

**ANALYSIS OF MUNICIPAL DEMARCATION ON FINANCIAL NON-
VIABILITY OF THE VHEMBE DISTRICT MUNICIPALITY**

by

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**ANALYSIS OF MUNICIPAL DEMARCATION ON FINANCIAL NON-
VIABILITY OF THE VHEMBE DISTRICT MUNICIPALITY**

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LIST OF ABBREVIATIONS

ANC	African National Congress
AUC	African Union Commission
BLA	Black Local Authority
CoGTA	Cooperative Governance and Traditional Affairs
DPME	Department of Planning, Monitoring and Evaluation
FFC	Financial and Fiscal Commission
HR	Human resource
IDP	Integrated Development Plan
IRFA	Intergovernmental Relations Framework Act
MDB	Municipal Demarcation Board
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MINMEC	Ministers and Members of Executive Councils
NDP	National Development Plan
NPC	National Planning Commission
OECD	Organization for Economic Co-operation and Development
ROA	Return on assets
ROE	Return on equity
RSA	Republic of South Africa
SALGA	South African Local Government Association
SCM	Supply chain management
SPLUMA	Spatial Planning and Land Use Management Act
SPSS	Statistical Package for the Social Sciences
Stats SA	Statistics South Africa
UK	United Kingdom
UN	United Nations
UNISA	University of South Africa
USA	United States of America
WLA	White Local Authority

PROOFREAD LETTER



26 July 2019

To whom it may concern

Re: Proofreading and academic editing: Mr P.S. Raseala

I, J.L. van Aswegen of Grammar Guardians, hereby confirm proofreading and academic editing of the thesis titled "Analysis of Municipal Demarcation on Financial Non-Viability of the Vhembe District Municipality" by Mr Promise S. Raseala in June/July 2019.

Please contact me on +2782 811 6857 or at jeanne@grammarguardians.co.za regarding any queries that may arise.

Kind regards,

A handwritten signature in black ink, appearing to read "J.L. van Aswegen", with a long horizontal flourish extending to the right.

J.L. van Aswegen

Grammar Guardians

DEDICATION

This thesis is dedicated to my son, **Khutjo Motheo Raseala**, who was born during the proposal phase, in the formative year of the study, in February 2016. It was during this time that I had to navigate being a parent and a student at the same time. This is for you, my boy. I know this thesis took the time and space that you, my boy, should have enjoyed with “papa”. Thank you for making me appreciate life and have a purpose to work harder for you, my boy, to have a better future.

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ABSTRACT

This study investigates whether municipal demarcation addressed the challenge of financial non-viability in the Thulamela and Makhado local municipalities and the Vhembe District Municipality. The study also seeks to establish the main causes of demarcation disputes and whether the Municipal Demarcation Board (MDB) consulted the villagers in the Vuwani and Malamulele areas. The study examines whether financial viability is the sole or core factor in determining municipal boundaries.

The study opted for a mixed-methods research approach using positivism and interpretivism research philosophies, including key informant interviews with municipal officials of Thulamela and Makhado local municipalities and the Vhembe District Municipality and a survey of households in the Vuwani area (previously under Makhado Local Municipality) and the Malamulele area (previously under Thulamela Local Municipality). The data were complemented by documentary analysis, including annual reports, financial statements, literature review, and legislation pertaining to financial management and local government.

The study provides empirical insights into the relationship between municipal boundary demarcation and financial viability. It suggests that municipal boundary demarcation did not address the challenge of financial non-viability in the Vhembe District. The study also provides that the MDB did consult the villagers of the Vuwani area and that the main causes of demarcation disputes were the location of the newly established Collins Chabane Local Municipality. The study recommends that the South African government and the MDB should consider other factors provided for in the Local Government: Municipal Demarcation Act when demarcation decisions are made and that financial viability cannot be used to trump other factors in the restructuring of local government.

The implications of this is that the government must address service delivery challenges in the Malamulele and Vuwani areas and that municipal demarcation cannot be used as a solution for financial challenges, especially in rural municipalities. The study includes implications that the MDB can explore other methods to foster

stakeholder engagement and public participation. The study contributes to the body of knowledge within the sub-area of financial viability and public participation in the discipline of Public Administration and Management.

CHAPTER 1

INTRODUCTION

Demarcation is a contentious issue in South Africa; for example, in Matatiele, where the township was transferred from KwaZulu-Natal to the Eastern Cape province in a cross-border boundary demarcation. This decision by the Municipal Demarcation Board (MDB) led to a dispute and community protests and violence erupted in the area. Another demarcation issue that led to violent protests was Khutsong, where the disputes centred around the objection to the decision by the MDB to incorporate the area into the North West province, while the community wanted to remain in the Gauteng province. The relocation of the areas Moutse 1 and Moutse 3 from the province of Mpumalanga to the province of Limpopo also caused community protests and residents asserted that the redetermination of boundaries concerned had the effect of breaking up contiguous areas that have a shared history and infrastructure (Constitutional Court of Republic of South Africa 2011:para. 10).

It should be noted that municipalities that lack sound financial management systems would be forced to discontinue their operations. Municipalities that are small and rural are not self-sufficient and it is often argued that they rely heavily on grants and transfers to satisfy their immediate short-term goal of providing basic services to satisfy the needs of their communities. Therefore, finance is regarded as an overriding and decisive factor to determine the viability of municipalities. Section 152(1) of the Constitution of the Republic of South Africa (1996) states, among others, that local government should ensure the provision of 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 challenge faced by local government at present, particularly at municipal level, is to develop a governance system through demarcation of municipalities that will establish a structure to improve the provision of service delivery to the people of South Africa. Since the dawn of democracy in 1994, the living conditions of most South

African people have substantially improved; however, more still needs to be done to fast-track service delivery in rural areas and informal settlements. The demarcation of municipalities is central to ensuring that the local governance spatial planning of the apartheid government is dismantled and that a new developmental municipal structure is established whereby local communities can be involved in the economic activities of their respective areas.

1.1 BACKGROUND AND RATIONALE FOR THE STUDY

The Limpopo province currently comprises five district municipalities, namely Mopani, Capricorn, Waterberg, Vhembe, and Greater Sekhukhune. It should be noted that each of these five district municipalities comprises between four and six local municipalities. The Vhembe District Municipality is the unit of analysis of this study and is of concern with regard to demarcation. It previously comprised four local municipalities, namely Musina, Mutale, Thulamela, and Makhado. The MDB's demarcation decision disestablished the Mutale Local Municipality and established a new municipality, which is called Collins Chabane Local Municipality (LIM345), which comprises portions of the Thulamela and Makhado local municipalities. The implementation of the demarcation decision resulted in the disestablishment of the Mutale Local Municipality, while retaining the four local municipality model of the Vhembe District Municipality (High Court of the Republic of South Africa 2016: para. 9-10).

During 2014, the Minister of Cooperative Governance and Traditional Affairs (CoGTA), Mr Pravin Gordhan, made the decision to undertake a review of South Africa's 278 municipalities. The findings of the review were set out in a document titled *Back to Basics Approach*, which was subsequently presented by his department at the Presidential Local Government Summit on 18 September 2014. The 2014 review of municipalities revealed that certain municipalities were dysfunctional and needed urgent intervention for them to function properly. The document stated that they faced challenges of endemic corruption, dysfunctional councils, and poor financial management, among others (CoGTA 2014:13).

Accordingly, the *Back to Basics Approach* recommended a number of strategies to address the dysfunctionality of these municipalities, including whether some should be redemarcated in order to improve their functionality and economic viability. The recommendation was outlined in the *Memorandum Framework for Municipal Demarcation Based on the Functionality, Viability and Sustainability of Municipalities*, dated 7 January 2015. This memorandum served as a framework that sought to suggest that municipalities that are weak in terms of sustainability and functionality are likely candidates for redemarcation. Furthermore, the framework suggests that this could take the form of amalgamation with other municipalities or being designated as District Management Areas (CoGTA 2014:15).

On 4 December 2014, the minister held a Ministers and Members of Executive Councils (MINMEC) meeting where it was resolved that provinces should provide a list of municipalities to be considered for determination or redetermination in order to make them more functional and viable. Responses were received from seven provinces, including Limpopo. The minister took these responses into consideration when he submitted a request to the MDB on 13 January 2015 to consider the redetermination of the boundaries of a number of municipalities. The minister's request to the MDB was made in terms of section 22 of the Local Government: Municipal Demarcation Act, No. 27 of 1998 (hereafter referred to as the Demarcation Act) (Republic of South Africa [RSA] 1998b:sec. 22).

Many municipalities in South Africa have not been able to fulfil their constitutional mandate. In 2015, the Minister of CoGTA proposed the amalgamation of municipalities in order to deal with challenges of financially unviable and dysfunctional municipalities. As noted above, the findings of the review of municipalities revealed that a third of municipalities were dysfunctional, while another third were at risk of being dysfunctional, and the remaining third were functional (CoGTA 2015a:8). The Minister's proposal served as a point of departure from the existing approach to local government demarcations because, for the first time, municipal financial viability and functionality were placed at the centre of boundary changes. In essence, demarcation was to be used as an instrument for creating more financially viable and functional municipalities (Financial and Fiscal Commission [FFC] 2016). It needs to be stated

that municipalities that are not financially viable and sustainable will always struggle to deliver basic services to communities (MacLean 2012:iv).

The MDB was established in 1998 to address the spatial reorganisation of the local government system in South Africa. The Demarcation Act regulates the MDB. The MDB is an independent authority and is responsible for the determination of municipal boundaries, under the protection of section 3 of the Demarcation Act and various Constitutional Court judgements. Furthermore, the MDB is also responsible for changing or redemarcating municipal boundaries, declaring District Management Areas and local wards, advising the Members of the Executive Council (MECs) on the adjustments of the municipal functions, and assessing the capacity and performance functions of municipalities (Nxumalo 2013:76). In South Africa, many disputes arise due to policy turnaround by government amendments in the passing of legislation without consulting affected communities (Mavungu 2011:21). The notion is evident in the cases of provincial boundary demarcation in Matatiele, Merafong, and Moutse, and it demonstrates the narrative that the government generally does not prioritise sustainable policy frameworks when implementing policy (Mavungu 2011:24). Mavungu (2011:21) argues that procedural shortcomings have resulted in problematic demarcations that require interventions.

The Demarcation Act of 1998 allows the MDB to determine or redetermine a boundary on its own initiative or at the request of the Minister for Provincial and Local Government or the MEC responsible for local government in a province or municipality. It is important to indicate that where a municipality requests the MDB to determine or redetermine a boundary, that municipality must obtain the concurrence of any other municipality affected by the proposed determination or redetermination. The legislation also outlines that where a request is received from a person or institution other than a minister of provincial or local government or the MEC responsible for local government in a province or a municipality, the MDB can deal with it on its own initiative (MDB 2015a).

Before the MDB can consider any determination or redetermination of a boundary, it is required to publish a section 26 notice in a newspaper circulating in the same areas

of the affected municipalities to inform all parties of its intentions to consider the matter. The MDB must also invite written representations and views from the public within a specified period, which may not be shorter than 21 days (MDB 2015a).

The MDB's work has focused predominantly on three broad types of outer boundary redeterminations since the completion of demarcation of wall-to-wall municipalities in the year 2000. These outer boundary redeterminations comprise (a) technical and minor boundary redeterminations, (b) consolidations and annexations, and (c) amalgamation and recategorisation. Technical and minor boundary redeterminations deal with a small-scale boundary adjustment or boundary alignment with a minor impact on the geographical area (MDB 2015a). Consolidations and annexations are likely to affect ward arrangements, but their primary aim is to correct boundary inconsistencies that affect service delivery and integration of communities and economies. Amalgamations and categorisation entail a major and large-scale boundary redetermination and have a significant impact on the geographic area, the voters, and the capacity of the affected municipalities to perform their duties and functions. The outcome may include merging of municipalities or splitting of municipal areas, which may require the MEC to establish a new municipality (MDB 2015a).

On 21 December 2009, the Malamulele Community Development Forum submitted a request for boundary redetermination to the MDB. Furthermore, the Thulamela Local Municipality resubmitted the request on 14 December 2014 at the request of the Malamulele Demarcation Task Team by excluding the Malamulele area and determining this area as a separate Category B municipality in the Vhembe District (MDB 2015a). It is argued that different community representatives submitted documents and memoranda to different authorities to support the proposed boundary redetermination and raised a number of issues, which included:

- lack of consultation during the demarcation process in 1999/2000;
- poor service delivery by the Thulamela Local Municipality;
- discrimination against the Greater Malamulele area;
- the population size of the Greater Malamulele area compared to some municipalities in the Limpopo province, for example Bela-Bela and Mutale municipalities; and

- various government departments have satellite offices in the Malamulele area, whereas this is not the case in many of the existing smaller municipalities (MDB 2015a).

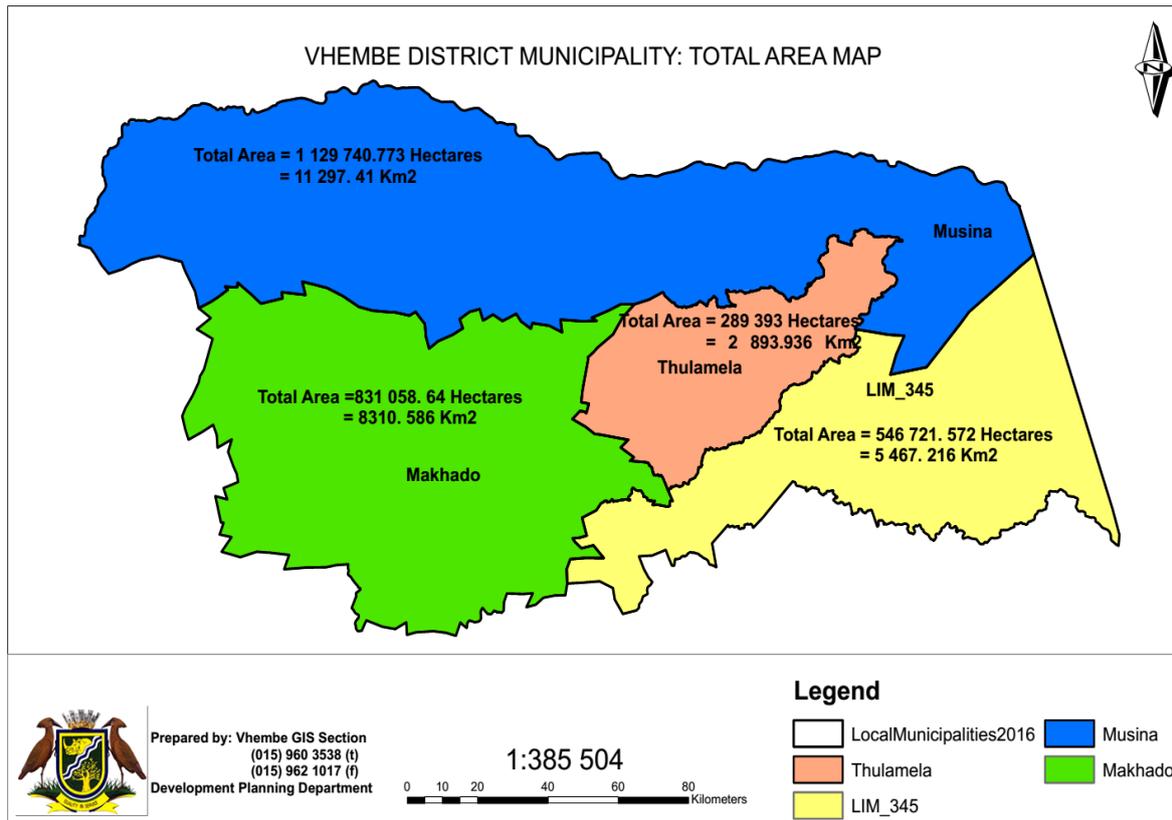
On 29 January 2015, the MDB released its report on the feasibility study for the proposed boundary redetermination of the Malamulele area and determining this area as a separate Category B municipality in the Vhembe District. The report concluded and recommended that the Demarcation Act does not differentiate between municipalities due to size or location. It can be said that the argument that the Greater Malamulele area has a bigger population or geographic area compared to some of the existing municipalities is not regarded as a municipal demarcation issue (MDB 2015b).

The report further concluded that the proposed boundary redetermination of the Thulamela Local Municipality boundary by excluding Malamulele and determining the area as a separate Category B municipality within the Vhembe District was not consistent with the demarcation objectives (MDB 2015b). Regarding service delivery, the report recommended that the MDB should refer the service delivery concerns of the Malamulele community to CoGTA and also concluded that service delivery concerns are not sufficient motivation for boundary redetermination (MDB 2015b).

The rationale for this study is that there were media reports in 2014 that the community of Malamulele protested about lack of service delivery in their area. The protesters accused the Thulamela Local Municipality, among others, of not improving the Malamulele area and rather focusing on areas in which residents are from Venda-speaking tribes and neglecting the areas where residents from Xitsonga-speaking tribes live. The residents of the Malamulele area demanded that a stand-alone municipality be established in order to resolve their service delivery issues. In April and May 2016, the community of the Vuwani area in the Limpopo province went on a rampage, vandalising public property, which included burning local schools, looting shops, and burning community building structures. The communities were protesting against the decision by the MDB and Vhembe District Municipality to incorporate the Masia, Mashau, Masakona, Tshikonelo, Davhana, Mulendze, Tshimbupfe, Vyeboom, and Sinthumule villages (mostly Venda speaking) (which previously fell under the

Thulamela and Makhado local municipalities respectively) into the new LIM 345 Local Municipality. According to media reports, the community of the Vuwani area did not want to be part of the new LIM245 Local Municipality and instead wanted to be part of Makhado Local Municipality. The researcher therefore seeks to unpack whether demarcation addressed the challenges of financial non-viability in the Vhembe District Municipality.

Figure 1.1: Vhembe District Municipality centralised map



Source: Vhembe District Municipality (2017)

1.2 PROBLEM STATEMENT

In July 2015, a demarcation decision was made by the MDB to grant the Malamulele community a stand-alone local municipality, which was previously under the Thulamela Local Municipality within the Vhembe District Municipality. The decision led to violent demarcation protests by eight villages in the Vuwani area, namely Vyeboom, Tshikonelo, Mulenzhe, Mashau, Davhana, Tshimbupfe, Sinthumule, and Masakona within the Makhado Local Municipality. The decision of the MDB for demarcation in

the Vhembe District Municipality formed part of the request by the Minister of CoGTA to redetermine the boundaries of municipalities that are financially non-viable in terms of performing service delivery functions to the community. The problem is that the abovementioned eight villages did not want to be part of the newly established local municipality created by the MDB, namely the Collins Chabane Local Municipality. Therefore, the eight villages were opposed to the demarcation decision to move them to Collins Chabane Local Municipality.

1.3 RESEARCH QUESTIONS

The main research problem and aim of this study is to investigate whether municipal demarcation would address the challenge of financial non-viability of municipalities. Therefore, the research questions emanating from the problem statement and which are addressed by this study are as follows:

- What are the causes of demarcation disputes in the Vhembe District Municipality?
- To what extent and on which issues were the residents consulted in the demarcation decision process?
- What is the level of service provision and challenges in the Vhembe District Municipality?
- Did municipal redetermination in the Vhembe District Municipality address the challenge of financial non-viability?
- Is financial viability the sole or core factor in determining municipal boundaries?

1.4 RESEARCH OBJECTIVES

The aim of this study is to investigate municipal demarcation decision challenges on financial non-viability of the Vhembe District Municipality. Therefore, the following research objectives are imperative for the study:

- To investigate the causes of demarcation disputes in the Vhembe District Municipality.
- To investigate the extent to which the villagers were consulted in the demarcation decision process.

- To evaluate the level of service provision and possible challenges in the Vhembe District Municipality.
- To investigate whether municipal redetermination in the Vhembe District Municipality addressed the challenge of financial non-viability.
- To recommend proposals on factors to consider when determining municipal boundaries.

1.5 RESEARCH METHODOLOGY

Research methodology can be defined as the study of the logic or rationale underlying the implementation of the scientific approach to a study of reality (Mouton 1989:9).

1.5.1 Research design

According to Huysamen (1996:5), a research design is a plan that specifies how research participants are going to be obtained and what is going to be done with them with the view of reaching conclusions about the research problem. A research design shows how the data will be collected and analysed with the aim to combine relevance with the research purpose. A research design is a plan on how one intends to conduct research (Mouton 2001:25). According to Auriacombe (2015:11), a research design seeks to indicate what type of study will be undertaken to provide acceptable answers to the research problem or questions.

1.5.2 Research methodology

Sadan (2014:254) states that “mixed-methods research is a design for collection, analysing, and mixing both qualitative and quantitative research (and data) in a single study or series of studies to understand a research problem.” Green, Duan, Gibbons, Hoagwood, Palinkas and Wisdom (2015:509) note that when mixed methods are applied in conducting research, both qualitative and quantitative data can be integrated or mixed at multiple stages. The integration can be done at the time of data collection, during data analysis, or during interpretation. This can also be done differently depending on whether the research or study collects qualitative and

quantitative data in sequence or at the same time, and depending on the extent to which the study emphasises technique.

One of the key benefits of applying a mixed-methods design is that qualitative data can be analysed to support later quantitative data-collection processes. Furthermore, in instances where qualitative data are collected simultaneously with quantitative data, they could be analysed to interpret quantitative results. It is important to mention that when both qualitative and quantitative data are collected at the same time, they may also be analysed together, with the emphasis that each dataset will inform the other (Green *et al.* 2015:590). Kelle (2006:307) argues that the benefit of combining qualitative and quantitative research methods is that it could help to practically overcome the limitations and to solve the problems of mono-research.

According to Halcomb and Hilckman (2015: 40), mixed methods offer researchers a methodology to address complex issues, which are more detailed than could be achieved by either qualitative or quantitative research methods alone. The emphasis is that the mixing of qualitative and quantitative methods within a study is an important aspect of mixed-methods research. Simons and Lathlean (2010) and Maudsley (2011) (both cited in Halcomb & Hilckman 2015:41) are of the view that qualitative and quantitative elements are connected during mixing to provide an integrated response to the research question that is more intense than would be possible by either method alone. Creswell and Plano Clark (2011 in Halcomb & Hickman 2015:42) caution that the decision to apply a mixed-methods design should rely on the additional value that using both qualitative and quantitative methods of data collection would provide, which cannot be obtained using a single method of data collection. According to Halcomb and Hilckman (2015:43), the following are the main reasons for using mixed methods:

- Corroboration, which can be achieved by using the results of one method to back up or substantiate the findings of another method.
- Complementary: Using the results of one method to explain, enhance, or clarify the results of another method. With respect to the process that is going to be followed, quantitative results provide outcomes, while qualitative results provide the processes. Regarding unexpected results, the argument is that surprising results obtained from one method might be explained by the other method.

- Confirmation: Quantitative results will test hypotheses generated by qualitative findings.
- Development: The utilisation of the results of one method to inform another method. Qualitative results could be used to develop a quantitative instrument, and then the quantitative instrument is tested.
- Sampling: One sampling approach enables sampling for the other approach.
- Initiation: Initiating the utilisation of one method to uncover the paradoxes and contradictions in the findings of another method.
- Expansion: The expansion of the depth and breadth of the study by different methods for various components of the research.

Sadan (2014:255) notes that the following are the rationale for using mixed methods in research:

- Participant enrichment with the possibility of optimising samples;
- Instrument fidelity, which emphasises the maximisation of the appropriateness and utility of instruments;
- Treatment integrity, which assesses the fidelity of interventions; and
- Significance enhancement, which maximises the interpretation of data.

1.5.3 Vhembe District Municipality's case study approach

According to Burns (2000:461), case studies can serve many purposes; however, most case studies are based on the proposition that a case can be located that is typical of many other cases. Burns (2000: 461) also argues that once a case has been studied, it can provide insight into the class of events from which the case was drawn. This study selected the Vhembe District Municipality as the unit of analysis from which data were collected, analysed, and interpreted in order to write a report. Welman, Kruger and Mitchell (2007:193) argue that a case study requires that a limited number of units of analysis (often only one) are studied intensively. Furthermore, the study recognises that the case study method was chosen in order to limit time and financial constraints. In addition, the case study was chosen because it appears to represent many other similar cases in the South African context with respect to municipal boundary demarcation.

In addition, the study was limited to two local municipalities. The Thulamela Local Municipality is one of the four local municipalities comprising Vhembe District Municipality. The relevance of this municipality as a unit of analysis is mainly because the Malamulele area, which is part of the study, was under the Thulamela Local Municipality and was affected by the demarcation decision. Furthermore, the Makhado Local Municipality is also one of the four local municipalities within the Vhembe District Municipality and formed part of the study because the Vuwani area was under its jurisdiction and was also affected by the demarcation decision.

1.5.3.1 Survey

According to Galliers (1991:150), surveys enable a researcher to obtain data about practices, situations, or views at one point in time through questionnaires. In surveys, quantitative analytical techniques are used to draw inferences from the data regarding existing relationships. It should be noted that the benefit of using a survey is that it allows a researcher to study more variables at one time. Therefore, this study involved conducting a survey through the distribution of questionnaires among 391 households in the Vuwani and Malamulele areas respectively in order to understand the causes of demarcation disputes in the areas and to assess the level of service delivery (see Annexure A).

1.5.4 Target research population and sampling

It is important in sampling to first define a target population; this population comprises a set of units. A population is sampled by taking a subset of its units of a defined total population (Webster & Oliver 2007:28). Webster and Oliver (2007:28) assert that random sampling is regarded as the simplest form of design, whereby every unit in the sample is chosen without regard to any other, and all units have the same chance of selection.

According to Statistics South Africa (Stats SA 2016), the Vhembe District Municipality has a total population of 1 393 949 people. The Vhembe District has 382 358 households. The Vhembe District Municipality comprises four local municipalities, namely Thulamela Local Municipality, which has a total population of 497 237 people and 130 321 households; Makhado Local Municipality, which has a total population of 416 728 people and 116 371 households; Musina Local Municipality, with a total population of 132 009 people and 43 730 households; and Mutale Local Municipality. It is noteworthy to mention that Mutale Local Municipality was de-established by the MDB in 2015, and the MDB established the LIM345 Collins Chabane Local Municipality. After the August 2016 local government election, this municipality became the fourth local municipality in the Vhembe District, with 347 974 people in 91 936 households (Vhembe District Municipality 2017:14).

This study focuses on the Makhado Local Municipality, with specific reference to the Vuwani area, and the Thulamela Local Municipality, with specific reference to the Malamulele area, within the Vhembe District Municipality. The Vuwani area has a population of 2 710 people and 710 households, and the Malamulele area has a total population of 13 070 people and 3 205 households (Vhembe District Municipality 2017:14). The study also used villages as a sample, of which there are 38 villages in the Vuwani area and 82 villages in the Malamulele area. Therefore, the data-collection method constituted sampling households, reviewing secondary data, making observations, conducting interviews, and distributing questionnaires (survey).

The nature of the group involved in this study is as follows. Group 1: households in the Vuwani area (under the Makhado Local Municipality) and the Malamulele area (under the Thulamela Local Municipality) within the Vhembe District Municipality. In Group 1, the site population of study was the following: there are 710 households in the Vuwani area and 3 205 households in the Malamulele area, and in the total population there are 3 915 households. The sample size was 391 households using random and purposive sampling.

The justification of the sample size in Group 1 is that the researcher took 10% of 710 households in the Vuwani area and 10% of the 3 205 households in the Malamulele

area. The rationale for the sample is because generally in research, 5% is deemed an acceptable representation of the population. However, scholars nowadays usually take 10%. Therefore, the researcher deemed 10% as an appropriate proportion of representation for the nature of this study.

In Group 2, the following officials were involved: municipal officials from the Vhembe District Municipality and the Thulamela and Makhado local municipalities. The population in Group 2 was as follows: 614 municipal officials in the Vhembe District Municipality, 600 in the Makhado Local Municipality, and 744 in the Thulamela Local Municipality. The sample size of this group comprised 195 municipal officials using the purposive sampling method.

In Group 2, the Vhembe District Municipality has 614 municipal officials, of which the researcher took 10% of 614 (61 municipal officials); the same was applied in the Makhado Local Municipality, where 10% of 600 (60 municipal officials) and 10% of 744 (74 municipal officials) were taken. The rationale for the sample is also because generally in research, 5% is deemed an acceptable representation of the population but the more standard representation at present is 10%; therefore, the researcher deemed 10% as an appropriate proportion of representation for the nature of this study.

1.5.5 Data and information collection

This study is based on both qualitative and quantitative data collection and analysis. A mix of qualitative and quantitative methods and attendant techniques were employed in data collection and analysis. Qualitative data were collected largely using literature review, case studies, and participatory research methods, such as semi-structured interviews with key stakeholders, including key informant interviews with municipal officials within the Vhembe District Municipality and the Thulamela and Makhado local municipalities. Quantitative data were collected using a suite of methods and tools, such as simple survey questionnaires administered among households in the Makhado Local Municipality (Vuwani area) and Thulamela Local

Municipality (Malamulele area) within the Vhembe District Municipality, as well as analyses of financial information such as income statements, revenue and expenditure reports, and Auditor-General financial reports for the Vhembe District Municipality and the Thulamela and Makhado local municipalities.

The rationale for employing mixed-methods research, comprising of mixed qualitative and quantitative methods, largely emanated from the inadequacy of either to provide a comprehensive set of data that would “tell the whole story” of the analysis of municipal demarcation decision challenges on financial non-viability in the Vhembe District Municipality. In addition, the justification for mixing the two methods is for leveraging complementarities, filling the gaps of one by the other, and serving the purpose of triangulation of data and findings. Qualitative data were mainly collected through secondary sources. Qualitative data were collected before the quantitative data in order to contextualise and compare case studies.

1.5.6 Data analysis

According to Auriacombe (2015:8), data analysis indicates how the data of a study are going to be used for analysis and to draw conclusions from the findings of a study. The researcher employed a systematic approach to analyse each piece of data. The content of text documents was analysed by finding meanings and the context of information to enable the researcher to write and report such in the context, as the respondents would provide it. The collected data from the case studies were analysed and interpreted and discussed in a flow model. This type of model suits qualitative data analysis.

According to Bryman and Hardy (2004:532), qualitative data analysis involves using diagrams and tables to display data. A matrix display consists of a table with rows and columns into which, rather than entering numbers, a researcher enters extracts from the data or other textual information. This accordingly helps in both managing the data and thinking about it analytically, to begin the process of data reduction and comparison. In this regard, a flow model implies a systematic way of data analysis and

interpretation. It applies a deductive approach to develop clear and meaningful information.

The researcher further analysed quantitative statistical data using tables and graphs to interpret the meaning of the numbers and statistics used in the study. Denicolo and Becker (2012:65) argue that in presenting and analysing quantitative results, the data are likely to include information that can be presented as descriptive statistics. However, the results must be subjected to statistical analysis in order to determine whether any effects could have occurred by chance.

1.6 RATIONALE FOR THE STUDY

This study will contribute positively to the field of Public Administration, especially local government administration. This study seeks to investigate and determine whether municipal demarcation can resolve the challenges that are faced by municipalities. A number of studies have been undertaken, which presented data such as the non-financial viability of approximately a third of municipalities across South Africa. These studies found that these municipalities are dysfunctional. In addition, the studies have also found that several municipalities were not financially viable due to their geographical location.

Most of the local municipalities in South Africa struggle to meet their mandate of providing basic services to communities. This study will further contribute to the field of Public Administration by investigating whether municipal demarcation addresses the challenges of the financial non-viability of municipalities. As such, this study will contribute to the construction of knowledge in the field of Public Administration and Management and other related disciplines. This study should indirectly influence and guide policymakers, traditional leaders, and politicians in ensuring that proper spatial planning and municipal demarcation are structured in a manner that will ensure the delivery of quality basic services at the developmental local government level.

Although various studies have been undertaken on local government in South Africa, research on municipal demarcation decision challenges on financial non-viability in the Vhembe District Municipality has not been conducted before, which makes this study profoundly significant. According to Locke, Spirduso and Silverman (2007:211), the significant objective of this assertion is for readers to realise that a study has the potential to matter in many ways that go beyond the pages of the final report.

1.7 EXPLANATION OF SPECIFIC TERMS AND CONCEPTS

The following concepts or terms are the building blocks of the study and it is critical that they are explained and clarified from the onset.

- **Accountability:** Accountability refers to the notion that governing institutions, the private sector, and civil society organisations must be held accountable by the means of the deployment of certain mechanisms that effectively compel public officials to be competent, honest, and effective in their jobs, and aware of the legitimate needs and demands of the people. It urges them to address citizens' complaints and grievances in a timely, civil, responsible, and satisfactory manner (Bouelangoye 2014:30).
- **Basic municipal service:** According to the Local Government: Municipal Structures Act (No. 117 of 1998) (hereafter referred to as the Municipal Structures Act), a basic municipal service is a municipal service that is necessary to ensure an acceptable and reasonable quality of life.
- **Border:** This refers to a region, zone, or territory straddling a boundary or an area adjacent to a boundary (African Union Commission [AUC] 2012:2).
- **Boundary:** This refers to the line that marks the physical limits of a particular area, region, or province (AUC 2012:2).
- **Community participation:** Community participation is normally associated with the actions of communities, groups, or individuals in relation to the development and promotion of positive change in an existing, less-than-acceptable situation. Furthermore, community participation is local, active, and direct, and communities must be fully involved in the local development process (Raga, Taylor & Gogi 2012:238).

- **Delimitation:** This refers to the legal description of a boundary in a text and/or map (AUC 2012:2).
- **Demarcation:** Demarcation refers to the physical marking of a boundary on the ground by using pillars or beacons and the subsequent production of boundary maps (AUC 2012:2).
- **Functional region or area:** According to Nel, Krygsman and De Jong (2008:134), the concept of a functional region or area refers to an area defined by business and economic activities rather than by administrative or historic boundaries. It can also be defined as an area or locational entity that enjoys more interaction or connection within its boundaries than with outside areas.
- **Geographical area:** A geographical area refers to a demarcated area of the earth (The Free Online Dictionary 2016:1).
- **Governance:** Governance refers to the articulation and putting into action of public policy decisions on the part of the public and private actors instead of only governmental actors (Bouelangoye 2014:22).
- **Municipality:** A municipality refers to an organ of state within the local sphere of government that exercises legislative and executive authority within an area determined in terms of the Demarcation Act (No. 27 of 1998), which consists of a political structure, administration, and community, and functions in accordance with political, statutory, and other relationships between its political structures, political office bearers, administration, and the community. It has a separate legal personality that excludes liability on the part of its community for the actions of the municipality (Chipu 2011:8).
- **Municipal planning:** Municipal planning refers to the zoning of land and the establishment of townships, and includes the control and regulation of municipal land use (Forbes 2011:5).
- **Limpopo:** The name “Limpopo” is derived from the Nguni word “*iLimpopo*”, which means “rapids” or “waterfalls”. It is said to have been given by an army of Mzilikazi on their way to Bulawayo, Zimbabwe (Makiti Guides & Tours 2015:1).
- **Public participation:** Public participation is a process through which stakeholders influence and share control over development initiatives and the decisions and resources that affect them (Raga *et al.* 2012:239).

- **Public administration:** Kuye (2001:14) describes public administration as the management of individual and group efforts for the sustenance of the activities of the state.
- **Vhembe:** Vhembe means “the receiver”, and is the Venda word for Limpopo (Makiti Guides & Tours 2015:4).

1.8 CHAPTER OUTLINE

Chapter 1: Introduction and Background to the Study

Chapter 1 introduces the research study and provides an overview and background of the study. More significantly, it provides an overview of municipal demarcation in the Vhembe District Municipality. The chapter also provides the research questions and research objectives. Chapter 1 also provides explanations and definitions of specific terms that are used in the study in order to provide a clear understanding of the nature and context of the study.

Chapter 2: Literature Review on Municipal Boundary Demarcation

Chapter 2 discusses the literature review on the relationship between municipal boundary demarcation and financial viability. The chapter also provides the theoretical framework and empirical evidence on municipal demarcation decision challenges on financial non-viability in the Vhembe District Municipality.

Chapter 3: Financial Management and Perspectives on Municipal Boundary Demarcation

Chapter 3 provides a theoretical overview of financial management and leadership perspectives on municipal boundary demarcation. The chapter also provides for the operationalisation of theories and information on demarcation, public participation, governance, and financial viability.

Chapter 4: Legislative and Regulatory Frameworks that Underpin Municipal Boundary Demarcation in South Africa

Chapter 4 deals with relevant strategies and legislative frameworks pertaining to the study.

Chapter 5: Research Methodology and Data Collection

Chapter 5 provides a clear explanation of the research design, and the methodology used to collect the primary and secondary data required to be put into perspective regarding municipal demarcation decision challenges on financial non-viability in the Vhembe District Municipality. The chapter also provides a detailed description of how the research population and sampling for the study were drawn. Chapter 5 therefore provides an exploration of the methods and procedures utilised to collect and analyse data.

Chapter 6: Data Interpretation and Analysis of Findings

Chapter 6 deals with data analysis and interpretation regarding municipal demarcation decision challenges on financial non-viability of the Vhembe District Municipality. The chapter also provides an analysis of the research findings.

Chapter 7: Summary, Conclusions, and Recommendations

Chapter 7 is the final chapter of the thesis. It provides a brief summary of the study. In addition, the chapter draws conclusions based on the conceptual framework, the literature review, and the analysis of the empirical data. The chapter provides recommendations in order to assist in resolving the research problem as outlined in Chapter 1.

1.9 ETHICAL CONSIDERATIONS OF THE STUDY

The researcher applied for ethical clearance for the study from the College of Economic and Management Sciences Research and Ethics Committee, University of South Africa (UNISA). The research proposal of this study was approved by the Higher Degrees Committee of UNISA to obtain ethical clearance (see Annexure C).

In order for the researcher to comply with the policies and protocols of the Vhembe District Municipality, authorisation from relevant officials within the municipality was obtained in order to distribute the questionnaires. All ethical procedures were observed. The principles that were observed included those indicated by Beck and Polit (2006:72-74) and Stommel and Wills (2004:377-378), namely beneficence, respect for persons, privacy, and justice.

1.9.1 Informed consent

According to Holzemer (2010:17), informed consent is the foundation of sound ethical research. It gives the participants the opportunity to make informed decisions without coercion and based on complete information. In this study, the researcher explained the research to the prospective participants and respondents before their informed consent was requested in writing. The respondents were treated as independent beings and they were informed that they had the right to withdraw from the research if they so wished, without any restriction or penalty.

1.10 CONCLUSION

This chapter sought to summarise that the researcher aimed to investigate the challenges of municipal demarcation, particularly in the Vhembe District Municipality in the Limpopo province. The chapter also provided a general overview of the current state of local government and municipalities in South Africa. Furthermore, the chapter provided the background of municipal demarcation in South Africa and what the MDB does with respect to boundary determination.

CHAPTER 2

LITERATURE REVIEW ON MUNICIPAL BOUNDARY DEMARCATION IN SOUTH AFRICA

2.1 INTRODUCTION

Chapter 2 focuses on the literature review on municipal boundary demarcation in South Africa of this study. The chapter opens with an introductory statement, followed by the discussion on historical background of demarcation SA, the conceptual analysis of financial viability, demarcation for financial viability or mere reorganisation of municipalities, encouraging public participation in demarcation matters, demarcation for protests or service delivery, international experience of the impact of municipal demarcation on financial viability and past demarcation: lessons learned and conclusion.

In most cases where municipal boundary demarcation has occurred, it was a contentious issue that in some instances led to violent protests; for example, in the Zamdela township, which is located in Sasolburg, Free State province, where the residents objected to the decision of the MDB to merge the Sasolburg-based Metsimaholo Local Municipality with the Parys-based Ngwathe Local Municipality. This decision by the MDB resulted in a dispute and violent community protests erupted as a result. Another demarcation issue that led to violent community protests was in Khutsong, where the dispute was about the objection to the decision of the MDB to incorporate the township into the North West province, while the residents wanted to remain in the Gauteng province.

The MDB and CoGTA aim to establish municipalities that have sound financial management systems. It can therefore be argued that municipalities with a sound financial management status have a better chance of fulfilling their constitutional mandate as enshrined in section 152(1) of the Constitution with regard to ensuring the provision of services to communities in a sustainable manner.

In order to realise this aim, the MDB has embarked on a major demarcation process from 2015 by targeting municipalities that were found by CoGTA to be financially non-viable. This meant that municipalities that had poor financial status had to be redetermined, merged with other municipalities, or entirely disestablished. However, this decision has been met with resistance from some parts of the country. For instance, the focus of this study is the Vhembe District Municipality in the Limpopo province, which is a notable example of a demarcation dispute, which happened after the government made the decision to demarcate municipalities based on financial viability.

Firstly, this chapter begins by providing an overview of the historical context of demarcation in South Africa, followed by a brief overview of local government reform in the country. Thereafter, a conceptual analysis of financial viability is provided. Secondly, the chapter then reviews some literature on the demarcation of municipal boundaries in South Africa using financial viability as the justification for redrawing boundaries. Thirdly, this is followed by the issues of public participation in relation to municipal boundary demarcation in the country. The discussion then focuses on the review of literature on service delivery and community protests and how these shape demarcation matters. Fourthly, the chapter reviews literature on the international experience with the impact of municipal boundary demarcation on financial viability and lessons that South Africa can learn from other countries, such as the United Kingdom (UK), Australia, the United States of America (USA), and Canada. Finally, the chapter reviews literature on the past demarcation experience in South Africa in relation to financial viability and how these previously demarcated municipalities performed financially post demarcation.

2.2 HISTORICAL BACKGROUND OF DEMARCATION IN SOUTH AFRICA

The merging of municipalities in the local government sphere in South Africa is not a new phenomenon. For instance, for much of the period between 1948 and 1994, South Africa experienced decentralisation of local government focused on the demarcation of jurisdictions and organising governance on a racial premise, rather than on the basis

of functional linkages or similar. The racially based decentralised governance system existed as a structure strikingly similar to that of local governments and consisting of two main categories, namely White Local Authorities (WLAs) and Black Local Authorities (BLAs) (Van Rynevald 1996:37).

The WLAs represented the first phase of fiscal decentralisation in South Africa. It was established in the 1900s to cover most of the country's urban areas, and was primarily responsible for providing services to urban white, coloured, and Indian residents in areas outside the homelands (during apartheid Black people were groups according to their tribes, which were called homelands). Since it was designed to service wealthy sections of society at the time, it meant that the WLAs enjoyed a fairly higher degree of fiscal economy. In fact, the issue of viable municipalities comes from the era of WLAs (FFC 2016:3).

The WLAs were "viable" in the sense that they were self-sufficient. They had tax bases (property rates and fees) and thus relied entirely on their own revenues while they served a small section of the population. It can be argued that today it is difficult to compare the same notion of viability as many post-1994 municipalities do not have all revenue bases, and rely heavily on transfers and government grants to serve the entire population of the country (FFC 2016:3-4).

According to the FFC (2016:4), the BLAs' capacity was impaired to develop productive tax bases because the apartheid government imposed economic restrictions on the development of black areas. As a result, there was a lack of resources to upgrade socio-economic infrastructure to promote access to property, quality education, and employment among black populations, which ultimately led to the BLAs generating very little own revenue, operating inefficient fiscal systems, and lacking capacity to provide socio-economic services.

It was clear after the 1995 local government election that the merging of municipalities was a requirement in order to incorporate the inherited apartheid local government era structures. It can be argued that the demarcations of municipalities that occurred in the 1990s had a clear aim, which could be attributed to the 1998 White Paper on Local

Government. It is worth noting that the mergers were meant to deracialise municipalities that had previously been segregated along racial lines and to an extent to redistribute resources from better resourced municipalities to poor municipalities (FFC 2016:4).

Most importantly, the issue of financial viability became a demarcation issue in 2002 when the Presidential Coordinating Council passed a number of resolutions on local government with the aim of building financially viable municipalities (FFC 2016:4). Since the end of apartheid, the number of local government structures has decreased significantly. For instance, in the 1995/1996 local government election, 1 262 local government structures were merged into 843 local authorities (or municipalities).

In 1999, the MDB was established and the number of municipalities were rationalised to 284 in preparation for the 2000 local government election. The number was further decreased to 283 before the 2006 local election, and then to 276 ahead of the 2011 local election. It should be noted that the current local government structure comprises 278 municipalities, consisting of eight metropolitan municipalities, 44 district municipalities, and 226 local municipalities. In 2016, the number of municipalities also declined prior to the 2016 local election, comprising 266 municipalities, which consisted of eight metropolitan municipalities, 43 district municipalities, and 215 local municipalities (MDB 2013).

2.2.1 Segregation and apartheid local government in South Africa

For one to properly understand the history of local government in South Africa, it is important to discuss the segregation and apartheid background as it relates to local government. In 1909, South Africa became a unitary state in terms of the South African Act. This unitary system created a three-tier system of government, namely national, provincial, and local government. In order to define the scope of jurisdiction, local authorities were created by provincial authorities (Cameron 2002:116).

Cameron (2002:116) compares the South African local government system to that of the British model, but points out that, unlike the British system, the South African local government did not provide comprehensive social services such as education and social welfare. Nevertheless, it is worth mentioning that basic services such as water and electricity were major local government functions. Since local authorities were central to the administration of the local government system, the major source of revenue for these local authorities were therefore rates on fixed property and income received from the sale of services such as water, electricity, and gas (Cameron 2002:116).

2.2.2 White Local Authorities (WLAs) and financial viability

Solomon (1983: 89) argues that the financial viability of the local authorities was based on the principle of financial self-sufficiency with grants contributing only a small percentage of the total expenditure. As stated by Solomon (1983:89), the survival of the local government during apartheid was moderately reliant on grants when compared to the current system of local government in the new democratic South Africa. Welsh (1982:101-103) explains that WLAs were required to establish separate locations for black areas and to establish advisory bodies for these areas. Furthermore, they were also required to establish local government boards. As compared to the current local government in the new democratic South Africa, the African National Congress (ANC)-led government attempted to reverse this legacy of segregation and apartheid spatial planning by ensuring that inclusive black areas were created; however, this has proven to be inadequate because most black populations that had settled in the former black townships remain residents of those establishments.

Although one could commend the establishment of the South African Local Government Association (SALGA) to perform functions similar to those of the former local advisory boards, there is little evidence that this institution contributes to strengthening local government and assists to achieve financial viability and partner

with the MDB to create boundaries that are representative of the demographics of South Africa.

As outlined by Solomon (1983:89), the principle of financial self-sufficiency was also applied to black townships. The argument is that most townships remain economically unviable because the majority of the population residing there continues to commute to cities to participate in the economy. Although the MDB has tried to redraw the boundaries of most non-functional and unviable municipalities since 2000, it can be argued that most black townships have not been educated on the impact of demarcation and what the importance is of paying for services that the local government system provides to their communities. For example, Soweto, a black township and one of the oldest in South Africa, in 2016 refused attempts by the City of Johannesburg to introduce prepaid electricity meter boxes in their areas in order to promote a culture of payment for services. The residents maintained that the ANC's 1994 election campaign promised them free electricity, therefore they would not pay for expensive electricity.

As opposed to the current local government system in an attempt to ensure efficiency of the system of governance and proper administration, the WLAs were required to keep a special account, called the National Revenue Account, for black townships under their control (Cameron 2002:44). The WLAs had specific financial controls; for instance, the provincial administrators placed limits on the rates that local authorities were allowed to levy. Moreover, they were not allowed to budget on the operating account and if the budget showed a deficit, the administrator had the power to force the local authority to levy an extraordinary rate.

2.2.3 Local government reform in South Africa

Beal (2005:257) posits that the collapse of apartheid irreversibly changed the face of South African local government. However, Beal (2005:257) states that the democratising of independent political units of government was likely to cause difficulties given South Africa's history as a country divided spatially along racial and

ethnic lines. Beal (2005:257) believes that these divisions were mostly felt at the local government level.

During the time of the negotiated settlement in South Africa, more attention was paid by all parties to the control of the central state and the nature of the provincial government so that local government was at first neglected (Beal 2005:257). Pycroft (2000:145) observes that once the agreement had been reached at the national level on establishing a national constitutional framework for the transition, there was relatively limited time to reach an agreement on a fiscal framework for the new form of local government. Pycroft (2000:145) concedes, however, that the parties agreed to the negotiations that a three-phase process of local government should be introduced to facilitate the move away from segregated spatial planning divided along racial and ethnic lines.

It is worth noting that Chapter 10 of the South African Interim Constitution dealt with local government, and Pycroft (2000: 146) observes that this chapter did little more than create a loose framework for how local government was to operate. Other than the Interim Constitution, other reform measures taken included the Local Government Transition Act (No. 209 of 1993), which became the first post-apartheid legislation that sought to deal with the restructuring of local government in South Africa. The legislation established a three-phase process for restructuring local government. The first phase entailed holding elections for the transitional local councils in 1995/1996, in order to allow continuity of delivery of services until the second phase of local government reform was in place (Pycroft 2000:146).

The second phase dealt with the establishment of the MDB, which followed in 1999 with the intention of redrawing municipal boundaries across the country. Beal (2005:258) feels, however, that the MDB was established as a technical exercise of the local government reform. Moreover, the demarcation process was an intensely political exercise. It can be argued that although the MDB was charged with the responsibility of overcoming the spatial planning legacy of apartheid and racially skewed resource distribution, it can be concluded that it also created room for contestations between the ANC and traditional leaders, who viewed the process as disregarding the boundaries of traditional authorities' areas. The demarcation process

reduced the number of municipalities from 843 to 284 (MDB 1999). The final and third phase of local government saw the establishment of fully-fledged democratic local government followed by the local election in 2000.

