

An assessment of capital budgeting spending challenges on service delivery in a municipality

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DECLARATION

I, Nomvuzo Patience Mmemezi, declare that the practical research project for the Master's Degree in Business Administration at the Graduate School of Business and Governance, Faculty of Commerce and Administration, of the North West University hereby submitted has not previously been submitted by me at this or any university, that it is my own work in design and execution and that all materials contained here have duly been acknowledged.

ABSTRACT

Mogale City Local Municipality, like all municipalities in South Africa is tasked by the Constitution of the Republic of South Africa with the right to govern the communities within its boundaries. The objective of local government, which is the sphere in which Mogale City Local Municipality falls, is: to provide a democratic and accountable government for local communities; to ensure the provision of services to communities in a sustainable manner; to promote social and economic development; to promote a safe and healthy environment; and to encourage the involvement of communities to provide services to the people.

A municipality is obliged to ensure that within its available financial resources the needs of the people are prioritized, and the internal administrative processes provide for sound financial management and decision making. Yet, in every financial year, the National Treasury is obliged to withhold, stop and divert grants from municipalities due to failure of municipalities to comply with grant conditions mainly relating to slow spending, non-spending or even not reporting on grant funded projects. Mogale City Local Municipality is one such municipality whose grants have been withheld or stopped by the National Treasury. Considering the fact that South Africa has a backlog on implementation of service delivery. It is concerning that funds that are freely availed from National Government must be returned to the National Revenue Fund at the end of each financial year and these funds do not serve the purpose for which they were meant, which is to bring service delivery to the people!

Municipalities also take out long term loans to fund their capital projects as a means of fast tracking service delivery to the people. As part of applying sound financial management principles, loan funded projects should be planned for properly. This planning enables efficient and prompt spending of loan funds to ensure that they don't lie idle in the municipality's bank account attracting interest.

The purpose of this research is to identify and assess the challenges that exist in Mogale City Local Municipality, which cause the underspending of the capital budget and consequently the grant and loan funded projects. The study is conducted in Mogale City Local Municipality using mainly the quantitative research approach.

KEY WORDS

Mogale City Local Municipality, Service delivery, Capital budget, Sources of funding, external funding, grants, intergovernmental transfers, loans, local government

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This is dedicated to my little girl, Milani.

TABLE OF CONTENTS

PAGE

DECLARATION	ii
ABSTRACT.....	iii
KEY WORDS.....	iv
ACKNOWLEDGEMENTS	v
LIST OF TABLES.....	ix
LIST OF GRAPHS.....	ix
LIST OF FIGURES.....	x
DEFINITION OF KEY TERMS.....	xi
ABBREVIATIONS.....	xii

CHAPTER 1: NATURE AND SCOPE OF THE STUDY

1. Introduction.....	1
1.1 Background.....	1
1.2 Overview of Mogale City Local municipality.....	2
1.3 Problem statement	4
1.4 Objectives of the study.....	6
1.4.1 Primary objectives.....	6
1.4.2 Secondary objectives.....	6
1.5 Scope of the study.....	6
1.6 Research methodology.....	7
1.6.1 Literature/theoretical study.....	7
1.6.2 Empirical study.....	8
1.7 Limitations of the study.....	8
1.8 Layout of the study.....	9

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction.....	10
2.2 Service delivery.....	11

2.3 Grants allocation.....	19
2.4 Loan funding.....	22
2.5 Gaps in current literature.....	22

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

3. Research methodology.....	23
3.1 Introduction.....	23
3.2 Description of overall research design.....	23
3.3 Population/sampling.....	24
3.4 Data collection.....	25
3.4.1 Questionnaires.....	25
3.4.2 Type of questions on questionnaire.....	26
3.4.3 Validity and reliability	27
3.4.4 Gathering documents as sources of data.....	28
3.4.5 Internet research.....	29
3.5 Data analysis.....	29
3.5.1 Content analysis.....	29
3.5.2 Quantitative data analysis.....	29
3.6 Research ethics.....	30
3.7 Findings.....	31
3.8 Conclusion.....	31

CHAPTER 4: EMPIRICAL STUDY

4.1 Introduction.....	32
4.2 Gathering of data.....	32
4.2.1 Theoretical study.....	32
4.2.1.1 Mogale City population.....	32
4.2.1.2 Capital budget per source of funding versus actual expenditure.....	33
A) 2012/2013 financial year.....	34
B) 2013/2014 financial year.....	34
C) 2014/2015 financial year.....	35

D) 2015/2016 financial year.....	36
E) 2016/2017 financial year.....	37
4.2.1.3 Mogale city loans taken.....	37
4.2.2 Quantitative study.....	38
4.2.2.1 Questionnaire circulation.....	38
4.3 Results and discussion.....	39
4.3.1 Questionnaire breakdown.....	39
4.3.2 Biographical data analysis.....	40
4.3.3 Quantitative data analysis.....	43
4.3.4 Thematic analysis.....	48
4.3.5 Reliability of the results.....	49
4.3.6 Constructs mean and standard deviation.....	50
4.3.7 T-Test results.....	52
4.3.8 Factor Analysis.....	54
4.3.9 SWOT- summary analysis of findings.....	64
4.4 Summary.....	65

CHAPTER 5: EMPIRICAL STUDY

5.1 Introduction.....	67
5.2 Conclusion.....	67
5.3 Recommendations.....	67
5.4 Achievement of the objectives of the study.....	70
5.5 Recommendations for future research.....	71
5.6 Summary.....	71

REFERENCES.....	72
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ANNEXURES

ANNEXURE A: Final Questionnaire

LIST OF TABLES

Table 2.1: West Rand Municipalities population and service delivery statistics – 2011.....	16
Table 4.1: Mogale City loan taken.....	37
Table 4.2: Questionnaire breakdown.....	39
Table 4.3: Gender.....	40
Table 4.4: Questionnaire response statistics.....	44
Table 4.5: Questionnaire themes and items.....	49
Table 4.6: Cronbach alpha coefficients of constructs.....	50
Table 4.7: Constructs descriptive statistics.....	51
Table 4.8: T-Test per respondent's area of expertise.....	52
Table 4.9: Theme 1 – Understanding of the municipal budgeting Environment.....	54
Table 4.10: Theme 2 – Capital Project planning.....	54
Table 4.11: Theme 3 – Challenges with capital budget implementation.....	56
Table 4.12: Theme 4 – Conditional grant and loan funded capital Project challenges.....	58
Table 4.13: Theme 5 – Service delivery impact assessment.....	59
Table 4.14: Theme 6 – Capital budget non-spending repercussions.....	60
Table 4.15: Theme 7 – Capital project implementation consequence Management.....	61
Table 4.16: Theme 8 – Capital budget expenditure reporting.....	63
Table 4.17: SWOT analysis.....	64

LIST OF GRAPHS

Graph 4.1: Mogale City population.....	33
Graph 4.2: 2012/2013 Mogale City capital budget by source of funds.....	34
Graph 4.3: 2013/2014 Mogale City capital budget by source of funds.....	35
Graph 4.4: 2014/2015 Mogale City capital budget by source of funds.....	36
Graph 4.5: 2015/2016 Mogale City capital budget by source of funds.....	36
Graph 4.6: 2016/2017 Mogale City capital budget by source of funds.....	37
Graph 4.7: Mogale City loans taken.....	38
Graph 4.8: Gender.....	40
Graph 4.9: Age.....	41
Graph 4.10: Race.....	41

Graph 4.11: Qualification.....	42
Graph 4.12: Years of experience.....	42
Graph 4.13: Field of expertise.....	43
Graph 4.14: Themes.....	48
Graph 4.15: Construct analysis.....	51

LIST OF FIGURES

Figure 1: Mogale City area map.....	2
Figure 2: Study methodology.....	24

DEFINITION OF KEY TERMS

“municipality” when referred to as—

(f) an entity it means a municipality as described in section 2; and

(h) a geographic area it means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998); (MSA, 2000)

“resident”, in relation to a municipality, means a person who is ordinarily resident in the municipality;” (MSA, 2000)

“allocation”, in relation to a municipality, means—

(a) a municipality’s share of the local government’s equitable share referred to in section 214(1)(a) of the Constitution;

(b) an allocation of money to a municipality in terms of section 214(1)(c) of the Constitution;

(c) an allocation of money to a municipality in terms of a provincial budget; or

(d) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction; (MFMA, 2003).

“category A, B or C municipality” means a category A, B or C municipality envisaged in section 155(1) of the Constitution;

“conditional allocation” means an allocation to a province or municipality from the national government’s share of revenue raised nationally, envisaged in section 214(1)(c) of the Constitution, as set out in Schedule 4, 5, 6 or 7;

“annual Division of Revenue Act” means the Act of Parliament which must be enacted annually in terms of section 214 (1) of the Constitution; (MFMA, 2003).

“district municipality” means a municipality that has municipal executive and legislative authority in an area that includes more than one municipality, and which is described in section 155(1) of the Constitution as a category C municipality; (MFMA, 2003).

“financial year” means a year ending on 30 June; (MFMA, 2003).

“local municipality” means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality; (MFMA, 2003).

“long-term debt” means debt repayable over a period exceeding one year;

“Fruitless and Wasteful Expenditure” is expenditure incurred in vain, and would have been avoided if reasonable care had been exercised” (MFMA, 2003).

ABBREVIATIONS

The following table contains abbreviations and acronyms used in this document:

Table 1: Abbreviations used in this document

Abbreviation	Meaning
AFS	Annual Financial Statements
Constitution	The Constitution of the Republic of South Africa, Act no 108 of 1996
DORA	Division of Revenue Act no 1 of 2016
IDP	Integrated Development Plan
MFMA	Municipal Finance Management Act, no 56 of 2003
MSA	Municipal Systems Act, no 32 of 2000
MSA	Municipal Structures Act, no 117 of 1998
MOGALE CITY	Mogale City Local Municipality
MIG	Municipal Infrastructure Grant
SDBIP	Service Delivery and Budget Implementation Plan
STATS SA	Statistics South Africa
SWOT	Strength, Weaknesses, Opportunities and Threats

CHAPTER 1: NATURE AND SCOPE OF THE STUDY

1. INTRODUCTION TO THE STUDY

1.1 BACKGROUND

Municipalities are an independent sphere of government at local level and are responsible for rendering basic services to communities. To render these basic services municipalities, require infrastructure such as water networks, electricity networks, road networks, sewer networks etc. Most Municipalities in South Africa are dependent on external funding to build new networks or infrastructure and to upgrade existing networks in order to continue effectively providing basic services to communities. This is because internally generated funds may not be adequate to fund such projects as they usually require a significant monetary investment.

Various sources of funding are used by Municipalities to fund its capital budgets and these include; internally generated funds, loans and grants. Municipalities do not always spend their grant allocations fully or spend their loan funded capital projects and there are negative repercussions that arise from this non expenditure.

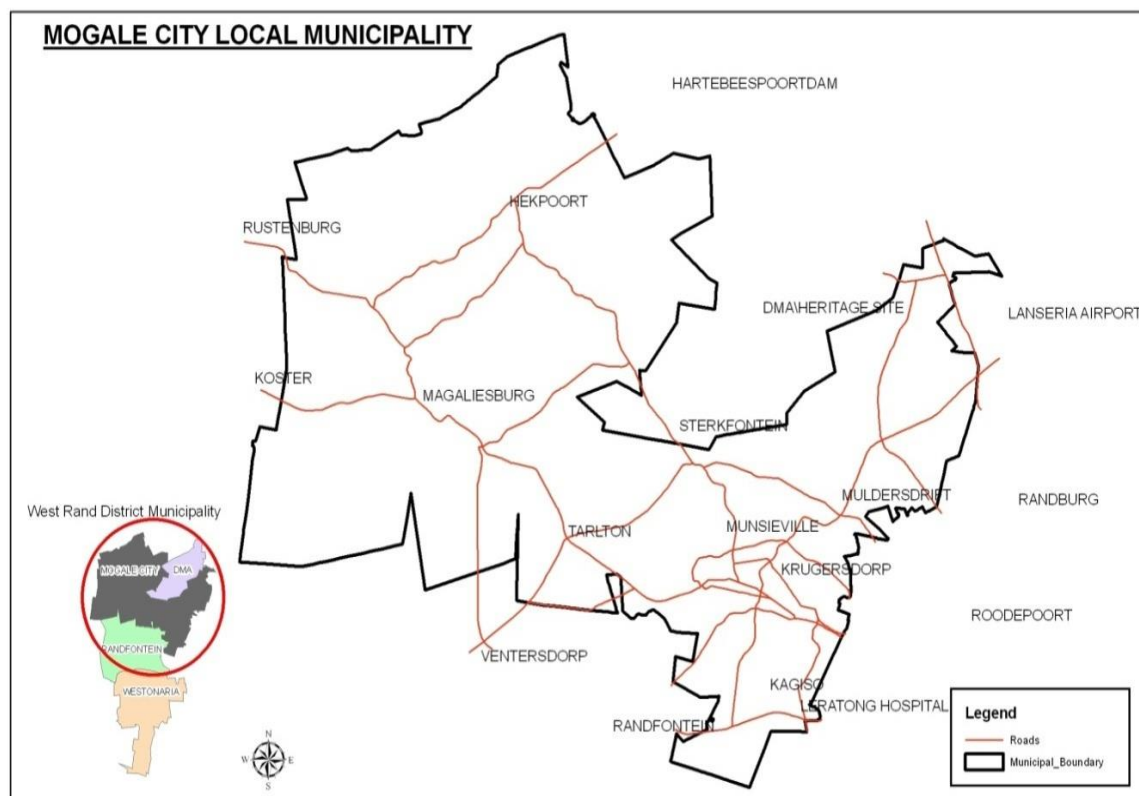
This research will focus mainly on one municipality, located in the West Rand District of the Gauteng Province in South Africa and is aimed at identifying the gaps or challenges faced by this municipality which result in failure to spend conditional grant funds especially in light of service delivery backlogs and ailing infrastructure. Remedial actions and recommendations will then be made based on the findings of this research to assist this municipality, to meet and remedy its challenges and to meet their targets in terms of spending on grant and loan funded capital projects.

1.2 OVERVIEW OF MOGALE CITY LOCAL MUNICIPALITY

Mogale City Local Municipality (Mogale City) is an organ of state within the local sphere of government and is established in terms of the Chapter 7 of the Constitution of the Republic of South Africa, 1996.

The objectives of Mogale City as outlined in section 152 of the Constitution of the Republic are to provide a democratic government to its residents, to provide basic services to the communities residing within its demarcated area in a sustainable manner, to promote social and economic development, to promote a safe and healthy environment and to encourage the involvement of community organisations in local government (Constitution of the Republic of South Africa, 1996).

Figure 1: Mogale City Area Map



Source: Mogale City Annual Report, 2016

Mogale City, on which this research will focus is a category B municipality in the West Rand District of Gauteng Province, South Africa. Mogale City is one out of a total of 205 local municipalities in South Africa and one of the 3 municipalities which fall within the West Rand District, namely Mogale City, Merafong City Local Municipality and the recently merged Randwest Local Municipality (a merger of Randfontein Local Municipality and Westonaria Local Municipality) (Salga Website, 2017).

Mogale City remains the biggest of the 3 municipalities in the West Rand with a population totaling 362 422 and a total of 117 373 households based on the 2011 Census. According to the Statistics SA website, 2017, Mogale City's service delivery statistics show the municipality as being progressively ahead of its sister municipalities in the District in terms of service delivery.

Mogale City has as one of its objectives in terms of section 152(b) of the Constitution of the Republic of South Africa "to ensure the provision of services to communities in a sustainable manner". In providing such services a municipality is required in terms of Section 15 (1) of the Municipal Finance Management Act (MFMA) 56 of 2003 to "approve an annual budget for the municipality before the start of the budget year". Section 17(2) of the MFMA 56 of 2003 requires that "an annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed".

Mogale City prides itself on being the city of human origin and this stems from the fact that the oldest forms of human life were discovered in the Cradle of Human Kind which falls within Mogale City. The vision of the Municipality is to provide quality service delivery for all in Mogale City and its mission is to provide an integrated Municipal Governance System for improved quality of life for all communities within Mogale City (Mogale City website, 2017). Mogale City is responsible for the provision of basic services to these communities such as electricity, water, refuse removal, sanitation, roads, public safety (traffic officers), and many other miscellaneous services.

The main stakeholders in a municipality are the local community, the political office bearers, the administrative staff of the municipality, goods and service providers to the municipality, regulators such as the Auditor General, provincial and national government.

The political leader of the municipality is the Executive Mayor and the administrative leader in the municipality is the Municipal Manager/Accounting Officer.

The Municipality is divided into service departments (e.g. Infrastructure department, Integrated Environmental Management, Social Services and Economic Services) and support departments such as (Political Offices, Corporate Support Services, Finance Department and the Office of the Chief Operations Officer) and these departments are responsible for ensuring that the vision and mission of the municipality together with the strategic goals of the municipality are attained.

This research will be the first of its kind in Mogale City and it is intended to assist this Municipality to identify the pitfalls that prevent or often times delay the pace of rendering basic services to residents through the implementation of capital projects, to avoid the repercussions that ensue from failure to spend grant funds and the instances of possible fruitless and wasteful expenditure as defined in the Municipal Finance Management Act. The outcome of this research will also help Mogale City by making proposals for remedial actions to alleviate the problem of service delivery protests, which ensue from poor service delivery. This study will also provide a foundation for future research on this topic for other Municipalities in South Africa.

1.3 PROBLEM STATEMENT

Many Municipalities in South Africa fail dismally to fully spend their capital budgets, especially the projects funded through conditional grant funds and as a result they have to return unutilized and uncommitted funds each year to the National Treasury despite having service delivery backlogs! During the 2012/2013, 2013/2014 and 2014/2015 financial years, a total of R3.8 billion in unspent conditional grants was set off by the National Treasury from Equitable Share allocations which were due to be paid out to municipalities, resulting from a failure to spend allocated conditional grant funds by such municipalities (National Treasury, 2015).

Mogale City is one of the municipalities whose grants have either been withheld or rerouted to other municipalities due to failure to spend conditional grants in full. Considering the responsibility to deliver services to the people, every municipality should

ensure that all funds at its disposal, whether internally generated funds, grants, loans or donations, should be utilized by the municipality promptly and efficiently to meet its constitutional obligations to the residents.

