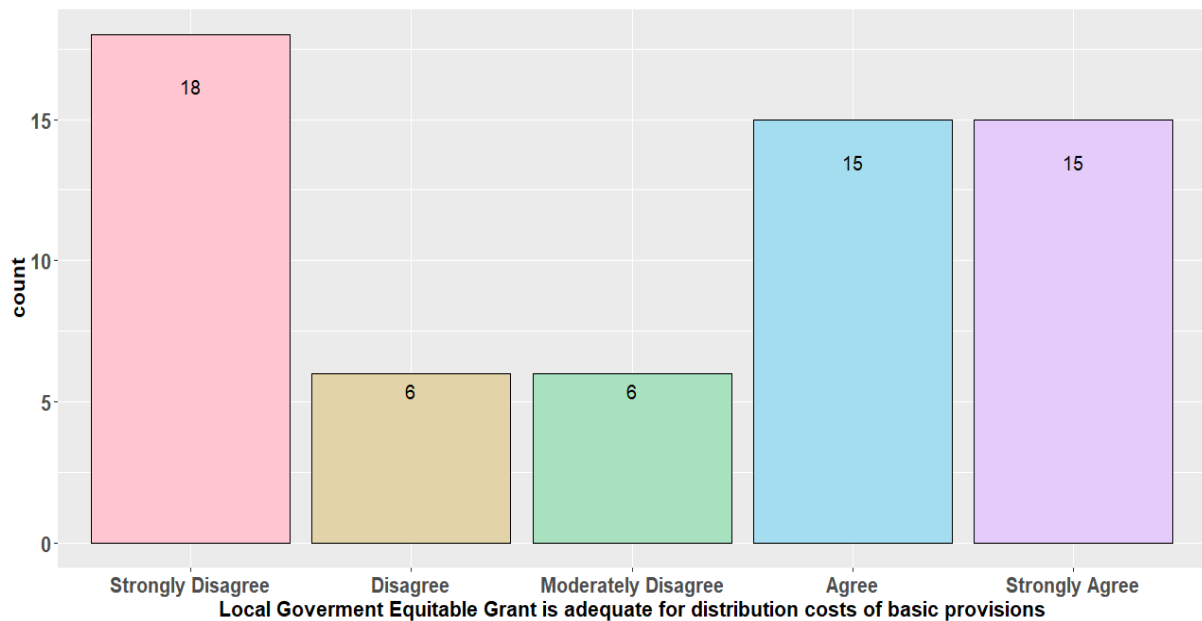


Figure 4.20: Local Government Equitable Share Grant is adequate for distribution costs of basic provision

The majority of the respondents, representing 51.6%, deny that the priorities of the LGES formula established prior to the 2000 local government elections are still valid today. This was after the respondents considered the current IDP, financial statements and budgets of their respective municipalities. With just 48.4% agreeing that the initial goals are still valid at the moment, the findings are consistent with the literature review results that suggest the formula is long overdue for review.

This then suggests that the current components of the formula do not address the current public environment and this surely hinders the ability of the municipalities to fulfil their constitutional mandate of basic service provision to their residents. This is illustrated in Figure 4.21.

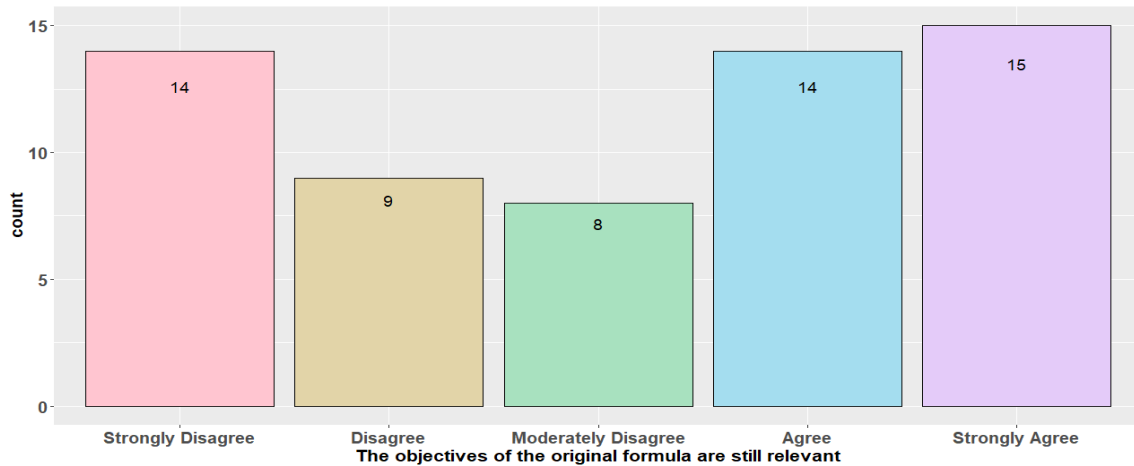


Figure 4.21: The objectives of the original formula are still relevant

4.5 Conclusion

In this chapter, the researcher evaluated and interpreted the information with the assistance of a statistician.

