



Assessing Financial Viability of City of Matlosana: Case Study

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CANDIDATE DECLARATION

I hereby declare that this mini-dissertation submitted in fulfilment of the requirements for the Master of Business Administration degree at the North-West University, Mafikeng Campus, is my own work and has not previously been submitted to this or any other institution of higher education. I further declare that all sources cited have been indicated and acknowledged in a comprehensive list of references.

MPG Gaaname

DEDICATION

This research is dedicated to my family for having given me courage and strength to complete the project.

ACKNOWLEDGEMENTS

I acknowledge the support, encouragement, assistance and prayers that were offered to me during the course of my studies. First and foremost, I thank God for giving me wisdom and strength to complete this project. His grace is indeed all encompassing. I express my sincere gratitude to my supervisor, Dr. Dumisani Jantjies, for his positive attitude and guidance. I also acknowledge Dr. Seboka Kopung for his guidance from the initial stages of the research.

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Last but not least, I thank my family and friends for their support, encouragement and understanding during my respective protracted absence.

ABSTRACT

The City of Matlosana Municipality in the North-West Province, South Africa is one of the municipalities that were recently placed under administration due to failure in meeting its financial obligations. The purpose of this mini-dissertation is to assess the City of Matlosana's capability to meet its financial and South African Constitutional obligations, in particular assessing the financial viability of the municipality.

Case study research design is used in this mini-dissertation. Data-collection tools include reviewing financial and non-financial reports and semi-structured interviews. The findings are presented in the form of graphs to demonstrate the major findings which are cash flow problems, non-payment of rates and services, and poor collection rates. The study makes recommendations on how this municipality could become financially viable.

The mini-dissertation findings are that, without transfers from national and provincial government, City of Matlosana Municipality is unable to meet its financial and South African Constitutional obligations. The Municipality depends on national grants as stipulated in Section 152 (1) of the Constitution of the Republic of South Africa, Act 8 of 1996, wherein Local Government should ensure the provision of basic services to communities in a sustainable manner. The Constitution further states that a municipality must strive, within its financial and administrative capacity, to achieve its objectives.

The study further established that, whilst there is legislation and structures to assist and direct municipalities, the City of Matlosana fails to collect rates and taxes from service users as required by its policies. The average collection rate was 16.6% during the period of study, which is from 2012 to 2016. The municipality has cash flow problems caused by non-payment of rates and services, poor collection rates and non-distribution of electricity in certain areas.

Without sound financial management systems and lack of transfers from national and provincial government, the City of Matlosana municipality could be forced to discontinue their operations. The City of Matlosana is not self-sufficient and often relies on grants and transfers to satisfy their immediate short-term goal of providing basic services to their communities.

ACRONYMS

AFS	Annual Financial Statement
AGSA	Auditor-General South Africa
AR	Annual Report
COGTA	Department of Corporate Governance and Traditional Affairs
DLG&HS	Department of Local Government and Human Settlement
DoRA	Division of Revenue Act
DPLG	Department of Provincial and Local Government
ESKOM	Electricity Supply Commission
FFC	Financial and Fiscal Commission
FMG	Financial Management Grant
IDASA	Institute for Democratic Alternatives in South Africa
IDP	Integrated Development Planning
IMFO	Institute of Municipal Financial Officers
IPSASB	International Public Sector Accounting Standards Board
LGFS	Local Government Financial System
MDA	Municipal Demarcation Act
MFMA	Municipal Financial Management Act
MIG	Municipal Integrated Grants
MPRA	Municipal Property Rate Act
MSA	Municipal System Act
MTBPS	Medium Term Budget Policy Statement
NT	National Treasury
SALG	South African Local Government
TCORP	New South Wales Treasury Corporation

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CHAPTER ONE – OVERVIEW OF THE STUDY

1.1. INTRODUCTION

The local government sector is a part of the national economy. As a result, the sector's capacity to raise revenue and its management should be viewed within the context of the national economy performance (Kamenickova, 2015). The funding of municipalities by national government is primarily influenced by the population that the councils serves (Kamenickova, 2015). This funding from national coffers is done through transfers, divided into equitable shares also known as unconditional and conditional grants, which include the Municipal Infrastructure Grants (MIG) (DoRA, 2015). The MIG is intended to eliminate infrastructure backlogs in municipal areas while the equitable share is aimed at financing the operating costs, specifically the provision of basic services to poor households (DoRA, 2015).

Moreover, grants from national government, finance municipalities operations or rather delivery of services through a number of different sources, including local property taxes, fees for services and other charges (NT, 2012). A municipality is required in terms of section 18 of the Municipal Financial Management Act (MFMA) to fund its annual budget through three possible funding sources, namely,

- (a) realistically anticipated revenues to be collected,
- (b) cash-backed accumulated funds from previous years' surpluses not committed for other purposes, and
- (c) borrowed funds to be used for the capital expenditure (MFAM, 2003).

A basic understanding of financial viability implies that when the three funding sources of revenue are insufficient to cover the financial obligations or service delivery requirements of a municipality, then the municipality is not financially viable (Kanyane, 2011).

The assessment of local government's ability to provide services has become a major issue for South Africa, more so that municipalities have become more of a burden than other spheres of government in providing essential services to taxpayers (Cohen, Doumpos, Neofytou & Zopounidis, 2012). According to Cohen *et al.* (2012), sound financial performance refers to the ability of municipality to meet its financial obligations and to satisfy service delivery obligations to its citizens in the short to medium-term.

The Constitution (1996) impels openness and transparency in the activities of public bodies as principle of democratic accountability. The constitution further stipulates that government at all levels have an onus to explain and accept responsibility for their actions. Sound financial management practices underpin the processes of democratic accountability (Kanyane, 2011). A lack of proper financial management controls in government entities may result in misuse and wasteful expenditure of public funds (NT, 2012). A municipality characterised by poor financial performance is unable to offer good municipal services to its residents and this could lead to an overwhelming load of problems for the local community (NT, 2012).

According to the Department of Local Government and Human Settlement (DLG&HS) Report (2016), some municipalities within the North West Province such as City of Matlosana, Ditsobotla, Maquassi Hills and others, are unable to meet their service delivery commitments. Such failures to fulfil service delivery needs may be attributable to poor revenue management. To a large extent, most municipalities receive their funding from provincial and national government in order to meet their obligations (Kanyane, 2011).

1.2. OVERVIEW OF THE CITY OF MATLOSANA

The City of Matlosana (formerly known as Klerksdorp) was founded in 1837, and even today the city is regarded as the centre of the gold mining industry in North West Province, South Africa (Van Aswegen, 2012). The author further asserted that mining is the city's main industrial attraction. The City of Matlosana is one of the local municipalities within the Dr Kenneth Kaunda District Municipality in the North-West Province. There are two other local municipalities in the district, namely J.B. Mark Local Municipality¹ and Maquassi Hills. The major towns in Matlosana are Klerksdorp, Orkney, Stilfontein and Hartbeesfontein. The population of the City of Matlosana is estimated at 428 024 people, out of which 92% are urban and 8% rural (mining villages form part of the urban areas according to IDP, 2015/16).

¹ J.B Marks Local Municipality was established after August 2016 local election merging Tlokwe and Ventersdorp (Local Government Handbook, August 2016)

The most populace area in the Matlosana is Jouberton, followed by Kanana, Khuma and Tigane (IDP, 2015/16). The City of Matlosana population and household growth has been lower than that in other cities and the national average over time. The national average annual population and household growth between 1995 and 2010 has been 1.45% and 3.46% respectively (IDP, 2015/16). The national household growth has decreased over time and in 2010 the growth rate was at 0%. Population growth showed a slower decline and was at 0.75% in 2010 (IDP, 2015/16).

1.3. PURPOSE OF THE STUDY

The Constitution of South Africa places the responsibility to provide basic services like electricity, water and sanitation to their citizens. In terms of the Constitution, municipalities are required to render such basic services in a sustainable and cost effective manner (Constitution, 1996).

The purpose of this study is to assess the capacity of the City of Matlosana Municipality to meet its constitutional obligations as they are due. The availability of funds may be considered to be at the core in determining the viability of municipalities; without appropriate financial management systems, local government may be compelled to stop their operations (Kanyane, 2011:1). Koma (2010) argued that the provincial government offers help and assets to low-capacity municipalities.

Sustainable and cost effective delivery of basic services cannot be achieved without financial viability, which implies the capacity of the municipal authority to collect and administer financial resources (Koma, 2010). Revenue collection cannot be achieved without the ability and willingness from municipal citizens to pay for services and facilities rendered (Kanyane, 2011).

1.4. PROBLEM STATEMENT

The South African economy has failed to meet its growth expectations for the past three years, as a result national revenue has not grown as well (NT, 2017). The Minister of Finance, during the 2017 Medium Term Budget Policy Statement (MTBPS) and February 2017 Budget speech, announced that any additional public funding requirements would be financed by reprioritisation of expenditure funds (NT, 2017). The problem identified is that municipalities are not able to collect revenue due to external and internal factors (Mahabir & Mabena, 2016). Pillay, Tomlinson and Du Toit

(2006:121) argued that low economic growth limits municipality's ability to generate sufficient revenue from normal.

Despite low economic growth, other factors affecting the financial sustainability of municipalities include weak budgeting controls and slack financial management, a fast growing local population, unemployment and the community's inability to pay, all in addition to high political instability within South African municipalities (Maclean, 2012). Similarly, Kanyane (2011) states that the revenue collection of most municipalities, especially rural municipalities, is made untenable and complex by the culture of non-payment of services, weak accountability mechanisms and corrupt supply chains and, resulting in palpable depletion of municipal revenues. According to Kanyane (2011), failure to collect and adequately measure revenue is the biggest direct threat to the financial viability of a municipality.

The fourth term of government administration (2009 – 2013) saw a number of municipalities in the North West Province, including City of Matlosana, being placed under financial administration due to financial constraints and lack of proper financial management mechanisms (Department of Finance, 2015). A municipality is placed under financial administration when such a municipality is in a persistent and serious breach of its obligations to meet its financial commitments or to provide basic services (MFMA, 2003).

In an endeavour to seek to measure conceivable subsidizing requirements in government, the Financial and Fiscal Commission (FFC) conducted an audit of the local government financial system (LGFS) in 2011, (FFC, 2013). The audit revealed that the present quantum of framework gifts to nearby government does not cover the distinction between the present capital use needs of nearby government and claim income sources. Subsequently, the survey found the blend of income commitments and metropolitan awards is inadequate to support government foundation needs (Mahabir & Mabena, 2016).

The 2008 global financial crisis adversely impacted on the South African economy and the effects have been widespread and felt in the local economies, with city income hotspots for capital consumption being influenced adversely (Mahabir & Mabena, 2016). The municipality failed to collect revenue due to this fiscal downturn, and this failure affected the council's ability to deliver services. In turn, failure to collect revenue has

resulted in financial non-viability and precarious sustainability as the problematic cash position of municipalities has impacted negatively upon their capital and maintenance expenditure (Kanyane, 2011). The City of Matlosana was also affected by lack of cash and weak revenue management mechanisms (DLG&HS Report, 2016). This research assesses the financial viability of the City of Matlosana in the light of these internal and external factors.

1.5. AIMS AND OBJECTIVES OF THE STUDY

1.5.1 Aim

The aim of this study is to assess the financial viability of the City of Matlosana.

1.5.2 Specific Objectives

The specific research objectives of the study are:

- The evaluation of how a particular debt/revenue collection pattern contributed to the financial viability of the municipality.
- To assess how a particular pattern of revenue collection juxtaposed against that of expenditure could provide indication of financial viability of the municipality.
- The evaluation of how a particular pattern of infrastructure base in relation to population size could have an impact on financial viability and sustainability.
- Assessing the extent of reliance of municipality on transfers by government.

1.6. LIMITATIONS OF THE STUDY

The study focuses on the local municipalities within Dr Kenneth Kaunda District in the North-West Province. There are three municipalities in the district that meet the criteria of the study but for the purpose of this study City of Matlosana was chosen because of its high population. The table 1.1 reflects the population figures.

Table 1.1: City of Matlosana Population Figure

No.	Name of Local Municipality	Population (2016)	Code
1	City of Matlosana	417 282	NW 403
2	J.B. Mark Local Municipality	243 527	NW 405
3	Maquassi Hills	82 012	NW 404

Source: Local Government Handbook, 2016

The second reason for choosing the City of Matlosana was because it was put under financial administration. The third reason is that the City has received more budget allocation compared to other municipalities within this district. Another hurdle in this study relates to paucity in co-operation from municipal officials and other stakeholders which subsequently compromised the depth of this investigation. The study focused on the financial management aspects of the municipality, and did not assess financial viability of the City of Matlosana's functional departments but at institutional level.

1.7. RESEARCH METHODOLOGY

Bryman and Bell (2015) describe research methodology as the 'how' of gathering and preparing information. The philosophy incorporates the research design, population, sampling, data collection, scope and limitations of the study as well as ethical considerations.

1.7.1 Research Design

Research design refers to the determination of a research strategy and is dependent on the criteria that are employed, extent of control of the researcher over actual events, research questions and generation of evidence, and the degree of focus over the contemporary as opposed to historical events (Bryman & Bell 2015). This study uses a case study approach since the research objective is to analyse the City of Matlosana's financial viability. The data used in this mini-dissertation was collected through interviews and from secondary sources such as annual reports, annual financial statements and IDP were also used.

1.7.2 Population

The population incorporates the political office bearers and public officials of City of Matlosana. This population was chosen because the officials in municipalities are directly involved in the day-to-day collection and distribution of municipal finances. These officials helped in addressing the research questions. National and Provincial Departments contribute fiscally and monitor spending, hence documents from relevant departments were also consulted.

1.7.3 Sampling Techniques

Purposeful sampling is used in a mini-dissertation with three considerations: selection of participants for the study, and the size of the sample and sampling strategy (Creswell, 2013). The sample deliberately included the Acting Chief Financial Officer (CFO), Office

of the Municipal Manager and Executive Mayor. These persons were identified as knowledgeable and key participants in managing the financial affairs of the municipality.

Financial documents of stakeholders like National Treasury, Provincial Treasury, and Auditor General in the North West Province were consulted because they work directly with these municipalities. The focus of the mini-dissertation was on a five-year period from 2011/12 to 2015/16.

1.7.4. Methods of Data Collection

The information collected from interviewing municipal officials and information from financial and other reports were used in this mini-dissertation. Information was collected using document analysis and semi-structured interviews. The Acting CFO, Office of Municipal Manager and Executive Manager were interviewed for the detailed insight into the performance of the municipality in this study. The secondary data was collected from annual reports, financial statements, as well as Auditor General's Reports.

1.7.5 Data Analysis Method

O'Neill (2016) states that analyses of secondary data involve identification of financial information and generation of financial ratios against norms and standards of the National Treasury (NT). The financial data sets derived from financial reports was analysed using financial ratios. The analysis involved the identification of financial information that allowed the generation of financial ratios and trends, against the norms and standards of NT as to determine the, financial performance, financial positions and cash flow for the year 2012 to 2016.

The data analysis was conducted in four phases, namely ratio analysis and interpretation, systematising and coding of interviews transcripts, organising and summarising data presentation as well as conclusions and verification of data.

Ratio analysis and interpretation focused on a number of ratios that were selected to assess the financial viability of the municipality. Secondly, systematising and coding of interviews transcripts looked at the process of converting responses into plain understandable text. The third phase was about organising and summarising data presentations dealt with consolidating the information solicited from the interviews per topic or themes and making sense of the information.

The fourth and the last one was conclusion and verification which reviewed whether or not there was no deviation between verbatim responses and information as interpreted by the researcher.

However, interviews and ratios were analysed separately but the objectives of the analysis were similar in both analyses. Five interviews were conducted, using themes developed.

1.7.6 Validity and Reliability

Validity and reliability are crucial aspects of qualitative research (Maree, 2012). The researcher utilised multiple methods to collect data such as interviews and document analyses of annual reports, annual financial statements and Auditor General's Reports, all of which contributed to the trustworthiness of this mini-dissertation conclusions. Triangulation is another construct that was deployed to improve the validity and reliability of this study (Maree, 2012). The Auditor- General's reports were used to validate collected data, especially the qualified reports that were generated in the financial period covered in this study.

1.8. ETHICAL CONSIDERATIONS

According to Newman (2006), ethical guidelines serve as a basis and guidelines on which the researcher ought to assess their own conduct. Cooper and Schindler (2013), further state that the design of a research should promote confidentiality, respondents' anonymity, and respondents ought to be kept free from threats and harm. In this mini-dissertation, assurance was given to the respondents and participants that the research is an academic study and that the North-West University approved the study.

The research interviewees had a privilege to withdraw from the study in the event that they wished to, and are allowed to contact the University for further information about the study. They were not deceived in any manner and were well informed. All the personal data obtained was treated confidentially and handled in a professional manner, and also by adhering to the University guidelines.

1.9. SIGNIFICANCY OF THE STUDY

The study is significant as it will highlight specific trends and area of concerns over the long term that will be useful to the City of Matlosana municipal council and senior

management when making future decision regarding the management of municipal finance. It will enable the City of Matlosana to identify gaps and improve policy positions and use their own revenue as a financial source rather than relying on grants. Importantly it will allow other municipalities to improve on and sustain the delivery of basic service, which is their constitutional mandate.

This study will also attempt to reinforce existing theories and add value to local government financial discourse. It will contribute to the current debates on how to ensure financial sustainability of municipalities. As a result, other spheres of government, who contribute to the finances of local government, as well as other stakeholders like organs of civil society and the public, will benefit from this study.

1.10. STRUCTURE OF THE STUDY

Chapter 1 which is summary of the study entails the purpose of the study, statement of the problem and objectives. The researcher briefly outlines research methodology and limitations.

Chapter 2 examines the relevant literature on municipal governance and the financial Acts that regulate municipal income and expenditure trends, particularly as these connect to service delivery.

Chapter 3 is focused on research methodology. It outlines the research methods used in the study. The researcher briefly outlines the research design, population, and sample techniques, method of data analysis, validity, reliability and ethical considerations.

Chapter 4 presents research findings and gives the graphical results of the study and thorough discussion thereof.

Chapter 5 sums the study, offers conclusions, discussion and suggestions for future research. The findings of the study are outlined and recommendations made, before reaching conclusion.

CHAPTER TWO – LITERATURE REVIEW

2.1. INTRODUCTION

The previous chapter presented the investigation by giving foundation, problem statement and purpose of this mini-dissertation. This chapter reviews the literature from previous related researches on financial viability in government, aspects of financial viability, and measures to sustain financial viability in organisations and how this impacts on the service delivery. The financial sustainability, factors that influence financial sustainability and the measures put in place to ensure such are also discussed in a bid to address the objectives of the study.

2.2. LEGISLATIVE REQUIREMENTS

According to O'Neill (2016:43), amongst the spheres of government, local government was the latest to be reformed in post-apartheid South Africa. In essence, the post-apartheid democratic government used the beginning of democracy to develop and reform national and provincial spheres of government. O'Neill's analysis is based on the timeline of the promulgation of legislation relating to local government such as Municipal Demarcation Act (MDA) (1998), Structure Act, 1998, Municipal Systems Act (MSA) (2000), Municipal Finance Management Act (MFMA) (2003), and Municipal Property Rates Act (MPRA) (2004).

Section 152(1) of the Constitution (1996), lists a number of objectives of local government, such as providing democratic and accountable government for local communities; ensuring the provision of services to communities in a sustainable manner; promoting social and economic development; promoting a safe and healthy environment; and encouraging the involvement of communities and community organisations in matters of local government (Constitution, 1996). In addition, Section 152 (2) further states that each municipality must strive, within its financial and administrative capacity, to achieve the objectives as stated. NT (2004:8) views the MFMA as serving the purpose of improving and sustaining finance within municipal services.