Conditional Grants allocated to municipalities in terms of the DORA to fund capital projects must be utilized in accordance with certain conditions that are prescribed for such grants. When a municipality fails to comply with any of the conditions of a conditional grant allocated to it, the National Treasury is mandated in terms of the DORA, to withhold or set off further grant allocations to such a municipality until it remedies the reasons for its non-compliance or alternatively the National Treasury can stop the allocation of funds to the municipality and such funds can then be reallocated to other municipalities. Where funds have already been transferred to a municipality and it fails to spend such funds before the end of the financial year for which they were allocated, such a municipality is then obliged to transfer the unspent funds back to the National Revenue Fund, unless it applies and gets approval for a roll over in terms of Treasury Regulation no 6.4.2. Most municipalities have a backlog on service delivery projects, with ailing infrastructure resources with which such services are rendered and as such can hardly afford to have grant funds being returned to the treasury as this has an adverse effect on the municipality's ability to render basic services in terms of its mandate.

A municipality may finance its capital budget from both short term and long term debt subject to conditions prescribed in section 45 and 46 of the MFMA 56 of 2003. Slow or non-expenditure on loan funded projects also has the potential to hamper service delivery as projects that are meant to be funded through such funds remain underutilized.

The aim of this research is to analyze and evaluate the impact that municipality failure in spending capital budgets has on service delivery especially where such a budget is funded through grants and loans. This research will focus on the analysis of conditional grant and loan funded capital budgets and the impact of municipal failure to spend on such capital projects. The research will further investigate the impact of such spending challenges on service delivery as a mandate of municipalities.

1.4 OBJECTIVES OF THE STUDY

1.4.1 PRIMARY OBJECTIVES

This research is intended to establish the reasons behind capital spending challenges in a municipal environment. Furthermore the resultant impact of the spending challenges on service delivery identified will be assessed in order to propose remedial actions for municipalities to overcome the challenges and spent grant funds and loans fully within the prescribed period. The challenges affecting spending on conditional grants and loans might in some cases be the same as they all relate to capital projects but their repercussions are different and as such it is important that remedial actions be also identified to specifically deal with the different sources of funds.

Furthermore, the research is intended to address the problem statement above by answering the following questions:

- What are the spending challenges that affect a municipality and result in capital budgets not being fully spent?
- What are the effects thereof on service delivery?

This research primarily seeks:

- To determine the reasons behind slow spending or non-spending of conditional grant funded capital projects which sometimes results in municipalities having to return or pay back grant funds to the National Government as prescribed in the Division of Revenue Act.
- To determine the reasons behind slow spending or non-spending of specific borrowed funds on capital projects which results in interest being incurred on idle loan funds that are not being immediately used on projects for which they had been loaned.

1.4.2 SECONDARY OBJECTIVES

Over and above the above main objectives this research also intends to:

- Assess the impact of the above-mentioned challenges on service delivery.
- Identify and propose remedial actions with respect to findings of the research where necessary.

1.5 SCOPE OF THE STUDY

This research will be conducted primarily in Mogale City within the West Rand district, in Gauteng Province, South Africa. Municipalities are in the local sphere of government and in the public sector. This is the first academic study of its kind in Mogale City and as such will form the foundation for future studies of a similar nature in this municipality. The use of conditional grants and loans to fund capital expenditure is however not unique to this municipality only and as such the study may be extended to other neighboring municipalities during the course of this research.

This study will be based on quantitative research using Mogale City as a case study. Questionnaires, official documents, reports and legislation will be utilized, to gather information. This is the best way to obtain the required information which will then be analyzed to formulate findings and recommendations.

The researcher is an employee of the municipality that has been used for this study and as such access to documents, legislation and officials of the municipality, who will be completing the questionnaires for the purposes of gathering data for analysis, is easy. A municipality is a public institution and this means most of the documents required for the study will be commonly available and accessible to the general public, furthermore, the municipality has already granted permission for this study. The ease of access enabled timeous completion of the study as there were no anticipated delays.

1.6 RESEARCH METHODOLOGY

The objectives outlined above will be achieved through a literature review as well as by conducting an empirical study using the quantitative approach.

1.6.1 LITERATURE/THEORETICAL STUDY

The Literature review is based on available literature on the subject in South Africa and internationally. It focuses on determining whether any challenges with respect to capital projects have previously been identified in municipalities, especially with respect to grants and loans and the impact thereof on service delivery.

1.6.2 EMPIRICAL STUDY

Empirical studies are the collection and analysis of primary data based on direct observation or experiences in the 'field'. Empirical studies that aim to highlight statistical associations between variables or to establish the prevalence or incidence of a phenomenon should utilize quantitative methods like cross sectional surveys with an appropriately large sample size. This kind of survey can describe the "*who, what, and where*" of a phenomenon (and are thus descriptive) but cannot answer the *why* question (Betterthesis website, 2017).

This study has mainly been conducted using the quantitative research approach through the use of questionnaires. This approach facilitated the collection of data which was then converted into numerical values to establish relationships between certain elements of the data collected to make a meaningful analysis and conclusion. There is a theoretical component to this study which is based on information obtained from Mogale City documentation as well as information from other sources such as the National Treasury, Statistics South Africa etc.

1.7 LIMITATIONS OF THE STUDY

In South Africa, there are currently 205 local municipalities which fall under 44 district municipalities and there are 8 metropolitan municipalities. The fact that this study is conducted in 1 municipality presents a limitation of scope in that the findings of this study contain only the perspective of Mogale City. There is however scope for future research to delve deeper into the capital budget spending challenges of South African municipalities in a broader context, as such challenges may vary from municipality to municipality depending on the size, location, amount of available funds, residents' per capita income and other factors of the municipality.

Access to literature presented a limitation of scope as research conducted indicated that a similar study had not been conducted at the municipality chosen for the study or at any municipality in South Africa. This limitation however, did not hamper the study in any significant way as the study was conducted on the basis that it was the first of its kind in the municipality concerned.

1.8 LAYOUT OF THE STUDY

This study is presented in five chapters which are summarised as follows:

CHAPTER 1: NATURE AND SCOPE OF THE STUDY

In the first chapter of this study, the basic outline of the study with the introduction and overview of the municipality, which is the subject of the study, as well as the background to the study will be presented. This will then be followed by the problem statement and the presentation of the research question, the objectives that will be achieved through the study and the methodology which will be used to conduct the research in order to derive some meaningful analysis and a conclusion.

CHAPTER 2: LITERATURE REVIEW

This chapter will focus on the review of existing literature which discusses the service delivery impact assessment of municipal spending challenges on grant and loan funded budgets in Mogale City Local Municipality and other municipalities in South Africa. It will also focus on local government's legal framework in relation to external funding of capital budgets.

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

The methodology and research design of the study will be discussed in this chapter as well as the data collection method and analysis format.

CHAPTER 4: EMPIRICAL STUDY

Chapter 4 will deal with the actual study and the presentation of the findings of the research conducted. Findings made through the study will be presented in this chapter in graphical and table format.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

This will be the final chapter of the study and it will contain the conclusions drawn from the study and recommendations based on the findings of the study. These findings will be relevant to the organisation under study and other municipalities. Suggestions on areas for further research in relation to this study will also be made herein.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

Municipalities are established in terms of Chapter 7 of the Constitution of the Republic of South Africa and have the prerogative to govern their communities through their municipal councils subject to applicable legislation of the country (RSA Constitution, 1996). Municipalities have jurisdiction over communities falling within that municipal area. The division of powers and functions between the various categories of municipalities as well as the regulation of the internal functioning of the municipality and the structuring of the political office bearers is outlined in the Municipal Structures Act.

Further to the above legislation the Municipal Systems Act was enacted (Act 32 of 2000):

- To provide for the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities, and ensure universal access to essential services that are affordable to all;
- To define the legal nature of a municipality as including the local community within the municipal area, working in partnership with the municipality's political and administrative structures;
- To provide for the manner in which municipal powers and functions are exercised and performed;
- To provide for community participation; to establish a simple and enabling framework for the core processes of planning, performance management, resource mobilisation and organisational change which underpin the notion of developmental local government;
- To provide a framework for local public administration and human resource development; to empower the poor and ensure that municipalities put in place service tariffs and credit control policies that take their needs into account by providing a framework for the provision of services, service delivery agreements and municipal service districts;
- To provide for credit control and debt collection;
- To establish a framework for support, monitoring and standard setting by other spheres of government in order to progressively build local government into an

efficient, frontline development agency capable of integrating the activities of all spheres of government for the overall social and economic upliftment of communities in harmony with their local natural environment;

- To provide for legal matters pertaining to local government; and to provide for matters incidental thereto, most importantly the Municipal Systems Act provides in its Chapter 5 for the compilation of an integrated development plan by municipalities. This plan must be aligned and complement the plans of other local municipalities as well as the objectives, plans and activities of the upper spheres of government.

To supplement the above legislation, the Municipal Finance Management Act was promulgated in 2003 to ensure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government.

The above mentioned are just some of the primary legislations governing municipalities however, municipalities are highly regulated, and this means that there is a legal reference for all of its significant activities and transactions. Financial management and reporting internally and externally are legislative requirements that municipalities are obliged to comply with and such reports are expected to objectively present the true state of affairs of the municipality and thus will be used for this study.

There is some academic literature on other elements of Service delivery available and such literature will be referred to below. The gist of the review will therefore be based on the legislation that governs municipal service delivery and the funding of capital budgets using grant allocations or loans.

2.2 SERVICE DELIVERY

Service delivery is the provision of basic resources to citizens and residents in line with legislative imperatives of government and its constitutional responsibilities to the people. The local government sphere of administration consists of Municipalities and they are established to fulfil the following objectives:

- a) to provide democratic and accountable government for local communities;*

- b) to ensure the provision of services to communities in a sustainable manner;*
- c) to promote social and economic development;*
- d) to promote a safe and healthy environment; and*
- e) to encourage the involvement of communities and community organisations in the matters of local government*

All of the above mentioned constitutional objects of a municipality must be fulfilled using financial resources, these resources are however limited. Municipalities are further required to structure and manage their administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community (Constitution of the RSA, 1996, Sec 153).

According to the White Paper on Local Government (1998), municipalities should conform to certain basic principles in terms of the services they deliver. Municipal services should be:

- Accessible and communities should have access to at least a minimum level of services as a constitutional obligation;
- Easy and convenient to use;
- As affordable as possible;
- Of a predetermined standard, meaning that services should be suitable for their purpose, be timeously provided, be safe and be available on a continuous basis.

Municipalities must adopt and be guided by these principles in the course of rendering services to their communities (White Paper: 1998):

- **Accessibility of services:** It is the responsibility of municipalities to ensure that all residents within their boundaries indiscriminately have access to services and such access must be easy and convenient. Where municipalities have backlogs as a result of infrastructure, infrastructure grants are availed by government to enable rehabilitation and upgrading or development of new infrastructure.
- **Affordability of services:** As part of ensuring accessibility of services, municipalities are obliged to ensure that tariffs are set such that they are within reach of all of their communities, bearing in mind the different socio-economic circumstances of the residents. Tariffs should be set so as to maintain a balance between ensuring

that the municipality can provide services in a sustainable manner while at the same time ensuring that poor residents have access to the same services as residents from more privileged communities.

- **Quality of products and services:** The quality of services includes attributes such as suitability for purpose, timeliness, convenience, safety, continuity and responsiveness to service-users and such quality services should be provided to all residents despite their economic and financial standing.
- **Accountability for services:** The provision of high quality services by the municipality is the responsibility of the municipality. Municipalities must find ways and means of ensuring that quality is achieved without disadvantaging the communities through tariffs that are beyond reach for the ordinary man in the street.
- **Integrated development and services:** Municipalities are required to ensure an integrated method of planning for provision of services and take into consideration their communities, other surrounding local municipalities and the other spheres of government.
- **Sustainability of services:** Sustainability deals with issues of continuity. It is not enough that municipalities should provide services now, but they should ensure that they make financial provision for continuity of these services as well as ensuring that the environment is not harmed for future generations.
- **Value-for-money:** Affordable services to communities can be provided if municipalities assess the cost of providing services accurately and ensure that there is no wastefulness in acquiring services and a cost vs benefit assessment is done when considering new projects.
- **Ensuring and promoting competitiveness of local commerce and industry:** The municipality has a duty to promote and facilitate local economic development within its jurisdiction and the costs of transacting with the municipality should be

made publicly known and be set in such a way that small businesses are able to compete with established business and are not disadvantaged by tariffs.

- Promoting democracy: Local government administration must also promote the democratic values and principles enshrined in the Constitution, including the principles provided by Section 195(1).

The Integrated Development Plan (IDP) is the document through which a municipality gives its constitutional obligations effect and gives consideration to the prioritisation of the needs of the local communities.

The link between an IDP and the municipal budgets is the Service Delivery and Budget Implementation Plan (SDBIP). The SDBIP of the Municipality gives effect to the Municipal Integrated Development Plan (IDP) and Budget of the municipality. The budget gives effect to the strategic priorities of the municipality and is not a management or implementation plan. The SDBIP therefore serves as a contract between the administration, council and community expressing the goals and objectives set by the council as quantifiable outcomes that can be implemented by the administration over a period of twelve months. This provides the basis for measuring performance in service delivery against end of-year targets and implementing the budget (Mogale City Annual Report, 2015/2016:77)

A municipality is further obliged to approve an annual budget before the beginning of each financial year and such a budget must be comprised of the capital and operational budget. Municipal Budgets are compiled to bring the financial effect of the IDP that has been approved by the municipal council. The IDP needs to be reviewed every year and must be approved by council together with the municipal budgets and budget related policies. A municipal budget must be based on realistically expected revenue including cash backed surpluses from previous years and any grants or loans obtained for capital projects. Capital projects need to be approved by council including any expected future costs where applicable.

Basic services such as water, electricity, refuse removal, sewer reticulation, roads are some key areas of delivery that most municipalities must deliver on. Municipalities can

generate revenue from providing water, electricity, refuse removal services and sewerage disposal as part its main income stream. Municipalities also charge property rates, which is a land ownership tax chargeable to all owners of property within the jurisdiction of that municipality. These income streams however are never adequate to provide for the needs of communities mainly as a result of non-payment for services by poor communities. This non-payment by poor communities within municipalities puts a severe strain on the cash flows of municipalities and it also has a negative impact as municipalities are unable to independently use their own internally generated revenues to finance capital expenditure.

This strain on cash flow can result in local communities revolting against the municipality for failure to render basic services. The municipality's ability to generate local revenue hinges on the level of wealth within its municipal boundaries and on economic activity. Where high levels of poverty exist, cost recovery is unlikely for municipal service provision. Where economic activity is low or declining revenue is not generate for municipalities (Ministerial Advisory Committee, 2001 as cited by, Phatudi, S, 2010).

The White Paper on local government (Batho Pele White Paper) of 1997 outlines basic principles that South African public service institutions such as municipalities commit themselves to when rendering services to local communities (Gaedie, 2015):

Consultation: this principle requires that citizens should be consulted about the level and quality of the public services they receive, and wherever possible, should be given a choice about the services that are offered.

Service standards: citizens have to be told what level and quality of public services they will receive so that they are aware of what to expect.

Access: all citizens should have equal access to services and no one should be discriminated against on any grounds whether race, gender, sex, pregnancy, marital status, ethnic, social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language or birth.

Courtesy: citizens should be treated with courtesy and consideration.

Information: citizens should be given full, accurate information about the public services they are entitled to receive.

Openness and transparency: citizens should be told how national and provincial departments are run, how much they cost and who is in charge.

Redress: if the standard of services promised is not delivered, citizens should be offered an apology, a full explanation and speedy and effective remedy; and when complaints are made, citizens should receive a sympathetic, positive response.

Value for money: public services should be provided economically and efficiently in order to give citizens the best possible value for money.

Accessibility of service: Municipalities must ensure that all citizens, regardless of race, gender or sexual orientation have access to at least a minimum level of service.

Table 2.1: West Rand Municipalities population and service delivery statistics - 2011

	MOGALE CITY	MERAFONG CITY	RANDFONTEIN	WESTONARIA
Total population	362,422	197,520	149,286	111,767
Young (0-14)	23,7%	24,1%	24,9%	24,5%
Working Age (15-64)	71,7%	72,5%	70,2%	73,3%
Elderly (65+)	4,6%	3,4%	4,9%	2,2%
Dependency ratio	39,4	37,9	42,4	36,4
Sex ratio	104,2	118,6	100,7	120,8
Growth rate	2,04% (2001-2011)	-0,64% (2001-2011)	1,47% (2001-2011)	0,18% (2001-2011)
Population density	270 persons/km²	121 persons/km ²	314 persons/km ²	175 persons/km ²

(Continued)	MOGALE CITY	MERAFONG CITY	RANDFONTEIN	WESTONARIA
Unemployment rate	24,6%	27,2%	27,1%	29,5%
Youth unemployment rate	32,3%	37,8%	35,8%	39,3%
No schooling aged 20+	4,7%	6,5%	4%	6,2%
Higher education aged 20+	14,1%	7,1%	11,7%	5,3%
Matric aged 20+	32,6%	26,3%	32,1%	26,2%
Number of households	117,373	66,624	43,299	40,101
Number of Agricultural households	7,528	5,673	2,918	2,975
Average household size	2,9	2,7	3	2,4
Female headed households	31,2%	29,4%	33,6%	30,6%
Formal dwellings	73,5%	74,7%	80%	59%
Housing owned/paying off	39%	29,8%	46,6%	26%
Flush toilet connected to sewerage	78,2%	81%	79,3%	58,6%
Weekly refuse removal	79,7%	74,9%	78,8%	69,4%
Piped water inside dwelling	54,8%	52,9%	61,9%	42,2%
Electricity for lighting	85,9%	82,8%	84,5%	64,3%
Growth Rate	2.04%	-0.64%	1.47%	0.18%

Source: Statistics SA Website, 2017 – Adapted

The above table shows service delivery and population statistics for Mogale City Local Municipality as well as the neighbouring municipalities per the census done in 2011.

Service delivery is the continuous effort to improve the lives of the people, thus despite scarce resources, Mogale City must continue to render quality services to its communities.