Beal (2005:143) confirms that the government at the time acknowledged that the White Paper on Local Government of 1998 was aimed at democratisation and deracialisation of local government, but it should be noted that it was not sufficient to achieve the development aspirations of the government. Madumo (2015:155) states that historically, municipal boundaries in South Africa were structured in accordance with the racial demographics of the population of a particular area. For example, in terms of the Group Areas Act of 1950 (which is now abolished), a specific racial group was not allowed to reside in an area designated for people of a different race.

Madumo (2015: 155) disagrees with Beal (2005: 143) and Pycroft (2000:147) and maintains that since 1994, municipalities have been structured to be people centred, accountable, and democratic, with the goal of providing services to communities in a sustainable manner. Madumo (2015: 155) does not, however, provide more details on how the structuring of municipalities since 1994 is people centred. On the other hand, Pycroft (2000:146) argues that municipalities that were created during the transition phase were faced with a number of complex challenges.

For example, most municipalities have experienced problems associated with administrative staff, such as skills shortages and some of the more skilled and experienced municipal employees have either resigned or retired from the municipalities. With regard to municipal demarcation, Pycroft (2000:145) further contends that the amalgamation of former white municipalities with their neighbouring black townships created a problem of establishing a unified administration; that is, the incorporation of officials from the former BLAs with officials from former white town councils.

Pycroft (2000:146) believes that the amalgamation and rationalisation of administrative structures have consequently led to overstaffing of municipalities and placing a burden on finances of the council. Powell (2012:1) points out that the White

Paper on Local Government brought a new vision of post-apartheid society, because it embodied the concept of developmental local government. Accordingly, it envisaged that the territory of the country would be divided into municipalities, and each municipality would be governed by an elected municipal council.

2.3 THE CONCEPTUAL ANALYSIS OF FINANCIAL VIABILITY

Different authors have different perspectives on the concept of financial viability. Ramphele (2008:1) defines financial viability as the availability and sustainability of revenue sources. Accordingly, the concept financial viability is characterised by availability, viability, and revenue base. Tonderai and Felix (2015:2) assert that financial viability refers to being able to generate sufficient income to meet operating expenses, debt commitments, and, where relevant, to allow growth while maintaining service delivery levels.

According to Lusthaus, Adrien, Anderson, Carden and Mantalvan (2002:142), financial viability is the ability of an organisation to raise the funds required to meet its financial obligations in the short, medium, and long term. Financial viability is essentially about being able to generate sufficient income to meet operational payments, debt commitments, and to allow growth while maintaining service levels. To solve the conceptual confusion that surrounds the concept of financial viability, the definition provided by National Treasury (2017:3) can be used as point of departure for this study, namely that financial viability refers to the sustainability of municipal budgets, and whether a municipality can sustainably meet its expenditure commitments from its own revenues and transfers.

2.4 DEMARCATION FOR FINANCIAL VIABILITY OR MERE REORGANISATION OF MUNICIPALITIES

In 2002, financial viability became a demarcation issue after the Presidential Coordinating Council passed several resolutions on local government; including the need to build financially viable municipalities. Ncube and Monnakgotla (2016:79)

explain that the issue of financial viability is not new but has still not been resolved many years after developing local government.

Ncube and Monnakgotla (2016:75) contend that the merging of financially non-viable municipalities in rural areas, which depend heavily on grants, is not going to assist them to fulfil their constitutional mandate. “The 2016 demarcation was partly motivated by the desire to eliminate dependency and improve municipal functionality” (Ncube & Monnakgotla 2016:75). Municipalities that depend on government grants are financially unviable and this problem can be addressed through demarcation, which is redrawing the boundaries to roughly even out revenue bases.

Ncube and Monnakgotla (2016:77) comment that the notion of a viable municipality comes from the era of WLAs. The WLAs were viable in the sense that they were self-sufficient. They had tax bases (property taxes and fees) and relied entirely on own revenues, but served only a small sector of the population. Ncube and Monnakgotla (2016:86) further claim that it is unlikely that rural municipalities can be self-sufficient and will always be dependent on transfers from the national and provincial government.

Ncube and Monnakgotla (2016:91) believe that municipal boundary demarcation will not make many municipalities viable, or self-sufficient and self-reliant. They maintain that more focus should be on increasing or developing tax bases through economic development rather than demarcating municipalities. Ncube and Monnakgotla (2016:91) also recommend that the funding model for rural municipalities should allow for the existence of municipalities with low revenue bases rather than forcing demarcation. The funding model should differentiate among rural municipalities in terms of their revenue base. Ncube and Monnakgotla (2016:93) conclude that to achieve financial viability, the government should focus on increasing or developing tax bases through economic development rather than merging municipalities.

Cameron and Milne (2013:17) assert that smaller municipalities with populations under 20 000 people are said to be financially unviable. Cameron and Milne (2013:17) further point out that there is a balanced decline in the number of local municipalities in

financial distress in the larger populations. Regarding financial management and audit reports, bigger municipalities perform better than smaller municipalities (Cameron & Milne 2013:18).

Kanyane (2011:940) states that the viability of municipalities, especially rural ones, can be affected by their inability to generate revenue and consequently these municipalities could be stripped of some of their powers. To illustrate this point further, on 23 June 2015 the Mutale Local Municipality in the Vhembe District Municipality was disestablished and its portions incorporated into the areas of the Thulamela and Musina local municipalities (MDB 2015a). One of the reasons for the municipal demarcation was in preparation for the August 2016 local government election due to poor financial management and lack of revenue. The argument is that most of the municipalities in the Vhembe District Municipality are rural and ultimately, by being rural, their revenue collection rate tends to be less, because most of their households do not pay for services. Kanyane (2011: 940) validates the low revenue base of rural municipalities and argues that it is due to limited resources.

2.4.1 Criteria to measure the financial viability of municipalities

Ramphela (2008:3) states that for a municipality to be considered financially viable, it should:

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

On the other hand, Tonderai and Felix (2015:3) suggest that there are several ratios that provide a broader view of the financial position of a municipality. These ratios measure the following: analysis of the income statement of the rate of the general service, analysis of the income statement of the service, percentage and net surplus (or deficit) for all services, analysis of the appropriation section of the income statement, and analysis of the cash flow statement.

Coutinho (2010 in Tonderai & Felix 2015:4) observes that another way that can be used by municipalities to ensure that they remain financially viable is to ensure that consumers pay for the services they receive. Municipalities provide services to consumers on credit, and then send a statement at the end of the month, hoping that consumers will fulfil their obligation of paying for the services from which they have benefited. Measuring how much revenue is tied up in consumers is important as it shows how financially viable a council is. Municipalities calculate this ratio as consumer debt to total income.

In Phatudi's (2010:21) view, there are three dimensions to assess the financial viability of a municipality. The first dimension relates to the ability of a municipality to generate sufficient cash to pay its debts, and this refers to both short-term and long-term cash flow requirements. Phatudi (2010:21) explains that resources are generated through an organisation's ability to create, supply, and deliver products, services, and/or programmes that are useful to customers, clients, or beneficiaries. Phatudi (2010:22) argues that organisations that are unable to meet their short-term obligations present a risk to their creditors, those to whom they provide services, and the people working for the organisation.

The second dimension of assessing financial viability deals with the sources and types of revenues on which an organisation bases its costs. Conventionally, in local municipalities, particularly rural-based municipalities, as echoed by Kanyane (2011:940), their main source of revenue is anticipated from grants and subsidies. The concern addressed by this dimension is the reliability of the flow of funds. With respect to municipalities, the diversity and reliability of different funding sources need to be analysed. Phatudi (2010:22) believes that organisations that rely on a single funding

source encounter more difficulties than organisations with multiple, reliable funding sources.

The third dimension is the ability of an organisation to stay within its allocation. Phatudi (2010:22) challenges whether an organisation is able to manage within its revenue sources without creating a deficit. This dimension focuses on the actual ability to manage a budgeting process, as well as the results of the process. It should be noted that financial viability depends on good financial management practices. This practice is applicable to both private and public sector organisations (Phatudi 2010:22).

Lusthaus *et al.* (2002:126) comment that in a general sense, an organisation is financially viable if it generates enough value (both internally and from external sources) to keep stakeholders committed to the organisation's existence. Phatudi (2010:22) states that for many public institutions, staying financially viable depends crucially on management's ability to maintain existing linkages or create new ones to ensure a continued flow of funds over time from diverse sources. Lusthaus *et al.* (2002:127) further suggest that the starting point of the assessment of an organisation's financial viability is to review the organisation's financial statements. This procedure is simple for private and not-for-profit sector organisations that involve reviewing income and expense statements over several years, together with the balance sheet and cash flow statements.

It should be noted that these documents generally provide most of the information required. In assessing financial viability, lists of accounts receivable and actual contracts should be requested. Arguably, both provide insight into the future diversity of funding sources and cash flow schedules (Lusthaus *et al.* 2002:127).

Lusthaus *et al.* (2002:126) identify the following as indicators of financial viability through which most organisations are assessed:

- ratio of largest funders to overall revenues – the ratio of the largest funders over revenues is calculated as follows: largest revenue source / overall revenue;
- ratio of cash to overdue revenues – the ratio is calculated as follows: deferred revenue / (cash + savings) or temporary restricted net assets / (cash+savings);

- ratio of current assets to current liabilities – current assets / current liabilities; ratio of total assets to total liabilities – total liabilities divided by total assets; and
- human resource (HR) capability and the percentage of personnel costs over the entire operating budget.

It is important to consider the effect of salary expenditure on local and national economic growth, and being prepared to fund increases themselves as the national government continues to emphasise consumption spending (Phatudi 2010:21). Phatudi (2010:22) explains that National Treasury prescribes that municipalities should not spend more than 33% of their total budgets on operational costs and salaries. Ngwenya and Majam (2011:174) suggest that there are six ratios for assessing the financial viability of municipalities. They are discussed in the following subsections.

2.4.1.1 Liquidity

The liquidity of an organisation is measured by its ability to satisfy its short-term obligations as they become due. Liquidity answers the question of whether the institution is likely to meet its financial obligation on a timely basis. Ngwenya and Majam (2011:174) state that municipalities must also maintain a certain level of liquidity to continue providing uninterrupted services to the community.

2.4.1.2 Leverage

As far as financial management is concerned, leverage (also known as gearing or levering) refers to the use of debt to supplement investment. It refers to the degree to which an investor or institution utilises borrowed money. Ngwenya and Majam (2011:174) explain that government institutions' debt can become a burden to tax payers. The higher the debt, the more the budget must be devoted to interest and debt principal payments.

2.4.1.3 Ability to provide basic services

According to Ngwenya and Majam (2011:175), the financial position of a government institution is measured as unrestricted net assets divided by expenses. This ratio measures how much money or unrestricted net resources are available to finance costs. It focuses on a municipality's ability to continue providing services. The higher the ratio, the greater the unrestricted net resources that have been accumulated, and low ratios suggest that few resources are available to weather a budget crisis (Ngwenya & Majam 2011:175).

2.4.1.4 Financial performance

Financial performance can be measured by two ratios, namely the percentage change in total net assets ($\text{change in net assets} / \text{total net assets}$) and the general support rate ($\text{general revenue} + \text{transfers/expenses}$). Ngwenya and Majam (2011:178) concede that an extremely low or even negative ratio is not necessarily bad if the government has accumulated significant net assets; nor is an extremely high ratio necessarily good for the same reason.

2.4.1.5 Extent of dependence on income from national government

It is worth noting that in order for municipalities to be able to fulfil their constitutional duties of rendering essential services to the citizens, National Treasury provides a subsidy in the form of a grant during the annual financial budget. However, the larger portions of the finances are derived from the payments users (consumers) make for services such as electricity or water. Ngwenya and Majam (2011:179) assert that for a municipality to be able to provide uninterrupted services, it is essential that it does not depend on government subsidies.

It is worth noting that municipalities calculate the ratio proportion of income from government grants to their total income to measure the extent of dependence on income from the national government. An important point argued by Ngwenya and

Majam (2011:176) is that one of the ways for municipalities to ensure that they maintain a healthy cash inflow and outflow is to ensure that consumers pay for the services they receive.

2.4.1.6 Revenue tied up in debtors

Ngwenya and Majam (2011:175-176) posit that one of the other ways of ensuring that municipalities sustain and maintain a healthy cash inflow and outflow is to ensure that the consumers (users) pay for the services received. In usual circumstances, a municipality would provide services to the consumers (users) on credit and then send a statement of account at the end of the month, with the anticipation that the consumers will fulfil the obligation of paying for the services that the municipality has provided. Therefore, to measure how revenue is tied up in consumers (users), municipalities calculate the ratio of consumers' (users) debt to total income.

2.4.2 Is financial viability the only factor in demarcation matters?

It should be mentioned that the Demarcation Act makes provisions for the grounds on which municipalities can be demarcated. More specifically, section 25(c) of the Act stipulates that in order to achieve its main objectives set out in section 23, when the MDB determines municipal boundaries, the MDB must take into account the financial viability and the administrative capacity of the municipality to perform municipal functions efficiently and effectively (RSA 1998c).

Against this backdrop, the literature is inadequate and inconclusive on this matter. Therefore, it is worth noting that Steytler (2015:1) posits that although the issue of financial viability is mentioned, another argument is that all factors set out in section 25 must be met. Furthermore, Steytler (2015:1) argues that there is no definition for municipal financial viability.

In essence, the point is that there is no clear agreement among stakeholders in demarcation matters what financial viability means. Facu and Ncube (2015:10) agree with Steytler (2015:1) on the lack of consensus with regard to the meaning of financial viability. Steytler (2015:2) delves deeper and asks how it is possible that the MDB could use one factor that trumps 12 other factors in the Act. Most importantly, Steytler (2015:2) claims that a factor is not a requirement, but a fact or condition that must be considered and which may not be ignore or neglected.

On the other hand, Mathoho (2013:1) believes that the MDB was correct to demarcate municipalities using financial viability as a factor, because this would enable poor municipalities to be able to benefit from richer municipalities and the community would ultimately share the limited sources. However, Mathoho (2013:1) is critical as to whether it is sustainable due to the high level of poverty in areas where demarcation has taken place using financial viability as a factor to enforce demarcations.

2.5 ENCOURAGE PUBLIC PARTICIPATION IN DEMARCATION MATTERS

In dealing with municipal boundary demarcation, the discussion would not be complete without first defining the meaning of public participation. According to Creighton (2013:7), public participation refers to a process by which public concerns, needs, and values are incorporated into governmental and corporate decision making. It entails two-way communication and interaction, with the overall goal of making better decisions that are supported by the public. Therefore, the following discussion focuses on matters of public participation and how they relate to demarcation issues in South Africa.

2.5.1 The role of the Community involvement in Public Participation

Mashiachidi and Moeti (2016:402) emphasise the importance of public participation, when done properly, as central to strengthening democracy. For example, in areas such as Integrated Development Plans (IDPs), for municipalities to implement them

successfully, communities should be involved in the development and implementation of the IDPs. Midgley (1986:80) and Mashiachidi and Moeti (2016:402) agree on the importance of public participation and confirm that the notion of public participation was originally placed under the theme of community problem solving. Furthermore, it should be emphasised that public participation advocates are of the view that the provision of public services is critical and fundamental towards community development. Masiko-Kambala (2014:3) points out that public participation is very important for the communities that are affected by demarcation decisions.

On the other hand, Masiko-Kambala (2014:3) cautions that the concept of having a say is not clear cut, and suggests that contestations always arise around who has the final say, and whether all the voices, the perspectives, the desires, and the contributions of the communities were sufficiently expressed and acknowledged.

Brynard (1996:44) disagrees and states that throughout the participation process, the masses are not afforded real involvement, as a result of representation by interest and pressure groups. Midgley (1996:23) confirms the role of community members in public participation by asserting that ideal public participation must entail the process of direct involvement of ordinary people in decision making in local government affairs. As such, in matters of boundary demarcation, it is important that public consultation as a form of participation be prioritised in all areas affected by the respective decisions because failure to do so could have a negative impact on the provision of services and community development.

2.5.2 How public participation influences demarcation

In relation to public participation, it would appear that when the MDB deals with boundary demarcation matters, sufficient attention is not paid to the views of grassroots citizens, which often leads to public protests that are seldom peaceful. For instance, in the Matatiele and Merafong cases, during the 1999 national and provincial elections and the 2000 local government election, Matatiele was part of the KwaZulu-Natal province, under the Sisonke District Municipality. In 2002, the national

government decided to abolish all cross-border municipalities altogether, mainly because of administrative and logistical difficulties. As a result, in August 2005, the MDB recommended the inclusion of Matatiele in the Alfred Nzo District Municipality in the Eastern Cape.

In order to effect the changes to cross-boundary municipalities, a constitutional amendment was made in October 2005. However, the Matatiele Local Municipality refused to comply with the request to endorse the demarcation, thus warranting public hearings to be conducted by the MDB. A decision was taken for Matatiele and Maluti to remain part of the KwaZulu-Natal province, which led to a redemarcation of the Sisonke District Municipality, which was officially gazetted in the Eastern Cape province. However, it is worth noting that the MDB's new proposals were not included in the amendment alongside cross-boundary repeal bills, which the cabinet, parliament, and the provincial legislatures of the Eastern Cape and KwaZulu-Natal had approved (Mubangizi & Dassah 2014:281).

The Matatiele/Maluti Mass Action Committee then filed an urgent application with the Constitutional Court against the president and the Minister for Provincial and Local Government, arguing that the wishes of the community had been ignored. In its 2006 ruling, the court found in favour of the government. It ruled that the people of Matatiele had not been consulted by the KwaZulu-Natal Provincial Government and indicated a need for rectification. Despite the Constitutional Court ruling, Matatiele was transferred to the Eastern Cape in 2007. The Matatiele demarcation case and lack of public participation demonstrate the legitimacy of the point advanced earlier by Brynard (1996:44), namely that the masses are not afforded a real environment in the process of public participation.

In the case of public participation in the eThekweni Metropolitan Municipality for not following procedures in renaming streets in South Africa, the Democratic Alliance took the municipality to court over the failure to adhere to procedures for public participation. In essence, the case illustrates that when dealing with issues of public participation, there is a need for local government authorities to follow laid-down

procedures, particularly regarding public consultation (Mubangizi & Dassah 2014:282).

Another case where public participation was a major issue with respect to boundary demarcation concerns Merafong, which was part of the West Rand District Municipality, a cross-boundary municipality between the provinces of North West and Gauteng in 2000 (Mubangizi & Dassah 2014:281). It is worth mentioning that in this matter public consultations hearings were held in the Gauteng provincial legislature and North West provincial legislature and by the MDB, which indicated that the residents wanted the municipality to be wholly redemarcated into Gauteng. The Gauteng provincial legislature and MDB made preparations for Merafong to be included in the West Rand District Municipality. However, when the Twelfth Constitutional Amendment Bill and the Repeals Bill were published, the residents of Merafong were disappointed. Moreover, the Gauteng provincial legislature was informed that it could not propose amendments to the Amendment Bill in the National Council of Provinces (Bishop 2009:315).

In the case of Merafong, it later emerged that the Minister for Provincial and Local Government had asked the MDB to place Merafong in the North West province, and that the Gauteng legislature had withdrawn its support for including Merafong in the province. It is worth noting that despite the protests, the Twelfth Amendment Bill and the Repeals Bill were passed in November 2005. However, in February 2009, legislation was passed for the reintegration of Merafong into the Gauteng province (Naidu & Narsiah 2009:28 in Mubangizi & Dassah 2014:281).

Phooko (2014:49) agrees with Mubangizi and Dassah (2014:281) on the notion of the Merafong demarcation with respect to public participation that it represents a clear indication that the obligation to facilitate public participation is a procedural rather than a substantive obligation. Therefore, it can be argued that although public participation in demarcation matters is a procedural obligation for the MDB and the government, it is clear from the Merafong and Matatiele cases that this obligation was not properly undertaken or carried out, hence there were protests by the residents of both communities.

Another case where public participation influenced demarcation matters was the Moutse case. The residents of Moutse were opposed to the government and the MDB's decision to separate Siyabuswa from Moutse (Mpumalanga province) and placing the latter in Limpopo. The residents claimed that the procedure for public participation was not followed (Constitutional Court of Republic of South Africa 2008: para 10). Phooko (2014:50) posits that it is argued that the court did not consider the substantive issue that the views, wishes, and concerns of the Moutse people were not taken into account by the legislature. The issue that was in contention by the residents in this matter was that the people of Moutse did not want to fall under the Limpopo province and this was never considered by the legislature.

Phooko (2014:50) explains that the views of legislators as representatives of the people regarding the demarcation of provinces are important and that it complies with the Constitution. Nevertheless, Phooko (2014:50) confirms that the court had established a conflict between the public that had to participate and the legislature that had to represent the public interest. It should be noted that the Moutse case disregarded the view that the people of Moutse had to have a say in the decision that impacted them that was made in the provincial legislature. Phooko (2014:50) is therefore correct in contending that the court should have considered that more than 500 people in the Moutse community, who were represented by one of the forums, were opposed to the move (Phooko 2014:50).

Phooko (2014:57) believes that the Moutse case concerning public participation appears to place more emphasis on participatory democracy. The argument is that it is required that the affected people be consulted (which is sign of respect) and to consider their inputs. Phooko (2014:57), however, also points out that even if the people had voted on a particular stance; their representatives may change and adopt a new position unilaterally as they are representative of the electorate. It is therefore important to point out that with respect to a representative' change in stance of position, it is somewhat problematic because it has the potential of taking away the direct involvement of the residents who are affected by the demarcation decision in a particular matter.

Another case where public participation was an issue in demarcation matters concerns the Zamdela case. Zamdela is a township close to Sasolburg in the Free State province, which is located 90 km south of Johannesburg. It is worth noting that the Zamdela case demonstrates the failure of public participation, which resulted in the residents participating in a large and violent protest and destruction of public property on 22 January 2013. The main focus of the protest was that the residents were against the decision to incorporate Ngwathe and Metsimaholo municipalities (Rampedi 2015:i).

2.5.3 The role of local government in public participation

Section 152(1)(e) of the South African Constitution stipulates that one of the key objectives of local government is to “encourage the involvement of local communities and community organizations in the matters of local government”. The White Paper on Local Government (1998) also stipulates that municipalities must involve communities in facilitating local government. The White Paper recognises that public participation is an integral part of local democracy. It is therefore important for the MDB to conduct community participation when dealing with boundary changes and demarcation matters.

Buccus, Hemson, Hicks and Piper (2007:53) argue that public participation is limited to forms of consultation, rather than the formal empowerment of citizens in political decision making or implementation. The argument that is advanced by Buccus *et al.* (2007:53) is very critical in the sense that local government in South Africa (SA) has challenges of public participation. It is therefore important for authorities to repeal policies and legislation regarding public participation that do not focus on public consultation, and more emphasis should be on the formal empowerment of citizens in political decision making such as municipal or boundary demarcations.

It should be noted that if such an approach is adopted by the government and the MDB in dealing with boundary demarcation matters, the residents who are affected by the demarcation decisions will be able to feel ownership and a sense of affinity for the

local government system. Mathekga and Buccus (2006:16) believe that the local government system should not only provide material services, but political services as well by drawing participation from within communities. This study argues that there should be a balance between the provision of material services and political services and more emphases has to be on the strengthening of public engagement on decision-making.

2.5.4 The benefits of public participation

Piper and Von Lieres (2008:22) outline the benefits of public participation as one of the central elements of the developmental model employed by the World Bank, the United Nations (UN), and other international agencies over the years. As summarised by Piper and Von Lieres (2008:22), public participation not only involves consulting and listening to the local people and being open to local innovation, but also involves local people directly participating in project decision making. The argument asserted by Piper and Von Lieres (2008:22) significantly outlines that when dealing with decisions that will impact the local people, the emphasis is that public participation does not end at simply consulting people; it should allow an atmosphere of being open to local innovation.

According to Draai and Taylor (2009:120), in order to achieve improved public participation, active participation by communities in matters of local governance should be encouraged. Among the recommendations suggested by Draai and Taylor (2009) are developing capacity-building programmes, enhancing participation, ensuring customer care principles, and strengthening relations with community-based organisations. Bishop (2009:318) asserts that the Merafong demarcation case rubber stamped the value of public participation and deliberation. Moreover, it also placed duties on the government to facilitate public involvement and the ideal of public deliberations. Furthermore, Bishop (2009:318) confirms that the Merafong case gave dormant citizenship a green light by focusing attention on alternative forms of participation.

According to Piper and Von Lieres (2008:22), previous experience has demonstrated that public participation has generated better outcomes, partly because of better-informed and better-quality deliberation. It can be argued, however, that although it is documented by the World Bank and the UN that public participation is central to the current development model, the emphasis is that in the South African local government context, as far as boundary demarcation is concerned, it has been found in many cases that there seemed to be inadequate public participation.

Nonetheless, the benefits of public participation are fruitful because when the public has been involved, there is increased support for projects through co-ownership (Piper & Von Lieres 2008:22). It is important to highlight the significance of public participation as it plays a critical role in strengthening democracy in South Africa. For instance, the effectiveness of public participation was a major issue in the construction of the Gautrain railway project in the Gauteng province with respect to the information considered when conducting the environmental impact assessment (Aregbeshola, Mearns & Donaldson 2011:1274).

2.5.5 The reason why public participation fail?

Benit-Gbaffou (2008:3) found that most analyses of local government failure to foster participation put the blame on the lack of training and political education, of both the councillors and the residents. Interestingly, the analyses were supported by the report compiled by Institute for Democratic Alternatives in South Africa of 2001, the Department of Provincial and Local Government's GTZ 2005 report, and PLANACT's 2005 report, which emphasised the need for training and workshops to explain to the residents what their rights are in terms of public participation, how local government works, and what channels they should use to be heard.

At the Isandla Institute roundtable dialogue that was held in May 2014 there were some criticisms from the floor among the delegates that the MDB does not have the capacity to run public engagement processes itself and that it tends to call for help from the municipalities, which can inherently be seen as a process that is similar to

“asking the patient to help with the diagnosis” (Isandla Institute 2014). Therefore, lack of capacity to facilitate and run the public participation process could be viewed as a reason why public participation fails in demarcation matters.

Bishop (2009:318) raises a different issue and asserts that the reason demarcation processes face stiff resistance from residents is because the government does not want to listen, which emphasises that the government does not consult its people to arrive at a decision. On the other hand, Holness (2011:2) confirms the proposition by Bishop (2009:318) that some communities are convinced that the only way to make the government listen and act on their grievances is through protests and riots that cause damage to public and private property and that generally disrupt service delivery. It can therefore be argued that this is so because in most demarcation matters where there were disputes, the government only took notice and listened to the grievances of the residents after protests and damage to both public and private property and for national and provincial government leaders to visit the affected areas.

2.5.6 Institutional complexity associated with public participation

The MDB faces a number of challenges. Berkowitz (2014:68) claims that one of the biggest challenges faced by the MDB is the fact that the process of public participation is unfortunately driven by political parties rather than the public. Nast (2014:65) agrees with the notion argued by Berkowitz (2014:68) that demarcation is a political issue around the world. Put differently, Masiko-Kambala (2014:66) agrees with Benit-Gbaffou (2008:3), but raises the issue of lack of education among community residents and emphasises that it is important to educate residents about the role and functions of local government, especially the MDB, when dealing with demarcation matters.

It is undeniable that demarcation is probably a political issue. It can, however, be argued that it is very difficult to prove that public participation processes are driven by political parties, because when the MDB holds public consultation hearings, it is required by the Demarcation Act to invite every resident who is affected by the proposed boundary demarcation decision. Therefore, there is no evidence that it is a political issue.

It is worth noting that the former chairperson of the MDB, Mr Lindiwe Mahlangu, admitted that as far as facilitating public participation in demarcation matters is concerned, the MDB in its current configuration and composition has certain institutional limitations, particularly regarding its ability to engage fully with the public (Isandla Institute 2014:65). The MDB is often criticised by communities and political parties for being biased when handling demarcation matters (*The Citizen Newspaper* 2016). The deputy chairperson of the MDB, Mr Ashraf Adam, argued that the board is working without fear, favour, or bias. Furthermore, he argued that the fact that the residents are offended by the outcome of their decisions is an indication of the board being independent from political influence. The deputy chairperson acknowledged, however, that there are gaps in the demarcation system (*The Citizen Newspaper* 2016).

2.6 DEMARCATION FOR PROTESTS OR SERVICE DELIVERY

First and foremost, most political parties make service delivery the umbilical cord of its manifestoes, which signifies the importance of service delivery in post-apartheid South Africa (SA). The following discussion focuses on the issues of service delivery and protests and how these shape demarcation matters in SA. Section 1 of the Local Government: Municipal Finance Management Act (MFMA) (No. 56 of 2003) (hereafter referred to as the MFMA) defines the service delivery and budget implementation plan as a detailed plan approved by the mayor in terms of section 53(1)(c)(ii) for implementation of the annual budget, which must include service delivery targets and performance indicators each year.

In this regard, it is important that when demarcations of municipal boundaries are affected, it should not disrupt the implementation of service delivery plans. The importance of budgeting plans is that they have a bearing on the health of a municipality to meet its financial obligations, because services that are to be delivered to the local residents need to be paid for from the revenue the municipality receives from various sources, which in itself brings in the assessment of whether such a

municipality has the financial capacity to fulfil its financial obligations mandated to it by the MFMA.

Rampedi (2017:132) confirms that the issues of service delivery protests are evident in communities where there were problems of boundary demarcation. For instance, the Zamdela township in Sasolburg, Free State province, where in 2013 there were demarcation protests; the community was also confronted with service delivery issues and as a result, it led to growing discontent with local government, which ultimately led to large community protests. Mathoho (2013:23) confirms that these demarcation protests signal that the MDB needs to do more and better homework before coming to a final decision.

On the other hand, Mathoho (2013:25) cautions that certain scholars are careless in categorising demarcation protests and end up mixing them in one basket and calling them service delivery protests. In essence, Mathoho (2013:25) contends that demarcation protests are not the same as service delivery protests. However, Mathoho (2013:27) also confirms that it has become the norm in South Africa for communities to use violent protests in order to get attention from the authorities.

2.6.1 Batho Pele principles as the cornerstone of service delivery

It is worth noting that the Batho Pele principles, which translate as “people first” as set out in the White Paper on Transforming Public Service Delivery (RSA 1997), include consultation, service standards, access, courtesy, openness and transparency, redress, value for money, and service excellence. Sibanda (2013:20) explains that this White Paper emphasises those departments (including local government structures) that deliver responsive, quality services according to nine national service delivery principles contained in the White Paper.

It can be argued that residents do not have to protest in order to get attention from local authorities and they should be receiving responsive and quality services as outlined in the Batho Pele principles as set out in the White Paper on Transforming

Public Service Delivery. In most cases where boundary demarcation takes place, there are often protests against the MDB's decision to demarcate both municipal and provincial boundaries, as illustrated earlier in this chapter in cases such as Zamdela, Matatiele, and Vuwani. Moreover, it can be argued that the delivery of services to local residents is disrupted when there are public violence and protests as people cannot move freely to do their daily routine such as going to work and children going to school.

2.6.2 How the Constitution shapes service delivery

It is worth mentioning that the Constitution of 1996 plays a pivotal role in shaping the delivery of services to the people of South Africa. This is so because it is outlined in Chapter 2, the Bill of Rights. On that note, it is further significant to outline that the "local sphere of government", as defined in Chapter 7 of the Constitution, consists of municipalities, and municipalities are entities that play a critical role in the provision of services to local residents. Moreover, as defined in the Constitution, the objectives of local government include ensuring the provision of services to communities in a sustainable manner (RSA 1996).

The Constitution also defines the functions of different spheres of government as detailed in Schedules 4 and 5. According to Mbazira (2013:262), it is on the basis of this that budgeting is done, resources mobilised, and obligations understood, especially as they relate to the realisation of the economic and social rights guaranteed by Chapter 2 (the Bill of Rights) of the Constitution. Ndevu and Muller (2017:14) emphasise that the national government attaches service delivery to local government level.

Mbazira (2013:14) notes that the Constitution provides the framework for which budgeting and resources are mobilised to realise the obligation of both the social and economic rights of the communities. Therefore, the demarcation of municipal boundaries should not hinder the realisation of the provision of services. The ideal reason for boundary demarcation, at the very least, is to ensure that municipalities are financially viable to meet the needs of the community as far as service delivery is

concerned. As outlined in section 153(a) of the Constitution, municipalities must structure and manage their administrative, budgeting, and planning processes in such a way that priority is given to the basic needs of the community and which promotes the social and economic development of the community (RSA 1996).

It can be argued that the White Paper on Local Government deals with two connected and equally important aspects of developmental local government. The first aspect is the IDP, which should provide a powerful instrument for municipalities to facilitate integrated and coordinated service delivery in the community. The second aspect refers to performance management that ensures that the IDP is implemented and that municipalities have the desired impact on development (Ndevu & Muller 2017:14).

Ndevu and Muller (2017:14) comment that the performance of municipalities in South Africa is constantly under the spotlight, especially with the 2016 local government election. Ndevu and Muller (2017:21) assert that a value-based integrated framework through monitoring and evaluation of municipal performance in provision of services should be implemented in order to attain improved service delivery that speaks to the vision and mission of the municipality. It can be argued that it is not in all circumstances where demarcation of boundaries will resolve service delivery challenges in municipalities; in most cases it is the lack of honesty and ethical and accountable leadership in municipalities that is to blame. Ndevu and Muller (2017:21) state that the legitimacy of a municipality suffers when institutional leadership and management are not viewed as trustworthy custodians and are not seen as accountable to the community that they serve.

2.6.3 Are community protests linked to service delivery?

It can be argued that in South Africa, when communities are not satisfied with a certain public decisions, they engage in some form of public demonstration or protest, and these protests could be interpreted in different ways by commentators and local politicians. Geldenhuys (1997:7) explains that for local government to execute its

functions with a view of realising its goals and objectives, it is bound to supply and deliver municipal goods and services to its communities.

Moreover, Nkuna and Nemutenzhela (2012:36) elevate Geldenhuys' (1997:7) argument by noting that people have been long aware that the nature of goods has a bearing on human welfare. That is why local government is compelled to supply and deliver municipal goods and services to local residents. In addition, Nkuna and Nemutenzhela (2012:36) outline the importance of service delivery by noting that there is a piece of legislation that confirms the significance of delivery of municipal goods and services, namely the Local Government: Municipal Systems Act (No. 32 of 2000) (hereafter referred to as the Municipal Systems Act), which has a whole chapter on municipal services.

Steyn-Kotze (2006:216 in Phago 2012:62) explains that service delivery and voting behaviour serve the purpose of consolidating South Africa's democracy in meeting society's service expectations. The point made by Steyn-Kotze (2006:62 in Phago 2012:62) emphasises that service delivery is central to the strengthening of democracy in the country; the provision of services to the community will meet society's expectations. When dealing with demarcation of municipal boundaries, service delivery should be the priority in achieving social justice. Several authors, such as Tshitsonga and Mafema (2010:562), Binza and Asmah-Andoh (2009:270-271), and Mubangizi (2009:437-438) share similar views regarding the prioritisation of service delivery as an important element for strengthening democracy in South Africa.

Toulou and Tuluva (2008:136-137) espouse similar views as Steyn-Kotze (2006:62) regarding service delivery as an element of social justice in society. Therefore, as outlined by Phago (2012:62), it could be argued that it is the government's responsibility to improve the livelihoods of its citizens. Jolobe (2014:1) believes that despite all the efforts made by the ANC-led government with respect to transformation of local government in South Africa, which, among others, included the deracialisation of municipal jurisdiction, the introduction of developmental local government, and massive allocation of financial resources to municipal level, the new local government system, which was implemented in 2000, has failed to live up to expectations.

It can also be argued that when the new local government system was introduced, most communities, especially the previously disadvantaged, had expected that service delivery would be expedited and that their quality of life would automatically improve. Since such promises have not materialised, as explored by Jolobe (2014:1), it has led to community protests (sometimes referred to as service delivery protests); for example, service delivery protests that happened in the township of Harrismith in 2004.

Jolobe (2014:1) claims that service delivery protests have not only become a permanent feature in post-apartheid South Africa, but, more importantly, they depict a crisis of the new local government regime. The point advanced by Jolobe (2014:1) seems to suffice because it could paint a particular picture with regard to inadequate or lack of service delivery in certain parts of the country. In this regard, communities have no option but to demonstrate in order to vent their anger at the local authorities' inability to heed their demand for services.

Ngwane's (2010:1) view South Africa (SA) has the highest amount of protest action in the world and notes that protests are ingrained in the collective psyche of South Africa's masses. Therefore, the author believes that the issue of protests in the country could be linked to the psychological culture and nature of the masses and that protests are prevalent among the people. Against this backdrop, it can be argued that protests are not necessarily linked to service delivery, but are rather a reflection of the violent nature of society in the country.

In addition, Ngwane (2010:3) argues that protests became a trend in post-apartheid SA and that these protests involve expressing dissatisfaction with service delivery, namely municipal services, housing, and roads. For example, residents mobilised and protested in Tembisa, in the East Rand of Johannesburg in the Gauteng province, to fight electricity power cuts. The point is that electricity is a basic need that local government should be able to deliver and ensure consistent supply to residents.

2.6.4 The role of traditional leadership in fostering service delivery

When dealing with demarcation of municipal boundaries, it is important to recognise the role of traditional leadership, especially regarding matters concerning delivery of services to rural areas. As outlined by Selepe (2009:176), municipal services are provided to local communities in partnership with traditional leaders. For instance, the traditional authorities work together with the district municipality and the Department of Water Affairs and Forestry for the implementation of internal bulk and connector water and sanitation projects (Selepe 2009:177).

Traditional authorities also play a big role in ensuring municipal service delivery. For example, the Modjadji Tribal Authority, which represents the Bolobedu nation in the Greater Letaba Local Municipality in the Limpopo province, had a five-year long-term strategy to ensure that each household had water and electricity within five years. In this regard, the tribal authority intended to build proper roads, schools, clinics, and multipurpose centres for the people (Selepe 2009:177). The role of traditional leaders in strengthening service delivery is supported by the stance of the MDB that the purpose of the demarcation process is not to strip the powers of traditional leaders, but rather to ensure that all citizens enjoy the benefits of local government (Mathoho 2013:27).

According to Holomisa (2016:1), during demarcation of municipal boundaries, in most instances pieces of land that belong to particular traditional leaders will be transferred to another, without any consultation, which will result in service delivery being affected. In essence, consultation with traditional leaders in matters pertaining to service delivery should not be ignored when dealing with demarcation matters. The emphasis of the argument is that service delivery is more needed in rural areas because of the historical disadvantages that African people, in particular black people, experienced, such as exclusion from mainstream local government with regard to accessing basic needs in their respective homelands. Traditional authorities therefore need to be involved in the planning of service delivery. This is so even in the demarcation of

municipal boundaries, and traditional authorities must be consulted on how the redrawing of boundaries will affect the delivery of services to their people.

Selepe (2009:213) confirms, however, that it has been proven to be a challenge for traditional leadership to implement municipal strategy with limited financial resources. Nevertheless, Selepe (2009:213) maintains that after the process of rationalisation of boundaries for municipalities has been completed, it is required that traditional leaders be allocated financial resources in order to assist the municipality in the provision of services to the community, because the traditional authorities are the closest leaders to the rural residents.

Selepe (2009:213) proposes that in order to fast-track service delivery to communities, district municipalities should relinquish some of their duties to traditional leaders in order to deliver efficient and effective municipal services. Furthermore, the level of authority vested in municipal councils, especially regarding issues related to service delivery, should not ignore the authority of traditional leaders (Selepe 2009:213).

According to Phago and Netswera (2009:703), the role of government institutions is key to service delivery progression (value chain) since it is at this stage that government capacity is sourced, which will determine whether services are provided or not. A municipality has a role to play in terms of the delivery of services such as water, sanitation, electricity, roads, and health services; its capacity to deliver such services is therefore measured by its financial resources. It is for this reason that municipal demarcation authorities collaborate with traditional leaders in fostering service delivery.

2.7 INTERNATIONAL EXPERIENCE ON THE IMPACT OF MUNICIPAL BOUNDARY DEMARCATION ON FINANCIAL VIABILITY

South Africa (SA) seeks to continue restricting local government with the aim of creating an inclusive society. This ought to be achieved through the redrawing of municipal boundaries in the country. This section deals specifically with international

experience or evidence from other countries with regard to the impact of boundary demarcation on financial viability, as well as lessons that South Africa can learn from these countries. It can be argued that the impact of municipal boundary changes on the financial viability of municipalities is highly contested. The notion that it is possible, in principle, to identify an optimal size for a municipality is inconclusive in theoretical and empirical terms (Boyne 1998; Oakerson 1999; Bish 2000; Dollery, Kortt & Grant 2013).

At the theoretical level, some literature reveals that the consolidation of municipalities improves the effectiveness and efficiency with which local government delivers services, or simply that “bigger is better” or “bigger is cheaper” (Slack & Bird 2013:29). In summary, the proposition that merging municipalities to be “bigger and better” results in the assumption that bigger municipalities are cheaper, which also supposedly means that bigger translates to improved services, bigger is more efficient, and, more recently, that bigger is more financially viable.

It is argued that bigger municipalities are able to benefit from economies of scale and scope in service provision, as well as savings in administrative overheads. For instance, duplications are eliminated and the number of politicians and administrative staff may be reduced, thus resulting in lower per-unit costs as the amount of services delivered increases. The emphasis of this argument is that bigger municipalities will lead to cost savings; enhanced productivity; improved quantity, quality, and mix of local services; improved administrative and technical capacity and strategic management; more effective lobbying being facilitated with higher tiers of government; and increased financial sustainability (Dollery & Robotti 2008:108).

According to Dollery, Marshall and Sorensen (2007:66) and Slack and Bird (2013:6-7), merged municipalities are arguably technically and financially more capable of providing a larger number of services than smaller, fragmented municipalities and eliminating duplication, as illustrated earlier by, for instance, reducing the number of politicians and administrative staff. Other studies reveal that a larger number of small municipalities are more efficient, more responsive to changes in community needs, and accountability channels are more evident (Faquet 2004; 2011:868; 866).

Furthermore, Slack and Bird (2013:28) assert that smaller municipalities have the potential of stimulating competition, which in certain circumstances could be an incentive to be more efficient. In addition, taxes to residents and municipal debt tend to increase substantially with the merging of municipalities, and there are buried costs that may not be apparent when planning mergers.

Slack and Bird (2013:8) argue that the merging of municipalities with different service levels and wage scales could result in increased expenditure. At least, according to Slack and Bird (2013:8), salaries and benefits tend to equalise up to the level of the former municipality with the highest expenditure. It can be argued that this upward harmonisation of wages and salaries may actually outweigh any cost savings. The empirical literature on the impact of merging municipalities on financial viability is also inconclusive (Lago-Penas & Martinez-Vazquez 2013:78). Whereas the majority of empirical literature has concentrated on American municipalities (Faulk & Hicks 2011:189), a number of studies have examined municipalities in Australia, Canada, Japan, and Western Europe. For instance, after reviewing research in the UK and USA on economies of scale, Byrnes and Dollery (2012:41) concluded that only 8% of the studies found evidence of economies of scale, 24% found evidence of diseconomies of scale, 29% found evidence of U-shaped cost curves, and 39% found no evidence of economies of scale.

Furthermore, Byrnes and Dollery (2012:43) found no evidence of economies of scale after the 2005-2008 boundary changes in Canada. In Australia, for instance, many municipalities that were merged or consolidated were endorsed based on the prevalent assumption that bigger municipalities would exhibit greater economic efficiencies. Byrnes and Dollery (2002:45) also reviewed the literature to determine whether an empirical basis existed for this view. Their conclusion was that there was a lack of rigorous evidence of significant economies of scale in municipal service provision, which places considerable doubt on using this premise as the basis for merging municipalities. In the USA, Boyne (1992:118) found evidence that consolidation was associated with higher spending, while Kushner and Siegel (2005:34) found that the merging of municipalities of local governments in Canada improved efficiency in some municipalities, while inefficiencies increased in others.

2.8 PAST DEMARCATION EXPERIENCE IN SOUTH AFRICA: LESSONS LEARNED

The City of Tshwane, which is a Category A municipality in the Gauteng province, experienced demarcation in 2008. It was established following incorporation of the Motsweding District Municipality, Nokeng tsa Taemane Local Municipality, and Kungwini Local Municipality. In this particular case, the demarcation involved the incorporation of a district municipality and two local municipalities to merge them with the existing metropolitan municipality (Office of the Premier: Gauteng: 2008). The demarcation decision was sanctioned by the Minister for Provincial and Local Government. The reason for the demarcation was to reduce the number of municipalities in Gauteng. The incorporation of one district municipality and two local municipalities into a larger metropolitan municipality was meant to speed up service delivery, to allow communities from smaller municipalities to benefit from bigger municipalities' good infrastructure, and to enhance project efficiency (CoGTA 2015b:34).

The City of Tshwane merger came into effect in May 2011. It can be argued that the redetermination of the municipalities' boundaries affected the financial viability of the City of Tshwane. The evidence indicates that the transactional cost associated with the merger was estimated at approximately R1.04 billion, although the Gauteng Provincial Government provided the city with a once-off grant of only R20 million (City of Tshwane 2011:3). As a result of the merger, the financial figures of the 2011/2012 financial year, especially the expenditure in the incorporated municipalities, increased drastically. Most of the expenses were not budgeted for and the incorporated municipalities reported a decline in revenue (Raseala & Luvuno 2017:530).

The three incorporated municipalities did not collect sufficient revenue to increase the city's tax base, because these municipalities were relatively poor and a large percentage of their population was poor. Consequently, the city had a huge financial deficit during the transitional period. The city reported R800 million in expenditure and collected R385 million in revenue and therefore had a shortfall of R500 million (Division of Revenue 2015/2016 in RSA 2015).

The Mtubatuba Local Municipality in KwaZulu-Natal experienced boundary demarcation in 2011. The boundary of the municipality was extended to include a portion of the Mpukunyoni Traditional Council. Raseala and Luvuno (2017:531) argue that the boundary changes resulted in huge expenditure changes. Astonishingly, the municipality's total expenditure increased by 18%, from R72 million to R85 million, in just one year after redetermination (National Treasury 2013:21). The municipality's total expenditure increased because of capital expenditure, as it had to extend infrastructure provision to the incorporated areas, especially Mpukunyoni, which had huge backlogs. Although the municipality's revenue increased alongside the expenditure, it is because the municipality's transfers from the government were increased. It should be noted that during the 2011/2012 financial year, the municipality's own revenue was stagnant, which indicates that its revenue base did not increase as a result of the demarcation process (National Treasury 2013:21).

The Matatiele Local Municipality is located in the Eastern Cape province; in 2006, the Municipal Demarcation Board (MDB) moved the Municipality from the Sisonke District Municipality in KwaZulu-Natal and incorporated it into the Alfred Nzo District Municipality in the Eastern Cape. The boundary redetermination included the towns of Matatiele and Cedarville and the magisterial district of Maluti, which previously fell under the Umzimvubu Local Municipality. The incorporation of the municipality into the Eastern Cape compelled Matatiele to establish 24 new wards, which led to increased administrative costs (Vacu & Ncube 2015:6).

As far as financial viability is concerned, the municipality experienced a deficit in its budget prior to demarcation and a financial surplus after demarcation. In addition, the municipality reported an increase in capital expenditure after demarcation in 2007. The financial figures show a huge leap from R7.4 million in the 2005/2006 financial year (before demarcation) to R26.6 million in the 2006/2007 financial year (after demarcation) (National Treasury 2011:15).

According to Raseala and Luvuno (2017:530), the Matatiele demarcation case had unique circumstances when compared with other cases. In simple terms, the municipality had a number of areas that were affected by boundary changes. The

municipality's tax base did not improve because it experienced a huge service delivery backlog from the newly incorporated areas; the municipality also experienced a sharp increase in its debt from R6.6 million to R46 million. A larger proportion of the amount of the debt was inherited from the Maluti areas because the municipality was unable to charge municipal rates in those areas (Matatiele Annual Report 2006/2007 in Raseala & Luvuno 2017:531).

Regarding administration costs, Matatiele had a unique situation where its human resources increased by 100% in order to meet the demand for its services from the newly incorporated communities. On governance issues, the municipality established new wards, which had a positive impact in the sense that it improved communication between the municipality and the community (Raseala & Luvuno 2017:531). The Bushbuckridge Local Municipality is located in the Mpumalanga province. In 2006, its boundaries were redetermined from the Bohlabela District Municipality, which is in Limpopo, and incorporated into the Ehlanzeni District Municipality in Mpumalanga. In this case, it was a provincial boundary demarcation and the municipality received water and sanitation authority and service delivery functions.

However, the municipality's tax base did not increase as a result of the demarcation (Facu & Mkhululi 2015:7). In the 2005/2006 financial year after demarcation, the municipality reported 15% overspending and in 2010/2011, the municipality had a deficit and a surplus of 50% (Raseala & Luvuno 2017:531). The Metsimaholo Local Municipality, situated in Sasolburg, and the Ngwathe Local Municipality, situated in Parys, are located in the Free State province. In 2013, its boundaries were redetermined and the two municipalities were merged, which means that the Ngwathe Local Municipality was disestablished and incorporated into the Metsimaholo Local Municipality. In the 2015/2016 financial year after the demarcation, the municipality reported 23.13% underspending. In the same financial year, its staff and wages spending increased from 25.5% in 2013 (before demarcation) to 26.1% in the 2015/2016 financial year (National Treasury 2018a:1).

2.9 CONCLUSION

This chapter reviewed the historical background of demarcation in South Africa. The review revealed that financial viability became an issue with respect to municipal boundary demarcation in 2002. The review demonstrated that the merging of municipalities in the current circumstances of local government cannot be ascribed to the notion of separate racial spatial planning, which existed during apartheid when the WLAs served only a fraction of the population, particularly in affluent urban areas. In this context, the redrawing of municipal boundaries should be viewed in the context of realignment of historical segregation of areas based on racial premises.