According to Section 153 of the Constitution of (1996), a municipality must structure and manage its administrative, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of

the country (South Africa, 1996). As a result of these constitutional provisions about the local government, Koma (2010:113) asserts that municipalities assume a great and significant role in the spheres of economic and social development.

Koma (2010:113) also defines local government as a sphere of government located within communities and well-placed to appropriately respond to local needs, interests and expectations of such communities. Van der Waldt (2006) affirms that local government is at the coalface of service delivery, endorsing therefore the centrality of this sphere of governance. Thornhill (2008:492) vouches that local government is often the first point of contact between an individual and a government institution, again reinforcing the interface noted in this dissertation.

According to Roux, (2005: 64) local government is a public organisation authorised to direct and govern the affairs of a given area of jurisdiction. The logic here is about bringing government closest to the people it is serving. It is to be expected that the role of municipalities is the rendering of a variety of basic but essential services to the community within its jurisdiction (Roux, 2005:69).

The Municipal Structures Act (Act 117 of 1998) provides for municipal powers and functions that enable municipalities to charge for services rendered, to collect money due and to levy interest on outstanding amounts. The Local Government Municipal Systems Act, Sections 12 and 13, deals extensively with municipal legislative processes, particularly the passing and publishing of municipal by-laws in a provincial government gazette. The municipal by-laws are legally required to give effect to decisions taken by the municipal Council.

Section 15 defines the 'municipal code' as a compilation of all municipal by-laws that municipalities must have in place. Municipalities are legally required to ensure that the municipal code is compiled, that it is appropriately annotated and updated and that it is available to any member of the public at a reasonable fee.

The Municipal Finance Management Act (MFMA), (Act No 56 of 2003) states that municipalities should secure sound and sustainable management of their financial affairs. The MFMA was designed to create financially viable municipalities, ensure efficient and effective financial management practices and appropriate capacity building in specific areas such as budgeting, financial reporting and credit control.

According to Local Government Budgets and Expenditure Review (DPLG, 2008:22-23), municipalities should be self-financing. In essence, the bulk of the municipality's finances have to be raised from own sources such as taxes and service charges.

De Wet (2004) states that municipalities do not have much option, except to collect all monies due to them by the taxpayers. However, in most cases, there are long outstanding debts often stretching as far back as twelve months. Kanyane (2011) argues that there is an imbalance between available local revenue sources and the expenditure functions that are assigned to local government, and that not all municipalities have the same capacity to raise revenues due to high levels of poverty, particularly in rural municipalities.

Conversely, section 96 of the Municipal Systems Act, (2000) (Act 32 of 2000) states that a municipality, be it rural or urban:

- must collect all monies due and payable to it, subject to this act and any other applicable legislation; and
- must adopt, maintain and implement a credit control and debt collection policy which is consistent with its rates and tariff policies and complies with the provisions of this Act.

The Auditor-General South Africa Report on the North-West MFMA 2013/14 emphasised that debt owed to municipalities should be collected within 30 days. On average, municipalities in the North West Province take 522 days to collect debt owed to them (AGSA, 2014). According to the Auditor General's report, delayed debt collection is attributable to failure to update indigents' registers, failure to update credit control and debt collection policies and high vacancies in the finance and debtors' sections (AGSA, 2014).

2.3. SERVICE DELIVERY

The Constitution of the Republic of South Africa (1996) outlines municipalities' roles as examined in the mini-dissertation under the legislation requirements, including assigning developmental duties to municipalities. Section 153 of the constitution expresses that a municipality must structure and deal with its administrative, planning and budgeting processes to give priority to the essential needs of the community, and to promote the social and economic development of the country (Constitution of South Africa, 1996).

Majikijela (2007:12) states that service delivery ought to be designed around the requirements of end users, as opposed to the departmental organisations, or the comfort of conveyance establishment. Since the South African government encourages citizen participation in all its activities, especially in the local sphere of government, this standard implies that when municipalities deliver services to their constituencies, such services should be centred on the needs of the local people, not according to the decisions of the municipal officials (municipality). In this light, the municipal services should mirror the local challenges that the municipality faces.

Fundamental a great part of the policy development in the arena of municipal finance in recent years, there has been the spectre of how to provide satisfactory levels of municipal services to poor citizens at reasonable rates, which, in turn, requires a level of equitable distribution (Pillay *et al.*, 2006:157). The indigent policy, which is financed by the equitable share, is used to assist poor households in respect of delivery of services. It helps family units that are poverty stricken and without wage to help them in the payment of services, over the free essential services offered by government.

The reasonableness of poverty stricken administration, as well as free basic services, is to a great extent reliant on the financial sustainability of each municipality. It is also worth noting that poor financial management and absence of controls and accountability systems impact adversely upon service delivery for communities (Maclean 2012: 67). Difficulties with respect to financial management identified in municipalities during the assessment of the state of local government are not new and have been identified in reports by National Treasury and the Auditor-General. These challenges have brought about persistent service delivery protests in the North West as well as somewhere else in South Africa (Maclean 2012).

However, the legal oversight is to assist municipalities to strengthen their financial positions by preparing some financial recovery plan for the municipality; recommending appropriate changes to the municipality's budget and revenue raising measures that would give effect to the recovery plan (MFMA, 2003:137).

In terms of sections 23 to 25 of the Municipal Systems Act, an integrated approach requires that municipalities' Integrated Development Plans (IDP), budgets and performance management plans be linked in order to address actual needs within local communities. To this end, a recent IDASA report (2010:8) to the portfolio committee on

COGTA emphasised the need for integrating IDPs and budgets. The IDASA report (2010:8) states that “the effectiveness of municipalities to deliver on their mandate is largely dependent on their ability to plan and allocate public resources in a developmental and sustainable manner.”

To increase the efficiency of service delivery, the intergovernmental system is dependent on the proper co-ordination of policy, budgeting, planning, implementation and reporting between the various spheres (Maclean, 2012:68). Municipalities need to ensure that available resources are spent in accordance with locally determined priorities, and in addition, they need to secure alternative sources of funding in order to address the increasing demands for efficient and timeous services (Du Plessis, 2013:38).

2.4. FINANCIAL VIABILITY

Ramphele (2008:4) defines financial viability as the availability and sustainability of revenue sources within a specific municipal or national jurisdiction. Financial viability is underpinned by three concepts, namely availability, viability and revenue base. According to Kanyane (2011) viability means revenue variation, expenditure variation and the difference between the two. If the difference is positive, the revenue base is viable and if negative the revenue base is not viable. Funds must not only be available but they must be viable and this depends on the revenue base of the municipality in question. Lusthaus, (2002:124) states that financial viability is about being able to generate sufficient income to meet operating expenses, debt commitments and, where applicable, to allow growth while maintaining service levels.

In many instances the revenue is only collected after a long time lag, if it is collected at all. The inability to collect revenue shrinks the revenue base, and thus paves way for debt accumulation, which exposes the municipality to the potential risk of constipated and incontinent service delivery (Kanyane, 2011). Schoeman (2006:110) argues from this point that service delivery is at risk if municipal financial viability is doubtful.

2.4.1. Financial viability in local government

According to Ramphele (2008:4), municipal viability could be referred to as overall sustainability of a municipal institution in terms of individual staff capacity, institutional and environmental capacity enabling the adequate delivery of services. A municipality considered viable should demonstrate the proven ability to provide the necessary

services and infrastructure to its communities; create a sustainable local economic development programme conducive for communities to thrive; possess requisite institutional capacity necessary to perform municipal functions and exercise powers and functions; budget adequately, manage the financial resources prudently and grow the revenue base; and create a productive public participation in initializing, planning and executing municipal projects (Ramphela,2008).

Financial viability at local government level cannot be discussed without taking the powers and functions which separate the local, provincial and national spheres of government into cognizance (Lusthaus, 2002:124).

According to Pillay *et al* (2006:122), financial viability is closely linked to powers and functions allocated to local government in terms of the intergovernmental prescripts. A municipality that is financially viable is one that has the financial means and functional authority to support the social and economic development goals of its citizens through planning and the equitable provision of services on a sustainable basis. Financial viability in local government is covered by transfers and subsidies received from national government.

Financial viability represents an important feature when evaluating the overall financial situation of the local government sector. It tells more about the capacity levels of such a municipality and provides some benchmark to justify the municipalities' existence (Ramphela, 2008). The proper financial management and sustainability of municipalities are important basics for financial viability (Ramphela, 2008). One key variable and precondition that could assist the City of Matlosana to achieve financial viability is the clear division of powers and functions between the Districts and Local Municipalities (Ramphela, 2008:5).

2.4.2. Elements of financial viability

According to the Khumalo and Ncube, (2016) a viable municipality is one that has a tax base, a viable economy, low reliance on grants and other transfers, and sound financial government. Preconditions that assistance to achieve financial viability include clear division of functions among levels of government, stable funding arrangements and reasonable balance between local government resources and its functions (Khumalo & Ncube, 2016).

Sound and reasonable public finance management in a country plays an important role, and it impacts the local government economy. Municipalities ought to have the privilege to impose local taxes, fees and charges (Kamenickova, 2015). Adequate size of municipalities, transparent treatment of local affairs and long term budgeting process, predominantly in case of capital projects and borrowing, are further viewpoints that are imperative for financial viability (Kamenickova, 2015).

2.4.3 Assessing financial viability

Assessment of financial viability is an integrated process involving a review of financial statements, financial performance reports, business plans and other information that supports financial analysis (Registrar of Community Housing, 2009). The financial viability of municipalities is not only limited to revenue collection and enhancement strategies, but also to payments of services, regional services and council levies (Kanyane, 2011). A complete financial viability of municipalities is a consolidation of processes taking place within a municipal environment in terms of financial viability, service delivery, infrastructure development and local economic development in which the performance of municipalities is measured against (Kanyane, 2011).

In assessing financial viability, both short and long term viability are taken into account. The financial viability of a municipality is largely assessed from information generated by the financial and performance reports. The long term financial viability links to the ability of the organisation to meet current financial obligations that are due in future dates as they become due. The financial basis of viability is adequate profitability and cash generation over the assets' life span, together with the management of long term debt. The short term financial viability focuses on whether or not the organisation is able to meet short term commitments as they become due (Registrar of Community Housing, 2009).

According to Lusthaus (2002), there are three dimensions to assessing the financial viability of an organisation. The first relates to the ability of the organisation to generate enough cash to pay its debts. The second dimension deals with the resources and types of revenues on which the organisation bases its costs and lastly, it is the ability of an organisation to live within its allocation, i.e. is the organisation able to manage within its revenue sources without creating a deficit? These dimensions focus on the actual ability to manage a budgeting process, as well as the results of the process.

Cohen *et al* (2012) states that financial ratios are normally used to predict the financial distress of an organisation. This analysis of financial ratios includes liquidity ratios, activity ratios and capital structure ratios. Libby, Libby & Short (2013) state that there are four common financial ratios used to measure performance of companies: test of profitability, test of liquidity, test of solvency and equity position market tests. Furthermore, the financial ratios analysis reflects an assessment of a municipality's ability to meet its financial obligations and to satisfy its service obligations to its citizens both currently and in the foreseeable future.

According to Firer, Ross, Westerfield and Jordan, (2012) the liquidity ratio measures the availability of cash and easily converted to assets that cover debts, and provide a broad overview of one's financial health. The primary concern is the firm's ability to pay its accounts over a short run without undue financial stress. Consequently, these ratios focus on current assets and liabilities. The current ratio measures the company's ability to generate cash to meet its short-term financial commitments, which is also called working capital. The working capital ratio is calculated by dividing current assets - such as cash, inventory and receivables - by current liabilities, such as line of credit balance, payables and current portion of long-term debts (Firer *et al.*, 2012).

NT (2014) has suggested a number of standardised ratios to be considered by municipalities as used by the AGSA. These are

- Collection Rate;
- Creditors Payment Period;
- Current Ratio;
- Level of Cash Backed Reserves;
- Net Debtor Days; and
- Net Operating Surplus Margin.

Bose (2006: 387) asserts that short term financial viability of organisations are largely influenced by their ability to manage cash flows, accounts receivable and accounts payable effectively. The efficiency financial ratio often is measured over a 3 to 5 year period, giving the additional insight into the area of business such as collections, cash flow and operational results (Firer *et al.*, 2012). The average collection period looks at the mean number of days customers take to pay for the products or services. It is calculated by dividing receivables by total sales and multiplying by 365. To improve the

collection period, the organisation may want to establish clearer credit policies and set collection procedures. For example, to encourage clients to pay on time, the organisation could give incentives or discounts (Firer *et al.*, 2012). Drew and Dollery (2014) argues that the use of financial ratios to assess local government performance alone may be a poor basis for predicting local government distress.

Various institutions use a variety of financial ratios and norms to assess and compare the financial wellbeing and performance of municipalities. Municipalities likewise use different financial ratios and norms to assess their own performance and set benchmarks for improvement that is measured over time. A set of uniform key financial ratios and norms suitable and appropriate to municipalities and municipal entities has been created to bring consistency in the elucidation and application of certain financial information using standardised financial ratios (NT, 2014).

In order to perform a holistic financial analysis of a municipality or municipal entity all financial processes of the institution ought to be considered. According to NT (2014), financial ratios are separated into different classification as they address the diverse financial aspects and operations of a municipality or municipal entity, in particular financial position, financial performance and budget implementation.

If the organisation does not have financial indicators to assess viability and sustainability, it may be necessary to develop some preliminary indicators or use the existing municipal model (NT, 2014). In assessing financial viability of the City of Matlosana the following uniform ratios and norms for municipalities were used (NT, 2014):

Table 2.1: Financial Position and Performance Ratios

Ratio	Description	Formula	Data Source	Norm
A. Asset Management				
Capital Expenditure to Total Expenditure	This ratio is used to assess the level of Capital Expenditure to Total Expenditure, which shows the prioritisation of use towards current operations <i>versus</i> future capacity in terms of Municipal Services.	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) × 100	Statement of financial position, statement of financial performance, notes to the AFS, Budget, In-year reports, IDP and AR	10% - 20%
B. Debtors Management				
Collection Rate	The ratio demonstrates the collection rate; <i>i.e.</i> level of payments. It measures increases or decreases in debtors relative to annual billed revenue. In addition, in order to determine the real collection rate bad debts written-off is taken into consideration.	Gross Debtors Opening Balance + Billed Revenue – Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue × 100	Statement of financial position, statement of financial performance, notes to the AFS, Budget, In-year reports, IDP and AR	95%
Net Debtors Days	This ratio shows the collection period. Net Debtor Days refers to the average number of days required for a Municipality or Municipal Entity to receive payment from its Consumers for bills/invoices issued to them for services. The ratio excludes balances for Debtors, which the Municipality or Municipal Entity has assessed as potentially irrecoverable, and is also a good indication of the effectiveness of credit control procedures within the Municipality or Municipal Entity as well as the extent to which the Municipality or Municipal Entity has provided for Doubtful Debts.	((Gross Debtors - Bad Debt Provision) / Billed Revenue) × 365	Statement of financial position, statement of financial performance, notes to the AFS, Budget and AR	30 Days
C. Liquidity Management				
Cash/ Cost Coverage Ratio (Excluding Unspent Conditional Grants)	The ratio indicates the Municipality's or Municipal Entity's ability to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue, during that month. The ratio is adjusted for Unspent Conditional Grants as the cash is not available for normal Municipal day-to-day operational expenditure but rather reserved for Grant related expenditure.	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, and Provision for Bad Debts, Impairment and Loss on Disposal of Assets)).	Statement of financial position, statement of financial performance, notes to the AFS, Budget, In-year reports, IDP and AR	1 to 3 months

Ratio	Description	Formula	Data Source	Norm
Current Ratio	The ratio is used to measure the Municipality's or Municipal Entity's ability to pay back its Short-term Liabilities (Debt and Payables) with its Short-term Assets (Cash, Inventory, Receivables).	Current Assets / Current Liabilities	Statement of financial position, statement of financial performance, notes to the AFS, Budget, In-year reports, IDP and AR	1:5 to 2 :1
D. Liability Management				
Debt (Total Borrowings)/ Total Operating Revenue	The ratio indicates the extent of Total Borrowings in relation to Total Operating Revenue. It indicates short and long term debt financing relative to operating revenue of the municipality. The purpose of the ratio is to provide assurance that sufficient revenue will be generated to repay liabilities. Alternatively stated, the ratio indicates the affordability of the Total Borrowings.	Debt (Short Term Borrowing + Bank Overdraft + Short Term Lease + Long Term Borrowing + Long Term Lease) / Total Operating Revenue - Operating Conditional Grant	Statement of financial position, statement of financial performance, Budget, IDP and AR	45%
E. Sustainability				
Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	The ratio measures the extent to which the other reserves, which are required to be cash backed, are actually backed by Cash Reserves.	(Cash and Cash Equivalents - Bank Overdraft + Short Term Investment + Long Term Investment - Unspent Conditional Grants) / (Net Assets - Accumulated Surplus - Non Controlling Interest - Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve).	Statement of financial position, Budget and AR	100%
F. REVENUE MANAGEMENT				
Revenue Growth	This ratio measures the overall revenue growth. In addition, this ratio assists in determining if the increase in Expenditure is funded by increase in revenue base or by some other means	Period under review's total revenue- previous period total revenue/previous period total revenue x 100	statement of financial performance	CPI
G. EXPENDITURE MANAGEMENT				
Creditors payment period (Trade Creditors)	This ratio indicates the average number of days taken for trade creditors to be paid	Trade creditors outstanding/credit purchases (operating and capital) x 365		30 days

Source: NT (2014)

2.5. REVENUE MANAGEMENT

According to NT (2012), revenue is like expenditure management; it is a fundamental financial management function of the municipality's revenue generating business that includes charging and collection of services. According to Kayuza (2006:158-162), before paying the assessed sum to the municipality, a property owner must receive a duty charge requiring them to pay the stated amount within a prescribed period of time. It is the obligation of the taxing authority to ensure that the citizen is presented with a duty request charge.

The primary responsibility of a municipality is to deliver basic services. Section 75A of the Municipal Systems Act enables municipalities to levy and recoup expenses, charges or levies in respect of municipal service delivery functions and to recover collection charges and interest on outstanding amounts. Furthermore, Section 75 of the Act makes it a need for municipalities to adopt by-laws that offer effect to the implementation and enforcement of their tariff policies. In fact, all policies and supporting decisions taken by the municipality must be supported through a by-law to make it lawfully enforceable.

Section 214 of the Constitution also provides for national government to transfer resources to municipalities in terms of the Annual Division of Revenue Act (DoRA) to assist them in exercising their powers and performing their functions (Constitution of South Africa, 1996). These allocations are announced annually in the national budget. Transfers to municipalities from national government are supplemented by transfers from provincial government. Furthermore, transfers are also made between district municipalities and local municipalities (NT, 2015).

Sound financial arrangements imply that there are systems set to ensure effective revenue collection, allocation and operational efficiency which are prerequisites in the rendering of municipal services (Kanyane, 2011). Generally, a lack of high creditworthiness in many municipalities makes it impossible to raise loans from private financial institutions (Kanyane, 2011). Section 83 of the Municipal Systems Act makes provision for private sector involvement in, for instance, public private partnership, but very few such arrangements exist because of the financial incontinence of many municipalities (MSA, 2000).

The revenue collection by municipal authorities is influenced by the ability of the citizens to pay for services rendered (Khumalo & Ncube, 2016). However, citizens are unable to pay for services if they are unemployed or not properly remunerated. The problem is that municipal authorities, especially the rural municipal authorities, with few exceptions, are in financial doldrums and struggle to provide adequate services at reasonable costs. These municipalities are along lines of the most part not independent and rely upon grants from the national government. Thus they are not fiscally feasible and service delivery is badly affected (Khumalo & Ncube, 2016).

2.5.1. Source of funding for municipalities

The municipalities depend on four major sources of revenue, to be specific own revenue, subsidies through intergovernmental transfers, loans and private sector equity (Derbyshire, 2007). Own revenue are finances that the citizens pay in various ways, such as through taxes, rates, service charges, fines, grants subsidies and licence fees.