Integrated development planning (IDP) is the process through which a municipality prepares a strategic development plan, which is in the main, the principal strategic instrument guiding all planning, management, investment, development and implementation decisions, it takes into account input from all stakeholders (Mogale City Website, 2017).

This means that resource allocation within the municipality must capture and express and align to the above mentioned objectives or priorities.

Mogale City has identified and listed the following strategic priorities, which found expression in the Municipal IDP 2015/2016 and the Strategic Plan, are as follows:

- To provide sustainable services to the community.
- To promote a sustainable environmental management system.
- To provide sustainable governance for local communities.
- To ensure sustainable governance practices within the Municipality.

(Mogale City Annual Report, 2015/2016:77)

These priorities are meant to align Mogale City with its legislative obligations, while also ensuring consistency with the above mentioned principles as outlined in the White Paper.

The following table contains the key statistics of the 4 municipalities located in the West Rand District per the 2011 census, namely Mogale City Local Municipality, Merafong City Local Municipality as well as Randfontein Local Municipality and Westonaria Local Municipality (which has since August 2016 been merged to form Randwest Local Municipality):

2.3 GRANTS ALLOCATION

The Division of Revenue Act (DORA) is an act that is promulgated every year to enable and facilitate the equitable division of revenue raised nationally among the three spheres of government; (ii) the determination of each province's equitable share of the provincial share of that revenue; (iii) other allocations to provinces, local government or municipalities from the national government's share of that revenue and conditions on which those allocations are made; (b) to promote predictability and certainty in respect of all allocations to provinces and municipalities, in order that provinces and municipalities may plan their budgets over a multi-year period and thereby promote better coordination between policy, planning and budgeting; and (c) to promote transparency and accountability in the resource allocation process, by ensuring that all allocations, except Schedule 6 allocations, are reflected in the budgets of provinces and municipalities and the expenditure of conditional allocations is reported on by the receiving provincial departments and municipalities (DORA 1 of 2016).

Intergovernmental transfers that are issued to municipalities per the DORA either can be classified as unconditional grants or conditional grants. Unconditional grants are transfers that are made to municipalities for either a general purpose and with no conditions attached thereto. Conditional grants on the other hand are given for a specific purpose which must be achieved, usually within the financial year that the grant has been issued. In order to receive a conditional grant, municipalities will usually be required to submit a proper business plan for the project to be undertaken. Once the funds are availed reports about the project have to be submitted by the receiving municipality on a monthly basis to the transferring departments and National Treasury. Grants, depending on the specified purpose, can be used for either operational or capital expenditure however, conditional grants are usually given in terms of the DORA to fund capital projects.

Municipalities receive conditional transfers or grants from other government spheres to finance capital and operational expenditure in terms of the DORA (DORA, 2015). Over and above conditional grants appropriated to municipalities in terms of the DORA, municipalities receive other grants which are also conditional upon certain imperatives being satisfied or achieved as outlined by the grantor.

Conditional grant funds and loan funds are external funding sources and as such carry certain conditions and implications for the affected municipalities. The National Treasury is tasked with the duty of administering grant transfers to municipalities.

Other than the equitable share allocation the following are some of the recurrent grants that are given to municipalities on an annual basis as specified in the DORA.

- Urban Settlements Development Grant (From the Department of Human Settlements vote 38);
- Integrated City Development Grant (From National Treasury's vote 7);
- Municipal Demarcation Transition Grant (From the Department of Cooperative Governance and Traditional Affairs, vote 4);
- Energy Efficiency and Demand Side Management Grant (From National Treasury, vote 7);
- Expanded Public Works Programme, Integrated Grant for Municipalities (Public Works, vote 11) Specific purpose allocations,
- Disaster recovery grant,
- Municipal Infrastructure Grant,
- Municipal Finance Management Grant,
- Municipal systems improvement,
- Integrated national electrification programme (municipal) grant,
- Neighbourhood development partnership grant,
- Rural roads asset management systems grant,
- Water services infrastructure grant and regional bulk infrastructure grant (various votes) (Oosthuizen and Thornbill, 2017).

Section 38, 39 and 40 of the Municipal Finance Management Act 56 of 2003 empowers the National Treasury to withhold an equitable share allocation of municipalities who conduct themselves in contravention of Section 216(1) of the Constitution of Republic of South Africa. A municipality who commits a serious or persistent breach or fails to comply with the conditions under which the grant is issued, is entitled to make representations after being informed by National Treasury of their breach and thereafter National Treasury decides whether such representations warrant favorable consideration.

According to a study done by Oosthuizen and Thornbill in 2017, 26% of the municipalities that received grants did not comply with the grant conditions within the reporting period. These include 27 municipalities (10%) that used grant allocations for commitments other than that specified in the DORA and 51 (19%) that did not implement the programmes funded by the allocations. Another concern is the extent to which the planned targets for grants were not reached. A total of 43% of the municipalities that received MIGs allocations did not achieve their planned targets. The reasons provided by these municipalities for their weak management of grant funding include poor planning and project management and insufficient capacity to deliver on the projects that were funded.

Despite the service delivery backlogs affecting many municipalities, every year there are still millions of grants being withheld or stopped by the Treasury, due to failure to spend, slow spending or even capacity issues with some municipalities.

A study done by Dlamini, in 2011 in Mogale City on intergovernmental transfers identified a problem that many municipalities faced called fiscal dumping, also called in the government circles the “March spike” wherein provincial and national governments transfer funds just before the end of their financial year in March in order to report full expenditure on their side. As such funds would not be gazetted and therefore unplanned for, the municipality that receives such funds would only have 3 months before the end of its financial year to spend the funds or have to return such funds to the National Treasury. Furthermore, as municipal budget processes are finalised prior to the start of the municipal financial year i.e. 1 July and the adjustment budget in the beginning of the 3rd quarter of the financial year, it would almost be impossible for a municipality to spend such funds without incurring “unauthorised expenditure”. This then reflects badly on the municipality as the municipality would have to report underspending.

Mogale City is supposed to prepare its Integrated Development Plan and Annual Budgets with the needs of its people being prioritised however over the years despite adjusting its capital budget every year as allowed by Municipal Finance Management Act, the municipality continues to fail to spend 100% of its capital budget and consequently also fails to spend 100% of its grant funded and loan funded capital projects.

2.4 LOAN FUNDING

Municipalities can also source loans to fund capital expenditure (MFMA, 2003). In terms of section 46 of the MFMA, a municipality may procure long term debt but only to finance its capital expenditure on property, plant and equipment and such long term debt must be consistent with the municipality's capital budget. Slow or non-expenditure on loan funds has the obvious implication of interest having to be paid on idle funds and such expenditure in a municipal environment would then be classified as fruitless and wasteful expenditure and such expenditure has repercussions linked to it as outlined in the MFMA.

Sound financial management principles dictate that such loans should be taken only if no other sources of funds are immediately available for such a project, a cost versus benefit. For such a project, a cost versus benefit analysis has to be done to assess the projects. An implementation plan for the project has to be completed with realistic timeframes for implementation. The municipality must assess if it can afford the repayments over the term of the loan and complying with the loan terms e.g. are interest and so forth the most favorable that the municipality can obtain?

Municipalities that fail to spend loan funds timeously incur interest as a matter of course however such interest may be considered fruitless and wasteful if it is due to negligence or the failure to plan by the municipality. In order for loans funds to be procured municipalities are obliged to write and seek approval from the National Treasury for the intended loan with motivation on what capital projects will be undertaken. As part of the motivation that must be submitted, the projects to be undertaken together with the project plans with timelines should be prepared in advance as well as information on cost versus benefits of the projects.

2.5 GAPS IN CURRENT LITERATURE

No literature could be found on the topic chosen for the study and as such this study will be new to Mogale City and will establish the base for future study on the topic. Further research may have to be conducted during the data collection phase of the study to assist in formulating appropriate findings.

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

3. RESEARCH METHODOLOGY

3.1 INTRODUCTION

The methodology and research design of the study will be discussed in this chapter. Details of the population, sampling techniques to be used as well as data collection method and the analysis format will be outlined.

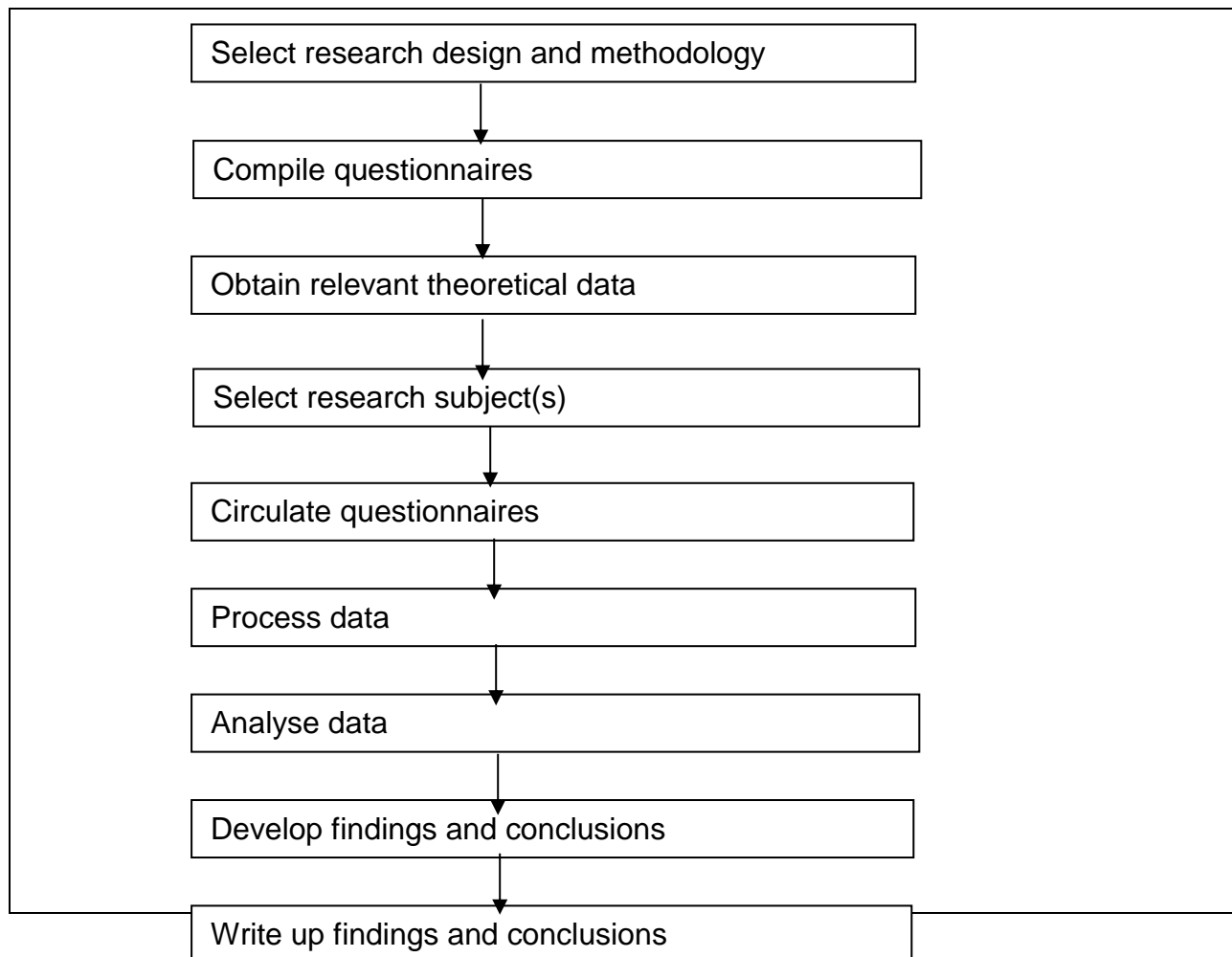
3.2 DESCRIPTION OF OVERALL RESEARCH DESIGN

Research design is the overall plan for connecting the conceptual research problems to the pertinent (and achievable) empirical research. The research design articulates what data is required, what methods are going to be used to collect and analyse this data, and how all of this is going to answer the research question. Both data and methods, and the way in which these will be configured in the research project, need to be the most effective in producing the answers to the research question (taking into account practical and other constraints of the study). Different design logics are used for different types of study (Van Wyk, 2017).

A quantitative research approach will be followed in this study. Theoretical research will also be conducted to complement the quantitative research. Quantitative research is defined by Bryman et al, (2014) as a distinctive research approach that entails the collection of numerical data, regards the relationship between theory and research as deductive, prefers a natural science approach in general (and positivism in particular), and adopts an objectivist conception of social reality whereas Qualitative research is the analysis of non-numerical data which normally would comprise words, pictures or observation of activities.

Quantitative research has been chosen over the qualitative research approach for this study due to its scientific orientation thus its reliability and objectivity. The study will follow the following structure:

Figure 3.1: Study methodology



3.3 POPULATION/SAMPLING

A population in relation to the study can be defined as a group of people or objects that exhibit certain characteristics that are pertinent to the study being conducted. The study is based on Mogale City which is located in the West Rand District Municipality in Gauteng. As the purpose of the study is to assess the impact of challenges with capital budget spending on municipal service delivery, the population for sampling purposes in this study is Mogale City officials who are involved with project implementation and management, budgets, reporting and implementation for purposes of data collection.

The population is homogeneous and not large and is concentrated within one municipality thus enabling ease of access. Furthermore, as only certain officials within the municipality in specific departments have the necessary knowledge to give meaningful contribution to the study. The sampling method used in this study is convenience sampling. Convenience sampling is a non-probability sampling method wherein the sample is selected based on accessibility and availability to the researcher. The sample used is considered to be representative of the population of Mogale City, thus generalizations from the study will be made to all of Mogale City.

For the theoretical component of the study, management reports and financial reports of the municipality were obtained from archived records of the municipality, current records and the internet were analyzed for this study. Applicable and relevant legislation and policies as well as financial data were obtained from the municipal websites as well as provincial government and national government websites.

3.4 DATA COLLECTION

3.4.1 QUESTIONNAIRES

In line with the chosen quantitative approach, a survey in the form of questionnaires was conducted with the population. A questionnaire is a compilation of questions which the participant to a survey is expected to answer honestly and often confidentially. The questionnaires was self-administered by the participants and circulated either by email or hand delivery and returned similarly by email or by hand delivery.

The use of questionnaires as a means of gathering data on the study was chosen for various reasons which include: the convenience in completion for the officials participating in the study as it enabled the participants to answer the questionnaire at own their convenience encouraging participation, furthermore, as questionnaires are prepared such that respondents remain anonymous, it encourages honesty in the responses. Questionnaires also enable standardisation of the questions to the respondents so as to enable meaningful analysis of responses received and comparison as well as drawing certain conclusions from the responses given. It eliminates the pressure respondents

might feel to answer in a specific way due to the presence of the interviewer while completing the questionnaire.

The study was conducted during the 2017 academic year. The questionnaires were used as a means of gathering valuable input to answer the question of what factors affect a municipality resulting in capital budgets not being fully spent and the effects thereof on service delivery.

The following advantages as outlined by Bryman et al, 2011, for the use of questionnaires instead of interviews exist:

- Cheaper to administer – There is no cost implications especially when the questionnaires are circulated electronically.
- Quicker to administer – Questionnaires can be distributed simultaneously in bulk especially using means such as email.
- No variation from interviewer- the questionnaire remains constant and does not make provision for the risk of improvising that is present during a live interview.
- Absence of interviewer effect – the absence of an interview removes issues of familiarity, or feelings of intimidation fear or loss of objectivity due to the need to please the interviewer or to show a certain bias.

Officials at various levels within the municipality in Mogale City who are involved with budgets, assets, reporting and with project management and capital projects would be sent the questionnaires for purposes of data collection. Management Reports and Financial reports of the municipality will be obtained from archived records of the municipality.

3.4.2 TYPE OF QUESTIONS ON QUESTIONNAIRE

Self-completion questionnaires and interviews have some commonalities however, the main difference is that with interviews the interviewer is present whereas with a questionnaire, the respondent administers the questions for themselves. Structured interviews are used to minimize the differences between interviews, so that respondents

are interviewed in a standardized manner. In qualitative interviewing, there is a greater interest in the interviewee's point of view (Bryman et al, 2011). The same is however achieved with questionnaires as there is absolutely no room for variation with questionnaires as all respondents get the same questions.

The type of questions administered through the self-completion questionnaires for this study are mainly closed questions which enables ease of answering for the respondents and for ease of coding. Pre coded questionnaires also provide for comparative analysis. However a few open questions were also administered in the questionnaire to allow the respondents space to contribute meaningfully to the study.

The respondents were given an option to answer the closed ended questions by rating them using the Likert scale (Bryman et al, 2011). The respondents had an option to choose an answer on a scale of 1 to 4, with 1 indicating that they strongly disagree, 2 disagree, 3 agree and 4 being strongly agree. The choice to not have a neutral answer such as do not know was excluded to ensure that respondents committed to an answer rather than having non-committal responses which prevented meaningful analysis.

3.4.3 VALIDITY AND RELIABILITY

Reliability is concerned with the credibility of the method used to gather data and whether its results can be repeated. Reliability is a term used to the question of whether the measure used is sound and consistent. Validity deals with the integrity of the conclusions that are drawn and whether or not a measure really reflects the concept that is supposed to capture (Bryman et al, 2011).

It's important that the study should be conducted in such a way that it's results can be relied upon and be capable of replication without significant deviation.

3.4.4 GATHERING DOCUMENTS AS SOURCES OF DATA

Document analysis was utilized as it is also the best approach for this research, as some of the information needed to research this topic is contained in legislation and National Treasury Regulations and Circulars, Municipal policies, Municipal financial reports, Municipal budgets and was easily accessible to the researcher as she is an employee of the municipality.

Secondary data analysis is the analysis of existing data generated by others. A primary reason for using secondary data is the fact that such data is easily available and replicating it would prove to be unnecessarily burdensome (Bryman et al, 2011).

The advantage of using these documents is that the study is to a large degree a desktop study as it the first of its kind in Mogale City and the documents obtained can be interrogated and analyzed properly.