Secondly, the chapter provided a brief overview of the reform of local government in South Africa. Included among other reforms was the Interim Constitution, of which Chapter 10 created a loose framework for local government. Furthermore, the establishment of the MDB was also an important reform, which created an independent body dedicated specifically to deal with the spatial planning legacy of apartheid. The chapter also emphasised the introduction of the Local Government Transition Act, which served as the legislation that established a three-phase process for the restructuring of local government.

Thirdly, the chapter analysed the concept of financial viability; noting that different scholars have different perspectives on the meaning of the concept. However, for the purposes of this study, the chapter confirmed that the discussion followed the definition provided by National Treasury (2017b:3), which defines financial viability as the sustainability of municipal debt, and whether a municipality can sustainably meet its expenditure commitments from its own revenues and transfers.

Fourthly, the chapter reviewed literature on demarcation for financial viability. The emphasis that emerged from the literature is that the funding model for rural municipalities should allow for the existence of municipalities with low revenue bases rather than forcing demarcation. Another issue that emerged from the literature is that smaller municipalities with smaller populations are said to be financially unviable. The chapter also reviewed literature on the criteria used to measure financially viable

municipalities. The issue that emerged from the literature is that different scholars suggest different areas that can be used to measure financial viability, such as the analysis of income statement rate of the general service, liquidity, leverage, and financial performance.

Fifthly, the chapter discussed the issue of public participation in relation to demarcation matters. The emphasis was that the community should be involved in decision making concerning demarcation of municipal boundaries, which can be achieved through public consultations before a final decision is made.

Sixthly, the chapter examined whether the issue of service delivery protests is linked to demarcation disputes and protests, and different authors agree that South Africa has a history of violence and public demonstration. In most instances, it is very difficult to separate the two from each other; therefore some authors confuse service delivery protests with demarcation dispute protests.

The chapter also reviewed international literature on the impact of demarcation on financial viability and the lessons learned from past demarcations in South Africa. The chapter provided lessons that financial viability is not the only factor, which could be considered as a basis for demarcation. In addition, the chapter provided that there are other stakeholders in the community, which could be included in solving the challenges of service delivery.

The next chapter discusses the theoretical approaches that underpin demarcation and financial viability.

CHAPTER 3

FINANCIAL MANAGEMENT AND PERSPECTIVES ON MUNICIPAL DEMARCATION: A THEORETICAL OVERVIEW

3.1 INTRODUCTION

Chapter 3 focuses on the financial management and perspectives on municipal demarcation: a theoretical overview. The chapter opens with an introductory statement, followed by the discussion on basic overview of municipal financial management principles, the importance of financial management, the principles of successful public participation, the principles of good governance, theoretical approaches to demarcation and conclusion.

In South Africa, the financial status of municipalities is central to their ability to deliver services to the citizens. As a result, CoGTA identified a number of municipalities that needed to be demarcated based on financial viability. The decision was also informed by the Auditor-General's (2016:27) findings that 92% of South African municipalities were in financial trouble. The financial viability of a municipality is concerned with the revenue base, debt commitments, and the availability of sufficient income to meet its expenditure commitments from its own revenue. Therefore, for a municipality to sustain its municipal budget, it needs to ensure that there is proper management of financial resources.

In addition, for a municipality to have sound financial status, it must collect rates and taxes from its residents in order to manage its revenue, operations budget, liabilities, budget practices, and liquidity position. It can be argued that there is no doubt that the financial viability of a municipality is an important aspect of local government and to achieve improved good governance. It therefore justifies the need to ensure that municipalities are financially viable in order to meet their constitutional obligations.

In South Africa, municipal boundary demarcation is a complex issue that needs a number of leadership approaches in order to manage it properly. Effective managers are therefore essential to well-run municipalities. It is important to ensure that municipalities are managed by individuals who are competent, skilled, and knowledgeable in terms of the processes involved in the execution of the financial management task. *The Local Government Budget and Expenditure Review 2010/11* by National Treasury indicates that sound financial management practices are essential to the long-term sustainability of municipalities. According to National Treasury (2011), financial management practices underpin the processes of democratic accountability, because weak or opaque financial management results in misdirection of resources and increases the risk of corruption.

In South Africa, municipalities must follow and implement the key objectives of the MFMA of 2003 because it seeks to modernise municipal financial management by laying a sound financial base for the sustainable delivery of services. Municipal financial management involves managing a range of interrelated components, namely planning and budgeting, revenue, cash and expenditure management, procurement, asset management, reporting, and oversight. Each component contributes to ensuring that expenditure is developmental, effective, and efficient, and that municipalities can be held accountable.

South Africa relies on municipalities as entities to drive the delivery of basic services to the citizens. However, municipalities have often been widely criticised for lack of service delivery, poor leadership, and poor financial management. Furthermore, with rapid population growth, there is an increasing demand for service delivery, which places pressure on municipalities to provide a wide range of municipal services to all citizens, thus creating grounds for research on the impact of municipal boundary demarcation on financial viability to identify financial management and service delivery challenges. A proposal for the improvement of performance strategy is also imperative.

This chapter provides and outlines financial management perspectives of municipal boundary demarcation. The chapter also reviews theoretical approaches that underpin demarcation, good governance, public participation, and financial viability.

3.2 BASIC OVERVIEW OF MUNICIPAL FINANCIAL MANAGEMENT PRINCIPLES

No financial task can be undertaken without at least an understanding of the basic principles of municipal financial management. By applying these principles to the reading of financial statements, it is possible to observe how an organisation has earned and spent income and what its current financial position is (Brummer, Hall & Du Toit 2016:3). In the South African context, financial management processes for municipalities involve the administration of funds used to deliver public services and includes budget planning, efficient management of resources, supply chain management (SCM), and exercising control in the management of unauthorised, irregular, fruitless, and/or wasteful expenditure (Department of Planning, Monitoring and Evaluation [DPME] 2014:47).

3.2.1 Five Municipal Finance Management Act (MFMA) financial management principles

The MFMA assigns clear roles and responsibilities to various role players involved in municipal financial management, and most importantly sets out to achieve and maintain public accountability, transparency, good governance, and financial sustainability. The MFMA is based on the following five principles of financial management: promoting sound financial governance by clarifying the roles and responsibilities of councils and officials, ensuring a strategic approach to budgeting, modernising financial management, promoting cooperative and consultative governance, and promoting sustainable local government (RSA 2003a).

3.2.2 Department of Planning, Monitoring and Evaluation (DPME) standards

In addition to the five principles outlined in the MFMA, the DPME uses the following standards to measure the key performance areas of municipalities with regard to financial management: effective budget planning and management; management of unauthorised, irregular, fruitless, and/or wasteful expenditure; revenue management; SCM; and financial delegations.

3.2.2.1 *Effective budget planning and management*

If a municipality does not have a budget that is planned and managed effectively, it runs the risk of its revenue projections being unrealistic, the operating expenses being too high, or the capital budget being too ambitious. Most importantly, such budget imbalances impact negatively on the financial viability of the municipality and its effectiveness in service delivery (DPME 2016:48).

The emphasis is that for a municipality to ensure that it achieves financial viability, it is important to undertake effective budget planning, because if such standardisation is not applied, it could impact negatively on the entire running of the municipality and lead to disruptions in the delivery of services. According to the DPME (2016:48), the standardisation criteria are focused on establishing whether historical trends in expenditure budget planning and management, budget monitoring in accordance with the Municipal Budget and Reporting Regulations, and monitoring reports are tabled in council at least on a quarterly basis. This standard emphasises that it is standard practice for financial management in municipalities to conduct and submit proper financial reporting to the relevant structures within the municipality in order to assess the financial status of the municipality.

The standard outlines that to properly measure whether the criteria have been complied with and that a municipality has performed well under this category, Schedule C of the Municipal Budget and Reporting Regulations reports / section 71 reports (MFMA) are completed in accordance with relevant prescripts and reports are

tabled in council at least twice per financial year (DPME 2016:49). The argument is that municipalities should avoid running deficit budgets by ensuring that realistic projections on revenue and expenditure are made when planning their budgets. It can therefore be construed that it is a central tenet for ensuring that potential budget imbalances are averted.

3.2.2.2 *Management of unauthorised, irregular, fruitless, and/or wasteful expenditure*

The purpose of the standard is to encourage municipalities to have documented policies and procedures in place to prevent, detect, and report occurrences of unauthorised, irregular, fruitless, and/or wasteful expenditure; for the municipal manager to inform the Mayor or Executive Committee, MEC of Local Government, and Auditor-General when these types of expenditure occur; for a relevant council committee to investigate the recoverability of such expenditure and report their findings to the council; and for the council to make decisions to recover, authorise, or write off such expenditure (DPME 2016:50).

The emphasis of this standard is that it should be mandatory for municipalities to put in place policies and procedures to prevent the occurrence of fruitless, wasteful, unauthorised, and/or irregular expenditure. This standard was set as the foundation to prevent the abuse of resources. The municipal councils have the responsibility to ensure that they expedite the findings to all stakeholders involved in tackling mismanagement of financial resources in South African municipalities. The argument is that proper investigation of the nature and reasons for unauthorised, irregular, fruitless, and/or wasteful expenditure should be encouraged.

3.2.2.3 *Revenue management*

This standard emphasises that municipalities are expected to rely on their own revenue to finance their operations, because the revenue management capacity of a municipality affects its ability to fulfil its mandate. The focus of this standard or criterion

is whether or not municipalities have approved revenue management policies (covering credit control, rates and tariff setting, and billing system) in place; whether bylaws are in place to give effect to the implementation of rates and tariffs policies; whether revenue management and debt collection are reported to the council; whether municipalities are able to maintain a 95% collection rate in line with the national norm prescribed in MFMA Circular 71; and lastly, whether measures are in place to recover outstanding debt in accordance with the municipal credit control policy (DPME 2016:52).

3.2.2.4 Supply chain management (SCM)

SCM could be described as a process that ensures that goods, works, or services are delivered at the right place, in the right quantity, of the right quality, the right cost, and at the right time. It comprises four components, namely demand management, acquisition management, logistics management, and disposal management (DPME 2016:54).

(a) Demand management

Demand management constitutes the planning of the SCM function. Demand management within SCM therefore forms an integral part of a series of activities that will contribute to achieving the measured goals of a municipality by ensuring that goods, works, or services are delivered as originally envisaged, with a reliable standard of quality and to the satisfaction of the end users.

Based on the above, the standard criteria focus on establishing whether the municipality has an SCM policy that addresses demand management, a schedule of procurement plans in place completed prior to the start of the financial year, an SCM unit that monitors and assesses the validity and accuracy of and compliance with procurement plans (listed in the procurement schedule), and whether it submit reports in this regard to the municipal manager (DPME 2016:54-55). This standard emphasises that municipalities must ensure that their approved SCM policies

comprehensively deal with demand management. Furthermore, municipalities should ensure that they compile schedules of their procurement plans prior to the commencement of the financial year as these enable municipalities to monitor the implementation of procurement plans (DPME 2016:55).

(b) Acquisition management

Acquisition management is the procurement phase of the SCM function. The purpose of this standard is to assess whether municipalities have processes in place to procure goods, works, and services in a manner that promotes the constitutional principles of fairness, equity, transparency, competitiveness, and cost effectiveness.

The standard criteria, based on the above, focus on establishing whether the municipality has an SCM policy that addresses acquisition management, a bid register in respect of advertised competitive bids, a list of accredited prospective providers in place that meets National Treasury requirements and is updated annually through a registration process, an appropriately constituted bid adjudication committee, maintained timeous payment of providers within 30 days, and whether it reported on providers' performance in the annual performance report. This standard also emphasises that municipalities should note that it is a national imperative to strive to pay all service providers within 30 days of receipt of an accurate invoice (DPME 2016:55-57).

(c) Logistics management

Logistics management refers to the management of inventory and comprises issuing orders, storage of goods and distribution of inventory, contract management, and management of assets. Therefore, the purpose of this standard is to assess whether municipalities have policies and procedures in place that promote the principles of efficiency, effectiveness, and economy in managing assets, goods held as inventory, and/or services rendered (DPME 2016:58).

(d) Disposal management

Disposal management constitutes the disposal or letting of assets, including unserviceable, redundant, and/or obsolete assets, subject to section 14 of the MFMA. The purpose of this standard is to assess the extent to which municipalities adopt asset disposal techniques that are consistent with the MFMA principles of efficiency, effectiveness, and economy.

Based on the above, the standard criteria focus on determining whether the SCM policies of municipalities address disposal management; records unserviceable or redundant, and/or obsolete assets that are maintained as part of the asset register of municipalities; whether financial, social, and environmental factors are considered in the disposal process; and whether assets are disposed of to obtain the best value (DPME 2016:60).

3.2.2.5 Financial delegations

This standard entails that a municipality must have an appropriate system of financial delegations in place as prescribed by the MFMA that will both maximise administrative and operational efficiency and provide adequate checks and balances within the municipal administration. It is worth noting that effective delegations result in improved service delivery through more efficient decision making closer to the point where services are rendered.

Furthermore, an appropriate system of delegations will ensure that the workload of an accounting officer (municipal manager), managers reporting directly to the municipal manager, and the chief financial officer are better managed to enable them to pay more attention to strategic issues. It should be noted that the standard criteria focus on determining whether or not municipalities have approved systems of financial delegations in place as prescribed by the MFMA, which had been updated/reviewed since the 2011 local government election (DPME 2016:62).

3.3 THE IMPORTANCE OF FINANCIAL MANAGEMENT

Finances are the lifeblood of every institution, because every organisation must maintain an adequate amount of finances for the smooth running of the concerned institution and maintain its business carefully to achieve the goals of the business concerned. This is also true for every municipality; for the municipality's goals to be realised, the municipalities must have effective financial management. Therefore, it is important to discuss elements of financial management. *Financial planning*, with regard to financial management, is an important function that helps with the promotion of an entity. *Acquisition of funds*, with respect to financial management, involves the acquisition of funds for a municipality.

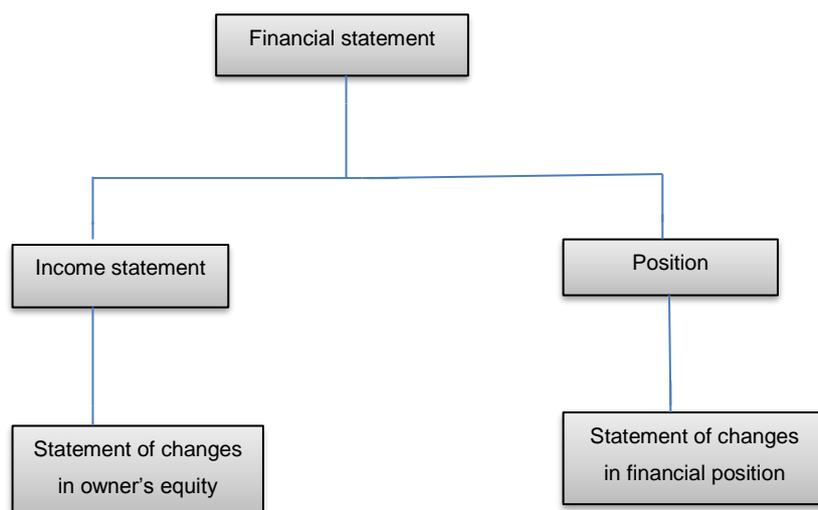
Although a municipality receives grants from national and provincial governments, the acquisition of its own funds is also important for the purposes of financial management (Paramasivan & Subramanian 2017:9-10). For the purposes of financial management, the *proper use of funds* is important especially for a municipality to function efficiently. It is important to mention that if a municipal manager uses funds properly, it can reduce the cost of capital and increase the value of the municipality in terms of financial viability. The effectiveness of the utilisation of funds determines the profitability of an organisation (Paramasivan & Subramanian 2017:9-10).

Financial decisions, as far as financial management is concerned, mean that making sound financial decisions is important because such decisions will affect all the operations of the municipality (Paramasivan & Subramanian 2017:10). One of the benefits of having a proper financial management system is potential *improvement in profitability*. In essence, a municipality must have strong financial control mechanisms such as budgetary control, ratio analysis, and cost volume profit analysis (Paramasivan & Subramanian 2017:10).

3.3.1 Financial statement analysis

It is important to begin the discussion on financial statement analysis by defining the meaning of financial statements. According to Paramasivan and Subramanian (2017:27), a financial statement is an organised collection of data according to logical and consistent accounting procedures. Its purpose is to convey an understanding of the financial aspects of an organisation. Financial statements may show a position at a moment of time, as in the case of a balance sheet, or may reveal a series of activities over a given period of time, as in the case of an income statement. Therefore, in general, financial statements consist of two important statements: the *income statement or profit and loss* and *the balance sheet or the position of statement*. Apart from these, an organisation usually also prepares some of the other parts of statements, which are arguably also useful for internal processes, such as *statement of changes in owner's equity* and *statement of changes in financial position* (Paramasivan & Subramanian 2017:12). Figure 3.1 herein below depicts financial statements that are useful for internal processes.

Figure 3.1: Financial statements that are useful for internal processes



Source: Adapted from Paramasivan and Subramanian (2017:13).

3.3.1.1 *Income statement*

According to Shipman, Doyne and True (2004:1), an income statement shows whether the organisation's operations return a profit or a loss. Van Blokland (1987:1) summarises that an income statement indicates what has happened in an organisation over a period of time, usually a year. As far as financial management is concerned, an income statement plays a key role in reporting, as well as in providing sufficient information regarding the profits that a municipality has made through selling certain services to consumers or residents.

Piland and Glass (1999:63) note that an income statement is used to summarise the results of an organisation's operations for a period of time, not longer than a year, to determine whether the organisation is operating efficiently. It is a measure of the results of operations representing the difference between revenue and expenses for the reported period. In South Africa, the financial year of municipalities runs from 1 July of each year to 30 June of the following year. Usually, at the close of the financial year, reporting against the approved or adjusted (if any) budget is required in the form of an annual financial statement (National Treasury 2018b).

3.3.1.2 *Position statement*

A position statement is also called a balance sheet, which reflects the financial position of an organisation at the end of the financial year. According to Barton and Simko (2002:89), the balance sheet accumulates the effects of the previous accounting choices, therefore the level of net assets partly reflects the extent of the previous earnings management. Paramasivan and Subramanian (2017:13) believe that the position statement assists to guarantee and understand the total assets, liabilities, and capital of the organisation. In respect of municipalities, they are legally required (as stipulated in the Municipal Budget and Reporting Regulation of 2009, read together with the Division of Revenue Act) to produce annual financial statements that outline the balance sheet of their total assets, liabilities, and capital for that financial year.

3.3.1.3 *Statement of changes in owner's equity*

The statement of changes in owner's equity includes the bottom-line items in the balance sheet and income statement book value and earnings, and its format requires a change in book value to equal earnings minus dividends (net of capital contributions) (Ohlson 1995:661). Stated simply, the statement of changes in owner's equity provides information about the changes in or position of the owner's equity in the organisation. However, in the modern world most organisations, including municipalities, do not usually prepare such a statement, because it is unlikely that an accounting manager in a municipality would prepare a separate statement of changes in owner's equity since this applies to private sector companies.

3.3.1.4 *Statement of changes in financial position*

This statement is also sometimes referred to as the cash flow statement. A statement of changes in financial position reports the amount coming in (cash receipts) and the amount of cash going out (cash payments or disbursements) during a separate period of time. Business activities usually result in either a net cash inflow (receipts greater than payment) or net cash outflow (payment greater than receipts) during a period. Furthermore, the cash flow statement shows the net increase or decrease in cash during the period and the cash balance at the end of the period. It is meant to explain the cause of changes in the cash balance (Smith 2001:4). It is therefore important for a municipality to compile a statement of changes in financial position, because this statement assists the provincial government and National Treasury to have a better understanding of the finances of a particular municipality.

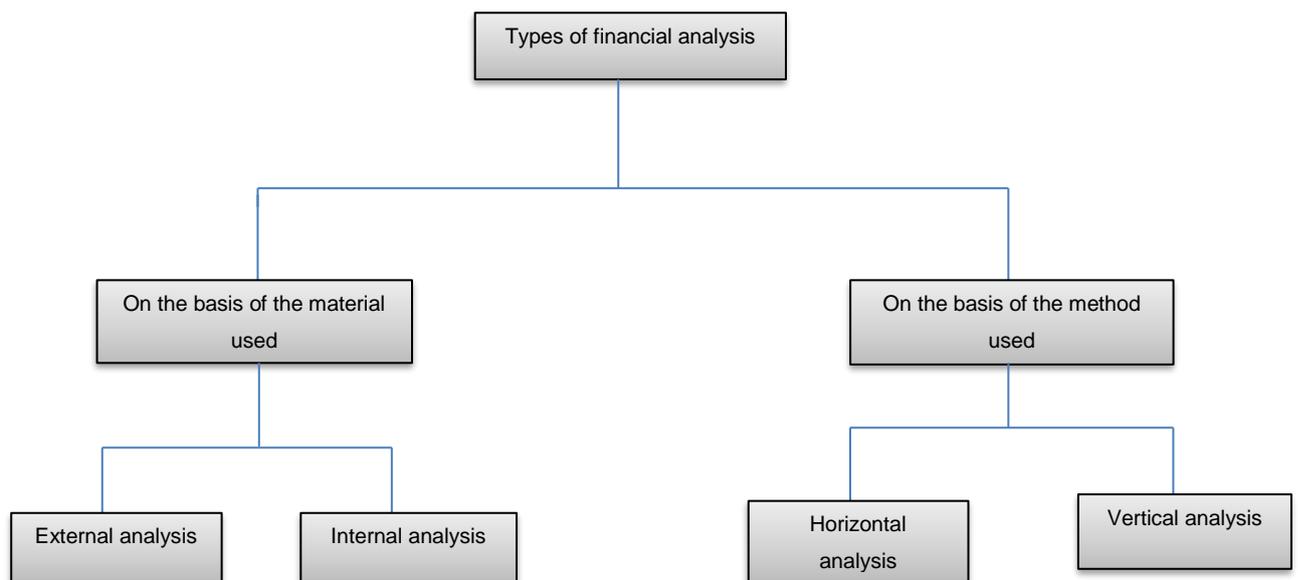
3.3.2 *Types of financial statement analyses*

According to Bragg (2017:3), financial statement analysis concerns gaining an understanding of an organisation's financial situation by reviewing its financial statements. Financial statement analysis is very crucial in order to understand the financial position of a municipality during a particular period of time. In South Africa,

for the purposes of governance and reporting, both the provincial and national CoGTA departments conduct financial analyses of all local, district, and metropolitan municipalities in the country. In cases where decisions need to be made regarding the demarcation of municipal boundaries, such information would be used to analyse whether a municipality is viable financially or not, hence it is necessary to conduct such analyses.

Figure 3.2 shows the classification of how two important types of analyses of financial statements can be conducted on the basis of the materials used and the method of operations.

Figure 3.2: Classification of important types of analyses of financial statements



Source: Adapted from Paramasivan and Subramanian (2017:13)

3.3.2.1 Based on the material used

According to Paramasivan and Subramanian (2017:14), with regard to the category based on the material used, financial statement analysis may be classified into two major types, namely external analysis and internal analysis.

(a) *External analysis*

As mentioned above, national and provincial governments normally conduct external analysis of the financial statements of a municipality even though they are not directly involved in the running of the municipality. This type of analysis is very much useful to understand the financial and operational position of an organisation. It mainly depends on the published financial statements of the organisation. Although the analysis provides limited information about the financial position of a municipality, it contributes to the framework of accountability and transparency and good governance in local government (Paramasivan & Subramanian 2017:14).

(b) *Internal analysis*

This type of analysis is usually conducted to understand the operational performance of each and every department and unit of a municipality. It could be argued that it may help to make decisions regarding achieving the goals of a municipality (Paramasivan & Subramanian 2017:14).

3.3.2.2 *Based on the method of operation*

Paramasivan and Subramanian (2017:14) further explain that based on the method of operation, financial statement analysis may be classified into two major types, namely horizontal analysis and vertical analysis.

(a) *Horizontal analysis*

As far as the analysis of the finances of the municipality is concerned, the horizontal analysis involves comparing the financial statements of several years, and on that basis, a municipality may make a decision. The current year's figures are usually compared with the base year and how financial information has changed from one year to another (Paramasivan & Subramanian 2017:14).

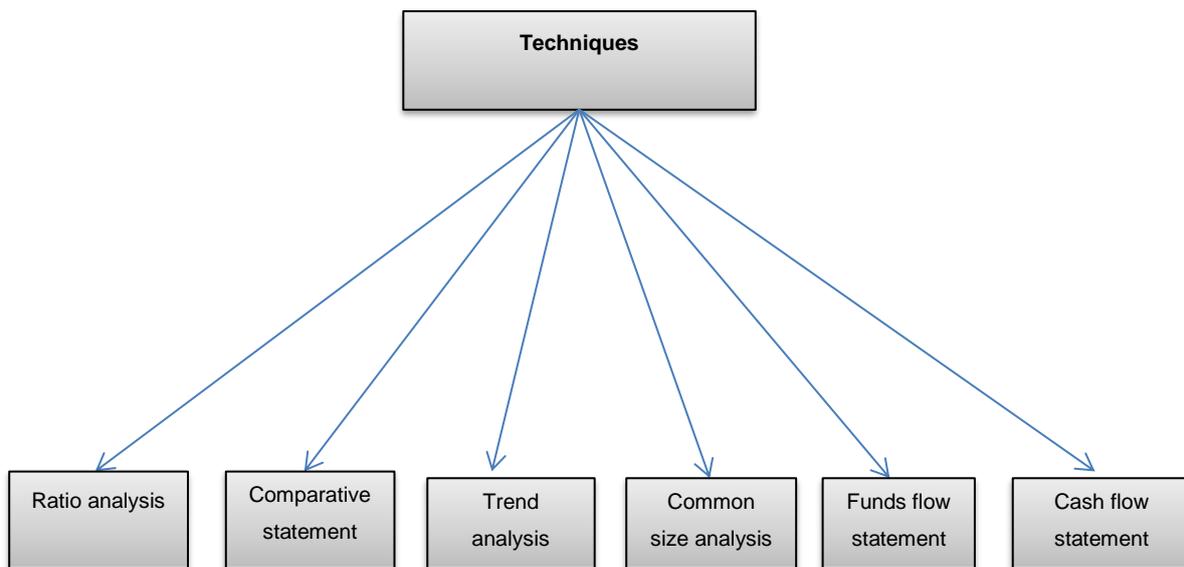
(b) *Vertical analysis*

In respect of vertical analysis, financial statements measure the quantities relationship of the various items in the financial statements for a particular period. This type of analysis helps to determine the relationship between various items that appear in the financial statements (Paramasivan & Subramanian 2017:14).

3.3.3 Techniques of financial statement analysis

In relation to techniques of financial statement analysis, a number of methods are used to analyse the financial statements of organisations. The following are therefore the common ones that are widely used by organisations:

Figure 3.3: Techniques of financial statement analysis



Source: Adapted from Paramasivan and Subramanian (2017:14)

3.3.3.1 Comparative statement analysis

The comparative financial statement has two major parts, namely the comparative balance sheet and the comparative profit and loss account analysis.

(a) Comparative balance sheet

According to Bragg (2018:1), a comparative balance sheet presents side-by-side information about an organisation's assets, liabilities, and shareholders' equity as at multiple points in time. For instance, comparative balance sheets could present the balance sheet as at the end of each year for the past three years. This type of analysis could possibly help to understand the real financial position of a municipality, as well as how assets, liabilities, and capital are placed during a particular period.

(b) Comparative profit and loss account analysis

The second part of comparative statement analysis is the comparative profit and loss account analysis. Anonymous (2013:181) indicates that these statements of profit and loss and the balance sheet are prepared by providing columns for the figures for both the current year, as well as for the previous year and for changes during the year, in both absolute and relative terms. For this type of analysis, only the profit and loss account are compared within the statement. More significantly, the analysis assists to understand a municipality's operational performance in a given period.

3.3.3.2 Trend analysis

Trend analysis involves the analysis of financial statements by comparing trends of some of the information. Trend analysis basically determines the direction upward or downward and it involves the computation of the percentages relationship that each item bears to the same item in the base year (Anonymous 2013:191). For the purposes of analysis of the financial statements of a municipality, trend analysis helps to understand the trend relationship between various items that appear in the financial statements.

3.3.3.3 Common size analysis

This type of analysis involves converting each line of financial data to an easily comparable (or common size) amount measured as a percentage. This is usually done by stating income statement items as a percentage of net sales and balance sheet items as a percentage of total assets (or total liabilities and shareholder's equity) (Saylor 2018:1). This type of analysis is regarded as one of the simplest methods of financial statement analysis.

3.3.3.4 The funds flow statement

The statement is regarded as the earlier version of the statement of cash flow that is now regarded to report changes in an organisation's cash flows during an accounting period. In most instances, the statement primarily reports changes in a municipality's networking position between the beginning and end of an accounting period (Bragg 2018:3).

3.3.3.5 The cash flow statement

The cash flow statement is arguably the most important financial statement of every organisation. This type of statement is a financial statement that summarises the amount of cash and cash equivalents. It usually measures how well a municipality manages its cash position; meaning how well a municipality generates cash to pay its debt obligations and fund its operating expenses. This statement complements the balance sheet and income statement and is regarded as a mandatory part of a municipality's annual financial statement reports (Investopedia 2018:1).

3.3.3.6 Ratio analysis

Hossan and Habib (2010:9) posit that financial ratio analysis is conducted by examining different ratio categories such as profitability ratios, liquidity ratios, debt ratios, performance ratios, and investment evaluation ratios. This type of analysis

usually acts as an index for evaluating a municipality's financial performance. It is the fundamental relationship between one number to another number. It can be classified into various types in relation to financial management.

(a) *Liquidity ratio*

Costea (2009:252) defines the liquidity ratio as the rate of the current or general liquidity; it measures the capacity of a municipality to honour its obligations in the short term from the current assets and to compare all the potential liquidities associated with the current assets with all its debts due to be paid in less than one month. The liquidity ratio assists to understand the liquidity of a municipality, which is the potential ability to meet current obligations.

Table 3.1: The major liquidity ratio

S. No.	Ratio	Formula	Significant ratio
1.	Current ratio	$\frac{\text{Current assets}}{\text{Current liability}}$	2:1
2.	Quick ratio	$\frac{\text{Quick assets}}{\text{Quick/current liability}}$	1:1

Source: Costea (2009:252)

(b) *Activity ratio*

This ratio measures the efficiency of the current assets and liabilities of a municipality during a particular period. It helps to understand the performance of a municipality.

Table 3.2: Activity ratios

S. No.	Ratio	Formula
1.	Stock turnover ratio	$\frac{\text{Cost of sales}}{\text{Average inventory}}$
2.	Debtors' turnover ratio	$\frac{\text{Credit sales}}{\text{Average debtors}}$
3.	Creditors' turnover ratio	$\frac{\text{Credit purchase}}{\text{Average credit}}$
4.	Working capital turnover ratio	$\frac{\text{Sales}}{\text{Net working capital}}$

Source: Costea (2009:252)

According to Drake (2013:3), the activity ratio relates to information regarding a municipality's ability to manage its resources (assets) efficiently.

(c) *Solvency ratio*

This is sometimes called the leverage ratio, which basically measures the long-term obligations of a municipality. Bragg (2018:1) states that the solvency ratio compares the appropriation of cash flows to liabilities, and it usually comes from the information stated in a municipality's income statement and balance sheet. The formula for the ratio is: $(\text{Net after-tax income} + \text{Non-cash expenses}) / (\text{short-term liabilities} + \text{long-term liabilities})$. A higher percentage normally indicates an increased ability to support a municipality's liabilities over the long term (Bragg 2018:1).

(d) *Profitability ratio*

Scatizzi (2010:20) describes profitability ratios as instruments used to measure a municipality's ability to generate earnings relative to its expenses and other costs. The most well-known profitability ratios are return on assets (ROA) and return on equity (ROE). Both ratios measure a municipality's ability to generate earnings from its investments. Paramasivan and Subramanian (2017:22) believe that profitability ratios help to measure the profitability position of a municipality. Some of the major profitability ratios are indicated in Table 3.3.

Table 3.3: Some of the major profitability ratios

S. No.	Ratio	Formula
1.	Gross profit ratio	$\frac{\text{Gross profit} \times 100}{\text{Net sales}}$
2.	Net profit ratio	$\frac{\text{Net profit after tax} \times 100}{\text{Net sales}}$
3.	Operating profit ratio	$\frac{\text{Operating net profit} \times 100}{\text{Sales}}$
4.	Return on investment	$\frac{\text{Net profit after tax} \times 100}{\text{Shareholder fund}}$

Source: Paramasivan and Subramanian (2017:22)

3.4 PRINCIPLES OF SUCCESSFUL PUBLIC PARTICIPATION

Public participation is the correct approach to dealing with demarcation disputes, it is important to note that it would not be regarded as public participation if there is not a real opportunity for public input to influence a decision or outcome. However, it can sometimes be very simple or complex, and it is almost never the same from project to project (Sarno 2012:5). There are best practices for ensuring successful public participation processes, which are guided by the following principles: clarify the goals for and the level of public participation, identify where public input can influence the decision, develop and share meaningful information, engage a broad range of stakeholder interests, design a comprehensive participation process, and ensure sponsor commitment.

3.4.1 Clarify the goals for and the level of public participation

According to Sarno (2012:12), it is important to ask what we hope to gain from public participation, and whether there is a real opportunity for the public to influence the decision or outcome. Moreover, it is important to identify the appropriate level of public participation based on the following: the degree to which input can make a difference, the public's desire to participate, our willingness to engage the public, available resources, available time, and consequences of not engaging the public (Sarno 2012:13). The emphasis of this principle is that institutions that seek to use public participation as an instrument to allow the community to be involved in decision making must determine what it is that they aim to achieve by engaging the public in decision making.

3.4.2 Identify where public input can influence the decision

When dealing with public participation, it is important to identify specific points where public input is important and possible. This principle outlines that public input early in the process is often the most effective, as well as asking very specific questions that help to focus public input. Furthermore, this principle advocates that governance

institutions should not ask the public's input into things they are unable to influence, or after decisions are made (Sarno 2012:16).

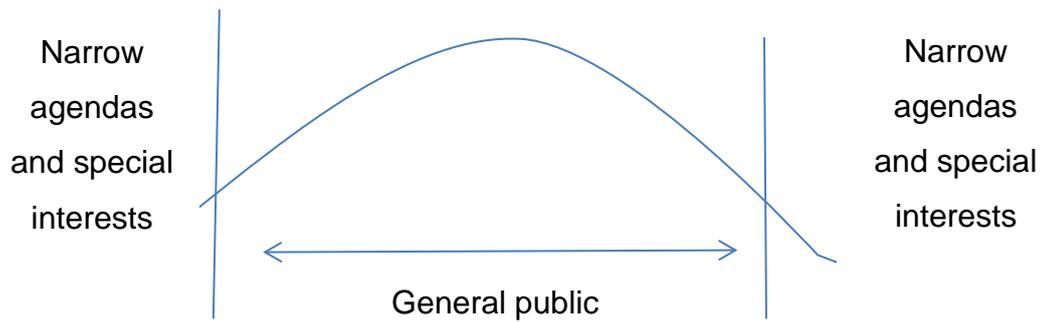
3.4.3 Develop and share meaningful information

This principle entails that a governance institution must ensure that the public has the information it needs to provide meaningful input (Sarno 2012:18). In this regard, the MDB has the responsibility to ensure that information about prospective demarcation matters is shared meaningfully with the affected parties in order to give them an opportunity to provide meaningful input. The principle also outlines that, generally, stakeholders and decision makers should be looking at the same set of facts for input to be useful. Furthermore, the governance institution should make information accessible and understandable to the public (Sarno 2012:18).

3.4.4 Engage a broad range of stakeholder interests

This principle emphasises that governance institutions should be careful not to limit their interaction to the "loudest voices". They should rather identify a range of voices that should be involved in the process and reach out to all of them. Furthermore, they should foster relationships with key stakeholders and help stakeholders to interact with one another (Sarno 2012:19). This principle proposes that institutions such as the MDB and CoGTA should focus on forming relationships with all stakeholders involved in demarcation matters; these include stakeholders such as the Makhado Task Team and the Malamulele Task Team.

Figure 3.4: Identifying the full range of interests



Source: Adapted from Sarno (2012:20)

3.4.5 Design a comprehensive participation process

This principle entails that a governance institution should start early and think about public participation continuously. Furthermore, institutions should match their activities, especially overall decision process, with public participation. This principle also emphasises that institutions should not rely on single events or limited meetings (Sarno 2012:21). The essential issue is that the relevant stakeholders should make the process of public participation comprehensive in order to have sufficient consultation meetings when dealing with boundary demarcation matters.

Figure 3.5: Comprehensive participation process



Source: Adapted from Sarno (2012:21)

3.4.6 Ensure sponsor commitment

This principle emphasises willingness to consider input at the level promised. This principle also advocates that governance institutions should make sufficient resources such as money, time, and manpower available. The transparency of information should also be appropriate to the level of participation. The emphasis of this principle is that to achieve better public participation, there should be sufficient commitment from all the stakeholders regarding the processes involved in decision making. These

include ensuring that commitment is sponsored through the provision of adequate resources to ensure that all inputs are considered before a decision is made by authorities (Sarno 2012:22).

3.5 PRINCIPLES OF GOOD GOVERNANCE IN THE 21ST CENTURY

According to Graham, Amos and Plumptre (2003:2), the concept of governance is about a more strategic aspect of steering, and entails the larger decisions about direction and roles; that is, governance is not only about “where to go”, but also about “who should be involved in deciding” and in what capacity. Graham *et al.* (2003:2) argues that there are four areas where the governance concept is relevant. Firstly, governance in “global space” or global governance, which deals with issues primarily outside the purview of individual governments.

Secondly, governance in “national space”, which is within a country, and is usually understood as the exclusive preserve of the government, which may involve several levels, such as national, provincial, and local level. Thirdly, organisational governance, which comprises the activities of organisations that are usually accountable to a board of directors. Lastly, community governance, which is the type of governance in a community space that includes activities at local level whereby the local organising body may not assume a legal form and where there may not be a formally constituted governing board. For the purposes of this study, the discussion will cover one area that emphasises governance in the national space (Graham *et al.* 2003:3). The following five principles of good governance are recognised by the UN: legitimacy and voice, direction, performance, accountability, and fairness.

3.5.1 Legitimacy and voice

This principle emphasises participation and consensus orientation in relation to good governance. In relation to participation, it illustrates that all men and women should have a voice in decision making, either directly or through legitimate intermediate institutions that represent their intention. More significantly, such broad participation is

built on freedom of association and speech, as well as capacities to participate constructively (Graham *et al.* 2003:3). Evidently with respect to boundary demarcation, all parties who are affected by the decision should be afforded legitimacy and voice through different means, in order to successfully fulfil the principles of good governance.

In relation to consensus orientation, the principles of good governance play a role of mediation between different interests to reach broad consensus on what is in the best interest of the group, and where possible, policies and procedures (Graham *et al.* 2003:3). When there are conflicts between different interest groups in relation to issues of boundary demarcation in local government, it is paramount to approach the current problems to resolve them using a consensus orientation method as advocated in this principle of good governance.

3.5.2 Direction

The principle focuses on strategic vision, which emphasises that leaders and the public should have a broad and long-term perspective on good governance and human development, along with a sense of what is needed for such development. This should also be based on an understanding of the historical, cultural, and social complexities in which that perspective is grounded (Graham *et al.* 2003:3).

The principle emphasises that leaders in society should take cognisance of issues of human development with a specific focus on the historical, cultural, and social perspectives of the community. In relation to the boundary demarcation of municipalities, this principle stresses that regarding the strategic vision of institutions that are tasked with the responsibility of determining which boundary should be amalgamated or disestablished, it is important to consider a number of aspects such as the cultural dynamics of the areas and how such decisions could impact on the direction of local government.

3.5.3 Performance

The principle prioritises issues of responsiveness, effectiveness, and efficiency, which means that institutions and processes of governance should strive to serve all stakeholders. Furthermore, the institutions and processes should produce results that meet needs while making the best use of resources (Graham *et al.* 2003:3). The emphasis of this principle is that good governance is about responding to issues on time to all stakeholders, as well as the sustainable utilisation of available resources. In relation to financial viability, municipalities should obviously strive to not waste financial resources on matters that would not yield better results or would not provide value for money.

3.5.4 Accountability

The focus of this principle of good governance is accountability, which means that decision makers in government are accountable to the public, as well as institutional stakeholders. Furthermore, the issue of transparency is linked to accountability because transparency is built on the free flow of information. The important part is that processes, institutions, and information should be made directly accessible to those concerned with them and sufficient information should be provided to understand and monitor them (Graham *et al.* 2003:3). In local government, in order to achieve good governance, accountability and transparency carry greater weight because any government that is not transparent and accountable to its citizens risks escalation of corruption and maladministration. In relation to the financial viability of municipalities, it is important that institutions are mandated by the Constitution to ensure that accountability and transparency are fostered in local government. For instance, the office of the Auditor-General is charged with the responsibility to ensure that the financial statements of municipalities are audited at the end of every financial year, which is in compliance with the standards of good governance on the accountability aspect.

3.5.5 Fairness

This principle of good governance illustrates that the issue of equality among citizens in society is pivotal in order to improve or maintain their wellbeing. Furthermore, fairness is also about the rule of law, which means that legal frameworks for governance should be fair and enforced impartially, particularly the laws on human rights (Graham *et al.* 2003:3). The emphasis of this principle in relation to issues of boundary municipal demarcation is that amendments to boundary lines should not infringe on citizens' human rights, meaning that legal frameworks should be introduced to mitigate inequality in order to improve quality of life.

3.6 THEORETICAL APPROACHES TO DEMARCATION

There are a number of theoretical approaches that underpin demarcation. For the purposes of this study, the variables to which theoretical analysis is applied are financial viability, public participation, and governance, as central tenets of municipal demarcation. The following theories informed this study:

3.6.1 The ability-to-pay theory

The ability-to-pay theory is a prominent theory of taxation, which is usually interpreted in terms of sacrifice (Kendrick 1939:92). The theory notes the need to justify progressive taxation based on the following three assumptions: the declining marginal utility of money with an increase in its supply, the existence of sacrifice arising from the payment of taxes, and the quantitative expression of that sacrifice. The point put forward by this theory in relation to municipal demarcation is that it is important for local authorities to ensure that rates and taxes are paid by the recipient of services because if such services are not paid for by the community, the money required to procure those services by the municipality will decline as the supply of basic services increases – at least according to this theory.

It can be argued that taking into consideration that the government's justification for the municipal demarcation decision in the Vhembe District was motivated by the need to achieve financial viability, it is therefore important to promote a payment of services

culture among the residents in the district as a sacrifice to balance the utility of financial resources, as the demand for its supply increases over time due to a high level of service delivery needs.

Kendrick (1939:93) summarises the phrase “ability to pay” by stating that money for public expenditures should come from “him that hath” instead from “him that hath not”. It should be noted that rates and taxes paid by consumers or residents on the necessities of life would, at least according to Kendrick (1939:92), correspond to the ability-to-pay theory interpreted in the revenue sense. It is worth mentioning that the Minister of CoGTA instructed the MDB in July 2015 to demarcate and redetermine the boundaries of municipalities that were found to be financially unviable. It is therefore important for the already demarcated municipalities in the Vhembe District, Limpopo province, as mentioned earlier, to promote the culture of paying for services that they receive from several local municipalities in the district. Moreover, the culture of paying rates and taxes would conform to the principle of ability to pay for services because if not, it could have a negative impact on the ability of these municipalities to generate their own revenue.

It can be argued that the ability-to-pay theory could be linked to the concept of financial viability because it emphasises that taxes have economic effects, and that these effects entail social consequences. The theory also emphasises its foundation on the broad realities of economic systems. Furthermore, the link between the concept of financial viability and the ability-to-pay theory is demonstrated by how the Local Government Fiscal Framework and National Treasury define financial viability; that it is the state of balancing revenue sources and expenditure responsibilities (National Treasury 2017b:3). Therefore, from this definition, one could conclude that the emphasis of the ability-to-pay theory is related to financial viability.

There are very few scholars have written on the relationship between the ability-to-pay theory and financial viability with specific reference to encouraging residents to pay rates and taxes after boundary municipal demarcation has taken place in their respective municipalities. Russell (1939:220) points out that in relation to the ability-

to-pay approach or theory, households may persist in paying for services but may mobilise resources by sacrificing other basic needs such as food and education.

Although Russell (1996:220) agrees with Kendrick (1939:92) on the issue of sacrifice in order to pay for rates and taxes, there is no mention that it could be used to encourage residents to pay for services such as property rates by sacrificing paying for food, since food and education are basic needs. Russell (1996:220) feels that there is no accepted definition of the ability-to-pay approach as far as affordability is concerned. This angle of the ability to pay was not explored by Kendrick (1939:220). Russell (1996:221) notes that the demand-based approach is another angle to the ability to pay and argues that, according to the demand-based approach, consumers (residents) are assumed to be able to afford whatever they are willing to pay, because they know best how to allocate their resources.

The point put forward by Russell (1996:220) emphasises that residents as consumers of goods and services provided by municipalities are the only ones who could determine whether they can afford to pay for services, because they prioritise which services matter to them and allocate those accordingly. Therefore, the MDB could not use financial viability to demarcate municipalities without considering whether, after the establishment of new boundaries, residents would have the ability to pay for services based on the resources at their disposal. It could be argued that it is almost impossible for rural municipalities to pass the test of financial viability, considering the dynamics of residents residing in villages that have no established rate-paying mechanisms for the villagers.

3.6.2 The public participation theory

When dealing with matters of municipal demarcation, it is important to emphasise the importance of public participation. The theory of public participation is therefore worth mentioning in addressing demarcation challenges. According to Innes and Booher (2004:422), in public participation theory, decision makers should firstly find out what the public preferences are so that these can play a part in their decisions. Secondly,

the theory stresses the need to improve decisions by taking citizens' local knowledge into account. Innes and Booher (2004:422) describe the first and second emphases of public participation as increasingly important because the government gets larger and more distant from its constituencies. It is worth noting that with regard to making decisions to demarcate municipalities, the public participation theory, at least according to the first and second emphases, argues that since some citizens are going to be moved around either far from or near certain local areas, there is a need to consult them on how they feel about the decision to move their villages to another local municipality, as this could mean moving certain local municipal offices to another area. In the case of the Vhembe District, which is the main focus of the study, the demarcation decision resulted in new municipal offices established in Malamulele, about 20 km from the Vuwani area where the Makhado local municipal offices were previously located.

The third emphasis of the public participation theory is that public participation has the purpose of advancing fairness and justice. Innes and Booher (2004:422) believe that there are systematic reasons why the needs and preferences of many groups, particularly the least advantaged, are not recognised in the overall information sources and analytic procedures. These needs may only come to the fore during an open participation process. It should be noted that as far as municipal demarcation is concerned, the public participation theory stresses the need to practise justice and fairness by including the least advantaged in the participation process by making the process open to everyone. In order to resolve demarcation disputes, the MDB must attempt by all means to involve all the parties affected by demarcation in order to make the process fair and just for the entire community.

The fourth emphasis of the public participation theory is regarding obtaining legitimacy for public decisions. For example, if a planner can say "we held a dozen public hearings and reviewed hundreds of comments and everyone who wanted to, had a chance to say his piece", then whatever is decided is, at least, in theory, democratic and legitimate (Innes & Booher 2014:423). In a democratic South Africa, boundary demarcation affects a number of communities. For example, the community of Vuwani in the Vhembe District was affected by the 2016 demarcation, therefore it is important

that such decisions to demarcate certain public areas are legitimate and democratic. This means, at least according to this theory, holding a number of public hearings and reviewing hundreds of comments submitted by the affected parties, including comments by those parties who are against the decision to be moved from one boundary to another. It is so for the case of the eight Vuwani villages affected by the 2016 demarcation decision in the Vhembe District, which protested the decision of the MDB to incorporate these villages into the new Collins Chabane Local Municipality, which is headquartered in Malamulele, approximately 20 km from Vuwani, which is in close proximity to some of these villages. The researcher is of the view that based on the fourth emphasis of the theory of participation, the demarcation decision in Vuwani could be regarded as illegitimate and undemocratic, because it was reported in the media in 2016 that the communities of the affected villages claimed they were not consulted.

The fifth and final emphasis of the public participation theory is that participation is something planners and public officials do because the law requires it (Innes & Booher 2004). In local government in South Africa, the Demarcation Act of 1998 in section 28 compels the MDB to hold public meetings as a procedure for public consultation. This piece of legislation emphasises the importance of following the law with regard to public participation in boundary demarcation matters. In order to strengthen constitutional democracy in South Africa, institutions and public officials must follow the law in order to maintain order in society. However, in practice, protests after demarcation decisions have seldom been announced by the MDB to paint a picture of non-compliance to the prescripts of public participation or merely that certain elements of political motives exist that fuel opposition to boundary changes.

3.6.3 The governmentability theory

The theory of governmentability, for Foucault, entails a relational conception of society and its institutions that connects the political and subjective realms (as cited in Amos 2010:4). Foucault defines governmentability as:

- “The ensemble formed by the institutions, procedures, analyses and reflections, the calculations and tactics that allow the exercise of this very specific albeit complex form of power, which has as its target population, as its principal form of knowledge political economy, and as its essential technical means apparatuses of security” (Foucault cited in Amos 2010:3).
- “The tendency which, over a long period and throughout the West, has steadily led towards the pre-eminence over all other forms (sovereignty, discipline, etc.) of this type of power which may be termed government, resulting, on the one hand, in the formation of a whole series of specific governmental apparatuses, and, on the other, in the development of a whole complex of savors” (Foucault cited in Amos 2010:3).
- “The process, or rather the result of the process, through which other states of justice of the Middle Ages, transformed into administrative states during the 15th and 16th centuries, gradually became “governmentalised” (Foucault cited in Amos 2010:3).

