



**An analysis of the role of the executive in  
budgeting at local governmental level: A case  
study of Lesedi Local Municipality**

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**AN ANALYSIS OF THE ROLE OF THE EXECUTIVE IN BUDGETING  
AT LOCAL GOVERNMENTAL LEVEL: A CASE STUDY OF LESEDI  
LOCAL MUNICIPALITY**

BY

**M.A. TSOLO**

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**SUPERVISOR: PROF M.T. LUKAMBA**



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## DECLARATION

I, M.A. TSOLO declare that this dissertation:

AN ANALYSIS OF THE ROLE OF THE EXECUTIVE IN BUDGETING AT LOCAL  
GOVERNMENTAL LEVEL: A CASE STUDY OF LESEDI LOCAL MUNICIPALITY

Is the result of my research and that this has not been submitted in part or full for any  
degree or any other degree to any other University.

A handwritten signature in black ink, appearing to read 'M.A. TSOLO', positioned above a dotted line.

**SIGNATURE**

22 November 2019

**DATE**

## ABSTRACT

This study aimed at analyzing the role that the executive plays during the budgeting process at Lesedi Local Municipality. Budgeting entails processes to be followed for effective service delivery through acquiring appropriate resources and the division of responsibilities. Budget processes guide how a municipality should manage its funds and it guides how a municipality should efficiently allocate funds within different departments. This process involves the interaction between the executive and the council of the municipality. To analyze the role of the executive and its dominance within the budget process, the researcher collected data from seven participants, which are LLM employees, through unstructured interviews.

At the beginning of the study the theme of budgeting is explained, briefly discussing orientation and background, a problem statement, a theoretical statement and a conceptual framework. The introduction of the study fully explains the budget process in all spheres of government taking into consideration South Africa's first democratic elections in 1994.

The findings include that the executive drafts its own budget, the council only approves or rejects the budget prior to the financial year, the executive has the responsibility to ensure that each department is funded to do the tasks and that budgeting is a process of council which is non-delegated. The relationship between the executive and the council does exist, which is informed by the Acts of Law. Several HODs and consultations with other key stakeholders and provincial officials are responsible for overseeing the municipal budgeting process.

Chapter 5 of the study evaluated each research objective in terms of questionnaire responses, interviews and literature studies. The evaluation of information in chapter 5 guides towards making appropriate recommendations. The conclusion and recommendations in chapter 6 provide possible resolutions to the research problem. The current study may provide stakeholders, such as the community of LLM, with the process followed while drafting budgets which may assist them to understand the stage at which the budget may be. The study may also assist the council to communicate the process with their subordinates with the view which they may need to communicate with the communities when they are confronted with service delivery delays.

Key words and phrases: Lesedi Local Municipality, Parliament, council, executive, budgetary process, power relations

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

DOF	:	Department of Finance
EXCO	:	Executive Council
GPL	:	Gauteng Provincial Legislature
IDP	:	Integrated Development Plan
LLM	:	Lesedi Local Municipality
MFMA	:	Municipal Finance Management Act
MTEF	:	Medium-Term Expenditure Framework
MTFF	:	Medium-Term Financial Forecast
PEBA	:	Programme Evaluation and Budget Analysis

## **CHAPTER 1**

### **1.1 INTRODUCTION**

The budgetary process is perceived as an important activity in government departments, the provincial legislatures and municipal councils. The budgetary process has changed a lot since South Africa's first democratic elections in 1994 and further changes are likely to be implemented in future. Furthermore, the South African budgetary process is in transition (Posner & Park, 2007:17).

Parliament, as empowered by the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996), sets guidelines for estimating, allocating and monitoring the budget. However, these guidelines are very broad. Direct responsibility for the budget rests with the Cabinet, the DOF, the provincial EXCOs, the Budget Council, the MTEF, the Financial and Fiscal Commission, the Ministers' Committee on the Budget, the Budget Forum, civil servants, national portfolio committees and provincial standing committees (McIntyre & Nicholson, 2004:20).

### **1.2 ORIENTATION AND BACKGROUND TO THE STUDY**

National, provincial and local departments use strategic planning sessions to identify departmental goals and prepare initial three-year budget estimates. They are required to adhere to the three-year allocations determined in the previous MTEF cycle (National Treasury, 2010:9).

In the municipal councils, the executive drafts the budget and the council approves it. According to the GPL (2012:1), the council is mandated to facilitate interaction between the executive and the public with regard to public access and participation in the municipal council and its processes.

Section 118 of the Constitution of the Republic of South Africa, 1996, provides for the public to participate in legislative processes. Lienert (2010:5) elaborates that a municipal council will facilitate public participation in the legislative and other processes thereof, including its committees, conduct its business in an open manner and conduct public committee sittings with reasonable measures.

The above underlines that the public should participate in the council budget as they have the right to participate and promote the Batho Pele (people first) principles, specifically transparency. Furthermore, the Constitution of the Republic of South Africa, 1996, stresses that a municipal council may not exclude the public, including the media, from a sitting of a committee, unless it is reasonable and justifiable to do so in an open and democratic society.

According to the GPL (2012:1), the purpose of the budgetary process in the council is to involve and share information with the citizens of Gauteng in the 12 months of planning, implementation and evaluation of government programmes. The GPL has proposed that the citizens of Gauteng participate in the committee system through the development of PEBA. The budgetary process is one of the imperatives of PEBA, whereby citizens have the right to participate in decision-making.

In this study, the term 'council' refers to the municipal councils, including the 226 local municipalities of South Africa. Councils are institutions constitutionally charged with the responsibilities of making by-laws, conducting oversight of the executive, exercising public participation and cooperative governance (Lienert, 2005:33).

According to Friedberg (2014:21), it is commonly accepted that the executive plays the primary role in developing an annual budget and presenting it to the legislature. The legislature has the right to review, debate (in certain instances), amend and approve or reject the spending plan proposed by the executive. Within this broad framework, the actual workings of the budgetary process vary from one nation to another based on the constitutional laws, legislative procedural rules, balance of political power, tradition and expectations of the political actors and the people (Bourdeaux & Chikoto, 2008:15). Legislative oversight of government policies in general and specifically of the budgetary process, is of vital importance in ensuring that governments perform their duties effectively and efficiently, democratically and in a fiscally responsible manner (Frederick, Staphenurst & Pelizzo, 2002:10).

The compilation of a nation's budget is usually government's single most important activity in any given year. The budget determines who receives what and when, provides funds to implement new initiatives and often sets policy. In most countries, the executive has the upper hand in the budgetary process, although there is often

room for the legislative branch to also play an important role (Lomahoza, Brocker & Frye, 2013:33). As the budget is of national importance, political sensitivity and complexity, establishing the legislature's role in a predictable, transparent and participatory process in order to budget the nation's financial resources, is one of the most critical components of reform and often one of the most contentious (Gustafson, Hubli, Bach & Green, 2010:20).

Executive domination over budget preparation is common. The budget is seen as a legitimate opportunity for government to state its policy agenda and priorities. Moreover, preparing a budget is so complex that most legislatures do not have the capacity to undertake this effort (Madue, 2012).

The budgetary role undertaken by councils varies from one town to another and in each province, and the relative balance of influence in the budgetary process between the legislative and the executive may ebb and flow over time (Legislatures and the Budget Process, 2003:55). Executive roles may also vary. The executive, usually responsible for collecting revenues and distributing funds, also has direct access to the information needed to prepare a budget. However, certain legislatures and councils are beginning to play a more active role in shaping the outlines of the budget submitted to them by government (Rockman, 2014:101).

With the advent of time, the council's authority to appropriate public funds became the foundation for budgeting and accountability, preceding the development of the budget by the executive (Legislatures and the Budget Process, 2003:55). In other words, the executive will determine the budget as it is held accountable for public funds, while the council will have to ensure that the public is funded appropriately to cover all their prioritised needs. The roles currently exercised by councils range widely. The major roles include broader political, legal and institutional forces beyond the control of legislatures and councils, as well as internal legislative structures and processes that can be changed by the legislative itself. The constitutional division of responsibilities between the executive and the legislature has a major impact on legislative executive roles in the budgetary process (Russel & Benton, 2009). The following problem statement analyses what is perceived as the problem in the budgetary process.

### **1.3 PROBLEM STATEMENT**

The executive is responsible for drawing up the budget. The literature review suggests that a resilient central budget authority is present in the executive and sound constraints on the council's budget amendment powers is necessary to maintain sustainable fiscal positions (Krause, 2009; Lienert, 2005; Robinson & Brumby, 2005). The council has the authority to review and approve or reject the budget, because the executive submits it for approval. Therefore, the council does not draw up its own budget for an effective budgetary process. This is due to the lack of authority and specific responsibilities over the budgetary process, which is often prolonged because of delays by the executive and/or rejection by the legislature when reviewed. It is difficult to understand how the executive is mandated with such authority while the council is not by law mandated to draw up its own budget. While the legislative is superior to the executive, it is expected that it will have more powers or authority than the executive as far as the budgetary process is concerned (Posner & Park, 2007:10).

The council requires an adequate budget to deliver on its mandates, particularly for holding the executive accountable to ensure that laws passed are implemented effectively and that public funds are used economically and efficiently. It is important for the council to have a budget to promote sound governance and fiscal transparency. The council's active engagement in the budgetary process is essential. It is important for the council to have a budget as it is the defender of the people's interests (Madue, 2012:43).

For many years, the South African council sector has encountered several challenges that centre around the budgetary process. Research by Deng and Jen (2011), Douglas (2002) and Plaatjie, Borchard and Layman (2014) suggest that the council does not make decisions regarding its own budget and is at the mercy of the executive. Furthermore, the time allocated to adopting the budget is inadequate. The budget is primarily drawn up by the executive and the council seems to simply rubberstamp the former's decisions. The council helps to ensure the government accountability gap in public finance management by approving budgetary allocations, overseeing budget execution and controlling budgetary performance.

Executive dominance in public expenditure management is more likely to ensure fiscal prudence. Council's oversight is critical for providing effective checks and balances,

and enforcing accountability in the formulation, execution and control of the budget. In view of the council's budget being determined by the executive, it becomes difficult to deliver on its mandates, especially that of holding the executive accountable. This problem generates a number of questions. The following section presents the research questions.

## **1.4 RESEARCH QUESTIONS**

This study is guided by the following research questions:

### **1.4.1 The primary question**

1. What is the role of the executive during the budget cycle at local governmental level?

### **1.4.2 Subresearch questions**

1. Is there a relationship between the council and the executive? What are the key characteristics and dynamics?
2. Which factors determine executive dominance in the budgetary process?
3. To what extent does the council hold the executive accountable during the budgetary process?
4. What recommendations can be made to enable the council to determine its own budget?

## **1.5 OBJECTIVES OF THE STUDY**

Flowing from the above research questions, the study will seek to achieve the following objectives:

### **1.5.1 The primary objective**

To provide a theoretical exposition during the budget cycle at local governmental level.

### **1.5.2 Subobjectives**

- To examine the relationship between the council and the executive, and to explore key characteristics and dynamics.

- To describe the decisive factors of executive dominance in the budgetary process.
- To explore the extent to which the council holds the executive accountable during the budgetary process.
- The study will provide recommendations to suggest ways that the council can pursue to rightfully determine its own budget.

## **1.6 THEORETICAL STATEMENTS**

Krafchik and Wehner (2012) perceive the budget as government's most important economic policy tool, which provides a comprehensive statement of the nation's priorities. The council draws up a budget as the process aims at ensuring that resources are allocated to meet South Africa's political priorities and improve the quality and effectiveness of spending within sustainable fiscal limits. Through the budgetary process, a large number of public institutional plans collaborate, negotiate and decide on a comprehensive plan to spend public resources over a three-year period.

In presidential systems where elections for members of the council are independent from that of the presidency, the council is a powerful agenda-setter and decision-maker. The annual budget encapsulates the council's wishes with respect to taxation and expenditure policies. A strong central budget authority in the executive is necessary to discipline councils and maintain sustainable fiscal positions (Lienert, 2005). Parliament, each provincial legislature and municipal council are required to draw up an appropriate budget for each financial year annually before the funds can be used.

Loney (2008:162) observes that the increasing complexity of budgets is another challenging area for the council. The move from cash-based budgeting to accrual budgeting, while providing more information, has greatly increased complexity. Simultaneously, there has been limited or no change to legislative and council scrutiny of budgets.

Hence, a detailed, relevant and easy-to-read budget is important for legislative, council and private sector participation in the budgetary process. Most councils that

are active in the budgetary process, have strong and active committee systems. A variety of committee structures appear to be effective, including vesting principal responsibility in a budget or finance committee, or sharing power with other portfolio committees (Kirsten & Grundling, 2012:57).

According to Madue (2012), many types of councils have created an independent budget office responsible to Parliament to assist in analysing the budget, developing alternatives and performing oversight duties. The council's budgetary power is usually based on the constitution under which it functions. Most constitutions specify that the executive prepares and submits a budget and that no funds may be taken from the government's coffers unless authorised by an act of the council.

## **1.7 AIM OF THE STUDY**

Popper (2002) states that a study is conducted with the aim of a specific objective, which will result in the clarification of a certain problem. He states that the four aims of research are to observe and describe, predict, determine causes and explain. Therefore, the aim of this study is to explore the factors that might have led to the dominance of the executive during the budgetary process in the LLM.

## **1.8 CONCEPTUAL FRAMEWORK**

Four primary key concepts will inform this study, namely budget, council, legislature and executive. These key concepts of the study are defined below in the context of the study.

### **1.8.1 Budget**

The development of a nation's budget is usually government's single most important activity in any given year. The budget determines who receives what and when, provides funds to implement new initiatives, and often sets policy (Shabalala, 2005:99).

According to Silva and Jayamaha (2012), budget refers to a comprehensive plan in writing, stated in monetary terms, which outlines the expected financial consequences of management's plans and strategies for accomplishing the organisation's mission for the coming period.

For each financial year, Parliament must approve a budget in order to provide the necessary funds for the many government departments to execute their projects and programmes. It is, therefore, a plan for what the government wants to achieve and how it will spend money to achieve those goals (Kirsten & Grundling, 2012:108).

### **1.8.2 The legislature (Parliament)**

In most countries, the legislature is constitutionally mandated as the institution through which governments are held accountable to the electorate. In doing so, the legislature can use several means, including questioning senior government officials, which include ministers; reviewing and confirming executive appointments; impeachment and power to dismiss government; questioning period; establishing parliamentary committees and forming commissions of inquiry (Stapenhurst, 2004).

In terms of the Constitution of the Republic of South Africa, 1996, the national legislature or Parliament consists of two houses, namely the National Assembly and the National Council of Provinces. The members are elected by the people of South Africa. Each house has its own distinct functions and powers, as stipulated in the Constitution of the Republic of South Africa, 1996. According to Borchard, Layman and Platjie (2014:151), the National Assembly is responsible for selecting the President, pass laws, ensure that the members of the executive perform their work properly and provide a forum where the representatives of the people can debate issues publicly.

The National Assembly selects the following presiding officers, namely the Speaker and the Deputy Speaker from the members present at the first sitting. These two people are responsible for the proceedings in the same way that a chairperson is responsible for a meeting (Kirsten & Grundling, 2012:55).

The National Council of Provinces is also involved in the lawmaking process and provides a forum for debate on issues affecting the provinces. Its primary focus is to ensure that provincial interests are taken into account in the national sphere of government.

### **1.8.3 The executive**

In terms of the Constitution of the Republic of South Africa, 1996, the Executive Committee is the local government executive. The Executive Committee is known as the EXCO and consists of a chairperson, who is the mayor in most cases and the EXCO members. The Executive Committee functions as the executive authority by recommending to the municipal council strategies, programmes and services to address priority needs through the IDP. One of the executive authority's functions in the local government is to develop and adopt policies, plans, strategies and programmes, including setting delivery targets. The executive authority at local government level also includes office bearers, namely the mayor/deputy mayor, the municipal manager, city secretary, city treasurer and the managers.

### **1.8.4 Municipal council**

In terms of the Finance Act, 2003, a municipal council is the legislative authority of a municipality. The term may specifically refer to the institutions of various cities. Councillors are elected and form a municipal council, which is the body that makes the by-laws and decisions for local government and oversees the executive and administration. The primary role of a municipal council is that of political oversight of a municipality's functions, programmes and the management of the administration. All the powers of local government are vested in a municipal council. It has the power to make by-laws (legislative authority) and the powers to put those laws into effect (executive authority). A municipal council has executive and legislative authority over the matters set out in Part B of Schedule 4 and 5 of the Constitution of the Republic of South Africa, 1996. A municipality may also administer any other matter assigned to it by national or provincial legislation. In administering the matters assigned to local government, a municipal council must within its capacity strive to achieve the constitutional objectives of local government.

## **1.9 METHODOLOGICAL CONSIDERATION/RESEARCH DESIGN**

For the purpose of this study, a qualitative research methodology will be adopted to investigate and refine the role of the executive in the budgetary process and the dominance of the executive during this process in the LLM. Qualitative research is characterised by its aims, which relate to understanding certain aspects of social life

and its methods, which generate words, rather than numbers as data analysis (Patton & Cochran, 2002). According to Dezin and Cicolin (2005:4), qualitative research is a method of inquiry employed in many different academic disciplines, traditionally in the social sciences, but also in market research. The aim of qualitative research is to collect in great detail the understanding of human behaviour and the results that lead to this particular behaviour.

This research will also use the normative approach. According to Van der Ven and Scherer-Rath (2005:35), the normative approach is used to answer the question: 'What should ... be?'" for example: 'What should the budget of the Lesedi Local Municipality be?

### **1.9.1 Population of the study**

The population of this study comprises a senior accountant, officers and managers in budget and reporting, and a chief financial officer for the purpose of preparing the draft budget based on the available resources compared to what is required in the IDP, as well as the Mayor, members of the Mayoral Committee on Finance, the Municipal Manager, the Chief Financial Officer and all departmental heads of the municipality.

### **1.9.2 Sampling techniques**

Purposeful sampling is the sampling technique that will be used for selection purposes of local municipalities, which will receive an invitation to participate in the study. This sample will also be used to select the research participants.

Purposeful sampling is a technique widely used in qualitative research for the identification and selection of information-rich cases for the most effective use of limited resources (Patton, 2002). This involves identifying and selecting individuals or groups of individuals who are especially knowledgeable about or experienced with a phenomenon of interest (Cresswell & Plano Clark, 2011).

The main goal of purposive sampling is to focus on particular characteristics of a population, which are of interest and will enable the researcher to answer the research question.

**Table 1.1 Sample size of the study**

<b>KEY INDIVIDUALS</b>	<b>NUMBER TO BE INTERVIEWED</b>
Senior accountant	1
Officers in Budget and Reporting	4
Managers in Budget and Reporting	3
Chief Financial Officer	1
Members of the Mayoral Committee	4
Municipal Manager	1
Departmental heads	6
<b>TOTAL</b>	<b>20</b>

### **1.9.3 Data collection techniques**

The data will be collected from the LLM through interviewing techniques. Open-ended unstructured interviews involve asking questions, listening to and recording answers from an individual or group, and a desktop study, which will involve reviewing the documents. The focus and interest will be particularly on the members of the LLM portfolio committees, who will be the interviewees.

For data collection purposes, interviews will be conducted in the municipality during working hours for the safety assurances of the interviewees and the interviewer. The interviewees' personal details will be kept confidential at all times as the interviewer will not require the interviewees' details. Their names are not necessarily needed.

Any information collected during the interviews will only be used with the interviewees' permission. After the research has been completed, the LLM will receive a copy of the dissertation, which will help them to understand how the executive has an influence on the budgetary process.

#### **1.9.3.1 Interview techniques**

According to Puustincn (2013:17), interviews can be defined as a qualitative research technique, which involves "conducting intensive individual interviews with a small

number of respondents to explore their perspectives on a particular idea, program or situation”.

Unstructured interviews will be conducted in this study. The main advantage of an unstructured interview lies in the researcher having almost complete freedom in terms of its structure, content, wording and order of the questions. Unstructured interviews are extremely useful in intensively and extensively exploring and digging deeper into a situation, phenomenon, issue or problem. They provide varied, in-depth information and are the best suited for identifying diversity and variety (Kumar, 2014:177).

#### **1.9.4 Data capturing and analysis techniques**

For the purpose of this study, a qualitative research methodology will be used. In a qualitative methodology, constant comparison, qualitative content and narrative analysis techniques will be used to analyse the interview data. Visual data will be apportioned in items, constructs or variables intended to imply that which will be represented numerically.

A qualitative method gravitates to prioritise on how people have various perspectives on reality. It uses reports of experience or data, which cannot be expressed statistically sufficiently. The qualitative method mostly concentrates on description and interpretation, and may lead to the establishment of new concepts or theory, or to an assessment of an organisational process (Hancock, Ockleford & Windridge, 2009:6).

The researcher’s supervisor will keep the data collected from the municipality safely for a three-year period. After collecting data and analysing it, the data will be stored in a secured place. The researcher’s supervisor will be responsible for the storage and safety of the collected data and will be the only person with access to the stored data.

#### **1.10 SIGNIFICANCE OF THE STUDY**

This study intends to highlight the challenges that the council encounters during the budgetary process due to continued executive dominance. The findings of this study will be used to propose certain recommendations for budgetary process powers to be fully delegated to the councils.

## **1.11 DELIMITATION OF THE STUDY**

According to Auriacombe (2001:49), the research to be conducted should be outlined, the scope of the topic defined clearly and the limitations of the study identified. The following aspects can be considered, among other things: Time, geographical borders, hierarchical dimensions and age groups. Time will be one of the limitations of this study. Securing appointments with officials to participate in the study could be a challenge, given the congested council calendar. The study only focuses on the budgetary process in the LLM.

## **1.12 ETHICAL CONSIDERATIONS**

Goddard and Melville (2001:108) assert that the researcher should be certain that the research topic is morally acceptable. The researcher should also ensure that the methods employed to research a particular topic are morally acceptable. In accordance with the ethical requirements of the North-West University, written permission to conduct this study and interviews with identified officials will be requested from the LLM. Consent will also be sought from the identified participants who may include selected councillors, staff members (committee coordinators), the Speaker and the Deputy Speaker of the local council.