Information on the municipality's capital projects was obtained using various internal financial reports such as the Integrated Development Plan and Capital budgets. The reason for this is that these are the documents that contain details of the projects that the municipality will undertake in any given financial period as identified in consultation with all relevant stakeholders. The projects are allocated budget funds in the capital budget and the source of the funds is also identified therein.

Mogale City internal reports such as the In year monitoring report were obtained as these are internal monthly financial management reports that are first presented to Executive Management, then to Portfolio Committees made up of Councillors and officials and finally to Council for noting and approval. These reports provide more detailed financial information and analysis of expenditure on capital projects per source of funding.

The Annual Financial Statements of Mogale City were also a good source of data because municipal expenditure is disclosed in the annual financial statements and because such financial statements are audited, they provide a great source of reliable financial information that can use for this research. The Municipality's Annual Reports,

other management reports, minutes of meetings, National Treasury reports, legislation applicable to municipal operations were also obtained and utilized in this study.

3.4.5 INTERNET RESEARCH

The internet was also used as a tool to collect data as most legislation, circulars and municipal documents and reports can also be found on municipality's website, on the National Treasury's website as well as the municipality's archived records.

3.5 DATA ANALYSIS

3.5.1 CONTENT ANALYSIS

Content analysis is the analysis of document and texts that seeks to quantify content in terms of predetermined categories and in a systematic and replicable manner (Bryman et al, 2011). This approach was used in this study in the form of printed documents as well as electronic documents which were obtained from the subject Municipality and the information thereon was quantified and presented in a format that enabled proper analysis.

3.5.2 QUANTITATIVE DATA ANALYSIS

Quantitative data analysis comprises the dissection of data gathered for a study by transforming it into observed numerical data. The data is meant to test and support or negate a certain theory that the researcher has. It focuses on the description and answering of "what" and "how many" questions in relation to a topic. Quantitative research effectively involves measuring or counting attributes (Dlamini, 2013:43).

Qualitative research generates a large database of data which includes, interview recordings and transcripts and documents (Bryman et al, 2011). It is crucial that there should be a way of collating this information in an orderly fashion so as to enable meaningful analysis.

Questionnaires were used to gather information for this study. A thematic analysis of the data was therefore conducted. A thematic analysis is a flexible method of analysis that is not tied to a specific philosophical orientation with its goal being to identify, analyse and describe patterns or themes across the data (Bryman et al, 2011). It has similarities to content analysis and as such the data analysis from both documents and questionnaires merge properly to formulate proper findings.

The aim in choosing this unit of analysis was that the results of the research would enable the researcher to establish reasons or the root causes that currently hamper the municipality in managing and spending its capital budgets efficiently and expeditiously. The main focus of the study is on grant and loan funded capital projects to enable the municipality to avoid the repercussions that follow from poor spending of grant and loan funds on capital projects and the effect of such lack of spending on service delivery.

3.6 RESEARCH ETHICS

Nicholls (2009:590) as quoted by Dlamini, 2013:43, highlights that in quantitative research, the problem of researcher bias is addressed by both scrupulous attention to the separation between the researcher and participants, and a comprehensive attempt not to influence the outcome of the study. Quantitative researchers gather data first and analyse it later. It is important that strict ethical principles be observed in conducting the study to eliminate the potential bias that might be caused by the researcher being an employee of the subject municipality thus having insiders' insight into the internal operations and challenges of the municipality.

The municipality was requested and granted approval for Mogale City to be used for the purposes of this study. The approved report is attached. Confidentiality of the municipality has also be respected throughout the study and there is no intention that this study should portray the Municipality negatively.

Consent to participate in the study was requested and obtained from participants. The confidentiality of participants was observed at all material times during this study to ensure free and frank responses to the questionnaires that were posed to the participants in order to make appropriate findings thereon. Participants were not expected to identify themselves by name or to give any personal information that would enable their

identification while participating in this study. Furthermore, respondents were advised in the consent form that they may withdraw consent at any stage during participation without any negative consequences.

Ethical clearance for this study was granted by the North West University thus it meets the required ethical standards and this document is attached.

3.7 FINDINGS

The findings of this study are presented based on the responses obtained on the questionnaires in graphical and tabular formats. The findings have been thoroughly reviewed for mistakes or any unusual inconsistencies and where possible revisited and corrected. It is important to also critically review these questionnaires to ensure that there is no bias or improper influence in the study.

The findings have been utilised to formulate recommendations on the study of spending challenges of capital expenditure and their impact on service delivery at Mogale City.

3.8 CONCLUSION

This chapter dealt with the methodology and research design employed in conducting this study. The quantitative research method which forms the basis of this study was dealt with and it is of further importance to note that the population used for this study was not all of the Mogale City officials but only those officials who were deemed appropriate for the purpose of this study as they were in a position to respond and give meaningful contribution to the study.

CHAPTER 4: EMPIRICAL STUDY

4.1 INTRODUCTION

The actual study and presentation of the findings of this research will be presented comprehensively in this chapter. As indicated in Chapter 1, the main objectives of this study in relation to Mogale City Local Municipality are:

- To determine the reasons behind slow or non-spending of conditional grant funded capital projects which sometimes results in municipalities having to return or pay back grant funds to the National Government as prescribed in the Division of Revenue Act.
- To determine the reasons behind slow or non-spending of specific borrowed funds on capital projects which results in interest being incurred on idle loan funds that are not being immediately used on projects for which they had been loaned.

Findings made through this study in achieving the objectives outlined above as well as the secondary objectives of the study will be presented in this chapter in graphical and table format.

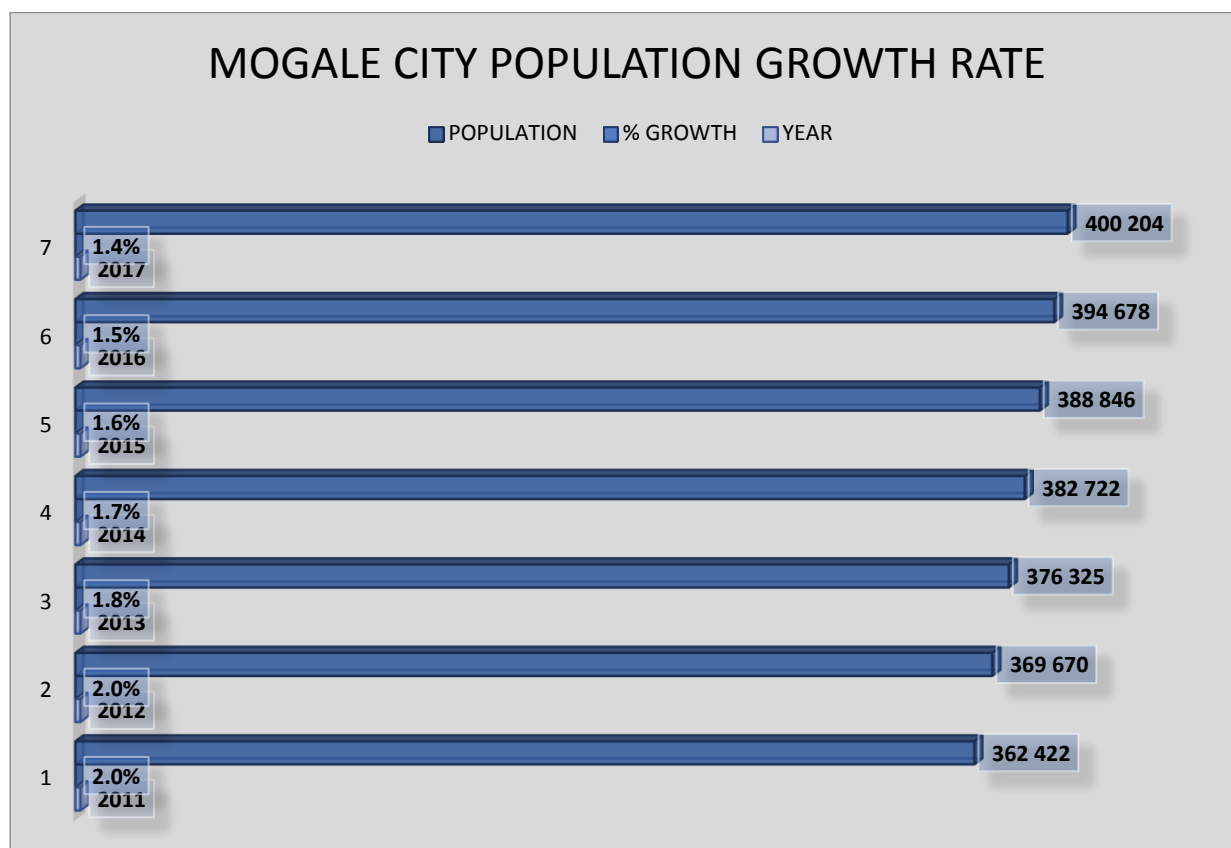
4.2 GATHERING OF DATA

4.2.1 THEORETICAL STUDY

4.2.1.1 Mogale City Population

The Mogale City population figures according to the Census conducted in 2011 as presented in the Stats SA website, found that there were 362 422 people residing in Mogale City and a total of 117 373 households. The population growth figures since 2011 to date are presented in graph 4.2 below:

Graph 4.1: MOGALE CITY POPULATION



Source: Mogale City handover report, 2016

-Being a mainly urban municipality, Mogale City also finds itself with a great influx of people from either within the province moving to Mogale City or from other provinces within South Africa and even outside South Africa looking for opportunities and establishing themselves within the municipality. Population growth causes an increase in the demand for basic services and Mogale City is obliged to ensure that its service infrastructure has the capacity to service all residents and to provide quality services even to those who can't afford to pay for such services. As can be seen from the above table, the population in Mogale City has grown at an average of 1.71% per year since 2011 to a total estimated population of 400 204 in 2017.

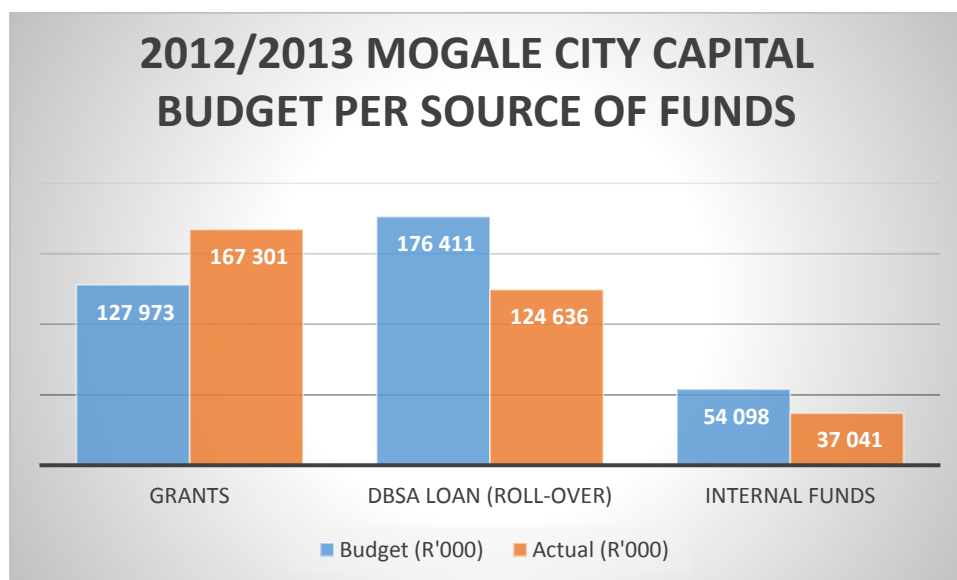
4.2.1.2 Capital Budget per Source of Funding Versus Actual Expenditure

Mogale City's budget per source of funding for the financial years 2012/2013 to 2016/2017 is presented below. Although the budget figures are in fact adjustment budget figures, Mogale City still could not spend its budget fully in all the years. It bears mentioning that the budget figures also show that the municipality was unable to spend

100% of its grant funded and loan funded capital projects even after adjusting its original budget. It is also important to note that grant funds and loan funds are advanced to municipalities thus cash flow challenges should not affect such projects.

a) 2012/2013 Financial year

Graph 4.2: 2012/2013 Mogale City capital budget by source of funds

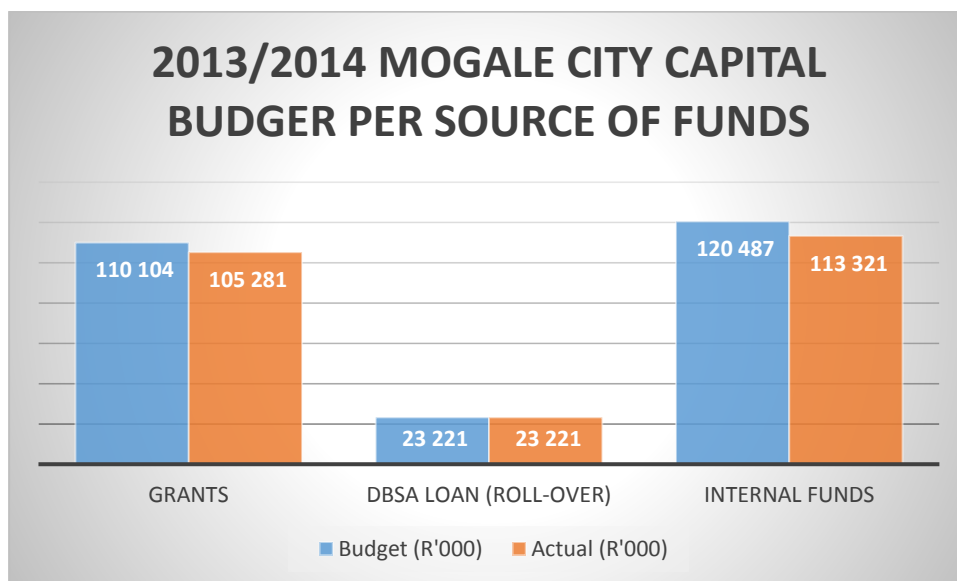


In the 2012/2013 financial year, Mogale City managed to spend 92% of its adjusted capital budget. Grants were overspent by 31% which indicates that the municipality either rolled over grant funds from the previous financial year or spent grant funds in advance. Loan funds were underspent by 29% in this financial year.

b) 2013/2014 Financial year

As presented in the graph below, in the 2013/2014 financial year, grant funds were under spent by 4% as the municipality only managed to spend 96% of its budget on capital projects. 100% of the loan funded component of the capital budget was spent and internal funded projects were under spent by 6%.

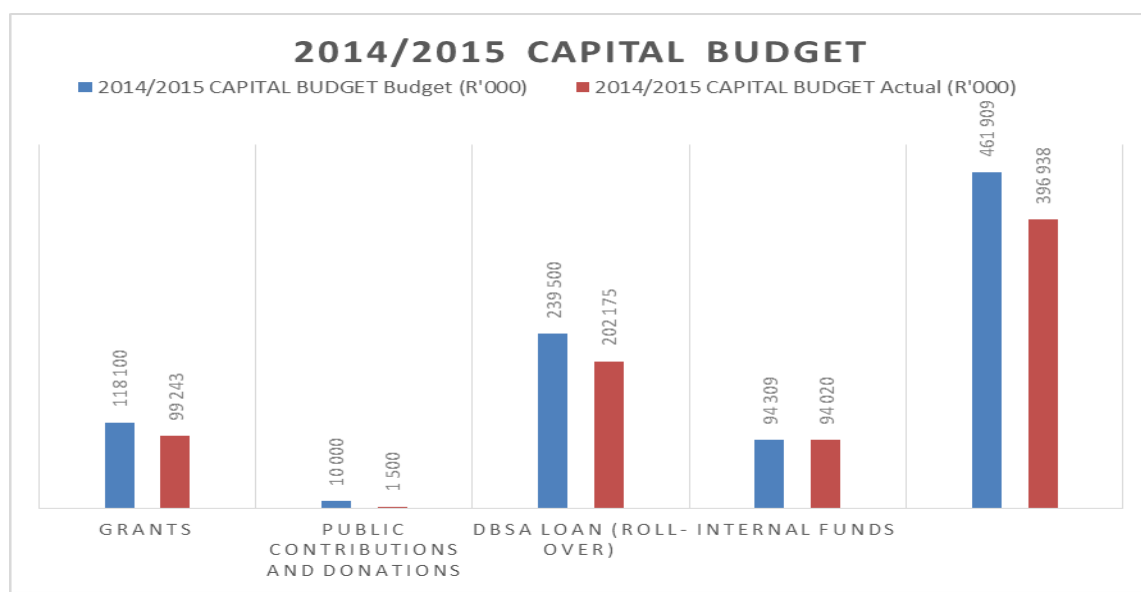
Graph 4.3: 2013/2014 Mogale City capital budget by source of funds



c) 2014/2015 Financial year

The municipality regressed in its capital spending the 2014/2015 financial year and had 16% unspent grant funds and the same unspent percentage on loan funded projects at the end of the financial year. An overall total of 86% of the municipal capital budget was spent in the 2014/2015 financial, also taking into consideration Publication contributions and donations (85% underspending) and internally funded projects (100% spent).

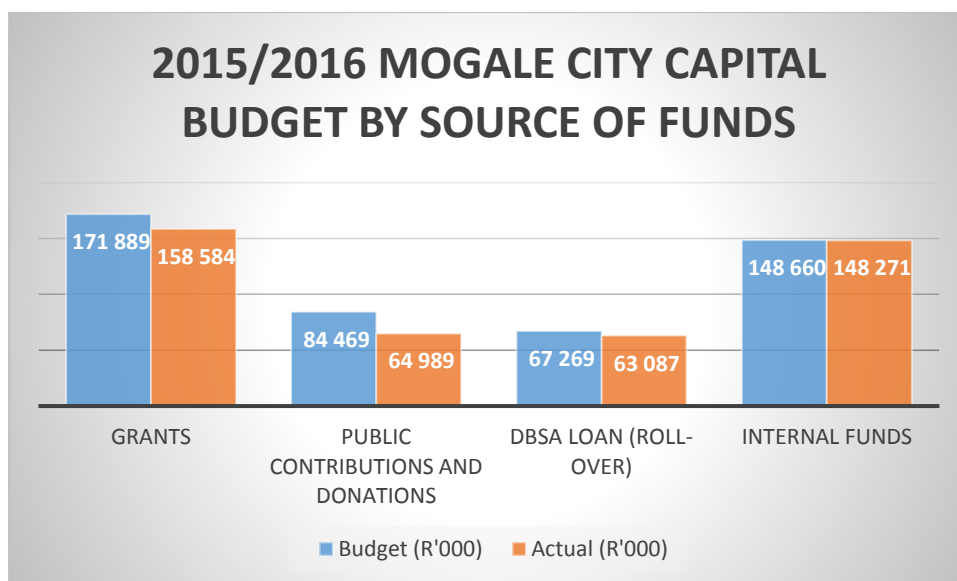
Graph 4.4: 2014/2015 Mogale City capital budget by source of funds



d) 2015/2016 Financial year

Graph 4.6 below depicts a progressively improved state of financial affairs in as far as the capital budget spending of Mogale City in the 2015/2016 financial year as the overall capital budget spending improved from 86% in 2014/2015 to 92% in 2015/2016. 92% of the available capital budget was actually spent on grant funded projects and only 94% of the rolled over loan funded projects was spent leaving 6% unspent.