Maloba (2015:4) cites Foucault’s governmentability concept as a combination of two concepts, namely governing (*gouverner*) and modes of thought (mentality), and emphasises that Foucault’s definition stresses the art of government and that the term “governmentability” includes a range of techniques, instruments, and institutions that the government puts in place when running public affairs.

Foucault (as cited in Maloba 2015:45) originally used the term “governmentability” to describe a particular way of administering populations in modern European history within the context of the rise of the idea of the state. He later expanded his definition to encompass the techniques and procedures which are designed to govern the conduct of both individuals and populations at every level not just the administrative or political level.

It is clear from the working definition of governmentability, as elaborated on by Foucault, that the emphasis is on managing the human conduct not only of the individuals but of all populations by introducing institutions and techniques that are going to regulate the lives of villagers with regard to the issue of boundary

demarcation, and that the state has a role to play in introducing or reintroducing the system of local government, which is going to reflect the representation not only of a small group or ethnic groups in society but to establish a state entity in the form of a municipality that is going to incorporate a diverse community, such as in the Vhembe District.

Moreover, the theory of governmentability indicates the residents as the governed in the pursuit of the common good, with focus on the effort to share authority of public management between state and non-state organisations. The MDB serves as an institution of the state that seeks to restructure the boundaries of municipalities by redrawing and demarcating municipal boundaries for the inclusive benefit of all local communities.

As noted by Foucault in his definition of governmentability, the state of justice of the Middle Ages, transformed into an administrative state during the 15th and 16th centuries, gradually became “governmentalised”. The point here is that taking into consideration some of the historical background of local government in South Africa, where residents, particularly blacks, were grouped according to their tribes, it can be argued that the institutions of the state through the MDB seek to transform the apartheid structures of local authorities by creating municipalities that would represent all the tribes in the Vhembe District.

3.6.4 The governance theory

According to Kjaer (2004:14), the governance theory emphasises the respect of rules that needs to be legitimised and that must derive from democracy, as well as from an efficiency pursuit. On the other hand, Stoke (1998:17-18) maintains that the core concept of governance is its focus on mechanisms that do not rest on recourse to the authority and sanctions of the government. Maloba (2015:53) echoes the argument put forward by Kjaer (2004:14) and maintains that governance theories take the view that representative democracy on its own is an increasingly inadequate institutional

method to achieve democratic accountability in the modern world and needs to be supplemented with more participatory forms.

In order to achieve good governance in South Africa, leaders of institutions of authority, especially in the context of local government, need to represent the rules of democracy in order to legitimise the decisions they make in pursuit of the efficiency of policymaking. As noted by Maloba (2015:53), the governance theory in the modern world needs to be complemented and supported by the inclusion of new forms of participation in order to strengthen democratic institutions. The municipal boundary matter in South Africa is a thorny issue that needs strong institutions to manage and resolve disputes that emerge from the process. Therefore, there is a need for emphasis on good governance in the public sector in the country, particularly when dealing with delivery of services to local residents.

According to the Organization for Economic Co-operation and Development (OECD 2001:3), good governance in the public sector is associated with public sector reform and explores eight major characteristics of good governance, which are “participation, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law”. It should be noted that following the abovementioned eight major characteristics of good governance, the government must ensure that demarcation disputes are minimised, and that the views of the minorities in demarcation matters are taken into account and that the voices of the most vulnerable in society are heard and dealt with in the decision-making process (OECD 2001:3).

Pierre (1998:5) concedes that the government has a number of instruments at its disposal; it tends to focus only on a few familiar ones that involve direct interventions. Nevertheless, Pierre (1998:5) states that the adoption of the governance perspective on their roles and opportunities enables governments to see that they use a number of less direct forms of intervention as a means to achieve their ends. Maloba (2015:53) disagrees with Pierre (1998:5) on the aspect of direct interventions and argues that the government must use other forms of participation to intervene in addressing problems in society. The researcher agrees with Maloba (2015:53) and Kjaer

(2004:14) on adopting other forms of governance with respect to participation, especially when dealing with demarcation disputes, because in South Africa there is empirical evidence that boundary demarcation presents more disputes than resolutions and the courts have recently intervened in these matters to attempt to bring an amicable solution. This is so in the Vuwani, Khutsong, Matatiele, and Merafong demarcation cases, for example.

3.7 CONCLUSION

This chapter firstly provided a basic overview of municipal financial management principles and a discussion that outlined that there are five principles of financial management as stipulated by the MFMA, which serves as the legislative framework that guides municipalities as far as financial management is concerned. This piece of legislation also assigns roles and responsibilities to several role players involved in municipal financial management to achieve and maintain public accountability, transparency, good governance, and financial sustainability in local government.

Secondly, the chapter discussed several standards developed by the DPME, which are used to measure the key performance areas of municipalities regarding financial management. Most notably was revenue management, which is the standard a municipality is measured against regarding its ability to raise finances to fund its operations and whether a municipality has proper revenue management policies in place for purposes of credit control, rates and tariffs setting, and a billing system.

Thirdly, this chapter discussed the importance of financial management with emphasis on financial statement analysis. Financial statement analysis serves as an important pillar for measuring the financial position of every organisation and it is for this reason that it is important to stress the need to assess the financial viability of a municipality by analysing these statements. For instance, one would not be able to have an idea of whether a municipality has sufficient revenue to run its operations without analysing the financial statements.

Fourthly, the chapter explored the principles of public participation. The principles are important when dealing with public consultation in demarcation matters. The emphasis of the principles is that it would not be regarded as public participation if there is no real opportunity for public input to influence the decision or outcome. The discussion in the chapter also explained the principles of good governance as tenets of local government in South Africa.

Finally, the chapter discussed the theoretical approaches to demarcation. It explored theories that underpin the concepts of financial viability, public participation, demarcation, and governance as important parts of this study.

CHAPTER 4

LEGISLATIVE AND REGULATORY FRAMEWORKS THAT UNDERPIN MUNICIPAL BOUNDARY DEMARCATION IN SOUTH AFRICA

4.1 INTRODUCTION

Chapter 4 focuses on the legislative and regulatory frameworks that underpin municipal boundary demarcation in South Africa. The chapter opens with an introductory statement, followed by the discussion on the Constitution of Republic of South Africa, the National Development Plan, White Paper on Local Government, White Paper on Public Service Delivery, the Intergovernmental Relations Act, the Municipal Structures Act, Municipal Systems Act, Spatial Planning and Land Use Act, Municipal Finance Management Act, Municipal Elections Act, the Traditional Leadership and Governance Framework, the Development Facilitation Act, the Municipal Property Rates Act, the Disaster Management Act, Division of Revenue Act and conclusion.

In 1991 when the negotiation for the new democratic South African constitution began, the negotiation had the aim of introducing a new and final constitution, which would be representative of all South Africans. The new 1996 Constitution established three spheres of government, namely national, provincial, and local government. The distinctively functional responsibilities of each sphere of government were simultaneously required to function as a single system of cooperative government.

The first democratic government introduced new legislations and policies, which were intended to reverse apartheid geography; contribute to spatial planning transformation and spatial justice for all; advance the integration of communities, settlements, and economies; and enable the gradual realisation of sustainable and developmental local government. It is clear that local government is built on legislative foundations.

This chapter begins by referring to relevant sections and chapters of the Constitution of the Republic of South Africa of 1996 and how they shape local government and financial management in South Africa. The chapter then moves to highlight the importance of the National Development Plan (NDP): Vision 2030 as the guiding framework for national spatial development. The chapter then follows on the importance of the White Paper on Local Government and its role in the establishment of a new, transformed local government system. Thereafter, the chapter discusses the White Paper on Transforming Public Service Delivery (the Batho Pele White Paper). In particular, the nine Batho Pele principles for service delivery will be summarised.

The chapter also refers relevant sections of the Intergovernmental Relations Framework Act (IRFA) and its relevance to municipal boundary demarcation towards fulfilling the constitutional mandate of cooperative governance. The chapter then proceeds to refer the Municipal Structures Act, which plays a critical role in the establishment of municipalities, cross-boundary municipalities, and the delimitations of wards, as well as the criteria that must be followed for the delimitations of such wards. The chapter then refers to relevant sections of the Municipal Systems Act, because this legislation provides the organisational structure of local government. More significantly, the chapter also refers to the Demarcation Act, which serves as a starting point for the redrawing of boundaries in local government in South Africa.

The chapter also focuses on the relevance of the Spatial Planning and Land Use Management Act (SPLUMA). This act applies to restructuring corridors and activity spheres. The Act also plays a central role with regard to limits to urban sprawl. The chapter then focuses on the MFMA as an important framework for establishing the secure, sound, and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government. Furthermore, the chapter discusses the Local Government: Municipal Election Act (No. 27 of 2000) (hereafter referred to as the Municipal Election Act), which regulates municipal elections.

The chapter also refers to the relevance of the Traditional Leadership and Governance Framework Act. This act provides for the recognition of traditional communities when dealing with demarcation of municipal boundaries. The Development Facilitation Act

is also referred to in this chapter as it deals with issues of land development, which are influenced by demarcation of boundaries. The issue of property rates is very important for a municipality to be able to sustain itself financially; hence, this piece of legislation is discussed in this chapter. Another piece of legislation, which is referred to in the chapter, is the Disaster Management Act, which deals with issues of preventing and reducing the risk of disasters. The final piece of legislation that the chapter discusses is the Division of Revenue Act, which is implemented every financial year in order to provide equitable share and allocations to municipalities. The chapter concludes with a conclusion of the legislations referred to in the entire chapter.

4.2 THE 1996 CONSTITUTION OF THE REPUBLIC OF SOUTH AFRICA

After South Africa gained democracy, the Constitution of 1996 came into effect to serve as an important legislative framework from which all other laws were framed and it is utilised as a mechanism to transform South African society. Section 2 of the Constitution of 1996 emphasises its supremacy. It also serves as a guideline that regulates the functions of the institutional structures of the state (Madumo 2015:161). The Constitution of 1996 also establishes local government as a separate and distinct sphere of government, obligated to deliver services the cooperate support of provincial and national spheres, as stipulated in section 40(1).

Section 139 of the Constitution emphasises the structured support provided by provincial government to municipalities in terms of capacity. Furthermore, section 152 of the Constitution deals with the objectives of local government as addressed above, as a requirement for local development. The issue of boundary demarcation affects the lives of the citizens, and for this reason, Chapter 2 of the Constitution provides that all citizens have socio-economic rights that the state should protect; these rights include the right to access to housing, healthcare, food, water, social security, and education (RSA 1996).

The municipal boundary demarcation matter should not disrupt the provision of services as stipulated in the Constitution. Therefore, the national and provincial

government must work together with district municipalities such as the Vhembe District Municipality to ensure the smoother handling of demarcation matters. In relation to financial viability, this matter is dealt with in section 215(3)(a)(b)(c) that stipulates that budgets in each sphere of government (including local government) must contain estimates of revenue and expenditure and must differentiate between capital and current expenditure (RSA 1996).

The emphasis of section 215(3)(a)(b)(c) is that municipalities must indicate in their budgets their estimates of projected revenue and expenditure for the next financial year and differentiate between capital and current expenditure. According to this section, it is essential to sustain the financial situation of a municipality. Furthermore, the Constitution in this section stipulates that a municipality's budget must contain proposals for financing any anticipated deficit for the period to which they applied, and must contain indications of intentions regarding borrowing and other forms of public liability that will increase public debt during the ensuing year. The section also emphasises that there are proper debt management measures that would forecast the future borrowing possibilities towards financing the delivery of services to all citizens (RSA 1996).

Section 7 of the Constitution establishes the “wall-to-wall” system of categories of municipalities. This is important because any decision by the MDB to determine or redetermine boundaries of municipal categories and what type of a municipality the proposed boundary aims to establish as part of restructuring of local government in South Africa. Section 155(1) of the Constitution deals with the establishment of municipalities. It stipulates that there are categories; for instance, a Category A municipality is a municipality that exercises municipal executive and legislative authority in its area; a Category B municipality shares municipal executive and legislative authority in its area with a Category C municipality within whose area it falls; and a Category C municipality has municipal executive and legislative authority in an area that includes more than one municipality (RSA 1996).

The focus of this study, which is the Vhembe District Municipality, is a Category C municipality, which emphasises that it has authority in its areas, including the local municipalities, which are the Makhado, Musina, and Thulamela local municipalities,

and the newly formed Collins Chabane Local Municipality in the Limpopo province. The Constitution introduced a new demarcation framework that mandated the national and provincial government to support and assist municipalities in building capacity (The Presidency 2014:16).

4.3 NATIONAL DEVELOPMENT PLAN (NDP): VISION 2030

In 2009, the presidency of Jacob Zuma established the National Planning Commission (NPC) led by the former Minister of Finance, Mr Trevor Manuel. The aim of the NPC was to craft a long-term strategic plan to deal with developmental challenges in South Africa. The NPC developed the NDP: Vision 2030, which, among others, suggests the need to transform spatial arrangements and spatial governance. This obviously speaks to addressing and transforming local government and governance matters in municipalities, hence the redrawing of municipal boundaries was reintroduced in 2015 by the government and this time, unlike during the first phase of restructuring of local government where resizing of municipalities had more to do with integrating communities closer to amenities, but the 2015 decision used financial viability as a reason for restructuring local government. However, for the first time, the demarcation of municipalities focused on financial viability as a factor that led to the MDB redrawing the boundaries of municipalities in the Vhembe District. Notably, the Mutale Local Municipality was de-established during the 2015 demarcation period and this decision speaks to the vision of the NDP as a guiding framework for national spatial development (NPC 2012:246).

The NDP stipulates that all spatial development must conform with the following normative principles and that the demarcation process must explicitly outline how it will meet the requirements of these principles:

- A national spatial fund to promote the vision and rationalise the existing funding streams for spatial development.
- A national observatory for spatial data assembly and analysis.

- Establish an interdepartmental spatial development committee in the Presidency with the necessary oversight to formulate the National Spatial Framework.
- Resolve the responsibilities for spatial planning within national government, remove duplication, and recommend which department or agency should be responsible for overseeing spatial planning.
- Resolve mediation the process for serious spatial conflicts.
- Create a robust set of spatial indicators as part of a spatial governance evaluation framework to measure the extent to which spatial objectives are practically being achieved.
- Convene the legislative reforms process.
- Promote spatial planning and land use management legislative reform.
- Legislation on land use management, as required by the Constitutional Court, needs to pave the way for a thorough review of planning system. Further pieces of legislation should be presented to parliament to address cross-cutting aspects of spatial planning, which will facilitate simpler, more efficient decision making on development application. This should resolve the current fragmentation within the planning system, which divides sectors, for example, land use management, environmental management, transportation planning, and heritage (NPC 2012:251-252).
- Reform the current planning systems of all municipal and provincial plans, including integrated development plans, to be translated into spatial contracts that are binding across spheres of government.
- Make provision in legislation for cross-boundary plans that would promote collaborative action in areas including biodiversity protection, climate change adaptation, heritage and tourism, and transportation.
- In developing a more effective system of governance for city regions, reform the planning system to ensure integrated city- or region-wide coordination of planning.
- Promote the possible regionalisation of planning and service delivery as municipal boundaries are an inadequate basis for planning and service delivery.
- A national spatial vision should address this through a consultative process, based on a proposed demarcation of regions. In this process, the democratic

accountability of regional structures must be given careful consideration (NPC 2012:252-253).

4.4 THE 1998 WHITE PAPER ON LOCAL GOVERNMENT

This White Paper is relevant to municipal boundary demarcation in South Africa because it advocates for a developmental local government. It emphasises that when municipalities are established and de-established by the MDB, cognisance must be taken of the vision of local government to disintegrate the apartheid legacy and assist in commanding the establishment of a new and transformed local government system. It is therefore important that when boundaries are redrawn that priority must be given to the necessity to deliver basic services to the community and to promote social and economic development (The Presidency 2014:17).

According to Van der Waldt (2015:16), developmental local governance or local government for development involves creating a better future for communities through the provision of local socio-economic development programmes and projects. It also requires strong capable institutions, systems, strategies, policies, processes, and procedures to promote grassroots development. Notably, the White Paper on Local Government clearly aims to achieve exactly what was outlined by Van der Waldt (2015:16) and it is also clear that the establishment of new municipalities must be development orientated because municipalities are basic units of the local government sphere and must foster the agenda of ensuring the general wellbeing of the citizens (Madumo 2015:160).

The White Paper on Local Government notes the characteristics of developmental local government as the following: maximising social development and economic growth, integrating and coordinating development planning, promoting democratic development, and building social capital at the local level to enable local solutions to development challenges (RSA 1998a).

4.5 THE 1997 WHITE PAPER ON TRANSFORMING PUBLIC SERVICE DELIVERY (BATHO PELE WHITE PAPER)

In South Africa, the primary role of municipalities is to provide services to the citizens. For this reason, it is important that these municipalities are financially viable to be able to fulfil this mandate. The conduct of municipal officials is therefore crucial to the delivery of these services to the community. The White Paper on Transforming Public Service Delivery serves as a guiding principle to instil a culture of “people first”, or Batho Pele, in relation to the prioritisation of what the citizens want first as the motto for every single municipality in the country. This White Paper is aimed at bringing about a radical reorientation of the public service towards “putting people first” and serves as a framework for the transformation of public service delivery (RSA 1997).

The White Paper also developed nine Batho Pele principles, with the ninth principle of “service excellence” added after the policy had been adopted. Therefore, the Batho Pele principles in this study are discussed as follows:

- **Consultation:** Citizens should be consulted about the level and the quality of the services they receive from the municipality, and, where possible, should be given a choice regarding the services offered. In terms of demarcation of municipal boundaries, consultation is an integral aspect in ensuring that the citizens are consulted about the outcome of the expected decision regarding the redrawing of boundaries.
- **Service standards:** Citizens should be told what level and quality of municipal services they will receive so that they are aware of what to expect. Regarding the demarcation of municipal boundary setting, it implies that the affected communities need to be informed of how relocation from one municipal boundary to another is going to influence the standards of municipal services that they are going to receive or were used to receiving (RSA 1997).
- **Openness and transparency:** Citizens should be told how national and provincial departments are run, how much they cost, and who is in charge. In the context of local government, municipalities should be open and transparent regarding who is the municipal manager and the executive mayor, and how service delivery plans such as IDPs are approved by the municipal council within the municipality.

- **Redress:** If the promised standard of service is not delivered, citizens accessing municipal services should be afforded an apology, a full explanation, and a speedy and effective remedy; and when complaints are made, citizens should receive a sympathetic, positive response. In the context of demarcation disputes, the district municipality, together with the MDB and the provincial department of cooperative governance, in collaboration with the concerned local municipality, must work together to address the complaints of all concerned citizens regarding the outcome of the demarcation decision.
- **Access:** All citizens should have equal access to the municipal services that they are entitled to. Even when the process of demarcation is undertaken, these services should be provided to all – individuals and communities – irrespective of the situation.
- **Courtesy:** Citizens should be treated with courtesy and consideration. In municipalities, the residents must be treated with respect; for example, providing seats to residents while they are queuing to be attended to by municipal officials.
- **Information:** Citizens should be given full, accurate information about demarcation matters. In this regard, they should not rely only on the media. The MDB must convene public forums to educate the citizens of communities where demarcation is going to be undertaken to reduce contestations and disputes about the decisions being made (RSA 1997).
- **Value for money:** Municipal services should be provided economically and efficiently to give citizens the best value for money, and a municipality should use allocated resources to provide adequate services to all citizens.
- **Service excellence:** In the context of the provision of municipal services, this implies that the Vhembe District Municipality acknowledges and rewards innovation by its employees across the district as a measure to encourage excellence in service delivery. This will assist in boosting the morale of municipal employees within the Vhembe District in the Limpopo province (RSA 1997).

4.6 THE 2005 INTERGOVERNMENTAL RELATIONS FRAMEWORK ACT

In South Africa, demarcation disputes are a reality and the provision of services is a challenge for most municipalities. The relationship between different spheres of government and its importance cannot be overemphasised. It is therefore relevant to emphasise the application and implementation of the IRFA to promote and facilitate intergovernmental relations. National and provincial government must work together to fulfil their constitutional obligation of cooperative governance. Moreover, the IRFA provides in section 16 for the establishment of an Intergovernmental Premier's Forum and to promote and facilitate relations between province and local government in the province (RSA 2005).

The emphasis is that relations between the offices of the premier and local governments would speed up the resolution of service delivery backlogs in local municipalities and perhaps reduce the number of service delivery-related protests in South African communities. More significantly, section 24 of the IRFA established district intergovernmental forums that aim to promote and facilitate intergovernmental relations between district and local municipalities. The point is that all local municipalities within the Vhembe District must ensure that there is regular interaction with the district regarding service delivery-related challenges and other institutional capacity challenges that may impact the lives of the citizens of the Vhembe District Municipality.

Section 28 of the IRFA further provides that two or more municipalities in the district may establish an inter-municipality forum to promote and facilitate intergovernmental relations between them (RSA 2005). In the context of demarcation challenges in the Vhembe District Municipality, the two local municipalities concerned, Makhado Local Municipality and Collins Chabane Local Municipality, must be encouraged to regularly have meetings to facilitate the transition of the established new municipal boundaries for the benefit of residents of both municipalities. Furthermore, the relations should also provide technical support to the structures that may be established between the two municipalities as outlined by section 30 of the IRFA (RSA 2005). Section 31 of the IRFA sets out the need for consultation with organised local government. In this

instance, both municipalities may engage with the SALGA and such engagement may be conducted through an appropriate intergovernmental structure such as the Premier's Intergovernmental Forum (RSA 2005).

4.7 THE MUNICIPAL STRUCTURES ACT OF 1998

The Municipal Structures Act authorises the establishment of internal systems of municipalities to serve as mechanisms to obtain appropriate municipal administration to guarantee efficiency and effectiveness in service delivery. This Act therefore consolidates the position of the Constitution on the establishment of municipalities and their categorisation. It also provides for the appropriate division, as well as devolution, of power, as regulated by the functioning of the appropriate category of municipality to ensure a proper governance structure, which culminates in the election of municipal councils. The Act also enables the municipality to establish ward committees to enhance participatory democracy in local government (Cloete & Thornhill 2005:102). Significantly, this Act regulates the internal systems, structures, and office bearers of municipalities (RSA 1998b).

4.7.1 Establishment of municipalities

Section 12(1) of Municipal Structures Act notes that the MECs of local government in a province, by issuing a notice in a provincial gazette, must establish a municipality in each municipal area, which the MDB must demarcate in the province in terms of the Demarcation Act. Section 12(2)(b) states that the establishment of a municipality must take effect at the commencement of the first election of the council of that municipality (RSA 1998c).

Section 12(3) states that the notice establishing the municipality must specify:

- a) the category of municipality that is established;
- b) the type of municipality that is established;
- c) the boundaries of the municipal area;
- d) the name of the municipality;

- e) the number of councillors as determined in terms of section 20; and
- f) which councillors of a municipality (if any) may be designated as full-time in terms of section 18(4).

Section 12(4) prescribes that the MECs for local government must:

- a) at the commencement of the process to establish a municipality give written notice of the proposed establishment to organised local government in the province and any existing municipalities that may be affected by the establishment of a municipality;
- b) before publishing a notice in terms of this section, consult:
 - (i) organised local government in the province; and
 - (ii) the existing municipalities affected by the proposed establishment;
- c) after consultation, publish the particulars of the proposed notice for public comment (RSA 1998c).

4.7.2 Repeal, amendment, or replacement of section 12 notices when boundaries are redetermined

Section 17(1) of the Municipal Structures Act states that when the MDB, in terms of the Demarcation Act, redetermines a municipal boundary that affects the area of a municipality established in terms of section 12:

- a) the provisions of sections 12 and 14 are applicable to the extent of being necessary to give effect to the redetermination; and
- b) the MECs for local government in the province concerned must repeal, amend, or replace the relevant section 12 notice as may be required in the circumstances.

Section 17(2) states that before repealing, amending, or replacing any notice in terms of subsection (1)(b), the MEC for local government must consult the affected municipalities. Section 17(3) states that any repeal, amendment, or replacement of a section 12 notice takes effect on the date mentioned in the notice, but if the number of councillors is changed, section 16(1)(c) applies (RSA 1998b). Chapter 5 of the Municipal Structures Act sets out the functions and powers of municipalities, and

specifically sections 83(1) and (2) state that a municipality has the functions and powers assigned to it in terms of sections 156 and 229 of the Constitution. The functions and powers must be subdivided in the case of a district municipality and the local municipalities within the area of a district municipality (RSA 1998b).

4.7.3 Cross-boundary municipalities

Section 90(1) of the Municipal Structures Act emphasises that only an act of parliament may authorise the establishment of a cross-boundary municipality, as envisaged in section 155(6) of the Constitution (RSA 1998b).

4.7.4 Delimitation of wards

In terms of Schedule 2 of Part 1 of the Municipal Structures Act, the MDB after consultation with the Electoral Commission, for purposes of an election, must delimit all metropolitan municipalities and all local municipalities that must have wards into wards. The number of wards in a metropolitan or local municipality must be equal to the number of councillors determined for the municipality in terms of section 22(2) as stipulated in Schedule 3 of the Municipal Structures Act (RSA 1998b).

4.7.5 Delimitation criteria

In terms of Schedule 4 of Part 1 of the Municipal Structures Act, the MDB, after consulting the Electoral Commission, must delimit a municipality into wards, each having approximately the same number of voters, taking into account the following criteria:

- a) The number of registered voters in each ward may not vary by more than 15% from the norm, where the norm is determined by dividing the total number of registered voters on the municipality's segment of the national common voters roll by the number of wards in the municipality.
- b) The need to avoid as far as possible the fragmentation of communities.

- c) The objective of a ward committee as set out in section 72(3), which is to enhance participatory democracy in local government.
- d) The availability and location of a suitable place or places for voting and counting if appropriate, taking into consideration:
 - (i) communication and accessibility;
 - (ii) density of the population;
 - (iii) topography and physical characteristics; and
 - (iv) the number of voters that are entitled to vote within the required timeframe;
- e) The safety and security of voters and election material.
- f) Identifiable ward boundaries (RSA 1998b).

4.7.6 Publication of delimitation

Schedules 5(1) and (2) state that the MDB must publish its delimitation of wards for a municipality in the provincial gazette. Any person who is aggrieved by the delimitation may within 14 days of publication submit objections in writing to the MDB and the board must:

- a) consider those objections; and
- b) confirm, vary, or withdraw its determination (RSA 1998b).

4.8 THE MUNICIPAL SYSTEMS ACT OF 2000

The importance of this Act flows from the Municipal Structures Act because it broadly provides for the organisational structures of the local government. Furthermore, it prioritises the governance aspects in municipalities. For instance, section 51 of the Act provides that a municipality must, within its administrative and financial capacity, establish and organise its administration in a manner that would enable it to:

- a) be responsive to the needs of the local community;
- b) facilitate a culture of public service and accountability among its staff;

- c) be performance orientated and focused on the objectives of local government set out in section 152 of the Constitution and its developmental duties as required by section 153 of the Constitution;
- d) ensure its political structures, political office bearers, managers, and other staff members align their roles and responsibilities with the priorities and objectives set out in the municipality's IDP;
- e) establish a clear relationship, and facilitate cooperation, coordination, and communication, between:
 - i. its political structures, political office bearers, and its administration; and
 - ii. its political structures, political office bearers, administration, and the local community;
- f) organise its political structures, political office bearers, and administration in a flexible way in order to respond to changing priorities and circumstances;
- g) perform its functions:
 - i. through operationally effective and appropriate administrative units and mechanisms, including departments and other functional or business units; and
 - ii. when necessary, on a decentralised basis;
- h) assign clear responsibilities for the management and coordination of these administrative units and mechanisms; and
- i) hold the municipal manager accountable for the overall performance (CoGTA 2009:9).

Section 84 of the Municipal Systems Act sets out the division of functions between district and local municipalities. District municipalities are allocated bulk services (such as water, electricity, sewerage, solid waste, and cemeteries), district roads and transportation, integrated development planning and tourism for the district, and a fire-fighting and district health service. The remaining Schedule 4B and 5B functions are local municipal functions (The Presidency 2014:18).

The Act constructs a new planning framework for developmental local government based on the premise of an integrated development approach. It also promotes the development of a culture of participation and requires that local municipalities must encourage and create conditions for local communities to participate in the affairs of

their communities. Furthermore, the Act states that communities should participate in the preparation, implementation, and review of municipal IDPs. The IDP is a tool used to harness community participation in designing, implementing, and reviewing local-level development. The Act also requires municipalities to promote the economic and social development of local communities through IDPs (RSA 2000a).

There should be no confusion in the legislation regarding which municipality is supposed to provide what service; for instance, the construction of transformation routes is a district function, therefore when boundaries are affected, the MDB and local government authorities need to explain to the affected communities that the new municipal boundaries would have the say in the provision of such services.

4.9 THE DEMARCATION ACT OF 1998

This is probably the most important piece of legislation when it comes to demarcation of municipalities in South Africa, because section 2 of this Act established the MDB, which is the statutory body that has the function of determining municipal boundaries in conjunction with other legislation (such as the Municipal Systems Act) in terms of Chapter 7 of the Constitution. It is worth mentioning that the municipal boundary demarcation that was undertaken in the Vhembe District Municipality – in particular the Makhado, Thulamela Local Municipality, and Musina local municipalities, and the establishment of the Collins of Chabane Local Municipality, as the focus of this study – was done in terms of this Act (RSA 1998c).

The Demarcation Act in section 21 gives the MDB the powers to determine boundaries in the territory of South Africa. It explicitly states that the MDB may redetermine any municipal boundary determined by it. Section 22 of the Act deals with determination and redetermination of municipal boundaries. In 2015, the Minister of CoGTA used this section to instruct the MDB to redetermine the Thulamela Local Municipality boundary by excluding the Greater Malamulele area portion and to establish a new local municipality.

More significantly, it was the first time since the MDB was established that section 22(2) was invoked by the minister. This section deals with the issue of determination and redemarcation of municipal boundaries based on the aspect of financial non-viability of municipalities across the country. It is worth noting that in 2015, this section was not only invoked in the Vhembe District Municipality but was also undertaken in the Eastern Cape province as follows: the amalgamation of the Gariep (EC144) and Maletswai (EC143) local municipalities; and the amalgamation of the Inkwanca (EC133), Tsolwana (EC132), and Lukhanji (EC134) local municipalities.

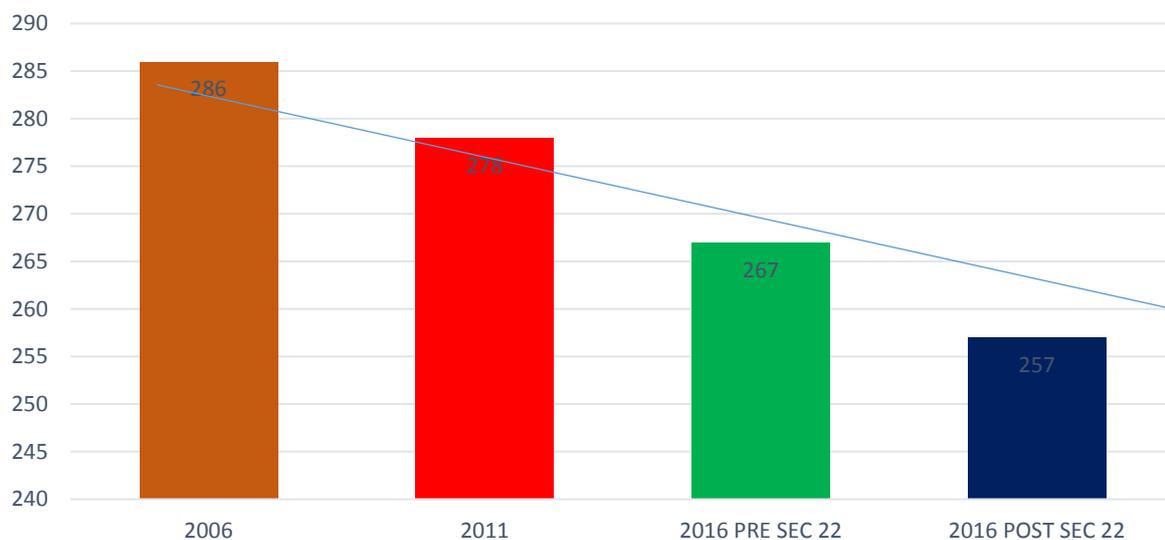
In KwaZulu-Natal, a small portion moved from the Mpofana Local Municipality (KZN223), uMgungundlovu District Municipality (DC22), and included in Imvoti Local Municipality (KZN 245), and uMzinyathi District Municipality (MDB 2016:13). Section 22(2) was also invoked in the Free State province, with the amalgamation of the Mangaung Metropolitan Municipality (MAN), Xhariep District Municipality (DC16), and Naledi Local Municipality (FS164).

In the Limpopo province, as mentioned above, the Mutale Local Municipality (LIM342) was disestablished and portions thereof included in the Thulamela (LIM343) and Musina (LIM341) local municipalities, and a new local municipality was established to the southeast of the Vhembe District Municipality, made up of portions from the Thulamela, Makhado, and Collins Chabane local municipalities (LIM345) (MDB 2016:13). Furthermore, in the Limpopo province, the Aganang Local Municipality (LIM352) was disestablished and portions were included into the Blouberg (LIM351), Molemole (LIM353), and Polokwane (LIM354) local municipalities; the Fetakgomo (LIM474) and the Greater Tubatse (LIM375) local municipalities were amalgamated; and the Modimolle (LIM365) and Mokgopong (LIM364) local municipalities were amalgamated (MDB 2016:13-14).

The Mpumalanga province was also affected by section 22(2) of the Demarcation Act and the Umjindi Local Municipality was amalgamated (MP323) with the Mbombela Local Municipality (MP322). In the Northern Cape, the Mier (NC 081) and //Khara Hais local municipalities were amalgamated. The North West province also experienced demarcation through the amalgamation of the Tlokwe Local Municipality

(NW402) (MDB 2016:13-14). All these boundary changes were affected before the 2016 local government election in compliance with section 23 of the Demarcation Act. This section also states that once the MDB has determined a municipal boundary, it must immediately send particulars to the Electoral Commission (RSA 1998c). Figure 4.1 depicts the reduction of numbers of municipalities in South Africa since 2006 to 2016, using section 22 of the Demarcation Act to determine municipal boundaries before local government elections.

Figure 4.1: Reduction in number of municipalities since 2006



Source: MDB (2016:15)

Section 24 of the Demarcation Act outlines the objectives of demarcation and states that when the MDB determines a municipal boundary and its objectives, it must be to establish that an area would:

- a) enable the municipality for that area to fulfil constitutional obligations, including:
 - (i) the provision of democratic and accountable government for the local communities;
 - (ii) the provision of services to the communities in an equitable and sustainable manner; and
 - (iii) the promotion of safe and healthy environment;
- b) enable effective local governance;
- c) enable integrated development; and
- d) have a tax base as inclusive as possible of users of municipal services in the municipality (RSA 1998c).

Section 25 of the Act sets out factors that the MDB, when determining a municipal boundary, must take into account:

- a) the interdependence of people, communities, and economies as indicated by:
 - (i) existing and expected patterns of human settlement and migration;
 - (ii) employment;
 - (iii) commuting and dominant transport movements;
 - (iv) spending;
 - (v) the use of amenities, recreational facilities, and infrastructure; and
 - (vi) commercial and industrial linkages;
- b) the need for cohesive, integrated, and unfragmented areas, including metropolitan areas;
- c) the financial viability and administrative capacity of the municipality to perform municipal functions efficiently and effectively (the sole utilisation of this factor for demarcation of municipal boundaries in 2015 attracted some criticism from authors in the literature regarding whether it was appropriate for the MDB to use it as a trump card over other factors to effect changes in local government);
- d) the need to share and redistribute financial and administrative resources;
- e) provincial and municipal boundaries;
- f) areas of traditional rural communities;
- g) existing and proposed functional boundaries, including magisterial districts, voting districts, health, transport, police, and census enumerator boundaries;
- h) existing and expected land use, and social, economic, and transport planning;
- i) the need for coordinated municipal, provincial, and national programmes and services, including the need for the administration of justice and healthcare;
- j) topographical and environmental and physical characteristics of the area;
- k) the administrative consequences of its boundary determination; and
- l) the need to rationalise the total number of municipalities within different categories and of different types to achieve the objectives of effective and sustainable service delivery, financial viability, and macro-economic stability (RSA 1998c).

Part 3 of the Demarcation Act prescribes the procedure for demarcation. Section 26 deals with public notification of determination of municipal boundaries. It sets out that

before the MDB considers any determination of a municipality, it must publish a notice in a newspaper circulating in the area concerned:

- a) stating the MDB's intention to consider the matter; and
- b) inviting written representations and views from the public within a specified period (which may not be shorter than 21 days).

When the MDB publishes a notice, it must convey by radio or other appropriate means of communication the contents of the notice in the area concerned. The MDB must send by registered post, electronic means, or by hand a copy of the notice to all stakeholders and invite them to submit written representations of their views on the matter to the MDB within the period determined (RSA 1998c).

Section 27 of the Act deals with considerations by MDB. It sets out that when the period for written representations and views has expired, the MDB

- a) must consider all representations and views submitted to it; and
- b) may take a decision on the determination, or before it takes such a decision:
 - (i) hold a public meeting;
 - (ii) conduct a formal investigation; or
 - (iii) do both (RSA 1998c).

4.10 THE SPATIAL PLANNING AND LAND USE MANAGEMENT ACT (SPLUMA) OF 2013

This piece of legislation supports the Municipal Systems Act, the Municipal Structures Act, and the Demarcation Act. It provides that the provincial spheres of government and each municipality must prepare a Spatial Development Framework. This provision must be complied with by the Collins Chabane Local Municipality and the Limpopo Provincial Government. Spatial Development Frameworks are binding to municipalities in terms of section 22 of this Act. The Act introduces the principle of spatial sustainability, which requires limits to urban sprawl and other spatial restructuring such as corridors and activity spines (RSA 2013).

The SPLUMA requires that a municipality must, after public consultation, adopt and approve a single land use scheme for its entire area within five years after the commencement of this Act and it has the full force of law for all land owners and users

of land, including municipalities, state-owned enterprises, and organs of state within a municipality (South African Cities Network 2014:15-16).

4.11 THE MFMA OF 2003

The MFMA emphasises the sustainability of sound financial management and affairs of municipalities. It clearly deals with aspects of achieving financial viability of all municipalities in South Africa. The MFMA establishes treasury norms and standards for the local sphere of government (RSA 2003a). It is also important to highlight that the MFMA aims to modernise budgeting, accounting, and financial practices by putting local government finances in a sustainability situation to maximise the capacity of municipalities to deliver services to the communities. Against this backdrop, in 2015 the Minister of CoGTA instructed the MDB to rationalise the municipalities in the country.

It is fair to argue that the main goal of the minister was to ensure that municipalities were put in a healthy financial situation to fulfil their constitutional mandate. With that being said, it is evident that the MFMA is a framework that has been put in place to ensure that sound financial governance is realised, through the clarification and separation of roles and responsibilities of the municipal councils, mayors, and municipal officials. Therefore, the MFMA forms an integral part of the broader reform package for local government as stipulated in the 1998 White Paper on Local Government (National Treasury 2017b:3).

As previously discussed, section 22(2) of the Demarcation Act was used in the 2015 demarcation decision for the first time to ensure that municipalities have sound financial standing. Furthermore, section 65(1) of the MFMA states that the municipal manager must take all reasonable steps to ensure that the municipality has and maintains an effective system of expenditure control, including procedures for approval, authorisation, withdrawal, and payment of funds (RSA 2003a).

According to Stats SA (2016:3), municipalities in Limpopo have low debt levels, which are arguably attributed to the regulatory environment, the nature of most municipalities being rural, and accessibility to financial cash flows. This brings to the fore the necessity of debt management in municipalities. It is worth noting that the financial ratio of a municipality is important to establish the debt ratio. This is so because municipalities borrow money from various sources, including banks and public corporations. The money is either available in the form of long-term loans and bonds (non-current liabilities) or short-term loans (current liabilities) (Stats SA 2016:3).

Chapter 6 of the MFMA deals with issues of short-term and long-term debt. More specifically, section 47 states the conditions that apply to both short-term and long-term debt. Furthermore, Chapter 8 of the MFMA deals with the responsibilities of municipal officials, which are set out in section 60, which states that municipal managers automatically become the accounting officers of their respective municipality. This function has financial implications in terms of ensuring that a municipality achieves financial viability and that the role of an accounting officer is central to ensuring that such a status is achieved.

Section 62(1)(a) of the MFMA states that the municipal manager is responsible for managing the financial administration of the municipality and must ensure that resources are used efficiently, effectively, and economically. These responsibilities include revenue management, which is outlined in section 64 of the MFMA. The emphasis of this section is that it compels the municipal manager to take reasonable steps to ensure that a municipality has effective revenue collection systems in place in accordance with section 95 of the Municipal Systems Act. Revenue management ensures that proper systems are in place to ensure that a municipality collects money for the services it renders to the communities. This serves as an indicator of healthy financial affairs of a municipality (RSA 2003a).

4.12 THE MUNICIPAL ELECTION ACT OF 2000

This act is imperative to the development of democratic local governance in South Africa, and more so it is one of the acts that was implemented in conjunction with the

Demarcation Act before local government elections could be held in the country. This act provides for the delimitation of wards in South Africa and it is therefore central to the process of the demarcation of municipal boundaries. The act regulates municipal elections and specifically in terms of boundaries, section 21(2) outlines that the presiding officer must demarcate the boundary of the voting station by displaying visible signs to ensure that the boundary is clearly identified by a person present at that voting station (RSA 2000b). Section 16(1)(b)(i)(ii) of the Municipal Election Act prescribes that any person may be nominated for an election in a ward by a person who is ordinarily a resident in the municipality in which that ward falls, and registered as a voter on that municipality's segment of the voters' roll (RSA 2000b). Table 4.1 shows the number of municipalities in South Africa per category and province after the MDB had finalised municipal boundary redetermination on election day in 2016, as prescribed by the Municipal Elections Act of 2000.

Table 4.1: Number of municipalities on election day 2016

PROVINCE	CATEGORY A	CATEGORY B	CATEGORY C	TOTAL
Eastern Cape	2	31	6	39
Free State	1	18	4	23
Gauteng	3	6	2	11
KwaZulu-Natal	1	43	10	54
Limpopo	0	22	5	27
Mpumalanga	0	17	3	20
North West	0	26	5	31
Northern Cape	0	18	4	22
Western Cape	1	24	5	30
TOTAL	8	205	44	257

Source: MDB (2016:16)

This act also outlines the delimitation of wards before local government elections and with respect to the statutory mandate of the MDB, the following wards (see Table 4.2) were confirmed by December 2015 in the run up to the August 2016 election:

Table 4.2: Ward delimitation status December 2015

PROVINCE	LOCAL & METROPOLITAN MUNICIPALITIES	WARDS 2016
Eastern Cape	33	705
Free State	19	309
Gauteng	9	529
KwaZulu-Natal	44	870
Limpopo	22	566
Mpumalanga	17	400
North West	26	407
Northern cape	18	204
Western Cape	25	402
TOTAL	213	4392

Source: MDB (2016:18)

4.13 THE TRADITIONAL LEADERSHIP AND GOVERNANCE FRAMEWORK AMENDMENT ACT OF 2003

This act seeks to provide for the recognition of traditional communities and for the establishment and recognition of traditional councils. Traditional leadership plays an important role in the process of municipal boundary demarcation in South Africa and therefore it could be said that it serves as a statutory framework for leadership positions within the institution of traditional leaders, the recognition of traditional leaders, and the removal from office of traditional leaders (RSA 2003b).

The Traditional Leadership and Governance Framework Amendment Act of 2003 also deals with the provision of houses of traditional leaders and the establishment of the Commission on Traditional Leadership Disputes and Claims. Section 2 specifically deals with the recognition of traditional communities, and section 3 provides for the establishment and recognition of traditional councils. More importantly, section 5 the deals with partnerships between districts, local municipalities, kingship and queenship councils, and principal traditional councils (RSA 2003b).

4.14 THE DEVELOPMENT FACILITATION ACT OF 1995

South Africa is moving towards achieving its development goals through reversing apartheid spatial planning, particularly in local government. In 1995, South Africa promulgated the Development Facilitation Act (No. 65 of 1995) with the aim of establishing a coherent framework of development and to overhaul the fragmented, unequal, and skewed planning systems of the past. This act determines in section 3(b) under General Principles of Land that individuals, communities, or groups affected by land development should participate in the process of such development (RSA 1995).

The emphasis of the abovementioned section is that communities should be included in the development of land and that it is also applicable when the boundaries of municipalities are affected. The Development Facilitation Act also emphasises the effective participation of community members and interested bodies in the setting of land development objectives and in building partnerships and cooperation between the government and civil society in implementing land development objectives (RSA 1995).

4.15 THE MUNICIPAL PROPERTY RATES ACT OF 2004

For a municipality to achieve financial viability, it should be able to charge and collect property rates from its residents. The Local Government: Municipal Property Rates Act (referred to as the Municipal Property Rates Act) therefore serves as a framework for the regulation of the power of a municipality to impose rates on property. This act also make provision for municipalities to implement transparent and fair systems of exemptions, reductions, and rebates through their rating policies and to make provision for fair and equitable valuation methods of properties (RSA 2004).

Section 2 of the Municipal Property Rates Act gives a municipality powers to determine levy rates to property owners in its jurisdiction. Section 4 of the act also emphasises that there must be community participation in the development and adoption of a rates policy in a municipality. Furthermore, section 23 requires a municipality to have a

municipal register for properties in its jurisdiction. The amounts for intergovernmental fiscal transfers are published annually in the Division of Revenue Act (RSA 2004).

4.16 THE DISASTER MANAGEMENT ACT OF 2002

This act provides for an integrated and coordinated disaster management policy that focuses on preventing or reducing the risk of disasters, mitigating the severity of disasters, emergency preparedness, rapid and effective response to disasters, and post-disaster recovery. The act also seeks to establish national, provincial, and municipal disaster centres and disaster management volunteers (RSA 2002). Section 8 of the Disaster Management Act prescribes the establishment of national, provincial, and municipal disaster centres. Furthermore, section 42 of the act provides for the establishment of a municipal disaster management framework. section 43 of the act deals specifically with municipal disaster management centres (RSA 2002). Section 52 of the act requires municipalities to develop disaster management plans, and section 58 outlines the guiding principles for funding of post-disaster recovery and rehabilitation (RSA 2002).

4.17 THE DIVISION OF REVENUE ACT OF 2017

This Act aims to provide for the equitable division of revenue raised nationally among the national, provincial, and local spheres of government. The Act also provides for the determination of each province's equitable share and allocation to provinces, local government, and municipalities from the national government's equitable share and the responsibilities of all three spheres pursuant to such division and allocation (RSA 2017). Section 5 of the Act prescribes the equitable division of local government share among municipalities. Section 8 prescribes conditional allocations to municipalities. This Act emphasises the duties of municipalities in section 29(1)(a) in addition to the requirements of the MFMA, which the accounting officer of a Category C municipality must, within 10 days of this Act taking effect, submit to National Treasury, and all Category B municipalities within that municipality's jurisdiction, the budget as tabled in

accordance with section 16 of the MFMA, for the previous financial year, the current financial year, and the next financial year, except if submitted in terms of any other legislation before the end of the 10-day period (RSA 2017).

Section 29(b) states that the budget must indicate all allocations from its equitable share and conditional allocations to be transferred to each Category B municipality within the Category C municipality's area of jurisdiction and disclose the criteria for allocation of funds between the Category B municipalities. Section 29(2) prescribes that a Category C municipality that provides municipal services must, before implementing any capital projects for water, electricity, roads, or any other municipal services, consult Category B municipalities within whose area of jurisdiction the projects will be implemented, and agree in writing which municipality will be responsible for the operational costs and the collection of user fees (RSA 2017).

4.18 CONCLUSION

This chapter referred to the importance of legislative frameworks for matters of demarcation. The chapter showed how supreme the Constitution of 1996 is when it comes to the determination of municipal boundaries and the establishment of new municipalities. The chapter reviewed relevant sections that deal with the categorisation of municipalities as district, local, and metropolitan. The chapter also referred to the framework set by the NDP and how it is relevant to municipal boundary demarcation in South Africa.

The chapter focused on the relevance of the White Paper on Transforming Public Service Delivery (Batho Pele White Paper). It summarised how the principle of putting people first is important when dealing with the delivery of services by municipalities. The chapter proceeded to refer to the IRFA, outlining how cooperation between different spheres of government is crucial for local government and how municipalities could work together for formal technical support when needed.

The chapter also summarised the significance of the Municipal Structures Act and how it plays a role in establishing new municipal boundaries and the procedures that the MDB should follow in that regard. This was followed by a discussion of the Municipal Systems Act, which follows from the Municipal Structures Act. The chapter emphasised that the municipalities must, within their administrative and financial capacity, establish and organise their administration in a manner that would enable them to facilitate a culture of public service and accountability among their staff.

The chapter then referred to the most important piece of legislation that underpins demarcation of municipal boundaries in South Africa, namely the Demarcation Act. The SPLUMA was also discussed in the chapter as a piece of legislation that supports the work of the MDB in spatial planning. Since this study focuses on the financial viability of municipalities in the Vhembe District Municipality, the chapter referred to the MFMA and how it serves as a framework for financial management in South Africa.

The Municipal Election Act was also discussed because it regulates municipal elections and the procedures that the MDB needs to follow in the delimitation of municipal wards before elections. Furthermore, this act provides that municipal wards must be finalised before elections can commence. The chapter also discussed the Traditional Leadership and Governance Framework Amendment Act, which outlines the role of traditional leadership in local government and how these leaders can assist in the demarcation process.