### **1.12.1 Inclusion and exclusion**

#### **1.12.1.1 *Inclusion criteria***

The sample of this study comprises one Chief Financial Officer, one senior accounting officer, four officers in budget and reporting, three managers in budgeting and reporting, four members of the Mayoral Committee on Finance, one municipal manager and six departmental heads. The total sample of the study will be 20.

- Top- and low-level management in the public finance departments from the LLM.
- Members of the mayoral committee who are involved in the budgeting procedure.

### **1.12.1.2 Exclusion criteria**

The following individuals will be excluded from participating in this study:

- People who are not working in the public finance department
- Employees who are not involved in the budgetary process
- Councillors who are not in the Mayoral Committee on Finance.

The participants will be given a brief about purposes and aims of the study. They will be given the freedom to withdraw at any level of participation if they feel any pressure or uncomfortable with the interview, without consequences. A consent form, which must be signed, will be given to the participants who agree to participate in the study.

### **1.12.2 Risks and benefits**

In terms of risk, the interviewees might become exhausted during the interviewing process. The researcher will make sure to stick to the stipulated timeframe, which will be approximately 30 minutes.

In terms of benefits, a copy of this dissertation will be presented to the municipality. It is now the work of the local authority to see if the recommendations of the dissertation will make an impact on the community of Lesedi. The guidelines that will be formulated at the end of the study could assist the employees in the council to become more active in the budgetary process.

- This study will benefit the municipality in the sense that it will clarify the roles of the executive and legislative authorities in the budgetary process.
- The employees as the participants may also become more knowledgeable about the separation of powers.
- The study might encourage other researchers to conduct further investigations into the same topic.
- The politicians who are interviewed might gain a new understanding of their duties and become aware of what contributes to effective budgeting.

### **1.13 CHAPTER LAYOUT**

**Chapter 1:** Provides a general introduction to the study. It will consist of the background to the study, problem statement, research objectives, conceptualisation and the research methodology.

**Chapter 2:** Theoretical exposition of the budgetary process at a local municipality

**Chapter 3:** The role of the executive in the budgetary process

**Chapter 4:** Research methodology

**Chapter 5:** Presentation and analysis of findings

**Chapter 6:** Conclusion and recommendations

### **1.14 SUMMARY**

This chapter provides introduction and background of the current study. It further gives the information about the different spheres of municipal budget. In addition, the problem statement, research questions, theoretical framework, objectives, aim of the study, conceptual framework, methodological consideration, significance of the study were explored. It further indicates the delimitation of the study and ethical considerations. Lastly, the overview of the other chapters were provided which include and not limited to in-depth theoretical exposition of municipal budget, presentation and analysis of findings and conclusion and recommendations.

## CHAPTER 2

### THEORETICAL EXPOSITION OF, AMONG OTHERS, THE BUDGETARY PROCESS, THE COUNCIL AND THE EXECUTIVE

#### 2.1 INTRODUCTION

The previous chapter discussed the introduction of the study and presented the problem statement. The current chapter highlights the application of the budgetary process in the third spheres of government. At local government level, budget-making is primarily a policy process, possibly being the most important policy decision of the municipality. This process is a “multiple player game”, in which every service department, institution, lobby, and political party participate. The financial department and the head of the municipality, which is the mayor, play the most important part in this process as they have to balance the competing demands of the line ministries and lobbies, while at the same time protecting the interests of the “whole population”. The list of specific institutional names differs across reporting countries, but the principle is general – the final budget is the result of a balancing act (Hogye & McFerren, 2002).

There is an urgent need to clarify the budgets, whether of the central or municipal governments. It is also necessary to do away with a great deal of secrecy surrounding the preparation of the budget, except in respect of taxation proposals. The entire budget-making process should be as open as possible. The pros and cons of the issues in various sectors of the economy, soft and hard options, which are open to the government and thereby to society at large, need to be debated by people. Unfortunately, at present, the mystique about the budget continues even after it has been presented to Parliament and/or legislature, and it remains a preserve or a domain of only a few who can understand its intricacies (Hogye & McFerren, 2002).

The budget of state government must be distinguished from that of a private or public limited company. It is not a mere exercise to balance the books of account. It is not a document prepared by an accountant for an accountant. It has large implications for the rate of growth of development, human resource development, reduction of poverty and the provision of a safety net for the poor and underprivileged. Every member of

the public, therefore, has a vital stake in what is added to the budget and what is omitted (Karnik, 2000).

Understanding the way budgets are drafted is a crucial first step in influencing decision making. The budget is the result of a process. The priorities and choices it embodies reflect the power of various actors in this process. Those who are effective in influencing the budget succeed in having their choices and priorities included. This chapter provides a general outline of the budgetary process. While the details will differ from country to country, there are also important similarities across most public budgeting systems. Based on a simplified and generalised discussion, the following section will look at the stakeholders in the budgetary process, the stages of the budgetary process and the budgetary process calendar.

## **2.2 DEFINITIONS OF TERMS**

### **2.2.1 Budgetary process**

According to Eharhart, Gardner, Van Hagen and Keser (1999); and Rueben, Randall, and Boddupalli (2018), a budgetary process is the decision making that guides to a budget that is directed by a system of rules from its preparation, through its legislative authorisation to its implementation. Regarding the budgetary process of the United States government (Chohan, 2016; Union, 2019), a budget proposal is formulated by the President annually to report on the state of the union.

The budgetary process concerns the way in which an organisation builds its budget. A good budgeting process engages those who are responsible for adhering to the budget and implementing the organisation's objectives in creating the budget (World Bank, 2011).

The budgetary process explains the steps that most institutions follow to conclude their budget. It explains how monetary expenditure is managed to cover all government's priorities in all departments. The purpose of the budget is to control how money is used and how many can cover all the needs.

According to the Budget Process in Africa (2010), in the budget cycle, the budgetary process is about proceedings and activities comprising the assets used for the

accomplishment of government objectives and mostly their purpose. For the purpose of economic and financial administration and responsibility, a complete budget functions as a device. It can also function for asset distribution on various necessities and priorities as a machinery and bring monetary strength and development. Four steps in budgeting must be executed in the correct order as follows: The first step involves planning the budget. In this step, plan what is needed in a broader way. The second step concerns preparing the budget in order to send it for approval. One cannot work if the budget has not been approved and it might be returned for adjustments, including cutting on expenditure. The third step comprises executing the budget, which will be done after approval. The fourth step concerns evaluating the budget, which involves auditing if things have been done accordingly as planned.

### **2.2.2 Budget**

According to the local authority, budget is a financial strategy of action for a multi-financial cycle (Posner & Park, 2007:43). There are two categories of budget, namely operational and capital. A capital budget refers to spending on assets with a lifecycle of more than one year or spending on current assets that develop the lifecycle of the asset or its efficiency, while an operating budget deals with repeated and short-term spending, such as salaries, income, telephone bills, fuel and stationery.

Government budgeting is a difficult activity, which involves allocating revenue and loaned-out funds to accomplish the economic and social objectives of a country. It also involves the administration of government expenses in a way that will construct supreme economic control from the production and distribution of goods and services, while supporting a healthy fiscal position (Posner & Park, 2007:44).

### **2.2.3 Executive budget**

The executive budget is the budget for the executive branch of the United States government. It was established as one of the reforms during the Progressive Era and became a federal policy in 1921 under the Woodrow Wilson Administration. The process of creating the executive budget consists of three phases. The first stage is the development of the president's budget. In this stage, the president submits a comprehensive budget to the United States Congress, which covers the full range of federal activities. Congress then edits and revises the budget proposal. Lastly, the

budget is finalised and executed. It is then given a budget bill from the legislature. The legislature composes the budget bill, while an executive agency implements the bill by choosing which projects to take on within the imposed limitations (Wikipedia: 2019).

According to McIntyre and Nicholson (2000:34) and Ramkumar (2007:15), to determine budget preparation, the domination of the executive is common. The budget is seen as a genuine opportunity for the policy agenda and priorities to be stated by government. Most legislatures and councils do not have the capacity to undertake the effort of preparing a budget as it is complex to undertake.

#### **2.2.4 Local government**

Gomme (1987:2) defines local government as a part of the entire government of a nation or state, which is managed by authorities lower than the state authority, but elected without restrictions of control by the state authority by qualified people or having property in certain localities, of which the localities have been formed by communities having common interests and sharing a common history. Local government operates similar to a car engine with the engine being the national government with its provincial governments. The engine cannot feed itself and parts around it and, therefore, it needs to be broken down into the lowest components, such as the pistons in the engine, which are used to transport oil and lubricants, as sent by provincial and national government.

Local government in South Africa is responsible for the delivery of important basic services, including water, electricity and sanitation. This makes the local government space an important site for civil society advocacy to improve the quality and quantity of service delivery to poor people living in South Africa. A growing number of civil society organisations are engaging in this space with an increasing need to be able to understand and engage with local government budgets (Van der Westhuizen, Taylor & Van Zyl, 2017:15).

Local government is the third sphere of government and is seen as the cornerstone of democracy, because it is the government closest to the people. It is interdependent and interrelated to the upper spheres as its by-laws must always correlate with national laws. Local government makes it easier for services to be rendered to its people.

## **2.2.5 Budget in the local government context**

The municipality's administration of financial affairs, determination of priorities, planning of the Medium-Term Revenue and Expenditure Framework, and observation of the budget are compelled by legislation (Gomme, 1987:2).

The Municipal System Act, 2005, addresses the role of local government in the public and the IDP as the planning processes that surpass the budgeting process. The principles guiding the strategic planning and budgeting processes can be summarised as follows:

### **2.2.5.1 *Principle 1: Establish broad goals to guide government in its decision making***

- To provide overall decision making and to function as a basis for decision making, government should have comprehensive goals.

### **2.2.5.2 *Principle 2: Develop approaches to achieve goals***

- To be able to define how government will achieve its long-term goals, it must have particular policies, plans, programmes and management strategies.

### **2.2.5.3 *Principle 3: Develop a budget with approaches to achieve goals***

- To prepare and adopt a financial plan and budget that moves towards achievement within the constraints of available resources.

### **2.2.5.4 *Principle 4: Evaluate performance and make adjustments***

- To encourage progress towards achieving goals, there must be an evaluation of programmes and financial performance for adjustments to be made.

## **2.3 OBJECTIVES OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 2003**

Chapter 4 of the Local Government: MFMA, 2003 (Act No. 56 of 2003), which deals with the municipal budget, concluded on 1 July 2004. The objective of the MFMA, 2003 (Act No. 56 of 2003) is to secure sound and sustainable management of the fiscal and financial affairs of municipalities and municipality entities by establishing norms and standards and other requirements for –

- certifying transparency, accountability and the applicable ranks of responsibility in the fiscal and financial matters of municipalities and municipal entities
- the administration of their revenues, expenditures, assets and liabilities and the control of their financial dealings
- budgetary and financial planning processes and the coordination of those processes with the processes of organs of state on other levels of government.

The main purpose of the MFMA, 2003 (Act No. 56 of 2003) is to protect the sound and sustainable management of the financial affairs of the municipalities and other institutions in the local sphere of government, as well as instituting Treasury customs and standards for the local sphere of government, and to provide for related matters.

Section 215 of the Constitution of the Republic of the South Africa, 1996, involves the national, provincial and local spheres of government to draw up budgets that encourage transparency, accountability and the operative financial management of the economy, debt and the public sector.

Section 16 of the Local Government: MFMA, 2003 (Act No 56 Of 2003) obliges that the municipality accepts the annual budget before the start of the financial year and that they adopt, maintain and implement a budget policy.

Section 56 of the Municipal Structure Act, 1998 (Act No. 117 of 1998) prescribes the function and powers of the Executive Mayor, who must recommend to the municipality the IDP, from which emanates the financial plan and budget projections to improve service delivery. The Mayor gives this responsibility to the Accounting Officer to formulate the budget, together with the Chief Financial Officer, senior managers and other officials.

Section 26 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) obliges the municipality to combine the integrated plan with a financial plan, in which the budget projection for at least the next three years must be included.

The Council approves the five-year programme, which proposes management of the financial affairs of the municipality through the determination of priorities and the planning of the medium-term framework.

## **2.4 BUDGETARY PROCESS THEORIES**

There are a number of theories from which the budgetary process can be studied. In this study, the existence of a surplus of common budget theories is acknowledged. Conversely, for the determination of this study, the focus was restricted to the Principal Agent Theory, the Organisation-Based Theory, the Common Pool Theory, the Traditional Microeconomic Theory, the Multiple Rationality Model of Budgeting Theory and the Top-Down Budgeting and Voting Equilibrium Theory (Madue, 2014).

### **2.4.1 Traditional Microeconomic Theory**

In Khan and Hildreth (2002:5), Lewis (1952) describes ways to determine the relative value of goods or services to justify resource allocation, which in the aggregate would improve social welfare through the Traditional Microeconomic Theory (Salvatore, 2008). According to Tian (2002:3), the Microeconomic Theory aims to model economic activities as the interaction of individual economic agents pursuing their private interests.

### **2.4.2 Multiple Rationality Model of Budgeting Theory**

Willoughby (1993:68) focuses on the role of executive budget analysts in five southern states where there are certain focuses from the budget office's orientations and analysts' roles, namely policy, management and control perspectives. Differences between the executive budget office's relationships with the governor and spending departments are also highlighted.

### **2.4.3 Top-Down Budgeting and Voting Equilibrium Theory**

According to Farquharson (1969) and Kramer (1972) in Ehrhart, Gardner, Hagen and Keser (1999:2), there is an assumption that in the budgetary process, rational agents participate as voters. The consideration of voting in the early stages of the budgetary process for the later stages of the budgetary process is made by sophisticated voters as they also consider the implications involved.

There is another assumption over the individual dimensions of the budget that the voters have convex preferences and that the budget divides the decision process into a sequence of one-dimensional decisions. According to Fere John and Krehbiel

(1987:45), there is a difference between the equilibrium of the bottom-up process and the voting equilibrium of top-down budgetary process sequence matters, based on the given assumption.

#### **2.4.4 Principal Agent Theory**

The budgeting process affects the relationships between the members in the executive and the legislative branches and between actors at different levels of government (Forrester, 2002:123). The relationship between those responsible for delivering services to the public and those who oversee the allocation of resources is the heartbeat of the public budgetary process. Baiman (1982), Forrester and Adams (1997), Schick (1998), Madue (2014) have referred these actors as agents and principals.

The executive is seen to be the agent (responsible for delivering services to the public), while the legislature is seen to be the principal (responsible for allocating funds and the executive accountable for allocating resources).

#### **2.4.5 Organisation-Based Theory**

Gianakis and McCue (2002:164) state that it is the purpose of the organisational budgetary process to enhance the capacity of the organisation's management to make optimal resource allocation decisions. Resources for the economic base of government jurisdiction are derived by the government as an organisation and maintaining the organisation's flow of resources is the basic function of professional public management.

From this perspective, government is viewed as an organisation that must make optimum use of its resources by the legislature in determining government's budget. The Organisation-Based Budget Theory highly influences this theory. When compared to the Common Pool Theory, the Organisational-Based Theory seems not to be highly influential.

#### **2.4.6 Common Pool Theory**

As locally elected representatives decide on the budgetary process, a common pool is largely borne by jurisdictions at central level allocations spending, which is financed

from a common pool. In centralised decision-making, the Common Pool Theory is at the heart of inefficiencies (Krogstrup & Wyplosz, 2010). This theory is further explained by other scholars who argue that local representatives often use tactics and incentives to influence the central decision-making processes to promote transfers with an advantageous distributive effect from their country or constituency positions (Madue, 2014).

The Common Pool Theory has received its fair share of criticism. Velasco (2000), Khemani (2004), Lienert (2010), Krogstrup and Wyplosz (2010) have mostly criticised its contribution to fiscal indiscipline by subnational governments and other government departments. They argue that when subnational governments are highly dependent on transfers from higher levels of government, they tend to accumulate budget deficits. Leniert (2010:1) stresses that since the Common Pool Theory has been observed at the budget preparation stage in government and may be large at the legislative approval stage, more active participation by the legislature runs the risk that fiscal discipline deteriorates. For the selected budget theories in this study, the discussion on budgetary process and the role of the legislature becomes necessary.

## **2.5 BUDGETARY PRACTICES AND METHODS**

The Government Finance Officers Association (1998:30) regards a budget practice as “a process that helps in achieving a principle and element of the budget process” and that “a practice is not a budget practice except if it definitely adds to the development, description, understanding, implementation and evaluation of a plan for delivery of services and capital assets”. Hence, government must adopt those budget practices that would convey the anticipated developments to their budgetary process, hence the practices should be comprehended as references and not fundamentals. Countries have used different methods and practices to equalise the present complications in budget systems and improve new machinery in order to offer an enhanced method for budgeting.

### **2.5.1 Incremental line item budgeting**

This budget practice is used in a traditional budget system and represents the classical method used for budgeting. The basic idea behind incremental line item budgeting is the statement that the funding base for a new year’s budget comprises the figures in

the prior budget. There is no mechanism to assess the priority of a programme or whether or not it is justified to be financed in this approach, hence the budget items are merely moved as a standard from year to year (Folscher, 2007).

## **2.5.2 Programme budgeting systems**

The need for new procedures based on rationality and bringing incentives to new budget methods is headed by the need to overcome the incrementalistic principle. Consequently, the next effort was a procedure established in the United States and exported to developing countries through the United Nations' programme budget system (Folscher, 2007).

The basic idea behind a programme budget lies in the need "to spend more effectively and to develop better budgeting techniques" and that budgeting is not only about planning for input, but also about planning for the results that governments want to achieve. Hence, the accent was to focus on more result-oriented budgeting techniques and to move from incremental budgeting to more rational approaches of decision-making (Alderete, 2007).

The basic idea was to classify the proposed policies and objectives into programmes, subprogrammes and activities, and for each of them to set apart aims and scopes.

### **2.5.2.1 Zero-based budgeting**

The next effort for an improved budget planning technique was zero-based budgeting, which involved taking a zero base at the foundation of each budget cycle. Consequently, line departments were invented to make new budget decisions as if they were completely new requests based on programmes and subprogrammes (Alderete, 2007).

Basically, they were made up to start on a fresh field every budget cycle by making new assessments and analyses on their necessities and the costs derived from that. It was deliberated a good approach except that this practical exercise was almost impossible to be implemented due to the excessively time-consuming process. It implied a lot of paperwork, as well as human capacity, which was problematic in the budgeting system (Pidgeon 2010).

### **2.5.2.2 *New public management approach***

The new public management approach is a modern budgeting practice and a type of programme budgeting approach, but with the conforming improvements having the focal point on merging appropriate budgeting institutions that would respond to the requirements of a new budgeting procedure, on refining the information flow between budgeting participants and on making the decision-making process more transparent. Except the industrial countries, developing countries are also adopting this new approach at different stages though (Dugdale & Lyne, 2010).

### **2.5.2.3 *Medium-term approach***

Corresponding development in budgeting practice is the multi-annual viewpoint, which advanced from an annual perspective. This approach is deliberated to bring an outline of a longer period, more specifically in medium-term, which in most cases is usually defined as a three-year framework. A medium-term approach carries a possible solution to incremental line item budgeting and delivers the connection between planning and budgeting. It also presents programme classification and has a performance orientation (Pidgeon, 2010).

## **2.6 PURPOSE OF A BUDGET**

A budget functions as a declaration of the public's goals to the extent that the budget deed and the budget memorandum disclose the philosophy of the voted representatives and transmits that philosophy to anticipated governmental activities or services, such that they address community essentials and anticipations (Pintea, Lacatus & Liviu, 2012).

Government budgeting is the critical exercise of sharing revenues and borrowed funds to accomplish the economic and social goals of the country. It also involves the management of government expenditure in such a way that it will construct the most economic effect from the production and delivery of goods and services, while supporting a strong monetary position. Completing a medium-term expenditure outline that distributes resources according to government's policy priorities for the next five years is another purpose of a budget (Rustin & Nel, 2011).

## **2.7 THE ROLE OF THE COUNCIL**

For local government, the fiscal body and taxpayers that classify the functioning costs are considered essential to its successful functioning. A budget makes a financial plan available for a given period. Since budget development and implementation occur throughout the year, the budget cycle for the fiscal officer is year-round in nature (Gurraj, Pasha, Ruli, Taka & Tanku, 2015).

In terms of section 53(1) of the MFMA, 2003 (Act No. 56 of 2003), the Executive Mayor is accountable for coordinating the annual review of the IDP and the annual budget. The Municipal Manager must help the Executive Mayor and offer her administrative support, resources and information. The Executive Mayor has given her responsibility for coordination of the budget process to the MMC of Finance, who is the chairperson of the Budget Committee.

## **2.8 BUDGET COMMITTEES**

The crucial purpose of the Budget Committee is to support the boards in approving the corresponding budgets of the International Bank of Reconstruction and Development/International Development Agency, International Finance Corporation and Multilateral Investment Guarantee Agency (together known as the World Bank Group) and to supervise the preparation and execution of their business policies.

Concerning this end, the Budget Committee supports the boards in providing regulations to management on the strategic directions of the World Bank Group, reviewing the orientation of the budgets (including expenditure and revenues) and trust funds with these strategic directions, observing budgetary and functioning performance to accomplish the boards' commitments with respect to the efficient and effective use of the resources of the World Bank Group and revising and endorsing budgetary policies, procedures and standards for due persistence and accountability mechanisms for board approval (Settembri & Neuhold, 2008).

Even though the majority of the education subsidy is derived from state sources, local budget committees play an imperative part in a district's decision-making methods in setting local budget priorities. The Budget Committee's process provides a supreme environment for a district's citizens to discuss main concerns for sustaining good

schools, programmes and facilities, ways to deal with state and federal requirements and effective ways of allocating resources (Settembri & Neuhold, 2008).

## **2.9 RESPONSIBILITIES AND DUTIES**

According to the World Bank (2005), the Budget Committee must carry out the activities below, as well as other tasks that it reckons necessary or appropriate:

### **2.9.1 Guidance on strategic directions**

The boards are provided with efforts, especially from the perception of resource management, to allow a productive meeting with the management of the World Bank Group in expressing tactical directions for the Group.