According to DoRA, the inter-governmental transfers comprise equitable shares to local government and are regarded as unconditional transfers. The loans are divided into two categories, namely external and internal loans. External loans are a form of financing of the capital budget such as loans obtained from banks or other financial institutions, while internal loans are funds which municipalities have internally such as the capital development funds or consolidated loan funds. The private partnership consists of capital costs that can be paid for by means of partnerships between the private sectors and municipalities. These sources of revenue are deployed to fund both the operational and capital budgets.

According to NT, (2012) the municipalities are funded through grants (both conditional and unconditional), own revenue and borrowings. The conditional and unconditional grants fund the operating budget while the own revenue funds the capital budget. Own revenue includes billing systems with various services accounts. The user accounts originate from the property charges, user service charges and other income components which generate revenue for municipalities (NT, 2012). The municipal charging system and revenue collection are objectives in the running of the municipal finances and sustainability (Dirie, 2008:259). A concise portrayal of the fundamental sources of municipal revenue is given beneath:

Equitable share or Unconditional Grants

This is a formula-driven allocation to municipalities and represents local government's share of nationally raised income. Equitable share allocations are planned to supplement municipal own income that is derived from trading services and property rates. While municipalities may use their equitable share allocation at their discretion, it is mainly intended to support free basic services (NT, 2012). In such a manner, Whelan (2004:2) is of the view that the grant is only partially needs-based. Where this grant is completely needs-based, it would likewise need to consider the income generated by each municipality across all households, and hence their capacity to render these services with their own money.

Conditional Grants

These are allocations typically allocated for a particular reason and these have conditions attached about how they might be used; for instance, the Municipal Systems Improvement Grant (MSIG), Finance Management Grant (FMG) and Municipal Infrastructure Grant (MIG). National conditional grant funding is normally made accessible to promote those national priorities pertinent to local government (NT, 2012).

The FMG grant is designed to promote and support reforms to municipal financial management and the implementation of the Municipal Finance Management Act, 2003, Act 56 of 2003 (Fourie and Opperman, 2007:409). The MSIG grant is a cash transfer "directed to selected Local and District municipalities and its purpose is to support municipalities in implementing new systems as provided in the Municipal Systems Act (MSA), MSA and other related local government policy and legislation" (NT, 2012). The MIG grant is a cash grant extended to selected municipalities combining all existing capital grants for municipal infrastructure into a single consolidated grant (NT, 2012).

Municipal Borrowing

According to the NT (2012) municipalities may borrow funds from the financial markets to finance their capital spending plan. Given that the national government does not guarantee municipal borrowing, a municipality's ability to borrow is an element of its own sound financial management. As indicated by Craythorne (2003:266) municipal capital financing comprises of external loans, internal loans, contributions from revenue, government grants, donations and public contributions and also public and private partnerships.

Property rate

Rates are the property taxes that the municipality can raise from all individuals and organisations that own property, lands and buildings in the municipal area, in view of evaluated estimation of that property. Property rates must be resolved in terms of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004) (MPRA) (NT, 2012) and therefore these are usually set at prime rates.

Levies and service charges

The municipality is expected to recuperate money for the services it offers to citizens. The trading services that municipalities provide consist of services such as refuse management, water and sanitation, electricity and prepaid electricity (NT, 2012).

Other own revenue sources

Notwithstanding property rates and trading services, municipalities may render other services, for example, advertising on billboards and street poles; entrance fees to municipal facilities such as public swimming pools and parks; parking fees at stadia grounds; fines issued for illegal dumping; illegal property usage and traffic fines amongst others (NT, 2012). The electricity disconnection and reconnection fees, and interest charged on outstanding balances are likewise source of revenue for the municipality. The opportunities for revenue generation vary amongst municipalities and depend on the variety of 'other services' provided by each configuration (NT, 2012).

2.5.2. Revenue generation versus payment of debt

National Treasury's budget circulars (NT, 2015) have customarily centred around the expenditure budgetary items and provided guidance for levy setting. While the city income collection levels are examined during budget engagements there has been little guidance on what municipalities should be doing to maximise the revenue generating potential of existing sources of revenue, for example property rates and trading services (NT, 2015). In spite of the local government's legal framework and supporting regulations issued by national government, municipalities continue to struggle with the delivery of essential services and the related billing and collection activities.

The increase in debt owed to municipalities and the non-recovery thereof is seen as a serious threat to the financial viability of many municipalities, especially those in the North West (Ramphela, 2008). Problems associated with the recovery of outstanding debt differ from one municipality to another, and therefore a holistic and structural

approach would need to be embarked upon to develop regulations that could be implemented by all municipalities in the country (Ramphela, 2008).

2.5.3. Revenue Challenges

Revenue collection involves providing services to clients as efficiently and effectively as possible (Kanyane, 2011). Revenue collection relates to metered service delivery and charging. This essential element includes the collection of revenue, customer management, debt and credit control as well as indigent management (Mazibuko, 2012:165).

According to De Wet (2004:8) one of the greatest challenges facing the local governance sector today is the collection of the revenue raised for services rendered to various consumers. However, NT (2004) summarises it as a governance framework as shown in Table 2.2:

Table 2.2: Financial Governance Framework

Position	Responsibilities	Oversight	Accountable to
Council	Approving policy and budget	Mayor	Community
Mayor	Policy, budgets, outcomes, management of oversight over municipal manager	Municipal Manager	Council and public
Municipal Manager	Outputs and implementation	Administration	Mayor ,Council and public
CFO	Outputs	Financial management	Municipal Manager

Source: NT, 2004, O'Neill (2016:56)

A number of problems are common to revenue collection administration in all types of governments for example the slow processing of revenue receipts, slow deposit of receipts, slow billing, inaccurate bills, lack of incentives to pursue collections, weak enforcement of revenue laws, determining what is owed, poorly trained staff, absence of internal controls and record management, non-payment, credit control, indigent management, revenue enhancement strategies, bringing revenue into the tax net for municipalities in rural areas, ineffectiveness of policies to enforce revenue collection, fear by officials and municipal leadership to enforce by-laws and polices (Mazibuko, 2012:165).

Kanyane (2011) vouches that other challenges include a poor recording system or lack thereof of who should actually be paying the rates; an excessive number of indigent people; ratepayers' boycotts aggravated by the culture of non-payments in South Africa; accounts not sent to debtors or sent to incorrect addresses; consumers not willing to pay for services utilised; and the current world economic low growth whose ripple effects cascade down to local municipalities.

However, Lubbe and Rossouw (2005:780) argue that the culture of non-payment and other reasons connected therewith have increased outstanding debts of municipalities and other public institutions for service rendered by them to alarmingly disturbing proportions. Kanyane, (2011) says that some municipalities have inadequate financial management capacity. As a result, budgeting accounting, credit control and financial reporting systems are weak and therefore capacity remains questionable. The budgeting process is often not properly aligned to municipal planning, and is not always open to community participation. In some cases, revenue is overstated, resulting in unrealistic budgets that are then difficult to comply with (Kanyane, 2011). To improve on the current business model, it is important to identify all the critical elements that currently affect municipal revenue performance.

2.6. FINANCIAL SUSTAINABILITY

Financial sustainability refers to its capacity to generate sufficient and reliable revenues to finance short-medium- and long-term financial obligations in response to the community's demands for services in terms of the Constitution (Leon, 2001). Financial sustainability takes into account the effect ongoing changes could have on a municipality's operating positions and service levels over the long term. The definition clarifies three essential elements of sustainability which are ensuring the maintenance of a municipality's high priority expenditure programmes, both operational and capital; ensuring a reasonable degree of stability and predictability in the overall tax burden; and promoting a fair sharing in the distribution of municipal resources and the attendant taxation between the current and future ratepayers (IMFO, 2010).

Conversely, Dollery, Byrnes and Crase, (2007) say that a council's long-term financial performance and position is sustainable where: (i) continuation of the council's present spending and funding policies; (ii) likely developments in the council's revenue-raising capacity and the demand for and costs of its services and infrastructure; and (iii) normal

financial risks and financial shocks, altogether are unlikely to necessitate substantial increases in council rates.

A local government will be financially sustainable over the long term when it is able to generate sufficient funds to provide the levels of service and infrastructure agreed with its community (Ramphela, 2008). Leon (2001) argues that the financial sustainability of an organization is its capacity to obtain revenues in response to a demand, in order to sustain productive processes at a steady or growing rate to produce results and to obtain a surplus. Furthermore, Leon (2001) states that there are four pillars of financial sustainability namely strategic and financial planning, income diversification, sound administration and own income generation.

According to Leon, (2001) financial planning consists of projected expenditures and the organization's potential to generate the income to cover those expenditures. The purpose is to determine if the organization is going to have sufficient resources available in the medium term to meet the objectives described in the strategic plan. The income diversification refers not only to internal income generation, but also to the number of income sources that provide main funding for the organisation. Efficient procedures for administration and finances are governed by a series of institutional policies that help us make the most of their resources and ensure transparency in fiscal management (Leon, 2001). Own income generation is one way for an organization to diversify its sources of revenue (Leon, 2001).

The Accounting Standard 1 dealing with the presentation of financial statements requires that management make an annual formal assessment of the ability of the municipality to operate as a going concern (IPSASB, 2017). In assessing whether the going concern assumption is appropriate for an individual municipality, a wide range of factors needs to be considered, such as the current and expected performance of the municipality, any announced and potential restructuring of functional units, the likelihood of continued government funding and if necessary, potential sources of replacement funding (IPSASB, 2017). In the case of municipalities whose operations are substantially budget-funded by the government, going concerns issues generally only arise in government announces its intentions to cease funding the municipality (De Lange, 2010).

2.6.1. Factors Affecting Sustainability

According to the New South Wales Treasury Corporation (TCROP) (TCROP, 2013) factors that affect financial sustainability are population and demographics and features of sustainable council which are briefly discussed below.

2.6.1.1. Population and demographics

This relates to the municipality's value of infrastructure assets per person to maintain. Population density compared to the amount of infrastructure managed by Municipality is an important factor in determining such sustainability (TCROP, 2013). If a Municipality has a higher proportion of residents compared to its infrastructure value, it is generally less reliant on external sources of funds, more financially flexible and more likely to be self-sustaining (TCROP, 2013:12-13).

2.6.1.2. Features of a Sustainable Council

While a high population density and low reliance on external sources of funds are important factors to a sustainable council, other factors which could assist their sustainability position include quality management and staff; council that understands its role and good reporting and budgeting (TCROP, 2013). The management team must understand the business and focus on sustainability; appropriately qualified engineering staff who are able to understand relevant tasks required; skilled grant officers and financial reporting staff which produce quality reporting data to assist in decision-making and in the application for grants; and ability to attract and secure quality and skilled employees (TCROP, 2013).

It is important for the Municipality to have a long term vision particularly when it manages assets with long useful lives, and in respect of capital expenditure (TCROP, 2013). The Municipality should concentrate on 'fit for purpose' standards for its assets and at levels agreed with the community (TCROP, 2013). Surpluses generated can be allocated for capital expenditure, and producing good quality data and reports so that a Council is able to secure its appropriate entitlement of grants, such as flood grant funding (TCROP, 2013).

2.7. DEPENDENCY ON NATIONAL AND PROVINCIAL GRANTS

As indicated by Maclean (2013), municipalities are not financially feasible and service delivery is badly affected and, sometimes, can lead to collapse of administrations. Collapsing of administrations invites protests by affected communities (Maclean, 2013).

To ascertain whether a municipality can sustain its mandates without significant assistance from national and provincial government, a simple dependency ratio: transfer/operating revenue may be used (Khumalo & Ncube, 2016).

According to Ramphele (2008:12), there were growing signs of dependency on intergovernmental fiscal grants in the country with municipalities calling for even more money through Equitable Share and Municipal Infrastructure Grant (MIG). The transfer to municipalities is increasing; Equitable Share has grown by 13.24% until 2014 (12.31% 2012/13 and 0.39% 2013/14). The increase in transfers is leading to an ever-growing growing dependency on grants with majority of municipal capital budgets funded solely from MIG and little from own revenue (City of Matlosana Annual Report, 2014).

Kanyane, (2011) asserts that most South African municipalities are in a poor financial situation because of poor revenue management. It is for these reasons that municipalities are not self-sufficient and many require national or provincial government intervention (Khumalo & Ncube, 2016). Having a poor financial slate unfortunately creates a dependency syndrome, to the point that if the national grants were withdrawn, most municipalities would fail to meet their expenditure (Kanyane, 2011). The City of Matlosana is not immune from the parlous context above.

2.8. CONCLUSION

According to the Constitution of the Republic of South Africa, (1996) the municipality must deliver sustainable service delivery to the community. Municipalities are expected to be financial viable if they are to fulfil their constitutional mandate, in particular to deliver basic services. For a municipality to be financial viable it must be able to meet its obligation. The municipal financial viability depends on number of factors such as revenue base. The municipality is funded through grants, own revenue and borrowing. The greatest challenge facing the municipality is the collection of the own generated revenue.

A municipality is financially sustainable when is able to generate sufficient funds, has viable economy, low dependency on grants and sound financial government. It can be concluded that a municipality with poor financial performance is unable to offer good municipal services to residents, as a result that may lead to an overabundance of problems to the local community.

2.9. LINKS TO THE NEXT CHAPTER

The next chapter examines the research methods, including the research design used in this mini dissertation. The chapter also discusses the sample selection techniques, data collection and analysis methods.

CHAPTER THREE – RESEARCH METHODOLOGY

3.1. INTRODUCTION

This chapter provides a rationale for the research design and methodology adopted for this study regarding the assessment of financial viability in City of Matlosana. The study uses qualitative research methods. This chapter further describes the population selection, sampling, data collection and data analysis.

3.2. RESEARCH DESIGN AND METHODOLOGY

Babbie and Mouton (2011:74), define a research design as a plan of how the researcher intends conducting research. Kothari (2004) and Bryman and Bell (2015:49) argue that research design is the arrangement of conditions for gathering and analysis of data in a manner that aims to establish significance to the research.

Babbie and Mouton (2011:75) distinguish between design and methodology, showing that research methodology focuses on the process, the type of tools used and the procedures followed. According to Bryman and Bell (2015:48), there are five different types of research design namely: experimental; cross-sectional or social survey; longitudinal; case study and comparative. A choice of a research design reflects the decisions about the priority being given to a range of dimensions of the research process. In this mini-dissertation, the researcher uses case study design to understand the financial situation of City of Matlosana as one case in depth. A case study allows the researcher to provide a detailed analysis of the City of Matlosana financial situation.

Babbie and Mutton (2011) further state that there are two types of research approaches available to researchers, which are quantitative and qualitative. The objectives set out for this mini-dissertation require analysis of financial viability, therefore the qualitative approach which assesses the viability and sustainability of City of Matlosana is used.

3.3. QUALITATIVE AND QUANTITIVE RESEARCH

According to Maree and Pietersen (2007), quantitative research is a procedure that is orderly and objective in its ways of using numerical information from a selected subgroup of the universe (population) to generalise the findings to the universe that is being considered. The quantitative approach addresses the 'what' of the issue, and uses an orderly standardised approach to get answers to that question (Du Plessis, 2014:3). Moreover, Du Plessis (2014:3) states some of the attributes of quantitative

research such as, objectives to quantify the extent of difference in a phenomenon; emphasis on the measurement of variables and the objectives of the process; substantiation on the basis of a large sample size; regards reliability and validity of findings as imperative; communicates findings in an analytical and collective manner, and makes conclusions and deductions that can be summed up.

On the other hand, qualitative research addresses business objectives through techniques that allow the researcher to provide elaborative interpretations of market phenomena without depending on numerical measurement. Qualitative research focuses on discovering true inner meanings and new insights (Zikmund, Babin, Carr, & Griffin, 2013:132). Zhang and Creswell (2013) argue that qualitative research consists of a set of interpretive and material practices that make the world visible. Qualitative research is conducted in a natural setting; relies on the researcher as the key instrument in data collection; involves complex reasoning between the inductive and deductive methods.

The primary datasets in qualitative research may be collected by observation or interviews. These datasets are usually in the form of words, phrases and pictures. This approach provides a deeper understanding into what the researcher wants to establish (Babbie & Mutton, 2011). Neuman (2006) describes the salient differences in quantitative and qualitative style as shown in Table 3.1:

Table 3.1: Quantitative Style versus Qualitative Style

Quantitative style	Qualitative style
Measure objective facts	Construct social reality, cultural meaning
Focus on variable	Focus on interactive processes, event
Reliability is key	Authenticity is key
Independent of context	Situational constrained
Researcher is detached	Researcher is involved

Source: Neuman, 2006

Types of Qualitative Research

There are five qualitative research designs, namely case study, phenomenological, grounded theory, ethnography and content analysis (Hesse-Biber, 2010:53). Since the research objective is to analyse the City of Matlosana’s financial viability, the research design followed is a case study of City of Matlosana. According to Bryman and Bell (2015: 67-68), a case study entails the details and intensive analysis of a single or

multiple cases. Table 3.2 summarises the qualitative research designs. It provides motivation on why the case study was chosen specifically for this study.

Table 3.2: Qualitative Research Design

Design	Purpose	Focus	Method of data collection	Methods of data analysis
Case study	To understand one person or situation (or perhaps a very small number) in depth	One case or a few cases within their natural setting	<ul style="list-style-type: none"> • Observation • Interviews • Appropriate written documents and or audio-visual material 	<ul style="list-style-type: none"> • Categorization and interpretation of data in terms of common themes • Synthesis into an overall portrait of the case(s)
Ethnography	To understand how behaviours reflect the culture of a group	Specific field site in which a group of people share a common culture	<ul style="list-style-type: none"> • Particular observation • Structured or unstructured interviews with “informants” • Artefacts / document collection 	<ul style="list-style-type: none"> • Identification of significant phenomena and underlying structures and beliefs • Organisation of data into a logical whole (e.g. chronology, typical day)
Phenomenological study	To understand an experience from the participants’ point of view	A particular phenomenon as it is typically lived and perceived by human beings	<ul style="list-style-type: none"> • In-depth, unstructured interviews • Purposeful sampling of 5-25 individuals 	<ul style="list-style-type: none"> • Search for “meaning units” that reflect various aspects of the experience • Integration of the meaning unit into a “typical” experience.
Grounded theory study	To derive a theory from data collected in a natural setting	A process, including human actions and interactions and how they result from and influence one another	<ul style="list-style-type: none"> • Interviews • Any other relevant data sources 	<ul style="list-style-type: none"> • Prescribed and systematic method of coding the data into categories and identifying interrelationships • Continual interweaving of data collection and data analysis • Construction of theory from the categories and interrelationships
Content analysis	To identify the specific characteristics of a body of material	Any verbal, visual, or behaviour form of communication	<ul style="list-style-type: none"> • Identification and possible sampling of the specific material to be analysed • Coding of the material in terms of predetermined and precisely defined characteristics 	<ul style="list-style-type: none"> • Tabulation of the frequency of each characteristic • Description of inferential statistical analyses as needed to answer the research question

Source: Bryman and Bell, (2015)

3.4. CASE STUDY

Case study design enables the researcher to complete an in-depth examination of a particular circumstance (Singo, 2012). The case study approach to gathering data with which to develop a framework was selected for several reasons. The researcher used the City of Matlosana because of its high population and the extent of the budget within the district to answer the research objective of assessing the City's financial viability (IDP, 2015/16, & Budget 2015/6).

According to Zikmund *et al.*; (2013) a case study refers to the documented history of a particular person, group, or organisation. Mazibuko (2013), citing Welman and Kruger (1999:190), defines a case study as a qualitative research method of empirical inquiry that examines a unit of analysis in its real life context. A unit of investigation refers to a subject of observational examination, which in this case is the City of Matlosana.