The Development Facilitation Act was discussed because it relates to the development of land and it emphasises that communities must be involved in the processes of such development. The chapter referred to the Municipal Property Rates Act as it relates to the collection of rates in municipalities. The chapter also referred to the Disaster Management Act because it deals with matters of reducing the disaster risks that a municipality might be faced with in the future and it outlines how mitigation measures can be prepared to reduce the severity of any possible disasters. The chapter finally dealt with the Division of Revenue Act, which is passed every financial year to outline the allocation of grants to municipalities.

CHAPTER 5

RESEARCH METHODOLOGY AND DATA COLLECTION

5.1 INTRODUCTION

This chapter focuses on the study's research methodology. The chapter discusses the research methodology, which entails explaining the differences between qualitative and quantitative research as a design in social sciences. Bellamy and Six (2012:1) posit that methodology entails designing research so that defensible conclusions are drawn about the world. Research methodology is a process used to gather information and data for research purposes. According to Kothari (2004:8), research methodology is not only about the research methods, but also considers the logic behind the methods that are used in the context of a research study and the reason(s) why a particular method or technique is used or selected so that research results are capable of being evaluated either by the researcher or other scholars. Schurink (2010:428) is of the opinion that research methodology is concerned with steps, procedures, techniques, and methods.

In addition, research methodology provides the research process with tools and procedures, which are used to gather, organise, and analyse data. Research methodology also provides information on how the inquiry was carried out and how the researcher found the solution to the identified problem. The research method is a tool or technique used to collect data from participants or respondents for a research purpose; for example, the survey questionnaire used in this study.

It is in this chapter that the type of research method used for this study is clearly and sufficiently examined in relation to the importance of data collection in the achievement of the research objectives as stated in Chapter 1. This study used a mixed-methods approach that comprised both the quantitative and qualitative designs. It is for this reason that this chapter discusses research methodology, the mixed methods used for the study, the profile of one district municipality (Vhembe District Municipality) and

two local municipalities (Thulamela and Makhado) chosen, population, sampling, sample size, data-collection procedure, data analysis, validation procedures, ethical issues, and the limitations of the study.

5.2 RESEARCH PHILOSOPHIES, APPROACHES, STRATEGIES, DESIGNS, AND CHOICES

Various research philosophies, approaches, strategies, designs, and choices exist in social sciences, including in the field of Public Administration and Management. Babbie (2001:90) postulates that research design and methods in a study entail specifying exactly who or what is to be studied, when, how, and for what purpose. Mouton and Marais (1992:ix) claim that it is essential to adopt and apply relevant approaches and techniques that may be deemed appropriate so as to ensure that a researcher is able to attain research findings with an element of validity.

5.2.1 Research philosophies

In Saunders, Lewis and Thornhill's (2015:13) research, in which the research onion was developed, it is posited that there are 10 major research philosophies in the Western tradition of science, namely positivism, realism, interpretivism, objectivism, subjectivism, pragmatism, functionalism, interpretism radical humanist, and radical structuralist.

The preceding philosophies serve as a guide to the way in which research is conducted within the context of this study. It is imperative to have an understanding of the identified research philosophies in order to better understand the relevance of the study's philosophy in relation to other philosophies with the aim to produce a scientific study of highest quality. This study adopted the following research philosophies:

5.2.1.1 *Positivism*

Urus (2013:86) is of the opinion that positivism involves the notion that reality is real and apprehensible. Epistemologically, positivists are of the view that findings, which

are objective, are regarded as true. In addition, positivists are also of the view that surveys or experiments are designed and mostly concerned with testing theory and verifying hypotheses. According to Edirisingha (2012:3), positivist ontologists are of the opinion that the world is external and that there is a single objective reality for any research phenomenon or situation despite the researcher's perspective or belief. More importantly, positivist researchers remain detached from the respondents of research by creating distance, which is pivotal in remaining emotionally neutral to make a clear distinction between reason and feelings.

In the context of this study, the matter of municipal boundary demarcation appears to be a sensitive subject; the researcher therefore observed and sought to objectively present the realities in relation to the demarcation dispute in the Vuwani and Malamulele areas. Furthermore, as suggested by this philosophy, the researcher never tampered with the subject matter of the study or influenced the views of the respondents. Notably, the presumed realities that necessitated the researcher to undertake this study were based on media reports of demarcation protests in the Vuwani area (Makhado Local Municipality) where the residents were opposed to the decision by the MDB to incorporate the Vuwani area into the newly formed Collins Chabane Local Municipality in the Vhembe District, Limpopo province.

5.2.1.2 Interpretivism

According to Flowers (2009:3), interpretivism is a position of anti-positivism and post-positivist because it is said to involve a fundamental difference between the subject matter of natural and social sciences. This philosophy provides that in the social world, individuals and groups make sense of a situation based on their individual experience, memories, and expectations. Saunders, Lewis and Thornhill (2013:18) are of the view that when following interpretivism as a research philosophy, it is necessary for the researcher to understand the difference between humans in his/her role as a social actor. To put it simply, it is important to point out the difference between conducting research where human beings are involved rather than objects such as physical objects, for example trucks and computers (Saunders *et al.* 2013:18). In the context of this study, the researcher adopted the philosophical approach of interpretivism in the sense that, at all times, the researcher took into account that the matter of

municipal boundary demarcation in the Vhembe District Municipality affected the residents, the fact that residents are human beings who having feelings and emotions, and that the matter could negatively or positively impact on the residents' daily lives.

5.2.2 Research approaches

According to Saunders *et al.* (2013:14), there are two research approaches that one can choose from when conducting research, namely the deductive approach and the inductive approach. In this study, the researcher adopted the deductive approach. This was undertaken by explaining the casual relationship between two variables, namely municipal demarcation and financial viability. The study sought to establish whether it could be deduced that a relationship exists between the two by using operationalisation when measuring quantitative data such as the financial statements from the Makhado Local Municipality, Thulamela Local Municipality, and Vhembe District Municipality.

The quantitative measurement assisted the researcher to conduct an assessment on whether municipal boundary demarcation has causal link with financial viability. In addition, the deductive approach in the context of this study enabled the researcher to remain independent throughout the study. Moreover, through the deductive approach, the researcher gathered sufficient evidence in the context of the study in the case of the Vhembe District Municipality to produce findings on financial viability and its relationship with municipal boundary demarcation.

5.2.3 Research strategies

Saunders, Lewis and Thornhill (2006:3) posit that there are several research strategies that researchers can utilise, namely experiments, surveys, case studies, action research, grounded theory, ethnography, and archival research. According to Remenyi, Williams, Money and Swart (2003:301), a research strategy lays out an overall direction for research, as well as the process by which the research is undertaken. Saunders, Lewis and Thornhill (2009:600) point out that a research

strategy refers to “a general plan of how the researcher will go about answering the research questions”. Bryman (2008:698) indicates that a research strategy is “a general orientation to the conduct of research”.

Saunders *et al.* (2009:601) note that an appropriate strategy must be selected based on research questions and the objectives of the study, the extent of existing knowledge on the subject area to be researched, as well as considering the amount of time and resources available. Yin (2003:23) slightly differs from Saunders *et al.* (2009:600) and Bryman (2008:698) and recommends that a research strategy must be selected based on three conditions, namely the type of research questions, the extent of control the researcher has over actual behavioural events, and the standard of focus on contemporary or historical events.

In this study, the researcher carefully chose the case study, survey, and action research strategies in order to gather sufficient empirical evidence on the subject matter of municipal boundary demarcation and financial non-viability of the Vhembe District Municipality. The selected strategies are discussed in the following subsections.

5.2.3.1 Case study

According to Yin (2003:13), a case study is an “empirical enquiry that investigates a contemporary within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”. Dul and Hak (2008:4) refer to a case study as “a study in which (a) one case (single study) or a small number of cases (comparative case study) in their real-life context are selected [and] (b) scores obtained from these cases are analysed in a qualitative manner”. Yin (2003:13) and Gerning and MacDermont (2007:66) postulate that a case study allows researchers to gather a rich mix of data that can accommodate both qualitative and quantitative data for a study. In the context of this study, the case study allowed the researcher to collect qualitative data in the form of key informant interviews with municipal officials (see Annexure B) and quantitative data in the form of a survey conducted among

households (see Annexure A) in the Vuwani and Malamulele areas in the Vhembe District Municipality.

One of the reasons the researcher opted for the case study is because it is compatible with the philosophical viewpoints of the researcher, which are interpretivism and positivism, and because Rezgui and Miles (2010:216) contend that case studies can be conducted by adopting a positivist approach. Gillham (2009:1) refers to a case study as an investigation to answer specific research questions; for example attempting to establish whether the villagers of the Vuwani and Malamulele areas were consulted, as well as obtaining a range of varying evidence from the case settings. Richie and Lewis (2003:24) posit that the chief important feature of a case study is based on the multiplicity of perspectives, which are rooted in a specific context. McMillan and Schumacher (2001:234) are of the view that a case study examines a case over time in detail, and employs multiple sources of data found in the setting.

In the context of this study, the researcher made use of the Vhembe District Municipality as the case study for research on the matter of municipal boundary demarcation. This was undertaken considering that there are other case studies in South Africa where municipal boundary demarcation took place with accompanying disputes from the residents, of which a notably example is the Zamdela township in Sasolburg, Free State province. The Vhembe District Municipality as the case that the study focused on was selected to ensure that the focus of the study was particularly concerned with the real-life context of the demarcation disputes in the Vuwani area (Makhado Local Municipality) and the Malamulele area (Thulamela Local Municipality). Moreover, the evidence obtained from the Vhembe District Municipality case was used and analysed in a qualitative manner to make the approach to the study distinct to other case studies where municipal boundary demarcation has taken place, such as the Matatiele demarcation dispute in the Eastern Cape province.

5.2.3.2 Survey

Kraemer (1991:63) posits that a survey as a research strategy is usually employed to quantitatively describe specific aspects of a given population. It involves aspects that

entail examining the relationship among variables. Furthermore, the data collected through a survey are from human beings. Therefore, the survey uses a selected portion of the population from which the findings can later be generalised back to the population. Pinsonneault and Kramer (1993:77) posit that a survey refers to the “means for gathering information about the characteristics, actions, or opinions of a large group of people”. Salant and Dillman (1994:2) concur and postulate that surveys can also be used to assess needs, evaluate the level of demand, and examine impact. In the context of this study, the researcher conducted a household survey among villages in the Vuwani area (Makhado Local Municipality) and the Malamulele area (Thulamela Local Municipality).

Mathiyazhagan and Nandan (2010:35) state that when a researcher makes use of a survey as a research strategy, the researcher will usually adopt a flow plan to outline the design and subsequent implementation of the survey. Younus (2014:47) points out that the aim of a survey is to gather information concerning the behaviour, attitude, and characteristics of a population by using a standardised questionnaire or survey on a sample of individuals. Younus (2014:48) suggests that before undertaking a survey, it is necessary to have a clear understanding of the research objective, questions, institutions, or people that will participate (population) and the geographical area where the survey is to be undertaken. In the context of this study, the researcher has clarified from the onset, as outlined in Sections 1.2 and 1.5 of Chapter 1, that the survey data collection took place in the Vuwani area (Makhado Local Municipality) and the Malamulele area (Thulamela Local Municipality), with the questionnaires having been distributed among households in the two areas. The households were selected randomly in order to understand their perceptions of municipal boundary demarcation, as well as to assess the level of service provision.

5.2.4 Research methodological choices and designs

Saunders *et al.* (2006:3) posit that there are methodological options researchers can choose from when undertaking scientific research, namely mono-method quantitative, mono-method qualitative, multi-methods quantitative, multi-methods qualitative, mixed-methods simple, and mixed-methods complex. In the context of this study, the researcher adopted a mixed-methods simple research design and methodology.

Therefore, it is imperative to firstly discuss qualitative and quantitative research designs as a way of mapping the mixed-methods simple choice in relation to the analysis of municipal boundary demarcation on financial non-viability in the Vhembe District Municipality.

Quantitative research: Quantitative research refers to a method that entails the use of structured questions, where the response options are actually pre-set with the number of chosen respondents preferably being larger. In essence, the quantitative research method is characterised by measurements, numbers, statistics, and symbols to delineate key variables, particularly in the collection, analysis, and interpretation of data (Bertram & Christiansen 2014:53). The measurements applied need to be objective, quantifiable, and statistically valid (Babooa 2008:136).

Mouton (2001:52-64) divides the quantitative research method into two categories; the first being the study of human beings and their behaviour through, *inter alia*, surveys and interviews; and the second being through computer simulation studies, secondary data analyses, and statistics. Simply stated, the quantitative research method is more dependent on the use of strict measurable techniques and applications. In an attempt to differentiate between the two research methods, Schurink (2010:424-425) posits that quantitative research is more rigid, with a demarcated procedure.

More importantly, designing qualitative research requires a flexible, cyclic, and ongoing process that involves moving back and forth between different components of the design, assessing the implications of the set goals, the theories and research approach chosen, the research questions, the methods, and the quality of research. In the context of this, the quantitative approach was also applied (in addition to the qualitative approach) by requesting responses from municipal officials through structured interviews. The questions included assessing the revenue and expenditure of the Makhado and Thulamela local municipalities and the Vhembe District Municipality in relation to municipal boundary demarcation. The selected respondents were asked similar questions. The said responses were grouped and analysed through graphs and charts. Furthermore, a survey questionnaire (see Annexure A) was distributed to the households of the Malamulele area in the Thulamela Local

Municipality and the Vuwani area in the Makhado Local Municipality in order to investigate common demarcation dispute causes and to assess the level of service provision in the respective areas.

Qualitative research: According to Babooa (2008:137), the qualitative research method is an in-depth understanding of chosen respondents' behaviour and the motives for such behaviour. Bertram and Christiansen (2014) state that the qualitative research method, unlike the quantitative method, is more interested in the motives for behaviour and the respondents' experiences. In the context of this study, this research method sought to investigate the "why and how" of municipal demarcation decisions on the financial non-viability of the Vhembe District Municipality. The quantitative part of this study focused on the "what", "where", and "when".

Babooa (2008:137) postulates that qualitative research is often dependent on methods of collecting data that are inclusive of key informant interviews, participation in the setting, direct observation, and the analysis of responses. This study utilised semi-structured interview questionnaires (qualitative) to probe responses from municipal officials such as accountants, budget managers, and HR managers. This was done because of the information that the respondents possess, which is requisite knowledge of the financial viability of municipalities within the Vhembe District Municipality. Mason (2005:1) is of the view that qualitative research explores a wide array of dimensions of the social world, including day-to-day life, and the understanding, experiences, and thoughts of social participants.

Mouton (2001:148-160) divides the qualitative research approach into two categories, namely the study of human beings and their behaviour by means of field studies, case studies, interviews, and observation; and the study of the products of human behaviour. In the context of this study, the researcher conducted fieldwork research in the Vhembe District Municipality using the cases of the Malamulele and Vuwani areas in the Thulamela and Makhado local municipalities to analyse whether municipal boundary demarcation addressed the challenge of financial non-viability. Krathwohl (2009:235) indicates that in qualitative research, the researcher is involved in the collection of data and engages directly with participants. In the context of this study,

the researcher conducted face-to-face interviews with key informants (municipal officials) within the Vhembe District Municipality.

Mixed methods: According to Terrell (2012:255), mixed methods as a research approach came into existence due to shortcomings and differences of the qualitative and quantitative approaches. Therefore, a mixed-methods approach became a more favoured approach adopted by social science scholars in scientific inquiries. Du Plessis and Majam (2010:456) refer to the mixed-methods research approach as a systematic combination of qualitative and quantitative methods in a study. In this regard, both qualitative and quantitative research approaches were applied to respond appropriately to the aim of analysing municipal boundary demarcation decisions on the financial non-viability of the Vhembe District Municipality.

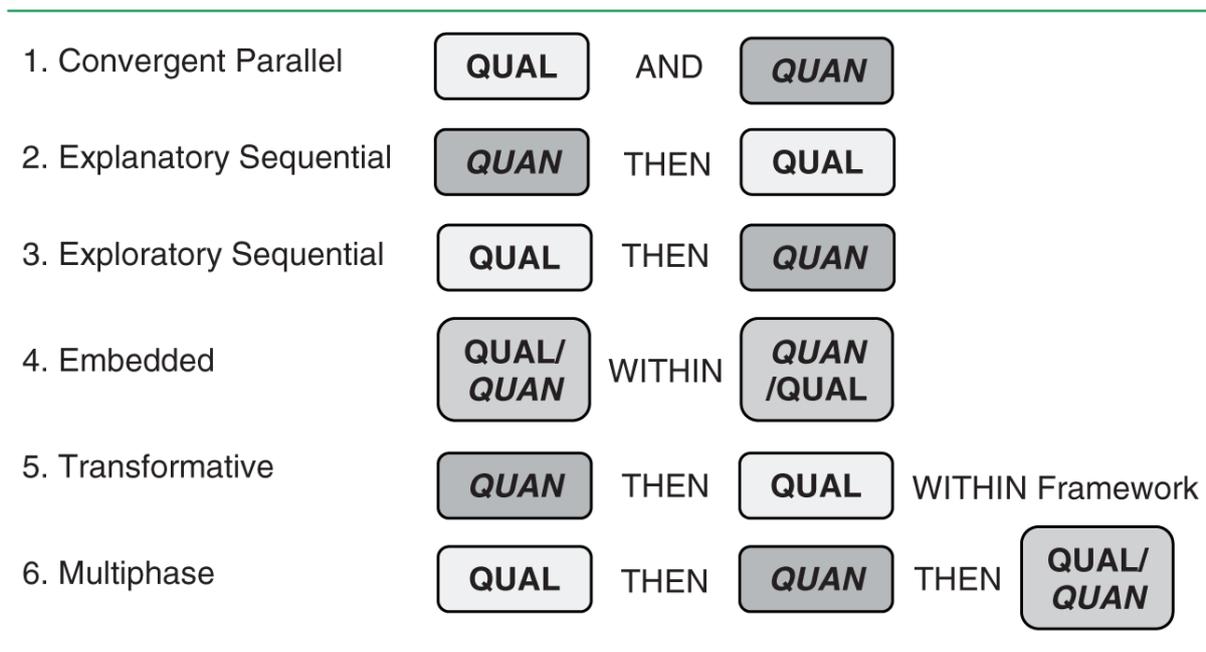
5.2.4.1 *Mixed-methods categorisation*

Creswell (2008:9) states that mixed-methods research comprises methods and methodology for undertaking research that concerns collecting, analysing, and integrating quantitative research in a single study or longitudinal program of inquiry. In this regard, this form of research involves both qualitative and quantitative research, in combination, to provide a detailed and/or better understanding of a research problem or issue than either research approach alone. Polit and Beck (2008:312) posit that a mixed-methods researcher explores and conducts an examination of the research problem and issues that are being investigated. Creswell (2008:8) points out that a mixed-methods researcher collects both qualitative and quantitative data by “mixing” the two at the same time (concurrently) or one after the other (sequentially). More importantly, the researcher places emphasis on both equally or unequally depending on the nature of the study being undertaken.

Morse and Niehau (2016:25) claim that there is currently a growing trend among social science scholars of identifying mixed-methods designs and categories. The eight categories of QUAN and QUAL mixed methods used for simultaneous and sequential are as follows (see also Figure 5.1):

- QUAL + quan: In this category, the qualitative approach is the core simultaneous quantitative supplementary component.
- QUAL → qual is the core component, with a sequential quantitative supplementary component.
- QUAL + qual: Qualitative is the core component, with a simultaneous qualitative component.
- QUAL → qual: Qualitative is the core component, with sequential qualitative supplementary component.
- QUAN + qual: Quantitative is central, with simultaneous qualitative supplementary.
- QUAN → qual: This category provides quantitative as the core, with sequential qualitative supplementary.
- QUAN + quan: Quantitative is the main component, with simultaneous quantitative supplementary component.
- QUAN → quan: Quantitative is the main component, with sequential quantitative supplementary component.

Figure 5.1: Illustration of the mixed-methods designs: Quantitative (QUAN) and qualitative (QUAL)



Source: Adapted from Ozawa and Pongpirul (2014:325)

5.2.4.2 Rationale for utilising the mixed-methods approach

The rationale for the adoption of the mixed-methods approach is embedded in the complexity of the subject matter under investigation; for instance, since this study involved household surveys and interviews, as well as the analyses of quantitative financial data, it was necessary to utilise the mixed-methods approach. Creswell (2008:14) identifies and discusses five reasons for a researcher to make use of mixed methods; as follows:

- The possibility of either quantitative or qualitative method being insufficient by itself (the insufficient argument). In the context of this study, both qualitative and quantitative methods limited the possibility of insufficient arguments when data were collected since the study conducted key informant interviews (qualitative approach) and household surveys (quantitative approach) and the responses obtained strengthened the argument that the study made in relation to municipal boundary demarcation and financial viability in the Vhembe District Municipality.
- Quantitative and qualitative approaches provide different “pictures” of the study. In relation to this study, the mixed-methods approach made it possible for the researcher to provide a narration of different pictures in the context of municipal boundary demarcation and financial viability, and this was realised by analysing financial data obtained from the municipal budgets and annual reports of the Makhado and Thulamela local municipalities and the Vhembe District Municipality, as well as presenting the views of households in the villages of the Vuwani area (Makhado Local Municipality) and the Malamulele area (Thulamela Local Municipality) in relation to the causes of demarcation disputes and measurement of service provision in both areas. Therefore, the researcher concurs with Creswell (2008:14) that multiple angles of an argument can be provided through the application of the mixed-methods approach.
- The combination of qualitative and quantitative methods and approaches provides more evidence. In the context of this study, the researcher managed to gather more evidence through the combination of quantitative and qualitative data collected and a better argument based on evidence developed in this study. In this study, the researcher followed common practice, which was

established recently in the field of Public Administration, namely to make use of a mixed-methods approach when conducting a scientific inquiry.

- Creswell (2008:14) claims that the reason why researchers prefer the mixed-methods approach is because it is the latest methodology in social sciences. In the context of this study, the researcher concurs with Creswell (2008: 14) in the assertion that the mixed-methods approach is preferred nowadays due to its flexibility in the provision of multiple approaches to research and that the methodology offers new insights into social sciences inquiry.
- The mixed-methods approach provides an intuitive argument as it mirrors “real life” (Creswell 2008:14). In the context of this study, it is the matter of the impact of municipal boundary demarcation in the Vhembe District Municipality on the real-life situations of the members of the community; especially in the villages of Vuwani and Malamulele where demarcation disputes took place.

Onwuegbuzie and Combs (2011:4) provide more reasons for the utilisation of the mixed-methods approach. Triq and Woodman (2010:3-4) concur and identify the following:

- **Complementarity** entails the use of data obtained by one method (qualitative approach) to provide illustration of the results from another (quantitative approach). In practice, it means gathering quantitative data with the intention to explain such data results in a qualitative manner.
- **Initiation** refers to the identification of inconsistencies that might reframe the research question. In the context of this study, the mixed-methods approach was used to prevent bias when the research statement was formulated, since the matter of municipal boundary demarcation in the Vhembe District Municipality has been a thorny and contentious issue and it was therefore important that such biases be eliminated to ensure that there were no deviations from the research questions as outlined in Section 1.4 of Chapter 1 of the study.

5.3 SAMPLING METHOD

When conducting a study, a sampling method and sampling size should be selected to ensure that the findings of the study are credible and legitimate. It is therefore

necessary to discuss and clarify both the sample method adopted in the study and the size of the sample, as discussed in the following subsections.

5.3.1 Probability sampling

Salkind (2014:186) posits that probability sampling involves that the selection of participants is determined by chance. Probability sampling also involves non-systematic and random rules to determine the sample in order to ensure that the possibility that the sample shall “truly represent the population is increased”. Alvi (2016:12) posits that probability sampling is also called representative sampling. There are different types of sampling methods under probability sampling, namely simple random sampling, systematic sampling, stratified sampling, cluster sampling, and multi-stage sampling. These are discussed in the following subsections.

5.3.1.1 *Simple random sampling*

The first probability sampling type is simple random sampling. This type of probability sampling entails that each member of the population has an equal and independent opportunity to be part of the sample. In simple random sampling there is no bias that one person will be chosen rather than another (Salkind 2014:187). Frerichs (2008:3) indicates that in random sampling, members of the population are sampled by a random process, using either a random number or a random number table, to ensure that each person remaining in the population has the same probability or chance of being selected for the sample. In the context of this study, the researcher applied simple random sampling to draw a sample from households in the Vuwani and Malamulele areas under the Makhado and Thulamela local municipalities.

5.3.1.2 Systematic sampling

According to Salkind (2014:190), the second type of probability sampling is called systematic sampling and it is used when “every kth name on the list is chosen”. The term “kth” stands for a number between 0 and the size of the sample that a researcher wants. Salkind (2014:190) clarifies that, for instance, if a researcher would like to select 10 participants from a list of 50 people, he/she would start by dividing the population by the size of the sample (for example 50 divided by 10 is 5). The point of departure is that selection can happen in many manner, and from there on every fifth name is selected.

Alvi (2016:8) states that systematic sampling can also be used for homogenous populations and outlines that systematic sampling is sharply different from simple random sampling. The emphasis by Alvi (2016:18) is that systematic sampling does not provide an equal chance or probability for every element to be included in the sample. The method used to select the sample in systematic sampling is illustrated by Alvi (2016:17) as follows: if a population consists of 300 elements and one needs a sample of 30 participants, then the interval size will be 10, therefore one needs to select every 10th element. Therefore, the first element, for example 5th, is selected at random, and then every 10th is selected thereafter (Alvi 2016:18). In the context of this study, the researcher did not adopt systematic sampling because the most suitable method was deemed to be purposive and simple random sampling for both the households in the villages and the municipal officials in the three municipalities in the Vhembe District.

5.3.1.3 Stratified sampling

The third type of probability sampling is stratified sampling. According to Terre Blanche *et al.* (2006:136-138), stratified sampling involves dividing a population into sub-populations or strata, and then selecting random samples from each of those strata. In this regard, the number of items is predetermined. Alvi (2016:20) states that

stratified sampling is commonly used when the population is heterogeneous; meaning that every element of the population does not match all characteristics (the characteristics are considered that define the target population). The sub-groups that are formed are therefore called strata (singular: stratum). Kothari (2004:62) indicates that stratified sampling is applied if a sample is to be drawn from a population that is not homogenous. The nature and topic of a study usually dictate what criteria are to be made (Alvi 2016:20).

It is worth noting that the common criteria used for stratification are gender, age, ethnicity, and socio-economic status. Although the said criteria are commonly used, it should be noted that each study varies greatly from others (Alvi 2016:20-21). According to Alvi (2016:22), one of the benefits of adopting the stratified sampling method is that for a heterogeneous population it produces a representative sample as it captures the diversity that is otherwise potentially undertaken through simple random sampling or systematic sampling. In the context of this study, it is important to note that in the Vuwani and Malamulele areas there are different ethnic groups, the population speaks different languages, and the participants consisted of different age groups and different genders and it would therefore arguably be logical to make use of the stratified sampling method. However, the researcher found it unnecessary to adopt this sampling method because the study did not seek to investigate ethnography and tribal issues in relation to municipal demarcation disputes in the Vhembe District.

5.3.1.4 Cluster sampling

According to Salkind (2014:192), the cluster sampling method involves dividing the population into convenient groups (or clusters), and from the groups or clusters participants are randomly selected. Salkind (2014:192) posits that cluster sampling may be formed on the basis of any common characteristics; for example, a geographical area. Alvi (2016:25) concurs with Salkind (2014:192) that in cluster sampling, when applying the method, the elements of the population are spread over a wide geographical area. Furthermore, the population is divided into sub-groups or clusters on the basis of their geographical allocation. Alvi (2016:25) states that the

benefit of adopting the cluster sampling method is that it is usually used to reduce costs as compared to simple random sampling or systematic sampling. In this study, the cluster sampling method was not used because the population was not divided into clusters or groups. The geographical area was used merely to contextualise the problem under investigation, which was the Vhembe District.

5.3.1.5 Multi-stage sampling

According to Alvi (2016:24), multi-stage sampling entails combining two or more probability techniques. It is said to be used when the elements of the population are spread over a wide geographical region. In this sampling technique, it is not possible to obtain a representative sample with only one technique. This type of sampling technique is sometimes described as sampling within a sample. The method is applied in the sense that in the first stage, the target population is divided into clusters; which are selected randomly (Alvi 2016:25).

In the context of this study, the researcher did not apply multi-stage sampling because in the drawing of the sample there was no attempt to combine two or more techniques. Although the study adopted the simple random sampling and purposive sampling methods, there was no need to use multi-stage sampling because the population of the study was not spread over a wide geographical region. In this instance, the geographical areas where the population is situated were located in the Vhembe District Municipality and Thulamela and Makhado local municipalities in the Limpopo province.

5.3.2 Non-probability sampling

Other than the probability sampling method, there is also non-probability sampling. Alvi (2016:13) argues that non-probability sampling is also called judgemental or non-random sampling. In non-probability sampling, every unit of the population does not have an equal chance of participating in a study. Therefore, non-probability sampling is said to be well suited for exploratory research, which is intended to generate new

ideas that will be systematically tested at a later stage. Salkind (2014:192) posits that non-probability sampling entails that the probability that any particular member of the population being chosen is not known. Moreover, unlike probability sampling, non-probability sampling appears to be more absolute and subjective.

This is so because in non-probability sampling, personal judgement plays an important role. Therefore, particular members of the population do not have an equal and independent chance of being selected. In the context of this study, non-probability sampling was adopted to select the sample for the study. Salkind (2014:192) states that non-probability sampling is not very complicated, and might be more economical in terms of time and financial expenditure. The following are different types of sampling methods under non-probability sampling: purposive or judgemental sampling, convenience sampling, snowball sampling, quota sampling, and sequential sampling. These are discussed in the following subsections.

5.3.2.1 *Purposive or judgemental sampling*

Babbie and Mouton (2011:166) state that the purposive sampling method allows a researcher to select participants on the basis of the aim of the study or the judgement of the researcher. It is worth noting that when making use of purposive sampling, the researcher is interested in a specific type of subject, and he/she is able to exercise expert judgement. Alvi (2016:30) points out that when drawing a sample during purposive sampling, the sample is approached with a prior purpose in mind. In other words, the criteria, which are used to draw the sample of elements who are to be included in the study, are predefined. The emphasis is that not all participants who are available to the researcher and who meet the defined criteria are included (Alvi 2016:30).

In the context of this study, the researcher adopted purposive sampling when drawing a sample of municipal officials from the Vhembe District Municipality and Makhado and Thulamela local municipalities. The rationale for making use of this type of sampling is based on the judgment that the municipal officials have prior knowledge of municipal financial affairs, which has a bearing on the issue of the financial viability of the municipalities under study.

5.3.2.2 Convenience sampling

According to Alvi (2016:29), when adopting convenience sampling, a researcher includes only those participants who are easy or convenient to approach. It is said to be helpful when the target population is defined in terms of a very broad category. Alvi (2016:29) further points out that any member of the target population who is available at a particular moment is approached by the researcher. Salkind (2014:192) states that a convenience sample is chosen on the basis of the availability of participants. Salkind (2014:192) cautions, however, that this type of sampling method could potentially lead to some elements in the population being overrepresented.

Convenience sampling was not applied in the study because the target population was not defined by a broad approach. The researcher therefore did not choose this sampling method as it was not deemed useful to provide the evidence based on the research problem of the study.

5.3.2.3 Snowball sampling

Babbie and Mouton (2011:167) indicate that snowball sampling entails asking the participants in a target population to provide information about other members of that population whom they might know. Babbie and Mouton (2011:166) clarify that when a researcher utilises snowball sampling, it could be beneficial when it is difficult to identify members of a specific target population. Atkinson and Flint (2001:1) posit that snowball sampling can be applied for two primary purposes. Firstly, it can be applied as an “informal” method to reach a target population. It is said that if the aim of a study

is primarily explorative, qualitative, and descriptive, then snowball sampling is also applied to conduct qualitative research through primary interviews. Secondly, snowball sampling could be applied as a more “formal” methodology for making inferences about a population of individuals who are difficult to enumerate through the use of descending methods such as household surveys (Atkinson & Flint 2001:1-2).

According to Katz (2006:4), snowball sampling refers to a special non-probability method for creating and developing a research sample whereby existing study subjects recruit future subjects from among their acquaintances. Katz (2006:4) further argues that snowball sampling is usually adopted in hidden populations where it appears to be difficult for the researcher to access the participants, or in instances where a sampling frame is hard to establish and it is then presumed that cases are affiliated through links that could be exploited to locate other participants based on the existing ones (Katz 2006:4).

In the context of this study, the researcher did not adopt snowball sampling because there was no need for the households to recruit other households as it was not the approach the study aimed to utilise to investigate the issues of demarcation disputes in the Vuwani and Malamulele areas. In addition, the researcher purposively selected municipal officials in two local municipalities and one district municipality and the populations were not hidden from the researcher, hence there was no need to make use of snowball sampling.

5.3.2.4 Quota sampling

Quota sampling entails selecting participants who are selected on the basis of specific characteristics. Therefore, this sampling method usually begins with a matrix or a table that reflects the characteristics of the target population (Babbie & Mouton 2011:167). It is posited by Babbie and Mouton (2011:167) that once the matrix has been completed, the sample is drawn from people who possess all the characteristics required. Morse (1991:27) states that a researcher who uses quota sampling prepares a sampling frame constructed with independent variables, which are designed to ensure that the sample represents heterogeneity. Alvi (2016:31) concurs with Morse

(1991:27) and highlights that quota sampling is adopted when an element of the population does not match all the characteristics of the predefined criteria. In the context of this study, the researcher did not apply quota sampling because it was deemed unsuitable for the study and the participants used in the study did not need to have specific types of characteristics to be selected.

5.3.2.5 Sequential sampling

In this type of sampling method, the size of the sample is not fixed in advance, but it is determined according to mathematical decisions and rules based on information gathered as a survey progresses. Furthermore, in sequential sampling, a researcher could go on taking samples one after another as long as he/she desires to do so (Kothari 2004:84). In the context of this study, the researcher did not adopt this type of sampling because mathematical decisions and rules were not used to draw the sample.

5.3.3 Sample size

According to Kothari (2004:73), sample size refers to the number of items to be selected from the universe to constitute a sample. In every scientific study, it is imperative that the size of the sample is clarified and decided by the researcher to ensure that the findings of the study are legitimate and credible. It is worth noting that selecting a sample size usually poses a challenge for a researcher. Salkind (2014:192) thus cautions that if the sample size is too small, it is not representative of the population, and if it is too large, it might be “overkill”. The emphasis is that a researcher must draw a sample that represents the size of the population, which means that a sample size should not be excessively large or small. Nevertheless, the sample size of a population will always vary, and the costs of the sample might dictate the size of the sample that a researcher can draw. The following discussion elaborates on the sample size selected for this study.

The Vhembe District Municipality has a total population of 1 393 949 people. The district has 382 358 households. The Vhembe District Municipality comprises four local municipalities, namely the Thulamela Local Municipality, which has a total population of 497 237 people and 130 321 households; Makhado Local Municipality, which has a total population of 416 728 people and 116 371 households; Musina Local Municipality, with a total population of 132 009 people and 43 730 households; and Mutale Local Municipality. It is noteworthy to mention that the Mutale Local Municipality was de-established by the MDB in 2015 and the LIM345 Local Municipality was then established. After the August 2016 local government election, this new municipality became the fourth local municipality in Vhembe District, with 347 974 people and 91 936 households (Vhembe District Municipality 2017:14).

The study focused on the Makhado Local Municipality with specific reference to the Vuwani area, and Thulamela Local Municipality with specific reference to the Malamulele area within the Vhembe District Municipality. The Vuwani area has a population of 2 710 people and 710 households, and Malamulele has a total population of 13 070 people and 3 205 households (Vhembe District Municipality 2017:14). The study also used villages as a sample. There are 38 villages in the Vuwani area and 82 villages in the Malamulele area. The data-collection method therefore constituted sampling of households, reviewing secondary data, observations, interviews, and questionnaires.

The nature of the group involved in this study is as follows: Group 1: households in the Vuwani and Malamulele areas under the Makhado and Thulamela local municipalities within the Vhembe District Municipality. In Group 1, the site population of study consisted of 710 households in the Vuwani area and 3 205 households in the Malamulele area; the total population is 3 915 households, with a sample size of 391 households using random and purposive sampling.

In Group 2, the following officials were involved: municipal officials from the Vhembe District Municipality and Thulamela and Makhado local municipalities. The population in Group 2 consisted of 614 municipal officials in the Vhembe District Municipality, 600 in the Makhado Local Municipality, and 744 in the Thulamela Local Municipality. The

sample size of this group comprised 195 municipal officials using the purposive sampling method.

5.3.3.1 Justification for the sample size

The justification of the sample size in Group 1 is that the researcher used 10% of 710 households in the Vuwani area and 10% of 3 205 households in the Malamulele area. The rationale for the sample is because in research, 5% is generally deemed an acceptable representation of the population. However, scholars nowadays usually take 10%. Therefore, the researcher deemed 10% as an appropriate proportion of representation for the nature of this study.

In Group 2, the Vhembe District Municipality has 614 municipal officials, of which the researcher also took 10% of 614 (61 municipal officials); the same was applied in the Makhado Local Municipality, where 10% of 600 (60 municipal officials) and 10% of 744 (74 municipal officials) were taken. The rationale for the sample is also because, in research, 5% is generally deemed an acceptable representation of the population but the more standard representation at present is 10%; therefore the researcher deemed 10% as an appropriate proportion of representation for the nature of this study.

5.4 THE PROFILE OF LIMPOPO PROVINCE AND HOW BOUNDARY DEMARCATION AFFECTED THE PROVINCE

Geographically, Limpopo is the fifth largest province in South Africa. It covers an area of 125 755 km², which constitutes 10.3% of South Africa's land area. The province has a population of 5.7 million people. Limpopo's population consists of 33% youth, with 1.86 million being children under the age of 15 years (Stats SA 2016:7). The Limpopo population has 52.8% females and 47.2% males. Limpopo was ranked sixth in the country in terms of nominal gross domestic product in 2016, behind the Mpumalanga province (Stats SA 2016:7).

In terms of boundary demarcation changes, since 2001 the Limpopo province has experienced a number of provincial and municipal boundary demarcations. Furthermore, in 2011 there were some geographical land area changes that included alterations of land area. In the context of this study, it is imperative to mention that there were provincial boundary demarcation changes that affected the demographic profile of the Limpopo province. These changes are outlined below.

5.4.1 North West and Limpopo provinces

Due to boundary demarcation changes, the demographic profile of Limpopo was effected, as the province lost a portion of the Bela Bela Local Municipality to the North West province's Moretele Local Municipality (Stats SA 2011:13).

5.4.2 Mpumalanga and Limpopo provinces

As a result of boundary demarcation changes, Limpopo's demographic profile was altered as the Elias Motsoaledi, Ephraim Mogale and Greater Tubatse local municipalities (cross-boundary municipalities between the Limpopo and Mpumalanga provinces) were redemarcated and allocated in full to the Limpopo province. In addition, the Bushbuckridge Local Municipality, which in the past was a cross-boundary municipality between Limpopo and Mpumalanga, was redemarcated to the jurisdiction of Mpumalanga (Stats SA 2011:13).

Besides the provincial boundary demarcation changes that took place in 2011 that affected the demographic profile of the Limpopo province, it is also imperative to provide a brief background of the municipal boundary demarcation changes that took place before the August 2016 local government election. This background is relevant because it captures the essence of this study's focus with particular reference to boundary demarcation in the Vhembe District Municipality in Limpopo.

In Limpopo, the MDB redemarcated a number of municipalities in the province from 25 to 22 municipalities in August 2016. The Modimolle and Mookgophong local municipalities in the Waterberg district and the Greater Tubatse and Fetakgomo local municipalities were amalgamated to form the Fetakgomo-Greater Tubatse Local Municipality. Most significantly, and related to the context of this study in the Vhembe District, the Collins Chabane Local Municipality was established after the August 2016 local government election by the amalgamation of portions of the Thulamela and Makhado local municipalities. In addition, the Mutale Local Municipality was de-established and merged into the Blouberg, Molemole, and Polokwane local municipalities (Stats SA 2016:5).

The Limpopo province has five district municipalities, namely Capricorn, Mopani, Sekhukhune, Vhembe, and Waterberg district municipalities. In the context of this study, the focus is only on the Vhembe District Municipality, of which the profile is provided below.

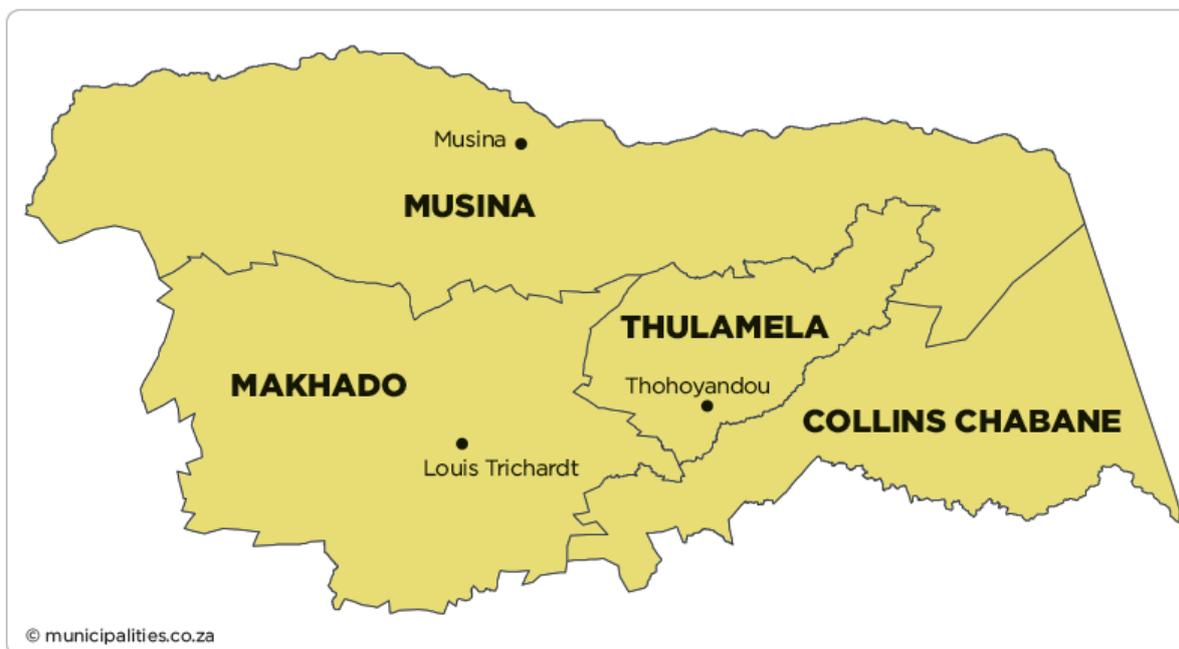
The Vhembe District Municipality is a Category C municipality that was established in 2000 in terms of the Municipal Structures Act (No. 117 of 1998). The Vhembe District is located in the northern part of the Limpopo province and shares borders with Capricorn and Mopani district municipalities in the east and west. The district shares borders with Zimbabwe and Botswana in the North West province and Mozambique in the south-east through the Kruger National Park respectively. The Vhembe District covers 21 407 km² of land with a total population of 1 393 949 people. It consists of four local municipalities, namely:

- Thulamela Local Municipality, which covers 2 893.936 km² of land, with coordinates 22° 57' 5.30" 29° E;
- Makhado Local Municipality, which covers 8 310.586 km² of land, with coordinates 23° 00' 5 29° 45 00" E;
- Collins Chabane Local Municipality, which covers 5 467.216 km² of land, with coordinates 22° 35' S 30° 40' E; and
- Musina Local Municipality, which covers 11 297.41 km² of land, with coordinates 23° 20' 17 S 30° E.

5.4.3 Geographic and democratic profiles of the two local municipalities and one district municipality under investigation in the Limpopo province

It is important to discuss the profile of the two local municipalities and one district municipality under investigation in the Limpopo province in order to provide the reader with an understanding of the municipal boundary demarcation that took place in the province. In addition, the reader needs a bird's-eye view of the geographical layout of the Limpopo province and the population dynamics that exist within the province. The next section discusses the Limpopo province and provides a detailed profile of the municipalities covered by this study.

Figure 5.2: Illustration of the Vhembe District Municipality in the Limpopo province



Source: Adapted from Municipalities.co.za (n.d.)

It is also important to provide a brief summary of the demographic profiles of the two local municipalities that formed part of this study.

5.4.3.1 The profile of Thulamela Local Municipality

The Thulamela Local Municipality is a Category B municipality that was established in terms of the Local Government Act (No. 117 of 1998). Thulamela is one of four local

municipalities within the Vhembe District Municipality. The municipality shares a boundary border with the Collins Chabane Local Municipality in the east, with Musina Local Municipality in the north-east, and Makhado Local Municipality in the south-west. The Thulamela Local Municipality covers a vast track of lands, mainly tribal (rural) and Thohoyandou (urban). Thohoyandou is of political, administrative, and commercial value.

In the context of the population, this municipality has the second largest population of all the municipalities. In terms of land, the Thulamela Local Municipality covers 2 893.936 km² (Thulamela Local Municipality 2018:7-8). In the context of municipal boundary demarcation, the MDB redrew the municipal outer boundaries in the Vhembe District before the August 2016 local government election. The Vhembe District's outer boundary did not change, however. Moreover, the outer boundaries of the Makhado, Musina, Mutale, and Thulamela local municipalities were affected. It is worth noting that such boundary changes affected the demographic and geographical profile of both the Vhembe District Municipality and Thulamela Local Municipality. The boundary changes resulted in the Mutale Local Municipality being disestablished and consequently eight wards (wards 1 to 7 and ward 13) from Mutale were incorporated into the Thulamela Local Municipality.

In addition to wards being incorporated, the northern part of the Mutale Local Municipality was incorporated into the Thulamela Local Municipality. It is noteworthy to mention that as a result of the boundary changes, a new local municipality, called Collins Chabane Local Municipality, was established after the August 2016 local government elections. The new municipality incorporated the Vuwani area (which was previously under the boundary jurisdiction of the Makhado Local Municipality) under the Tshikonelo and Mulemule traditional areas and the Malamulele area (which was previously under the Thulamela Local Municipality) (Thulamela Local Municipality 2018:8-9).

5.4.3.2 *The profile of Makhado Local Municipality*

The Makhado Local Municipality is a Category B municipality that was established in terms of the Municipal Structures Act (No. 177 of 1998). The municipality shares borders with the Molemole Local Municipality, which was part of the Capricorn District Municipality, while the Greater Giyani and Greater Letaba local municipalities also border the municipality on the south-east and form part of the Mopani District Municipality (Makhado Local Municipality 2017:16-17).

The municipality was first established in 1934 as the Louis Trichardt Town Council. With the new democratic dispensation, a number of municipalities were established in 1997. When the Municipal Structures Act of 1998 was enacted, the municipalities were merged into an NP 344 municipality, which is now known as the Makhado Local Municipality. The municipality is divided into regions, namely the greater Makhado (previously Louis Trichardt), Dzanani, and Waterval (Municipalities 2018:1). After the August 2016 local government election, a portion of the Makhado Local Municipality was merged into the Collins Chabane Local Municipality. The municipality has 416 728 people living within its jurisdiction. In terms of the land, the municipality covers 7 605 km² (Municipalities 2018:1).

5.5 DATA-COLLECTION PROCEDURE

According to Langkos (2014:231), data collection refers to a plan for gathering data or information from field situations. Usually when data collection takes place, procedures are followed to obtain the desired data or information from the fieldwork with the ultimate aim to process and analyse the facts in a logical and scientific manner (Pradesh 2016:32). Canals (2017:398) states that data collection can be conducted using questionnaires and surveys, which, at the same time, can become part of more extensive investigation.

Quantitative data collection involves either primary or secondary sources. Quantitative data collection usually makes use of experiments and surveys (Salkind, Kyiu, Taheri, Porter, Valantasis-Kanelhes & Koning 2016:170-171). Quantitative data collection can also be conducted through downloading datasets from the Internet or brought from data-collection agencies, and other data can be collected through months of officials searching through archives (Jensenius 2014:402).

Qualitative data collection involves interviews, focus groups, observations, key informants, document studies, and case studies (National Science Foundation 2017:50-51). In the context of this study, household survey questionnaires (see Annexure A) were used as a data-collection tool in order to examine the causes of demarcation disputes in the Vhembe District Municipality, in particular in the Vuwani and Malamulele areas (under the Makhado and Thulamela local municipalities), as well as to determine to what extent and on what issues the villagers were consulted in the demarcation decision process. The household survey tool was also used to assess the level of service provision and challenges in the Vhembe District Municipality.

In addition, the data-collection procedure included face-to-face interviews with key informants in the Vhembe District Municipality and the Makhado and Thulamela local municipalities (see Annexure B). The officials within the three municipalities were used as a primary source for data collection. Ethical clearance was obtained from UNISA (see Annexure C), permission was sought to enter the municipal offices of the Vhembe District Municipality and Thulamela and Makhado local municipalities (see Annexure D), and the respondents gave permission to participate in the study by signing an informed consent form.

After obtaining the required permission, an email was sent to the HR manager of each municipality to ensure that the municipal officials were aware of the data collection taking place in the municipal offices. The email indicated the scheduled times for the interviews and how long each interview was likely to take. The arrangement was conducted in such a manner that the respondents were not taken away from allocated responsibilities and duties, and ensured that instructions and procedures for the interviews were understandable and simple.