They reflect the financial resources accessible to the World Bank Group and analyses resource allocation procedures, as well as cost drivers proven to support the Group's strategic directions with essential annual budgets, and create endorsements to the boards, as applicable.

### **2.9.2 Strategic alignment of budgets (including trust funds)**

The Budget Committee must evaluate the business plans, budgets and consequences of each World Bank Group institution in relation to approved strategic main concerns and efficient and effective use of World Bank Group's own resources, as well as exterior funds entrusted to or managed by the Group. In this respect, the committee will be well versed in and evaluate any major new programmes, initiatives and organisational alterations having budget repercussions, and monitor any alteration in priority, strategy or organisation, which have an important budgetary influence.

The Budget Committee plays a dynamic role in the board's assignation with management in revising corporate performance indicators, instruments and incentives to guarantee their arrangement with the Group's strategic objectives.

### **2.9.3 Monitoring performance**

The Budget Committee intermittently confers performance with management on the foundation of trimestral reports from IBRD/IDA, IFC and MIGA, evaluating trends in outputs and results, resource usage and recruitment.

The committee must discuss random management reports on evaluations on superior topics or strategic subjects related to resource allocation, cost-effectiveness or productive efficiency of the World Bank Group's activities.

#### **2.9.4 Budgetary policies, procedures, standards and accountability mechanisms**

The Budget Committee recommends for board approval and subsequently screens mechanisms for due persistence and observation of "below the line" budget matters within the Board's scope of responsibility containing – in collaboration with appropriate Board committees – on the management's cost retrieval and the usage of any resources that are not assigned to the World Bank Group's net administrative budgets, containing, but inadequate to trust funds that are a part of the Development Grant Facility, budgets of programmes cooperatively administered by the World Bank Group in cooperation with other donors and budgets of other units (World Bank, 2005), for example, the Boards, Corporate Secretariat, Independent Evaluation Group and the Inspection Panel.

The Budget Committee must revise the policies and manage developments leading the World Bank Group's budgetary systems and procedures, ensuring value for money through the recreation of working efficiency, accountability and cost-effectiveness in the distribution of services with determined developmental influence.

#### **2.9.5 The roles of the Budget Committee are as follows:**

- To applaud to Council the authorisation of the process and periods to be followed
- To screen the development and take helpful action if things are not going in line with the process plan
- To approve to the public, the meeting process to be followed for the IDP and budget proposals
- To provide political and senior management inaccuracy on the implementation of the IDP/budget process plan and proposals developing from the process.

An IDP/budget task team was recognised, which is chaired by the Chief Financial Officer to manage all the operational and administrative features of the IDP/Budget

Process Plan, including inspecting the capital project proposals from departments in directive to evaluate whether –

- the proposal is actual capital expenditure rather than operational expenditure
- the capital estimates are accurate
- there are operational budget implications of including the project in the capital budget
- the capital project proposal is in line with the IDP priorities
- the proposed project plan to be included in the SDBIP is deliverable
- the cash flow forecast is robust.

Consequently, the Chief Financial Officer will convey the budget work plan to numerous departmental heads established on an accepted time schedule of key limits by the council. These commands are usually delivered in September each year and comprise the following:

- A timetable for the conclusion and approval of the budget, comprising a sanction of responsibilities
- The original MTFE that specifies the possible level of resources to be obtainable, for example, percentage upsurges in salaries and wages that will be settled throughout the budget year, and supervision issued annually by National Treasury with which the municipality will need to fulfil in relation to national government policy.

## **2.10 THE BUDGETARY PROCESS CYCLE OVERVIEW**

There are three main phases in the budgetary process, namely planning, preparation and evaluation. Sound planning is the first step in the budgetary process.

Preparation of a local government budget involves more than prominent receipts and expenditures for a certain year. The budget provides a financial plan for the local government, the fiscal body and taxpayers that classify the operating costs considered important for the effective operation of the local government for a certain period. The budget cycle for the fiscal officer is year-round in nature, because budget development and implementation transpire through the year.

The proclamation that the budget is a financial plan entails that budgeting must involve more than simply accumulating an annual report to be approved by a local fiscal body. Each fiscal officer must continuously monitor receipts and expenditures, and relate those to predictable amounts. The fiscal officer must ensure that budget items are categorised, assessed and consumed accurately to sustain taxpayer trust. Stability in the process encourages persistent re-evaluation of local government's main concern and helps the fiscal officer in classifying future developments and essentials for the local government. The policies and procedures established by the fiscal body or executive replicate the developments and essentials of local government (Benren & Korfona, 2002).

As expected, no local government can offer all things to all concerned, but a central, assenting and instructive statement of what will be delivered can intensely diminish the misperception and discontent.

As a concrete matter, there will possibly be numerous goal statements. Administratively, each department head or other responsible official should advance an impartially firm and comprehensive idea of what their department or council anticipates achieving (Wildvasky & Caiden, 2004). These individual intentions are then combined and reunited by the executive and fiscal body into a single, solid policy. The result is a comprehensive statement of governmental goals, representing not only what the executive branch of the local government anticipates doing, but also replicating executive decisions in terms of priority and practicality (Wildvasky & Caiden, 2004).

### **2.10.1 Planning**

Describes goals and objectives for the LEA's administration and support services, and advances programmes to accomplish those goals and objectives. Once these programmes and plans have been established, budgetary resource allocations are prepared to support them.

The preparation phase of budgeting concerns budgetary resource allocations. The allocations cannot be completed conversely until plans and programmes have been established.

## **2.10.2 Legal requirement of the MFMA, 2003 (Act No. 56 of 2003)**

1. The mayor of a municipality must –
  - coordinate the processes for preparing the annual budget and for reviewing the municipality's IDP and budget-related policies to ensure that the tabled budget and any revisions of the IDP and budget-related policies are mutually consistent and credible
  - at least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key lines for –
  - the preparation, tabling and approval of the annual budget
  - the annual review of –
    - the IDP in terms of section 34 of the Municipal Systems Act, 2000 (Act No. 32 of 2000)
    - budget-related policies
  - the tabling and adoption of any amendments to the IDP and budget-related policies
  - any consultative processes forming part of the processes referred to in subparagraphs (i), (ii) and (iii).
2. When preparing the annual budget, the mayor of a municipality must —
  - take into account the municipality's IDP
  - take all reasonable steps to ensure that the municipality revises the IDP in terms of section 34 of the Municipal Systems Act, 2000 (Act No. 32 of 2000), taking into account realistic revenue and expenditure projections for the future
  - take into account the national budget, the relevant provincial budget, the national government's fiscal and macroeconomic policy and the annual Division of Revenue Act, 2013 (Act No 2 of 2013);
  - consult –
    - the significant district municipality and all other local municipalities within the area of the district municipality, if the municipality is a local municipality; all local municipalities within its area, if the municipality is a district municipality; the National Treasury and any national or provincial organs of state, as may be recommended; and

- provide, on request, any information relating to the budget –
  - to the National Treasury and subject to any restrictions that may be recommended to the national departments accountable for water, sanitation, electricity, health and any other service, as may be recommended; any other national and provincial organs of state, as may be recommended; and another municipality affected by the budget.

As a final point, the budget is evaluated after the close of the year for its helpfulness in accomplishing the LEA's goals and objectives. Evaluation naturally includes an investigation of how funds were depleted, what outcomes arose from the expenditure of these funds and to what degree the outcomes accomplished the objectives specified during the planning phase. This evaluation phase is significant in shaping the subsequent year's budgetary distributions. In summary, budget preparation is not a one-time exercise to control how a school entity will share funds. An education entity's budget preparation is a fragment of an unceasing cycle of planning and evaluation to achieve educational goals.

## **2.11 THE BUDGET REVIEW**

According to Adams et al. (2003), the budget review is discussed as follows:

- The budgeting activity will be rolled out by a budget guidance letter issued by the Chief Executive Officer at least six months before the close of the year, outlining government procedures, general economic situations, procedures on how to budget and the budget timetable.
- It is the responsibility of each head of department to formulate a suitable budget for consideration in an acknowledged format approved by the Agency.
- The Economist and Marketing Manager and Chief Accountant will acquire forecasts and estimates for the annual budget from each department and combine them into the Agency's annual budget.
- The Economist and Marketing Manager and Chief Accountant intend to conduct a monthly review of the revenue budget and capital budget by linking actual performance with estimates, attaining reasons for variances and endorsing applicable curative actions.
- Under no conditions shall a scarcity annual budget be activated by the Agency.

All the agency's employees accountable for expenditure are anticipated to exercise due economy and thrift. Money must be spent only if it is completely necessary and not only because it has been provided for in the budget.

## **2.12 IDP/BUDGET TIME SCHEDULE FRAMEWORK**

This is the timeframe the budget is anticipating to cover. The resources allocated to a precise region are intended to be adequate throughout the specified period. An agency budget covers a period of 12 months from July to June each year (Lucey, 2002).

Below is a time schedule to be followed to address the specific activities in terms of the MFMA, 2003 (Act No. 56 of 2003). These are the key goals impacting the corporate and business planning process, the IDP, MLCM's strategic planning and operational performance, as well as the budget capturing process. The Budget Committee overseen by the MMC of Finance is tasked with guaranteeing that the budget time structure is fulfilled.

1. August: The Executive Mayor tables at Council for approval the IDP and Budget Process Plan in terms of section 21 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) and section 34 of the MFMA, 2003 (Act No. 56 of 2003).
  - The Council-approved IDP and Budget Process Plan are distributed to all relevant stakeholders.
2. September: A strategic planning session is held to review the current strategic plan of the municipality, review past service delivery performance and determine future multi-annual political priorities, KPAs, KPIs and programmes.
  - The Budget Office prepares an initial MTFP and indicates the likely level of resources to be available.
3. October: A public consultation process takes place with the community and other key stakeholders on service delivery performance for the prior year and current year to date. Information is shared on the political priorities and programmes planned for the year/s ahead. Ward-based priority needs are confirmed for the year/s ahead.

4. November: A report is drafted on the needs for the year/s ahead obtained from the community and other key stakeholders.
  - The prioritisation process of community needs and projects takes place.
  - Executive managers complete the Stage 1 IDP/Budget/SDBIP process input forms (IDP changes, capital project proposals and operational budget growth requests).
5. December: Second Strategic IDP/Budget Workshop for Mayoral Committee members and senior management team is held with the following outcomes:
  - IDP proposals and budget alignment
  - Agreement of any changes the Executive Mayor should propose to the IDP for the budget year.
  - Agreement on the Executive Mayor's initial capital and operational budget proposals for the budget year.
  - Agreement on the Executive Mayor's initial proposals on tariffs and taxes for the budget year.
  - Review of the draft mid-year performance and budget monitoring reports.
  - Agreement on the draft of the current year's Adjustment Budget Report to be tabled at Council (if required).
  - Finalise the review of the Municipal Situational Analysis Chapter (Chapter 2) of the IDP.
  - Finalise the Municipal Strategies Chapter (Chapter 3) of the IDP.
  - Finalise the Projects Chapter (Chapter 4) of the IDP.
6. January: The Executive Mayor tables at the Council:
  - The current year's mid-year performance and budget assessment reports
  - The current year's Adjustment Budget Report, if one is required.
  - The previous year's Annual Report.
7. February: Executive managers complete their Stage 2 IDP/budget/SDBIP process input forms.
  - The executive management team meets to –

- prepare for the third Strategic IDP/Budget/SDBIP Workshop
  - discuss the draft of the coming year's IDP inputs
  - discuss the coming year's budget proposals.
- Finalise the Financial Framework Chapter (Chapter 5) of the IDP
  - Finalise the Sector Plans Chapter (Chapter 6) of the IDP
8. March: Third Strategic IDP/Budget Workshop for Mayoral Committee members and the senior management team with the following outcomes:
- Agreement of the proposed changes to be made to the IDP to be included in the March Council Report
  - Agreement of the coming year's budget proposals to be included in the March Council Budget Report
  - The IDP, Budget Report and draft SDBIP tabled at all relevant portfolio committees and Mayoral Committee prior to tabling at Council
  - The Executive Mayor tables the municipality's draft budget report and the IDP at Council.
9. April: Statutory public participation process undertaken on the tabled draft IDP and budget. Council obtains the views of the local community, National Treasury, Provincial Treasury, and other district, provincial and national organs of state and municipalities.
- Compilation of the draft SDBIP
10. A report on the representations arising from the statutory consultation exercise is drafted. The fourth Strategic IDP/Budget Workshop for Mayoral Committee members and senior management team will be held with the following outcomes:
- To decide whether Council needs to be asked to make changes to the IDP/Budget Report tabled in March to incorporate representations from the community and other stakeholders, and for other reasons unforeseen in March
  - The IDP, Budget Report and draft SDBIP tabled at all relevant portfolio committees and the Mayoral Committee prior to tabling at Council

- The Executive Mayor tables the municipality's Budget Report, IDP and draft SDBIP at Council for final approval.

11. June: The IDP and Budget Reports are placed on the municipality's website and sent to the National and Provincial Treasuries.

Within 28 days, the SDBIP must be agreed and approved by the Executive Mayor after approval of the budget and ensure that the annual performance agreements are determined in terms of section 57(2) of the Municipal Systems Act, 2000 (Act No. 32 of 2000). The Executive Mayor must ensure that the annual performance agreements are in line with the assessable performance objectives accepted with the budget and SDBIP. The Executive Mayor submits the accepted SDBIP and performance agreements to Council, the MEC for local government and makes it public within 14 days after authorisation.

### **2.12.1 Community consultation process**

In terms of section 22 of the MFMA, 2003 (Act No. 56 of 2003), immediately after an annual budget has been scheduled in a municipal council, the accounting officer needs to make the annual budget and documents transparent to the public; request the local community to submit representations in association with the budget and submit the annual budget to the National Treasury and the applicable provincial treasury in printed and electronic formats.

After allowing for all budget proposals, the Council must give the Executive Mayor a chance to answer to the proposals and, if compulsory, review the budget and table alterations for deliberation by Council.

The tabling of the draft budget in Council will be followed by the extensive publication of the budget documentation. The Ward Committees play an important role in leading different review meetings to receive proposals from investors' foundations.

### **2.13 BUDGETARY PROBLEMS**

According to Republic of South Africa (2009:35) the power and privileges of municipality budget and legislative framework rest in the hands of the national Department of Co-operative Government and Traditional Affairs which shows direction

regarding policy perspective, infrastructure and service delivery and this is located in the Planning Framework of National Government. This legislative framework is also embedded in the White Paper on Local government which postulate that it is a duty of the local government system to be working directly with the citizens and communities to create a human settlement which is conducive to everyone involved which contribute to the quality of lives of all citizens (Republic of South Africa, 1998:14).

Local government's budgetary requirements differ from those at central level and allow for variations in local government budget preparation and presentation.

Ugoh and Ukpere (2009) are of the view that a move should gradually made in the direction of accrual-based budgeting. There are experiences from other advanced countries concerning the implementation of the budget.

According to Szalai, Zay, Hogue, Barati and Berczik (2000), overregulation is one of the most important problems in Hungarian municipal budgeting. Whereas the municipal system leaves the municipalities virtually completely unrestricted, the public finance system comprises many excessive requirements that diminish the tractability of the municipality to regulate the local budget to fit the local necessities. The number of regulations regarding municipal budgeting, particularly about the information confined in the budget document, should be compact. At present, the local budget document comprises much information that is neither of concern to local office-bearers, nor is it directly appropriate for the local budget, for example, the expenditures following a rigid classification system.

Logically, in accordance with the guidelines, the municipal budget can comprise other information in accumulation to that well defined by central requirements, but in this case, the budget comprising both requirements becomes unmanageable (Kraan, Bergvall, Hawkesworth & Krause, 2007).

According to Hawkesworth, Emery, Wehner and Saenger (2009), in Bulgaria, it is suggested that the Ministry of Finance should transmit reviewed accounting and financial reporting principles that end budget improvement and budget implementation reporting on a cash basis. In its place then, it should be compulsory for municipalities to adopt a method of accounting that, at a minimum, formally recognises accounts

outstanding as a commitment. which must be settled within the present budget year. Such a system is called 'cash plus commitments' or 'cash plus handicaps'.

Under pledge accounting, municipalities would record expenditure responsibilities when they are acquired, rather than when they are funded. This modification would force the acknowledgment of free bills as a responsibility outstanding from the budget.

Problems can ascend in any stage of the budget cycle and can influence service delivery in different ways, for instance, during the planning process, the municipality may comprise improper or scarce data about the service delivery necessities of communities, which will negatively influence the facilities they budget for and deliver. Another prospect is that the municipality rents a private facility supplier to supply a definite facility and they fail to supply what they have been requested to. This will construct a problem in the spending and delivery stage, and will also be obstructed by the monitoring stage. These are examples of concerns or difficulties in the first, third, and fourth stages of the budgetary process, which will influence the delivery of a service (Kraan et al., 2007).

### **2.13.1 The economic outlook and local government**

The 2011 Budget Review offers additional comprehensive analysis of the existing economic outlook. It records that the reclamation in universal demand has promoted South Africa by associating higher prices for the country's foremost supplies. The internal economy grew by a predictable 2,7% in 2010 as household demand strengthened, supported by expansionary fiscal and monetary policies and lower inflation.

Genuine GDP development is anticipated to reach 3,4% in 2011, 4,1% in 2012 and 4,4% in 2013. At these charges, it will take some time before the economy grasps full capability. Inclusive differences in development trends between different subdivisions of the economy place different pressures on individual municipalities to be contingent on the sectoral make-up of their local economies. The subdivisions most affected by the economic recession were manufacturing, mining and trade. The years 2009 and 2010 were also demanding for the agricultural sector. It follows then that those municipalities whose economies are intensely dependent on these sectors will be

time-consuming to improve from the effects of the recession (Municipal Economic Review and Outlook, 2007).

On the advantage, the economic recession and slower growth projections gave municipalities an opportunity to improve some ground on the excesses in the request for municipal infrastructure and services. This has also been supported by the speeding up of projects in the groundwork of the 2010 FIFA World Cup.

The revealed development mirrors the diminishing share of gross secure capital creation by common government between 2000/2001 and 2006/2007, of which municipalities contributed approximately 36%. This was because of the swift development in speculation by the private sector and public corporations. The municipal segment of public infrastructure expenditure by common government fell from 38,2% in 2007/2008 to 33,4% in 2010/2011. Capital expenditure endeavours to decrease below budgeted amounts. Conversely, municipal enactment has developed from 72% in 2006/2007 to 85% in 2008/2009, before declining to 80% in 2009/2010 (Municipal Economic Review and Outlook, 2007).

According to National Treasury (2014), the reasons for municipal underspending on infrastructure are –

- impractical budget objectives subsequent in subsidising shortages, mostly because of low levels of subsidy from within generated resources
- incompetent supply chain management
- incapacity to plan and accomplish grant conditions.

Economic improvements endeavour to construct pressures on municipalities to enlarge local infrastructure. Municipalities must address capability restrictions through accumulative supply of local infrastructure and services, as well as through arranging tariffs to restrain the development in depletion – predominantly of water. Both of these requirements suggest that tariffs for municipal services must increase. Infrastructure investment involves supplementary resources, whereas increasing the price of municipal services is the great operative way of receiving consumers to restrain their use of water and electricity (National Treasury, 2014).

The foremost challenge facing municipalities is to resolve the need for price increases with the imperious of confirming that services are inexpensive to consumers.

### **2.13.2 National fiscal policy and local government**

The national fiscal standpoint for the 2011/2012 to 2013/2014 objectives arrangement of revenue and expenditure will allow government to pay for current programmes, while supporting the sustainability of public finances. The core structures comprise greater GDP growth and condensed inflation, enlarged tax revenue and a discount of debt stock as a percentage of GDP over the long term (Wolman, 2014).

The National Budget Policy Framework is conversant by the necessities of the new development route, in which six vital areas and activities have been acknowledged for revealing employment prospective.

These include the following:

- Infrastructure, through the expansion of transport, energy, water, communications and housing
- Agriculture and the agro-processing sector
- Mining and mineral beneficiation
- The green economy and associated manufacturing and services
- Manufacturing sectors identified in the industrial policy action plan
- Tourism and selected services sectors.

National fiscal policy endeavours to distinguish that municipal expenditure creates important involvement concerning easing poverty and economic development. Municipalities subsidise to provide a social wage by offering free basic services to poor households; and municipal infrastructure speculation subsidises to total motionless capital construction by the public sector and the provision of related services, which are serious for economic activity and household welfare (Carter & Ajam, 2003).

### **2.13.3 Applying the differentiated approach to local government**

The Constitution of the Republic of South Africa, 1996, recognises that there will be variances in fiscal capacity among municipalities and that this should be considered

in the separation of national transmissions to local government. There is also a developing sense that present local government funding preparations may not be addressing the intentions of rural development and redistribution effectively. This has heeded to calls for a segregated method to be executed for the subsidy and management of local government (Carter & Ajam, 2003).

### ***2.13.3.1 Dealing with diversity***

The present legal framework for constituting local government runs for metropolitan, local and district municipalities. Categories A, B and C control the powers and functions of the municipality and need to form the foundation of any supplementary variation among municipalities (Schoeman, 2011).

In addition, the Municipal Structures Act, 1998, arranges for functions to be distributed between Category B and C municipalities on a differential basis, contingent on their capacity, which is evaluated by the Municipal Demarcation Board annually. This distribution of functions must also be taken into account when considering any method to distinguish between municipalities.

### ***2.13.3.2 The differentiated approach in current practice***

According to Mabungu and Monkam (2013), different approaches are being employed to distinguish between municipalities in the strategy and workings of the Local Government Fiscal Framework. These comprise the following:

#### ***2.13.3.3 Differentiation in the local government equitable share formula***

Each component of the formula is intended to target the division of equitable share finances to municipalities on a segregated basis, mainly according to a percentage analysis of basic services, as well as on the basis of fiscal and institutional abilities.

#### ***2.13.3.4 Differentiation in the allocation of conditional grants***

Each conditional grant is distributed according to a particular standard associated to the rule determination of the grant, for example, the integrated national electrification programme is assigned according to electricity backlogs and the inclination of business plans for electrification projects. The current introduction of the rural

household infrastructure grants extra highlights for the use of different differentiation standards subject to the resolution of the grant (Mabungu & Monkam, 2013).