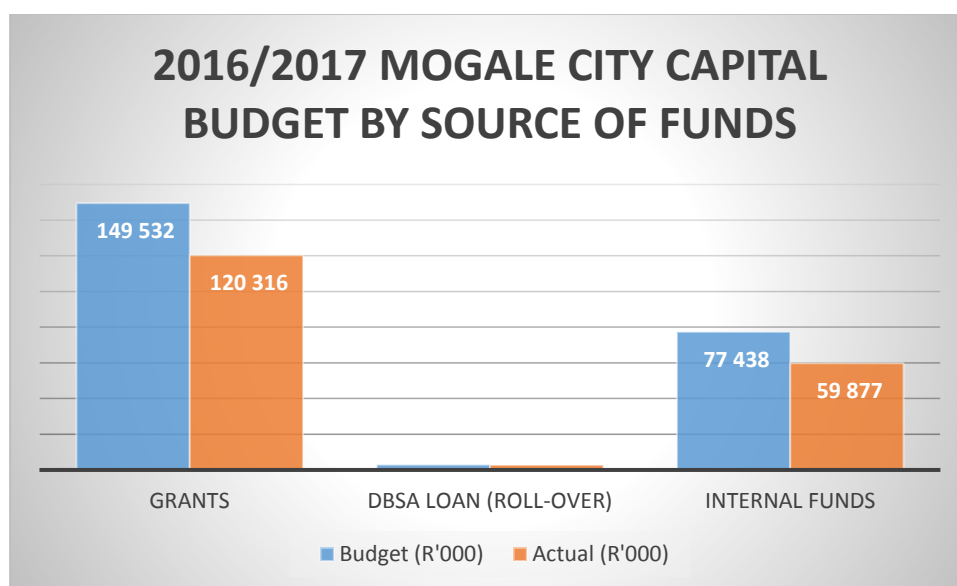
Graph 4.5: 2015/2016 Mogale City capital budget by source of funds



f) **2016/2017 Financial year**

Per the graph below, Mogale City had a reduction in its overall actual capital budget expenditure against its budget from 92% in 2015/2016 to 80% in the 2016/2017 financial year. 20% of capital projects funded from grants were unspent at the end of the financial year and 3% of the rolled over loan funded capital projects remained unspent.

Graph 4.6: 2016/2017 Mogale City capital budget by source of funds



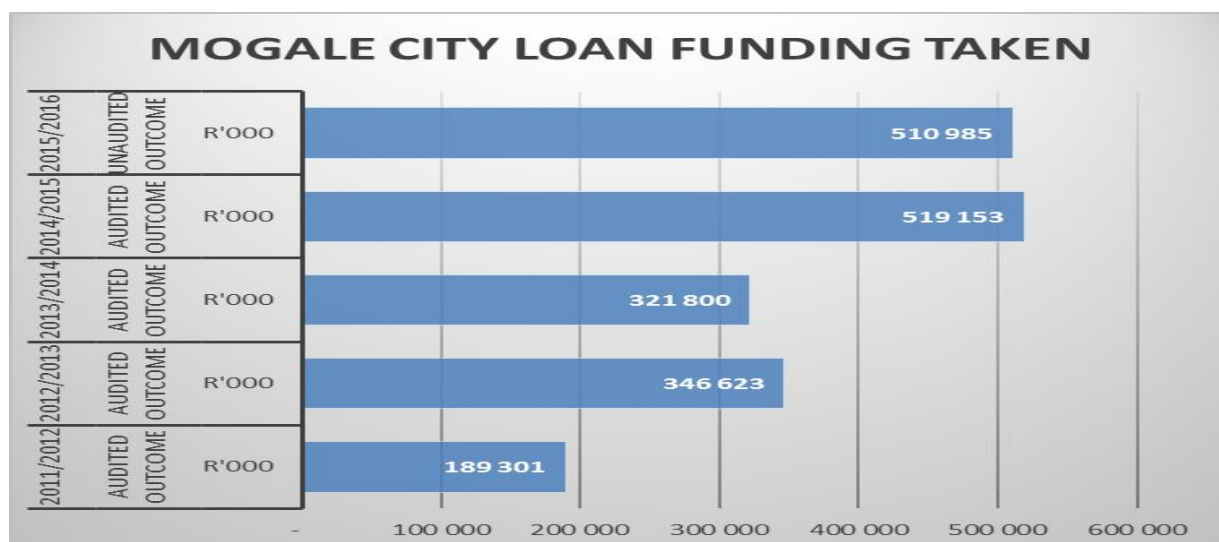
4.2.1.3 Mogale City Loans Taken

Table 4.1: Mogale City Loans Taken

<u>LOANS TAKEN</u>				
2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
Audited Outcome	Audited Outcome	Audited Outcome	Audited Outcome	Unaudited Outcome
R'000	R'000	R'000	R'000	R'000
189 301	346 623	321 800	519 153	510 985

Source: Mogale City Handover report, 2016

Graph 4.7: Mogale City Loans Taken



Source: Compiled by Author

4.2.2 QUANTITATIVE STUDY

4.2.2.1 Questionnaire circulation

The criteria for the population to be used for the study was determined to be as follows: Mogale City Officials or Political Office Bearers working either in Finance, Internal and External Auditing, Technical Department, Political offices and Monitoring and Evaluation. The officials have to either have managerial positions or operational positions in processing and approval of invoices, reporting on budget projects, project management, in charge of the departments.

A total of 82 questionnaires were circulated to Mogale City officials and 54 questionnaires were received back which amounts to a response rate of 66%. The response rate is considered to be sufficient for the purpose of conducting the assessment of capital spending challenges in Mogale City and also to make informed conclusions based upon it. It cannot be assumed however that the participants' responses are representative of the views of all Mogale City officials, however it is important to note that the sample of Mogale City officials who were sent the questionnaires are those that were considered to be in a position to provide meaningful contribution to the study.

The pre-coded data from the questionnaires was then captured onto a Microsoft Excel 2013 Coding schedule. The responses were analysed using frequency analysis and to determine the median response received per question. This information was then interpreted using the pre-coded equivalent response per numeric response and the results of the analysis are presented below in paragraph 4.3.

4.3 RESULTS AND DISCUSSION

4.3.1 QUESTIONNAIRE BREAKDOWN

The questionnaire contained an introductory letter to the participants of the study and a consent form, with the 2nd page containing biographical information in order to obtain some background information about the respondents. The actual questionnaire was divided into 3 sections made up of questions on each section which were included for their ability to elicit the required information from participants to meet the study objectives. The questionnaire was presented as per below sections:

Table 4.2: QUESTIONNAIRE BREAKDOWN

SECTION	OBJECTIVE	NUMBER OF QUESTIONS
Introduction letter	To introduce the participant to the study and to give some information about the reason for the study and what is expected from the participant. The objective was to further obtain the consent of the respondent for the participation in the study.	Not applicable
Demographics	To obtain background information on respondents	7
1. Service Delivery	This section intends to obtain your assessment of the service delivery abilities of your municipality related to capital budget projects.	27
2. Conditional grant funding	This section will be used to get your opinion on challenges with the timely utilization of grant funding for capital projects by your municipality.	20
3. Loan funding	This section focusses on your views with respect to the timely utilization of loan funding for capital projects by your municipality.	14
		68

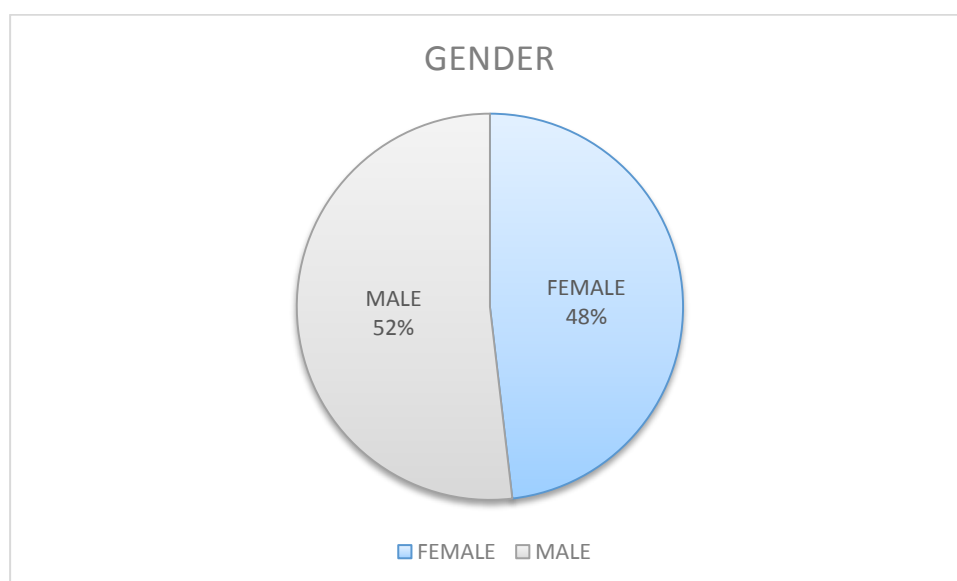
4.3.2 BIOGRAPHICAL DATA ANALYSIS

a) Gender - The proportion of female respondents to male respondents was at a ratio of 48:52 as presented in the table below. There was no bias towards any gender in the selection of the participants to the study and gender does not necessarily have an impact on the outcomes of the study as it is influenced by Mogale City's recruitment practices. The sample is however considered to be fairly representative of the gender distribution within Mogale City.

Table 4.3: Gender

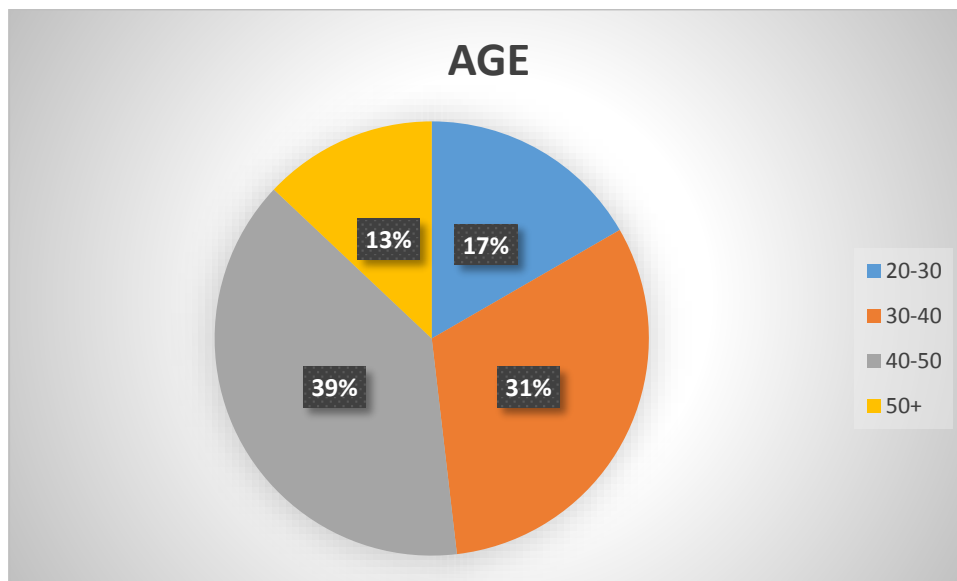
	Frequency	Percent	Valid Percent
1	28	51.9	51.9
2	26	48.1	48.1
Total	54	100.0	100.0

Graph 4.8: Gender



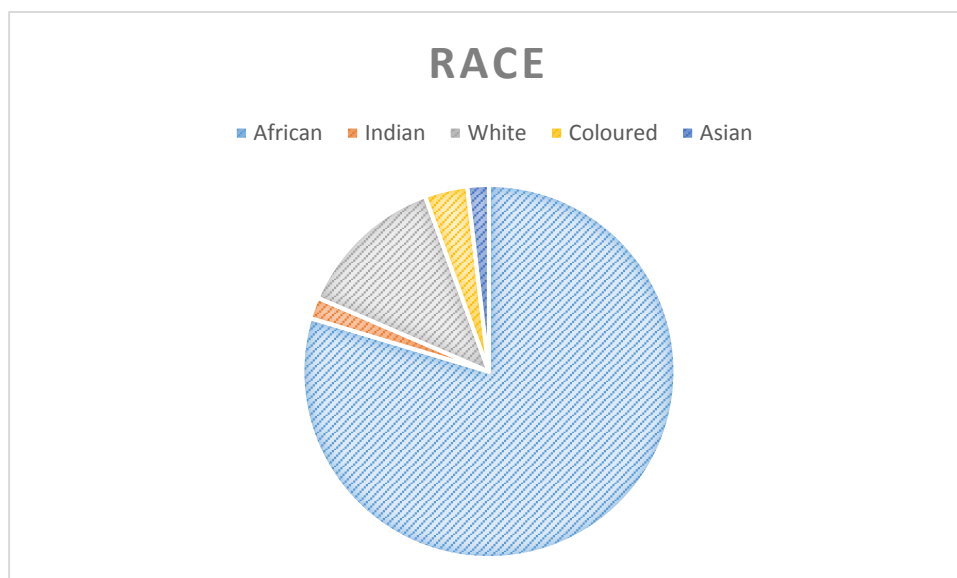
b) Age – The age of the respondents on average falls between the range of 40-50 with 21 of the 54 respondents falling within this age category (i.e. 39%). This is consistent with the workforce in the municipality being of a more advanced age. 9 of the respondents fell between the ages of 20 to 30, 17 fell in the 30 to 40 years category and 7 of the respondents were older than 50 years.

Graph 4.9: Age



c) RACE – The majority of the respondents were African at 80%, followed by Whites at 13%, then coloureds at 4% and Asian and Indian at 2% respectively. Mogale City does have majority representation of Africans however the race statistics below are not necessarily representative of the overall Mogale City workforce.

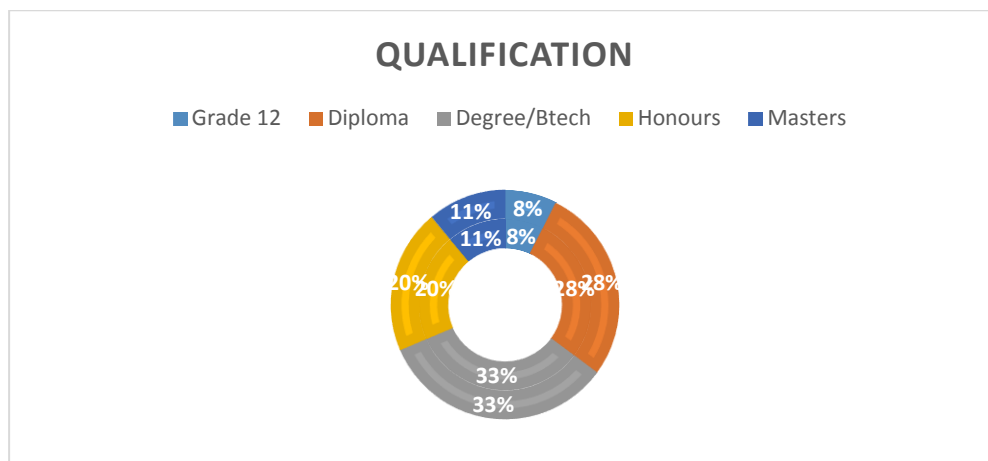
Graph 4.10: Race



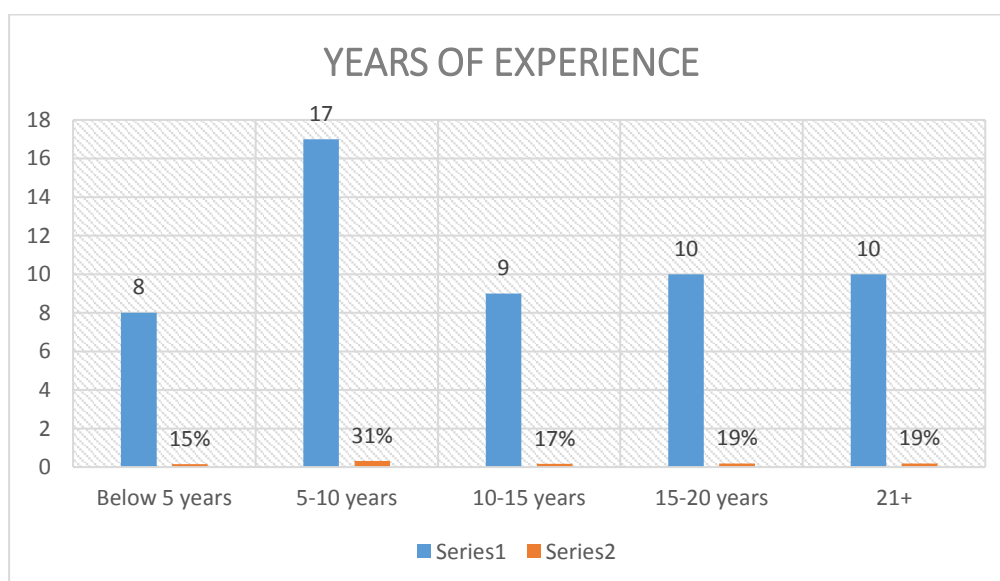
d) QUALIFICATION, FIELD OF EXPERTISE AND YEARS OF EXPERIENCE – The details given in the graphs 4.11, 4.12 and 4.13 below are the most relevant to the study.