The study grouped the respondents per municipality and a single method of accessing study respondents to participate in the interview and respond to the questions was utilised. The researcher conducted the interviews by gaining access to the municipal offices, accompanied by the HR manager, who introduced the researcher before an interview could commence. The researcher reported to the office of the HR manager in particular at the Vhembe District Municipality and Thulamela Local Municipality. In the context of the Makhado Local Municipality, the researcher gained access to the municipal offices through an arrangement by the HR Training Officer within the municipality and reported to that office daily until data collection was completed. Each municipality was allocated a maximum of two weeks to conduct the interviews and to collect documents from the relevant officials.

In the context of the Vhembe District Municipality, a total of six face-to-face interviews were conducted with key informants. In the Makhado Local Municipality, face-to-face interviews with 74 key informants were conducted. In the context of the Thulamela Local Municipality, a total of 195 municipal officials were interviewed.

The following section discusses the structure of the household survey questionnaires, semi-structured interviews, and municipal documents and other datasets that were used as the methods for collecting for this study.

5.5.1 Questionnaire

Mathers, Fox and Hunn (2009:9) report that questionnaires are a useful option to consider when conducting data collection and can either be devised by the researcher or can be based on some ready-made index. According to the Department of Health and Human Sciences (2011:1), a questionnaire refers to a set of questions for gathering information from individuals, where a researcher can choose to administer the questionnaires by mail, telephone, using face-to-face interviews, as handouts, or electronically. Zohradi (2013:254) indicates that questionnaires are one of the primary sources of gathering data in any research study. However, Zohradi (2013:254)

believes that the main important point to consider when designing a questionnaire in a mixed-methods study is that the researcher should ensure that it is “valid, reliable and unambiguous”. In the main, questionnaires can be categorised into three types, namely closed-ended or structured questionnaires, open-ended (or unstructured) questionnaires, and a mixture of closed-ended and open-ended questionnaires.

Zohradi (2013:254) states that a closed-ended questionnaire provides researchers with quantitative or statistical data, and an open-ended questionnaire provides qualitative or text information. In the context of this study, the questionnaire comprised both closed-ended and open-ended questions (see Annexure A). According to Molenberghs (2013:37), a survey is usually used for a wide variety of measurement processes and methods of data collection, and it produces statistics or quantitative numerical descriptions of relevant issues of a study population. In relation to data collection, in surveys, data generally arise from the study respondents’ answers to questions. Furthermore, in surveys, data collection and interviewing are undertaken in the same way for all study respondents and the level and types of training for interviewers could be either manual, online documentation, or hotline.

In the context of this study, the survey questionnaire was written in English and the advantage is that the researcher made use of research assistants or fieldworkers who were based in the Malamulele and Vuwani areas. All the fieldworkers were provided with training on how to administer the survey questionnaire and they were also fluent in the local languages spoken in the areas (i.e. Xitsonga, Tshivenda, English, and Sepedi). The researcher ensured that the survey questionnaire was designed in a very clear and simple manner using wording that was understandable and precise.

5.5.2 Semi-structured interviews

It is necessary to first explain the rationale for making use of interviews as a tool for data collection in a mixed-methods approach. Fox (2009:4) asserts that an interview is an important data-collection technique, which involves verbal communication between the researcher and the participant. Alshengeeti (2014:39) states that

qualitative data are usually collected through interviews and questionnaires. Dumay (2011:239) posits that interviews provide a very useful instrument for researchers to learn about the world of others. Furthermore, an interview, when conducted with care and with a well-planned interview approach, can provide a rich set of data. In the context of this study, mixing qualitative and quantitative questions was applied when the interviews were undertaken, as Grow (2013:45) indicates that it is possible to apply different types of interviews in the same study. It is posited that scholars are not in agreement on what priority should be given to qualitative and quantitative data when conducting interviews and developing questions. However, it is important to mention that other scholars argue that qualitative and quantitative data must be given equal weight in a study (Grow 2013:40-46).

Semi-structured interviews, in Jamshed's (2014:87) view, are those in-depth interviews where respondents must answer pre-set open-ended questions. Notably, semi-structured interviews are used extensively as an interviewing format possibly with an individual or sometimes even with a group. In the context of this study, semi-structured interviews were conducted with municipal officials within the Vhembe District Municipality and Thulamela and Makhado local municipalities (see Annexure B). Jamshed (2014:87) explains that in semi-structured interviews, the interviews are conducted once only and generally last 30 minutes to one hour.

In the context of this study, the semi-structured interviews conducted lasted an average of 30 minutes to one hour, which concurs with the assertion purported by Jamshed (2014:87). According to Van Teijlingen (2014:17), semi-structured interviews comprise predetermined questions; however, the order of the questions can be modified based on the researcher's perception of what is deemed most appropriate. Furthermore, the wording of questions can be changed and explanations given. Van Teijlingen (2014:17) notes that one of the strengths of semi-structured interviews is that they facilitate getting every question answered and can potentially increase the response rate. In the context of this study, semi-structured interviews served as an enabler for the researcher to have all research questions answered by the respondents. Alsaawi (2014:151) is of the opinion that semi-structured interviews are

commonly used by researchers in social sciences and it is for this reason that the researcher made use of this type of interview as a tool for data collection.

5.5.3 Vhembe District Municipality and Thulamela and Makhado local municipalities' documents

In this study, information was obtained from the Vhembe District Municipality's documents, such as the IDPs, annual performance reports, annual financial statements, from the Internet, newspapers, presentations, and speeches by the Minister of CoGTA and the executive mayor of the Vhembe District Municipality. The selected documents were interrogated pertaining to the understanding of conceptual framework constructs, of which financial viability, service delivery, good governance principles, and financial management were aligned to the research questions and objectives. In the context of this study, the researcher ensured that the documents used to find information for the study were authentic and the municipalities granted permission for their use. This study also made use of the IDPs, annual performance plans, financial statements, and other official documents from the Thulamela and Makhado local municipalities.

5.6 DATA ANALYSIS AND VALIDATION PROCEDURES

According to Onwuegbuzie and Combs (2011:1), mixed-methods research and mixed-methods analysis involves using quantitative and qualitative data-analysis techniques within the same study. Onwuegbuzie and Combs (2011:2) acknowledge that analysing data in a mixed-methods research study is potentially the most complex aspect of data analysis because the researcher must analyse the qualitative data that were collected, and must integrate the results from both the qualitative and quantitative analyses. In the context of this study, the quantitative data were analysed first and thereafter explained through qualitative inferences.

Quantitative data analysis does not start until all data have been collected and integrated into statistics, and manipulated to extract patterns or relationships

(Mthethwa 2018:221). In the context of this study, the responses were quantified into descriptive statistics. The main reason is that the nature of the study involved multiple variables within service delivery, financial viability, boundary municipal demarcation, and governance.

The meta-inferences of statistics was applied to determine whether the differences in the responses were real or occurred due to an unrepresented sample and to infer the findings of this study to other places in South Africa where municipal boundary demarcation has taken place. Data analysis included the analysis of both qualitative and quantitative forms of data and that the two forms of data were integrated in the design analysis through merging the data, connecting or embedding the data, and that these procedures were incorporated into a mixed-methods design (Olivier 2017:4).

5.6.1 Processes involved in quantitative data analysis

For the reader to have an idea and a better understanding of how the data in this study were managed until the final findings, the data were processed and analysed as follows:

The collected data were processed into a format that allowed the researcher to conduct analysis through statistics and data software, namely STATA software version 14 and the Statistical Package for the Social Sciences (SPSS) version 24. A survey questionnaire for the study was developed. The responses from the survey were copied to a Microsoft Excel spreadsheet that had all the research questions. Copied responses from the Microsoft Excel spreadsheet were entered into coded tables in a computer codebook. The codes assigned to the quantified responses on all variables were transferred from the codebook into computer files created for capturing data entries (Mthethwa 2018:222).

5.6.2 Processes involved in qualitative data analysis

According to Sunday (2013:5), qualitative data analysis involves drawing out patterns from concepts and insights. In addition, Sunday (2013:12) claims that qualitative data

relate to concepts, opinions, values, and behaviour of people in a social context. This means that respondents share their opinions and behavioural aspects of their daily experience of the phenomenon under study. Moreover, qualitative data analysis is usually based on an interpretation philosophy and examining the meaningful symbolic content of qualitative data (Sunday 2013:19).

In the context of this study, qualitative data-analysis processes provide an understanding to the reader of how the data were managed in a qualitative manner until the final step of reaching the study findings and conclusions because qualitative study readers are only exposed to some form of data that are analysed already. In social sciences, there is a limited number of computer software that can be used to analyse qualitative data. NVivo is a computer software program that can be used during qualitative data analysis and this software has proven to improve the accuracy of qualitative data, facilitates accuracy and a transparent data-analysis process, and accepts any research design, including mixed-methods designs (Mthethwa 2018:222).

Creswell (2012:8) states that there are six steps involved in analysing and interpreting qualitative data, namely:

- preparation and organisation of data for analysis;
- exploring data through coding;
- utilisation of codes to develop descriptions and themes;
- representing the findings through narratives;
- interpreting the meaning of the findings; and
- validating the findings to ensure the accuracy of the data.

As stated by Creswell (2012:3) in the steps outlined above, this study interpreted or discussed the meaning of data. In doing so, narrative themes were categorised by NVivo in conjunction with the numeric data under each section of the questionnaire, literature, and legislative frameworks of municipal boundary demarcation in South Africa.

5.6.3 Processes involved in mixed-methods data collection and analysis for this study

In this study, concurrent nested mixed-methods strategy and data management processes were employed. The strategy was applied in the study to illustrate and clarify the manner in which numeric and narrative data were managed during the analysis phase of the study. According to Mthethwa (2018:223), a concurrent nested mixed-methods data-collection strategy is used to validate one form of data with other forms of data with the intention to transform the data for comparison, or to deal with different types of questions. Schoonenboom and Johnson (2017:112) state that each true mixed-methods study usually has at least one “point of interface” at which the components of quantitative and qualitative approaches are brought together. In the context of this study, the researcher utilised the combination of quantitative and qualitative approaches for the research design, data collection, analysis, and interpretation.

According to Terrell (2012:270), in the concurrent nested mixed-methods strategy, there are two data-collection methods, in which one is embedded (nested) within the other. In this instance, priority is given to the primary data-collection approach with less reliance on the nested approach. In the concurrent nested strategy, data are mixed during the analysis phase. The main purpose of this strategy is to gain a broader understanding (perspective) than could be obtained from using only the predominant data-collection method. Terrell (2012:270) believes that the strengths of the concurrent nested strategy in mixed methods is that the researcher is able to collect two types of data simultaneously; thereby allowing for perspectives from each and providing the advantages of both methods.

5.6.3.1 *Mixed-methods data-collection procedure*

According to Wium and Louw (2018:7), mixed-methods data collection is a process where quantitative and qualitative data are collected and involves collecting data simultaneously (concurrently). In this study, data collection took place through a survey questionnaire (see Annexure A) that consisted of quantitative and qualitative elements, supplemented by qualitative semi-structured interviews (see Annexure B)

in different sections of the questionnaire with qualitative elements embedded into the qualitative approach. This design qualified the study as utilising the concurrent nested mixed-methods strategy. Terrell (2012:270) explains that in concurrent nested mixed-methods strategy, there are two data-collection methods in which they are embedded (nested) within the other. In this instance, priority is given to the primary data-collection approach, with less reliance on the nested approach. In a concurrent nested strategy, data are mixed during the analysis phase. The main purpose of this strategy is to gain a broader understanding (perspective) than could be gained from using only the predominant data-collection method.

5.6.3.2 *Mixed-methods data-analysis process*

Berman (2017:7) points out that the process of data analysis for mixed methods can happen in a variety of different ways, namely connecting, building, merging, or embedding. Creswell (2009:218) posits that data analysis in mixed methods relates to the type of research strategy chosen for the procedure. It is worth noting that in a study, the procedure needs to be identified. Analysis occurs within the quantitative (descriptive and inferential numeric analysis) and qualitative (description and thematic text or image analysis) approach and usually between the two approaches. In the context of this study, a concurrent nested design was utilised, as discussed by Terrell (2012:270). The following are the mixed-methods data-analysis approaches used in this study:

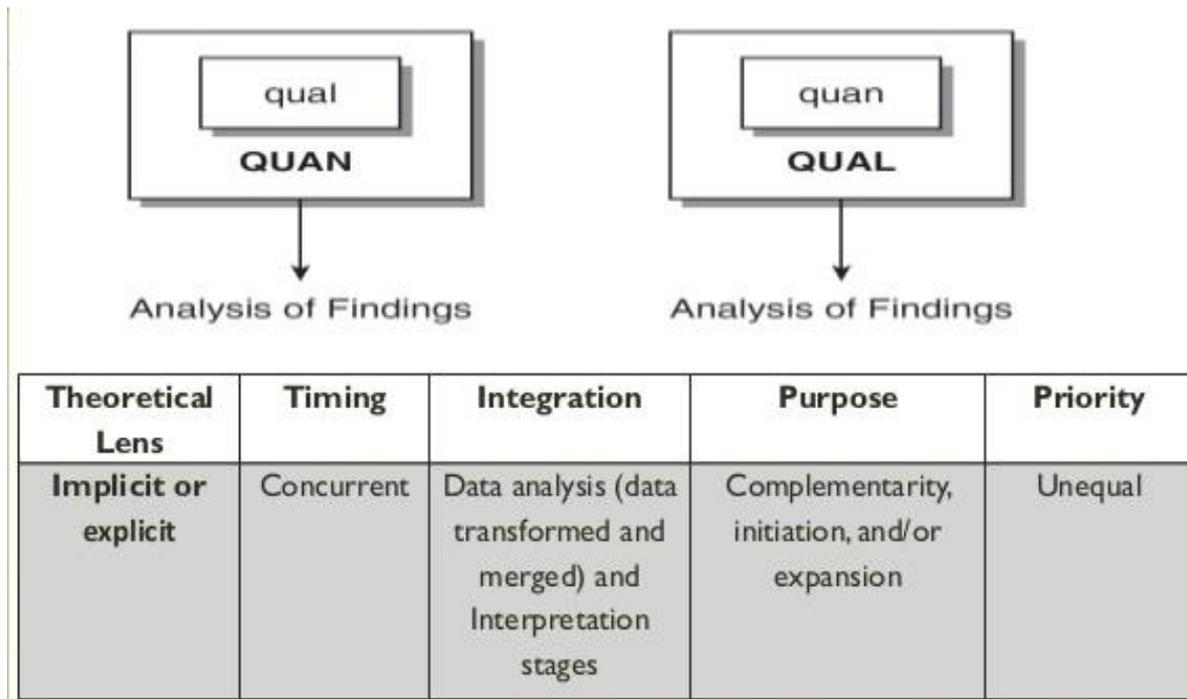
- **Data transformation:** In the concurrent nested strategy, quantitative data were transformed into themes qualitatively based on the open-ended questions in the questionnaire, and the transformation was done making use of NVivo software. In the context of this study, STATA was used to present numerical statistics, values, graphs, and themes in a summarised manner to reflect the findings and results of the study. The quantitative data analysis included the creation of codes and counting how many times the codes appeared, and the

qualitative analysis involved the identification of themes and theme appearances per questionnaire. In the context of this study, the biographical data in Section 1 of the questionnaire was quantitatively analysed.

- **Examine multiple levels:** After the completion of the interviews and after the collection of quantitative data through survey questionnaires, the responses of the municipal officials and the responses of the villagers were examined for multiple levels of quantitative and qualitative responses. In this study, the researcher made use of coding to review and analyse the responses from the villagers of the Vuwani and Malamulele areas, together with the responses of the municipal officials of the Vhembe District Municipality. The researcher ensured that the information remained intact and did not become distorted. It is worth noting that data-cleaning procedures were undertaken where data were checked against the entries on the Microsoft Excel spreadsheet and the computer tables created for data analysis.
- **Matrix creation:** Due to the fact that the study followed the concurrent nested mixed-methods strategy, which is characterised by the inference that quantitative data are better explained with qualitative analysis, numerical data were explained through narratives. The biographical data collected by the questionnaire, such as gender, qualifications, employment, age, and the language of participants, were only used for statistical purposes and to ensure that the reader understands the biographical profile of the area under the study.

Figure 5.3 illustrates the concurrent nested mixed-methods strategy whereby qualitative data utilise quantitative analysis of findings.

Figure 5.3: Illustration of concurrent nested mixed-methods data analysis strategy



Source: Adapted from Adu (2013:17)

5.6.3.3 Mixed-methods data-interpretation process

According to Wium and Louw (2018:7-9), the identification of the research design is the first step in mixed-methods research, the second is data collection, the third step is data analysis, and mixed-methods data integration is the fourth step in mixed-methods studies. Knowlton and Phillips (2013:8) state that in the mixed-methods analysis and data-interpretation process the outcomes usually include discover, describe, confirm, define, explain, predict, and puzzle/initiate/resolve. Dos Santos, Erdmann, Meirelles, Lanzoni, Da Cruncha and Ross (2017:13) postulate that in QUAN + QUAL, integration entails comparison for similarities and differences. In the concurrent nested strategy, data collection is undertaken at the same time. In the context of this study, a questionnaire with both quantitative and qualitative elements and the concurrent nested method were used as the research design strategy. This means that the interpretation of the data was grounded on quantitative and qualitative results.

5.7 TRIANGULATION IN THIS STUDY

According to Heale and Forbes (2013:1), triangulation emanates from the field of navigation where location is determined by using angles from two known points. In the context of research, triangulation refers to the use of more than one approach to research a question. Heale and Forbes (2013:1) posit that research studies may use two different data-collection methods such as quantitative and qualitative. It is also posited that the triangulation approach allows the limitations from each method to be transcended by accompanying findings from different responses.

According to Weyers, Strydom and Huisamen (2014:208), the literature reveals that one of the benefits of triangulation of different procedures is the fact that the flaws of one are often the strength of another. This implies that combining procedures/techniques allows researchers to utilise the strength of each, while overcoming their unique deficiencies. Furthermore, Fusch, Fusch and Ness (2018:21) found that the use of triangulation (especially methodological) where multiple methods of data collection are employed would assist in mitigating any research bias.

It is worth noting that triangulation is often used to describe studies where two or more methods are employed, known as mixed-methods research. In the context of this study, the use of mixed methods and the use of triangulation in relation to the responses of quantitative data were merged with qualitative themes, thereby explaining the quantitative statistics through the use of qualitative narratives. In this study, the use of standardised questionnaires for the survey and interviews with participants with sections that covered both quantitative and qualitative elements and supplemented by the review of literature, municipal documents for data collection, analysing, and interpretation ensured that triangulation was achieved.

5.8 INTERNAL AND EXTERNAL VALIDITY, RELIABILITY OF THE FINDINGS, AND TRUSTWORTHINESS OF THE STUDY

According to Neuman (2003:16), validity is related to the concept of truthfulness or how accurate the constructs are that the researcher uses to explain social reality,

whereas reliability refers to the concept of stability and consistency or whether similar results are achieved each time the research is repeated. De Bruin (2011:49) comments that “validity is foremost on the mind of those developing measures and that genuine scientific measurement is foremost in the minds of those who seek valid outcomes from assessment”. De Bruin (2011:49-50) further notes that validity always refers to the degree to which empirical evidence and theoretical rationale support the adequacy and appropriateness of interpretations and actions based on test scores. Both internal and external validity were given much emphasis in this study.

5.8.1 Internal validity of the research design

Internal validity refers to the extent to which conclusions can be drawn about casual effects of one variable on other (Neuman 2003:16). In this study, a survey, case study, and archival research design were employed to ensure validity. The survey research design investigated what the common disputes of demarcation were in the Vuwani and Malamulele areas. The case study and archival research design investigated the “why” and “how” matters. Furthermore, in this study, close attention was paid to ensuring that the measures to assess the relationship between municipal boundary demarcation and the financial viability of municipalities in Vhembe District, such as the Makhado and Thulamela local municipalities.

The researcher ensured the internal validity of the study by ensuring the degree to which the key results were attributable to the independent variable and not some other rival explanation of the situation in the Vhembe District Municipality demarcation matter. The significance of internal validity is to determine whether a cause-and-effect relationship exists between municipal demarcation and financial viability.

Therefore, the study aimed to establish whether changes in the independent variable (in this case, demarcation) caused or would cause observed changes in the dependent variable (in this case, financial viability). The researcher used a survey to measure the level of service provision and the effects that demarcation has had on the relevant communities. Furthermore, the researcher also conducted individual interviews with

municipal officials to measure the level of financial viability of the Vhembe District Municipality. In this sense, the data-gathering instrument would ensure validity and reliability. The researcher also used archival research and case study research to ensure that the study produces credible evidence and to reach conclusions for the study.

5.8.2 External validity of the research design

External validity is the extent to which one can generalise the results of the research to the populations from which samples were drawn (Neuman 2003:18). Since the demarcation disputes took place in the Vuwani and Malamulele areas respectively, these areas were selected purposively, using households in the two areas. In addition, the study purposefully selected 10% of the total population of the Vhembe District Municipality and the Thulamela and Makhado local municipalities.

The researcher ensured the study's external validity by ensuring that the results of the study can be generalised, since the demarcation matter has been a thorny issue in South Africa. In addition, the researcher also ensured that the threats to internal validity were mitigated through adequate statistical regression when the analysis of the research results was conducted. The researcher ensured that there was no bias in the selection of the representative sample of the study by selecting 10% of the population for each group. In this regard, the participants in the study had the same chance of being selected since the researcher employed random and purposive sampling methods.

5.8.3 Reliability

De Bruin (2011:54) asserts that a test is seen as being reliable when it is being applied or employed by a number of different researchers under stable conditions, with consistent results and the results not varying. Therefore, reliability reflects consistency and replicability over time. Zohrabi (2013:259) posits that reliability focuses on

consistency, dependability, and replicability of the findings obtained from a piece of research. In the context of this study, the questionnaire for the survey measured the opinions, attitudes, and beliefs regarding municipal boundary demarcation decisions on the financial non-viability of the Vhembe District Municipality, focusing on the research objectives as outlined in Chapter 1 of this study. It is worth mentioning that the Cronbach's alpha measures internal consistency, which is how closely related a set of items are to a group and it is considered a measure of scale reliability (Tavakol & Dennick 2011:53). In the context of this study, the researcher explicitly explained the processes involved in the analysis, described the rationale for the use of mixed-methods research, the study design, and the population of the study. In order to determine the reliability of the questionnaire, the Cronbach's alpha coefficient was used to assess reliability and internal consistency.

5.8.4 The trustworthiness of the study

Newman, Lim and Pineda (2013:244) report that trustworthiness is understood to be the transparent accumulation of evidence that supports the logical argument. In this instance, it is posited that the more types of content validity estimates there are, the more trustworthiness is established. It is for this reason that the most effective way of providing a multitude of evidence in research would be through a mixed-methods approach. Therefore, mixed methods may generally improve trustworthiness. Graff (2015:57) is of the opinion that trustworthiness refers to findings that are worth paying attention to and that it is divided into credibility, dependability, transferability, and confirmability. To explore the meaning of the tenets of trustworthiness, it is important to note that credibility involves evaluating whether the findings are credible interpretations of the participants' data, while dependability is thought to be similar to the internal validity in quantitative research. In the context of dependability, trustworthiness is related to reliability and the evaluation of the quality of the integration of data collection, data analysis, and formulation of a conclusion or theory (Graff 2015:57). With transferability, it is related to the form of external validity and refers to the degree to which findings can apply or transfer to situations outside the study that generated the findings. Confirmability is considered a measure of the extent to which study findings are supported by the data (Graff 2015:57).

Padgett (2017:210) states that there are certain criteria for qualitative research as a measure to maintain the trustworthiness of the research findings; these are outlined below:

- **Credibility** entails the degree of fit between the views of the respondents and the description of the researcher and the interpretation. Transferability refers to the generalisability of the study findings. For the reason that municipal boundary demarcation challenges are experienced nationally, this study aimed at generalising the findings. This means that transferability in the qualitative approach relates to the use of findings in another setting, thus implementing the quantitative concept of generalisability. Dependability relates to the traceability and documentation of procedures used in a study, although they need not lead to the same conclusions but should have a logic that makes sense to reader.
- **Conformability** is achieved by demonstrating that the findings of the study were not imagined or concocted, but are linked to data. Following the fact that this study used a mixed-methods design, it is important that the elements of trustworthiness were met. A high level of trustworthiness and authenticity in this study was ensured through the administration of a standardised survey questionnaire to all sampled respondents of the study, the questionnaire asking open-ended and closed-ended questions, checking of data obtained from the questionnaire against data entered into the online tool and spreadsheet by a statistician to maintain accuracy, using rich and thick descriptions from the qualitative narratives, and the triangulation of data where multiple methods of data collection were used, such as the questionnaire and municipal documents such as financial statements. The findings of all of these methods were used in the data analysis of the study.
- Furthermore, the **authenticity** of the study was maintained through the presentation of findings that reflected the responses of the respondents as they knew or experienced municipal boundary demarcation disputes and service delivery challenges in their own setting and making their own opinion known to what approaches could be used to further enhance service delivery provision and resolving demarcation disputes in a manner that would be effective and efficient and would promote social cohesion in the Vhembe District Municipality.

5.9 THE FOCUS OF THE RESEARCH AND THE LIMITATION OF THE STUDY

The focus of this study was municipal boundary demarcation decision challenges on financial non-viability in the Vhembe District Municipality in the Limpopo province. The scope of this study was guided by geographical and time dimensions. There are 278 municipalities in South Africa, comprising eight metropolitan, 44 district, and 226 local municipalities (South Africa Government Online 2018:1). This study was limited to municipal boundary demarcation decision challenges on financial non-viability in the Vhembe District Municipality and in particular the Thulamela Local Municipality (Malamulele area) and Makhado Local Municipality (Vuwani area), and only municipal officials and villagers who met the sample frame and inclusion criteria participated in the study.

Data collection was conducted over a period of six months. The data-collection process included the distribution of questionnaires among households in the Vuwani and Malamulele areas respectively. This was followed by semi-structured interviews with municipal officials in the Vhembe District Municipality and Thulamela and Makhado local municipalities. The researcher also reviewed municipal documents from 2015, which is the year in which the municipal boundary demarcation process began in the Vhembe District area, up until 2018.

5.10 ETHICAL CONSIDERATIONS

Scott (2013:79) indicates that in conducting research, ethical considerations include respect for human persons, informed consent, beneficence and non-maleficence, justice, and confidentiality. Ethical clearance was obtained from the Department of Public Administration and Management, UNISA, and the participants signed an informed consent form as permission for the researcher to enter municipal offices and collect data (Creswell 2014:97). According to Pillay (2014:196), researchers must uphold the three core principles of ethics to research as summarised by Scott (2013:79). Leedy and Ormrod (2010:101) emphasise that researchers have an ethical obligation to inform participants of the nature of the research. The respondents were

also informed that participation was voluntary and that they had the right to withdraw without risking any penalty or prejudicial treatment, and that they could ask for clarity on questions at any time. The researcher ensured that the respondents' information was kept under lock and key to maintain the aspect of confidentiality (McMillian & Weyers 2011:215), and the information was not made accessible without the respondents' authorisation. To ensure privacy, the researcher did not use any personal names of any of the respondents or municipal officials. The data were not gathered from the respondents without their knowledge (Creswell 2014:97-99).

The researcher did not endanger the lives of the respondents in any way (Bouma, Ling & Wilkinson 2012:167). In order to ensure that the study's respondents were well informed with regard to the study's aim, objectives, and content, an information pamphlet explaining the details of study content, together with an informed consent form, was issued to all the respondents. The scientific integrity of research is to generate sound scientific knowledge, which is through proper conduct (avoiding fabrication, falsification of findings, and plagiarism), reporting, and publication of quality research (Bouma et al. 2012:168).

5.11 CONCLUSION

Chapter 5 addressed the research philosophies, strategies, and designs that exist in social sciences. The research philosophy and approach adopted and applied in this study were explained and the reasons for adopting them were explained. The chapter also addressed the rationale for utilising the mixed-methods research approach, as well as the framework within the mixed-methods categorisation of this study, inclusive of the research design and sampling. The sampling techniques and data-analysis methods were also discussed. The chapter reported in detail the data-collection procedures, and the analysis and interpretation of the study findings. Ethical considerations and the limitations of the study were discussed. The procedures used to collect data by the researcher were explained. The chapter listed the one district municipality and the two local municipalities of the Limpopo province involved in the research and discussed the administration of the questionnaire.

Random and purposive sampling techniques were employed in this study, which were discussed. The use of various research methods and approaches was discussed. The rationale for this approach and the gains made from the usage of mixed methods cannot be overemphasised. Maintaining an equilibrium position in the research methods and making the findings of the study valuable are paramount. The limitations of this study were not left out of the discussion in this chapter. The constraints of the study were pointed out, with all the challenges that are beyond the control of the study. The chapter concluded with a summary of all that transpired in this chapter. The next chapter presents the data analysis and the interpretation of the findings.

CHAPTER 6

DATA INTERPRETATION AND ANALYSIS OF FINDINGS

6.1 INTRODUCTION

Chapter 6 focuses on the data analysis and interpretation of the findings resulting from this study. The chapter opens with an introductory statement, follows by the discussion of questionnaire, overall research findings of the study and conclusion of the chapter. The analysed data were obtained from the sample of 391 households in the Vuwani and Malamulele areas and from 61 municipal officials from the Vhembe District Municipality, 60 municipal officials from the Makhado Local Municipality, and 74 municipal officials from the Thulamela Local Municipality. Data analysis made use of both inductive and deductive reasoning to present the mixed-methods descriptions used in this study.

In this chapter, the research analysis and interpretation of the findings are discussed. Two major sections are provided. In the first section, the biographical information of the participants are described. In the second section, demarcation disputes, levels of service provision, and possible challenges in the Vhembe District Municipality are analysed. The purpose of the discussion in both sections is to cross-check the validity, reliability, and trustworthiness of the research findings.

This chapter focuses on the data analysis and interpretation of the findings resulting from this study. The following section discusses the detailed structure of the questionnaire (see Annexure A) and interview schedule (see Annexure B) that were used to collect data for this study. The findings of this study confirmed the assertions in the literature, while challenging others. Equally imperative to note is that the findings not only shed light on the Vhembe District Municipality, but also apply to other areas and municipalities where boundary demarcation has taken place throughout the country.

The findings presented from the research in this study are based on the mixed-methods strategy. The literature control of the research data in the study assisted in understanding the respondents' response to municipal boundary demarcation disputes and financial non-viability challenges in Vhembe District Municipality and their proposals on how to resolve the disputes by promoting social cohesion, linking the concepts with existing knowledge, and assisting as a means of processing the collected data into the research findings of the study.

The quantitative analysis was conducted in SPSS version 24, while the qualitative data were thematically coded and analysed in NVivo. The first section of the chapter provides the biographical and background characteristics of the respondents, followed by Section 2, which provides information on the causes of demarcation disputes in the Vhembe District Municipality. Section 3 provides information on the extent to which the villagers of the Vuwani and Malamulele areas were consulted in the demarcation process, followed by information on the assessment of the level of service provision and possible challenges in the Vuwani and Malamulele areas.

The second part of the chapter deals with the qualitative analysis of the key informant interviews. Section 1 of the interview schedule sought the biographical data and background characteristics of the respondents and Section 2 was meant to provide information on whether municipal redetermination in the Vhembe District Municipality and Thulamela and Makhado local municipalities addressed the challenge of financial non-viability.

6.2 QUESTIONNAIRE

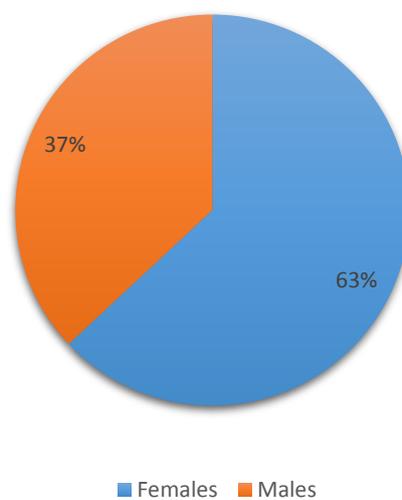
In this study, the questionnaire consisted of closed-ended and open-ended questions to avoid restrictions of the respondents' responses on what they thought or suggested in order to resolve demarcation disputes.

6.2.1 Section 1: Biographical data (Community/household respondents)

6.2.1.1 Vuwani area

Section 1 presents the characteristics of all the respondents who participated in the survey in the Vuwani and Malamulele areas. The biographical data include gender, age, level of education, and main languages spoken in the households.

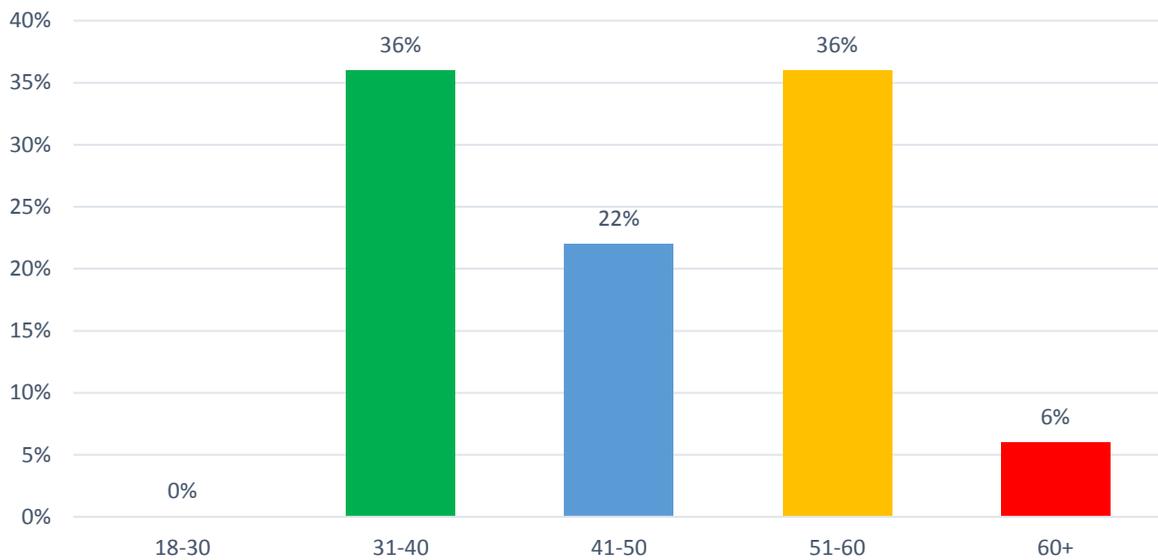
Figure 6.1: Gender distribution of the respondents in the Vuwani area



Source: Vuwani Area Household Survey, September 2018

Figure 6.1 indicates that the majority (63%) of the respondents in the Vuwani area were females, as compared to males at 37%. The value of gender distribution in this study is considered important to allow the reader to gain a better understanding of the gender profile of the area under study.

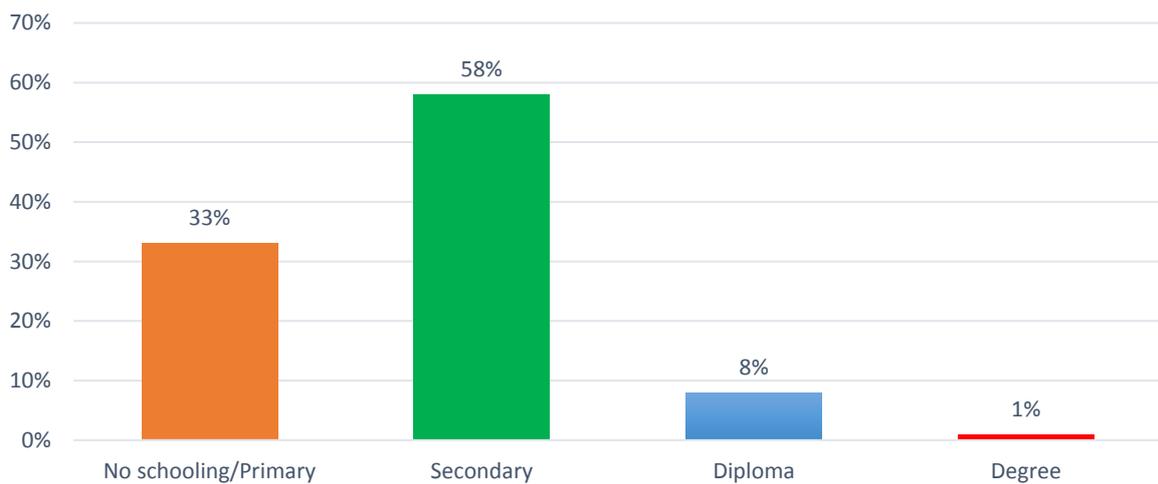
Figure 6.2: Age distribution of respondents in the Vuwani Area



Source: Vuwani Area Household Survey, September 2018

Figure 6.2 reflects that approximately 36% of the respondents were between the ages of 31 and 40 years, 36% of the respondents were aged between 51 and 60 years, while 22% of the respondents were between the ages of 41 and 50 years and only 6% of the respondents were aged 60 years and above.

Figure 6.3: Level of education of the respondents in the Vuwani area



Source: Vuwani Area Household Survey, September 2018

Question 3 of the questionnaire asked the respondents to provide information on their level of education as a measure to ensure that the level of literacy of the respondents in the area is reflected.

Figure 6.3 reflects that 58% of the respondents had secondary schooling, while 33% of had no schooling or primary schooling. Approximately 8% of the respondents had diplomas and only 1% of the respondents in the Vuwani area had degrees.

Figure 6.4: Employment status of the respondents in the Vuwani Area



Source: Vuwani Area Household Survey, September 2018

The results reflect that 60% of the respondents were unemployed, while 13% were employed full-time, 10% were employed part-time, 14% of the respondents were pensioners, and 3% of the respondents were students.

The findings also indicate that 100% of the respondents in the Vuwani area households speak mainly Tshivenda and very few of the households speak any other languages such as Xitsonga and Sepedi.

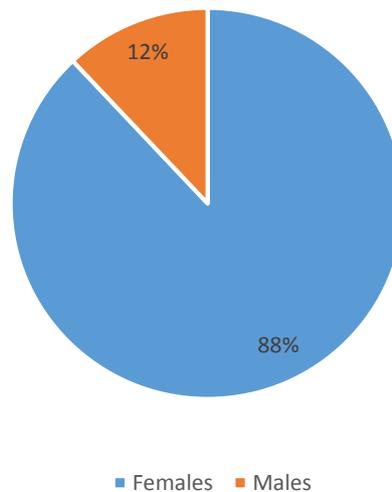
6.2.1.2 An overall depiction of the participants' characteristics

The majority of the respondents in the Vuwani area were female. The majority of the respondents were in the 31-40 and 41-50 age groups. In terms of the level of

education, the majority of the respondents had a secondary education. In addition, the majority of the respondents were unemployed. The majority of the respondents in Vuwani area speak Tshivenda as their home language.

6.2.1.3 *Malamulele area*

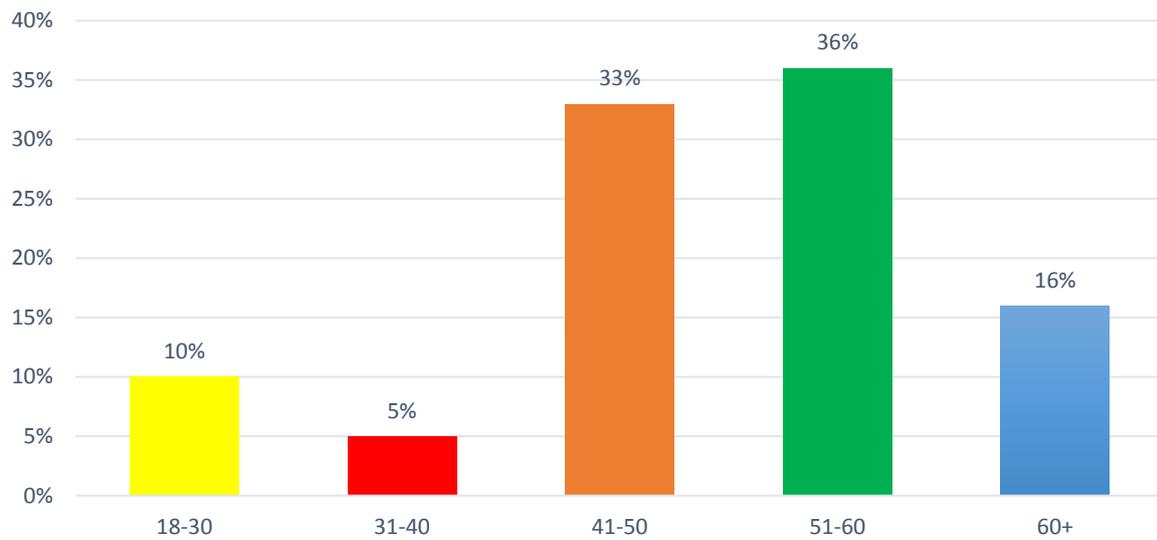
Figure 6.5: Gender distribution of respondents in the Malamulele area



Source: Malamulele Area Household Survey, September 2018

The results reflect that 88% of the respondents were female and only 12% of the respondents were male.

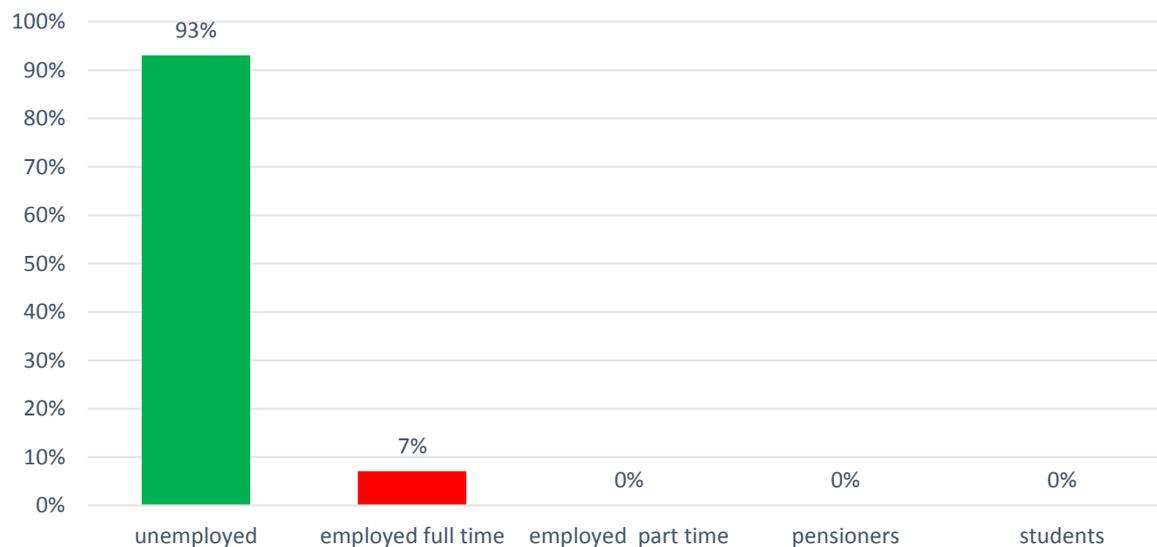
Figure 6.6: Age distribution of the respondents of the Malamulele area



Source: Malamulele Area Household Survey, September 2018

The results reveal that 33% of the respondents were in the 41-50 age group, while 36% were in the 51-60 age group and 11% of the respondents were 60 years and above. Approximately 5% were in the 31-40 years age group and 10% were in the 18-30 age group.

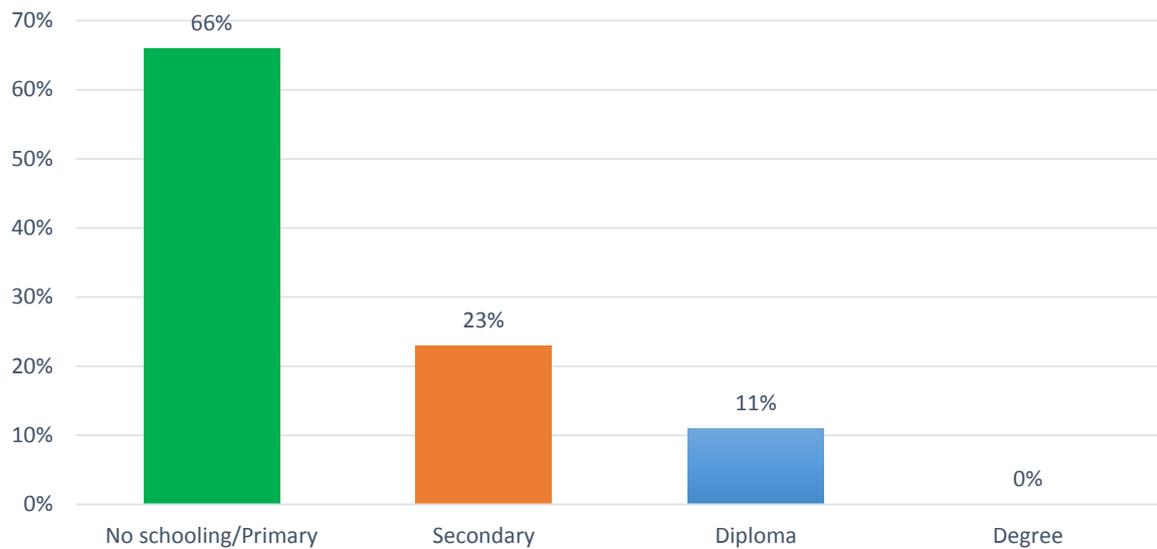
Figure 6.7: Employment status of the respondents in the Malamulele area



Source: Malamulele Area Household Survey, September 2018

The results reveal that 93% of the respondents were unemployed and only 7% of the respondents were employed full-time.

Figure 6.8: Level of education of the respondents in the Malamulele area



Source: Malamulele Area Household Survey, September 2018

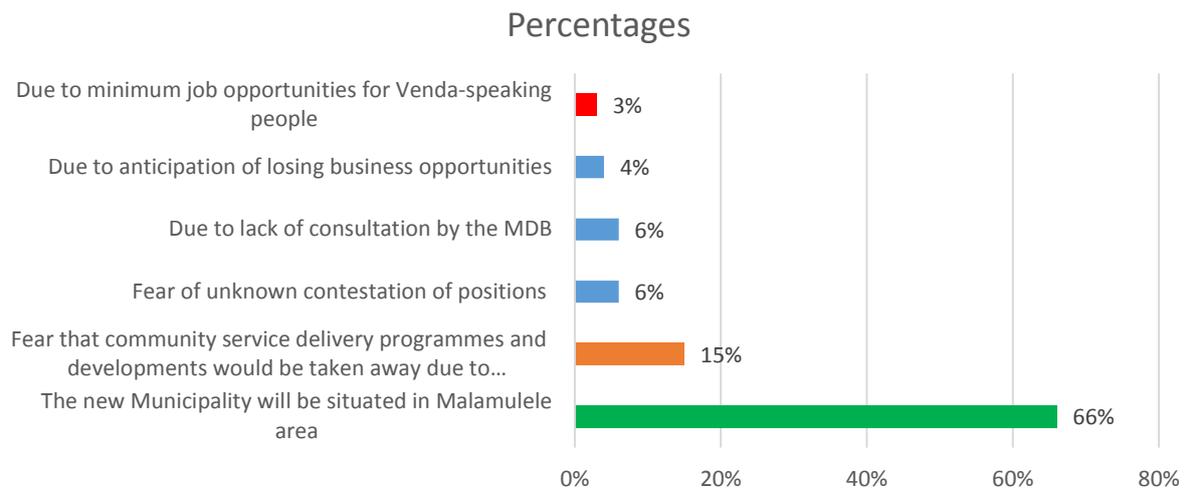
Figure 6.8 reflects the level of education of the respondents of the Malamulele area. Approximately 66% of the respondents had no primary schooling, 23% had secondary schooling, and only 11% of the respondents had diplomas.

The results also reveal that 100% of the respondents in the Malamulele area mainly speak Xitsonga.

6.2.2 Section 2: Investigation of the causes of demarcation disputes in the Vuwani and Malamulele areas

Following the structure of the questionnaire, Section 2 of the questionnaire focused on the examination of the causes of demarcation disputes in the Vuwani and Malamulele areas. The respondents were asked to indicate what the causes of demarcation disputes were.

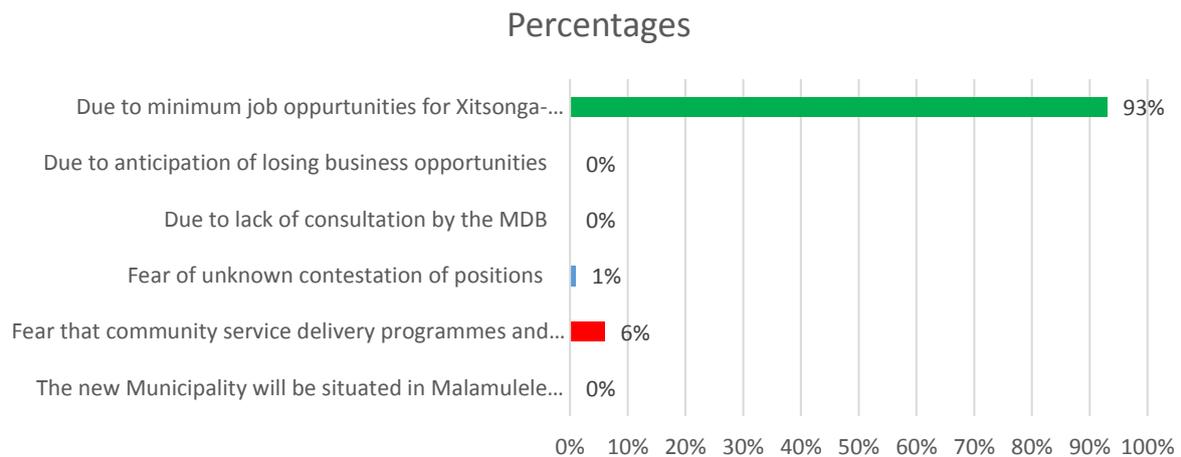
Figure 6.9: Causes of demarcation disputes in the Vuwani area



Source: Vuwani Area Household Survey, September 2018

Figure 6.9 illustrates that 66% of the respondents in the Vuwani area indicated that the cause of demarcation disputes was the fact that the new municipality would be situated in the Malamulele area. In addition, approximately 15% of the respondents believed that the cause of demarcation disputes in Vuwani area was the fear that community service delivery programmes and developments would be taken away from their area due to the demarcation decision. Only 6% of the respondents were of the view that the cause of demarcation disputes in their area was due to fear of the unknown contestation of positions and, similarly, 6% of the respondents indicated that the cause of demarcation disputes in the area was due to lack of consultation by the MDB. The respondents' views reflect that only 4% were of the view that demarcation disputes in the Vuwani area were due to the anticipation of losing business opportunities and only 3% of the respondents indicated that the cause of demarcation disputes in their area was due to minimum job opportunities for Venda-speaking people.