### **2.13.3.5 *Getting governance wrong***

To date, there has been an inclination to feature all deficiencies in municipal enactment to a lack of capacity, whether it be single or organisational capability. Conversely, when assessing municipal performance failures, the certainty is that several municipal failures can be credited directly to failures in local political leadership.

Where dysfunctional councils and suspicion exist, important resolutions, such as the nomination of senior staff or endorsements of plans and budgets, are hindered or not taken. This slows service delivery (Hofmeyr, 2010).

Provincial governments and national government must to be more practical in holding municipal councils responsible to the degree delivered for in the Constitution of the Republic of South Africa, 1996. National government has been inclined to take a compassionate method to applying section 139 of the Constitution of the Republic of South Africa, 1996. Even though this section offers for the discharge of municipal councils if its financial affairs are in crisis, it has yet to transpire. Furthermore, section 216 permits National Treasury to suppress the transmission of funds to a municipality if it does not obey recommended Treasury customs and standards, in other words, if it does not comply with the Municipal Finance Act, 2003 (Act No 56 of 2003) (Hofmeyr, 2010).

In terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003), this has only ever occurred on one occasion. Councils have, therefore, been permitted to endeavour it in office and have sustained to obtain transmissions from national government regardless of clear failures. Usually the interferences that have transpired have not been managed well and have not accomplished the anticipated changes. While governance goes off beam and tangible steps are not taken to correct things, the municipality's capacity to distribute effective services is challenged, which has an effect on all citizens.

### **2.13.3.6 *Getting governance right***

There are quantities of comparatively modest things that must to be prepared to get governance right. Firstly, mayors, councillors and municipal officials must obligate to be ethical, continuously looking for the greatest well-being of the municipality and the community. Secondly, there must be a vibrant understanding of and respect for the separation of roles and responsibilities among the members of the Council, the Mayor and the municipal manager, as stipulated in the legislation. Thirdly, all arrangements must be only on the foundation of competence. Fourthly, municipal managers must ensure that the officially compulsory operational policies and procedures are in place and applied in the day-to-day running of the municipality. Fifthly, councils must also accomplish their oversight utilities. The formation of municipal public accounts committees in the superior municipalities is welcomed in this regard (Jarvis & Hyatt, 2011).

### **2.13.3.7 *Local government budgeting***

According to Westhuizen, Taylor and Van Zyl (2003), several variances across countries in the development of local government budgeting are the direct consequence of the variable essential relationships prevailing between spheres of government. Separately from these variances, the countries indicated much variety in the following aspects.

### **2.13.3.8 *Timing and time scale***

The budget process does not really end with the preparation for the next year's budget strictly following the publication of the previous year's budget report. The preparation process properly commences with budget strategies supplied by central authorities six to nine months before the start of the budget year.

Subsequently, the procedure is uninterrupted throughout the year and iterative with contribution impending from above, for example, estimates of grants and other transfers, and below, for example, how funds should be spent.

Hypothetically, approval of the annual budget must be agreed before the start of the budget year so that the budget owners have vibrant strategies. Basically, this is not

conceivable owing to the important need for central transmissions, which are only confirmed as part of the State budget (Samain, 2015).

### **2.13.3.9 Decision-making process**

The discussion of the decision-making progression in local government budgeting is important for unique shareholder and stakeholder benefits, but with an allowance of the stakeholder impression in cooperation sides. In government, as in the business world, budgets are used to distribute limited resources to contending interests. The important impact of political process is what makes governmental budgeting further compound (Lunenburg, 2010).

As governments work out their allocative, stabilisation and distributive roles through budgets, there are political, as well as economic official papers, and are products of the political processes by which contending welfares in any nation accomplish settlement.

An explanation of the decision-making process involved in the local government budgeting is then essentially contingent on an understanding of the members. The members in the decision-making process are mutually muscularly inclined by their citizens (Negulescu, 2014).

### **2.13.3.10 Implementation**

The accomplished budget document is imperative as a road map, but it is also stimulating to identify who is the driving force. In conservative administration literature, a difference is made between responsibility and authority (Sjostrom, 2002).

In recognising that there are numerous features of financial management,

the opportunity of the research was restricted to cash administration, with the dispute that it is the only best gauge of the degree of administration sovereignty at local government level.

### **2.13.3.11 Off-budget funds**

According to Kraan (2004), budget systems usually provide an alternative to custom objects, for example, foundations, companies and non-profit organisations, which are

off budget and achieve off-budget funds. The budgeting matter with respect to these objects is clear. Specifically when examining the current and strategic financial situation of local governments, is it conceivable to get a comprehensive and precise picture of all possessions, liabilities and potential requirements? This is imperative for at least three motives:

- Country credit ratings

Eventually, the central authority is accountable for the financial circumstances of local governments. Certainly, when evaluating the wealth of a country, worldwide interventions, such as the International Monetary Fund or the World Bank clearly deliberate the total financial circumstance of the country in cooperation with the central and local government levels.

- Local government borrowing

A goal articulated by each of the responding countries is the formation of a pledge arcade for local government matters. In order for a pledge evaluation intervention to be able to create a rating of these matters, the total financial circumstance, including off-budget entities and related obligations, of the local government entity needs to be clear.

- Fraud transparency

This is a substantial deception restrictive. On the other hand, off-budget funds, attached with the present dimness in the audit system, offer the impending for malfeasance.

- Internal reallocation of appropriations

The capability to transfer planned funds signifies a foundation of political power at the local government level. To a superior or minor level, it is established in all the reporting countries. However, it is classically regulated with respect to quantities and with respect to the approval process (Kraan, 2004).

## **2.14 ORGANISATIONAL RESPONSIBILITIES IN LOCAL GOVERNMENT BUDGETING**

No characteristic of local government budgeting is possibly so imperative, nonetheless so miscellaneous, as the level of responsibility for making the annual budget. In addition, these dissimilarities are not completely reliant on the dimension or evaluated judgement within a specific local government or the types of complications facing it (Michel, 2002).

The principal description for different organisational responsibilities is instituted in the fact that the budget is not only a financial plan for local government , but also a political statement of objectives for the community (Michel, 2002).

In all purpose, the fiscal officer is responsible for emerging the local budget insofar as the elected executive regulates what the role of the local government is and how officials will endeavour to achieve goals in the coming year. This is frequently achieved originally by individual personnel in local government at the path of the elected executive (Hogye & McFerren, 2002).

The fiscal officer is usually responsible for formulating the formal budget documents and executing managerial and commercial obligations. This includes not only the mathematics of accumulating and confirming expenditure assessments, but also the investigation and projection of local revenues and transnational transmissions, and the authentic preparation of budget documents (Shah, 2007).

## **2.15 SUMMARY**

The budgetary process is a difficult exercise as it is the only important policy decision of the municipality. The MFMA, 2003 (Act No. 56 of 2003) has swiftly smoothed the process as its objective is to secure the sound and sustainable management of the fiscal and financial affairs of municipalities, as well as the implementation of encouragement of transparency, accountability and operative financial management of economy debt and the public sector by section 215 of the Constitution of the Republic of South Africa, 1996.

These difficulties and different exercises have resulted in various budget process theories, which will assist in studying the budgetary process. A few were mentioned and elaborated on in the content, which includes the Principal–Agent Theory, the Traditional Microeconomic Theory, the Multiple Rationality Model of Budgeting Theory and the Top-Down Budgeting and Voting Equilibrium Theory.

The study also found that the importance of the budget was that it operated as a declaration of the public's goals and that the role of a council was very important in the local government budget as the Executive Mayor was accountable for coordinating the annual review of the IDP and the annual budget. It has also been stipulated in the budgetary process that the planning phase was very important for an effective budget in the municipality.

It is also clear that the timeframe of the budgetary process is insufficient, which results in the delay and ineffectiveness of the budget. The executive is mostly involved in the budgetary process and the council is rubberstamped. The executive still has much greater powers than the council as it has the powers to develop the budget through the council responsible for its public and is accountable for finances.

The budgetary process has challenges which can influence service delivery in different ways. Challenges mostly occur in the planning phase of the budgetary process in the municipality, for example, the municipality may comprise improper data about service delivery necessities, which will negatively influence the facilities that budget for delivery.

There are various practices and methods that government should adopt, which will help the budgetary process in achieving its principle and elements. Adapting these practices will equalise the challenges of the budgetary process.

In the following chapter, the role of the executive in the budgetary process and the budgetary process will be discussed.

## **CHAPTER 3**

### **THE ROLE OF THE EXECUTIVE IN THE BUDGETARY PROCESS**

#### **3.1 INTRODUCTION**

As highlighted in the previous chapter, the budgetary process goes through several steps. According to Hansen, Otley and Van der Steder (2003), failure to efficiently participate in any of the steps results in a flawed budget. One of those misconceptions is not fully appreciating the difference between the roles of the executive and the judiciary (Maishanu, Baba, Umar & Abdullahi, 2019). It is, however, crucial to highlight the importance of the role and the participation of the executive in the budgetary process and the formulation of the budget, which makes the executive the foundation on which the cyclical process begins (Maishanu et al., 2019).

However, it is also essential to highlight the significance of the harmonious working relationship between the legislature and the executive in the budgetary process. The importance of the legislature was highlighted in the previous chapter. The role which is played by the executive would be fruitless without the legislature (Maishanu et al., 2019). Moreover, the contribution by the executive in the development or formulation is also significant in that it is considered to be a hands-on process, which goes through various phases. According to Lienert (2005), the role of the executive could sometimes overlap with that of the legislature. This point is further emphasised by Maishanu (2019), who states that the role of the legislature differs from country to country.

#### **3.2 THE EXECUTIVE–LEGISLATURE INTERFACE**

What should also be highlighted is the fact that the legal frameworks from different countries are influenced by their constitutions (Akindele & Ayeni, 2012). In the South African context, the legislative and socio-political dynamics mostly overshadowed the role of the executive during apartheid when the executive was only meant to implement what had already been decided by the legislature when they needed to implement what was decided for them (Hansen et al., 2003). It is for that reason that the roles of the legislatures should not be confused for the sake of the people.

According to Moodly et al. (2003), there is a set flow of information, which results in the interface between the two arms in the council decision-making process similarly to the budgetary process and interface between the legislature and the executive. This exists in the role of the oversight committees in recommendations to the municipal council. Diutlwileng (2009) identifies the communication process that followed with having to do with the submission of reports. This includes information from the municipal departments which is submitted to the Mayoral Committee Cluster to consider whether or not the matter impacts on more than one department. At the same time, it could be that it has to be considered by the Mayoral Committee, who may finalise matters in terms of their delegated authority (Diutlwileng, 2009).

The information flows to a point where it reaches the Mayoral Committee about reports and matters that are reserved for the council (MFMA, 2003). Eventually, the information reaches the leader of executive business, Speaker of the Assembly and then the programming committee. Based on the programming committee's decision, the matter is referred to the relevant section oversight committee and finally to the municipal council. In the case of the draft budget, the Mayoral Committee refers the document directly to the municipal council for consideration and then to the section oversight committees for further input. Finally, the draft budget is returned to the municipal council for final approval (Ekurhuleni Metropolitan Municipality Council Agenda, 2011:28).

According to Posner and Park (2008), the presence of any role confusion could adversely exacerbate the already existing challenges in underdevelopment for most municipalities, which highlights the importance of the first step, which is the formulation phase of the budget. Different steps followed simultaneously in the development phase of the budgetary process by the executive of the municipality. Moodly et al. (2008) suggest that these phases comprise the planning phase, preparation phase, tabling and reporting.

The executives have a significant role to play in that regard, namely to adequately share and balance each department with funding for service delivery to commence. Every executive official has a role to play, from the mayor to the ward committees and, in this study, their roles will be clarified in the budgeting process and will be detailed with the aid of other scholastic views and other researchers.

The budget plays a critical role in an attempt to realising diverse community needs. Central to this, the formulation of a municipality budget must take into account government's macroeconomic and fiscal policy fundamentals. In brief, the conceptualisation and the operationalisation of the budget must be located in national government's policy framework.

### **3.3 THE EXECUTIVE COMPOSITION AND THE LOCAL GOVERNMENT**

According to Akpan (1967), having a local government is a strategy towards decentralisation. This implies the breaking down of a country into small units or localities for administration in which the inhabitants of the different groups or districts concerned play a direct and full part through their elected representatives. According to Moodly et al. (2008), the effort is to ensure that economic growth is evenly spread in order to manage equity. This effort could only be widespread regardless of the economic growth of the country, whether developing or developed, equality is merely pivotal.

Irrespective of the perspective, the following is widely accepted. Firstly, local government is a level of government with assigned legislative and executive powers to execute and make policies covering a particular local government area. Secondly, the constitution provides for its establishment and defines its structures, functions, power and sources of revenue. Thirdly, the relationship between the local government and central or state government is clearly stated in the constitution. Fourthly, in a federal country, such as the USA or Nigeria, local government is constitutionally recognised as a third-tier government, while in a unitary state, such as Britain, local government is an extension of central government.

In terms of the Constitution of the Republic of South Africa, 1996, the Executive Committee is the local government executive. Moreover, the Executive Committee is known as the EXCO, which is made up of a chairperson who, in most cases, is the mayor of the municipality and the EXCO members. The Executive Committee functions as the executive authority by recommending to the municipal council. According to Diutlwileng (2008), the formulation and development of strategies, services, as well as the programmes and projects are some of the roles that the EXCO

play. All these functions are supposed to be in accordance with the IDP and are meant to address the needs of the communities in the municipality.

The Executive Committee also plays a supervisory role in local government, which includes the development and the adoption of policies, as well as the strategies for the municipalities and the metro. The other supervisory functions include the planning and programme formulations, as well as community building projects. (Moodly et al., 2008). Coupled with it is the setting up of the municipal targets for delivery. The executive body at local government level also includes office-bearers, namely, the mayor/deputy mayor, the municipal manager, city secretary, city treasurer and the managers (Moodly et al., 2008).

However, there are also variations about the constitution of the executive committees where only municipalities with a collective executive system may establish an executive committee. A collective supervisory system is a system of local government where the exercising of the executive authority is through an executive committee in which the executive leadership of the municipality is collectively vested. The regulation of the rest of the executive committees is also crucial and must follow the legal prescripts of the country. Executive committees are regulated in terms of sections 42 to 53 of the Municipal Structures Act, 1998 (Act No 117 of 1998). These sections wonly apply to municipalities that choose to establish an executive committee (Diutlwileng, 2009).

The executive is elected by the municipal council in a council sitting. In terms of the MFMA, 2003 (Act No. 56 of 2003), the executive is supposed to consist of no more than 20% of the councillors. The minimum number is set at 10% of the councillors. At the same time, according to Hansen et al. (2003), the executive committee may never be constituted by less than three members. An important point to be highlighted is that an executive committee must be composed in such a way that parties and interests represented in the council are represented in the executive committee in the same proportions as they are represented in the council. According to Maishanu (2019), the composition is informed by the State or country electoral system.

An executive committee is the principal committee of the council of the municipality and, as such, receives reports from the other committees of the council. The executive

committee considers these reports and disposes of those which the committee is authorised to do in terms of its delegated powers and forwards the remainder of the reports, together with its recommendations, to the municipal council for a decision.

In terms of the Municipal Structures Act, 1998 (Act No 117 of 1998), as amended, the executive committee is responsible for the identification of the municipality's needs. This is one of the reasons given for its role in the budgeting process (Diuilwileng, 2008). Coupled with this is the assessment and evaluation of which needs are in the priority level of the municipality through the review processes. Moreover the recommendations on the programmes and strategies to the municipality are meant to address the municipality's needs.

Furthermore, even the service delivery issues are covered in the functions of the executive committee. It should, at the same time, be emphasised that the recommendations should be in line with the IDP. According to Hansen et al. (2003), the executive committee also devises appropriate methods to be followed in order to meet the municipality's needs, coupled with the partnerships with the other stakeholders. These stakeholders may include the community members, businesses, as well as any organisation or agent with interests in the municipality.

The recognition that there is an executive team at local government level that plays a role in the budgetary process is the first step in understanding how local government functions. Lienert (2005) points out that the local government is comprised of many officials of which the structure differs in terms of the mandate of the Constitution of the Republic of South Africa, 1996, but in general, the results are the same as its obligations are to serve its citizens (Maishanu, 2019).

### **3.4 EXECUTIVE COMMITTEE IN THE MUNICIPALITIES**

In terms of subsection 16 of the MFMA, 2003 (Act No. 56 of 2003), Chapter 4 on Municipal Budgets, the council of a municipality must approve an annual budget for the municipality each financial year before the commencement of that fiscal year. This process involves the interaction between the executive, as well as the legislature of the municipality. This is besides the fact that Moody et al. (2008) point at the different

circulars which regulate the exact timeframes that need to be adhered to by the municipalities.

In terms of subsection 2 of the MFMA, 2003, to comply with subsection 1, the executive mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year. This policy must be read, analysed, explained, interpreted, implemented and understood against this legislative background. This suggests the importance of the executive and the legislature of the municipality throughout the entire budgetary process.

At local government level, the executive is similar to the eyes and the ears of the people, in other words their role is mainly to observe the people's needs and plan on how their needs could be satisfied. However, that cannot happen unless they plan on how to achieve it. According to Norton and Elson (2002), understanding the political dynamics in the budgetary process is paramount to the dissemination and execution of the pivotal services during the operational and capital budget processes. The executive will, therefore, be aware of the administrative or operational aspects of the budget, as well as the capital budget (Hemming, Barry & Allen, 2013).

Coupled with the above, the executive is usually the critical structure responsible for ensuring that other government departments or spending agencies adhere to the budget execution phases. According to Lienert (2008), the monitoring of budget execution is predicated on the notion that effective internal mechanisms for spending controls are critical for maintaining fiscal discipline. The finance departments establish or make provision for the establishment of centralised or internal control mechanisms to ensure that public financial resources are being used effectively and efficiently (Moodly et al., 2008).

According to Diutlwileng (2009), internal control mechanisms involve more than merely checking the accuracy of financial transactions. These mechanisms ensure the effective and efficient stewardship of public financial resources. The effective stewardship of public financial resources requires that control mechanisms should be underpinned by the effective monitoring of budget execution (Lienert, 2005). It is at this point that the role of the executive is more pronounced to achieve the IDPs for the municipality.

Another important function carried out by the executive is the monitoring of the execution of the budget. This is said to be a set of analytical activities that are used to examine whether finances are used for the appropriate purposes stipulated in the budget (Lienert, 2005). This may include whether it is used for the set time, as well as whether it is used for the appropriate entity. According to Schneider and Goldfrank (2002), a participatory and inclusive approach to the budgeting system is crucial for a useful and functional municipality.

Regarding the legal framework, section 215(1) of the Constitution of the Republic of South Africa, 1996, states that national, provincial and municipal budgets and processes must promote transparency, accountability and practical financial management of the economy, debt and the public sector. This supports and endorses the fact that a budget and its processes should be transparent in order to promote financial management in the public sector in general so that any risks originating from poor management of the economy and public sector debt are detected easily.

Section 215(2)(c) of the Constitution of the Republic of South Africa, 1996, also states that the budgets in each sphere of government must show the sources of revenue and how the proposed expenditure will comply with national legislation. Additionally, the foundation of a legal framework is also fundamental, so that role players can operate within parameters to ensure compliance with fiscal norms and standards. Central to the above legal requirements is the ethos of governance, fiscal accountability, and revenue and expenditure management. Hence, it is vital to ensure that an inclusive approach is established in order to promote a culture of good governance and it is of paramount importance that the managerial leadership ensures that a culture of compliance with fiscal norms is institutionalised.

This aspect of the financial system is also crucial and is coupled with the fact that it is essential for transparency, as well as accountability in the municipality. This implies that role players in the budgetary process must be identified so that the budgetary process becomes transparent. Once role players have been identified for the budgetary process, the process must be within a legal framework so that the budgetary systems are strengthened (Schneider & Goldfrank, 2002).

### **3.5 ROLE PLAYERS AND THEIR ROLE IN THE BUDGETARY PROCESS**

In no particular order, the role players in the South African budgetary process are the national Parliament, provincial legislatures, parliamentary committees and the Cabinet, including cabinet committees (Hansen et al., 2003). Coupled with these are the participation of the National Treasury, the Financial Fiscal Commission and intergovernmental forums. Based on the Constitution of the Republic of South Africa, 1996, Walker and Mengistu (1999:66) provide the following diverse group of structures that are involved in the budgetary process.

One institution that is recognised by the supreme law of the Republic of South Africa is the Fiscal and Financial Commission. The Constitution of the Republic of South Africa, 1996, has legally established the Financial and Fiscal Commission under the MFMA, 2003. To illustrate the point, sections 220 and 221 of the Constitution of the Republic of South Africa, 1996, established the Financial Fiscal Commission in order to provide impartial recommendations. Through the Constitution of the Republic of South Africa, 1996, the Fiscal and Commission Act, 1997, was established. The commission is independent in terms of sections 2 and 3(1), makes recommendations and gives advice to organs of state in the national, provincial and local spheres of government on financial and fiscal matters (Financial and Fiscal Commission Act, 1997:4).

In terms of the Fiscal and Financial Commission Act, 1997, the commission as a consultative body and advisory unit is expected to be a part of the budgetary process. The commission provides advice, among other things, about how government revenue should be shared among the various tiers of government, fiscal allocations, taxation, borrowing and the criteria used in determining these matters (Diutlwileng, 2009). It is, therefore, relevant and essential that the commission establishes itself within the budgetary process so that expenditure (allocations) and revenue are managed in all spheres of government. This has to be done because revenue and expenditure management are crucial in support of governance in general.

The Intergovernmental Relations Act, 1997 (Act No. 97 of 1997) establishes the Budget Council that consists of the National Minister and Members of the Executive

Council of Finance of each province. The Chairperson of the Financial and Fiscal Commission or a representative attends the council meeting.

The Minister is the Chairperson of the Budget Council. Section 3 of the Fiscal and Commission Act, 1997 makes provision for the functions of the budget council, namely consulting on issues which relates to the fiscal, budgetary or financial matters affecting the provincial sphere of government (Hansen et al., 2003). Furthermore, it also deals with any matters concerning the financial management or monitoring of the finances of provinces or a specific province. The commission also deals with any proposed legislation or policy that has a financial implication for the provinces or a specific province (Intergovernmental Relations Act, 1997:2).