This is because the area in which the official is working in Mogale City is imperative as the population for the study had to be made up of people who have the requisite knowledge in capital projects sources of funding, implementation and reporting.

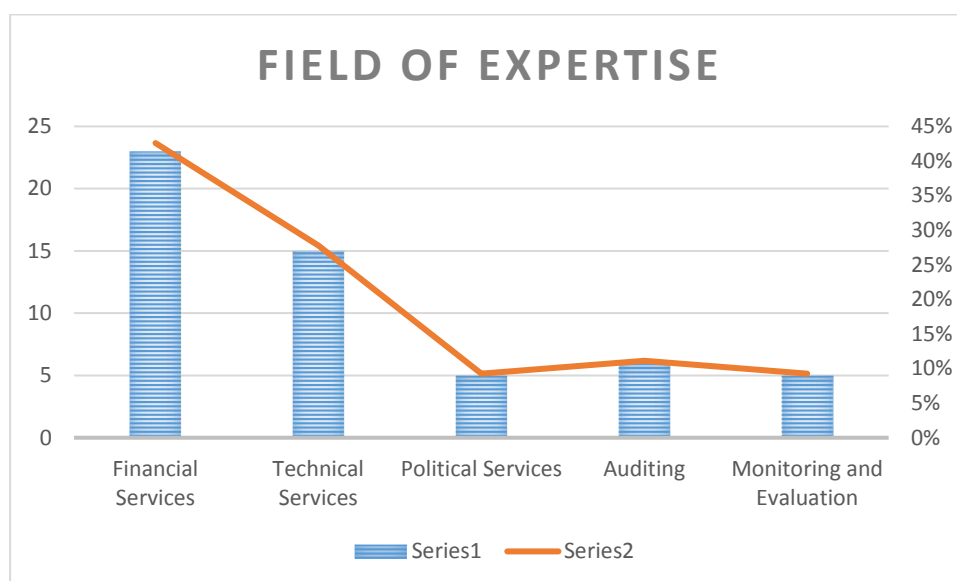
Graph 4.11: Qualification



Graph 4.12: Years of experience



Graph 4.13: Field of expertise



4.3.3 QUANTITATIVE DATA ANALYSIS

61 close ended statements were made in the questionnaire to obtain the respondents' assessment of the impact of spending challenges to service delivery in Mogale City, the nature of challenges affecting service delivery and the responsiveness of senior management to challenges and 2 open ended statements wherein respondents were given an opportunity to give any other independent input into the study were also made. The responses given by the respondents to the questionnaire were pre-coded and extrapolated onto an excel schedule for statistical analysis. The statements are indicated below with the number of respondents per question and the average response of all participants to the question. The most frequently given response per question is the response also presented next to the average. The questions, although presented individually, will be assessed in totality for each section. It is important to note that the analysis is based on the premise that the responses given by the majority of the respondents are taken to be representative of the overall population.

The respondents were required to express their view with respect to the statements made below by using the Likert scale and indicate the extent to which they agree, where 1= totally disagree, 2 = disagree, 3 agree and 4= totally agree.

Table 4.4: Questionnaire response statistics

	<u>SERVICE DELIVERY</u>	
<u>Question number</u>	<u>Question</u>	<u>N</u>
A1	I have a fair understanding of the municipality's constitutional mandate or reason for existence.	54
A2	The municipality is fully achieving its mandate of delivering services to its communities.	54
A3	The municipality's administrative leadership is committed to the timely implementation of capital expenditure projects.	54
A4	The municipality's political leadership is committed to the timely implementation of capital expenditure projects.	53
A5	The municipality has no challenges with delivering services through capital projects	54
A6	Service delivery within my municipality is not affected by challenges with implementation of capital expenditure projects.	53
A7	The municipality utilizes 100% of its capital budget in every financial year.	54
A8	I am satisfied with the quality of services that my municipality delivers to its residents.	54
A9	There hasn't been a community service delivery protest due to poor service delivery in our municipal area in the last 3 financial years.	54
A10.1	Lack of project management skills of employees overseeing the implementation of capital projects.	54
A10.2	Lack of internal technical human resources e.g. engineers or artisans and resources such as equipment, plant and machinery to implement capital projects.	53
A10.3	Lack of internal capital resources e.g. equipment, plant and machinery to implement capital projects.	53
A10.4	Slow procurement processes when outsourcing projects	54
A10.5	Lack of monitoring and oversight over outsourced capital projects	54
A10.6	Cash flow unavailability during implementation of capital projects	53
A10.7	Community protests at capital projects implementation sites	52
A10.8	Corruption in appointment of service providers	54
A10.9	Political interference in capital projects	52
A10.10	Use of incompetent service providers to implement capital projects	50

<u>Question number</u>	<u>Question</u>	<u>N</u>
A11	Management takes constructive inputs from officials in order to overcome challenges with implementation of capital projects	54
A12	The municipality reports every month on its expenditure on capital projects.	54
A13	The municipality reports expenditure with respect to its capital projects honestly.	54
A14	The municipality reports challenges with respect to spending its capital budget accurately to its funders.	53
A15	The municipality has incurred irregular expenditure with respect to capital projects in the last 3 years.	50
A16	The municipality has incurred fruitless and wasteful expenditure with respect to capital projects in the last 3 years	48
A17	Challenges experienced with implementation of capital projects are addressed by management to ensure that they do not recur.	53
A18	Municipal capital projects are only undertaken with the needs of the community in mind.	54
	<u>CONDITIONAL GRANT FUNDING</u>	
B19	I am aware of the various conditional grants that the municipality receives from other spheres of government.	54
B20	The Municipality plans adequately to ensure that allocated grant funds are utilized fully in the implementation of capital projects in each financial year.	54
B21	In my opinion, the conditions attached to each grant are known by all relevant officials of the municipality.	54
B22	The failure to spend conditional grant funds on capital projects within the prescribed time is due to factors outside the control of the municipality.	52
B23	I am aware of the repercussions for not utilizing conditional grant funds in full and on time.	53
B24	It is fair that municipalities should return unspent conditional funds at the end of the financial year to the National Treasury.	52
B25	This municipality has had to return unspent conditional grant funds to the National Treasury in the last 3 years.	48
B26	This municipality has had a portion of its equitable share allocation withheld due to unspent conditional grant funds in the last 3 years.	48

<u>Question number</u>	<u>Question</u>	<u>N</u>
B27	This municipality has previously requested a roll-over of unspent capital funds.	52
B28	The municipality has had its request for a roll-over of unspent conditional grant funds declined by the National Treasury.	46
B29	Action is taken against relevant officials within the municipality when conditional grant funds are unspent.	52
B30	The municipality does take steps to ensure that conditional grant funds spending challenges experienced do not recur in subsequent financial years.	54
B31	Officials within the municipality do not care if conditional grant funds are not fully spent.	52
B32	Invoices for outsourced conditional grant funded projects are accepted and signed off by project management officials even if the work has not actually been done by the appointed service provider.	50
B33.1	Poor planning by officials responsible for capital projects	53
B33.2	Cash flow constraints within the municipality	54
B33.3	Delays in transfer of conditional grant funds by the provincial and national departments	50
B33.4	Delays in procurement processes within the municipality	54
B34	Management takes remedial action promptly when a capital project falls behind planned implementation schedule.	53
B35	Corruption negatively affects service delivery through conditional grant funded capital projects	52
<u>LOAN FUNDING</u>		
C36	External loans are a good source of funding for capital expenditure if a cost versus benefit analysis is done when considering loans as a source of funding for capital projects.	53
C37	I am aware that in a municipality long term debt can only be used to finance capital projects.	53
C38	The municipality uses loan financing only when all other sources of funding available have been exhausted.	52
C39	The municipality chooses the most favourable terms with respect to interest rate and term of payment when entering into a loan agreement with a financial service provider.	49

<u>Question number</u>	<u>Question</u>	<u>N</u>
C40	Project plans which include timelines for expenditure on loan funded projects are prepared within the municipality.	52
C41	The municipality has never had loan funds idling in its bank account due to poor planning for implementation of capital projects.	48
C42	The Municipality ensures that loan funds are fully utilised in the implementation of capital projects as soon as possible after receipt.	48
C43	Fruitless and wasteful expenditure is incurred when a municipality fails to utilise loan funds promptly.	50
C44	The municipality does take steps to ensure that loan funds spending challenges experienced do not recur in subsequent financial years.	52
C45	Officials within the municipality do not care if loan funds for capital projects are not fully utilised within the planned project timeframes.	51
C46	Invoice claims on outsourced loan funded projects are accepted and signed off by officials even if the work has not actually been done by the appointed service provider.	49
C47	The municipality's management takes corrective action when a loan funded capital project falls behind schedule.	50
C48	Officials are required to account to senior management within the municipality when loan funds are unspent.	50
C49	Loan funds ring fenced for expenditure on capital projects are used for other unrelated expenditure	49

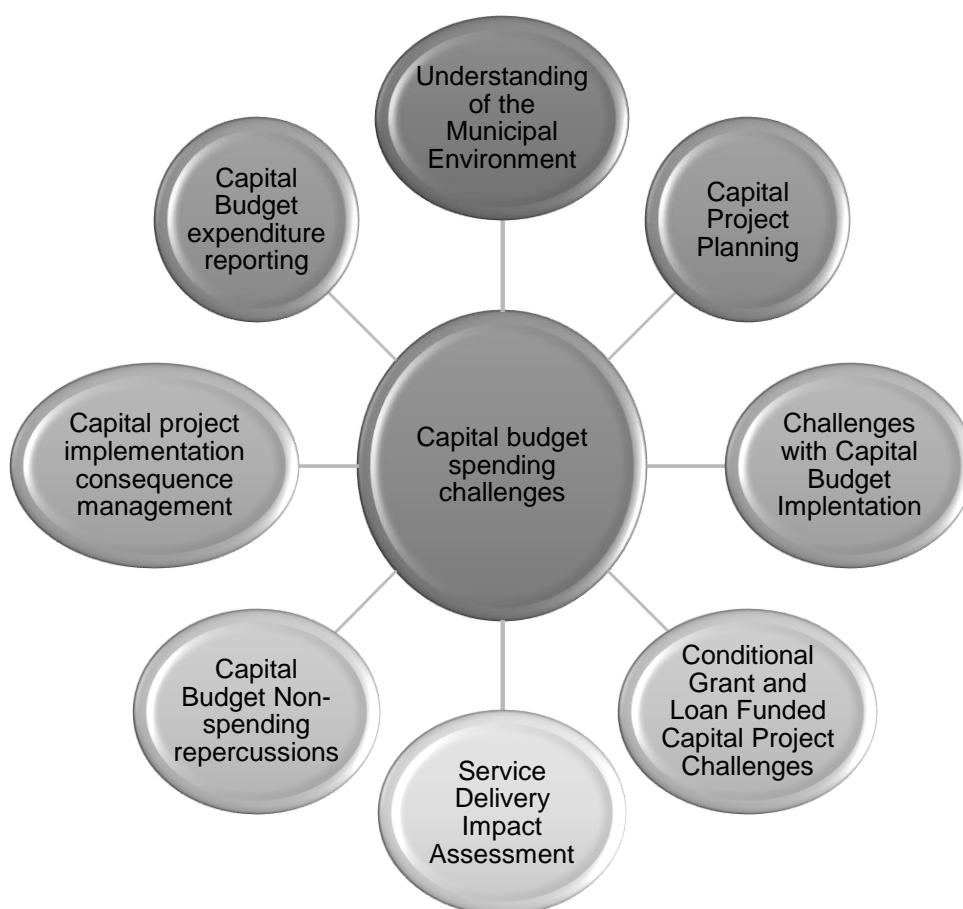
Source: Compiled by author from survey results

The above table shows the descriptive statistics. The number of responses per question or item are presented as “n” and the mean values are those responses that were given on average by the respondent.

4.3.4 THEMATIC ANALYSIS

Thematic Analysis is an approach for extraction of meanings and concepts from data and includes pinpointing, examining, and recording patterns or *themes*. Thematic Analysis is a method for detection, analysis and reporting the themes in data gathered using any method of data collection (Mustafa et al, 2016:34). The following themes were embedded within the questions in the questionnaire and the data gathered through the questionnaire is analysed according to the following themes or constructs:

Graph 4.14: Themes



Whereas the questions in the questionnaire were divided into 3 sections dealing with service delivery, conditional grant funding and loan funding, the questions across the 3 sections are grouped into the themes or factors as per table below to enable analysis of the responses obtained.

Table 4.5: Questionnaire themes and Items

Theme	Items
Understanding of the Municipal capital budgeting environment	A1, B19, B21, C37
Capital project planning	B20, C36, C38, C39, C40, C41, C42
Challenges with Capital Budget implementation	A5,A7,A10.1,A10.2,A10.3,A10.4,A10.5,A10.6,A10.7,A10.8,A10.9,A10.11, A15,A16
Conditional grant and loan funded capital project challenges	B22, B33.1, B33.2, B33.3, B33.4, B33.5, C49
Service delivery impact assessment	A2, A6, A8, A9, A18, C35
Capital budget non-spending repercussions	B24,B25,B26,B27,B28, C43
Capital project implementation consequence management	A3,A4, A11, A17, B23, B29, B30,B31, B34, C44, C45, C47,C48
Capital budget expenditure reporting	A12,A13, A14,B32, C46

Source: Compiled by author

4.3.5 RELIABILITY OF THE RESULTS

Internal reliability is a measure of whether a causal relationship between variables is valid or not. In order to measure the reliability of the constructs and the relationships between the questions within each theme, the Cronbach's alpha has been used to measure internal consistency of each factor. All factors with a reliability coefficient above 0.5 were considered acceptable for this study.

According to the UCLE Institute for Digital Research and Education (Accessed on 3 September 2017), Cronbach's alpha measures how closely related a set of items are as a group. Cronbach's alpha is not a statistical test but is a coefficient or scale of reliability. Cronbach's alpha can be written as a function of the number of test items and the average inter-correlation among the items. The formula for the standardized Cronbach's alpha is reflected below:

$$\alpha = \left(\frac{K}{K-1} \right) \left(1 - \frac{\sum V_i}{V_T} \right)$$

Table 4.6: Cronbach alpha coefficients of constructs

Construct	N	Cronbach alpha coefficient
Understanding of the Municipal capital budgeting environment	54	0.6148
Capital project planning	54	0.7074
Challenges with Capital Budget implementation	54	0.7691
Conditional grant and loan funded capital project challenges	54	0.5930
Service delivery impact assessment	54	0.6783
Capital budget non-spending repercussions	54	0.6977
Capital project implementation consequence management	54	0.8089
Capital Budget expenditure reporting	54	0.7134

Source: Compiled by author from survey results

The above table presents all the constructs with the Cronbach alpha results and all the constructs have internal reliability exceeding 0.5. There was a strong correlation between the 7 of the 8 constructs and their components with all the constructs. When the conditional grant and loan funded capital project challenges construct was initially tested for internal reliability with its 6 items, it yielded a Cronbach alpha which was far less than 0.5 and was retested with some of the items being excluded until 3 of the items showed a strong correlation with a Cronbach alpha of 0.5930 and these will be the only items used for this construct going forward as they have shown reliability.

4.3.6 CONSTRUCTS MEAN AND STANDARD DEVIATION

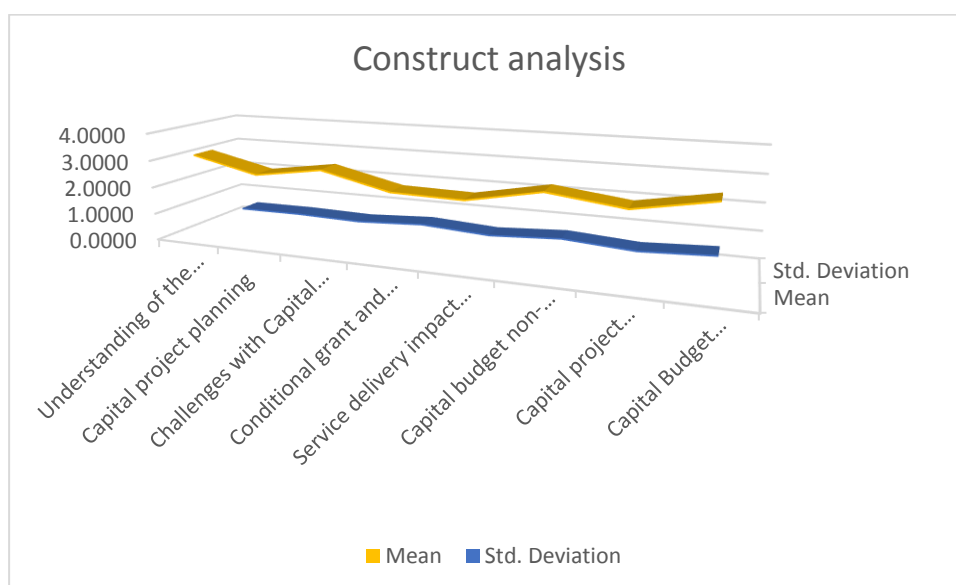
The constructs all reflect a mean value of just over 2 up to just over 3 and this translates to a range of answers either disagreeing or agreeing with the statements made. Factor scores were calculated as the average of all items included under each theme contributing to a specific factor in order to interpret it on the original four-point Likert scale. The scores range from disagreeing to agreeing with no outright disagreements emphatic agreements.

Table 4.7: Constructs descriptive statistics

	Mean	Std. Deviation
Understanding of the Municipal capital budgeting environment	3.1574	0.46656
Capital project planning	2.6036	0.47760
Challenges with Capital Budget implementation	2.9654	0.42182
Conditional grant and loan funded capital project challenges	2.3889	0.55608
Service delivery impact assessment	2.3389	0.40385
Capital budget non-spending repercussions	2.8330	0.55124
Capital project implementation consequence management	2.5137	0.37779
Capital Budget expenditure reporting	2.9852	0.50968

Source: Compiled by author from survey results

Graph 4.15: Construct analysis



4.3.7 T-TEST RESULTS

A t-test was completed on the constructs per various biographical groupings to determine the extent of differences there were between the mean responses from two different types of groupings. The t-test indicates practical significant differences between the mean as well as the effect size. The t-test results are presented and interpreted as follows:

- 0.2 Small, No practical significant difference
- 0.5 Medium, Practical visible difference
- 0.8 Large, Practical significant difference

The first t –test results presented in Table 4.8 below compares the mean response construct responses based on a comparison of the respondents per area of expertise which is the department in which they are currently employed. The results will give perspectives on the experience of the official based on their department of the challenges relating to capital projects and service delivery.