A case study is an in depth study of a particular situation rather than an extensive statistical survey. It is a method used to narrow down a very broad field of research into one easily researchable topic. Whilst it may not answer a question completely, it gives some indications and allows for further elaboration and hypotheses creation (Yin, 2009:123). However, Neuman (2006) argued that case study research examines features on many people or units, either at one-time period or across a period. Data collected in case studies is more detailed, varied and extensive.

A case study design should be considered when:

- (a) the focus of the study is to answer "how" and "why" questions;
- (b) you cannot manipulate the behaviour of those involved in the study;
- (c) you want to cover contextual conditions because you believe they are relevant to the phenomenon under study; or
- (d) the boundaries are not clear between the phenomenon and context (Yin, 2009).

Johansson (2003) argues that the case study might be given and studied with an intrinsic interest. In such a case, the researcher has no interest in generalising findings rather focuses on understanding the specific case. The alternative to an intrinsic case study is a purposefully or analytically selected case. A case may be purposefully selected by virtue of being, for instance information-rich, critical, revelatory, unique, or extreme. The case study used to assess the financial viability of City of Matlosana, as a

single organisation and it uses intrinsic interest to answer the research objectives as spelt out in the outline of this study.

Lubbe (1996:64) confirms that there are at least three obstacles to obtaining unbiased testimonies from observers: the differences encountered by individuals; the inhibitions that individuals have about disclosing important information; and the suspicion that individuals have about revealing information that might reflect poorly on them, their employer or their supervisors. The use of multiple sources of evidence could help improve the validity and reliability of the research. Van Lent, De Beer and Van Harten (2010) describe a case study as being suitable for exploratory investigation and in-depth research. The selected cases must match the research objectives.

Van Lent *et al.* (2010:4) maintain that the researcher must develop a research protocol to increase reliability and validity of case studies. The protocol of this research is a primary tactic in increasing the reliability of the case study procedure. The main objective of the case study is assessing financial viability of City of Matlosana. This is achieved by collecting documents from different sources such as the Auditor- General's Office. The approach followed allowed informants the freedom without prejudging the information offered. The document collection and other evidence that enabled answering the objectives include the annual reports from 2011/12 to 2015/16; and audited annual financial statements.

3.5. DATA COLLECTION INSTRUMENT

There are four methods of data gathering techniques, namely: documents, observation, interviews and focus groups (Nieuwenhuis, 2007). In this mini-dissertation semi-structured interviews and analysis of documents were used for data collection. This includes documents that deal with municipal finances. Emphasis is placed on secondary data such as annual reports, annual financial statements, and auditor general reports.

According to Bryman and Bell (2015:481), semi-structured interviews enable the researcher to use a list of questions on fairly specific topics. However, Nieuwenhuis, (2007) argues that semi- structured interview is regularly utilised in research projects undertakings to authenticate information rising up out of other information sources. The researcher made use of semi-structured interviews which allowed the interviewee flexibility to elaborate on the question asked (Nieuwenhuis, 2007).

Nieuwenhuis (2007) argued that the use of documents as a data gathering technique focuses on all types of written communication. The written data sources may be published and unpublished documents, company reports, memoranda, agendas, administrative documents, letters, reports, email messages, faxes, newspaper articles or any documents that is connected to the investigation. As part of data collection, the researcher scrutinised the following documents to assess financial viability of City of Matlosana: Annual reports, Annual Financial Statements, Municipal Budgets, Integrated Development Plans, and Auditor General Reports.

3.6. POPULATION

According to Axelson, Bihler and Djert (2009:108) the target population is the group of individuals the researcher is interested in surveying. The target population in this research consists of political office bearers and public officials of City of Matlosana. This population has been selected by the researcher because the officials of the municipality are the ones that are directly involved in the apportionment and expenditure of all municipal finances. National and Provincial Departments contribute fiscally and monitor spending, thus documents from relevant departments were also consulted (MFMA, 2003).

3.7. SAMPLE

A sample defines a group drawn from the larger population and this was selected for use to estimate the characteristics of the entire population (Kothari, 2004). It is the researcher who decides who or what forms part of the sample. According to Kothari (2004) the selected respondents should to be technically referred to a 'sample' while the process of choosing a sample is called sampling technique. Qualitative research is generally based on non-probability and purposive sampling rather than probability or random sampling approaches (Nieuwenhuis, 2007:79).

The researcher used purposive sampling for the study. The purposive sampling is about selecting the sample on the basis of the population's elements, the nature of the research, the aims and purpose of the study (Babbie & Mouton, 2011:166). Purposive sampling choices are not only limited to the selection of participants but also involve the setting, incidents, events and activities to be included for data compilation (Nieuwenhuis, 2007:79).

A purposive sampling was used to identify key participants responsible for the municipality financials. The researcher relied on their knowledge to deliberately acquire information in a manner that these could be regarded as being representative of the relevant population. The sampling technique ensured that the researcher selected employees that had information needed for the study. The researcher interviewed the Acting Chief Financial Officer, Manager Budgeting, Manager Revenue, Manager Municipal Manager’s Office and Manager Executive Mayor’s Office using a semi-structured interview guide. They were selected because of their involvement in financial management within the municipality.

Table 3.3: Interview table

Interviewee	Date	Time take
Acting CFO	12 January 2017	45 minutes
Manager Budgeting	12 January 2017	45 minutes
Manager Revenue	12 January 2017	45 minutes
Manager Municipal Manager’s Office	13 January 2017	45 minutes
Manager Executive Mayor’s Office	13 January 2017	30 minutes

Source: Author Researcher

The focus of this study was based on a five years’ period, namely 2011/2012 to 2015/2016 financial years. The five-year period was chosen because the documents are retained for a period of five years according to the archive policy or retention policy, and the municipality planning is for a period of five years also.

3.8. DATA COLLECTION

According to Axelson *et al.*, (2009:112) data collection methods refer to the manner by which a researcher gathers data and information relevant to the study from different sources. The researcher utilised both the primary and secondary data. Primary data are original sources from which the researcher directly gathered information that has not been gathered i.e. information gathered by the researcher through semi-interviews. Secondary data was collected and compiled previously and consisted of readily accessible information used by researchers for their studies (Creswell, 2013).

A letter requesting permission to conduct a research was obtained from the North-West University and it was sent to the municipality. A duplicate of the sent letter is attached as Appendix B, supporting letter from the Research Office as Appendix C, and City of Matlosana has granted permission to conduct the research, see Appendix D. Primary data were gathered through interviews. A meeting was set up telephonically with the municipal officials who were responsible for providing information relevant for the study. Data were collected at municipal premises from the 12-13 January 2017.

Semi-structured interviews were conducted with the sampled officials in finance division, office of the municipal manager and executive mayor and the interviews were conducted at the municipal premises. An interview guide attached as Appendix E was developed and utilised in conducting semi-structured interviews in order to gather information. Secondary data were collected using financial ratio analysis. The ratios were clustered into financial performance, financial position and cash flow categories. The information in Appendix F was used for the ratio formulations, the details are fully discussed in Chapter 4.

The selected data-collection techniques were preferred because municipalities are highly politicized in nature (South African Cities Network & Khanya AICDD, 2014) and acquiring information through interviews may be a futile exercise and impede the achievement of the research objectives which are to assess the financial viability of the municipality.

3.9. DATA ANALYSIS

The research analysed financial information employing different techniques to emphasize the relative importance of data presented and evaluated. According to Leedy and Ormrod (2005), there are two methods to analyse data in a case study, namely: categorization and interpretation of data in terms of common themes (themes are stated under the case study protocol, appendix E), and synthesis into an overall portrait of the case(s). The study used synthesis to generate an overall portrait of the case(s). These include ratio analysis, common-size analysis and studying different components of the financial statements. The information derived from these types of analyses was blended to determine the overall financial position, which also informed the financial viability of City of Matlosana.

3.9.1 Overview of data analysis

Primary data was analysed using interviews. All interviews being analysed for this study were read in order to understand the narrating of the participants' facts and thoughts. The themes were identified and recorded in Appendix E. All the interview participants were asked the same questions, and the comparison was made between the interviews. The findings were drawn from mainly these comparisons. Secondary data, which is documentary were analysed using different financial ratios to interpret the financial position, financial performance and cash flow of city of Matlosana from 2012 to 2016.

3.10. VALIDITY AND RELIABILITY

The validity and reliability constructs are crucial aspects of qualitative research. Babbie, (2013); Remenyi, Williams, Money and Swart (2010) define validity as the degree to which what is observed or measured is the same as what was purported to be observed, however reliability is the stability or consistency of measurement (Delpont, 2005; Remenyi *et al.*, 2010). The researcher used document analysis and semi structured interviews as methods of data collection. The triangulation was another measure that was used to improve the validity and reliability in this study (Maree, 2012). The Auditor-General's reports were used to validate collected data. The data and information collected through interviews were further compared to reports from AGSA and other reports approved by the Municipal Council.

3.11. ETHICAL CONSIDERATIONS

Ethical guidelines serve as principles and as a premise upon which the researcher ought to assess own conduct (Newman, 2006:247). The study did not invade on the sensibilities and privileges of other individuals. The study upheld integrity and ethical standards as per North-West University (NWU) Ethical Guidelines. The confidentiality of the respondents (where appropriate) was completely observed. Ethical clearance was sought from North-West University (Appendix A).

According to Cooper and Schindler (2013), the outline of the research ought to be in a way that promotes confidentiality, obscurity of the respondents, and respondents should be kept free from intimidation and harm. Along this side, the respondents were educated about their anonymity and confidentiality, protection from discomfort during

the interview and the significance of the research. Permission was requested from the City of Matlosana to carry out this study.

3.12. CONCLUSION

In this chapter the research design and method adopted for the study were discussed. The study adopted qualitative research design. The population of the study was highlighted and the applied sample selection techniques were discussed. Finally, the data gathering method and data analysis techniques are outlined.

3.13. LINK TO THE NEXT CHAPTER

The next chapter deals with the actual presentation, analysis and interpretation of the information collected during the research. The chapter illustrates the state of affairs regarding financial viability of City of Matlosana.

CHAPTER FOUR – ANALYSIS AND DISCUSSION

4.1. INTRODUCTION

Chapter four presents the data gathered, as well as its explanation and analysis. According to Kumar (2005:248), the principle reason of using data display techniques is to make findings clear and easily understood. The following documents were analysed: Municipal Budgets; IDP; Annual Reports; Auditor General's Reports, DoRA and Statistic South Africa Report. The financial ratios are used to analyse the data, and systematising and coding of interviews transcripts.

4.2. FINANCIAL ANALYSIS USING SELECTED FINANCIAL RATIOS

The financial ratios are used to analyse the stability of various financial aspects of the municipal business. The financial ratio analysis provides users of financial results a view of an organisation's competitive financial performance, and this analysis could be used for competitive analysis within an industry or sector (Firer *et al.*, 2012). The ratios are primary decision-making tool for lenders, credit reporting agencies, creditors, and others in understanding the likelihood of the organisation's risks and returns (Firer *et al.*, 2012).

The financial ratios could also be useful in identifying problem areas for future policies derivation and decision making (Firer *et al.*, 2012). A wide range of financial ratios are available to assess various aspects of the organisation. In order to perform a holistic financial analysis of the City of Matlosana, a various financial aspects were considered for example, its financial position, financial performance, cash flow and budget implementation protocols (NT, 2014).

The statement of financial position shows the organisation's assets, liabilities and owners' interests on a particular date (Firer *et al.*, 2012). In this study, financial position report shows the value of this municipality and sources of funding at the level of council. Assets are classified as either current or non-current, and the current liabilities are also classified as either current or non-current. The value of the organisation assets is equal to the sum of its liabilities and owners' equity (Firer *et al.*, 2012). The financial position gives users an indication of liquidity, offering space for evaluating capital structure, and assessing solvency, including the ability to pay debts as they mature (Firer *et al.*, 2012). To assess the financial position, the following ratios were used: total capital to total

expenditure, assets growth, collection rate, net debtor's period, current ratio, total debt to total revenue, debt to cash flow from operations, and debt to assets.

The financial performance measures the organisation's positioning over a specific accounting period. Financial performance is assessed by giving a summary of how the organisation generates revenues and incurs expenses through operating and non-operating activities (Firer *et al.*, 2012). It also shows the net profit or loss incurred over a specific accounting period, typically over a fiscal quarter or year. Financial performance can be used to evaluate an organisation's use of debt versus equity (Firer *et al.*, 2012). The performance efficiency therefore assesses the extent to which the municipality generates operating surpluses.

To assess the financial performance, the following ratios were used: revenue growth, revenue to expenditure, expenditure, cash flow from operations to revenue and grants dependency. The ratios were clustered into financial position, financial performance and cash flow. The Table 4.1 shows the financial ratios of City of Matlosana from 2012 to 2016.

Table 4.1: The ratio of City of Matlosana 2011/12 to 2015/16

City of Matlosana's Ratios for 2012 to 2016					
	2012	2013	2014	2015	2016
Liability management					
Total debt to total revenue	0.85	0.88	0.75	0.67	0.53
Debt to Cash flow from operations	0.61	0.66	0.66	0.64	0.56
Creditors' payment period	68	133	190	211	191
Liquidity Management					
Current ratio	0.73	0.52	0.39	0.44	0.45
Revenue and Expenditure management					
Expenditure Growth	0.53	0.54	0.54	0.51	0.55
Revenue Growth	0.14	0.14	0.19	0.06	0.20
Cash Flow from Operations to Revenue	1.024	0.9479	0.8698	0.8171	0.7618
Assets Management					
Total Capital expenditure/Total Expenditure	0.07	0.06	0.06	0.05	0.04
Assets Growth	-0.01	-0.01	-0.01	-0.06	-0.05
Infrastructure Growth	0	0	0	-0.07	0.06
Maintenance to Infrastructure	0.006	0.009	0.008	0.012	0.011
Maintenance to Total Expenditure	0.019	0.024	0.019	0.028	0.020
Debtors Management					
Collection rate	0.52	0.04	0.03	0.13	0.11
Net period days	317	19	16	23	26
Transfers (Grant) Dependency					
Transfers to Revenue	0.27	0.29	0.25	0.22	0.20

City of Matlosana's Ratios for 2012 to 2016					
	2012	2013	2014	2015	2016
Transfers to Cash Flow from Operations	0.26	0.33	0.28	0.27	0.26

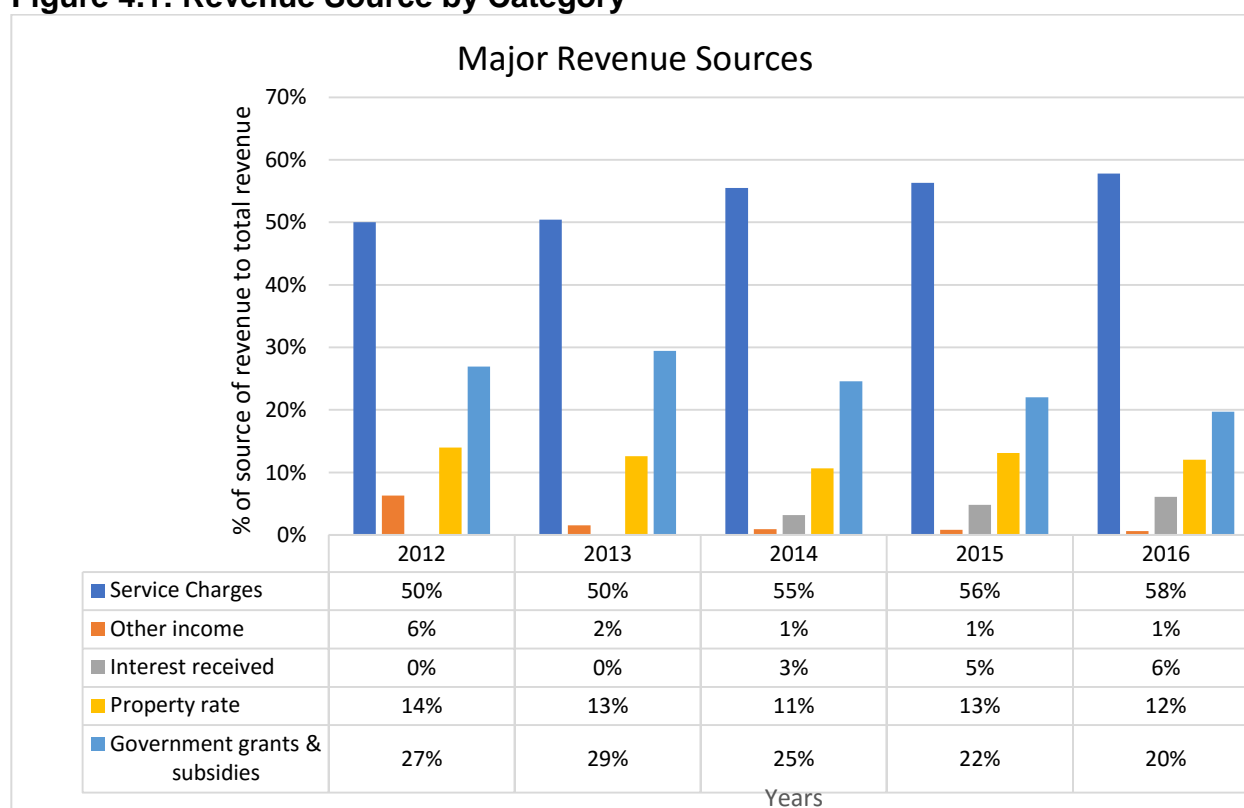
Source: Author own calculations

4.2.1. Financial performance

a. Revenue Sources

Figure 4.1 shows the different categories of the City of Matlosana's revenue sources. In terms of Figure 4.1, the City of Matlosana generates its revenue from service charges, property rates, levies, rental of facilities and equipment, fines, licences and permits, government grants and subsidies, market dues, and miscellaneous commissions, royalties, interest, donations and other revenue. The total revenue for the financial year 2016 was R 2,256 billion, where 58% of revenue was generated from service charges, 12% from property rates and 20% from government grants and subsidies. The figure also shows that 6% was interest received, while 4% of revenue is from other income.

Figure 4.1: Revenue Source by Category



Sources: City of Matlosana AFS (2012 – 2016)

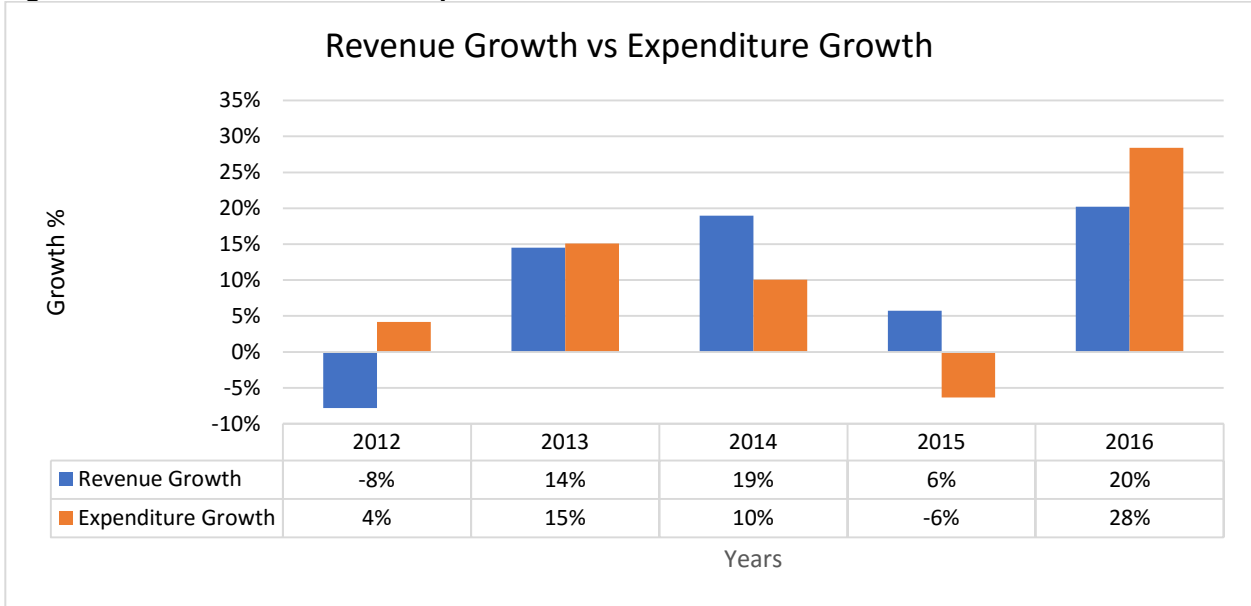
The municipality generates income mainly from service charges. The service charges increased from 2014 to 2016. The second high income generation came from

government grants and subsidies. Government grants and subsidies increased in 2013, and started decreasing from 2014 to 2016 on an average of 2%.

b. Revenue Growth vs. Expenditure Growth

Figure 4.2 also illustrates the municipality’s gap between revenue and expenditure ratios from 2012 to 2016. The City of Matlosana’s total expenditure increased in 2012 to 2014 but significantly decreased in 2015 and then increased again in 2016. The municipality expenditure for 2016 financial year was R 2,573 billion and the total revenue was R 2,265 billion, indicating that the municipality spent more by R 308,282 million. The expenditure grew by 16% from 2013 and decreased significantly in 2015 and increased again in 2016, while revenue grew from 2013 and decreased significantly in 2015. The revenue growth rate was 20% in 2016. The City of Matlosana spent a lot more on bulk purchases.