It is worth noting that the commission also functions as a communication enhancer between spheres of government, because provinces are unique. This is in appreciation of the diversity of the South African sociopolitical landscape (Moodly et al., 2008). Similarly, Lienert (2005) also highlights that the socio-economic and political environments mostly affect the budgetary process. It is those environments which must be taken into account or observed in public administration in general.

What is also crucial regarding the communication between spheres of government is to encourage fiscal management regarding public finances and ensure that a culture of monitoring and evaluation of the public sector is developed.

This committee involves the political level during the budget process in order to enhance budget prioritisation and policy review. Among others, the committee evaluates the output of the national medium-term expenditure committee, evaluates the MTEF review reports and makes recommendations to Cabinet on the division of revenue and the allocation of the national share between departments. In essence, the committee is also responsible for planning and expenditure management.

The latter is essential in ensuring effective governance in the public sector in general, because once any expenditure is poorly managed, the vision, mission and objectives of government might not be attained, which could be risky for government, especially with the electorate (Moodly et al., 2008).

This is a technical committee responsible for evaluating whether the departments and their spending plans are consistent with government objectives and are economical and equitable. Most importantly, it also assists in identifying the spending patterns of departments, and, in doing so, spending risks are identified. Without identifying and analysing such expenditure patterns, it could be challenging to detect possible threats on the available resources of government (Moodly et al., 2008).

It should be noted that before the democratisation of South Africa, there has been a national Department of Finance, as well a national Department of State Expenditure. The two departments have merged to form the National Treasury. The latter has the mandate, among others, for the promotion of the national government's Fiscal Policy Framework. It is also responsible for the coordination of intergovernmental financial and fiscal relations and managing the budgetary process. The National Treasury also monitors the implementation of provincial budgets in terms of the Public Finance Management Act, 1999.

In government, the Auditor-General, in terms of the Public Audit Act, 2004 (Act No. 25 of 2004), is responsible for financial management and control in all spheres of government. The financial control happens through its auditing expenditure at all three levels of government. The primary function of the Auditor-General is to ensure that correct accounting procedures and standards are followed about reported expenditure and revenue. It is also stated in the Public Audit Act, 2004, that the Auditor-General reports to the public accounts committees, which represents a final link in the chain of accountability (Moodly et al., 2008).

According to Qomoyi (2008), the existence of such a link is weakened by two critical factors and the first one is that the reports only become available two years after expenditures have taken place. Secondly, insufficient and inadequate mechanisms exist to take decisive action for the recovery of fraudulent or 'fruitless, unauthorised expenditure' (Schneider & Goldfrank, 2002). The concerns are still prevalent in the public service and they weaken fiscal accountability and undermine good governance.

In line with the National Treasury, it is the responsibility of the executive to ensure that the budget is credible and that it is aligned to the IDP. The formulation step of the

budget preparation is, therefore, supposed to be financially credible, as well as being strategically credible (Cheibub & Limongi, 2011).

In a study which was conducted by Akindele and Ayeni (2012), it was highlighted that financial credibility is achieved when the operating revenues of the municipality match the potential expenses. At the same time, they also found that the budget would strategically be credible if there was a true reflection of the targets and the priorities which are set out to be achieved. Moreover, there would have been thorough participation by all stakeholders, which include the community and civil society. In the South African context, the budget would be strategically credible if it were aligned to the Industrial Development Corporation.

### **3.6 THE EXECUTIVE AND THE BUDGETARY PROCESS**

The local government in South Africa is responsible for the service delivery of the essential needs of the communities. It is, therefore, paramount that the budget formulation by the executive takes into consideration sanitation, water, solid waste management, as well as electricity provision (Qomoyi, 2008). What this means is that sufficient consultation and inspection needs to have been conducted for all those services to be allocated in the budgetary process. According to Lienert (2005), preliminary consultation establishes rapport for the entire consultative nature of the budgetary process. Consultation takes place throughout the entire budgetary process.

#### **3.6.1 Planning phase**

It is, however, important to highlight the fact that the most crucial step taken by the executive in the formulation of the budget is the planning phase. In this step, the executive starts by reviewing the previous budget. Lienert (2005) highlights this process and states that the review of what worked well and what did not work well provides an excellent platform for implementation and approval by the legislative arm. Moreover, the practical lessons from previous experiences can easily be factored into the next budget planning process (Hemming et al., 2013).

Moodly, Reddy and Sing (2003) assert that it is the Mayor of the municipality who assumes the chairpersonship of the executive. The executive is formed from the other members of the council who are elected by their communities in the local government

elections. The role of the Mayor is to coordinate and take a leadership role through the planning phase of the budgetary process. What this means is that she oversees the process. At the same time, Qomoyi (2008) highlights the point that the Mayor must be very cautious not to interfere in the processes carried out by the municipal manager and the Chief Financial Officer.

Furthermore, according to Lienert (2005), the Mayor also assumes the responsibility of ensuring that the timelines for the budget process are set. This includes the dates and times of each consultation meeting with the various stakeholders. The councillors also participate in the process by consulting their electorates. Moodly et al. (2003) state that the Mayor also has to see to it that there has been sufficient consultation in the planning phase with community forums, businesses and NGOs in the municipality. This ensures that almost every aspect of the entire municipality is accommodated in the planning phase of the budgetary process.

Additionally, in terms of the MFMA, 2003 (Act No. 56 of 2003), the Mayoral Committee also has to include the municipal entities if there are any. This goes a long way in aiding the Mayor in adhere to section 21 of the MFMA, 2003 (Act No. 56 of 2003), which highlights the political role of the Mayor. According to Qomoyi (2008), by taking up her role of coordinating the process with an inclusion of the entities, the Mayor will ensure that the entities' budget is aligned with the IDP.

### **3.6.2 Strategic phase**

The strategic aspect of the budgetary process follows the planning phase of the process. It is in this phase that there must be a review of the IDP, which accommodates the implementation of the set objective of the municipality (Hansen et al., 2003). Once reviewed, the outcomes of the process should be put into the entire budgetary planning process. Coupled with that, the executive also plays a large role in setting up the objectives to be followed in line with the IDP during a particular length of time for which three years is usually the set target.

At the same time, the executive must also show an appreciation for the trends in the other spheres of government at provincial and national levels during the budgetary process (Hemming et al., 2013). They are also supposed to consider the existing

policies and formulate the budget, which will be in line with those policies. The policies are customarily adopted from the political dynamics in the council for which it generally forms a political organisation, which is power at that time (Qomoyi, 2005).

Besides the national policy frameworks, the executive also considers the fiscal frameworks, which include the growth parameters associated with statistics (Qomoyi, 2005). In planning the budget, the executive considers whether what they are set out to achieve falls within what is tangible, relevant and practical. It would be fruitless for the executive, with the guidance of the Mayor, to focus on what is prioritised at that moment in time in their municipality.

In placing itself in a more strategic position, the executive also needs to follow internal and the external consultative processes. In the internal consultative process, all the senior managers in the municipalities are consulted. In other words, the entire process should not be treated like an accounting exercise where only the finance departments are included. Failure to do that would mean that the executive has not managed to come up with a valid and reliable product to meet the municipality's needs. At the same time, it would mean that it would not pass legislative scrutiny (Razaki & Lindberg, 2012).

Furthermore, the councillors in the municipality must also be consulted. At the same time, Moodly et al. (2003) highlight consulting the councillors is not legally binding. It is, therefore, the decision of the chairperson of the executive council whether or not to consult them. The councillors, however, have a platform to contribute to the budgetary process by other means, such as departmental proposals.

According to Schneider and Goldfrank (2002), external consultations are supposed to be two-phased. The first external consultative process is supposed to be more open-ended in nature and informal. This is where the Mayor and the executive consult with the members of the public about what could be prioritised in their communities. It is through this process that the executive establishes the needs of each ward and to obtain their views on which ones could be attended to. It enables the executive to identify what could be included in the budget about the IDP.

Moreover, consultative meetings must be held with various stakeholders in the community. According to Lienert (2005), the purpose is to identify the potential programmes that the stakeholders could run in collaboration with the municipality. These could be in the form of business opportunities, as well as other community development programmes. Furthermore, Moodly et al. (2008) emphasise the importance of a budgetary process, which is pro-poor and developmental. The budgetary process should, therefore, put into consideration the developmental aspects of the communities, and the executive plays that role.

Furthermore, the executive also plays a vital role in liaising with the various local government departments, as well as the provincial and district treasuries. The significance of the consultation between the other external role players is highlighted by Qomoyi (2008), who suggests that it is paramount. The above statement is supported by the fact that the budgetary process is not left in the hands of an individual. According to Diutlwileng (2009), following the municipal consultation process could be used as a yardstick for the readiness of the municipality to implement the budget. After the first external consultative process, which is more informal, the next step would be the tabling of the revisions to the IDP, together with the draft budget.

The call for submissions from various stakeholders takes a more formal consultation process. Diutlwileng (2009) highlights the point that this formalised way of consultations has its disadvantages in rural municipalities in that it is regarded as exclusionary to the majority of the population. However, municipalities that are more urban participate in consultations by submitting their comments to be included in the formal draft to be tabled to the legislature. According to Moodly et al. (2008), formalised consultation plays an essential role in the documentation process of the budget before the legislature. The comments and contributions from the stakeholders, as well as other organisations, mostly speak to the draft budget proposal.

The executive plays a pivotal role in ensuring that the communities under them are taken into consideration during the budgetary process. Maishanu (2019) found that municipalities also play a role in the economic development of a country. Considering and taking heed of their contributions towards achieving economic emancipation is, therefore, crucial, not only for the municipality but for the entire country. Diutlwileng (2009) emphasises this role of the executive by suggesting that a functional

democracy must focus on community development. It is, therefore, vital for the executive to consult the residents in their municipalities in order to achieve that.

### **3.6.3 Budget preparation**

With the coordination of the Mayor as the Chief Budget Officer, the preparation of the budget follows the consultation process. According to Maishanu et al. (2019), this process is similar to a “financial and accountant” process when compared to the legislative arm of the budgetary process. It is in this process where the executive drafts the revenue and expenditure projections. Afrec (2007) states that the budget policies go hand in hand with the preparation process, in other words, the capital budget would have to stick to the policies as highlighted in section 68 of the MFMA, 2003. It is at this juncture of the budgetary process where the Mayor, as the Chief Budget Officer, seeks the assistance of the municipal manager or the financial officer.

Diutwileng (2009) points out that, mobilising support for all the priorities set out in the budget, should be the focus of the preparation stage of the formulation of the budget. That is to say that no legislature would rubberstamp a budget, which is not relevant to the priorities set out in the IDP. The executive is, therefore, responsible for the soundness of the budget, which goes with the national and provincial policy in development.

Based on this point, which highlights the critical role played by the executive, Moodly et al. (2008) emphasise the significance of buy-in from various stakeholders. Without buy-in, people end up not undermining the strides in the development of their communities, simply because of the perception that their voices are not taken into consideration.

It should also be pointed out that the executive would be perceived to have failed in their responsibilities if the budget was not in concert with the primary objectives of the MFMA, 2003 (Moodly et al., 2008). The appropriate manner in which the preparation phase could be said to be complete would be for it to be in line with the objectives. According to Kim and Park (2006), most developing countries set poverty and economic emancipation as their primary objectives in the development of policies. In drawing up the budget, the executive must always bear this in mind (Kim & Park,

2006). The municipal objectives also need to be aligned to what is contained in the IDP, as stipulated in the MFMA, 2003.

While it might not be a necessity for individual members of the executive to have a particular skill set, Cheibub and Limongi (2011) point out that the preparation of the budget should reflect sound project management. This is because the executive should be aware of how the budget will be implemented. Diultwileng (2009) suggests that a budget that does not reflect sound project management points to the fact that the municipality is not in a state of readiness to implement the IDP. The executive, therefore, plays an essential role in ensuring that the municipality's goals and objectives are achievable.

In preparing the budget, the executive also participates in an exercise of assessing the revenue and expenditures of the municipality. According to Kim and Park (2006), a country needs to take care of its citizens' welfare, in other words, the preparation phase should include an assessment of the affordability of its tariffs, rates and service charges (Moody et al., 2008). The number of households that are struggling to pay the rates and service charges would need to be assessed in order to determine their revenue. According to Schneider and Goldfrank (2002), it is the responsibility of the executive to make projections on how much the municipality is collecting in the preparation of the budget.

Coupled with the issue of assessments of the revenue collection and the expenditures is general municipal performance. Tassonyi (2002) coined the process as performance budgeting by investigating the municipalities' budgeting processes. In this process, the municipalities focus on the way it has performed in various sectors and related issues. The process follows measurement scales and statistics that look into the decreases and increases in performance.

The executive could, for example, look into the implemented programmes and their success rates, and gauge the municipality's performance in that regard (Tassonyi, 2002). What then followed in instances where there was a rate portraying low performance was the inclusion of corrective measures in the next budget. That is to say that the performance was included in the medium and the long term.

### **3.6.4 Tabling the budget**

In terms of circular 31 of the MFMA, 2003, the draft budget needs to be tabled by the executive before it can be adopted. Tabling the draft budget is an essential exercise by the executive since it also follows the consultative nature of the budgetary process in line with the MFMA, 2003.

On the other hand, Razaki and Lindberg (2012) highlight glitches that could accompany the tabling of the draft budget document. This emanated from studies that were conducted in Nigeria to investigate the relationship between the legislative arm and the executive in the budgetary process. The conflicts that are related to role confusion can easily result in a delay in the approval and adoption of the budget. It is for that reason that Ekpu and Iwocha (2017) state that there must be a clear framework to guide the tabling aspect of the budgetary process by the executive for it to be approved by the legislature.

### **3.6.5 Finalising the budget and implementation**

The next phase is that of finalising the budget once the legislature has approved it. This phase follows the process in which the budget will be published, which is coupled with the approval document. According to Lienert (2005), the executive also publishes the annual performance agreements, together with the reflection of the municipal indicators, which also concern the municipal manager and the senior managers. Maishanu et al. (2019) suggest that the implementation of the budget could be enacted by the municipal manager who is the Chief Budget Officer.

### **3.6.6 Reporting**

After the implementation of the budget, follows the submission of the implementation report by the municipal manager, who publishes this report. According to Hansen et al. (2003), the report is a part of the monitoring process, which is published to the municipal council. The financial state of affairs of the municipality is also included in the report. The significance of this reporting aspect of the budgetary process fulfils the executive function of the municipality, as stated in the paragraphs above. This is typically given a 30-day timeframe to be executed by the Mayor at the end of each quarter.

Furthermore, it is the responsibility of the executive to ensure that all the incurred expenses on the budget are reflected in the budget report. The accounting officer (municipal manager) must take all reasonable steps to ensure that all expenses are incurred following the budget. Moreover, the municipal manager is also supposed to ensure that expenses are reduced as much as necessary when expected. Coupled with this is the fact that the actual revenues should be less than the projected amounts in the budget. The report should also reflect the service delivery and budget implementation plan, and show that revenues and expenses have been monitored appropriately (Hansen et al., 2003).

The municipal manager is not only supposed to report on the positives and the prospects of the success of the budget. According to Moodly et al. (2008), the municipal manager or accounting officer should further draft a document to be presented to the council on the shortfalls in the budget. Moreover, there should also be a reflection on possible steps to be taken to correct the shortfalls in the budget.

Razaki and Lindberg (2012) also highlight another dimension of the reporting process, namely finances. The municipal manager should, therefore, report on how revenues were processed, as well as any impending overspending on the budget. Coupled with this is the fact that the report should also show the appropriate steps to be taken to deal with any potential pitfalls in the budget. In a situation where pitfalls have occurred, the report should show how the executive dealt with those pitfalls. This is an essential function as it reflects on the transparency and accountability by the municipality's executive committee.

Throughout the reporting process, it is also highlighted that the report should reach the other role players who participated in the budgetary process. In other words, the accounting officer should report the entire process to the Minister of Finance, the Auditor-General, as well as the other stakeholders in the process. The financial report should also highlight this even if there has been any overdrawn from the municipal accounts (Afrec, 2007).

Further than that and of utmost importance, the financial statement must, no later than 10 working days after the end of each calendar month, show for the attention of the Mayor and to the provincial, the actual revenues collected by source. Moreover, the

statement should also show, in an appropriate format, the actual borrowings, actual expenses incurred by vote, as well as the number of allocations received (Afrec, 2007).

It should also show the actual expenses incurred against such allocations, but excluding expenses incurred against the equitable share. Accompanying that should be the explanations of material variances from projections of revenues and expenses, as well as the explanations of material variances from service delivery and the budget implementation plan (Afrec, 2007).

### **3.7 SUMMARY**

This chapter discussed the literature review in depth, looking at international and local literature about the municipal budgetary process. The chapter commenced with a discussion on international literature, followed by national and local literature.

In the following chapter, the research methodology will be discussed and the chosen design of the study, including the population and sample size.

## CHAPTER 4

### RESEARCH DESIGN AND METHODOLOGY

#### 4.1 INTRODUCTION

The previous chapter discussed the theoretical exposition of the budgetary process at the LLM. In this chapter, the methodology chosen for this particular study is discussed. In addition, justification is provided for the particular philosophical research paradigms, methods and the design used during the research study. This includes providing detailed information about participants' selection procedures, contextual data regarding the case study and a detailed explanation of the data analysis and documentation procedures followed, as well as providing an overview of important ethical aspects attended during the research study.

The methodology chosen for this study is discussed and justification is provided for the methodological choices of this study. The specific philosophical research paradigm, methods and the design used to conduct this research is elaborated on. In addition, this chapter includes detailed information regarding participant selection procedures, contextual data regarding the case study, together with explanations of the data analysis and documentation procedures followed. Lastly, an overview of important quality assurance measures and ethical considerations are presented.

#### 4.2 INTERPRETIVISM PARADIGM

Interpretivists argue that social realities cannot be explained by fundamental laws, that observations should be done subjectively as it has meaning only to humans and that their actions and behaviour are done deliberately and not by chance (Blumberg, Cooper & Schindler, 2011). Interpretivists, therefore, believe that social realities are inherently meaningful and should be seen from participants' perspectives and their actions (Blaikie, 2010; Pascale, 2011). This way of valuing the participant and social context appealed to my own philosophy as a researcher who was interested in understanding the procedure and the budgetary processes at the LLM. Consequently, Livesey (2011) argues that what holds truth today might not hold truth tomorrow and, as such, the social context is very important to all the phenomena under investigation. Reality should, therefore, be understood from the context in which it has been

investigated. Mason (2012) mentions that once one finds oneself leaning towards qualitative research, the root of interpretivism, which focuses on the lived experience of people, will most likely be informing one's study. Blaikie (2010) agrees that interpretivism assists the understanding of the world from the participant's point of view and the understanding of a phenomenon is related in the way the participants understand it.

Interpretivism implies that the researcher provides a rich description of phenomena as it unfolds through research. Interpretivism and qualitative research are inseparable as they are based on the quality of an event as it happens or is explained from the participant's point of view (Blaikie, 2010). As such, the researcher viewed it important not to detach the research findings from the context in which it was gathered and experienced, and, therefore, included an overview of the context in which the results could be interpreted. Terre Blanche and Durrkheim (2006) agree that when a researcher believes and understands that social reality concerns people's lived experiences and their subjective contextual experiences of the external world, that is in essence what represents interpretivism.

#### **4.3 THE QUALITATIVE RESEARCH APPROACH**

A qualitative research design was used in the study. In-depth individual interviews were conducted with the participants from the LLM. The method was based on the phenomenological methodology as the researcher wished to analyse the role of the executive in budgeting at local governmental level (De Vos, Strydom, Fouche & Delport, 2005). Purposive non-probability sampling was used. Semi-structured, one-on-one interviews were conducted and data analysed using thematic content analysis. The different methodologies that apply in research in public administration are cited and the research design applied in the dissertation is outlined.

Interpretivists are interested in what participants call subjective meaning (Pascale, 2011). Moreover, the focus here is on interpretation, which is derived from rich stories brought about by participants and include uncovering layers that hide information that could only be obtained through deeper probing and listening (Pascale, 2011; Thorne, 2016). Therefore, the current study was informed by interpretivists' subjective meaning as it sought to understand meaning as interpreted by the participants.

The epistemological paradigm of this study rested on the fact that it sought to explore the nature of knowledge and how the Municipal Mayoral Committee understood the budgetary process. In fact, an epistemological paradigm in qualitative research seeks to understand how knowledge is developed based on participants' subjective experiences (Creswell, 2013:20). Furthermore, in order to obtain rich information, the study was conducted in a neutral place decided in consultation with the participants (Creswell, 2013). For this particular study, the data were collected at the LLM.

In qualitative research, it is believed that there is nothing called a single truth as truth could be multiple as participants experience different realities. The main purpose of qualitative research is to bring those multiple realities to the fore so that people will see and understand what has been reported as a reflection of what participants have said as their ontological assumption (Creswell, 2013). This study, therefore, aspires to report those multiple realities as reported and recorded.

At the same time, the methodology which is used in qualitative research can be viewed as different ideologies and epistemologies meeting with the research approach, research design, as well as the process used to conduct a study of this nature, including understanding theories behind the study and those theories that include the data collection method and analyses. In the current study, the researcher uses a qualitative research method as it is the method that can justify and produce information which is linked to participants' lived experiences and their understanding of phenomena under investigation. According to Hennink, Hutter and Bailey (2011:9), the qualitative research approach can be described "as an approach that allows you to examine people's experiences in detail, by using specific sets of research methods such as in-depth analysis, focus group discussion, observations, context analysis, visual methods and life histories or bibliographies". A qualitative approach refers to research that produces descriptive data, generally the participants' own written or spoken words pertaining to their experiences or perceptions, as defined by Brynard, Hanekom and Brynard (2014:8).