With most respondents suggesting that the formula components are no longer applicable to the currently prevailing circumstances, an alteration to the formula is undeniably needed. The respondents further agreed that basic services as well as institutional support were not adequately apportioned for in the formula. In order to further increase the claim that the formula needs to be reviewed, the respondents firmly agree that the existing data used to determine the formula are irrelevant.

However, the average belief of the respondents was surprisingly found to suggest that municipal revenue was adequate and sustainable. The respondents were also of the view that the budgets of the municipalities were balanced. What was also found to be positive was the respondents' faith in current revenue enhancement strategies. The respondents indicated that these enhancement strategies were yielding the intended results. This indicates that the respondents have confidence in the ability of their respective municipalities to acquire revenue. In addition to this, most of the respondents were of the view that the budgets of the municipalities were balanced.

What is of concern to note is that the current infrastructure is not being maintained by utilising at least 8-10% of the budget. This means that the current infrastructure will deteriorate even more and will further impede the rate at which service is delivered to those who need it most. Also troubling was that the collection of property rates was not above 60% of the amount billed. Therefore, the collection efforts of the municipalities were not effective.

The respondents alluded to the fact that credit control mechanisms were not implemented which further impedes the ability to collect revenue. The indigent registers were also not updated regularly. With the current global economic crunch, municipalities face the real threat of an increase in indigent households. This is further exacerbated by the unemployment rates currently faced by the Free State.

The fact that respondents are not of the view that the current budget allows the municipalities to implement at least 70% of their IDP programmes is also of concern. This will result in poor performance by the municipalities and in their failure to fulfil undertakings made to their respective communities.

The analyses revealed clear linkages to the literature reviewed in Chapter Two. The final chapter will concentrate on the study's conclusion, recommendations and the future course of the research.

Chapter 5 – Conclusion and Recommendations

5.1 Introduction

Based on the data analysed in the previous chapter, this chapter provides a review of the observations, conclusions and recommendations. Some disadvantages have been recognised and will be discussed later in the chapter. This study's primary research goal was to evaluate the Free State municipalities' provision of basic services based on the allocated ESM.

Martins and Ledimo (2015) state that service delivery covers all the details of when, how and where a customer is supplied with a service and whether it is equal in nature. In general, service components are not necessarily tangible items, but rather a mixture of resources (skills and materials) that must be properly planned and designed.

The secondary objectives were aimed at interrogating the different elements and components of the formula. This also included the consideration of the relevance of the data used in the computation of the allocation. The findings of the study indicate that components of the formula and the data used in the computation need urgent review.

5.2 Findings

In response to evaluating whether municipalities are able to provide basic services based on the allocated ESM, the conclusion is that operational inefficiencies limit the ability of municipalities to fulfil their constitutional mandate. Oosthuizen and Thornhill (2017) state that municipalities have to rely on grants from the national government to provide basic services such as water, electricity, refuse removal and sanitation.

National Treasury recommends that 8-10% of operational budgets be allocated to maintenance. The respondents accepted that the municipalities' existing and new

infrastructure is not maintained as 8-10% of the budget is not allocated for maintenance.

Lack of maintenance of infrastructure increases the risk of distribution losses. Distribution losses can be defined as the percentage of services that are lost between the bulk provider's point of dispatch (such as the bulk water provider's storage dam) and the end user who is actually charged for those services. For the local government's fiscal structure, distribution losses are significant because they reflect a leakage from the municipal revenue system and are a factor that compromises the ability of local authorities to generate a higher percentage of own revenue.

The respondents are of the opinion that at least 5% of capital projects can be financed by the municipality from internally generated resources. Respondents also tend to accept that the revenue generated internally is adequate to cover operating costs.

The large majority of respondents are of the opinion that due to financial constraints the municipality would not be in a position to pursue current projects as outlined in the IDP. Mathebula et al. (2016) assert that non-implementation of IDP programmes hinders service delivery and infer that there is a lack of proper oversight and expertise to properly implement the programmes of the municipality.

The Free State Provincial Treasury (2019) strongly stated that own revenue was a crucial source of income through which the fiscal envelope can be augmented. It was however found that at least 60% of property rates are not collected by a particular municipality, credit management controls are not applied monthly and the indigent register is not modified on an ongoing basis. From the findings, it seems that individual municipal councils should realise at least 50% of their revenue enhancement development projects.

Narbón-Perpiñá and De Witte (2018) state that municipalities face different environmental conditions and that these environmental conditions affect the efficiency of local authorities. It cannot be denied that local authorities often face

significant revenue collection challenges. Therefore, the truth is that there are a variety of fundamental factors that build major systemic obstacles to revenue collection and they cannot be resolved without structural reform.

Jacobs (2019) states that management of the indigent register, implementation of credit control and debt collection, amongst others, are critical ingredients of successful revenue enhancement. Chetty (2015) states that municipal debt management is critical in South Africa and that inappropriate debt management poses a continuous and real threat to municipal finances.