Figure 4.2: Revenue Growth vs. Expenditure Growth



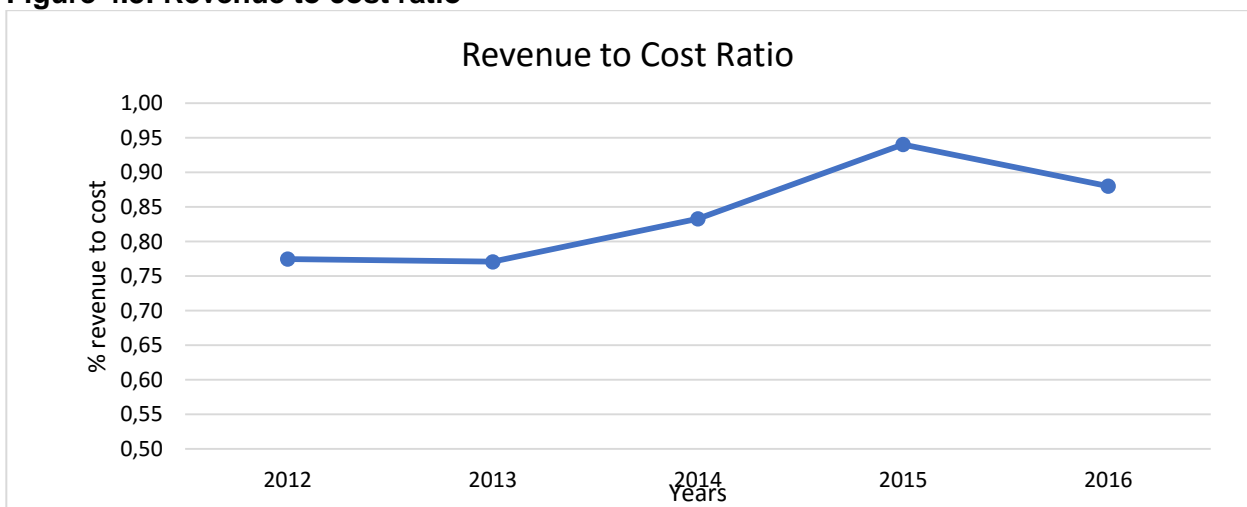
Source: City of Matlosana AFS (2012 to 2016)

The Figure 4.2 additionally shows that the expenditure grew more than the revenue and that the expenditure increased by 28% in 2016. According to the analysis, it appears that the costs were cut in 2015 including services to the community because of this discernible low revenue growth. According to the City of Matlosana’ annual report (2015/2016), the municipality experienced serious difficulty in honouring their commitments and was subsequently placed under financial administration in terms of section 139 (1) (b) of the constitution.

c. Revenue to Cost

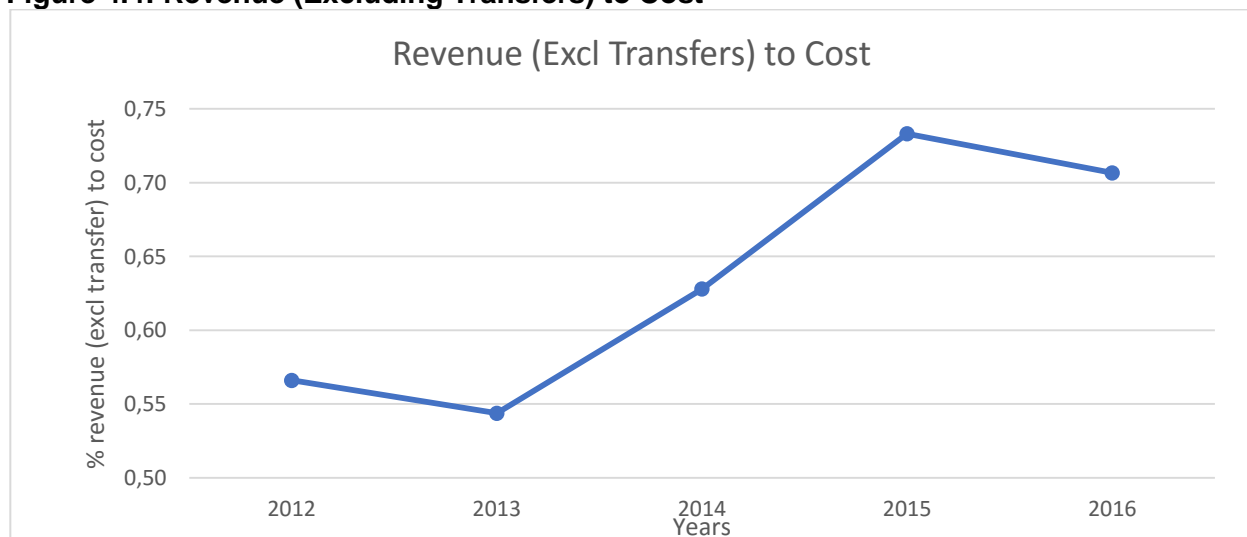
The cost as a percentage of revenue indicates a portion of revenue that is absorbed by cost. The cost is important to management and investors as it indicates the overall efficiency of the business operation (Firer *et al.*, 2012). If revenue equals to costs, there is a breakeven, anything below 1:1 shows that the organisation is operating at a loss. The lower the revenue to cost percentage, the more efficient is the business operation and, conversely, the higher the revenue to cost percentage, the less efficient is the business operation. Figure 4.3 and 4.4 depict the revenue to costs trends with grants (transfers) included and without grants.

Figure 4.3: Revenue to cost ratio



Source: City of Matlosana AFS (2012 to 2016)

Figure 4.4: Revenue (Excluding Transfers) to Cost



Source: City of Matlosana AFS (2012 to 2016)

Figure 4.3 and 4.4 show that the City of Matlosana's revenue was below 1 from 2012 to 2016. Figure 4.3 and Figure 4.4 further show that revenue on average covered only 0.84 with transfers and 0.64 without transfers. This shows that the municipality operated at a loss from 2012 to 2016 financial years. The municipality officials interviewed were in agreement with this observation, arguing that the municipality did not have a sufficient revenue base to raise enough funds for operational efficiency.

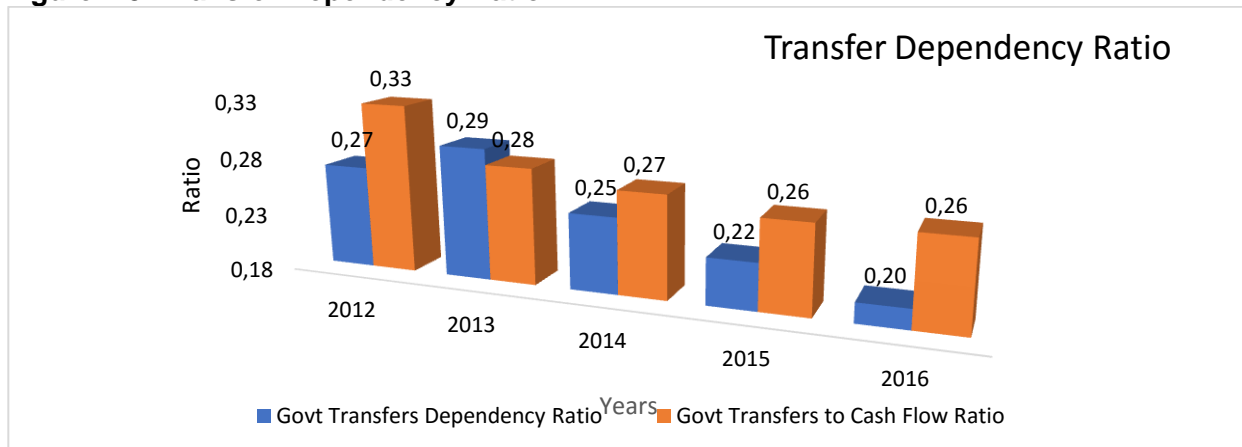
According to City of Matlosana Annual Report (2015/16), the municipality does not provide electricity in Kanana, Khuma and Tigane since they are not licensed to do so and this has a significant bearing on the municipal revenue base. In the same breath, the municipality lost 26.78% of income from provision of electricity in 2015/16 financial year. It is important to note that the norm is between 7% and 15% (O'Neill, 2016). The high losses were due to theft and old infrastructure, illegal connections (City of Matlosana Annual Report, 2016). O'Neill (2016:92) suggests that the high loss of electricity might be due to electricity units purchased and generated not sold, and illegal connections and inaccurate metering. According to the respondents in this study, these factors cumulatively affected the revenue collection capacity of the municipality.

According to Khumalo and Ncube (2016) the municipality's revenue base depends also on the employment levels within its jurisdiction. When a significant proportion of a municipality's population is employed, the likelihood of generating a steady stream of revenue is high. Conversely, when the unemployment rate is high within the same jurisdiction, the tax base is constrained severely.

d. Dependency on transfers

According to Khumalo and Ncube (2016), a financially viable municipality is one that is self-reliant or self-sufficient. Self-sufficient municipality does not need to be dependent on transfers for their basic needs, but are capable of delivering a range of services on their own (Khumalo and Ncube, 2016). To measure whether or not a municipality delivers services to the community without significant contributions from the national and provincial government, a sample dependency ratio (transfers/operating revenue) are used (Khumalo and Ncube, 2016). Figure 4.5 show the government transfers dependency ratio versus government transfer to cash flow ratio.

Figure 4.5: Transfer Dependency Ratio



Source: City of Matlosana AFS (2012 to 2016)

Figure 4.5 shows that the City of Matlosana dependency on transfers from national government was 27% in 2012 and decreased to 20% in 2016. This shows that the municipality managed to reduce its dependency on transfer in relation to revenue. However, the dependency of transfers in relation to cash flow has consistent been buoyant above that in relation to revenue even though it decreased from 33% in 2012 to 26% in 2016. Further, the difference in dependency of transfers in relation to cash flow and dependency of transfers in relation to revenue has been increasing over the period under review from 1% in 2013 to 6% in 2016. This could be attributed to a mismatch between revenue and cash flow, revenue that is fast becoming difficult over the years to convert into cash inflow for the municipality and government transfers being cash inflow that is more certain in relation to that expected from billing customers, amongst others.

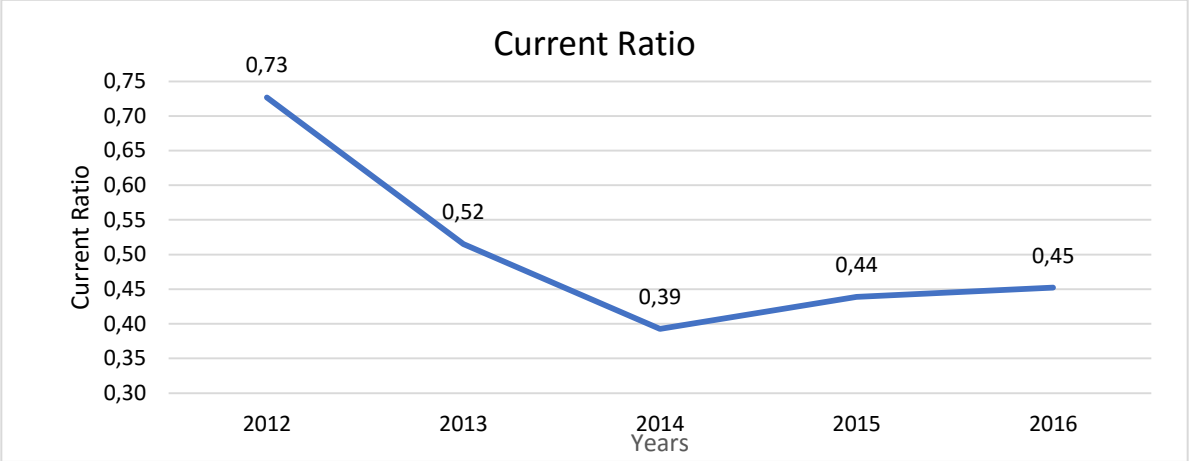
4.2.2. Financial position

a. Liquidity Ratio

The relationship between current assets and current liabilities indicates the City of Matlosana's liquidity position. As a minimum, the current assets should at least cover current liabilities at a ratio of 1:1 (Firer *et al.*, 2012). For a healthy financial position, the ratio should at least exceed 2:1. Figure 4.6 shows that the City of Matlosana current ratio decreased from 2013 to 2015 but slightly increased in 2016. The current ratio from 2012 to 2016 was below 1, which was below the norm standard range of 1:5 to 2:1. This again shows that the municipality would have been unable to pay its current or short-term obligations if they fell due at any specific point. The municipality's current ratio decreased from 0.73 in 2012 to 0.45 in 2016.

The City of Matlosana’s total assets as at the end of 30 June 2016 and 30 June 2015 amounted to R 5, 979 billion and R 6, 301 billion respectively, which is a decrease of 5%. The net assets base for the same city in 2016 and 2015 amounted to R 5, 321 billion and R 5,013 billion respectively (City of Matlosana Annual Financial Statements, 2015/16). The current liabilities for 2016 amounted to R 610, 454 million which exceeded its current assets (R 276, 051 million) by R 334, 403 million. Having current liabilities exceeding current assets highlights intense municipality liquidity issue i.e. inadequate money to meet the short term financial commitments. The low liquidity ratio reflects the problems faced by the City of Matlosana that manifested due to low debt collection rates and the slow response thereto in adjusting the spending patterns. These conditions indicate a worrying material uncertainty that may cast significant doubt on the municipality’s ability to operate as a going concern (AGSA, 2016).

Figure 4.6: Current Ratio

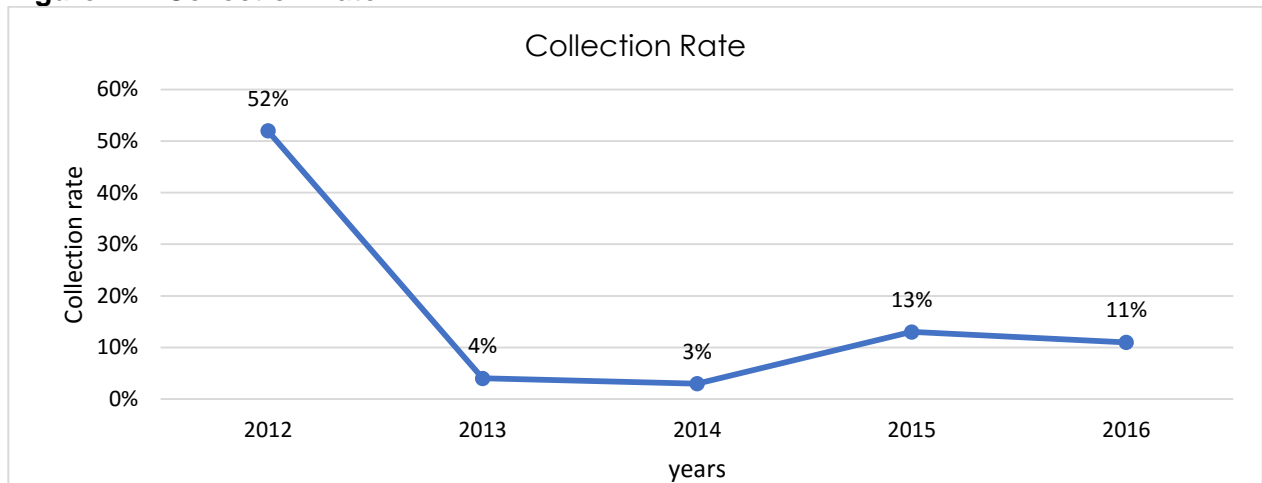


Source: City of Matlosana AFS (2012 to 2016)

b. Collection Rate

The collection ratio indicates the level of payments at the municipality. It measures increases or decreases in debtors relative to annual billed revenue. According to the National Treasury, the norm of collection rates ought to be 95% (NT, 2014). Figure 4.7 shows trends of collection rate in the municipality.

Figure 4.7: Collection Rate



Source: City of Matlosana AFS (2012 to 2016)

Figure 4.7 shows that the City of Matlosana collection rate decreased significantly from 52% in 2012 to 11% in 2016. The municipality's average collection rate for the year 2012 to 2016 was 16.6% which is far below the norm of 95% recommended by National Treasury (NT, 2014).

This declining collection rate indicates that the income collection ability of the municipality requires urgent consideration and corrective measures ought to be executed at the earliest; doing so would also help the city to recoup its finances. The low and declining collection rate may also be attributable to a lack of proper credit controls and revenue management systems in the municipal transactions. According to the Auditor General's report (2014), other contributing factors are indigent registers not being updated timeously, credit control and debt collection policies not updated and not implemented or selectively implemented, and vacancies in the finance and debtors sections that are not filled.

The City of Matlosana total outstanding debtors and other receivables for the year 2016 amounted to R 161, 632 million. The amount is a combination of consumer debt of R 161,607 million and other debtors' amounting to R 24, 987, almost 100% of debts are owed by consumers. There was an increase in the amount owed to the municipality by its debtors due to under-collection. This is not a good practice as the debtors get older, the more difficult it gets to recover and such debts may become irrecoverable, which means that council would have to budget more for writing off of bad debt.