A qualitative research approach is the method used to gain information in detail about a person's life through their lived experiences using relevant techniques. It also requires the researcher to go to the participants' own setting to obtain more insight into experiences. Qualitative researchers are committed to identifying an approach

that will support them in understanding the phenomena they are studying. They are primarily interested in the participants' points of view. In the researcher participant, they are viewed as knowledgeable and the researcher as the appreciative enquirer. A qualitative researcher serves as an amplifier through which the participants' words, narratives, commentaries about the experiences and context related to the phenomenon being investigated are broadcast. Qualitative researchers attempt to conduct their study (enquiry) in such a way that the natural context of the phenomenon of interest is exposed to the minimum. They acknowledge the role of the researcher in the research process in that the researcher is the primary instrument of data collection. Qualitative researchers attempt to report their findings in a literature style that is rich with participants' commentaries.

Similarly, qualitative research focuses on how people construct personal meaning about their lives (Creswell, 2013; Leedy & Ormrod, 2015). In qualitative research, researchers do not believe in a single reality, but they believe that multiple realities exist (Babbie & Mouton, 2010). Qualitative researchers are committed to reporting events as seen from the perspectives of their participants. They view themselves as appreciative inquirers and the participants as the experts (Creswell, 2013). Qualitative researchers report their findings in a rich, meaningful and understandable way.

According to Maree (2012), one of the most fundamental elements of qualitative research is that it gives a holistic understanding of a phenomenon by involving the researcher as the research instrument in order to provide rich and descriptive data of the phenomenon under investigation. Babbie and Mouton (2010) confirm that qualitative data can provide rich data, which was one of the researcher's strongest considerations to follow a qualitative methodological research approach in understanding the role of the executive during the budgetary process.

Qualitative research is more flexible and less structured than quantitative research, providing for a rich description of the phenomena under investigation (Babbie & Benaquisto, 2010). Moreover, qualitative research is known to be exceptional when dealing with individual issues. It, however, does not lead to generalisation based on the collected data (Creswell, 2014). Qualitative data may help to understand a phenomenon and help to develop policies (Creswell, 2014).

In planning this research, the value of such rich descriptive data was considered and preferred over quantitative statistical data, based on the need to gain insight into the lived experiences of the participants. Maxwell (2012) agrees that the qualitative paradigm is suitable when the research problem focuses on specific people and their orientation towards the world and it often implies an inductive analysis process. Understanding a phenomenon through the lenses of the participants is of paramount importance and gives credibility and respect to the participants of the study (Maxwell, 2012).

Green and Thorogood (2004) maintain that if the aim of research is to understand the perspectives of participants, explore the meaning they give to the phenomena, or to observe the process of in-depth understanding, then one should consider following a qualitative research methodology. Accordingly, the research paradigm dictates the method used to collect data, as well as the interpretation thereof.

A qualitative research approach was, therefore, used, as it was complimentary to the interpretive paradigm. It allowed the researcher to analyse the role of the executive during the budgetary process. Leedy and Ormrod (2015) claim that the use of a qualitative approach is dependent on the way the problem has been identified.

#### **4.4 CASE STUDY RESEARCH DESIGN**

Case studies are mostly preferred in qualitative research due to their advantages, such as the fact that they are very explicit and uncover dynamic interaction between the researchers and their participants (Creswell, 2013; Stake, 2013; Yin, 2014). According to Yin (2014:14), case studies are said to be lacking the “rigor” and, as such, many researchers using the case study method omit important information when they report their findings.

In addition, case studies give researchers the advantage of using methodological eclecticism and, therefore, warrant the use of different methods. Case studies are flexible in their nature as they allow the use of multiple perspectives and different data collection methods and strategies to interpret them (Creswell, 2013; Yin, 2014). A case study could be a single unit or individual to a small group or an intervention (Flyvbjerg, 2011; Yin, 2014). Yin (2014) mentions that if more than one case is available to study,

it is important to clarify the process used to select the case. In this case, if one is interested in a case, it could be called an intrinsic case study, whereas if one is interested in exploring a case as an illustration of larger phenomena, it becomes an instrumental case study or if one is interested in multiple phenomena, it becomes a multiple case study (Stake, 2013).

#### **4.5 CASE STUDY SETTING**

This study followed a single case study design, because the main focus was to explore teachers' hopes and experiences regarding learners faced with learning disabilities (Creswell, 2014). In addition, case studies are strategies, which are useful when exploring things, such as programmes and events in depth in order to understand the issue holistically and gain more insight. Yin (2014) argues that there are three types of case studies, namely exploratory, explanatory or descriptive in nature, and the difference is in the way the research questions are framed. The current study, therefore, followed an exploratory case study as it sought to answer questions, such as what and how. In addition, the study sought to understand municipality budgeting without judging and reporting, as presented by municipality officials.

Case studies mainly focus on specific units or cases. As such, it simply examines one handful of cases over a specific period of time with a view to understanding them in detail and, in the process, extensive data are collected to understand the cases being investigated (Neuman, 2014). Case studies investigate phenomena in great depth and length, which makes it to be longitudinal in nature (Neuman, 2014). Silverman (2011:385), on the other hand, is the opinion that case studies are conducted to gain an in-depth understanding of phenomena under investigation. Moreover, qualitative research is known for its exceptional nature when dealing with individual issues, although there is no generalisation based on collected information, but in the end, phenomena will be understood, which will help develop policies (Creswell, 2014).

According to Gilliam (2008), a case could be defined as a unit or grouping, which could include family, an organisation or a community. At the same time, a researcher can also focus on one case or multiple cases, such as specific people who have experienced similar challenges or encountered an event similarly (Gilliam, 2008).

Silverman (2011) also argues that even a small sample, such as the one that can be found in a case study, can be a very valuable asset and yield serious awareness.

On the other hand, Babbie and Benaquisto (2010:318) argue that a case study is conducted when a researcher is focusing on “social phenomena”, which include an institution or an individual and it varies with either one, two or three individuals. In addition, the main aim of the case study is looking at specific events as they unfold as they provide a rich description of particular phenomena in detail (Babbie & Benaquisto, 2010; Rule & John, 2011). They also argue that when a study is exploratory in nature, a case study is most preferred.

Rule and John (2011:3) state that a case may vary from “size and scope” depending on the use by the researcher and what they intend to investigate, and a case study can form the first part of research, such as action research. According to Rule and John (2011), case studies are preferred due to their flexibility, versatility and providing in-depth information. Interestingly, Yin (2012) gave the classification of cases according to their uses, such as exploratory, explanatory and descriptive. Furthermore, an exploratory case study can be conducted in order to shed light on the area which has never been investigated before and can open ways for future and further research (Yin, 2012).

#### **4.6 SAMPLE SIZE**

The current study was limited to nine participants as the main units of analysis as it was considered adequate for demonstrating a beginner researcher’s skill, which is expected for writing dissertations of a limited scope. The participants were selected based on the characteristics that they should have worked at the municipality for a period no less than five years in a senior position. In addition, they should have the knowledge and understanding of the municipality’s budgetary processes.

#### **4.7 SAMPLING STRATEGY**

Non-probability purposive sampling was used as information-rich participants were sought. The participants had the characteristics and knowledge needed by the researcher (Babbie & Mouton, 2001; De Vos et al., 2002; Sarandakos; 1998; Struwig & Stead, 2001). The participants were able to provide the researcher with the

information she needed regarding the impact of the dominance of the executive during the budgetary process.

Purposive sampling allowed for the identification of participants who were judged to have the characteristics that the researcher was looking for in order to provide a rich description of the topic under investigation (Goodwill, 2015; Ruane, 2016).

## **4.8 DATA COLLECTION**

Data collection is defined as a systematic way of collecting information from the participants selected to participate in the research project (Neuman, 2014). Kumar (2011) argues that the kind of data to be collected for research is informed by the design that has been followed. The research design, therefore, dictates which method must be followed in order to collect data, which is relevant to the study. Aligned with the qualitative research methodology and the interpretive paradigm, semi-structured interviews were used as the primary data collection strategy. The other strategies are audio recordings, observational notes, the researcher's diary, which will be discussed below.

### **4.8.1 Semi-structured interviews**

Semi-structured interviews allow the researcher to focus on specific elements regarded as important to the study, while also being open to insightful responses and directions in which the participants may venture. According to Rowley (2012), semi-structured interviews are most suitable in a qualitative study in that they can be adapted several times to accommodate the interviewee and, as such, clarity-seeking questions can be used as follow up to obtain more information from the participants. Consequently, semi-structured interviews are flexible and not engraved in stone as it can be used as a basis and then follow-up questions, which form part of the schedule, can also be asked.

To ensure data quality, the researcher conducted the interviews at a private and neutral, uninterrupted venue, as suggested by Mouton (2005), which allowed the participants to talk freely. The researcher also made audio recordings of the interviews and made observational notes to further ensure data quality (Neuman, 2014).

The participants were visited at their homes after agreeing on it in the first meeting to ensure convenience on their part. Furthermore, the first interview was conducted to make them familiar with the purpose of the study before the initial interview.

In the process of collecting data, the researcher used an audio recorder, which was introduced. Permission was requested before using it. The researcher's use of the audio recorder was to make sure that no information was missed during the interviews. The idea was that the audio recorder would assist in the transcription and make it a point that all the provided information was captured correctly.

The researcher ensured the participants that only the collected information would be used for the purpose of the research report. The accessibility is limited to the researcher and the supervisor. The information requires a password to open and is locked in a safe place in the supervisor's office at the university. The researcher indicated to the participants that the device used to collect the information would help in not losing information by using notes only.

#### **4.8.2 Audio recordings**

Audio recordings were used to assist the researcher when interviews were conducted. Audio recordings were used as a form of data collection technique most preferably used in qualitative data interviews, which are semi structured in nature (Creswell, 2014). Audio recordings can be used as primary data as they preserve the original content and voice of the participant, which can be visited and revisited at any time to verify the transcription (Seidman, 2013).

Although audio recordings could give the researcher very credible information, Neiuwenhuis (2010) caution that it sometimes becomes awkward for participants to feel free being recorded and they can be nervous at times and only give valuable information when the interview has already been completed. It is, therefore, advisable to keep notes for off-the-record conversations, but it should be noted and participants should be informed about these notes. In order to avoid this in the current study, prior to the interviews, the researcher obtained verbal and written consent from the participants. During the initialC interviews, the researcher kept the recorder away after explaining that it would be used for the purpose of avoiding destruction and knowing

that they would feel comfortable as they would not see the recording device in front of them.

#### **4.8.3 Observational notes (field notes)**

A researcher often takes observational notes to record mostly non-verbal behaviour, which could only be observed during face-to-face interviews (Creswell, 2014; Merriam & Tisdell, 2015). Observational notes include the context where the interview will be taking place and the researcher's thoughts while collecting data, including several activities that might take place during the interviews (Merriam & Tisdell, 2015). Furthermore, it is natural for the researcher to be reflective during and after the interview. Therefore, observational notes are important to report what the researcher IS thinking (Creswell, 2014; Merriam & Tisdell, 2015).

In the current study, observational notes were made to give a detailed description of what had transpired during the interviews, which included participants' behaviour and the way they had responded and reacted to certain questions. The observational notes on their personal reflection, moments when they had felt uncertain and when new information had emerged during the initial interviews were then discussed with the participants, which helped.

Observational notes assisted the researcher in staying focused to structure her thoughts during the interviews. Merriam and Tisdell (2015) argue that observational notes are a very important tool to keep during interviews, hence cautions about obstructing the flow of the interview from the participant's side as it could be annoying to having to keep asking the client to answer questions they already have. In this study, the researcher used certain phrases to ensure that the interviews flowed without disruptions.

#### **4.8.4 Researcher's diary**

In conjunction with the above explained data collection techniques, the researcher's diary also proved to be one of the most valuable assets to prove the trustworthiness of the study. The researcher recorded several activities in her diary, such as personal thoughts, personal feelings and any other activities, including her perceptions during the study. This included problems encountered during the journey of the study.

Creswell (2014) mentions that a diary can be used optimally by recording personal thoughts, perceptions and feelings. Merriam and Tisdell (2015) add that there are a few items that a diary should contain, such as the way in which data were collected, how the researcher derived at categories and how this decision was made, including problems encountered during the study.

#### **4.9 DATA ANALYSIS AND INTERPRETATION**

Qualitative data analysis is defined as a process of meaning making out of textual data that has been collected (Creswell, 2014; Leedy & Ormrod, 2016). This process follows systematically by preparing and arranging data in order to maximise the researcher's ability to understand what has been analysed so that when presenting the findings, it will be simpler (Creswell, 2014). In addition, it requires a researcher to be fully involved by going back and forth, breaking data into small manageable chunks while searching for patterns (Creswell, 2014; Leedy & Ormrod, 2016).

Data analysis was conducted by coding text, of which similarities were grouped to make meaningful sense (Creswell, 2014). Furthermore, it was read several times and re-arranged as analysing qualitative data sometimes becomes a messy process (Creswell, 2014; Marlow, 1998; Terre Blanche & Durkheim, 2006).

The researcher transcribed the audio-taped interviews word by word. Once the researcher had completed this, she read through the transcripts for understanding purposes. Furthermore, the researcher made notes of the ideas as they came to mind. When the researcher had completed writing down the underlying meaning, she made a list of all the topics or grouped them together, putting similar ones together and giving them a unique heading.

Yin (2012:15) asserts that there is no fast rule when analysing qualitative case study research as a computer software programme similar to the one used to conduct quantitative analysis can be used, however, the difference is that in qualitative research, the researcher still has to assign codes unlike merely feeding numerical data into a computer.

Thematic content analysis was conducted in this study. This method includes the grouping of similar themes, linking themes to categories before the data are presented

(Creswell, 2014). In this study, the recorded interviews, observational notes and the researcher's diary were coded into different themes after the transcriptions had been done. Data analysis focused on the participants' understanding of their hopes and experiences of learners in an inclusive classroom context. A thematic content analysis further assisted the researcher with themes and messages obtained during the data collection process.

The following steps were implemented during the data analysis, as suggested by Creswell (2014):

Step 1: Arranging and preparing the data for final analysis. This process includes scanning through the material, transcribing the raw data from the interviews and typing up observational notes.

Step 2: Reading through all the data several times in order to gain understanding and an opportunity to reflect on the general meaning. This process includes making meaning based on what the participants had said and the tone of how they said it. At most, qualitative researchers write notes in the margin of their transcripts and their observational notes in order for the analysis to take shape. This assisted the researcher in understanding how the participants viewed their hopes and experiences about learners in an inclusive context.

Step 3: After reading through and doing the above, coding was done to make tags that highlighted the important different themes in the data.

Step 4: The coding process was used to create a clear description of the setting, participants and themes for analysis.

Step 5: Following coding, a description was made for this study on how the data will be represented in a qualitative narrative.

Step 6: Interpreting data in an inductive process. Interpretations were made of the results, findings and questions, such as which lesson was learned.

Creswell (2014) asserts that it is valuable to do member-checking by conducting a follow-up interview with the participants as it helps in enhancing the trustworthiness

and validity of the study. Immediately after completing data analysis, three participants were consulted for a second round of interviews in order to discuss the accuracy of the topic, and they were given an opportunity to add any new information and to correct existing information during the second interviews.

#### **4.10 ETHICAL CONSIDERATIONS**

In cases where humans are used as the focus of research, a researcher should scrutinise ethical implications which the study may bring and try at all costs to follow ethical guidelines, such as protection from harm, right of privacy and informed consent (Leedy & Ormrod, 2015). Ethics, therefore, becomes a cornerstone of qualitative and quantitative research. In this research study, the participants were given consent forms to sign and it was clearly explained that they were allowed to withdraw at any stage of research study without any form of intimidation, Furthermore, their privacy was respected as they were asked to choose a neutral venue for their convenience and moreover, they were protected from physical, emotional and psychological harm by limiting all aspects that could lead them to be harmed.

Hinckley (2005) suggests that a researcher should follow and abide by ethical guidelines throughout the research process. It is the researcher's obligation to ensure that s/he is competent and adequately skilled in conducting the research study (Strydom, 2002). The ethical principles relevant to this study include confidentiality, privacy and anonymity; informed assent, voluntary participation, as well as protection from harm.

Voluntary participation was emphasised and the right of confidentiality discussed. According to Perry (2010), an important aspect of interpreting is the participant's reaction to the results, in other words, how the results made or did not make sense. The participants were given a chance to think about, summarise and confirm all the information collected during the qualitative and quantitative assessment phases. The participants' right to withdraw at any time will be discussed next (Strydom, 2002).

##### **4.10.1 Informed consent**

The participants were informed about the nature and purpose of the study to ensure that they would fully understand the intervention and what would be expected of them.

The researcher read and explained the content of the informed consent letter to the participants and allowed her sufficient time for clarification should she require further explanation or have questions. The participants were asked to provide informed consent in the form of writing.

#### **4.10.2 Privacy, confidentiality and anonymity**

Confidentiality implies the way in which data should be handled by only authorised individuals which include privacy and anonymity referring to the personal privacy of the participant (Strydom, 2002). It was the responsibility of the researcher to respect the privacy and identity of the participants and to present the findings of the data gathered during the research process. The participants' personal information and details were kept secret. The researcher opted to use pseudonyms to avoid identifying participants with their real names. The participants' information was strictly kept confidential and accessibility was limited to the researcher and the supervisor, which was communicated with the participants. Research information should not be shared with other people unless it is relevant for the purpose of the research as should it happen, it will amount in unethical behaviour (Kumar, 2005). Furthermore, a research study should be contextualised and information kept confidential, in other words, the names of the people who participated in the study should be kept anonymous except in the case where participants will have to be visited several times and the researcher will have to identify them to this end (Kumar, 2005).

#### **4.10.3 Protection from harm**

To ensure that the participants were protected from harm, accurate and detailed information was given to the participant about the potential impact of the study. Ferreira (2006) argues that researchers should be warned about the emotional and psychological harm that participants may experience as a result of the way in which the study may be personal to them. In such a case, measures were put in place to ensure that the participants would be counselled or referred to the appropriate professionals if the need arose.

#### **4.10.4 Management of information**

According to Corbin and Strauss (2008:195), analysis involves “coding”, which refers to assigning names to things that a researcher is studying. The researcher ensured that the interviews were recorded and that her observational notes and transcripts were kept safe in a locked cabinet and the electronic copies were password so that no-one could access them except the researcher and her supervisor. The participants’ names were not mentioned and pseudonyms were preferred to protect their identity and to comply with the participants’ right of privacy.

#### **4.11 SUMMARY**

The procedure for conducting this research was provided in this chapter. First, the paradigmatic perspective, namely interpretivist/constructivist, which guided the study was discussed, followed by a description of the qualitative method. The manners in which data were collected and analysed were also discussed. Techniques to assure quality, as well as adherence to ethical guidelines for this study were outlined.

In the following chapter, data analysis was discussed in depth, including the themes that were identified during the data analysis.

## **CHAPTER 5**

### **RESULTS AND FINDINGS**

#### **5.1 INTRODUCTION**

In this chapter, the researcher presents an in-depth discussion of the results from the data analysis. An analysis of the executive in budgeting at local governmental level at the LLM is presented and discussed under four main themes with various subthemes that are substantiated through the verbatim quotations of the participants, which include observational notes and field notes. The chapter begins with the section on the results of the study, followed by a presentation of the research results, a discussion of the case study, presentation of the data, the various themes and their subthemes, the findings of the study and the conclusion.

Furthermore, the analysis of data is discussed and the findings interpreted. Data were checked and compared to give hindsight to whether or not the participants grasped the budgetary process, and whether or not evidence suggested political meddling and/or executive domination. A narrative analysis technique was used. This method involves the reformulation of stories presented by respondents, taking into account the context of each case and the different experiences of each respondent. In other words, a narrative analysis involves primary qualitative data by identifying word and phrase repetitions, in other words, scanning primary data for words and phrases most commonly used by the respondents, as well as words and phrases used with unusual emotions.

**Table 5.1 Themes of the study**

<b>THEME 1</b>
Executive domination of the budgetary process
<b>THEME 2</b>
Understanding the budgetary process among executives
<b>THEME 3</b>
The relationship between the executive and the members of the council

## **5.2 CASE DISCUSSION**

While conducting the interviews, the participants were freely allowed to share their feelings, thoughts and understanding about the executive in budgeting at local governmental level. All the interviewees expressed a different understanding of the role of the executive in the budgetary process and wanted to share their understanding of the role played by the executives in the budgetary process.

## **5.3 PRESENTATION OF THE DATA**

Table 5.2 below gives a summary of the referencing system of the verbatim quotes used in this chapter. Pseudonyms such as P1, P2, P3, P4, P5, P6 or P7 were used to denote participants during the verbatim quotes, as indicated in the brackets in Table 5.2. In coding, for example, the code 1; 10; 28 refers to a response from participant number 1 and the entry can be found on page 10 in line 28.

**Table 5.2 The three-digit coding system used to reference data (transcriptions)**

<b>Transcript bundle no. Data source</b>	<b>Page no</b>	<b>Line no.</b>
Participant 1: Interviews, observational notes and field notes (P1)	1-16	Different lengths
Participant 2: Interviews, observational notes and field notes (P2)	17-31	Different lengths
Participant 3: Interviews, observational notes and field notes (P3)	32-52	Different lengths
Participant 4: Interviews, observational notes and field notes (P4)	53-77	Different lengths
Participant 5: Interviews, observational notes and field notes (P5)	78-89	Different lengths
Participant 6: Interviews, observational notes and field notes (P6)	90-100	Different lengths
Participant 7: Interviews, observational notes and field notes (P7)	101-112	Different lengths

#### **5.4 DEMOGRAPHIC INFORMATION**

The participants in this study were all managers at the LLM and the researcher had a chance to interview the Executive Mayor. Some of the executive mayor's answers were sent via email. In addition, the researcher interviewed a municipal manager, senior accountants, the Chief Financial Officer, different departmental heads and directors at the LLM.

#### **5.5 ANALYSIS OF THE DATA AND FINDINGS**

The elements of discussion in this section include the general exposition of executive domination of the budgetary processes in a local administrative setup (municipality); the understanding of the budgetary process among the executives in the local

administration; and the procedures followed in the budgetary process. The relationships between the executive and the members of the council; the executive's responsiveness towards queries, requests and comments from council members; and the role played or the level of influence from the political parties in the budgetary process are also discussed.

Furthermore, the discussion focuses on the role players (stakeholders) and their level of involvement in the budgetary process, namely how the council holds the executive to account; and the monitoring of the budgetary process, tools and systems used; and how these tools are effective. The section ends with a discussion on the monitoring of the allocated funds to various departments in the local administration.