However, contrary to the literature studied, the findings suggest that the protest activities taking place in different municipalities are not related to frustration with the lack of provision of basic services. The statement did not further determine what leads to the protest action should the respondents not agree that the reason was service delivery. These results are inconsistent with the literature reviewed and warrant more research to further investigate the materiality of the differences between the results and the reviewed literature.

The average response of the respondents, however, was unexpectedly found to suggest that municipal revenue was appropriate and sustainable. This implies that the respondents have confidence in the ability of their respective municipalities to generate revenue and that the fiscal capacity of the individual municipalities is not under threat. Besides that, most of the respondents were of the opinion that the budgets of the municipalities were balanced in that the revenue was sufficient to absorb the expenditure. This has again been found to contravene the examined current literature and may suggest the need for more research to better understand why these contradictions exist.

The secondary objectives of this research were to:

- Consider whether the LGES still fulfils its constitutional mandate;
- Consider whether the current state in the Free State warrants an adjustment of the LGES formula;

- Consider whether the municipalities are utilising the equitable share to deliver basic services or to pay operational costs due to lack of fiscal capacity; and
- Consider the current components of the Equitable Share Formula.

With most respondents suggesting that the formula components are no longer applicable to the prevailing circumstances, an alteration to the formula is undeniably needed. The respondents further agreed that the basic service and institutional support components were not adequately apportioned for in the formula. In order to further increase the claim that the formula needs to be reviewed, the respondents firmly agree that the existing data used to determine the formula are irrelevant.

Priorities were originally defined for the LGES formula before the new municipal demarcation took place after the municipal elections in 2000. These priorities are no longer relevant to the current circumstances facing municipalities. In order to ensure the allocation continues to serve its legislative mandate, these objectives need to be reviewed. Lack of review may hinder the expected statutory mandate of the LGES Formula. The current economic crisis gives credibility to the notion that when in crisis an intervention should occur. This intervention could in the form of a review of the current LGES formula.

5.3 Recommendations

The following are the immediate recommendations resulting from the findings of this study:

- A review of the current components of the LGES formula that is utilised is recommended. The current assumptions used for the computation of the LGES must be changed to reflect the current realities faced by local authorities such as the inability to service or maintain the current and existing infrastructure which leads to the accelerated deterioration of infrastructure and further hampers the ability to provide basic services;
- Lack of adequate maintenance of municipal infrastructure must urgently be considered a national priority and not as just the burden and responsibility of

individual municipalities. Inevitably the cost to repair or replace such infrastructure would be borne by the national fiscal authority;

- The current state of affairs and public discourse in the Free State warrant an adjustment of the LGES formula to better capacitate the local authorities to provide basic services to their communities;
- The data used to measure the different LGES formula components must be updated more regularly and in a consistent manner to reflect the current conditions. The rigidity of the formula contradicts the developmental state that local authorities are currently in; mounting pressure to provide basic services while revenues are declining and the economic climate is worsening is a challenge; and
- Priorities as originally drawn up for the LGES formula prior to new municipal demarcations are not applicable to the current circumstances faced by municipalities. These priorities need to be reviewed to ensure that the allocation continues to meet its statutory mandate. These must be replaced by priorities that allow smaller rural local municipalities without much revenue base and who lack the internal capacity to generate revenue to still be in a position to provide basic services to their communities. It is the poorest of the poor that cannot afford the absolute basics.

For the following results which seemed inconsistent with the reviewed literature, further study is recommended:

- That the municipal income was reasonable and necessary to support the municipalities' operations;
- The municipalities' internal generated revenue is adequate to cover the operational costs;
- The municipal budgets were balanced in that the revenue covered the expenditure; and
- Protests over service delivery witnessed in most municipalities cannot be attributed to service delivery problems.

5.4 Limitations

The Free State is largely rural and may be limited in capacity to produce its own income as 42% of the population is unemployed. Some of the responses to the statements in the questionnaire need to be investigated more as they revealed results inconsistent with the literature review. These inconsistent results warrant more research to further investigate the materiality of the differences between the results and the reviewed literature.

5.5 Conclusion

This chapter summarises the examination of the research carried out based on the research objectives. The objectives of this research have been identified, the data collected and the findings discussed. The contributions arising from this research have been addressed. Along with suggestions for planned future research studies, the limitations of the study were also addressed.

The finding that the data used for the calculation of the LGES formula are not considered relevant or applicable to the current discourse and situation in the municipal environment has been confirmed. It has been concluded that the different components of the equitable share formula should be reviewed as a matter of urgency. Of significance and urgency are the following components:

- The basic services component that is meant to assist the local authorities to provide basic service to the poor. The indigent net has widened significantly since this component was last reviewed; and
- The component meant to assist with the operations of basic municipal government. The legislative and policy frameworks for municipal environments have significantly evolved since the formula was last reviewed.

The report of the Public Affairs Research Institute indicates that the current equitable share model under-estimates the cost of providing services and overestimates the contribution of own revenue to funding these services (Ledger & Rampedi, 2019). The current LGES formulation design needs revision to determine its suitability and significance for the current municipal climate and conditions so as to enable the Free State municipalities to better their provision of basic services to their communities.

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