The debt owed by consumers increased by 36% in 2016. The local government election in May 2014 could have contributed to the decline in collection rate, as it has become a

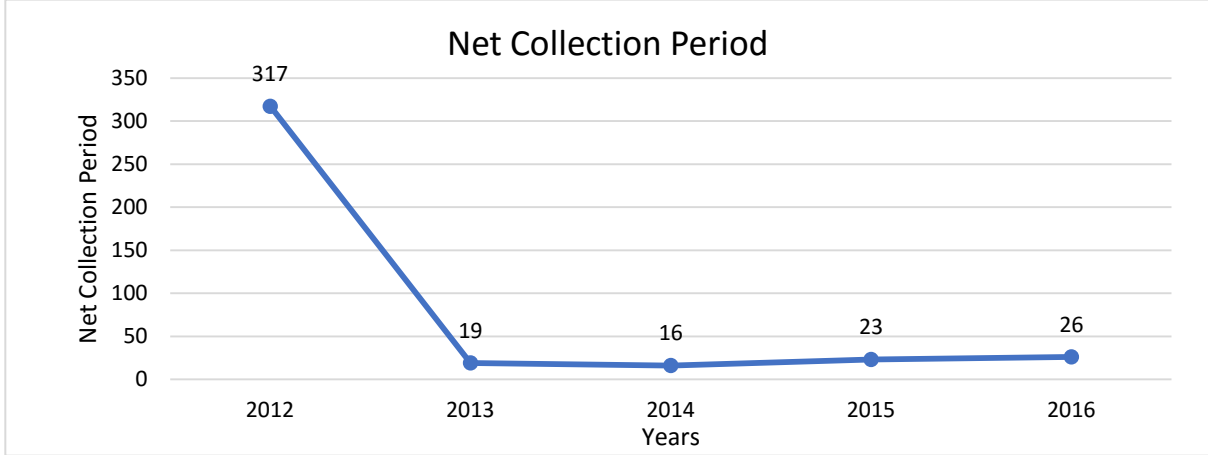
common practice that councils instruct their administration to relax debt collection just before elections (O'Neill, 2016). Furthermore, O'Neill (2016:110) states that the council does not consider financial trends when performance indicators are identified for senior managers. Eskom electricity tariff increased from 8% to 13% in 2015, and 16% in 2016 and this increase also posed the greatest risk of affordability to the municipalities. These increases have to be absorbed by the municipalities who purchase bulk electricity from Eskom, and ultimately reflect in the approved electricity tariffs of a municipality which are passed-through to service users.

b. Net debtors' days

Net debtors are a reference to the normal number of days required for a municipality to receive payment from its consumers for bills issued for services provided. The ratio reflects the collection period and the norm is 30 days according to National Treasury (NT, 2014). The ratio gives a sign of the quality of a municipality's credit control policy, as well as revenue management.

The debt owed by consumers increased by 36 % in 2016 while Figure 4.8 shows that the municipality net periods reduced significantly from 317 days in 2012 to 19 days in 2013, again painting a gloomy picture in the capacity and affordances of the municipality. The net debtor's period was below the norm standard which has been consistently pegged at 30 days from 2013 to 2016. This was due to intervention strategies implemented by the municipality such as cutting services for consumers, making arrangements with consumers for payments, deducting portions of debts from electricity bought by consumers.

Figure 4.8: Net Collection Period

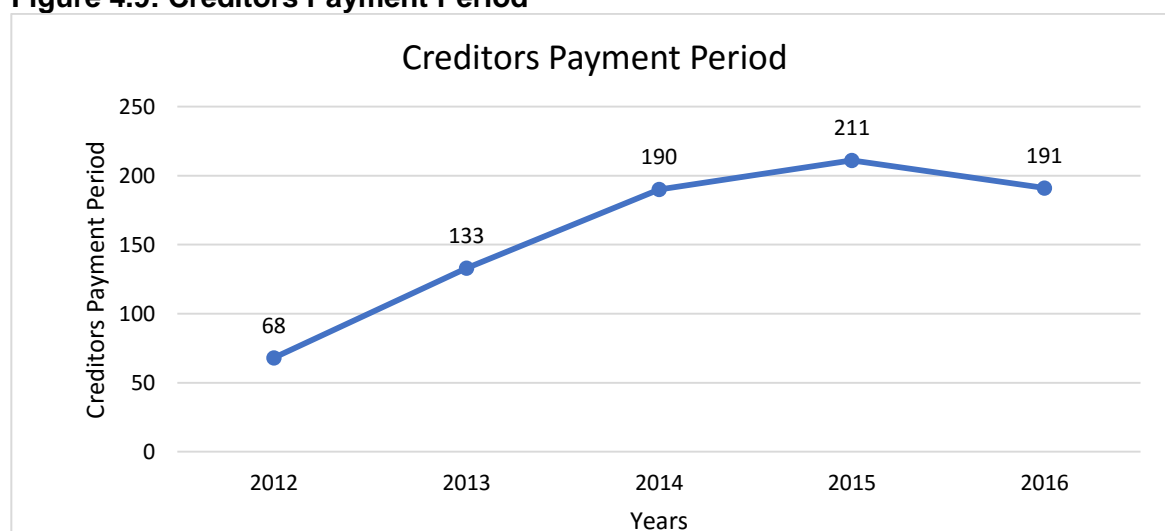


Source: City of Matlosana AFS (2012 to 2016)

c. Creditors' Payment Period

This ratio indicates the average number of days taken for creditors to be paid. Figure 4.9 shows that the creditors' payments period deteriorated from 68 days in 2012 to 191 days in 2016, signifying the extent of the financial distress in the municipality. The creditor's payment period was above the norm of 30 days from 2012 to 2016. This further shows the municipality might not be sufficiently managing its working capital or effective controls are not in place to ensure timely payments or the problem might be with the billing system. According to AGSA, (2016) money owed by the municipality was not always paid within 30 days.

Figure 4.9: Creditors Payment Period



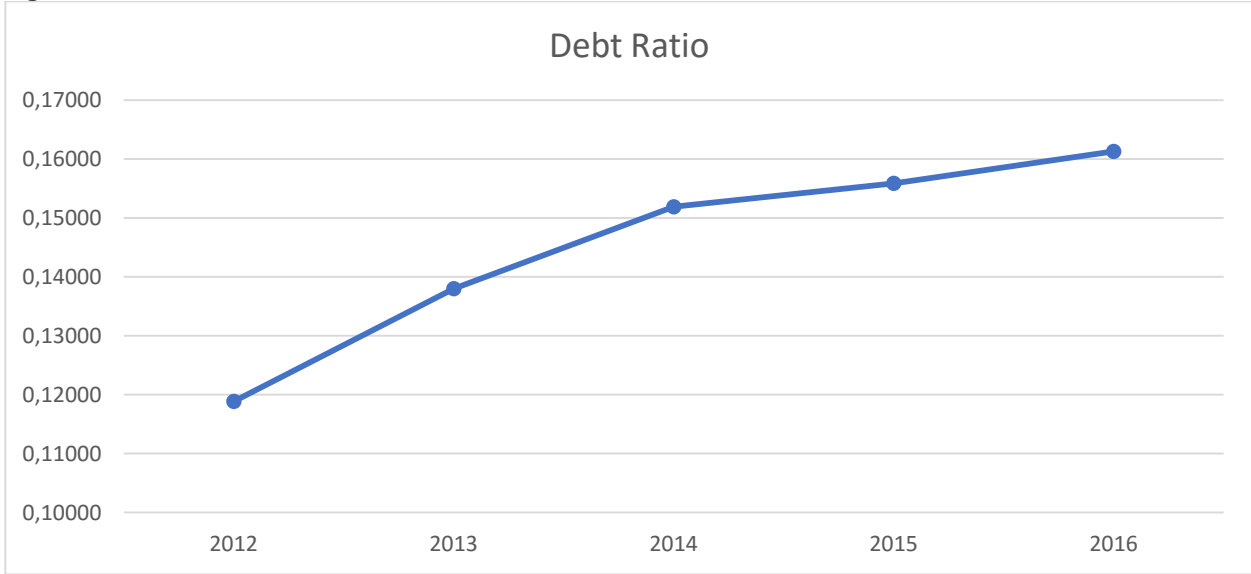
Source: City of Matlosana AFS (2012 to 2016)

d. Debt Ratio

This ratio shows the level to which the municipality is funded by long-term or total debt, also known as gearing ratio. Figure 4.10 shows that the debt ratio increased slightly from 2013 to 2015 and remained constant in 2016. This shows that the City of Matlosana relied more on debt to fund its operations. The City of Matlosana liabilities exceeded its assets for the past five years. According to the City of Matlosana Annual Report (2015/2016), the municipality incurred a deficit of R 308, 282 million during the year ended 30 June 2016 and, as of that date, the municipality's current liabilities exceeded its current assets by R 334, 403 million (R610, 454 million– R276, 051million). These conditions indicate the material uncertainty that casts significant doubt on the municipality's ability to operate as a going concern in the ambit of a business entity. Going concern refers to the capacity of the municipality to continue

operating indefinitely; this simply means that the municipality's assets are sufficient to cover both the short-term and long-term commitments (AGSA 2016).

Figure 4.10: Debt Ratio

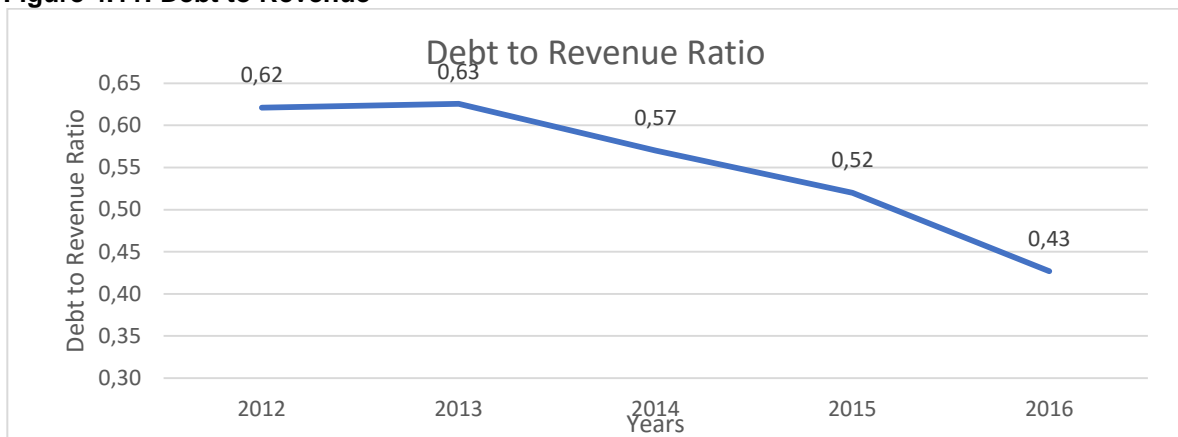


Source: City of Matlosana AFS (2012 to 2016)

e. Debt to Revenue

This ratio indicates the extent of total borrowings in relation to total operating revenue. It indicates short and long term debt financing relative to operating revenue of the municipality. The purpose of the ratio is to provide assurance that sufficient revenue would be generated to repay liabilities (NT, 2012). In terms of Figure 4.11, the total borrowing to total revenue increased in 2013, but decreased from 2014 to 2016. The City of Matlosana's debt to total operating revenue for the year 2016 was 43%, which was below the norm of 45%. The Municipality total liabilities have exceeded its total assets for the past five years. The municipality throughout the period under review has been in the red incurring deficits in the range of R 103 602 752 in 2012 and R 308 282 393 in 2016, and thereby exhibiting poor cost management or revenue enhancement or a combination of the two.

Figure 4.11: Debt to Revenue

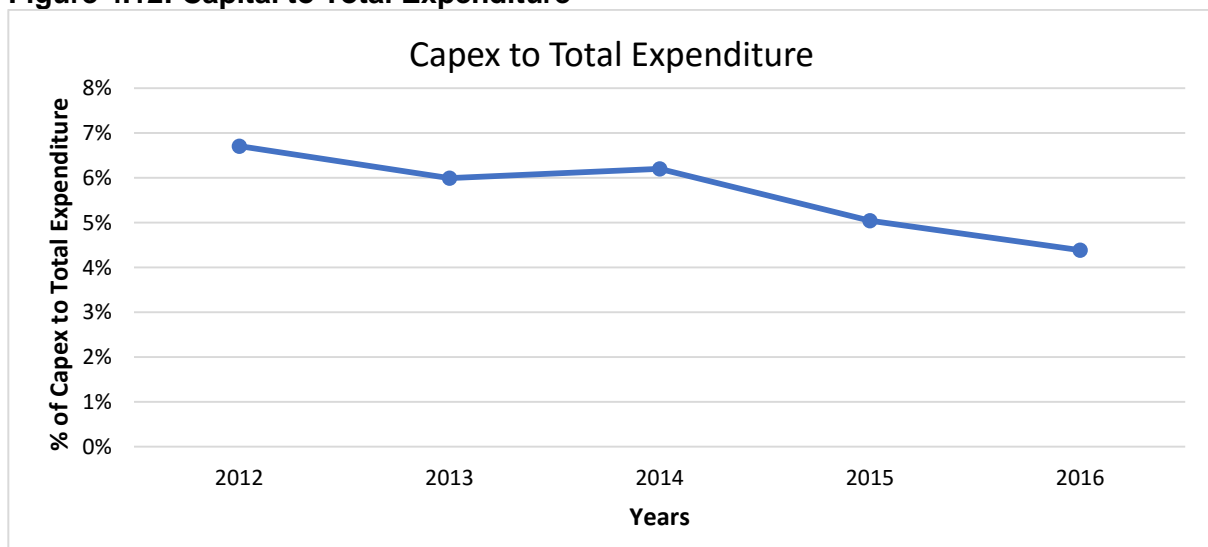


Source: City of Matlosana AFS (2012 to 2016)

f. Capital Expenditure to Total Expenditure

The ratio is used to assess the level of capital expenditure relative to total expenditure, which indicates the prioritisation of expenditure towards current operations versus future capacity in terms of municipal services, the norm range lies between 10% and 20% (NT, 2014). A ratio less than 10% shows lower spending by the municipality in infrastructure and holds potential risks with respect to service delivery.

Figure 4.12: Capital to Total Expenditure



Source: City of Matlosana AFS (2012 to 2016)

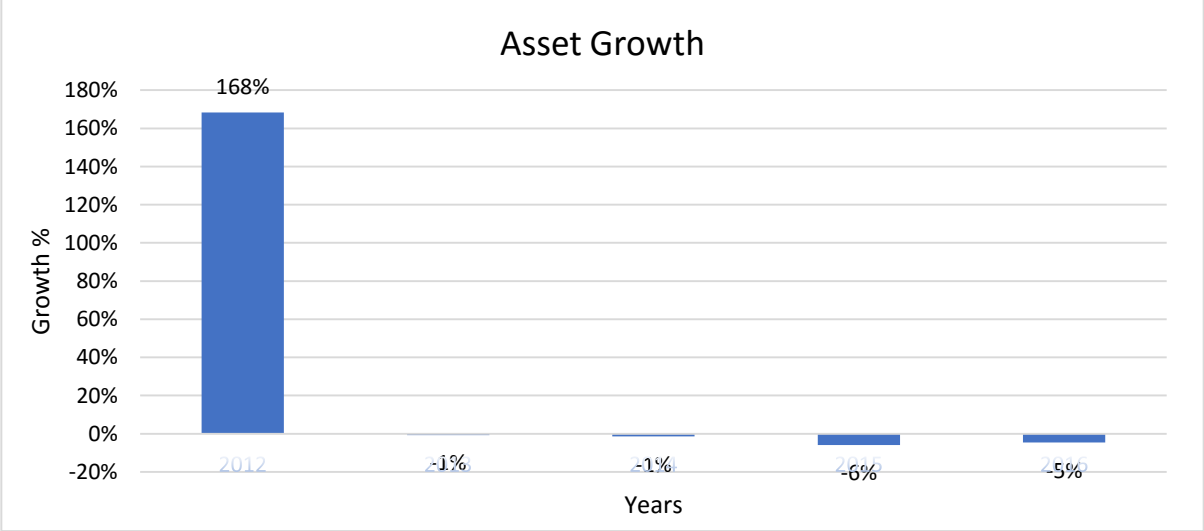
Figure 4.12 shows that the capital expenditure to total expenditure slightly decreased from 2013 to 2016, on an average of 1%. In 2016 the capital expenditure to total assets was 4%. This was below the norm standards range of 10% to 20% (NT, 2014), which have a negative impact on service delivery. According to the AGSA (2016), the municipality needed to surrender back to National Treasury an amount of R 21 million

due to non-expenditure of the MIG allocation for infrastructure projects, the Neighbourhood Development Partnership Grants (NDPG) and the Expanded Public Works Programme Integrated Grants for Municipalities (WPWP). The other contributing factor was that the municipality capital expenditure was fully financed by grants and subsidies and lacked the budgeting acumen necessary for the maintenance of infrastructure.

g. Assets growth

Figure 4.13 shows that for the year 2014 to 2015 assets declined by 6% and for the period under review assets level have been declining. Assets contribute to the service delivery; the decline thereof or lack of investment therein has an impact on service delivery capacity to the community.

Figure 4.13: Asset Growth



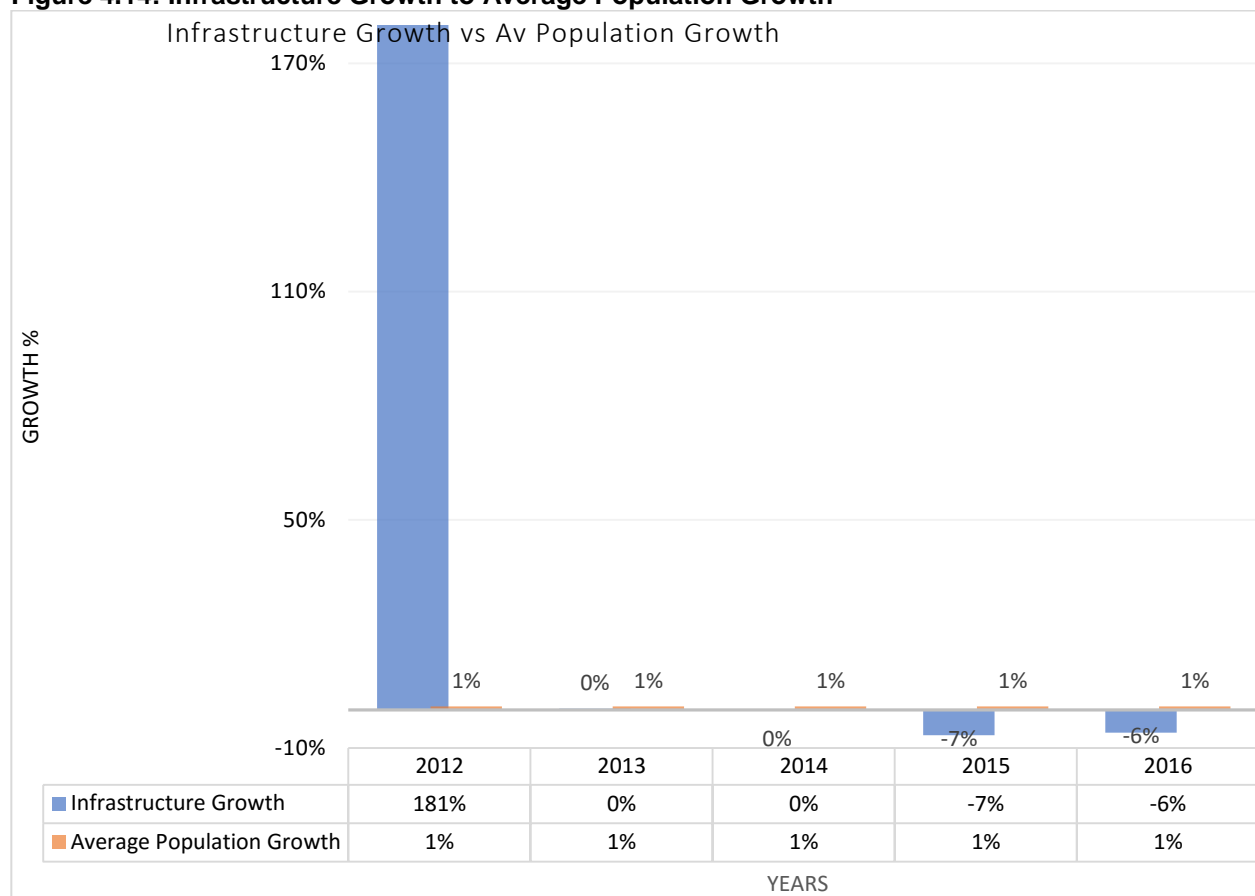
Source: City of Matlosana AFS (2012 to 2016)

According to Statistics South Africa Report (2016), the municipality total population was 398 676 in 2011 and rose to a significant 417 282 in 2016. The average population growth from 2011 to 2016 was 0.010. Figure 4.13 shows that from 2013 to 2016 the population size consistently grew by 1% annually as per the Statistics South Africa report. Infrastructure, in contrast, remained static from 2012 to 2014 before decreasing by 7% and 6% in 2015 and 2016 respectively. The decreasing infrastructure figure could be attributed to amongst others, the municipality selling off some its assets, lack of investment in infrastructure, lack of maintenance of the existing infrastructure.

h. Infrastructure Growth to Average Population Growth

According to the City of Matlosana Annual Report (2015/2016), the expenditure on repairs and maintenance were very low at 2% compared to the National Treasury norm of 20%, coming from a very low budget of 2% of the total budget. This decreasing infrastructure maintenance, coupled with growing population as depicted in Figure 4.14, indicates that while the population grew year on year, infrastructure to service growth population diminished, and this resulted in an increased pressure on the current infrastructure which massively affected the service delivery.