### **5.5.1 Executive domination of the budgetary process**

The term 'executive domination' was described to the participants as the exercise of power or influence over the budgetary process or the state of being controlled by the executive. This was in relation with the legislative mandate given to the Executive Mayor in the budgetary process. Some of the participants' responses were as follows: "The executive would play a major role, because although the budget needs to be structured in a way to address the community's needs, uhm, it would be the executive's responsibility to ensure that each department that they oversee has the budget to do the tasks." Another participant agreed as follows: "Okay, our role is to look at what is required in our departments as per our Service Delivery and Budget Implementation Plans, what is required and what? We look at our functions, what I need to do." Another participant stated their view as follows: "We, as managers, play a big role, because we are supposed to be familiar with the needs within the community, as well as your needs within the administrative environment. So, we, before the budget process, we sit and we compile a draft budget clearing the air you identified needs, then comes the budget, then you fund, then needs, then the draft budget is being discussed with the officials and then submitted to the Chief Financial Officer after we have the intervention with the community." Another participant agreed: "So they do those plans and then they cost them, then bring it to the starring committee." However, one (12,5%) of the eight participants had a different view, as follows: "But maybe you need to understand that the issue of budget is a process of council, which it's a non-delegated matter, but there's a process before the council could decide. The role of

the executive, they start the process. The legislation is very clear that there must be a budget steering committee, which is shared by the mayor where we need to convince the mayor why our budget is like this.”

Six (75%) of the eight participants suggested significant evidence of executive domination over the budgetary process. It also suggests evidence of participants conflating executive domination with the role of the budget steering committee, of which the executive could be a member.

### **5.5.2 The understanding of the budgetary process among the executives**

Budgeting is the setting of expenditure levels for each of a municipality's functions. It is the estimation and allocation of available capital used to achieve the designated targets of a municipality. A budgetary process refers to the process by which governments, whether local, provincial or at national levels, create and approve a budget. The municipal budgetary process constitutes five phases, namely strategic planning, municipal-wide budget preparation process, tabling the draft budget, public consultations and external assessments, and tabling the final budget.

This can be elaborated as follows: The individual departments in the municipal setup prepare budget worksheets to assist the executive mayor (through an established budget steering committee) in preparing the local municipality's budget estimates. The administrator (the executive mayor) calls a meeting of managers or departmental heads and they present and discuss plans through council portfolio subcommittees for the following financial year's projected level of activity based on the current year's activity. The managers or departmental heads then work with the financial office and/or respective council portfolio subcommittees to prepare budget estimates for the individual department's coming financial year. The completed budget estimates are consolidated and presented by the executive managers to the council for approval.

Justification of the budget request may be required in writing. In most cases, the executive mayor talks with their administrative officers (managers or departmental heads) about budgetary requirements. Adjustments to the budget submission may be required as a result of this phase in the process. Of the eight participants asked to explain the budgetary process from their understanding, only two (25%) of the eight

participants had a convincing understanding of the budgetary process, as described above and three (37,5%) of the eight participants could describe the process, but not succinctly. Four (50%) of the eight participants described the budget as a tool and not the process, whereas one (12,5%) of the eight participants neither described the budget nor the budgetary process.

### **5.5.3 Procedures followed in the budgetary process**

A municipal budget is guided by Chapter 4 of the MFMA, 2003, which stipulates how a municipality must prepare and execute its budget. A municipal budget must be prepared, executed, monitored and controlled in an open, transparent and accountable manner to the public, as stipulated in the Municipal Fiscal Powers and Functions Act, 2007. Section 153(1)(a) of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996) emphasises the importance of preparing a budget, which prioritises the needs of the community. The municipal budgetary procedure, as derived from the budgetary process, involves local municipality departments planning, collaborating, negotiating and deciding together on a comprehensive plan for spending public resources over an agreed period. This involves respective council portfolio subcommittees, several departmental heads and consultation with other key stakeholders, such as the community or civil society and the provincial officials responsible for overseeing the municipal budgetary process. The procedure is informed by the existing operating and capital budgets, as well as the municipal IDP.

There was a resounding understanding of the procedures and inputs into the budgetary process. Seven (87,5%) of the eight participants had an in-depth understanding of the procedures followed, although the budgetary process was blurry. One (12,5%) of the eight participants did not provide an understanding of the procedures to follow and rather mentioned the responsible body for approval of the budget.

### **5.5.4 The relationship between the executive and the members of the council**

The relationship concerned falls within the process to have a wider consultation and input from all the stakeholders, especially the community or civil society. The council members play a vital role in informing the communities and soliciting their input in the budgetary process as members of portfolio subcommittees and in the council. The

relationship between the council members and the executive is of such importance to ensure that community concerns and needs are addressed when drawing up (through portfolio subcommittees) and approving the budget (council voting). On the other hand, the council members also play an oversight role over the approved budget and ensures that projects in the community are implemented or delivered accordingly.

All eight (100%) participants demonstrated a generally acceptable understanding of the relationship that is supposed to be espoused between the executive and the council members in relation to the budgetary process. There is evidence among the participants suggesting a significant cordial relationship between the executive and the council members in the budgetary process, as well as an oversight role. This relationship seems to be enacted and established by law and is, therefore, binding and not voluntary in the interest of the society.

#### **5.5.5 The executive's responsiveness towards queries, requests and comments from council members**

The executive's responsiveness informs their level of agility towards queries, requests and comments from council members. These queries, requests and comments are mostly informed from community needs and concerns. The evidence from the participants seems to suggest that the law compels the executive to be responsive and mandates the council members to query the executive. All eight (100%) participants suggested that the executive is responsive to the queries, requests and comments from the council members.

#### **5.5.6 The role of political parties in the budgetary process**

The council members work based on the mandate entrusted to them through their political party affiliations, which is derived from the electorates. The budget agenda pushed through to the council for approval can likely reflect the will of the majority political party or rather the ruling party. The evidence suggests that political parties do not have a role, but through the members of the council, they can indirectly and actively participate in the budgetary process.

As one participant stated: "... as I say again, you are going to have consultation processes with the community during process and it ties back to your IDP, uhm,

process as well. In there obviously your council or the ward representative would be the one that would be at those meetings to take in and ensure that the needs of their communities are reflected in the budget. So that role they would be playing to say that this is what our community needs, how far can you go to implement those things, so that is the role that they would play in the budget.”

However, one other participant thinks differently, as follows: “Like I said, remember the budget is the mayor’s, is her document, check for me. So their role is really to give input where maybe they feel that we have short-changed something, where maybe they feel that we are not repairing Jameson Park. Is to give input, to see and to agree they need to approve (claps hands). Budget is the mayor’s. The mayor takes it to council to be approved by the councillors, so but normally what we do here, we workshop them. We don’t just go to the councillors and say that here is the budget (claps hands), approve.”

Six (75%) of the eight participants agreed with the former participant’s view. The evidence suggested the role of political parties not to be clear, but rather indirect in relation to the budgetary process, if considering the views of these six participants. However, the latter view is echoed by one other participant who suggested that it is the prerogative of the executive mayor, as legislated by law through the steering committee, to be in charge of the entire budgetary process.

#### **5.5.7 Political meddling, in general or partisanship, in influencing decision-making in the budgetary process**

Political meddling was described to participants as intruding into the council's affairs or business by those in high-ranking political portfolios. There is sufficient evidence indicating significant political meddling in influencing decision-making in the budgetary process. Three (37,5%) of the eight participants agreed to there being some degree of political meddling.

Statements, such as “To a certain extent, yes, uhm, there would be always, because of the way that the government is structured”, “It does, it does, but I can’t give an open question there, but it does” and “Ja (yes), they are, they are, it might, and it can be the issue let’s say, remember the IDP is a strategic plan, which is for five years” are

indicative of some degree of political meddling although viewed as necessary. One participant viewed political meddling negatively while acknowledging its usefulness as follows: “Political meddling? Uhm, I’m looking at meddling as a very negative phenomenon, because for an organisation, we are dealing with human beings, obviously there will be challenges, so I would say that there are exceptional instances whereby the political meddling, uhm, plays a critical role, but it does not necessarily provide proactive response”.

Another participant’s view concurs with the previous one, as follows: “They influence? No, they don’t meddle. They assist the process by also making us work. Me sitting here, I don’t know what the needs of the people in Shalimar, but they know, so they will brief us, they will say no in Shalimar what, what street has been dark for the past six months, we need lights there, you know”. Views such as “Not really, I wouldn’t say they influence the decision of the budget process. Remember that first of all is them who go to the communities” were prevalent among participants when asked about political meddling in decision-making during the budgetary process.

One (12,5%) of the eight participants outrightly said that they did not know that there was political meddling. This participant’s view was as follows: “Uhm, I don’t know. I doubt this is me now, I doubt there could be any, maybe it depends with the leader, because we, I come from development background. For me, I don’t think there should be some political interference. Somebody must argue his/her case why this must be a priority and I as a municipal manager must see why this is a priority. In all the budget processes that I have done, I don’t remember getting any political mandate that says do this”.

#### **5.5.8 The role players and their level of involvement in the budgetary process**

The term ‘role player’ was described to participants as meaning “a person or organisation or business with an interest or concern in the municipal budget”. Six (75%) of the eight participants stated that the main stakeholders or role players in the budgetary process included the executive, managers, councillors, the community, national and provincial treasury, and operational staff. The role level of involvement in the budgetary process included the drawing up, approving, implementing, overseeing

and reviewing the budget. Two (25%) of the eight participants added other stakeholders, such as businesspeople, investors and adjacent local municipalities, however, the level of involvement in the budgetary process is minimal. Certainly there is evidence suggesting that the participants significantly understand who the stakeholders are and the role they ought to play in the budgetary process.

#### **5.5.9 The council and the executive's accountability during the budgetary process**

The accountability of the executive to the council is a cardinal principle of good governance instituted through various municipal management acts. Information flow is essential to holding it accountable for its decisions and performance in delivering services and meeting locally prioritised outcomes. A prerequisite for information flow is transparency in the manner in which the executive carries out its tasks. The fact that the Mayoral Committee is not regarded as a committee of the council supports, albeit not conclusively, the notion that a mayoral committee need not behave in the same transparent manner as a council committee or the council itself.

A question was posed to the participants to ascertain how the council holds the executive accountable during the budgetary process. An important consequence of the fact that a mayoral committee is not regarded as a committee of the council is the centralisation of decision-making in the hands of the Mayor or the executive committee (Mayoral Committee). Councillors, who are not members of the executive committee, may not influence decisions, but through the council or portfolio subcommittees, they may provide an oversight role by querying, requesting and commenting on various budgetary aspects. Six (75%) of the eight participants suggested that accountability was effected through effecting deadlines and certain pieces of legislation. One participant, similar to the other participants, observed: "Look, we've got budget deadlines that we need to meet. If we don't meet like now at the end of the month, I must submit a draft budget. If you don't submit it, it's a non-compliance issue and council can come down very hard on us. So really we are governed by laws and regulations which give the council powers to deal with us if we don't perform." As much as there was mention of governing laws, only two (25%) of the eight participants provided specific Acts of legislation (e.g. sections 20(2), 79 or 80 of the Municipal

Systems Act, 2000 (Act No. 32 of 2000)), which mandates council oversight or through the audit committee.

However, there seem to be evidence suggesting that there is a significant oversight role by the council and accountability by the executive during the budgetary process. Much of it though seems to lie in the budget implementation phase.

#### **5.5.10 Monitoring the budgetary process**

One of a councillor's greatest responsibilities is approving and regularly monitoring a municipality's budget, which provides funding to implement the vision, as stipulated in the municipal IDP. This is done in consultation and cooperation with the ward committees. The community should be involved as much as possible in deciding what should be the spending priorities for the area they live in. Ward councillors and ward committees should report to ward meetings about the broad budget plans and consult the residents about programmes and projects that will affect them.

Six (75%) of the eight participants mentioned a process plan or process flow that is used as a mechanism for monitoring the budgetary process. In this process, reports are generated (either monthly, quarterly or annually), which report on expenditure and account balances. Meetings are also held to verify certain budget details in this process plan. However, one participant mentioned a financial system, which, at times, is difficult to access. Expenditure reports are generated by this financial system. It would have been much clearer if the monitoring procedure had participants being specific about which process flow steps were followed when monitoring the budget. The data seemed insufficient regarding evidence of robust monitoring controls or a lack of knowledge from the participants.

#### **5.5.11 Tools and systems used in the budgetary process**

The tools and systems were described to participants as a report, computer-based system or any implement used to carry out a particular budgetary process function. The most mentioned tools by participants included compliance, checklist, process plan, audit committees and investment plans. There is sufficient evidence suggesting that the budgetary process is achieved through a manual system. Some participants insisted that the process flow was yet to be technologically automated, however, they

could fall into mentioning reports and checklists as the tools used during the budgetary process. Certainly, there is sufficient evidence suggesting insignificant efficient use of tools in the budgetary process. It would suffice if any of the participants mentioned particular tools and/or if possible describe in detail the tools or systems.

#### **5.5.12 Monitoring the allocated funds to various departments**

A budget is a financial plan used to estimate revenues and expenditures for a specific period of time. It is a management and planning tool, not merely an accounting document. It assists in the allocation of resources. A budget allocation is the amount of funding designated to each expenditure line. The monitoring of the allocated budget should be expenditure and audit reports. Seven (87,5%) of the eight participants mentioned a process plan that was being used to monitor the allocated budget. Some of the techniques mentioned included monthly expenditure reports. The clearest mention from one participant was as follows: “Anything at the municipality, we monitor by report. We get monthly reports on their expenditure, on their project that they, that maybe they have not yet finished, we also get reports on that.” Although there is sufficient evidence of understanding the monitoring of the allocated budget among the participants, it was clear that some confused monitoring with the allocation of the budget.

### **5.6 CONTEXTUAL ANALYSIS AND INTERPRETATION**

Local government is the sphere of government closest to the people. Many basic services are delivered by local municipalities and local ward councillors are the politicians closest to communities. Several stakeholders ought to understand how local government work and how to influence it through the budgetary process.

The national government has clear policies that local municipalities and councillors should be sensitive to community views and responsive to local problems. Partnerships should be built between civil society and local government to address local issues. A number of laws outline participatory processes that municipalities have to use to consult the community. Municipalities with departments must ensure that the municipal budgetary process includes that of its departments. All provisions of the MFMA, 2003 (Act No. 56 of 2003) relating to the budgetary process have been applicable to all municipalities with effect from the 2005/2006 budget.

As indicated in Circular 10 of the MFMA, 2003, (Act No. 56 of 2003) issued on 8 October 2004, “the Integrated Development Plan (IDP) and budget process must be one process.” An effective budget process, which incorporates the IDP review, will facilitate community input, encourage discussion, promote a better understanding of community needs, provide an opportunity for feedback and improve accountability and responsiveness to the needs of the local communities.

There is sufficient evidence suggesting that the participants in this study agree that the aforementioned approach positions the municipality to represent the needs of the community and provides useful inputs to the relevant provincial and national department strategies and budgets for the provision of services. The budgetary process happens to be an effective plan in representing and fulfilling community needs. Section 26(h) of the Municipal Systems Act, 2000 (Act No 32 of 2000) indicates that “a financial plan, which must include a budget projection for at least the next three years” is a core component of the IDP. Hence, the link between the IDP and the budget is established at a strategic level. All the participants demonstrated sufficient evidence of the understanding between the municipal budgets linking to the IDP. In fact, the IDP, among others, serves as a guiding document in the budgetary process.

However, failure to prepare and incorporate an appropriate financial plan in the IDP has often resulted in ineffective and disjointed budgeting, which does not align the strategic service delivery objectives of the municipality with the financial resources available to that municipality for service delivery purposes. In addition, revenue enhancement and the consideration of alternative sources of revenue to provide additional resources for service delivery are not addressed at a strategic level, but rather haphazardly, when preparing the budget annually. This often emanates from the executives mishandling the budgetary process. The participants showed and recognised the importance of collaboratively working with the executive, council, managers and all other stakeholders when drawing up and implementing the budgetary process, as well as each stakeholder being given the opportunity to play their respective role, be it oversight from the council or providing feedback from the communities.

Effectively, the financial plan referred to above provides the bridge between the municipality’s strategic service delivery objectives and the annual budget. It also

facilitates the development of the various budget-related policies. Although the participants are aware of these linking and bridging to the national development objectives, there is evidence suggesting that due to certain weaknesses in the legislation, the executive do not completely collaborate and often let political meddling influence the decision-making when undertaking the budgetary process.

## **5.7 SUMMARY**

In this chapter, an in-depth discussion of the analysis of the data took place and the findings were interpreted. Data were checked and compared to give hindsight to whether or not the participants grasped the budgetary process and whether or not there was evidence suggesting political meddling and/or executive domination. Themes, such as the procedure followed during the budgetary process and the role of the Mayoral Committee in the budgeting quote were identified. The chapter ended with a contextual discussion of the findings. Several themes were identified which were contained in the verbatim quotes from the participants. The results of the themes were contextualised against the existing research literature as seen within the context of the current study. The last chapter will discuss the findings and recommendations of the study.

## CHAPTER 6

### RECOMMENDATIONS AND CONCLUDING REMARKS

#### 6.1 INTRODUCTION

This study sought to inquire on budgetary procedures, whose process is perceived as an important activity in government departments, the provincial legislatures and municipal councils towards effective service delivery and development (Krafchik & Wehner, 2012; Loney, 2008:162). In the exodus since South Africa's first democratic elections in 1994, budgetary processes and procedures have changed substantially and further changes are likely to be implemented in the future, hence the perception that the South African budgetary process is in transition (Posner & Park, 2007:17). However, guidelines have been drafted to estimate, allocate and monitor the budget, as enacted by Parliament and as stated in and empowered by the Constitution of the Republic of South Africa, 1996. These guidelines are very broad (Kirsten & Grundling, 2012:57). The responsibility lies with the Cabinet, the Department of Finance, the provincial EXCOs, the Budget Council, the MTEF, the Financial and Fiscal Commission, the Minister's Committee on the Budget, the Budget Forum, civil servants, national portfolio committees and provincial standing committees (McIntyre & Nicholson, 2004:20).

This study sought to understand the role of the executives in the budget cycle, especially the relationship between the council and the executive when formulating the budget. Using a qualitative research paradigm, guided by the normative approach (Dezin & Cicolin, 2005:4; Van der Ven & Scherer-Rath, 2005:35), the following research questions were investigated:

1. What is the role of the executive during the budget cycle at local governmental level?
2. Is there a relationship between the council and the executive?
3. Which factors determine executive dominance in the budgetary process?
4. To what extent does the council hold the executive accountable during the budgetary process?

5. What recommendations can be made to enable the council to determine its own budget?

Following the research questions, the study sought to achieve the following objectives:

- To provide a theoretical exposition during the budget cycle at local governmental level
- To ascertain the level of the relationship between the council and the executive
- To determine the factors that enable executive dominance in the budgetary process
- To explore the extent to which the council holds the executive accountable during the budgetary process
- To ascertain the possible recommendations that can enable the council to determine its own budget.

In the subsequent sections, the answers to the research questions, hence the findings of the study will be provided, as well as recommendations for further research enquiries.

## **6.2 A DISCUSSION OF THE FINDINGS**

In this section and the subsequent subsections, the answers to the research questions will be discussed and concluding remarks given in conjunction with the extant literature, arranged according to the sub-research questions based on the data that were checked and compared to give hindsight to whether or not the participants grasped the budgetary process and whether or not there was evidence to suggest political meddling and/or executive domination. The narrative analysis technique was used, which involves the reformulation of stories presented by respondents, taking into account the context of each case and different experiences of each respondent (Merriam & Tisdell, 2015; Pascale, 2011; Ruane, 2016). The following sections offer answers to the research questions, starting with the sub-research questions and lastly the main research question, as well as linking them back to the conceptual framework.

### **6.2.1 Is there a relationship between the executive and members of the council?**

The relationship between the executive and the council exists, which is informed by the MFMA, 2003. The dynamics are politically influenced, but are underpinned by the very requirements that stipulate by law the various steps and guidelines to be followed in maintaining the relationship during the budgetary process. To have a better understanding of answers to this subresearch question, answers were sought by exploring the relationship between the executive and the members of the council; the possible executive domination of the budgetary process; understanding the budgetary process among the executives; the procedures followed during the budgetary process and the executive's responsiveness towards queries, requests and comments from council members. This discussion ensues below:

#### ***6.2.1.1 The relationship between the executive and the members of the council***

The relationship of concern falls within the process so that there is a wider consultation and input from all stakeholders, especially the community and/or civil society (Razaki & Lindberg, 2012; Schneider & Goldfrank, 2002). It is in this prerogative that the council members must inform the communities and solicit their input in the budgetary process, the ambit of both as members of portfolio subcommittees and in the council when addressing community concerns and needs through portfolio subcommittees and when approving the budget (council voting) (Qomoyi, 2008). Secondly, to play an oversight role in the approved budget and in implementing community projects (Rueben, Randall, & Boddupalli, 2018; Ugoh & Ukpere, 2009). It is, therefore, essential to highlight the significance of the harmonious working relationship between the legislature and the executive in the budgetary process (Diutlwileng, 2009; Moodly et al., 2003; Posner & Park, 2008). There is significant evidence suggesting that there is an awareness of the supposed relationship between the executive and the council members in the budgetary process since it is enacted and established by law and is, therefore, binding and not voluntary (Moodly et al., 2008).

### **6.2.1.2 *Executive domination of the budgetary process***

The term 'executive domination' was described to the participants to mean the exercise of power or influence over the budgetary process or the state of being controlled by the executive (Hansen et al., 2003). This was in relation with the legislative mandate given to the Executive Mayor in the budgetary process (Lienert, 2005; Maishanu et al., 2019). The findings indicate significant evidence of executive domination during the budgetary process on the basis that the participants conflated executive domination with the role of the Budget Steering Committee, of which the executive could be a member of role conflation adversely exacerbating the already existing challenges in underdevelopment for most municipalities (Posner & Park, 2008).