Table 4.8: T-Test per respondent's area of expertise

Expertise grouped		N	Mean	Std. Deviation	Std. Error Mean	Effect size	Sig. (2-tailed)	
Understanding of the Municipal capital budgeting environment Capital project planning	Financial Services	23	3.2065	0.52577	0.10963	0.16	0.510	Equal variances assumed
	All other	31	3.1210	0.42265	0.07591		0.525	Equal variances not assumed
Challenges with Capital Budget implementation Conditional grant and loan funded capital project challenges	Financial Services	23	2.6708	0.52478	0.10942	0.22	0.378	Equal variances assumed
	All other	31	2.5538	0.44159	0.07931		0.391	Equal variances not assumed
Service delivery impact assessment Capital budget non-spending repercussions	Financial Services	23	3.0448	0.49281	0.10276	0.28	0.237	Equal variances assumed
	All other	31	2.9065	0.35753	0.06421		0.261	Equal variances not assumed

Expertise (Continued)	grouped	N	Mean	Std. Deviation	Std. Error Mean	Effect size	Sig. (2- tailed)	
Capital project implementation consequence management	Financial Services	23	2.3623	0.47315	0.09866	0.07	0.766	Equal variances assumed
	All other	31	2.4086	0.61740	0.11089		0.756	Equal variances not assumed
Understanding of the Municipal capital budgeting environment Capital project planning	Financial Services	23	2.2594	0.30715	0.06404	0.30	0.216	Equal variances assumed
	All other	31	2.3978	0.45882	0.08241		0.191	Equal variances not assumed
Challenges with Capital Budget implementation Conditional grant and loan funded capital project challenges	Financial Services	23	2.9304	0.60611	0.12638	0.28	0.267	Equal variances assumed
	All other	31	2.7608	0.50473	0.09065		0.281	Equal variances not assumed
Service delivery impact assessment Capital budget non-spending repercussions	Financial Services	23	2.4138	0.38793	0.08089	0.45	0.095	Equal variances assumed
	All other	31	2.5878	0.35844	0.06438		0.099	Equal variances not assumed
Capital project implementation consequence management	Financial Services	23	3.0826	0.50331	0.10495	0.33	0.230	Equal variances assumed
	All other	31	2.9129	0.51039	0.09167		0.229	Equal variances not assumed

Source: Compiled by author from survey results

43% of the respondents are employed in the Financial Services department and the 57% are in other departments. Interestingly, there were no significant deviations in the responses of officials from the Finance Department compared to those from other Departments within Mogale City in all the factors. The mean responses from the two group per the t-test vary by a small margin and when converted back to the Likert scale, they largely have the same overall response.

4.3.8 FACTOR ANALYSIS

The questions contained questionnaire were designed to answer the research questions proposed in Chapter 1 of this study. The internal reliability tests conducted and presented above have deemed the identified themes embedded within the components of the questionnaire to be reliable.

Table 4.9 - Theme 1: Understanding of the Municipal capital budgeting environment

			Frequency					
		N	1	2	3	4	Mean	Std Deviation
A1	I have a fair understanding of the municipality's constitutional mandate or reason for existence.	54	1	1	15	37	3.63	0.623
B19	I am aware of the various conditional grants that the municipality receives from other spheres of government.	54	0	9	25	20	3.20	0.711
B21	In my opinion, the conditions attached to each grant are known by all relevant officials of the municipality.	54	0	20	28	6	2.74	0.650
C37	I am aware that in a municipality long term debt can only be used to finance capital projects.	53	1	9	30	13	3.04	0.706
	AGGREGATE	54					3.1574	0.466561833

Source: Compiled by author from survey results

The majority of respondents agreed that they had a fair understanding of the capital budgeting environment within a municipality as their responses converted per the Likert scale reflect an aggregate mean of 3. It is important to note that out of the total of 54 respondents that participated in the study none strongly denied knowledge of the various grants and the conditions attached to them thus ignorance is not a factor in the challenges facing expenditure on capital projects.

Table 4.10 - Theme 2: Capital project planning

		Frequency						
		N	1	2	3	4	Mean	Std Deviation
B20	The Municipality plans adequately to ensure that allocated grant funds are utilized fully in the implementation of capital projects in each financial year.	54	2	20	25	7	2.69	0.748
C36	External loans are a good source of funding for capital expenditure if a cost versus benefit analysis is done when considering loans as a source of funding for capital projects.	53	5	12	25	11	2.79	0.885
C38	The municipality uses loan financing only when all other sources of funding available have been exhausted.	52	4	11	33	4	2.71	0.723
C39	The municipality chooses the most favourable terms with respect to interest rate and term of payment when entering into a loan agreement with a financial service provider.	49	2	5	34	8	2.98	0.661
C40	Project plans which include timelines for expenditure on loan funded projects are prepared within the municipality.	52	7	15	26	4	2.52	0.828
C41	The municipality has never had loan funds idling in its bank account due to poor planning for implementation of capital projects.	48	11	23	13	1	2.08	0.767
C42	The Municipality ensures that loan funds are fully utilised in the implementation of capital projects as soon as possible after receipt.	48	9	20	19	0	2.21	0.743
	AGGREGATE	54					2.6036	0.47760

Source: Compiled by author from survey results

In table 4.10 above, the respondents agreed that the loans can be utilised for capital projects provided that due diligence is performed when sourcing such funds however, respondents concede that in Mogale City, loan funds lie idle in the municipal bank account as they are not used promptly after receipt from the lending institution.

Planning in capital project implementation is critically important. When respondents were asked if project plans are prepared with timelines for loan funded projects they agreed that they are prepared they almost non-committal as the mean response was 2.5. The average response on the capital budget planning item was 2.6 thus it is an area that is seemingly a concern for the respondents.

Table 4.11 - Theme 3: Challenges with Capital Budget implementation

		Frequency						
		N	1	2	3	4	Mean	Std Deviation
A5	The municipality has no challenges with delivering services through capital projects	54	12	36	5	1	1.91	0.622
A7	The municipality utilizes 100% of its capital budget in every financial year.	54	18	27	7	2	1.87	0.778
A10.1	Lack of project management skills of employees overseeing the implementation of capital projects.	54	2	10	32	9	2.87	0.754
A10.2	Lack of internal technical human resources e.g. engineers or artisans and resources such as equipment, plant and machinery to implement capital projects.	53	1	12	24	16	3.04	0.784
A10.3	Lack of internal capital resources e.g. equipment, plant and machinery to implement capital projects.	53	1	10	27	15	3.06	0.745
A10.4	Slow procurement processes when outsourcing projects	54	1	7	31	15	3.11	0.691
A10.5	Lack of monitoring and oversight over outsourced capital projects	54	1	8	31	14	3.07	0.696
A10.6	Cash flow unavailability during implementation of capital projects	53	1	4	28	20	3.26	0.684
A10.7	Community protests at capital projects implementation sites	52	3	22	20	7	2.60	0.799
A10.8	Corruption in appointment of service providers	54	5	18	15	16	2.78	0.984
A10.9	Political interference in capital projects	52	4	19	16	13	2.73	0.931
A10.10	Use of incompetent service providers to implement capital projects	50	4	7	24	15	3.00	0.881

	(Continued)		Frequency						
		<u>N</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>Mean</u>	<u>Std</u> <u>Deviation</u>	
A15	The municipality has incurred irregular expenditure with respect to capital projects in the last 3 years.	50	0	10	31	9	2.98	0.622	
A16	The municipality has incurred fruitless and wasteful expenditure with respect to capital projects in the last 3 years	48	2	16	24	6	2.71	0.743	
	AGGREGATE	54					2.9654	0.42182	

Source: Compiled by author from survey results

As the aim of this study was to determine the challenges with capital budget, questions were posed to the respondents to assess their opinions on the types of challenges which the municipality was experiencing in its capital budget implementation which ultimately affected service deliver. 67% of the respondents that participated in the study agreed that there were challenges with capital budget implementation and also emphatically agreed that the Mogale City capital budget is not being spent fully in every financial year. The challenges that were suggested in the questionnaire as being the ones leading the failure of 100% implementation of the capital budget were agreed upon by the respondents as the overall average response was 2.9. Respondents also agreed that the municipality had incurred fruitless and wasteful expenditure as well as irregular expenditure in the last 3 years.

A slight minority of the respondents disagreed with the statements on the existence of corruption with the appointment of service providers and protests at projects sites as well as disputed any political interference in capital projects. However, there were significantly more respondents who agreed with these statements indicating that they believe that there is an element of corruption which is affecting appointments of service providers and that capital projects are affected by protests and political interference.

Also, worth mentioning is the fact that when respondents were requested through an open-ended question to list any additional challenges that the respondents are aware of, that negatively impact on the municipality's ability to implement capital projects, the following additional matters were raised:

- It is difficult to terminate contracts of under-performing contractors. The process takes too long.
- Lack of proper certification of work done by independent departments.
- Lack of sufficient internal funds to counter fund external sources of funds.
- The non-implementation of project management framework hampers the successful implementation of projects.
- Lack of consequence management results in limited accountability.
- Moderately reluctant officials with limited knowledge of the implications of their services to communities or entire service delivery.
- Mogale City is one of the municipalities that employs highly skilled personnel. However, there are areas where resources are duplicated e.g. engineering services where consultants are appointed to do work that should have been done by the employees who have the necessary skills.
- Lack of effective oversight structure to monitor the project implementation

Table 4.12 - Theme 4: Conditional grant and loan funded capital project challenges

		Frequency						
		<u>N</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>Mean</u>	<u>Std Deviation</u>
B22	The failure to spend conditional grant funds on capital projects within the prescribed time is due to factors outside the control of the municipality.	52	9	32	11	0	2.04	0.625
B33.2	Cash flow constraints within the municipality	54	5	10	26	13	2.87	0.891
B33.3	Delays in transfer of conditional grant funds by the provincial and national departments	50	5	28	16	1	2.26	0.664
	AGGREGATE	54					2.3889	0.55608

Source: Compiled by author from survey results

A majority of the respondents disagreed with the suggestion that delays in transfer of conditional grants from transferring departments pose a challenge with conditional grant funded projects implementation and in fact identified cash flow challenges within the municipality as the challenge affecting expenditure on capital projects. 62% of the participants also did not agree with the possibility that delays in project implementation

are due to external factors outside the control of the municipality and an additional 17% of the respondents strongly disagreed thus indicating that delays are within the control of the municipality.

Further to the responses above the following additional inputs were made by the respondents on challenges affecting conditional grant funded capital projects expenditure:

- Funds are moved during the financial year and the approved budget is also received late affecting planning
- The need for the municipality to return these funds to National Treasury
- The spending of the conditional grant funds on operational items

Table 4.13 - Theme 5: Service delivery impact assessment

			Frequency					
		N	1	2	3	4	Mean	Std Deviation
A2	The municipality is fully achieving its mandate of delivering services to its communities.	54	1	20	26	7	2.72	0.712
A6	Service delivery within my municipality is not affected by challenges with implementation of capital expenditure projects.	53	12	29	12	0	2.00	0.679
A8	I am satisfied with the quality of services that my municipality delivers to its residents.	54	9	26	19	0	2.19	0.702
A9	There hasn't been a community service delivery protest due to poor service delivery in our municipal area in the last 3 financial years.	54	20	27	5	2	1.80	0.762
A18	Municipal capital projects are only undertaken with the needs of the community in mind.	54	5	16	26	7	2.65	0.828
B35	Corruption negatively affects service delivery through conditional grant funded capital projects	52	7	12	22	11	2.71	0.957
	AGGREGATE	54					2.3389	0.40385

Source: Compiled by author from survey results

A large proportion of the respondents felt that Mogale City is fully delivering on its mandate to deliver services to the people as the average response 2.7. A majority of the respondents however conceded that service delivery is affected by challenge in implementation of capital budgets. None of the respondents strongly agreed that they are satisfied with the quality of services that the municipality delivers to its residents and 65% of the respondents expressed dissatisfaction with the quality of services being rendered to residents. The vision of Mogale City is to render quality services thus it should be a concern that the officials which are responsible for carrying out this mandate also feel that the quality of services offered to resident is compromised thus the municipality needs to do much more to ensure that it achieves its vision.

Table 4.14 - Theme 6: Capital budget non-spending repercussions

			Frequency					
-		N	1	2	3	4	Mean	Std Deviation
B24	It is fair that municipalities should return unspent conditional funds at the end of the financial year to the National Treasury.	52	7	12	18	15	2.79	1.016
B25	This municipality has had to return unspent conditional grant funds to the National Treasury in the last 3 years.	48	0	18	19	11	2.85	0.772
B26	This municipality has had a portion of its equitable share allocation withheld due to unspent conditional grant funds in the last 3 years.	48	2	19	19	8	2.69	0.803
B27	This municipality has previously requested a roll-over of unspent capital funds.	52	0	10	25	17	3.13	0.715
B28	The municipality has had its request for a roll-over of unspent conditional grant funds declined by the National Treasury.	46	0	19	15	12	2.85	0.816
C43	Fruitless and wasteful expenditure is incurred when a municipality fails to utilise loan funds promptly.	50	7	12	24	7	2.62	0.901
	AGGREGATE	54					2.8330	0.55124

Source: Compiled by author from survey results

In table 4.14 above, the majority of respondents agreed that Mogale City has been faced in the recent past with the repercussion of not spending its grant funded and loan funded capital projects fully. Although none of the above questions were answered by all 54 respondents, an indicator of the reluctance to either commit to an answer or due to lack of knowledge or understanding, the response rate was still good enough to determine that Mogale City has had its equitable share withheld in the recent past. It also is clear that Mogale City has requested roll overs of unspent grants funds some of which were denied and has also incurred fruitless and wasteful expenditure on idle loan funds. This is further corroborated by the statistics presented in paragraphs 4.2.1.2 and 4.2.1.3 above.

Table 4.15 - Theme 7: Capital project implementation consequence management

		N	Frequency				Mean	Std Deviation
			1	2	3	4		
A3	The municipality's administrative leadership is committed to the timely implementation of capital expenditure projects.	54	3	16	32	3	2.65	0.677
A4	The municipality's political leadership is committed to the timely implementation of capital expenditure projects.	53	5	19	26	3	2.51	0.750
A11	Management takes constructive inputs from officials in order to overcome challenges with implementation of capital projects	54	8	15	29	2	2.46	0.794
A17	Challenges experienced with implementation of capital projects are addressed by management to ensure that they do not recur.	53	5	20	22	6	2.55	0.822
B23	I am aware of the repercussions for not utilizing conditional grant funds in full and on time.	53	1	7	30	1 5	3.11	0.698
B29	Action is taken against relevant officials within the municipality when conditional grant funds are unspent.	52	0	22	23	7	1.71	0.696
B30	The municipality does take steps to ensure that conditional grant funds spending challenges experienced do not recur in subsequent financial years.	54	9	17	27	1	2.37	0.784

	(Continued)		Frequency					
		N	1	2	3	4	Mean	Std Deviation
B31	Officials within the municipality do not care if conditional grant funds are not fully spent.	52	6	35	9	2	2.13	0.658
B34	Management takes remedial action promptly when a capital project falls behind planned implementation schedule.	53	8	22	22	1	2.30	0.749
C44	The municipality does take steps to ensure that loan funds spending challenges experienced do not recur in subsequent financial years.	52	6	8	27	1	2.44	0.725
C45	Officials within the municipality do not care if loan funds for capital projects are not fully utilised within the planned project timeframes.	51	3	34	11	3	2.27	0.666
C47	The municipality's management takes corrective action when a loan funded capital project falls behind schedule.	50	6	16	28	0	2.44	0.705
C48	Officials are required to account to senior management within the municipality when loan funds are unspent.	50	7	15	26	2	2.46	0.788
	AGGREGATE	54					2.5137	0.37779

Source: Compiled by author from survey results

It is crucial in any process where challenges are identified that there be a response to the challenges to ensure non recurrence of such challenges. Management of repercussions that arise from failure to spend capital budgets is critical and the above questions dealt with view of respondents on whether there is adequate pro-activeness or even reactiveness to challenges with capital projects that are funded from grants and loans. The average response to the above questions on this theme was 2.5. This effectively means that respondents neither agreed nor disagreed that sufficient action is taken when challenges are experienced to ensure that such are resolved and to prevent them from recurring. A majority of the responses given under this theme were in fact disagreements

by officials that there is sufficient management of consequences by officials and management within Mogale with respect to capital projects.

Issues of consequence management are important to ensure that there is accountability and repercussions for non-spending. Issues of consequence are not only applicable to communities who await service delivery but also to the municipality and its employees who are responsible for the failure to meet the spending conditions of grants.

Table 4.16 - Theme 8: Capital budget expenditure reporting

		<u>Frequency</u>						
		<u>N</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>Mean</u>	<u>Std Deviation</u>
A12	The municipality reports every month on its expenditure on capital projects.	54	0	5	31	18	3.24	0.612
A13	The municipality reports expenditure with respect to its capital projects honestly.	54	1	9	28	16	3.09	0.734
A14	The municipality reports challenges with respect to spending its capital budget accurately to its funders.	53	3	12	28	10	2.85	0.794
B32	Invoices for outsourced conditional grant funded projects are accepted and signed off by project management officials even if the work has not actually been done by the appointed service provider.	50	12	22	14	2	2.12	0.824
C46	Invoice claims on outsourced loan funded projects are accepted and signed off by officials even if the work has not actually been done by the appointed service provider.	49	8	25	14	2	2.20	0.763
	AGGREGATE	54					2.9852	0.50968

Source: Compiled by author from survey results

The respondents agreed that the municipality was reporting regularly and honestly on capital projects to funders and internally thus enabling an environment where challenges can be picked up early and addressed if there is a will to do so. 32% of the participants were of the view that invoice claims are accepted by officials even if work is not done by the service provider and while this is by no means a majority view, it is important that the

municipality should eliminate the possibility that invoices could be getting processed for work that is not done or not completed.