Figure 4.14: Infrastructure Growth to Average Population Growth



Source: City of Matlosana AFS (2012 to 2016)

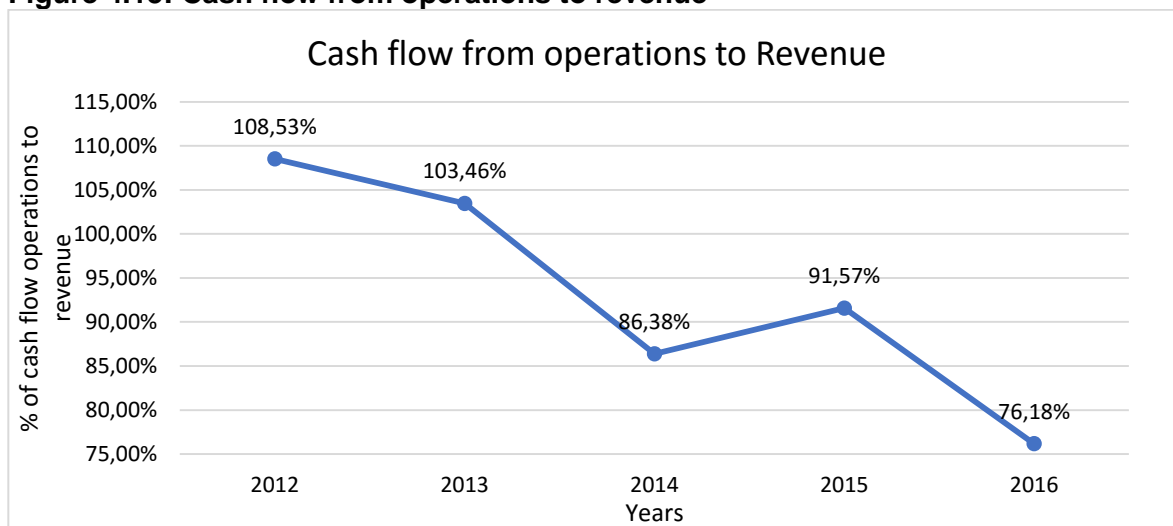
4.2.3 Cash flow

Cash flow analysis provides a pattern of movement of cash over the financial year. It gives the user a significant understanding of the liquidity and growth of municipality. Cash flow analysis is therefore a useful financial statement item to observe and take notice of in order to determine if the organisation can potentially rationalise the use of cash flow to improve its situation.

a. Cash flow operations to revenue

The data indicated that for the year 2012 to 2016, the City of Matlosana has had a cash operating deficit. The ideal situation should be where, in terms of working capital, a surplus is realised. Figure 4.15 shows that the cash flow from operations to revenue decreased from 2013 to 2016.

Figure 4.15: Cash flow from operations to revenue



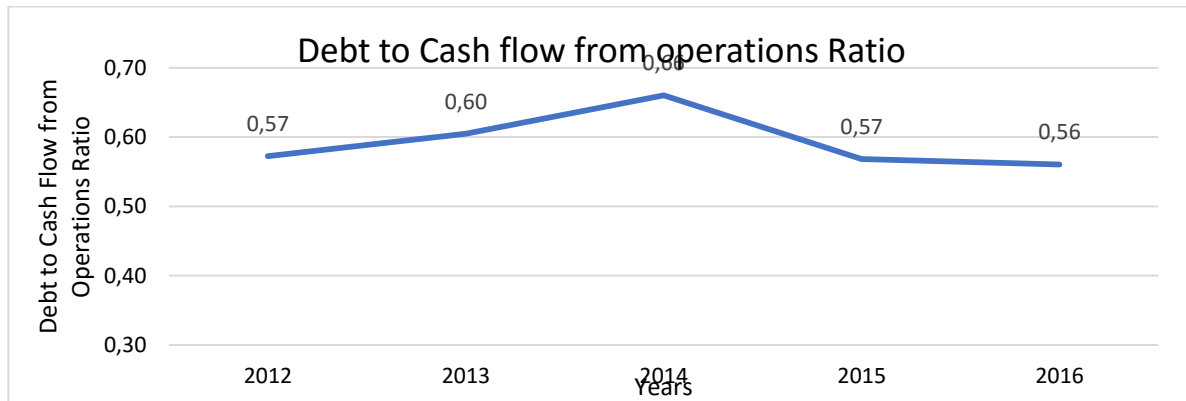
Source: City of Matlosana AFS (2012 to 2016)

The cash flow from operations was 108.53% in 2012, which shows that revenue was equal to cash flow. The city's cash flow decreased from 103.46% in 2013 to 76.18% in 2016 and this shows that the level of cash flow from operations to cover expenditure has decreased, exhibiting deterioration in the cash position of the municipality. The problem in this instance was due to low collection rates in areas where Eskom supplied electricity and the bleak economic climate (City of Matlosana Annual Report, 2015/2016).

b. Total debt to cash flow

The total debt to cash flow is significant from the creditors' point of view, as it indicates the true ability of the firm to meet maturing debt obligations. This ratio may also help in identifying organisations that may encounter financial difficulties. Figure 4.16 shows that the debt to cash flow from operations increased from 2013, and decreased slightly in 2015 and 2016.

Figure 4.16: Debt to cash flow from operation



Source: City of Matlosana AFS (2012 to 2016)

4.3. ANALYSIS OF DATA OBTAINED FROM INTERVIEWS

This section presents the data collected from the sample interviewed to ascertain their perspectives on the factors that contributed to or hindered the financial viability of City of Matlosana. The analysis mainly reflects issues relevant for the research objectives. The office of the CFO, the Municipal Manager and the Executive Mayor were interviewed using semi-structured questionnaires to get their perspectives on the financial management and financial sustainability in the municipality. Interviews were conducted using five open ended questions according to common themes as stated under Appendix E and concluded with the respondents being afforded the opportunity to add any information that might have been missed and that they felt might be important.

4.3.1. Challenges experience in the budgetary process

The participants responded that there are budgetary challenges in the City of Matlosana. For example, the municipality budget process fails to take into account various stakeholders' views. In essence, budget implementers are not part of the determination of the budget and prioritisation. The budget is prepared on the balanced budget mentality rather than realistic budgeting processes. The municipality have leaking pipes on a daily basis and roads with potholes, which are not maintained due to inadequate maintenance costs for the service delivery. The municipality relies on grants received from National Treasury.

4.3.2. How does the municipality ensure financial sustainability and viability?

The participants' responded that even though the budget process is not aligned to the needs of the municipality, the municipality is able to some extent adjust and align the budget during the financial year. The municipality is unable to expand from its current

point. The municipality is on a deficit due to increases in personnel expenditure without a complementary increase in service income. The municipality has implemented a cost containment of the National Treasury Circular and the policy was implemented resulting in improved financial management to a certain extent.

4.3.3. How municipality ensuring that collection rate targets are met?

The participants responded that the municipality has a low collection rate, even though there is an approved debt management policy, and this was also confirmed by the outcomes of the financial ratios. The contributing factors are illegal connections, indigents' registers not being updated timeously, credit control and debt collection policies not updated and not implemented or selectively implemented, and vacancies in the finance and debtors' sections that are not filled. The low collection rate is also as a result of jurisdictions where Eskom provides electricity. Furthermore, the participants responded that the low collection rate is due to poverty and unemployment rate as a result of shutting down of some mines in the area. The economic climate of rising fuel and electricity costs and rising interest rates erodes the value of household income and this has negatively impacted on the level of payments.

4.3.4. Are there debts owed to your municipality?

The participants responded that the municipality has debt due to them for services rendered; the government departments also owe them. The biggest debtors are consumers, followed by government, then business enterprises. In essence, the high debt owed to this municipality is attributed to non-payment by consumers due to high unemployment rate, red tape in the case of government non-payment and the inaccuracy of billing system in the case of the business enterprises.

4.3.5. Are there sufficient funds to ensure sustainable service delivery?

The participants responded that they foresee a financial situation where in future they may be unable to render services notwithstanding paying staff salaries. Furthermore, they responded that there is inadequate budget, and cash flow management remains under pressure due to significantly low collection rates in areas where Eskom supplied electricity. Mushrooming of informal settlements has also become a service challenge and political problem.

4.4. CONCLUSION

In this section, the findings of the study were presented and analysed. different factors were found to be contributing towards the City of Matlosana being financial unviable, such as low collection rates, inadequate management of expenditures, inadequate management of working capital, lack of maintenance of infrastructure and reliance on government grants for infrastructure.

4.5. LINK TO THE NEXT CHAPTER

In the following chapter findings of the study are discussed and recommendations for improvement suggested.

CHAPTER FIVE – DISCUSSION, CONCLUSION, SUMMARY AND RECOMMENDATIONS

5.1. INTRODUCTION

In chapter four the results of the data gathered in this mini-dissertation were presented and analysed. Chapter five provides the conclusion of this mini-dissertation in which the findings are discussed and recommendations for improvement suggested.

This mini-dissertation assesses the ability of the City of Matlosana to meet its financial and constitutional obligations as they become due. The main objective of this mini-dissertation is to assess the financial viability of the City of Matlosana. Financial ratios and semi-structured interviews were used to assess the financial viability of the City of Matlosana.

5.2. DISCUSSION OF FINDINGS

The discussion shows the relations between the findings and the main objective of this mini-dissertation, which assess the financial viability of a selected city representing governance imperatives at the local government level. The discussion analyses financial ratios that are summarised in Table 4.5 in Chapter four.

5.2.1. The evaluation of how a particular debt/revenue collection pattern contributed to the financial viability of the municipality

The study established that services charges made up the highest proportion of revenue, hovering above the 50% mark over the period under review. While government transfers contribute the second biggest proportion to revenue, it is the certain source compared to other revenue sources of the municipality. Though it has been on a downward spiral over the period under review, property rates contributed the third largest proportion of revenue.

The collection rate of municipality was at peak in 2013 at 52% and deteriorated and remained below the 12% mark over the rest of analysis period. The municipality's average collection rate over the 5-year period was 16.6% compared to 95% benchmark recommended by National Treasury.

5.2.2. To assess how a particular pattern of revenue collection juxtaposed against that of expenditure could provide indication of financial viability of the municipality

The study showed that the municipality expenditure keeps on growing more than the revenue as indicated per figure 4.2 in chapter four. In 2012, the revenue declined by 8% while expenditure decreased by 4% and in 2016 the revenue growth increased to 20% while expenditure increased to 28%. This trend may suggest poor cost management or revenue enhancement or a combination of the two. The revenue including transfers on average over the 5-year covered only 0.84 of costs while revenue excluding transfers covered only 0.64 of costs. This revelation manifest municipality's inability to finance its costs from own coffers. Even though the inclusion of transfers to coffers of the municipality ameliorates the situation, the amelioration does not translate into costs being fully cushioned by the revenue.

There is imbalance between available local revenue sources and the expenditure functions that are assigned to local government, and that not all municipalities have the same capacity to raise revenues due to high levels of poverty, particularly in rural municipalities (Kanyane, 2011).

5.2.3. The evaluation of how a particular pattern of infrastructure base in relation to population size could have an impact on financial viability and sustainability

The first year of analysis saw a skyrocket in assets investment, however, this was short-lived as preceding the years under review saw non-investment and divestment in the last 2 years of period under review. While assets that meant to facilitate service delivery have been contracting over the period under review, population that is serviced by the said assets have been growing consistently over the period of analysis. This trajectory has placed a burden and pressure on existing assets and threatens the capacity of the municipality to service the growing population in future.

5.2.4. The extent of reliance of municipality on transfers by government

At first glance, the reliance of the municipality on transfers has decreased over the period of analysis, however, in real terms wherein only revenue that has been converted into cash is considered it has increased. The municipality exhibits signs of having a difficulty in converting billed revenue into cash as there is a growing mismatch between

revenue and cash flow, yet cash flow is the lifeblood of any organization including municipality. The municipality cannot operate on a promise or undertaking to pay i.e. there is no guarantee that billed services would be converted into cash, as it could collapse in the event the promise does not come into fruition. The deteriorating capability of municipality to convert billed services into cash has over the period under review pushed the municipality into a state where it increasingly becoming dependent on transfers as a source of income that the municipality is certain that it would be realized.

5.3. SUMMARY OF THE STUDY

The main intention of this mini-dissertation is to assess the financial viability of the City of Matlosana. The answer to this objective was achieved by applying financial ratios analysis and interviewing relevant people, especially those who deal with the budget and financial chores of the municipality. Based on the literature review, it appears that the lack of financial viability is not unique to the City of Matlosana alone. This phenomenon is also experienced across other municipalities within the North West Province and elsewhere in the country. The City of Matlosana was placed under financial administration due to financial constraints and lack of proper financial management mechanisms (City of Matlosana Annual Report, 2015/2016).

The study identified that the municipality expenditure grew more than its revenue. This evidence shows that the municipality operated at a loss for the past five years. The municipality had a low collection rate of 16.6% from 2013 to 2016, and there was an increased in the amount owed to the municipalities. The attributing factors were due to, illegal connection, old infrastructure, indigents' registers not being updated timeously, credit control and debt collection policies not updated and not implemented or selectively implemented, and municipality not providing electricity in some of the areas. The municipality relies on grants from national and provincial. The capital expenditure is fully funded by the grants.

5.4. CONCLUSION

This mini-dissertation intended to analyse the financial viability of the City of Matlosana. The research outcomes revealed that the city is dependent on rates and services income as well as national and provincial grants for its viability. However, the municipality has an evident cash flow problem which is caused by non-payment of rates

and services, poor collection rates and inadequate control over expenditure. The analysis of the municipality financial situation further revealed that external factors such as population growth and a high unemployment rate have had a negative impact on municipality' ability to collect funds from services users, and largely leading to the council being financially unviable.

Financial sustainability of any municipality largely rely on a wide range of factors such as the capability of its management team to collect revenue from service users, the type of infrastructure funded and the effective management of its resources, as well the community's effective contribution to and participation in the budgeting processes as well as by the payments of rates. In essence, collecting own revenue from services users that are able to pay for their services is of utmost importance to the viability of the municipality. It is therefore necessary for the municipality to make sure that such own revenue is collected effectively from services users with capacity to pay for their services.

It can be argued that sustainable and cost effective delivery of basic services cannot be achieved without financial viability as a process to assist municipal authorities to collect and administer financial resources. Revenue collection in-turn cannot be achieved without the ability and willingness from municipal citizens to pay for services and facilities rendered.

5.5. RECOMMENDATIONS

The following recommendations are derived from the research findings:

5.5.1. The evaluation of how a particular debt/revenue collection pattern contributed to the financial viability of the municipality

The debt collection and credit control remain a challenge for City of Matlosana. The municipality must embark on a review process of debt collection and credit control to mitigate the challenges as this has the potential to enhance collection figures and subsequently improve cash flow. To improve the collection period, the municipality may want to establish clearer credit policies and set collection procedures. One of the measures that the municipality should explore is to incentivise clients to pay on time through discounts and /or other means.

Additional sources of revenue that municipality should explore is, amongst others, entrance fees to municipal facilities, issue fines for illegal dumping, and illegal property use. The municipality should also consider servicing other part of areas where Eskom provide electricity or licensed to provide electricity.

There is a greater need to address the debt crisis faced by the municipality, by looking at the data cleansing, indigent management and accurate billing. The municipality should seek intervention from the Department of Local Government and Human Settlement and Department of Finance to urge all the provincial government settle their debt with the municipality.

5.5.2. To assess how a particular pattern of revenue collection juxtaposed against that of expenditure could provide indication of financial viability of the municipality

The revenue collection relies on the reliability of metered service delivered and accurate billing. The municipality needs to be able to accurately measure the amount of services that households consume. This means that services such as water and electricity must be metered efficiently.

The municipality must implement a revenue enhancement turnaround strategy by critically reviewing the current revenue management business models and processes being applied within the various municipalities. To effectively deal with the current challenges, municipality must plan and implement effective and integrated revenue enhancement strategies. To ensure that the municipality operates optimally, the municipality should put measures in place to curb electricity theft and to review its turnaround time of fixing problems such as leak of pipes.

5.5.3. The evaluation of how a particular pattern of infrastructure base in relation to population size could have an impact on financial viability and sustainability

The municipality must grow and maintain its assets register and develop the one already in place instead of allowing existing assets to depreciate. The municipality must plan properly to ensure that the infrastructure grants is utilised fully. The municipality must equally budget for the maintenance of its infrastructure and replace or expand its existing infrastructure, as the assets enable services delivery. Properly maintained

infrastructure and investment in infrastructure will ensure that there is congruency between infrastructure and growing populations.

5.5.4. The extent of reliance of municipality on transfers by government

The revenue generation is desirable, however if the revenue generated through charging customers cannot be converted into cash, this poses a great threat to financial viability, as it would mean that the municipality would not be able to fund its operations through its own source thus rely on government grants. There should be a review of collection policy to make it more stringent. Furthermore, the municipality should constantly seek new revenue streams.

5.6. LIMITATIONS OF THE STUDY

This mini-dissertation was commissioned to assess the City of Matlosana financial situation. Due to the time limitation and other resources, one couldn't assess other municipalities under judicial administration and then extend such a study to other municipalities nationally. There is an opportunity to conduct a similar study in other Municipalities and ultimately have a robust picture of the financial viability in the whole province.

The other limitation of the study was that most of the officials were in acting positions during the time of the study including the CFO. It was a new term of office for the entire council, and most of the councillors were new. Such practices are not conducive to astute municipal management as decisions and budget processes cannot be definitively made when the incumbent are in acting positions.

5.7. AREAS FOR FUTURE RESEARCH

Possible areas for future research could focus on the following:

- Municipality revenue collection in areas that Eskom directly supplies;
- Impact of municipal billing system on revenue collection;
- Service delivery and service payments;
- Impact of financial administration on municipalities;
- Recommendations of Auditor General findings, judicial municipal management directives and implications for municipalities.

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APPENDIXES

APPENDIX A: ETHICAL CLEARANCE



Private Bag X6001, Potchefstroom,
South Africa, 2520

Tel: (018) 299-4900
Faks: (018) 299-4910
Web: <http://www.nwu.ac.za>

Institutional Research Ethics Regulatory Committee
Tel: +27 18 299 4849
Email : Ethics@nwu.ac.za

ETHICS APPROVAL CERTIFICATE OF PROJECT

Based on approval by the **Human Resource Research Ethics Committee (HRREC)** on **04/07/2017** after being reviewed at the meeting held on **19/06/2017**, the North-West University Institutional Research Ethics Regulatory Committee (NWU-IRERC) hereby **approves** your project as indicated below. This implies that the NWU-IRERC grants its permission that, provided the special conditions specified below are met and pending any other authorisation that may be necessary, the project may be initiated, using the ethics number below.