### **6.2.1.3 *The understanding of the budgetary process among the executives***

Budgeting is the setting of expenditure levels for each of a municipal's functions (Moodly et al., 2008) and it comprises a planning phase, preparation phase, tabling and reporting in an effort to estimate and allocate available capital used to achieve the designated targets of a municipality. A budgetary process refers to the process by which governments, whether local, provincial or at national levels, create and approve a budget. The municipal budgetary process constitutes five phases, namely strategic planning, municipal-wide budget preparation process, tabling the draft budget, public consultations and external assessments, and tabling the final budget (Diutlwileng, 2008; Moodly et al., 2008).

This can be elaborated as follows: The individual departments in the municipal setup prepare budget worksheets to assist the Executive Mayor (through an established budget steering committee) in preparation of local municipality's budget estimates. The administrator (the Executive Mayor) calls a meeting of managers or departmental heads and they present and discuss plans through council portfolio subcommittees for the following financial year's projected level of activity based on the current year's activity. The managers or departmental heads then work with the financial office and/or respective council portfolio subcommittees to prepare budget estimates for the individual department's coming financial year. The completed budget estimates are consolidated and presented by the executive managers to the council for approval (Lienert, 2005). Justification of the budget request may be required in writing. In most

cases, the Executive Mayor talks with their administrative officers (managers or departmental heads) about budgetary requirements (Lienert, 2005). Adjustments to the budget submission may be required as a result of this phase in the process. This study can conclusively agree with the existence of significant conflation in the budgetary processes among executives (Posner & Park, 2008).

#### **6.2.1.4 Procedures followed in the budgetary process**

There was a resounding understanding of the procedures and inputs into the budgetary process stipulated for enacting a municipality budget, as guided by Chapter 4 of the MFMA, 200. The MFMA, 2003, stipulates that a municipality must prepare, execute, monitor and control in an open, transparent and accountable manner to the public. Section 153(1)(a) of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996) emphasises the importance of preparing a budget, which prioritises the needs of the community. The municipal budgetary procedure is derived from the budgetary process and involves the local municipality departments in planning, collaborating, negotiating and deciding together on a comprehensive plan for spending public resources over an agreed period. The process involves respective council portfolio subcommittees, several departmental heads and consultation with other key stakeholders, such as the community or civil society and the provincial officials responsible for overseeing the municipal budgetary process (Schneider & Goldfrank, 2002; Walker & Mengistu, 1999:66). The procedure is informed by the existing operating and capital budgets, as well as the municipal IDP (Diutlwileng, 2009).

#### **6.2.1.5 The executive's responsiveness towards queries, requests and comments from council members**

The executive's responsiveness informs their level of agility towards queries, requests and comments from council members. These queries, requests and comments are mostly informed from community needs and concerns. Evidence from the participants seemed to suggest that the law compelled the executive to be responsive and mandate the council members to query the executive. As such, the executive is responsive to the queries, requests and comments from the council members (Hemming, Barry & Allen, 2013).

### **6.2.2 What are the key characteristics and dynamics exhibited during the budgetary process?**

It was somewhat ambiguous to pinpoint explicitly the key characteristics and dynamics that play out during the budgetary process, however, compliance with the MFMA, 2003, takes precedence. It is from this perspective that the budgetary deadlines, unless otherwise stated, are the key driving factors since the executive works to be meet the compliance regulations, as stipulated in the MFMA, 2003 (Karnik, 2000; Qomoyi, 2005). Besides complying with the MFMA, 2003, the other dynamic that manifests during the budgetary processes is the back and forth manoeuvring by the executives, as well as the councillors in the quest to have items on the budget that will aim to fulfil pledges made by their political parties of affiliation to the electorate during elections (Hemming, Barry & Allen, 2013). When the executives find themselves in circumstances that would threaten to achieve the objectives of the political party of affiliation, the meddling intensity increases and prompts domination in the budgetary process should the executive perceive a threat against their interests (Ekpu & Wocha, 2017).

### **6.2.3 Which factors determine executive dominance in the budgetary process?**

Although the law is clear on the nature of the relationship between the executive and the council members, external factors may facilitate the possible relationship dominance in the budgetary process. Some of the notable factors in determining dominance included political affiliation (Hemming et al., 2013; Qomoyi, 2005) and the meddling thereof, as discussed below.

#### ***6.2.3.1 The role of political parties in the budgetary process***

The council members work based on the mandate entrusted to them through their political party affiliations, which is derived from the electorates (Qomoyi, 2005). The budget agenda pushed through to the council for approval can in many ways reflect the will of the majority political party or rather the ruling party. Evidence suggests that political parties do not have a role, but through members of the council can indirectly and actively influence the budgetary process by lobbying for policy direction (Hemming et al., 2013).

### **6.2.3.2 *Political meddling, in general or partisanship, in influencing decision-making in the budgetary process***

Political meddling was described to participants as intruding in the council's affairs or business by those in high-ranking political portfolios. There is sufficient evidence indicating significant political meddling in influencing decision-making in the budgetary process. Political meddling is viewed as the executive playing their part, but in hindsight of the literature, it is the conflation of duties (Hansen et al., 2003; Posner & Park, 2008).

### **6.2.4 *To what extent does the council hold the executive accountable during the budgetary process?***

It was important that in understanding the existing relationship between the executive and the council members in the budgetary processes, the plausibility of accountability should also be highlighted (Diutlwileng, 2009). Internal control mechanisms involve more than merely checking the accuracy of financial transactions, but also to ensure the effective and efficient stewardship of public financial resources. The effective stewardship of public financial resources requires that control mechanisms should be underpinned by the effective monitoring of budget execution (Lienert, 2005). The answers were sought from exploring the kind of role players involved and what their interests were in the budgetary process, accountability of the council members and the executive during the budget process, the monitoring of the budgetary process and the tools and systems used during the budgetary process, and the monitoring of the funds allocated to various departments as indicators of how entrenched it is in the accountability process (Akindele & Ayeni, 2012; Qomoyi, 2008; Schneider & Goldfrank, 2002). The findings suggested a significant existence of an oversight role by the council and accountability by the executive during the budgetary process effected through deadlines and certain pieces of legislation.

### **6.2.4.1 *The role players and their level of involvement in the budgetary process***

The key role players or stakeholders determined from this study included the executive, managers, councillors, the community, national and provincial treasury, and operational staff; and their involvement in the budgetary process, including drawing

up, approving, implementing, overseeing and reviewing the budget. The other stakeholders, such as businesspeople, investors and adjacent local municipalities were identified. However, the level of involvement in the budgetary process was determined to be minimal. Evidence suggested a significant understanding of who the stakeholders were and the role they ought to play in the budgetary process. Regarding accountability, there is vague evidence of how much stakeholders hold the executive accountable due to limited involvement in the budgetary process beyond consultative meetings being held (Hemming et al., 2013; Lienert, 2005).

#### **6.2.4.2 *The accountability of council members and the executive during the budgetary process***

The accountability of the executive to the council is a cardinal principle of good governance instituted through various municipal management acts. Information flow is essential for holding it accountable for its decisions and performance in delivering services and meeting locally prioritised outcomes. A prerequisite for information flow is transparency in the manner in which the executive carries out its tasks. The fact that the Mayoral Committee is not regarded as a committee of the council supports, albeit not conclusively, the notion that a mayoral committee need not behave in the same transparent manner as a council committee or the council itself.

A question was posed to the participants to ascertain how the council held the executive accountable during the budgetary process. An important consequence of the fact that a mayoral committee was not regarded as a committee of the council was the centralisation of decision-making in the hands of the Mayor or the executive committee (Mayoral Committee). Councillors, who are not members of the executive committee, may not influence decisions, but through the council or portfolio subcommittees they may provide an oversight role by querying, requesting and commenting on various budgetary aspects. However, the findings suggested that there was a significant oversight role by the council and accountability by the executive during the budgetary process effected through deadlines and certain pieces of legislation.

#### **6.2.4.3 *Monitoring the budgetary process***

One of a councillor's greatest responsibilities is approving and regularly monitoring a municipality's budget, which provides funding to implement the vision, as stipulated in the municipal IDP. This is done in consultation and cooperation with the ward committees. The community should be involved as much as possible in deciding what should be the spending priorities for the area they live in. Ward councillors and ward committees should report to ward meetings about the broad budget plans and consult the residents about programmes and projects that will affect them. In this process, reports are generated (either monthly, quarterly or annually), which report on expenditure and account balances. Meetings are held to verify certain budget details in this process plan. However, one participant mentioned a financial system, which, at times, was difficult to access. Expenditure reports are generated by this financial system. It would have been much clearer if the monitoring procedure had participants being specific of what steps in the process flow were followed when monitoring the budget. The data seemed insufficient of evidence of robust monitoring controls or a lack of knowledge from the participants.

#### **6.2.4.4 *Tools and systems used in the budgetary process***

The tools and systems were described to participants as a report, computer-based system or any implement used to carry out a particular budgetary process function. The most mentioned tools by participants included compliance, checklist, process plan, audit committees and investment plans. There is sufficient evidence suggesting that the budgetary process is achieved through a manual system. Some participants insisted that the process flow still had to be technologically automated. However, they mentioned reports and checklists as the tools used during the budgetary process. Certainly, there is sufficient evidence suggesting insignificantly efficient use of tools in the budgetary process. It would have sufficed if any of the participants had mentioned particular tools and/or, if possible, described the tools or systems in detail.

#### **6.2.4.5 *Monitoring the allocation of funds to various departments***

A budget is a financial plan used to estimate revenues and expenditures for a specific period of time. It is a management and planning tool, not merely an accounting document. It assists in the allocation of resources. A budget allocation is the amount

of funding designated to each expenditure line. The monitoring of the allocated budget should be expenditure and audit reports.

#### **6.2.5 What recommendations can be made to enable the council to determine its own budget?**

The participants made no major recommendations that warrant a discussion of how the budgetary process could be improved, the role played by the executive during the budgetary process and to improve the relationship between the executive and the council members. The participants believed that the law addressed the challenging parts of the process and that it was appropriate the way it was. However, it was suggested that further skills training in the tools used in the budgetary process was needed.

#### **6.2.6 What is the role of the executive during the budget cycle at local governmental level?**

In examining the relationship between the council members and the executive and to explore the key characteristics and dynamics, the study conclusively concurs with the extant literature that the relationship is embedded in the law by which the council members and the executive do not voluntarily apply, but comply with (Reddy et al. 2003:5) for fear of breaking the law.

Following specification of local government from the Constitution of the Republic of South Africa, 1996) to provide a democratic and accountable government for local communities, ensure the provision of services to communities in a sustainable manner, promote the social and economic development and a safe and healthy environment, as well as encouraging community participation in local government affairs (Reddy et al. 2003:5) through budgeting as a tool. The study finds that although budgeting is overseen by the council in an approving and oversight role, the executive is mandated to draw up the draft budget.

The findings indicate some conflation on behalf of the executive, however, effort is put in to have a harmonious process by working in congruence with the council's subcommittees on each element of the budget. It was evident that often the executive tried to advance practising representative democracies in the budgetary process,

which would fulfil their party's manifestos when seeking election into the office. This way there is jostling between the executive and those members of the council from opposition parties; a clear indication of plausible party meddling in the budgetary process. With the quest to meet manifesto obligations, often the executive in due course of the year, the initially agreed upon budget is adjusted, sometimes, under circumstances unclear, but a means to channel funds for certain projects back to their party of affiliations.

### **6.3 FURTHER RESEARCH RECOMMENDATIONS**

In the process of conducting the research study, some areas were either blurred or needed more time to look at beyond what this inquiry could conveniently accommodate for. Recommended areas for future research to consider follow:

#### **6.3.1 Decision-making process**

Decision-making during the budgetary process, as well as during the implementation process is not fool-proof of manipulation and/or meddling either by the executive or from the political party in control or of which the executive is mainly composed. Although the Constitution of the Republic of South Africa, 1996, through the MFMA, 2003, stipulates what process to initiate any changes in the agreed upon budget that was passed in the council, there is susceptible room for manipulation through supply chain management. This requires future examination into how to minimise such loopholes and to better enhance the decision-making process, as well as monitoring and control.

#### **6.3.2 Creating awareness and increasing accountability through the community**

The budgetary process is mandated in such a way that collaboration and participation by various stakeholders are involved in the form of a consultative process so that there is clear input from the stakeholders and to make the budget relevant and reflect the current circumstances in the community. A consultative process and input, especially from the community, requires more research on how the community can be made aware that the budget consultative sessions are good for improving service delivery. Besides, the community will own the outcomes of the budgetary process and can offer

another layer for executives to account, beyond the council's subcommittees and set deadlines that, if not met, become executive non-compliance.

### **6.3.3 The number of cases for comparison and benchmarking purposes**

This study inquiry was conducted at one local municipality. The results can neither be generalised across the local government landscape in the budgetary process, nor can the results be useful for benchmarking. It is recommended that research is conducted into more than one local government council, if possible, in different provinces to gain a better picture of the budgetary process and to create a possible framework for benchmarking. The law itself is not enough.

## **6.4 CONCLUSION**

This study inquiry sought to understand the role of the executive during the budget cycle at local governmental level with the intent of examining the relationship between the council members and the executive, and exploring the key characteristics and dynamics influencing the budget that is passed in the council. The study was qualitatively based on the interpretivist paradigm using a case study as a research design.

The findings indicate a healthy relationship between the executive and the council members during the budgetary process. However, the relationship is not voluntary, but enforced by law, of which, if abrogated, would mean breaking the law. Besides the general outlook, the executive often exerted some dominance over the council to pass budget items that reflected the wish of the party of affiliation and not necessarily the will of the community who had elected the executive into council.

Lastly, there is a need to conduct another study using multiple cases, if possible, across provinces to provide more generalised outcomes of the budgetary process. This will offer more reliable and conclusive results on the overall budgetary progress and real status of the relationship between the executive and the council members, as well as the role the executive plays during the process.

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## ANNEXURE A



One Stop Solution  
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### TO WHOM IT MAY CONCERN

I, Christelle van der Colff, declare that I have proofread and edited the language (spelling, grammar, punctuation, consistency) of the proposal by:

**M.A. TSOLO**

entitled:

### **AN ANALYSIS OF THE ROLE OF THE EXECUTIVE IN BUDGETING AT LOCAL GOVERNMENTAL LEVEL: LESEDI LOCAL MUNICIPALITY**

Submitted in partial fulfilment of the requirements for the degree of Master of Public Management and Governance at the North-West University.

I cannot guarantee that the changes that I have suggested have been implemented nor do I take responsibility for any other changes or additions that may have been made subsequently.

Any other queries related to the language editing of this proposal may be directed to me at 076 481 8341.

Dated at Port Elizabeth on 13 November 2019

Mrs Christelle van der Colff



## **Certificate**

**September 7, 2017**

**This is to certify that Ms. Matshediso Tsolo has successfully completed the Macquarie University Human Research Ethics Online Training Module for the Social Sciences and Humanities.**

**Macquarie University**



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2 August 2017

**Mr MA Tsolo** (Review 28)

**Student no: 23008040**

Research title as approved by the CAD committee:

**The dominance of the executive during the budget process on a local government level: The Lesedi Local Municipality**

Dear Mr Tsolo

This letter serves to confirm that your MA-research proposal has been approved by the Central Committee of Advanced Degrees in the School of Basic Sciences.

Committee members involved:

<b>Present</b> (Internal C-CAD)	<b>External reviewers</b> (non-CAD reviewers)
Prof M Madue (2015)	Dr M Diedericks (Potchefstroom Campus)
Dr H van der Elst (2016)	Dr I Mwanawina
Prof ES van Eeden	

The ethics application is referred to the:

\* Research Ethics Committee- BaSSREC: X.

\* Research Ethics Committee-HHREC: \_\_\_\_\_.

You have received the details on the procedure that you will have to follow to submit to the Ethics Committee as indicated. For the CAD-records, please inform Ms R (Lebo) Serobane (Acting CAD-secretariat) when the ethical submission has been successfully completed and approved.

Yours sincerely

Prof Elize van Eeden  
Chairperson: Committee of Advanced Degrees Basic Sciences



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Office of the Chief Financial Officer

Prof. Lukamba  
North-West University  
PO Box 1 174  
Vanderbijlpark  
Vereeniging

31 July 2017

Dear Sir.

RE: MATSHEDISO TSOLO (RESEARCH STUDY ON THE DOMINANCE OF THE EXECUTIVE DURING THE BUDGET PROCESS AT LESEDI LOCAL MUNICIPALITY.)

We hereby agree that Miss. Tsolo can use the municipality as a reference in pursuit of her completing her studies in Masters of Management & Development with the North-West University.

Regards,

Gugulethu Mncube  
Manager: Management Accounting & Reporting.

## **ANNEXURE E**

**Questionnaire for the members of the Lesedi Local Municipality portfolio committees.**

**Student: Matshediso Anna Tsolo**

## **PURPOSE OF THE INTERVIEW**

The purpose of the interview is to collect primary data for master's qualification in Public Management. The given results will be disseminated through a master's full thesis, however such results will be shared with the municipality and institutions if requested.

## **ETHICAL CONSIDERATION**

Confidentiality is prioritised in ethics. All information given will be protected as well as the interviewee's details, all involved people will be anonymously and a right to refuse to participate will be given. The main purpose for the interview is academically, the given responses will strictly be used for scholarly purposes.

## **PROPOSED STRUCTURE**

Authorities within the Lesedi Local Municipality has granted full permission for the study to be conducted as per requested.

## **CONTACT DETAILS**

Ms Matshediso Anna Tsolo (Honours Degree: Public Management: Development and Management)

Registered for Masters: Public Management at North West University: Vaal Triangle Campus

Position: Lecturer

Company: Sedibeng College Heidelberg

Work no: 016 349 1033

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[Matshedisotsolo92@gmail.com](mailto:Matshedisotsolo92@gmail.com)

**TOPIC: AN ANALYSIS OF THE ROLE OF THE EXECUTIVE IN BUDGETING AT LOCAL GOVERNMENTAL LEVEL: LESEDI LOCAL MUNICIPALITY AIM OF THE STUDY**

The aim of this study is to explore the factors that might have led to the dominance of the executive– during the budgetary process in the Lesedi Local Municipality.

## **QUESTIONNAIRE**

What do you understand about the budget process?

What procedure do you follow in the process?

### **QUESTION 1**

*Objective:* Relationship between the council and executive.

1.1 How would you define or characterise the relationship?

1.2 Do you think the executive is responsive to the requests or comments of the council?

1.3 What role does the political parties have during budget process?

1.4 Do you think political meddling in general or partisanship somehow influence the decisions in the budget process?

## **QUESTION 2**

*Objective:* Factors of executive dominance in the budget process.

2.1 What role does the executive have in the budget process?

2.2 Which role players are involved in the budget process?

2.3 To what extent are the role-players involved?

2.4 Does the executive have an influence in the budget process and to what extent?

## **QUESTION 3**

*Objective:* Extent to which the council hold the executive accountable.

3.1 How does the council hold the executive to account during the budget process?

3.2 How do you monitor the process?

3.3 What tools are utilised and are they effective?

3.4 How is the allocated budget/funds to various department monitored?

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**Research Ethics Regulatory Committee**

Tel: +27 18 299 4849

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**ETHICAL CLEARANCE LETTER OF STUDY**

Based on approval by the **Basic and Social Sciences Research Ethics Committee (BaSSREC)** on 25/08/2018, the North-West University Research Ethics Regulatory Committee (NWU-RERC) hereby **approves** your study as indicated below. This implies that the NWU-RERC grants its permission that, provided the special conditions specified below are met and pending any other authorisation that may be necessary, the study may be initiated, using the ethics number below.

<b>Project title:</b> The dominance of the Executive during the budget process at a local government: Lesedi Local Municipality.															
<b>Project Leader/Supervisor:</b> Prof. M.T. Lukamba															
<b>Student:</b> MA Tsolo															
<b>Ethics number:</b>	N	W	U	-	HS	-	2	0	1	7	-	0	1	6	5
	Institution						Year				Project Number				
<b>Application Type:</b>															
<b>Commencement date:</b> 2018-08-25	<b>Expiry date:</b> 2019-08-24					<b>Risk:</b>					Low				

**Special conditions of the approval (if applicable):**

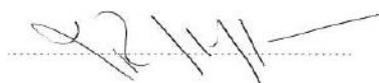
**General conditions:**

While this ethics approval is subject to all declarations, undertakings and agreements incorporated and signed in the application form, the following general terms and conditions will apply:

- The project leader (principle investigator) must report in the prescribed format to the BaSSREC:
  - annually (or as otherwise requested) on the progress of the study, and upon completion of the study; and
  - without any delay in case of any adverse event (or any matter that interrupts sound ethical principles) during the course of the project.
  - Annually a number of projects may be randomly selected for an external audit.
- The approval applies strictly to the proposal as stipulated in the application form. Would any changes to the proposal be deemed necessary during the course of the study, the study leader must apply for approval of these changes at the BaSSREC. Would there be deviated from the study proposal without the necessary approval of such changes, the ethics approval is immediately and automatically forfeited.
- The date of approval indicates the first date that the project may be started. Would the project have to continue after the expiry date, a new application must be made to the NWU-RERC via BaSSREC and new approval received before or on the expiry date.
- In the interest of ethical responsibility, the NWU-RERC and BaSSREC reserves the right to:
  - request access to any information or data at any time during the course or after completion of the study;
  - to ask further questions, seek additional information, require further modification or monitor the conduct of your research or the informed consent process;
  - withdraw or postpone approval if:
    - any unethical principles or practices of the project are revealed or suspected;
    - it becomes apparent that any relevant information was withheld from the BaSSREC or that information has been false or misrepresented;
    - the required annual report (or otherwise stipulated) and reporting of adverse events was not done timely and accurately; and/ or
    - new institutional rules, national legislation or international conventions deem it necessary.
- BaSSREC can be contacted for further information or any report templates via [Marinda.Malan@nwu.ac.za](mailto:Marinda.Malan@nwu.ac.za) or 016 910 3515.

The BaSSREC would like to remain at your service as scientist and researcher, and wishes you well with your project. Please do not hesitate to contact the NWU-RERC or BaSSREC for any further enquiries or requests for assistance.

Yours sincerely



**Prof Jaco Hoffman**

Chair NWU Basic and Social Sciences Research Ethics Committee