Figure 6.10: Causes of demarcation disputes in the Malamulele area



Source: Malamulele Area Household Survey, September 2018

Figure 6.10 reflects the results from the Malamulele area. Of the respondents who participated in the study, 93% were of the view that the cause of demarcation disputes was that no service would be provided to Xitsonga-speaking people, 6% of the respondents indicated that the lack of community service delivery programmes and developments was the cause of demarcation disputes, and only 1% of the respondents in the Malamulele area were of the view that the cause of demarcation disputes was the fear of the unknown contesting for positions.

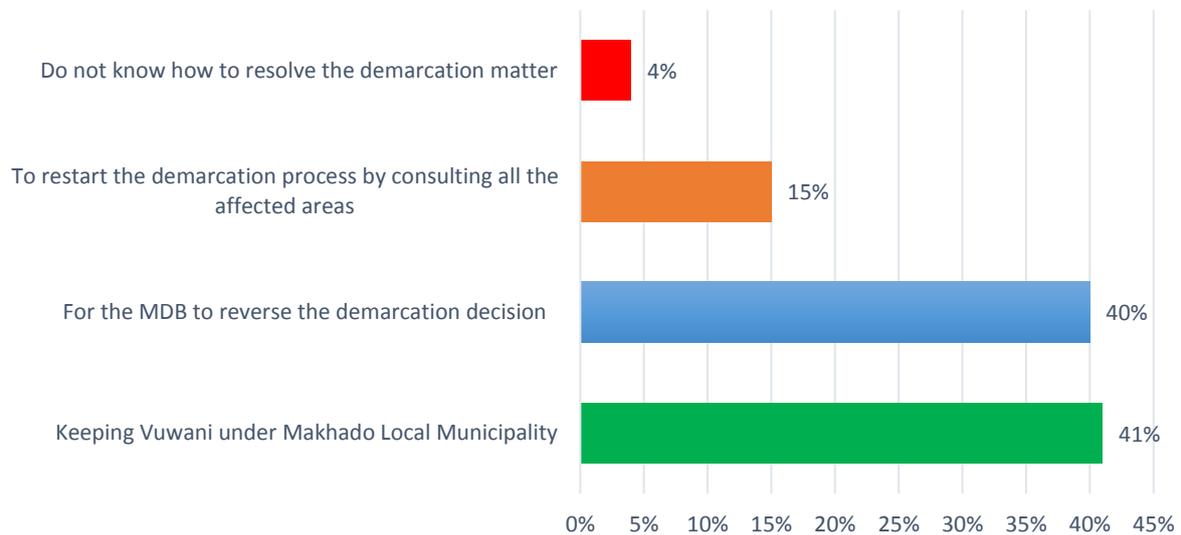
6.2.3 Investigation of the extent to which residents were consulted in the demarcation process

This section of the questionnaire focused on consultation in relation to the demarcation decision process. The results reflect that 100% of the respondents indicated that they were not consulted by the MDB on demarcation matters in the Vuwani area.

In contrast, 97% of the respondents of the Malamulele area indicated that they were consulted by the MDB on demarcation matters and that all their views and presentations were considered. Only 3% of the respondents in the Malamulele area felt that they were not consulted by the MDB on demarcation matters. The respondents

were also asked their views on how the demarcation matters could be resolved. The results are presented in Figure 6.11.

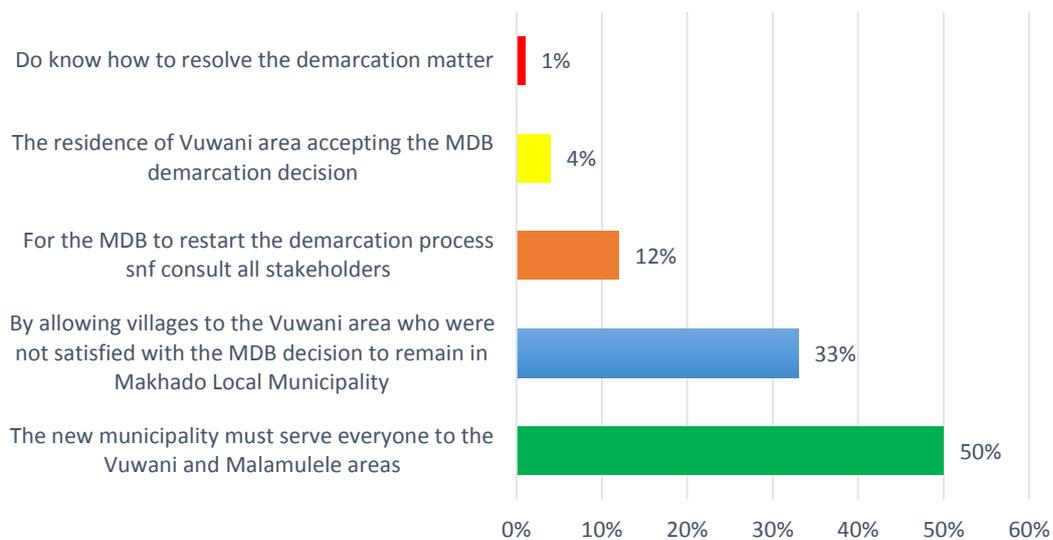
Figure 6.11: Demarcation dispute resolution proposals in the Vuwani area



Source: Vuwani Area Household Survey, September 2018

Figure 6.11 illustrates that 41% of the respondents were of the view that the demarcation matter could be resolved by the MDB by keeping the Vuwani area under the boundaries of the Makhado Local Municipality, and 40% of the respondents indicated that they would like the MDB to reverse the demarcation decision to incorporate the Vuwani area into the Collins Chabane Local Municipality situated in the Malamulele area. In addition, 15% of the respondents felt that the only way to resolve the demarcation matter was to restart the process by consulting all the affected areas and only 4% of the respondents indicated that they did not know how to resolve the matter.

Figure 6.12: Demarcation disputes resolution proposals in the Malamulele area



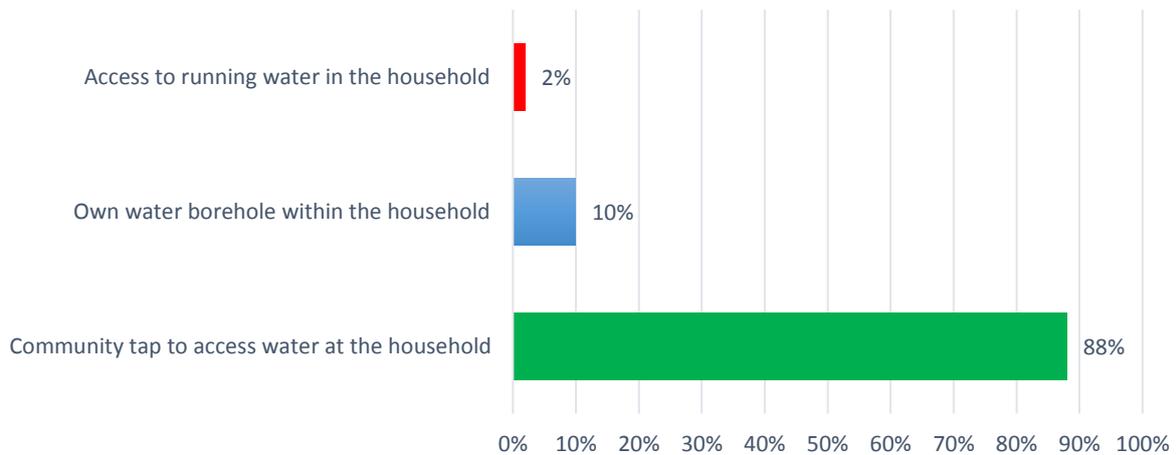
Source: Malamulele Area Household Survey, September 2018

According to Figure 6.12, in the Malamulele area the results reflect that 50% of the respondents were of the view that the Collins Chabane Local Municipality must serve everyone in the Vuwani and Malamulele areas, which would resolve the demarcation disputes in the areas. Of the respondents in the Malamulele area, 33% were of the view that the only way to resolve the matter was by allowing villages in the Vuwani area who were not satisfied with the decision of the MDB to incorporate the villages into the Collins Chabane Local Municipality, which is situated in the Malamulele area. In addition, 12% of the respondents felt that the only way to resolve the matter was for the MDB to restart the demarcation process and to consult all stakeholders affected by the demarcation decision. Of the respondents in the Malamulele area, 4% were of the view that the demarcation matter could be resolved by the residents of the Vuwani area accepting the MDB demarcation decision, and 1% of the respondents indicated that they did not know how the demarcation matter could be resolved.

6.2.4 Section 3: Evaluation of the level of service provision and possible challenges in the Vhembe District Municipality

This section focuses on the evaluation of service delivery in the Vuwani and Malamulele areas.

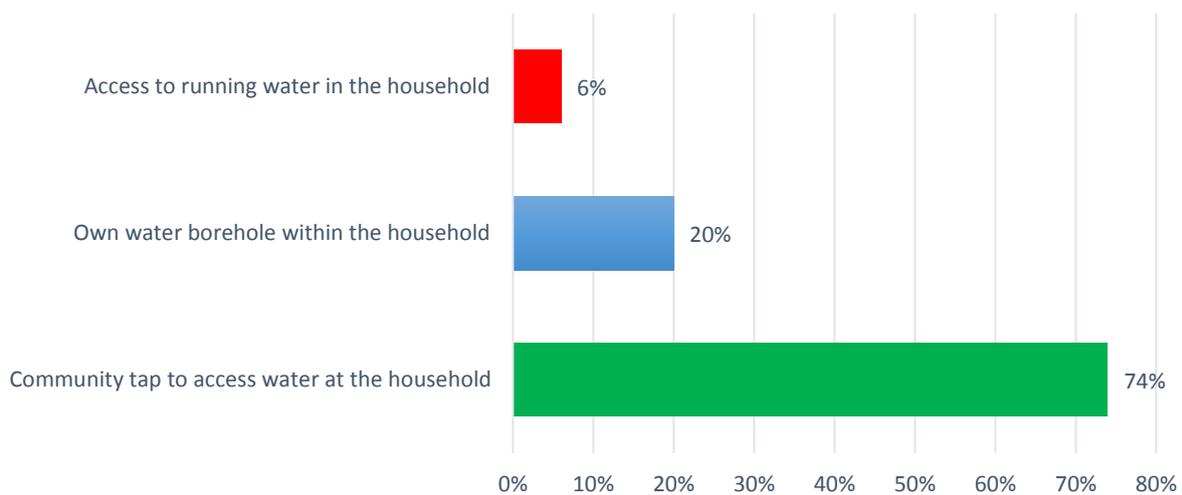
Figure 6.13: Main source of water for households in the Vuwani area



Source: Vuwani Area Household Survey, September 2018

The results reflect that 88% of the respondents rely on a community tap to access water for their households, with 10% of the respondents in the Vuwani area indicating that they have their own water boreholes that they use to access water. Only 2% of the respondents in the Vuwani area indicated that they had access to running tap water in their households.

Figure 6.14: Main source of water in the Malamulele area

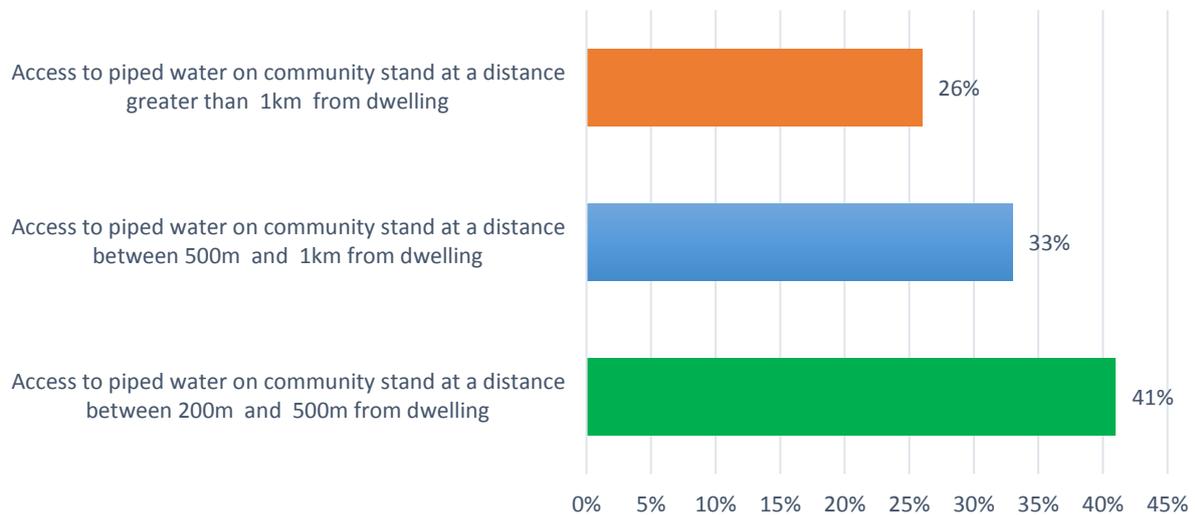


Source: Malamulele Area Household Survey, September 2018

Figure 6.14 reflects that in the Malamulele area, 74% of the respondents make use of community taps and 20% of the respondents indicated that they made use of their own

borehole to access water for their households. Only 6% of the respondents had running tap water in their households.

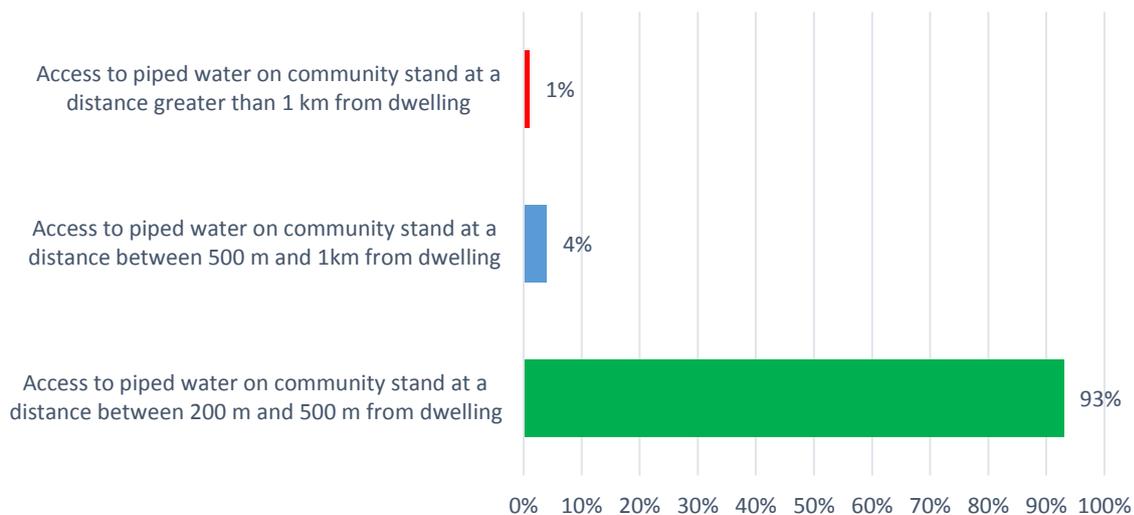
Figure 6.15: Access to piped water in the Vuwani area



Source: Vuwani Area Household Survey, September 2018

This section sought to measure whether the households in the Vuwani and Malamulele areas had access to piped water. Figure 6.15 reflects that in the Vuwani area, 41% of the respondents had access to piped water at a community stand at a distance of between 200 m and 500 m from their dwelling, and 33% of the respondents indicated that they had access to piped tap water at a community stand at a distance between 500 m and 1 km from their dwelling. Only 26% of the respondents indicated that they had access to piped tap water at a community stand at a distance greater than 1 km from their dwelling.

Figure 6.16: Access to piped water in the Malamulele area



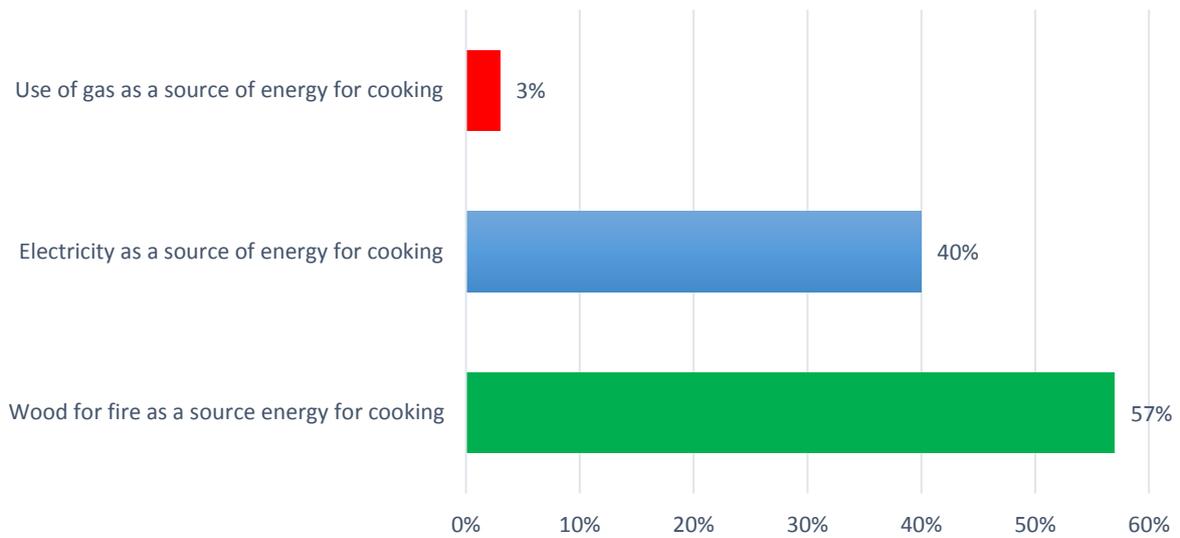
Source: Malamulele Area Household Survey, September 2018

In the Malamulele area, Figure 6.16 shows that 93% of the respondents indicated that they had access to piped tap water at a community stand at a distance between 200 m and 500 m from their dwelling, 4% of the respondents indicated that they had access to piped tap water at a community stand at a distance greater than 1 km from their dwelling, and 3% of the respondents indicated that they had access to piped tap water at a community stand at a distance of between 500 m and 1 km from their dwelling.

This section further sought to determine whether the respondents of the Vuwani and Malamulele areas paid for water services. The results reflect that 100% of the respondents of the Vuwani area indicated that they were not paying for water services. Similarly, in the Malamulele area, 100% of the respondents indicated that they were not paying the municipality for water services. This finding indicates that the residents of the Vuwani and Malamulele areas were provided with water free of charge.

The questionnaire also sought to determine which source of energy the households of the Vuwani and Malamulele areas utilised.

Figure 6.17: Main source of energy for cooking in the Vuwani area



Source: Vuwani Area Household Survey, September 2018

Figure 6.17 indicates that 57% of the respondents in the Vuwani area made use of wood to make fire for cooking in their household. In addition, 40% of the respondents indicated that they made use of electricity as a source of energy for cooking. Only 3% of the respondents indicated that they made use of gas as a source of energy for cooking.

Figure 6.18: Main source of energy for cooking in the Malamulele area



Source: Malamulele Area Household Survey, September 2018

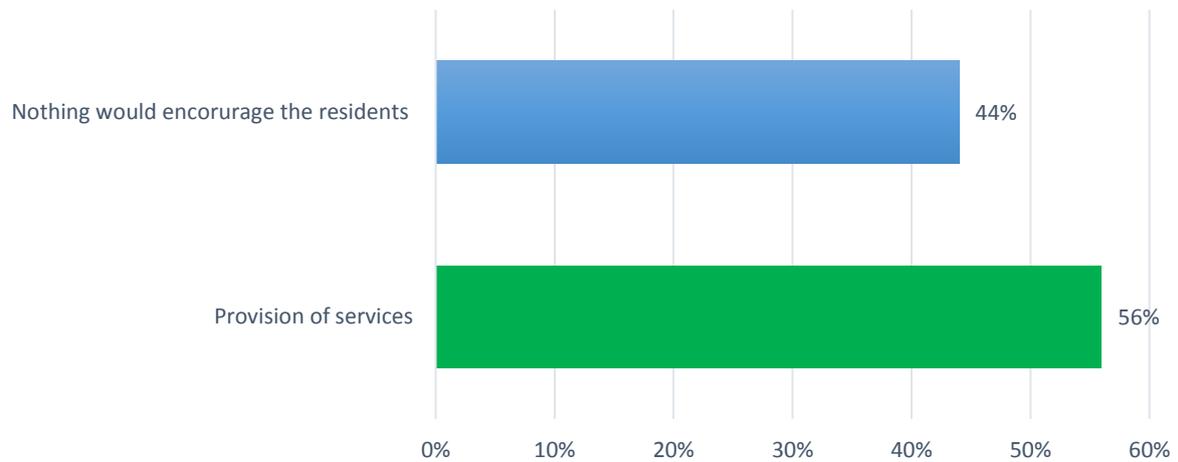
Figure 6.18 illustrates that 82% of the respondents in the Malamulele area made use of wood for fire as a source of energy for cooking in their households and only 18% of the respondents indicated that they made use of electricity for cooking in their households.

The questionnaire also sought to determine whether households in the Vuwani and Malamulele areas had access to electricity and whether they used it for lighting. The results indicate that 100% of the respondents in the Vuwani area had access to electricity and used it for lighting in the households. Similarly, 100% of the respondents in the Malamulele area indicated that they made use of electricity for lighting in their households. The results also show that 100% of the households in the Malamulele area and 100% in the Vuwani area used prepaid electricity.

This section also asked the respondents how refuse is removed from their households. The results indicate that 100% of the respondents in the Malamulele area had no rubbish disposal at their households and, similarly, 100% of the respondents in the Vuwani area indicated that they had no access to rubbish disposal. The results also indicate that 100% of the respondents in the Vuwani area did not pay for refuse removal and, similarly, 100% of the respondents in the Malamulele area indicated that they did not pay for refuse removal at all.

The results also reflect that 100% of the respondents in both the Vuwani and Malamulele areas indicated that they did not pay for municipal rates. This section also asked the respondents their perspective on what could motivate them to pay for municipal rates.

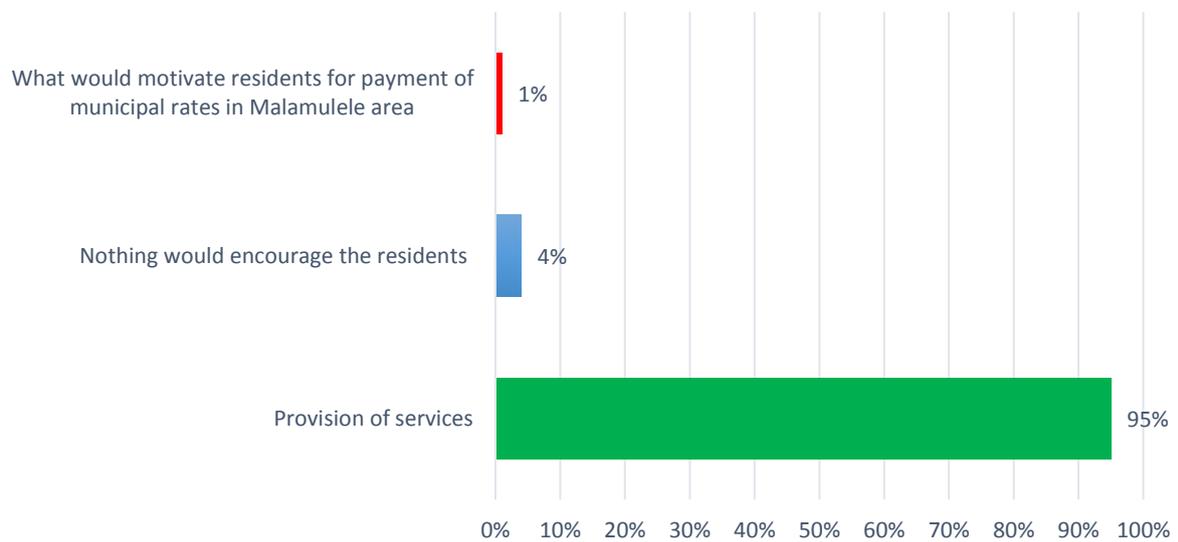
Figure 6.19: Municipal rates payment for the Vuwani area



Source: Vuwani Area Household Survey, September 2018

Figure 6.19 shows that 56% of the respondents in the Vuwani area indicated that the provision of services to their area would encourage them to pay for municipal rates. On the other hand, 44% of the respondents indicated that nothing would encourage them to pay for municipal rates in the Vuwani area.

Figure 6.20: Municipal rates payment for the Malamulele area

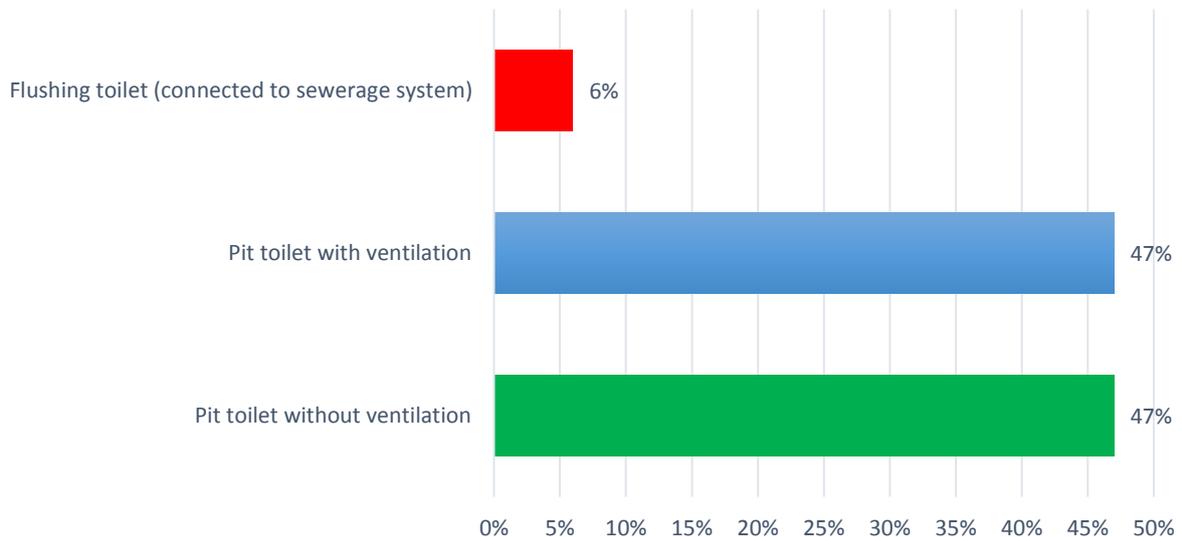


Source: Malamulele Area Household Survey, September 2018

Similarly, in the Malamulele area, 95% of the respondents indicated that the provision of services by the municipality would encourage them to pay for municipal rates. In addition, 1% of the respondents answered that they did not know what would

encourage them to pay for municipal rates, and only 4% of the respondents in Malamulele area indicated that nothing would encourage them to pay for municipal rates.

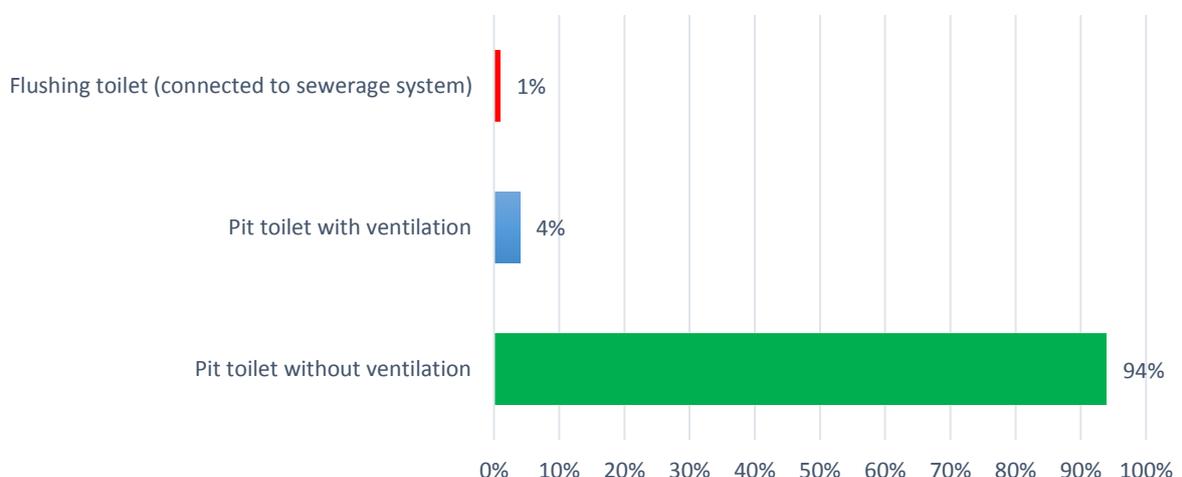
Figure 6.21: Access to toilet facilities in the Vuwani area



Source: Vuwani Area Household Survey, September 2018

Figure 6.21 illustrates that 47% of the respondents in the Vuwani area made use of a pit toilet without ventilation and similarly, 47% of the respondents indicated that they made use of a pit toilet with ventilation. Only 6% of the respondents had access to a flushing toilet (connected to a sewerage system).

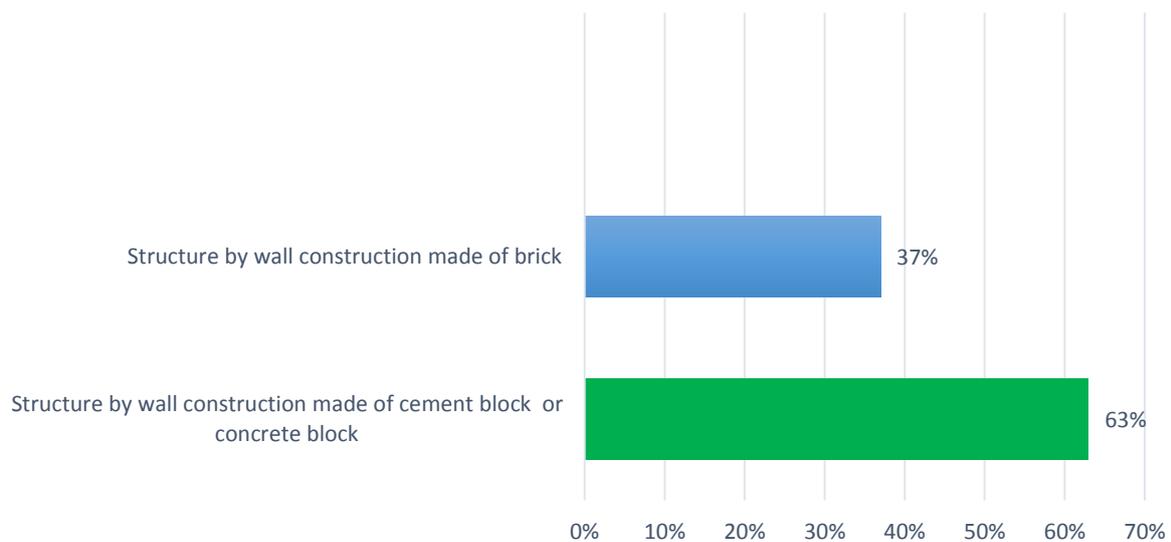
Figure 6.22: Access to toilet facilities in the Malamulele area



Source: Malamulele Area Household Survey, September 2018

Figure 6.22 in page 190 (previous page) illustrates that in the Malamulele area, 94% of the respondents indicated that they had access to a pit toilet with ventilation and 5% of the respondents had access to a pit toilet without ventilation. Only 1% of the respondents indicated that they had access to a flushing toilet connected to a sewerage system.

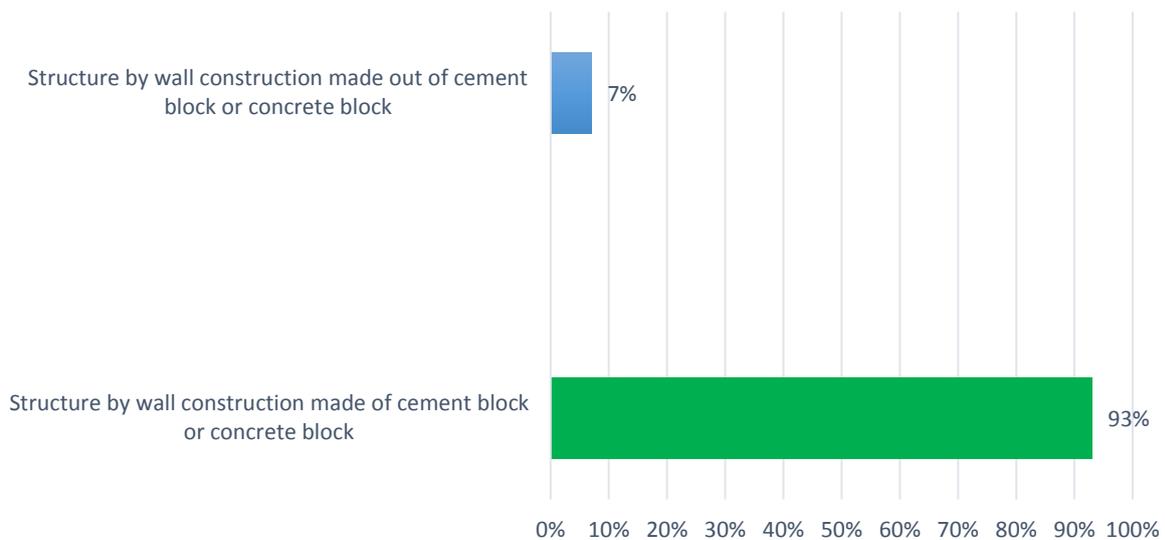
Figure 6.23: Main structure of dwellings in the Vuwani area



Source: Vuwani Area Household Survey, September 2018

This section also asked the respondents to reflect on the type of main structure in terms of the wall construction material of their households. Figure 6.23 reflects that 63% of the respondents in the Vuwani area indicated that the main dwelling structure was made of cement block/concrete and 47% of the respondents indicated that the main dwelling structure was made of brick.

Figure 6.24: Main structure of dwellings in the Malamulele area



Source: Malamulele Area Household Survey, September 2018

Figure 6.24 shows that in the Malamulele area, 93% of the respondents indicated that the main dwelling structure in terms of wall construction material was made of bricks and only 7% of the respondents indicated that it was made out of cement block/concrete.

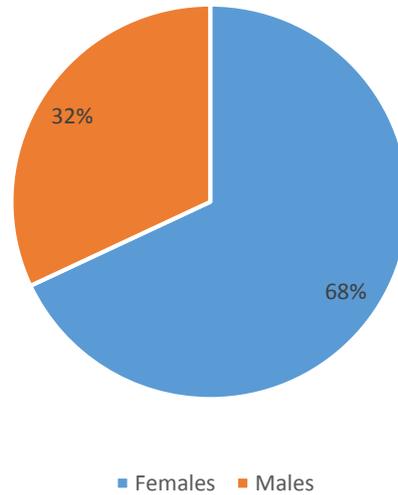
This section also asked the respondents to indicate the type of road infrastructure in the Vuwani and Malamulele areas. In both areas, 100% of the respondents indicated that they had access to gravel road in their areas.

6.2.5 Section 1: Biographical data (municipal officials)

As similarly presented in the quantitative data analysis in Section 5.6.1, this section sought to determine the characteristics of the respondents from the Vhembe District Municipality and the Makhado and Thulamela local municipalities who participated in the key informants interviews. The biographical data include gender, age, level of education, and employment status. The interview schedule was divided into two sections. As previously mentioned, the first section consisted of demographic data, which reflected on the respondents, and the second section aimed to investigate

whether municipal redetermination in the Vhembe District Municipality addressed the challenge of financial non-viability.

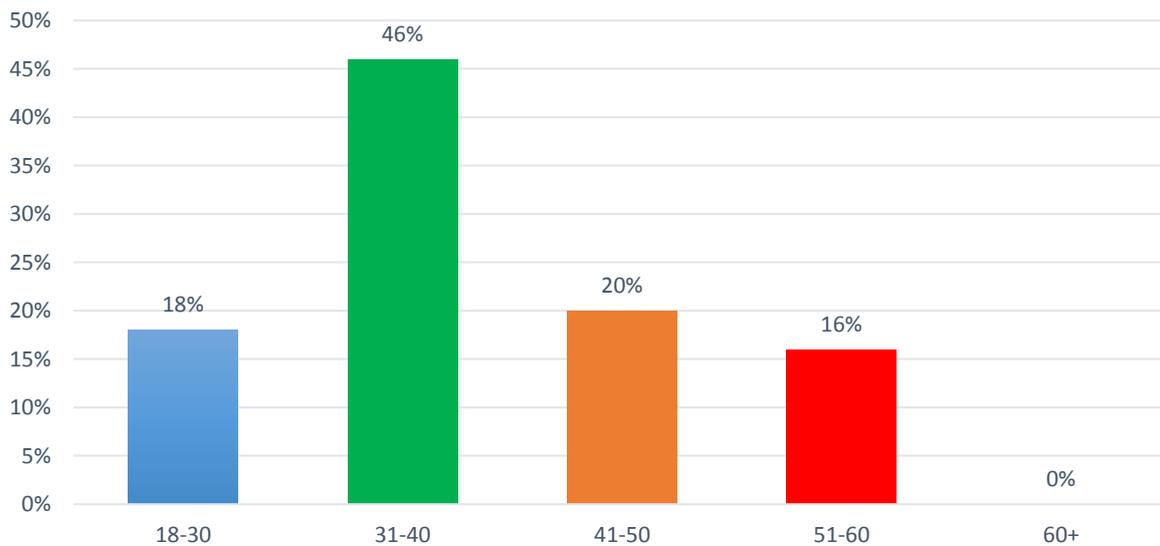
Figure 6.25: Gender distribution of the respondents from the Vhembe District Municipality



Source: Vhembe District Municipality Interview, September 2018

Figure 6.25 reflects that 68% of the respondents from the Vhembe District Municipality were female and 32% of the respondents were male.

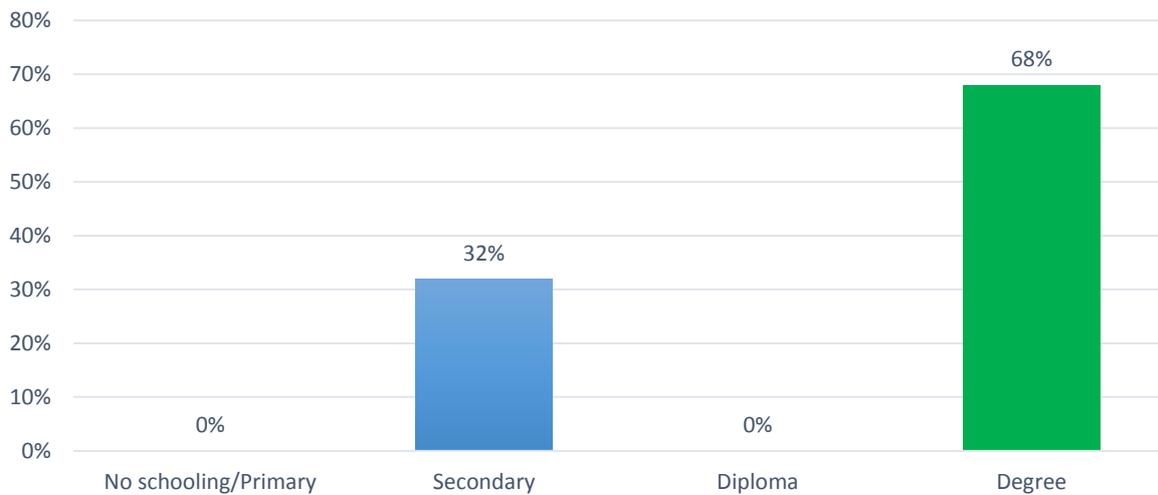
Figure 6.26: Age groups of the respondents from the Vhembe District Municipality



Source: Vhembe District Municipality Interview, September 2018

Figure 6.26 reflects that 46% of the respondents in Vhembe District Municipality were between the ages of 31 and 40 years and that 20% of the respondents were between the ages of 41 and 50 years. Furthermore, 18% of the respondents indicated that they were between the ages of 18 and 30 years. Lastly, 16% of the respondents from the Vhembe District Municipality indicated that they were between the ages of 51 and 60 years.

Figure 6.27: Level of education of the respondents from the Vhembe District Municipality

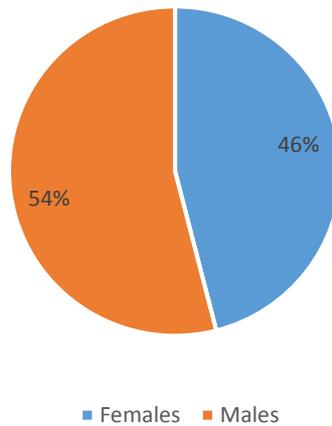


Source: Vhembe District Municipality Interview, September 2018

Figure 6.27 shows that 68% of the respondents in Vhembe District Municipality indicated that their highest level of education was a degree and 32% of the respondents indicated that their highest level of education was secondary schooling.

The results also indicate that 100% of the respondents from the Vhembe District Municipality were employed on a full-time basis at the municipality.

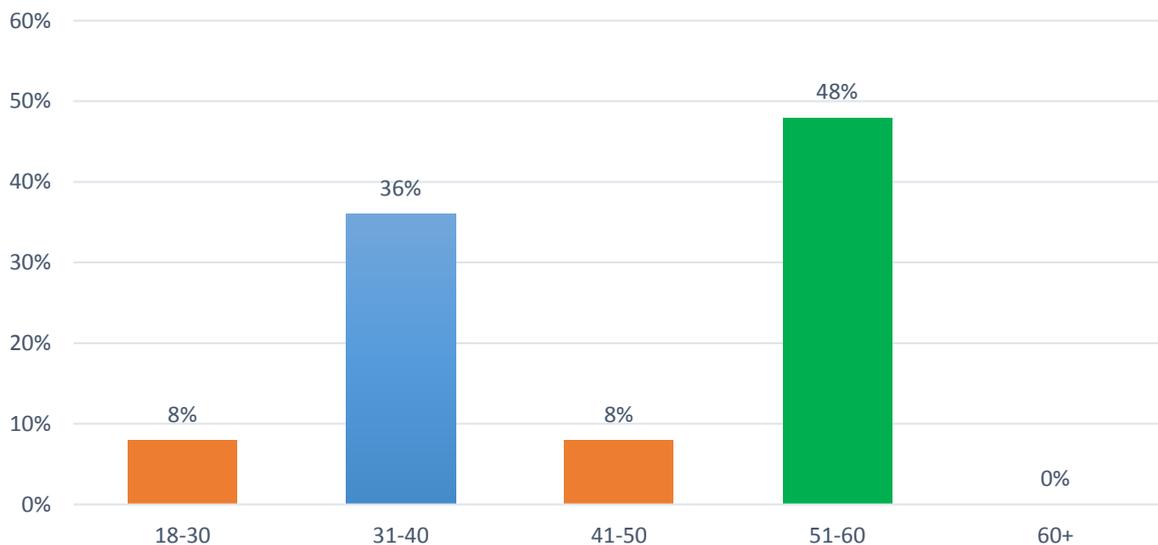
Figure 6.28: Gender distribution of respondents from the Thulamela Local Municipality



Source: Thulamela Local Municipality Interview, September 2018

In the context of the Thulamela Local Municipality, Figure 6.28 reflects that 54% of the respondents were female and 46% of the respondents were male.

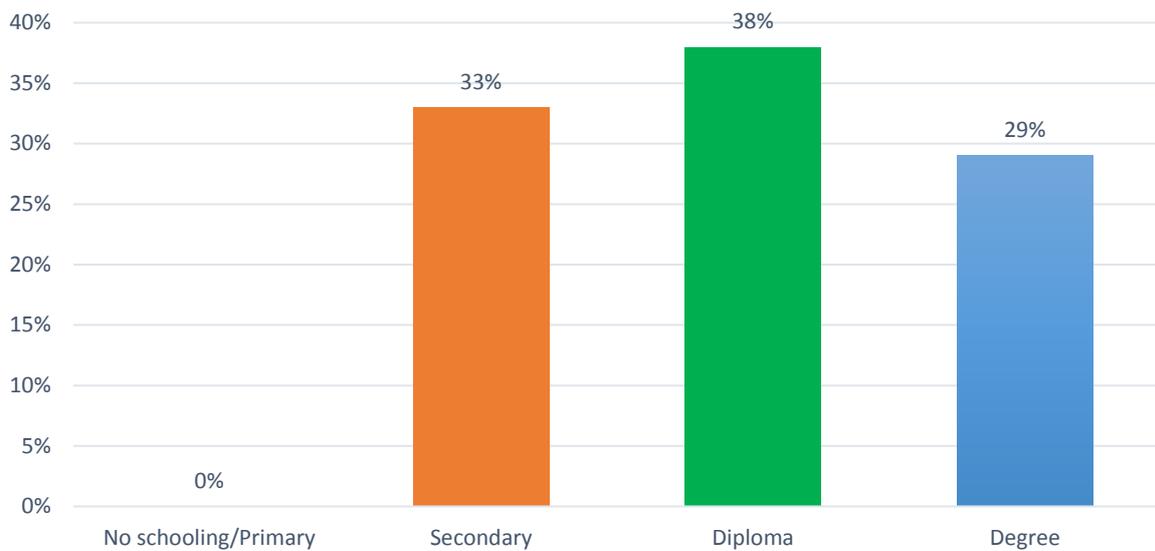
Figure 6.29: Age groups of the respondents from the Thulamela Local Municipality



Source: Thulamela Local Municipality Interview, September 2018

Figure 6.29 reflects that 48% of the respondents from the Thulamela Local Municipality were between the ages of 51 and 60 years, 36% of the respondents indicated that they were between the ages of 31 and 40 years, 8% indicated that they were between the ages of 18 and 30 years, and 8% were between the ages of 41 and 50 years.

Figure 6.30: Level of education of the respondents from the Thulamela Local Municipality

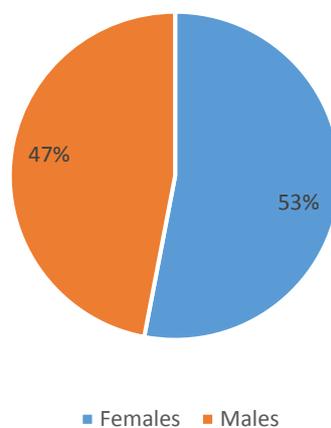


Source: Thulamela Local Municipality Interview, September 2018

Figure 6.30 shows that 38% of the respondents indicated that their highest level of education was a diploma and 33% of the respondents indicated that their highest level of education was secondary schooling. In addition, 29% of the respondents indicated that a degree was their highest level of education.

The results also found that 100% of the respondents were employed on a full-time basis at the Thulamela Local Municipality.

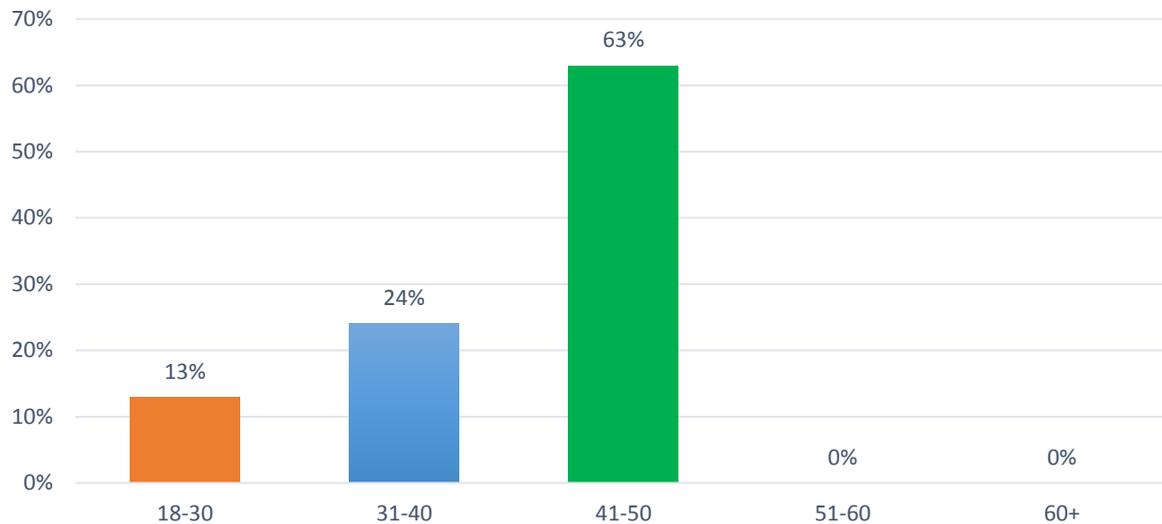
Figure 6.31: Gender distribution of the respondents from the Makhado Local Municipality



Source: Makhado Local Municipality Interview, September 2018

In the context of the Makhado Local Municipality, Figure 6.31 reflects that 53% of the respondents were male and 47% of the respondents were female.