Project title: Assessing financial viability and sustainability of the city of Matlosana Local Municipality: a case study																		
Project Leader/Supervisor: Dr O Jantjies																		
Student: MPG Gaaname																		
Ethics number:	<table border="1" style="margin: auto;"> <tr> <td style="padding: 2px;">N</td> <td style="padding: 2px;">W</td> <td style="padding: 2px;">U</td> <td style="padding: 2px;">-</td> <td style="padding: 2px;">0</td> <td style="padding: 2px;">0</td> <td style="padding: 2px;">5</td> <td style="padding: 2px;">4</td> <td style="padding: 2px;">6</td> <td style="padding: 2px;">-</td> <td style="padding: 2px;">1</td> <td style="padding: 2px;">7</td> <td style="padding: 2px;">-</td> <td style="padding: 2px;">A</td> <td style="padding: 2px;">9</td> </tr> </table>	N	W	U	-	0	0	5	4	6	-	1	7	-	A	9		
N	W	U	-	0	0	5	4	6	-	1	7	-	A	9				
	<small>Institution</small> <small>Project Number</small> <small>Year</small> <small>Status</small>																	
	<small>Status: S = Submission; R = Re-Submission; P = Provisional Authorisation; A = Authorisation</small>																	
Application Type: Single Study	Commencement date: 2017-06-19	Expiry date: 2020-06-19	Risk: NA															

Special conditions of the approval (if applicable):

- Translation of the informed consent document to the languages applicable to the study participants should be submitted to the HRREC (if applicable).
- Any research at governmental or private institutions, permission must still be obtained from relevant authorities and provided to the HRREC. Ethics approval is required BEFORE approval can be obtained from these authorities.

<p>General conditions:</p> <p><i>While this ethics approval is subject to all declarations, undertakings and agreements incorporated and signed in the application form, please note the following:</i></p> <ul style="list-style-type: none"> • The project leader (principle investigator) must report in the prescribed format to the NWU-IRERC via HRREC: <ul style="list-style-type: none"> - annually (or as otherwise requested) on the progress of the project, and upon completion of the project - 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 protocol as stipulated in the application form. Would any changes to the protocol be deemed necessary during the course of the project, the project leader must apply for approval of these changes at the HRREC. Would there be deviated from the project protocol 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-IRERC via HRREC and new approval received before or on the expiry date. • In the interest of ethical responsibility the NWU-IRERC and HRREC retains the right to: <ul style="list-style-type: none"> - request access to any information or data at any time during the course or after completion of the project; - 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: <ul style="list-style-type: none"> • any unethical principles or practices of the project are revealed or suspected, • it becomes apparent that any relevant information was withheld from the HRREC or that information has been false or misrepresented, • the required annual report and reporting of adverse events was not done timely and accurately, • new institutional rules, national legislation or international conventions deem it necessary. • HRREC can be contacted for further information via Estie.Emtoch@nwu.ac.za or 018 289 2873.
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The IRERC 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 IRERC or HRREC for any further enquiries or requests for assistance.

Yours sincerely

Prof LA Du Plessis
Digitally signed by Prof LA Du Plessis
Date: 2017.07.13 10:16:17 +02'00'

Prof Linda du Plessis
Chair NWU Institutional Research Ethics Regulatory Committee (IRERC)

APPENDIX B: PERMISSION TO CONDUCT RESEARCH

21 Villa Di Lucca
Flame wood Drive
Klerksdorp
2577
30 January 2016

The Municipal Manager
City of Matlosana
P O BOX 99
Klerksdorp
2570

Dear Sir

REQUEST FOR PERMISSION TO CONDUCT RESEARCH STUDY AT CITY OF MATLOSANA LOCAL MUNICIPALITY

I am currently registered for Masters in Business Administration (MBA): Finance with the Graduate School of Business and Government Leadership (North West University). I am conducting a research project on Assessing Financial Viability and Sustainability using the City of Matlosana Local Municipality as a case study. The objective and aim of this research is to assess financial viability of the City of Matlosana Local Municipality. The research study shall make use of documentary analysis and interviews with key selected potential participants or respondents. The potential participants or respondents would thus include Office of the Executive Mayor, Office of the Municipal Manager and Finance Office.

This study will be beneficial to the City of Matlosana Local Municipality in that it will improve its financial mechanism, improve policy positions and revenue collection, and provide an analysis on the financial performance of the municipality. Ethical research principles will be strictly adhered to throughout the research process so as to maintain a high standard of work and a high quality of the research study.

The information obtained will be used only for the purposes of this study, and will ensure anonymity and confidentiality of potential research participants or respondents. A copy of a full research once approved by the University will be handed to the City of

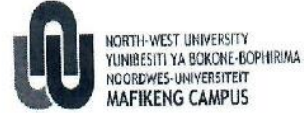
Matlosana Local Municipality. I thus request to be granted permission to collect the necessary data/information from relevant official from the City of Matlosana Local Municipality for the purpose of completion of the Research Thesis.

Your kind assistance in granting me permission will be highly appreciated and thank you for taking the time in allowing your staff to be part of this research study.

Yours faithfully

Patricia Gaaname
Contact: 071 611 5747/073 211 0938

**APPENDIX C: SUPPORTING LETTER TO CONDUCT RESEARCH – NWU
RESEARCH OFFICE**



**Graduate School of Business and
Government Leadership (GSB&GL)**

Private Bag x 2946, Mmabatho
South Africa, 2735
Tel: 018-389 2437 Fax: 018-389 2335
Email: Gradschool@nwu.ac.za

22 January 2016

Permission to conduct research-Ms P Gaaname -MBA student

This letter serves to introduce Ms P Gaaname who is presently a registered student for Master in Business Administration (MBA) programme at the Graduate School of Business and Government Leadership of the North West University. She is conducting a research project on, "**Assessing Financial Viability and Sustainability of the City of Matlosana Local Municipality: A Case Study**" towards a partial fulfillment of her MBA programme.

In this regard, your office is requested to afford her full co-operation to conduct this research. In particular, Ms P Gaaname requires permission to access information, data or even to distribute questionnaires.

Your cooperation will be highly appreciated.


.....
Ismail Haffejee
Research Unit



**APPENDIX D: LETTER OF PERMISSION TO CONDUCT RESEARCH – CITY OF
MATLOSANA**



MUNICIPAL MANAGER

tel: +27 18 487 8009/8537 Fax: +27 18 462 1652, PO Box 99 Klerksdorp 2570
E-Mail: smabuda@klerksdorp.org / ginkosi@klerksdorp.org / Website: www.klerksdorp.org

**CITY OF
MATLOSANA**

TSR Nkhumise/dn (169)

14 December 2016

Ms Patricia Gaaname
21 Villa Di Luca
Flamwood Drive
Flamwood
KLERKSDORP
2577

Dear Madam

**RE: REQUEST FOR PERMISSION TO CONDUCT RESEARCH STUDY AT THE CITY
OF MATLOSANA LOCAL MUNICIPALITY**

The above subject matter bears reference.

Permission is hereby granted to use Matlosana Municipality as your case study in
pursuit of Masters in Business Administration (MBA) on the following conditions:-

1. That you are allowed to interview officials of the municipality. Please make sure that you make pre arrangement with them to avoid jeopardizing service delivery.
2. That you may peruse and access documents or records of the municipality, which are availed to the public. Please accept refusal to access documents, which are confidential and classified information.

The municipality wish you all the best in your studies.

Yours faithfully,



TSR NKHUMISE
ACTING MUNICIPAL MANAGER



APPENDIX E: CASE STUDY PROTOCOL

FOR OFFICE USE ONLY: Respondent Code:

VOLUNTARY INTERVIEW QUESTIONS FOR ASSESSMENT OF FINANCIAL VIABILITY OF CITY OF MATLOSANA

Graduate School

North West University

Researcher P Gaaname

Supervisor: Dr. D Jantjies

Note to the respondent

1. We need your help to understand financial viability of the municipality.
2. What you say during the interviews will remain private and confidential. No one will be able to trace your opinion back you as a person.
3. The interview has a number of questions
4. By participating in this interview you are giving us permission to use the information on the research without revealing your identity.

**INTERVIEW QUESTIONS: FINANCE DIRECTORATE /OFFICE OF THE MUNICIPAL
MANAGER /OFFICE OF THE MAYOR**

Interviews themes have been identified as follows

- Budgetary challenges
- Financial viability
- Collection target
- Debt receivables
- Sustainable service delivery

1. Does your municipality experience any budgetary challenges?

2. How does the municipality ensure financial viability?

How does municipality ensure that rate collection targets are met?

3. Are there debts owed to your municipality?

4. Does the municipality have sufficient funds to ensure sustainable service delivery?

APPENDIX F: DOCUMENTARY ANALYSIS

Table 5.1: Revenue Sources by major category from 2011 to 2016

Revenue Source by major category for 2010 to 2015 for City of Matlosana						
Source of Revenue	2 011	2012	2013	2014	2015	2016
Serves Charges	582 695 319	654 295 263	755 446 840	988 903 850	1 061 158 920	1 309 265 825
Rendering Services	48 351	4 839	22 594	4 154	38	3 701
Rental of facilities & equipment	5 649 498	8 536 746	7 967 927	4 905 070	5 232 869	4 579 207
Licences and permits	3 823 203	4 495 881	6 649 116	7 012 811	6 773 240	6 614 545
Miscellaneous other revenue	398 561	32 586	1 300 165	211 098	137 440	4 197
Commission received	8 767 443	0	9 889 822	10 337 606	9 885 896	10 370 251
Royalties received	1 740 078	0	1 212 273	2 123 176	1 976 233	2 338 097
Rental income	78 300	0	176 417	138 187	237 722	295 481
Discount received	398 782	0	435 478	880 337	569 692	638 644

Revenue Source by major category for 2010 to 2015 for City of Matlosana

Source of Revenue	2 011	2012	2013	2014	2015	2016
Recoveries	1 529 600	0	292 100	40 645 863	2 013 743	2 113 123
Other income	38 397 526	82 536 209	23 059 130	16 424 239	15 748 016	14 164 825
Reconnection	18 185 444					
Transfer for reserves and funds	144 741 554					
Donation of property	0	0	0	0	5 000 000	25 772 055
Gain on movement of provision	0	0	13 038 782	0	0	0
Income subsidy administration	0	0	26 000 000	0	0	0
Interest received	58 725 094	0	0	57 067 892	91 202 405	138 480 734
Property rate	181 286 149	183 246 897	189 017 160	190 356 830	247 297 084	272 706 788
Government grants & subsidies	350 041 177	352 580 997	441 141 568	438 551 726	415 405 000	446 706 348
Levies	2 269 838	2 505 993	1 367 641	139 718	1 507 176	1 410 620
Fines	8 387 312	6 557 462	7 943 389	9 305 861	5 386 779	13 573 269
Market dues	12 276 215	13 934 507	13 471 234	15 418 449	14 928 306	16 078 744

Revenue Source by major category for 2010 to 2015 for City of Matlosana

Source of Revenue	2 011	2012	2013	2014	2015	2016
Total	1 419 439 444	1 308 727 380	1 498 431 636	1 782 426 867	1 884 460 559	2 265 116 454
Total Excl Transfers	1 069 398 267	956 146 383	1 057 290 068	1 343 875 141	1 469 055 559	1 818 410 106

Table 5.2: The cost drivers per category as classified by City of Matlosana from 2012 to 2016

The cost drivers per category as classified by City of Matlosana 2012 to 2016						
Expenditure Item	2 011	2012	2013	2014	2015	2016
Personnel	397 826 696	409 054 372	438 706 810	458 412 261	478 414 639	489 414 758
Remuneration of Councillors	16 747 815	18 523 436	19 427 365	20 850 463	22 242 862	23 981 844
Depreciation and amortisation	175 297 775	377 259 602	427 623 037	439 756 557	436 911 755	472 943 600
Impairment loss/reversal	28 127 560					
Finance Costs	19 460 557	19 402 163	29 321 867	34 448 853	42 366 109	33 862 799
Lease rentals on operating lease	0	0	0	8 424 508	8 941 272	12 256 399
Debt impairment	303 541 507	117 402 618	151 789 232	199 453 276	268 834 486	480 063 289
Repairs and maintenance	73 850 002	32 046 064	45 789 232	41 003 536	56 472 941	51 965 640
Bulk purchases	405 844 890	476 253 910	608 611 146	646 684 366	660 850 277	759 344 771
Contracted services	36 829 302	54 626 526	59 516 089	98 654 755	28 704 583	32 055 317
General expenses	220 298 558	184 565 403	163 424 687	192 148 270	210, 243,985	217 510 430
Total Expenditure	1 621 569 542	1 689 134 094	1 944 209 465	2 139 836 845	2 003 738 924	2 573 398 847

Table 5.3: Cash Flow statement from 2012 to 2016

CASH FLOW STATEMENT	2011	2012	2013	2014	2015	2016
Cash Flow From Operating Activities	1 673 118 711	1 340 156 029	1 420 326 907	1 550 281 652	1 539 741 963	1 725 666 190
Grants (Cash Flow - Transfers)	347 708 049	352 580 997	463 887 955	435 382 767	413 950 357	443 255 405
Net cash from investing activities	-217 184 213,00	116 836 593	105 418 652	136 164 518	92 803 847	90 574 772
Net cash flow from financing activities	20 350 951,00	15 082 970	2 419 003	40 030 431	48 537 475	6 731 346
Cash and cash equivalents at the end of the year	22 540 456,00	65 040 858	58 296 126	49 657 662	30 500 019	25 568 909

Table 5.4: Extract from a Summary Balance Sheet of the City of Matlosana for the past five years (2012 to 2016)

Extract from a summary Balance Sheet of the City of Matlosana for the past five years 2012 to 2016					
Item	2012	2013	2014	2015	2016
Assets:					
Current Assets:					
Inventories	104 042 902,00	63 846 307,00	79 180 798,00	73 604 140,00	35 280 315,00
Receivable from exchange transaction	22 765 053,00	21 672 305,00	27 926 164,00	22 729 502,00	26 541 938,00
VAT receivable	58 321 136,00	50 689 545,00	15 775 108,00	13 450 693,00	27 027 163,00
Consumer debtors	67 957 877,00	78 857 935,00	75 798 945,00	118 662 110,00	161 607 870,00
Other receivables	21 332,00	2 827 129,00	4 600 249,00	3 027 828,00	24 987,00
Cash and cash equivalent	65 040 858,00	58 296 126,00	49 657 662,00	30 500 019,00	25 568 909,00
Total Current Assets	318 149 158,00	276 189 347,00	252 938 926,00	261 974 292,00	276 051 182,00
Non-Current Assets:					
Investment property	60 814 598,00	48 524 161,00	46 210 660,00	46 279 402,00	89 761 377,00
Property, plant and equipment	6 436 734 046,00	6 449 956 611,00	6 358 939 966,00	5 940 063 360,00	5 566 796 047,00
Intangible assets	763 104,00	763 104,00	763 104,00	763 104,00	4 578 555,00
Heritage assets	0,00	0,00	5 995 054,00	10 818 477,00	10 824 777,00
Other financial assets	21 623 223,00	16 377 449,00	24 016 041,00	25 796 965,00	27 692 322,00
Security deposit paid to Eskom	0,00	0,00	0,00	0,00	15 000 000,00
Other receivables	231 914,00	209 709,00	186 599,00	162 548,00	147 640,00
Nature reserve - Wild stock	0,00	0,00	2 027 613,00	1 959 566,00	2 554 281,00
Total Non- Current	6 520 166 885,00	6 515 831 034,00	6 438 139 037,00	6 025 843 422,00	5 717 354 999,00

Extract from a summary Balance Sheet of the City of Matlosana for the past five years 2012 to 2016					
Item	2012	2013	2014	2015	2016
Assets					
Total Assets	6 838 316 043,00	6 792 020 381,00	6 691 077 963,00	6 287 817 714,00	5 993 406 181,00
Other financial liabilities	18 811 198,00	17 003 821,00	14 706 478,00	13 109 542,00	13 109 542,00
Payables from exchange transactions	304 565 231,00	366 069 346,00	503 497 110,00	534 351 922,00	544 856 815,00
Unspent conditional grants and receipts	76 044 287,00	98 790 674,00	55 521 712,00	14 067 069,00	10 616 126,00
Provisions	15 012 048,00	14 402 818,00	13 533 648,00	12 445 579,00	12 546 570,00
Consumer deposits	23 312 820,00	39 705 014,00	16 678 404,00	22 947 417,00	29 309 017,00
National Treasury Liability	0,00	0,00	40 100 000,00	0,00	16 596,00
Total current liabilities	437 745 584,00	535 971 673,00	644 037 352,00	596 921 529,00	610 454 666,00
Non-Current Liabilities:					
Other financial liabilities	128 239 941,00	124 839 009,00	128 939 305,00	115 829 754,00	102 720 212,00
Provisions	246 956 408,00	276 580 542,00	243 462 265,00	267 491 759,00	253 637 219,00
Total Non-Current Liabilities	375 196 349,00	401 419 551,00	372 401 570,00	383 321 513,00	356 357 431,00
Total Liabilities	812 941 933,00	937 391 224,00	1 016 438 922,00	980 243 042,00	966 812 097,00
Net Assets	6 025 374 110,00	5 854 629 157,00	5 674 639 041,00	5 307 574 672,00	5 026 594 084,00
Reserves	5 125 928,00	5 125 928,00	0,00	0,00	0,00
Accumulated Surplus	5 972 884 110,00	5 852 844 877,00	5 674 639 041,00	5 321 251 142,00	5 013 017 614,00

Table 5.5: Grants and subsidies from 2012 up to 2016

Grants and subsidies from 2012 up to 2016					
	2012	2013	2014	2015	2016
Equitable Share	298 960 000,00	335 773 000,00	337 085 000,00	339 136 000,00	339 737 000,00
MIG	49 887 290,00	89 496 386,00	122 716 284,00	57 692 705,00	100 263 395,00
NERSA	258 078,00	8 984 104,00	0,00		
FMG	1 838 244,00	1 004 466,00	1 802 242,00	1 600 834,00	1 673 930,00
MSIG	481 297,00	800 000,00	660 379,00	798 886,00	935 210,00
Fire Grant	805 094,00	447 988,00	0,00	0,00	0,00
Library Grant	305 994,00	8 800,00	364 692,00	225 531,00	607 834,00
District Grant	0,00	0,00	12 223 105,00	0,00	0,00
District MEYMP	0,00	2 786 824,00	2 800 000,00	0,00	0,00
EPWP	0,00	1 840 000,00	1 000 026,00	830 064,00	3 388 981,00
NDPG Grants	0,00	0,00	0,00	15 028 330,00	0,00
Museum Grants	0,00	0,00	0,00	92 650,00	99 998,00
Total	352 535 997,00	441 141 568,00	478 651 728,00	415 405 000,00	446 706 348,00

Table 5.6: Infrastructure Cost and carrying amount (2012-2016)

Infrastructure	2 011	2012	2013	2014	2015	2016
Costs	2413179784	9 492 333 065	10 007 141 947	10 330 542 874	10 270 053 843	10 345 967 738
Carrying Amount	1833564193	5 146 115 210	5 165 027 703	5 152 710 296	4 809 128 299	4 521 431 234

APPENDIX G: LETTER OF EDITING



Office: 0183892451

FACULTY OF EDUCATION

Cell: 0729116600

Date: 30th Oct, 2018

TO WHOM IT MAY CONCERN

CERTIFICATE OF EDITING

I, Muchativugwa Liberty Hove, confirm and certify that I have read and edited the entire mini-dissertation, **ASSESSING FINANCIAL VIABILITY OF CITY OF MATLOSANA: A CASE STUDY** by **Masego Patricia Gladys Gaaname, Student Number 1249701**, submitted in partial fulfilment of the requirements for the degree of Master of Business Administration, North-West University, Mafikeng Campus.

Masego Patricia Gladys was supervised by **Dr S. Dumisani Jantjies**.

I hold a PhD in English Language and Literature in English and am qualified to edit such a thesis for cohesion and coherence. The views expressed herein, however, remain those of the researcher/s.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Liberty Hove', is written over a light blue horizontal line.

Dr M.L. Hove (PhD, MA, PGDE, PGCE, BA Honours – English)