4.3.9 SWOT - SUMMARY ANALYSIS OF FINDINGS

Based on the responses from the participants in the above survey, the following strengths, weakness, opportunities and threats to Mogale City's Capital Budget Spending have been identified:

Table 4.17: SWOT ANALYSIS

STRENGTHS		OPPORTUNITIES
Knowledge of municipal financial legislation and compliance thereto by the municipality		Complete achievement of service delivery imperatives
Compilation of the IDP, SDBIP, Budgets and implementation plans		Provision of quality services per vision of the municipality
Understanding of the municipal constitutional mandate by officials		Favourable consideration of constructive inputs on improvements on service delivery
Committed political and administrative leadership to service delivery		Spending 100% of grants fully and promptly on capital projects
Honestly reporting of capital expenditure on a monthly basis		100% use of skilled employees that Mogale City has in its employ
Compliance with and consideration of community inputs to IDP and capital projects		Prompt remedial actions on capital projects that fall behind schedule
Knowledge of grant and loan conditions and requirements by officials		Conducting of cost vs benefit when assessing capital projects
Proper planning for capital projects funded through grants		Compilation of a compulsory implementation plan for loan funded projects
Sound internal controls over invoice processing		Procurement of own property, plant and equipment for implementation of capital projects
		Use of lessons learned from previous projects to improve implementation
	SWOT	Ring-fencing of grant and loan funds for use strictly on approved projects
WEAKNESSES		THREATS
Failure to spend 100% of the capital budget		Withdrawal or withholding of grants

Lack of project management skills of employees overseeing the implementation of capital projects.		Risk of incurring unauthorised, irregular and fruitless and wasteful expenditure
Lack of internal technical human resources e.g. engineers or artisans.		Service delivery protests by communities
Lack of internal capital resources e.g. equipment, plant and machinery to implement capital projects.		Corruption in procurement and implementation of capital projects
Slow procurement processes when outsourcing projects		Lack of accountability for delays in projects and consequently withdrawal of grant funds
Lack of monitoring and oversight over outsourced capital projects		
Poor cash flow management		
Corruption in the appointment of service providers		
Political interference in capital projects		
Use of incompetent service providers to implement capital projects		
Lack of organisational consequence management		
Poor planning resulting in the capital budget being spent in the second half of the financial year		
Lack of proper oversight on implementation of capital projects		
Failure to meet targets with respect to planned action dates for projects		

Source: Compiled by author

4.4 SUMMARY

The analysis of both quantitative data and some qualitative data gathered and presented in this chapter indicates that Mogale City is an institution with sound fiscal management. It is clear that there are shortcomings in as far as the implementation of capital projects, especially with reference to externally funded projects. The nature of the challenges identified by the respondents fall into these categories:

- administrative,
- political,
- financial, and
- Legislative.

This study will enable the municipality to pinpoint specific areas of focus in the implementation of its capital projects to avoid the recurrence of challenges in the future. What has also come forth from the study is the fact that officials of the municipality from the various departments are confident about their knowledge of the municipal mandate as well as the legislation governing matters relating to capital spending and service delivery.

Inputs, recommendations and conclusions for Mogale City's consideration will be made in the next chapter.

CHAPTER 5: EMPIRICAL STUDY

5.1 INTRODUCTION

This will be the final chapter of the study and in it the questions that necessitated the study will be reviewed to determine if they have been answered. The primary and secondary objectives of the study will be revisited to assess whether the study has in fact met them. Furthermore, conclusions will be drawn from the study and recommendations made based on the findings of the study to the organisation and other municipalities. Suggestions on areas for further research in relation to this study will also be made herein.

5.2 CONCLUSION

In assessing whether the analysis sufficiently covered and responded to the problem statement with respect to Mogale City, the objectives of the study will be revisited and assessed against the findings of the study presented in Chapter 4.

5.3 RECOMMENDATIONS

The study of Mogale City's challenges in capital spending on service delivery has yielded the challenges outlined in Chapter 4 and the following recommendations are made to mitigate those challenges, in line with the swot analysis performed in Chapter 4, para 4.3.9 above.

Project Management - Proper project management is an important element of ensuring that objectives are achieved, and the lack of management or poor planning can compromise the ability of the municipality to achieve its vision. Planning should not only be limited to the legislated plans such as budgets and IDPs but should encompass all areas of project management. Proper project management training and planning should be adopted to ensure that all stakeholders that are involved in every capital project are identified, their roles defined and the timelines for delivery of their objectives specified.

Human Resource management – The utilisation of existing human resources optimally and building capacity within the municipality rather than outsourcing for project related skills would ensure sustainable provision of services. In-sourcing of projects would ensure continuity and accountability. Capacity building through training and scarce skills development would ensure that Mogale City has access to multi skilled officials whose expertise could be used for project planning, implementation, management and reporting.

Infrastructure, property, plant and equipment management – Owning the resources that are needed to render service delivery is crucial to Mogale City in the long term and as such it is paramount that available grants be obtained and used to upgrade municipal infrastructure so that the municipality can limit the need to outsource for projects in the long term. Maintenance of existing networks should be budgeted for to ensure that existing resources are preserved.

Consequence management – Leadership is about holding people responsible for their actions and responsibilities. Consequence management does not only refer to negative consequences or punitive mechanisms. It can also refer to constructive feedback and actions through which officials and leadership can learn and appreciate the fact that for every wrong action there should be repercussions however, for positive performance there should be rewards. Accountability forms the basis of sound management and proper consequence management should be implemented within Mogale City, to ensure that everybody appreciates their roles in the success or failure of capital projects and accepts responsibility for their failures. Proper consequence management through contract management should also apply to service providers who underperform or fail to perform in terms of the appointments they have been given.

Oversight and monitoring – Administrative and political commitment and accountability to timeous project implementation as a standard would enhance the project management environment. Oversight would include ensuring that project managers have the necessary support needed to ensure successful implementation of projects while also ensuring that they are not left to independently manage projects. Project management should as far as possible be proactive which means that problems should be pre-empted and remedial actions taken before small issues escalate.

Ethics – Ethics talk to the moral fibre of the organisation. Management should build an environment that encourages forthrightness in the conduct of municipal business and such an environment should be built through leadership by example. All processes, especially supply chain processes, should be conducted transparently, fairly and in compliance with applicable policies and regulations to ensure that the municipality appoints service providers for projects that are capable and resourced to deliver on outsourced projects.

Contract Management – To ensure accountability of service providers for outsourced projects and for the provision of support to small and medium service providers in line with municipal responsibility for local economic development. Legal safeguards within contracts should be implemented address issues of failure to perform or underperform and also to create an environment that encourages commitment by service providers to perform on capital projects.

Financial and cash flow management – Sound financial management principles should be enhanced in capital projects and capital budgeting. Cash received for grants and loans should be strictly ring fenced to ensure that externally funded projects do not get affected by internal cash flow challenges.

Public participation – Meaningful public participation in capital budgets and project prioritisation and implementation would assist in ensuring buy in and cooperation of the community.

Reporting – Proper reporting on projects should include an assessment of the project and reports of the challenges arising in the implementation of capital projects in the course of the furtherance of municipal business. Such challenges should be reported as soon as they become apparent to all relevant stakeholders so that mitigation measures can be put in place. Historical problems should be used as lessons in the implementation of future projects to ensure that they do not recur.

5.7 ACHIEVEMENT OF THE OBJECTIVES OF THE STUDY

The objectives of this study as outlined in Chapter 1, the objectives are assessed as follows:

The primary objectives were to determine the reasons behind slow or non-spending of conditional grant funded capital projects which sometimes results in municipalities having to return or pay back grant funds to the National Government as prescribed in the Division of Revenue Act - These have been determined in Chapter 4, para 4.3. The questionnaire was designed such that the responses obtained from the participants of the study will enable meaningful analysis of the reasons and impact of capital spending challenges. The questionnaire was divided into sections to enable compartmentalization of the questions into the three focus subjects of the study being, service delivery, conditional grant funding and loan funding of capital budget projects. Themes were identified within the subjects and these themes formed the basis for the analysis of the results of the study. The themes were tested and found to be internally reliable thus the results of the study are dependable and it is on this premise that a conclusion is reached that the study has achieved its primary and secondary objectives.

The study was intended to determine the reasons behind slow or non-spending of specific borrowed funds on capital projects, which results in interest being incurred on idle loan funds that are not being immediately used on the projects for which they had been loaned. These have been outlined Chapter 4, para 4.3.

With respect to the secondary objectives of assessing the impact of the above mentioned challenges on service delivery, the impact of challenges is outlined in Chapter 4, para 4.3. On the identification and proposal of remedial actions with respect to the findings of the research, the remedial actions have been recommended in para 5.3 above.

It would be fair to conclude that this study has achieved its objectives in answering the research question.

5.5 RECOMMENDATIONS FOR FUTURE RESEARCH

The following are recommendations for further research on this topic:

1. This study's limitation was the fact that it only focused on 1 municipality out of a total of 205 local municipalities, 44 district municipalities and 8 metropolitan municipalities in South Africa. There is further scope for the study to be expanded to all municipalities in South Africa.
2. The research did not deal with the capital projects funding sources in detail. There is scope for the various challenges, with respect to each type of conditional grant, to be investigated in so far as these challenges affect each municipality's funding, especially those grants that have a high incidence of being withdrawn or stopped by the National Treasury.
3. There is further scope to investigate loan funding as a mechanism for capital funding in municipalities, especially as its long term effects on sound financial governance as it serves to commit future municipal administrations to financial decisions whether good or bad made by previous administrators.

5.6 SUMMARY

This study has identified and assessed the impact of capital spending challenges on service delivery in Mogale City and has answered the research question of what spending challenges there are which affect capital spending and their impact on service delivery. The challenges were identified in line with the objectives of the study using inputs from the quantitative research done with respondents from Mogale City.

The study has identified the challenges on capital project spending and these challenges are not insurmountable. The commitment to provide quality and sustainable services to the people is the imperative that must be carried out and upheld by every single office bearer and official every day in the course of furtherance of their official duties in a municipality.

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ANNEXURE A – FINAL QUESTIONNAIRE

Ms NP Mmemezi (28271092)

Cell: 0825488648

21 September 2017

Dear Participant

You are invited to participate in an academic research study conducted by Nomvuzo Mmemezi, a Master of Business Administration student from the School of Business and Governance at the North- West University. The purpose of the study is to assess the capital budget spending challenges on service delivery in a municipality.

Please note the following:

- The answers you give will be treated strictly confidential and you will not be identified in person in any of the answers you give.
- Your participation in this study is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.
- Please answer the questionnaire as completely and honestly as possible. The questionnaire should take approximately 10 – 15 minutes to complete.
- The results of the study will be used for academic purposes only and may be published in an academic journal. We will provide you with a summary of our findings on request.
- Please contact my study leader, Prof I Nel on telephone number (018) 2991405 or his email address: ines.nel@nwu.ac.za if you have any questions or comments regarding the study.

Please indicate that:

- You have read and understood the information provided above.
- You give your consent to participate in the study on a voluntary basis. (Please tick)

☐

Date of consent: _____ / _____ / **2017**

QUESTIONNAIRE

Demographics

Please Mark the applicable block with a (X). Please answer all the questions.

	1	2
Gender	Male	Female

	1	2	3	4
Age	20-30	30-40	40-50	50+

	1	2	3
Organization	Mogale City Local Municipality	Merafong City Local Municipality	Randwest Local Municipality

	1	2	3	4	5	6
Race	African	Indian	White	Coloured	Asian	Other

	1	2	3	4	5	6
Highest Qualification	Grade 12	Diploma	Degree/ B-tech	Honours	Masters	PHD

	1	2	3	4	5
Field of Expertise	Financial Services	Technical Services	Political Services	Auditing	Monitoring and Evaluation

	1	2	3	4	5
Years of Experience	Below 5 years	5-10	11-15	16-20	21+

This questionnaire is presented in three sections as follows:

Section 1: This section intends to obtain your assessment of the service delivery abilities of your municipality related to capital budget projects.

Please indicate to what extent you agree with the statements below by using the following 4 point scale, where **1= totally disagree, 2 = disagree, 3 agree** and **4= totally agree**:

	<u>Service Delivery</u>	RESPONSE			
	Statement	1	2	3	4
1	I have a fair understanding of the municipality's constitutional mandate or reason for existence.				
2	The municipality is fully achieving its mandate of delivering services to its communities.				

3	The municipality's administrative leadership is committed to the timely implementation of capital expenditure projects.				
4	The municipality's political leadership is committed to the timely implementation of capital expenditure projects.				
5	The municipality has no challenges with delivering services through capital projects				
6	Service delivery within my municipality is not affected by challenges with implementation of capital expenditure projects.				
7	The municipality utilizes 100% of its capital budget in every financial year.				
8	I am satisfied with the quality of services that my municipality delivers to its residents.				
9	There hasn't been a community service delivery protest due to poor service delivery in our municipal area in the last 3 financial years.				
10	The following challenges affect my municipality's ability to successfully and timeously implement capital projects:				
10.1	Lack of project management skills of employees overseeing the implementation of capital projects.				
10.2	Lack of internal technical human resources e.g. engineers or artisans and resources such as equipment, plant and machinery to implement capital projects.				
10.3	Lack of internal capital resources e.g. equipment, plant and machinery to implement capital projects.				
10.4	Slow procurement processes when outsourcing projects				
10.5	Lack of monitoring and oversight over outsourced capital projects				
10.6	Cash flow unavailability during implementation of capital projects				
10.7	Community protests at capital projects implementation sites				
10.8	Corruption in appointment of service providers				
10.9	Political interference in capital projects				
10.10	Use of incompetent service providers to implement capital projects				
10.11	Other				

11	Management takes constructive inputs from officials in order to overcome challenges with implementation of capital projects				
12	The municipality reports every month on its expenditure on capital projects.				
13	The municipality reports expenditure with respect to its capital projects honestly.				
14	The municipality reports challenges with respect to spending its capital budget accurately to its funders.				
15	The municipality has incurred irregular expenditure with respect to capital projects in the last 3 years.				
16	The municipality has incurred fruitless and wasteful expenditure with respect to capital projects in the last 3 years				
17	Challenges experienced with implementation of capital projects are addressed by management to ensure that they do not recur.				
18	Municipal capital projects are only undertaken with the needs of the community in mind.				

Section 2: This section will be used to get your opinion on challenges with the timely utilization of grant funding for capital projects by your municipality.

Please indicate to what extent you agree with the statements below by using the following 4 point scale, where **1= totally disagree, 2 = disagree, 3 agree** and **4= totally agree**:

<u>Conditional Grant Funding</u>		RESPONSE			
		1	2	3	4
19	I am aware of the various conditional grants that the municipality receives from other spheres of government.				
20	The Municipality plans adequately to ensure that allocated grant funds are utilized fully in the implementation of capital projects in each financial year.				
21	In my opinion, the conditions attached to each grant are known by all relevant officials of the municipality.				
22	The failure to spend conditional grant funds on capital projects within the prescribed time is due to factors outside the control of the municipality.				
23	I am aware of the repercussions for not utilizing conditional grant funds in full and on time.				
24	It is fair that municipalities should return unspent conditional funds at the end of the financial year to the National Treasury.				
25	This municipality has had to return unspent conditional grant funds to the National Treasury in the last 3 years.				
26	This municipality has had a portion of its equitable share allocation withheld due to unspent conditional grant funds in the last 3 years.				
27	This municipality has previously requested a roll-over of unspent capital funds.				
28	The municipality has had its request for a roll-over of unspent conditional grant funds declined by the National Treasury.				
29	Action is taken against relevant officials within the municipality when conditional grant funds are unspent.				
30	The municipality does take steps to ensure that conditional grant funds spending challenges experienced do not recur in subsequent financial years.				
31	Officials within the municipality do not care if conditional grant funds are not fully spent.				
32	Invoices for outsourced conditional grant funded projects are accepted and signed off by project management officials even if the work has not actually been done by the appointed service provider.				
33	The municipality spend a significant proportion of its conditional grant funds in the second half of the financial year due to the following reasons:				
33.1	Poor planning by officials responsible for capital projects				

33.2	Cash flow constraints within the municipality				
33.3	Delays in transfer of conditional grant funds by the provincial and national departments				
33.4	Delays in procurement processes within the municipality				
33.5	Other				
34	Management takes remedial action promptly when a capital project falls behind planned implementation schedule.				
35	Corruption negatively affects service delivery through conditional grant funded capital projects				

Section 3: This section focusses on your views with respect to the timely utilization of loan funding for capital projects by your municipality.

Please indicate to what extent you agree with the statements below by using the following 4 point scale, where **1= totally disagree, 2 = disagree, 3 agree** and **4= totally agree**:

	<u>Loan Funding</u>	RESPONSE			
		1	2	3	4
36	External loans are a good source of funding for capital expenditure if a cost versus benefit analysis is done when considering loans as a source of funding for capital projects.				
37	I am aware that in a municipality long term debt can only be used to finance capital projects.				
38	The municipality uses loan financing only when all other sources of funding available have been exhausted.				
39	The municipality chooses the most favourable terms with respect to interest rate and term of payment when entering into a loan agreement with a financial service provider.				
40	Project plans which include timelines for expenditure on loan funded projects are prepared within the municipality.				
41	The municipality has never had loan funds idling in its bank account due to poor planning for implementation of capital projects.				
42	The Municipality ensures that loan funds are fully utilised in the implementation of capital projects as soon as possible after receipt.				
43	Fruitless and wasteful expenditure is incurred when a municipality fails to utilise loan funds promptly.				
44	The municipality does take steps to ensure that loan funds spending challenges experienced do not recur in subsequent financial years.				
45	Officials within the municipality do not care if loan funds for capital projects are not fully utilised within the planned project timeframes.				
46	Invoice claims on outsourced loan funded projects are accepted and signed off by officials even if the work has not actually been done by the appointed service provider.				
47	The municipality's management takes corrective action when a loan funded capital project falls behind schedule.				
48	Officials are required to account to senior management within the municipality when loan funds are unspent.				
49	Loan funds ring fenced for expenditure on capital projects are used for other unrelated expenditure				