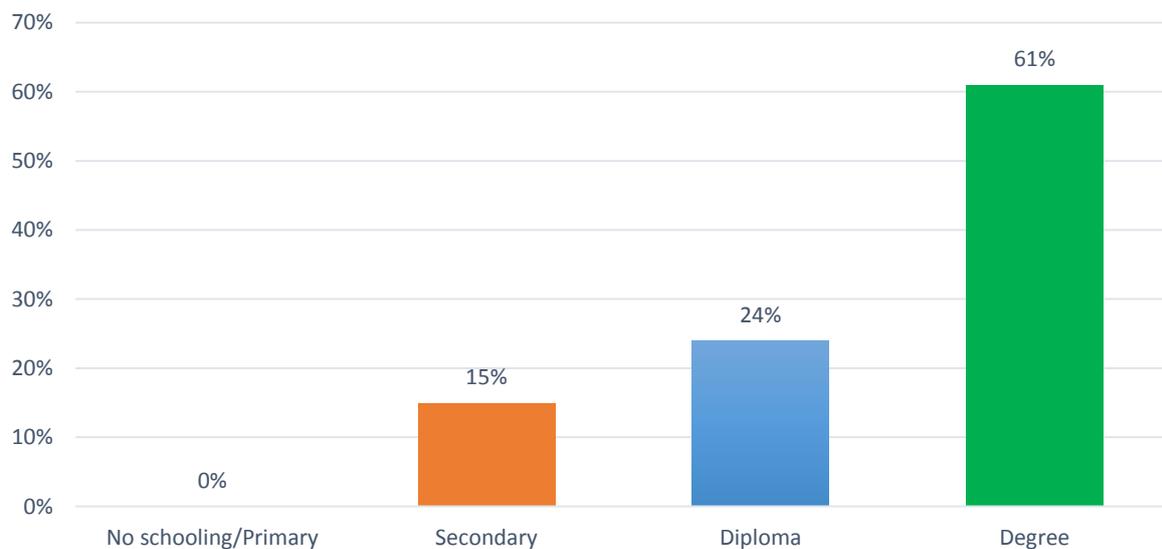
Figure 6.32: Age groups of the respondents from the Makhado Local Municipality



Source: Makhado Local Municipality Interview, September 2018

Figure 6.32 reflects that 63% of the respondents indicated that they were between the ages of 41 and 50 years and 24% of the respondents indicated that they were between the ages of 31 and 40 years. In addition, 13% of the respondents in the Makhado Local Municipality indicated that they were between the ages of 18 and 30 years.

Figure 6.33: Level of education of the respondents from the Makhado Local Municipality



Source: Makhado Local Municipality Interview, September 2018

Figure 6.33 shows that 61% of the respondents indicated that they had degrees, 24% had diplomas, and 15% of the respondents indicated that they had secondary schooling.

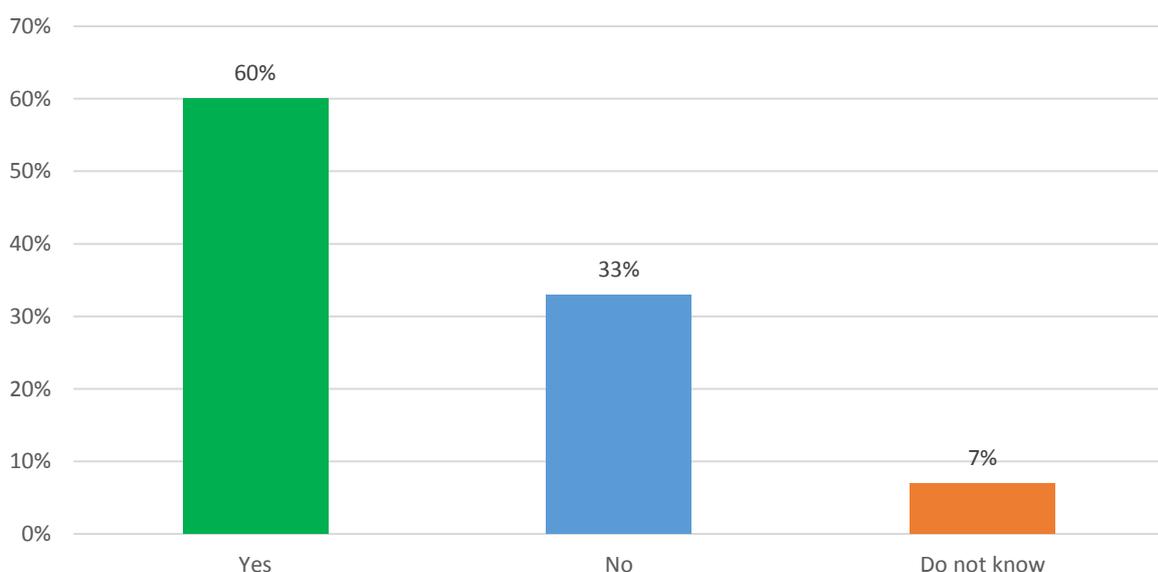
With regard to employment status, 100% of the respondents in the Makhado Local Municipality indicated that they were employed on a full-time basis.

6.2.6 Section 2: Investigation into whether municipal redetermination in the Vhembe District Municipality addressed the challenge of financial non-viability

This section seeks to provide clarity on whether municipal boundary redetermination in the Vhembe District Municipality and Thulamela and Makhado local municipalities addressed the challenge of financial non-viability. These municipalities are within the jurisdiction of the Vuwani and Malamulele areas where the MDB enforced a demarcation decision in 2015.

6.2.6.1 The municipalities' ability to generate enough cash to pay their debts

Figure 6.34: The Vhembe District Municipality's ability to generate enough cash to pay its debts



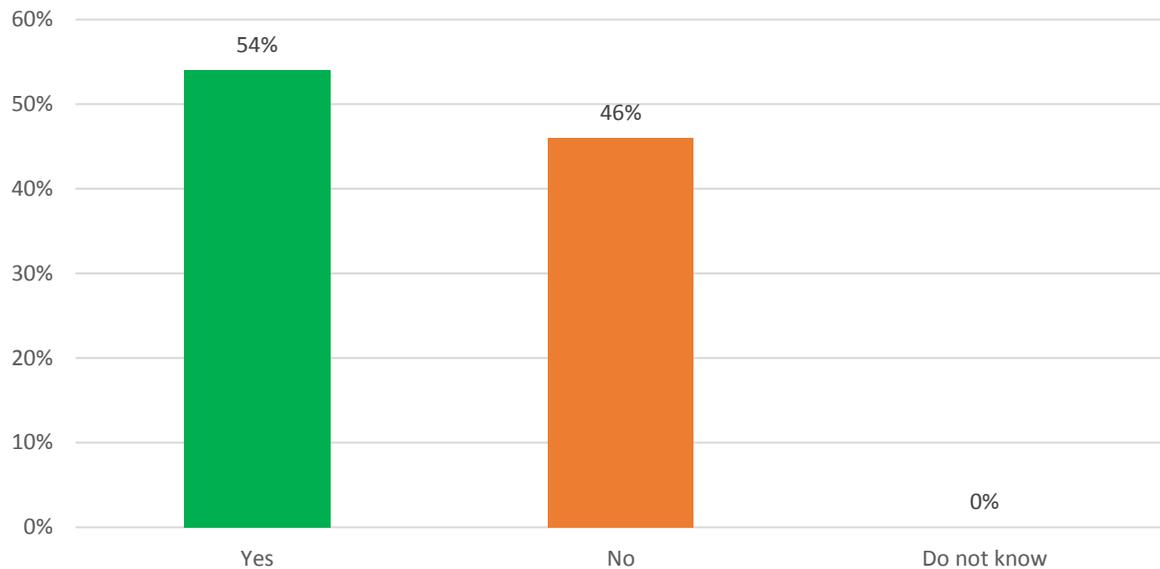
Source: Vhembe District Municipality Interview, September 2018

The findings reflected in Figure 6.34 show that 60% of the respondents indicated that the Vhembe District Municipality was not yet able to generate enough cash to pay its debts. Of the respondents, 33% indicated that the municipality was able to generate enough cash to pay its debts. Only 7% of the respondents from the Vhembe District Municipality indicated that they did not know whether the municipality was able to generate enough cash to pay its debts. One respondent remarked: *“Most of the revenue we use to pay debts in this municipality comes from government.”*

The findings from the respondents are to some extent similar to the financial statements of the Vhembe District Municipality of the period July 2016 to June 2017, which showed that approximately 14% of the cash was generated from residents paying for water and electricity, rates, licences, and fines, and from interest and investments. Interestingly, the municipality generates money from national government, of which 86% comes from the equitable share of taxes and grants.

After August 2016, subsequent to the municipal boundary demarcation decision, the Vuwani and Malamulele areas and parts of the Mutale Local Municipality were merged into the Thulamela Local Municipality. The merger resulted in the formation of the Collins Chabane Local Municipality. As part of assessing the financial viability and its relationship with municipal boundary demarcation, the respondents were asked to comment on the financial status of the Thulamela Local Municipality.

Figure 6.35: Respondents' view on the Thulamela Local Municipality's ability to generate enough cash to pay its debts

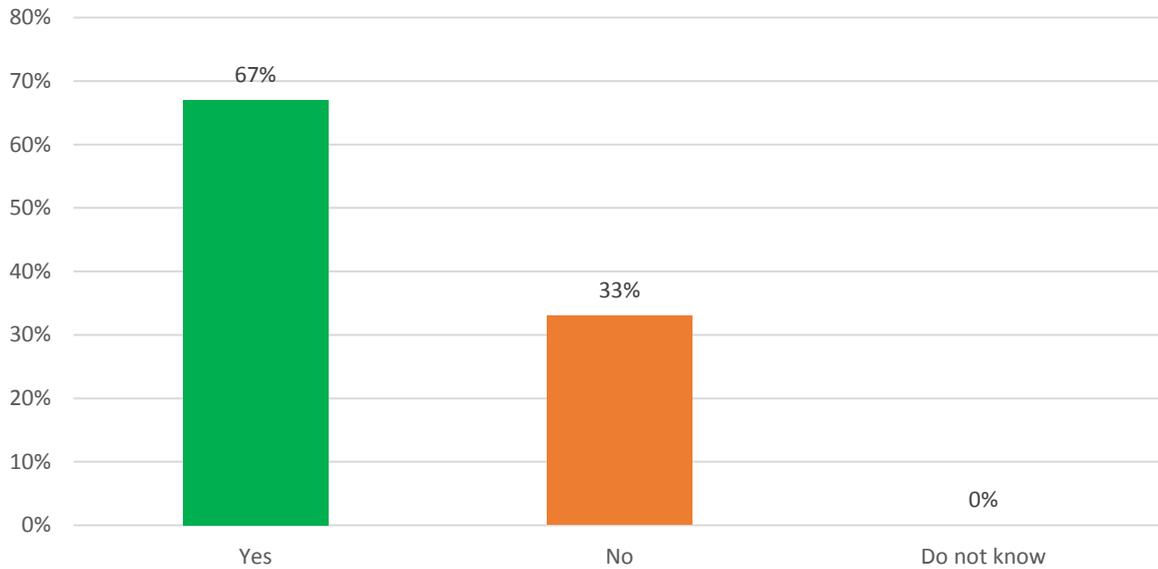


Source: Thulamela Local Municipality Interview, September 2018

The findings in Figure 6.35 reflect that 54% of the respondents indicated that the municipality was not able to generate enough cash to pay its debts, while 46% of the respondents indicated that the municipality was able to generate enough cash to pay its debts.

In terms of the findings as reflected by the financial statements of the Thulamela Local Municipality for the period 2014-2015, the municipality had cash coverage of 7.0 and 6.0 months. In addition, for 2016, after the municipal boundary demarcation had taken place, the financial statements of the Thulamela Local Municipality reflect that for the stated period the municipality had cash coverage of 5.6 months. In 2017, the municipality had cash coverage of 10 months. It should be noted that cash coverage in months measures a municipality's ability to pay its day-to-day expenses, including paying off its debts. The criteria stipulated by National Treasury in relation to cash management indicate that a municipality that has more than three months of cash coverage was regarded as in a good and healthy financial condition; between one and three months was regarded as average, and less than one month of coverage was regarded as poor.

Figure 6.36: The respondents' view on the Makhado Local Municipality's ability to generate enough cash to pay its debts

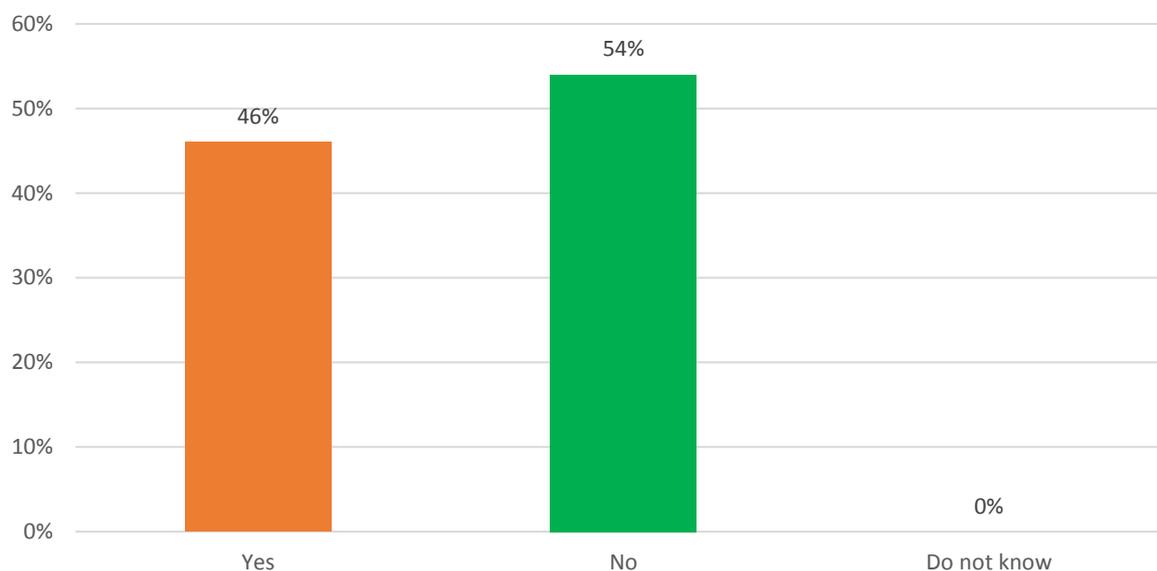


Source: Makhado Local Municipality Interview, September 2018

In the Makhado Local Municipality, the findings reflect that 67% of the respondents indicated that the municipality was able to generate enough cash to pay its debts, while 33% of the respondents indicated that the municipality was not able to generate enough cash to pay its debts. The findings from the financial statements of the Makhado Local Municipality, especially for the period of 2014-2017, which covers the assessment before and after the decision by the MDB to effect the demarcation decision in 2015, which came into effect from August 2016, to incorporate the Vuwani area into the newly established Collins Chabane Local Municipality. The results from the statements of 2014 reflect that the Makhado Local Municipality had 1.0 month of cash coverage. In terms of the 2015 financials, the municipality had 0.8 months of cash coverage; and in 2016, the municipality had 3.8 months' cash coverage. The 2017 financial statements of the Makhado Local Municipality reflect that the municipality had 1.4 months' cash coverage.

6.2.6.2 The municipalities' ability to stay within their allocation

Figure 6.37: The respondents' views on the Vhembe District Municipality's ability to stay within its allocated budget

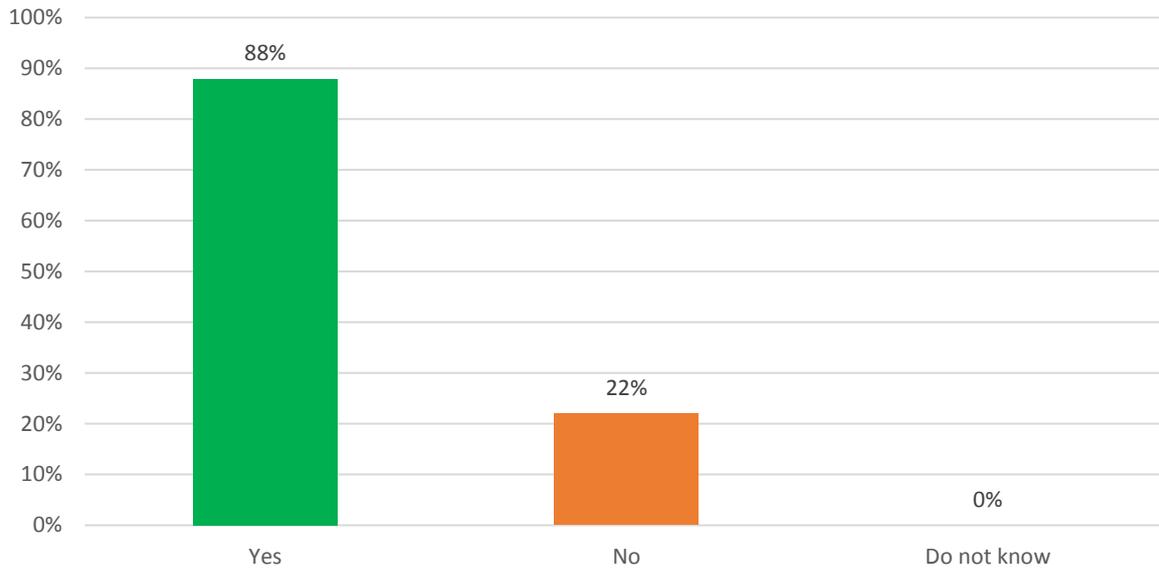


Source: Vhembe District Municipality Interview, September 2018

As seen in Figure 6.37, the findings reflect that in the Vhembe District Municipality, 46% of the respondents indicated that the municipality was able to stay within its allocation and 54% of the respondents indicated that the municipality was not able to stay within its allocation. A respondent remarked: *“The municipality relies heavily on government grants, it cannot cope without.”*

The financial statements of the Vhembe District Municipality reflect that, for the period of July 2016 to June 2017, the municipality overspent its operating budget by 58%. In addition, in the 2013-2014 financial year, the municipality overspent its operating budget by 20.9%. In the 2015 financial year, the municipality overspent its operating budget by 0.3%.

Figure 6.38: The respondents' views on the Thulamela Local Municipality's ability to stay within its allocated budget

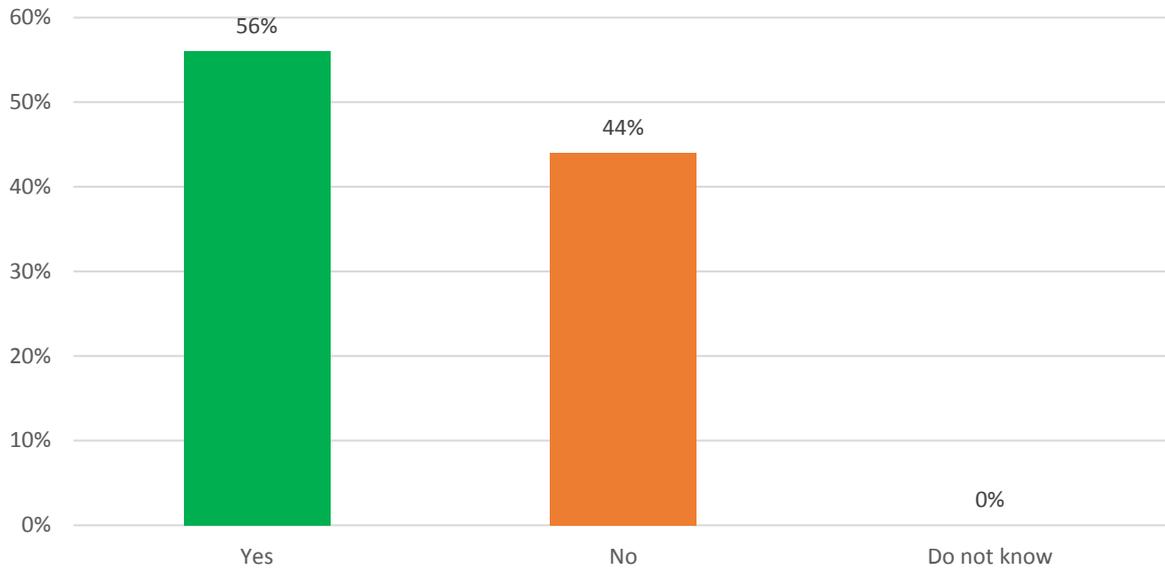


Source: Thulamela Local Municipality Interview, September 2018

Figure 6.38 illustrates that 88% of the respondents indicated that the Thulamela Local Municipality was able to stay within its allocation and 12% of the respondents indicated that the municipality was not able to stay within its allocation.

The financial statements of the Thulamela Local Municipality revealed that the spending patterns of the municipality, which show whether the municipality is able to stay within its allocation as an assessment of the capital spending, for 2014 indicated that the municipality had -25.3% spending on infrastructure projects and other delivery of basic services. In 2015, the municipality had underspent by -22.4% on its capital budget for the period. In 2016, the Thulamela Local Municipality had underspent by -16.0% and in 2017, the underspending on the capital budget had reached 17.7%. In contrast, the financial statements of the Thulamela Local Municipality reflect that for the period of 2014, the underspending on the operational budget was at -15.6%. In 2015, the municipality had underspent by 7.6% and, interestingly, for 2016, the overspending on the operating budget was at 42.8%. In 2017, the municipality had overspent on its operational budget by -8.9%.

Figure 6.39: The respondents' views on the Makhado Local Municipality's ability to stay within its allocated budget



Source: Makhado Local Municipality Interview, September 2018

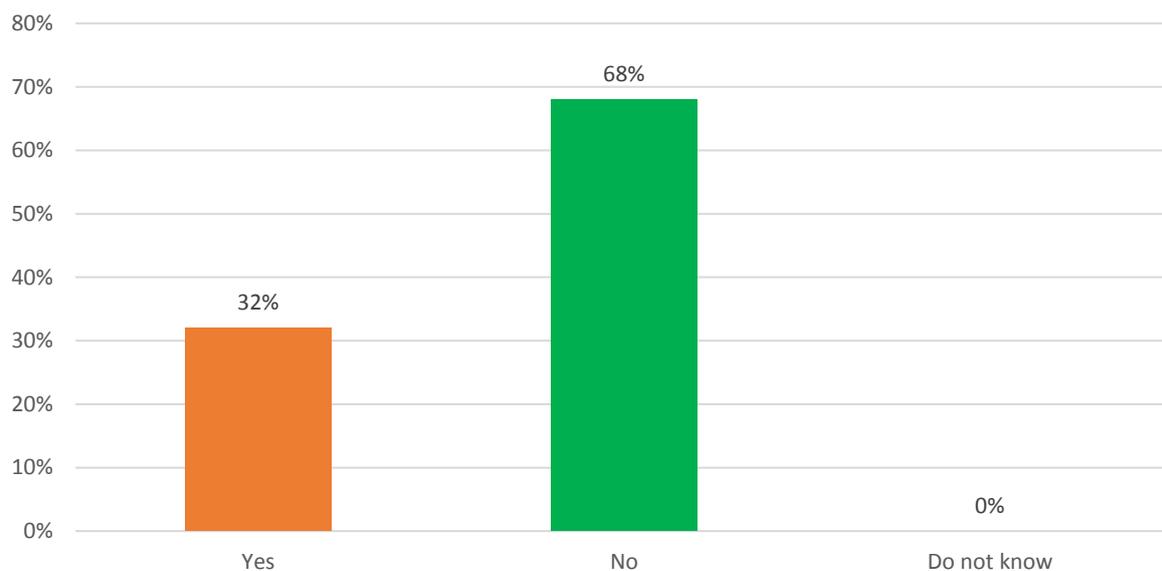
According to Figure 6.39, 56% of the respondents indicated that the Makhado Local Municipality was able to stay within its allocation. In addition, 44% of the respondents indicated that the municipality did not manage to stay within its allocation. For instance, one respondent remarked: *“Makhado relies heavily on the money it gets from the government.”*

The financial statements of the Makhado Local Municipality reflect that for 2014, the municipality had overspent its operational budget by -13.5% and the overspending was at -7.0% by 2015. The significance of the 2016 financial statements regarding overspending of the Makhado Local Municipality is because the boundary demarcation with respect to the establishment of a new municipality became operational after the August 2016 local government election. The findings reflect that in 2016, the municipality was at -10.5%. It should be noted that if a municipality overspends on its operational budget, it is a reflection that there are weak internal financial controls. In 2017, the municipality had overspent its operational budget by -3.9%. On average, overspending by less than 5% in terms of National Treasury regulations is acceptable. Overspending on the operational budget between 5% and 15% is regarded as average; however, any overspending over 15% is regarded as a sign of high risk.

The financial statements of the Makhado Local Municipality reflect that for 2014, the municipality had underspent on its capital budget by -32.2% and by -25.8% for 2015. In 2016, the municipality had underspent on its capital budget by -26.9%. In 2017, the Makhado Local Municipality had underspent on its capital budget by -50.7%. The significance of the underspending of capital for financial viability is because it serves as an indicator of whether a municipality has the capacity to stay within its allocated budget. Ideally, municipalities should spend at least 95% of their capital budget and, as such, the failure to spend 85% of its capital budget is a clear warning sign.

6.2.6.3 *The municipalities' ability to manage within their revenue sources without creating a deficit*

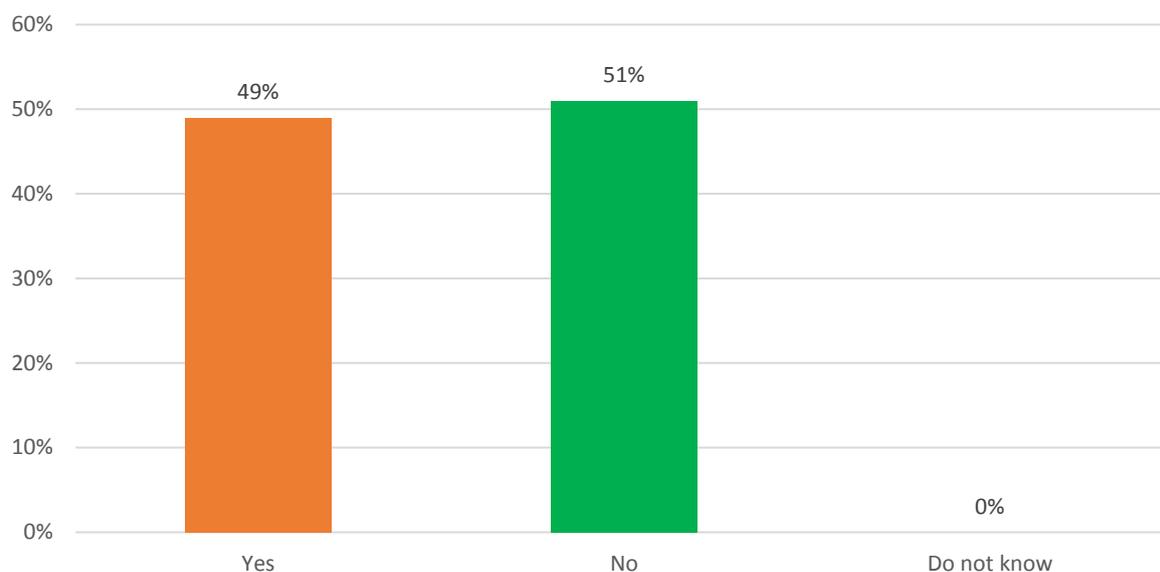
Figure 6.40: The Vhembe District Municipality's ability to financially manage within its revenue sources without creating a deficit



Source: Vhembe District Municipality Interview, September 2018

The findings illustrated in Figure 6.40 reflect that 68% of the respondents indicated that the Vhembe District Municipality was not managing within its revenue sources without creating a deficit, and 32% of the respondents indicated that the Vhembe District Municipality was able to manage within its revenue sources without creating a deficit. The findings from the financial statements of the Vhembe District Municipality for the 2016-2017 financial year indicated that it had overspent by 58.1%, which indicates that a deficit was created.

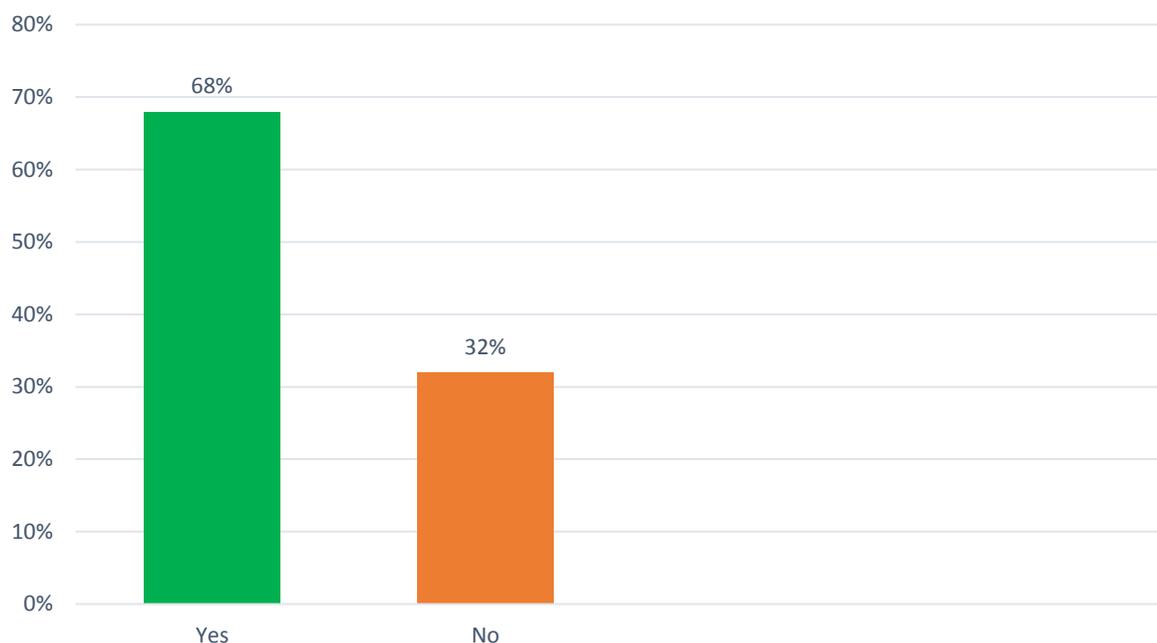
Figure 6.41: The Thulamela Local Municipality's ability to financially manage within its revenue sources without creating a deficit



Source: Thulamela Local Municipality Interview, September 2018

Figure 6.41 reflects that 51% of the respondents indicated that the municipality was not able to manage within its revenue sources, while 49% of the respondents were of the view that the Thulamela Local Municipality was able to manage within its revenue sources without creating a deficit. The financial statements of the Thulamela Local Municipality reflect that for 2014, the municipality had overspent by -15.6%, and in 2015 the municipality had overspent on its operational budget by -7.6%. In 2016, after the municipal boundary demarcation, the overspending on the capital budget by the Thulamela Local Municipality increased from -7.6% to -42.8%. In 2017, the municipality had overspent on its operational budget by -8.9%. The overspending on both operational and capital budgets by a municipality has a bearing on its ability to run the entity without creating a deficit.

Figure 6.42: The Makhado Local Municipality's ability to financially manage within its revenue sources without creating a deficit

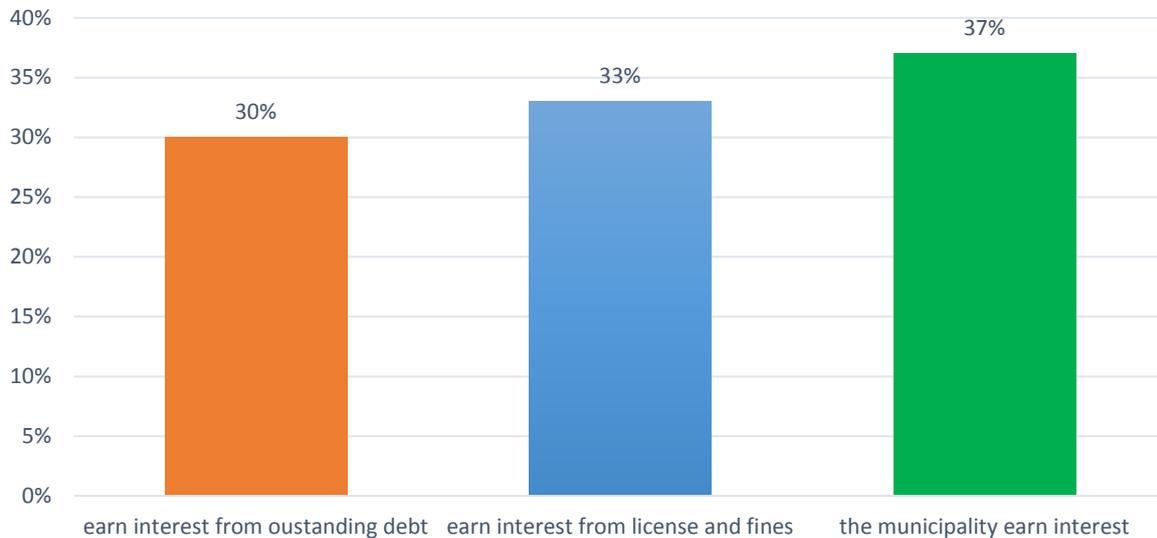


Source: Makhado Local Municipality Interview, September 2018

Figure 6.42 illustrates that 68% of the respondents indicated that the Makhado Local Municipality was not able to manage within its revenue sources without creating a deficit, while 32% of the respondents indicated that the Makhado Local Municipality was able to manage within its revenue without creating a deficit. The financial statements of the Makhado Local Municipality indicate that in 2016, after the boundary municipal demarcation had taken place, the municipality's overspending on its operational budget was -26.9% and -10.5% on the capital budget. In 2017, one year after the boundary municipal demarcation had been effected, the Makhado Local Municipality had overspent on its operational budget by -3.9% and -50.7% on its capital budget (National Treasury 2018a).

6.2.6.4 Does the municipalities earn interest

Figure 6.43: The respondents' views on whether the Vhembe District Municipality earns interest



Source: Vhembe District Municipality Interview, September 2018

The findings, according to Figure 6.43, reflect that 30% of the respondents indicated that the Vhembe District Municipality earns interest from outstanding debts, 33% of the respondents indicated that the municipality earns interest from licences and fines, and 37% of the respondents indicated that the municipality earns interest. The findings from the financial statements reflect that the municipality earns interest from licences, fines, and investments.

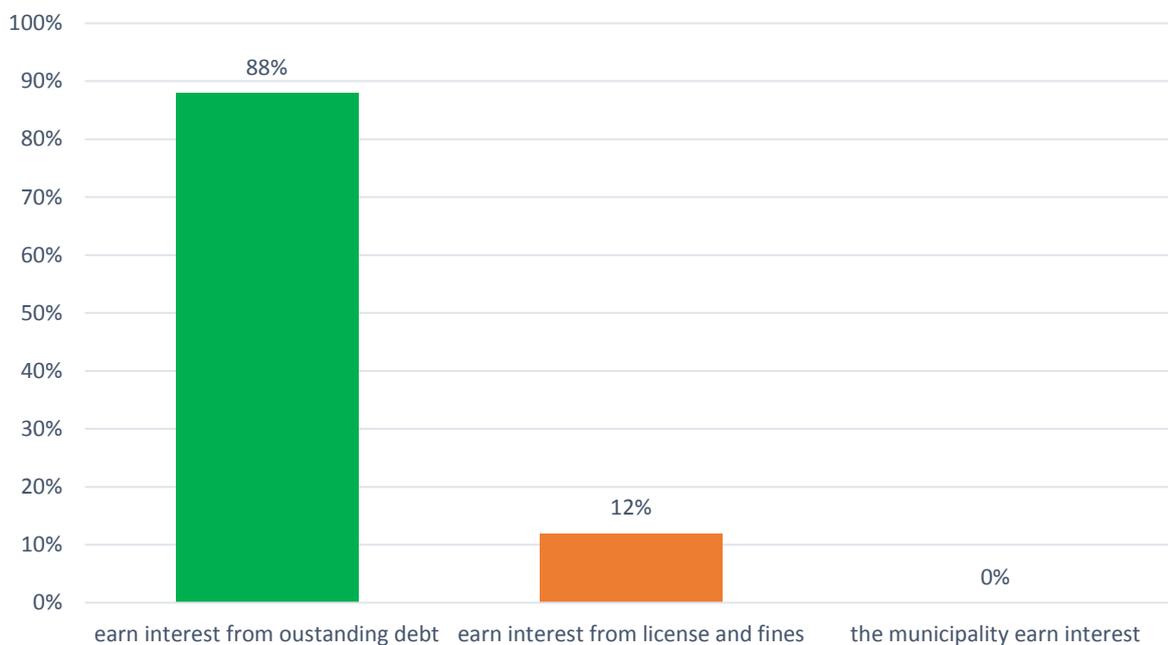
Figure 6.44: Respondents' views on whether the Thulamela Local Municipality earns interest



Source: Thulamela Local Municipality Interview, September 2018

For the Thulamela Local Municipality, Figure 6.44 shows that 73% of the respondents indicated that the municipality earns interest from outstanding debts, licences, and fines, while 27% of the respondents indicated that the municipality does not earn interest on outstanding debts. The financial statements of the Thulamela Local Municipality for the financial year 2016-2017 indicate that the municipality received interest from outstanding debts, external investments, fines, licences, permits, rent of facilities and equipment, and service charges. The Thulamela Local Municipality did not earn interest from property rate penalties or made gains on the disposal of property, plant, and equipment (National Treasury 2018a).

Figure 6.45: Respondents' views on whether the Makhado Local Municipality earns interest



Source: Makhado Local Municipality Interview, September 2018

Figure 6.45 illustrates that 88% of the respondents indicated that the Makhado Local Municipality earned interest from outstanding debts and 12% of the respondents indicated that it did not earn interest from outstanding debts. The financial statements of the Makhado Local Municipality for the financial year 2016-2017 reflect that the municipality did not earn interest from penalties and collections of charges on property rates, or made any gains on disposal of property, plant, and equipment. The municipality earned interest from the service charges, rent of facilities and equipment, interest earned from external investments, and interest earned from outstanding debtors, fines, licences, and permits (National Treasury 2018a).

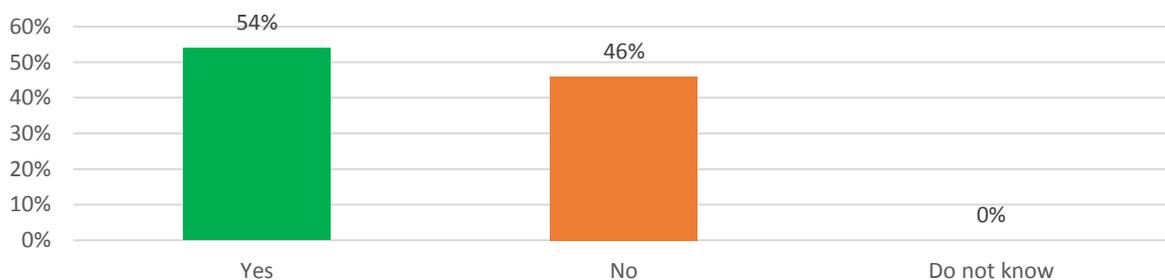
6.2.6.5 Whether the municipalities receive grants and subsidies from the national and provincial government, and other spent conditional grants

The findings reflect that 100% of the respondents indicated that the Vhembe District Municipality received grants and subsidies from the national government. The findings from the financial statements indicate that the bigger portion of the income of the Vhembe District Municipality is from national government, which confirms the empirical findings from the respondents. The findings reflect that 100% of the respondents indicated that the Thulamela Local Municipality received grants and subsidies from the national and provincial government, as well as other spent conditional grants. The financial statements of the Thulamela Local Municipality reflect that for the 2016-2017 financial year, approximately 76% of the municipality’s revenue came from grants and subsidies from the national government (National Treasury 2018a).

In the Makhado Local Municipality, similar to the Thulamela Local Municipality’s findings, 100% of the respondents indicated that the municipality received grants and subsidies from national and provincial government and other spent conditional grants. The financial statements of the Makhado Local Municipality for the period of 2016-2017 show that 49.39% of the municipality’s revenue came from grants from the national government (National Treasury 2018a).

6.2.6.6 Whether the municipalities receive income from rates from residential, commercial/business/state, and other (including agricultural/ municipal) activities

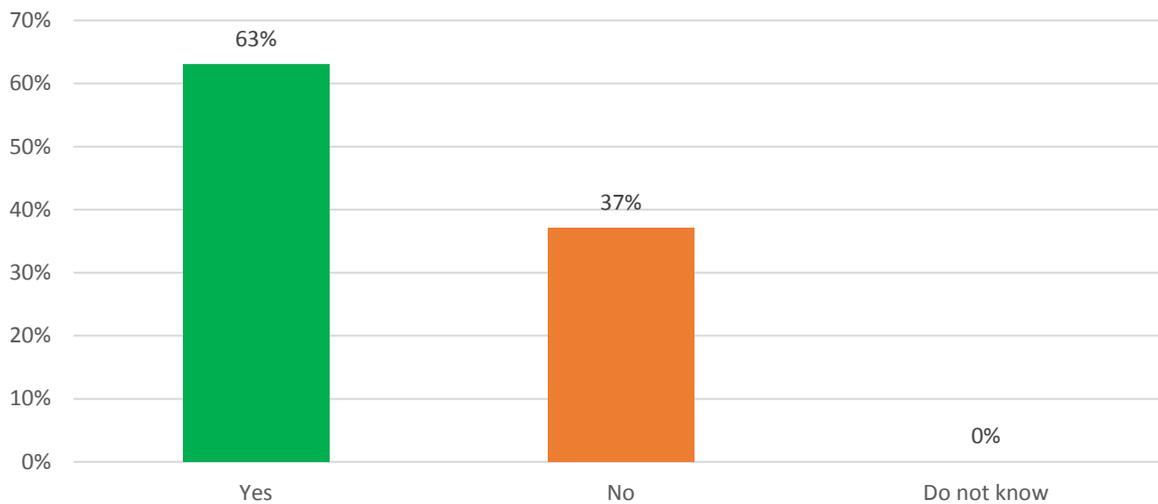
Figure 6.46: The Vhembe District Municipality’s income from rates and activities



Source: Vhembe District Municipality Interview, September 2018

The findings as shown in Figure 6.46 reflect that 54% of the respondents indicated that the municipality received income from commercial/business activities. In addition, 46% of the respondents indicated that the municipality received income from other rates (including agricultural or municipal). The financial statements of the Vhembe District Municipality, however, indicated that the municipality did not receive any income from commercial/business and agricultural activities.

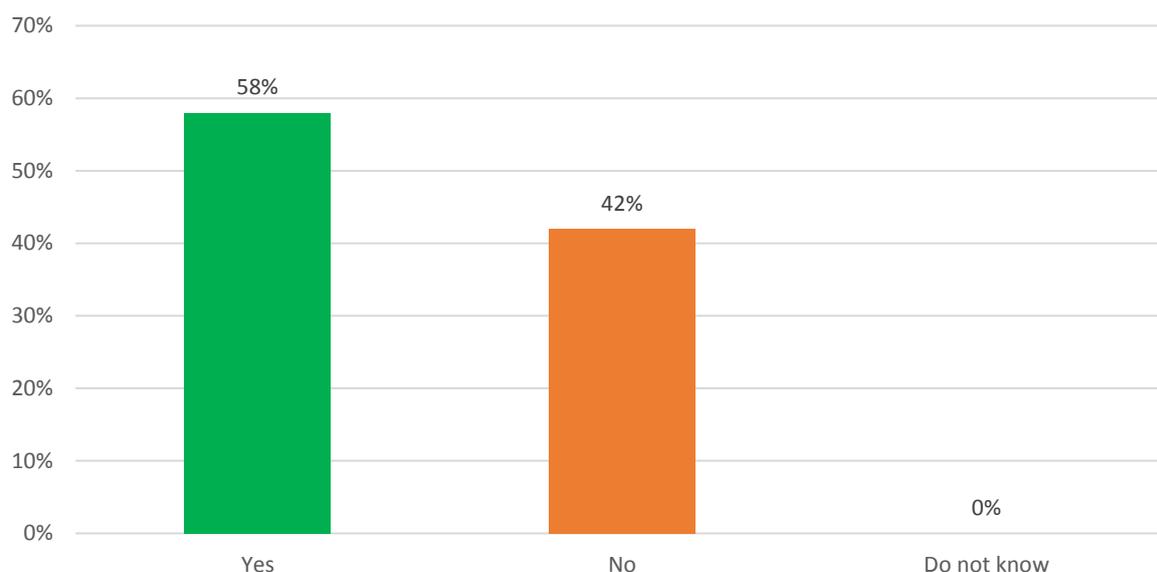
Figure 6.47: The Thulamela Local Municipality’s income from rates and activities



Source: Thulamela Local Municipality Interview, September 2018

For the Thulamela Local Municipality, Figure 6.47 illustrates that 63% of the respondents indicated that the municipality received income from rates from residential, commercial/business/state, and other (including agricultural/municipal) activities. In addition, 37% of the respondents indicated that the municipality did not receive rates from residential, commercial/business/state, and other (including agricultural/municipal) activities. The financial statements of the Thulamela Local Municipality for the 2016-2017 financial year reflect that the municipality received income from property rates for residential activities in formalised settlements such as urban areas. Furthermore, the municipality received income from rates from renting facilities and equipment (National Treasury 2018a).

Figure 6.48: The Makhado Local Municipality's income from rates and activities



Source: Makhado Local Municipality Interview, September 2018

Figure 6.48 shows that 58% of the respondents indicated that the Makhado Local Municipality received income from rates from residential, commercial/business/state, and other (including agricultural/municipal) activities. In addition, 42% of the respondents indicated that the municipality received income from rates from residential, commercial/business/state, and other (including agricultural/business/state/agricultural/municipal) activities. The financial statements of the Makhado Local Municipality for 2016-2017 reflect that the municipality received income from property rates for residential and commercial activities, as well as from rates from renting facilities and equipment (National Treasury 2018a).

6.2.6.7 Whether the municipalities charge residents for refuse removal

The findings revealed that in the Vhembe District Municipality, 100% of the respondents indicated that charging for refuse removal was a local municipality function. One respondent remarked: *“The district only supplies the residents with water provision and the residents are charged for the service.”*

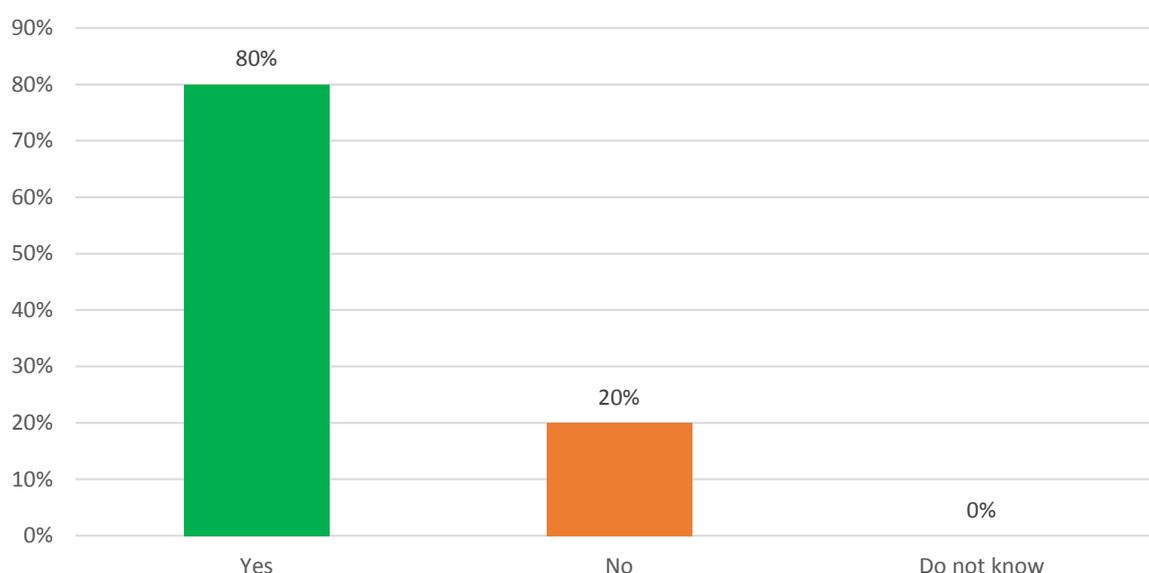
In the Thulamela Local Municipality, the findings reflect that 100% of the respondents indicated that the municipality charged the residents for refuse removal. One respondent remarked:

“[T]he municipality charges residents which are living in urban areas such as Thohoyandou and townships such as Makwarela for refuse removal; however, Thulamela has challenge that it does not collect revenue for refuse removal at villages because the residents in villages are poor and there is no system where the municipality could legally enforce charges for refuse removal.”

Similarly, 100% of the respondents in the Makhado Local Municipality indicated that the municipality charged the residents for refuse removal.

6.2.6.8 Whether the municipalities charge the residents municipal rates

Figure 6.49: Whether the Vhembe District Municipality charges the residents municipal rates



Source: Vhembe District Municipality Interview, September 2018

Figure 6.49 illustrates that 80% of the respondents indicated that the Vhembe District Municipality charged municipal rates and 20% of the respondents indicated that a district municipality does not charge residents any municipal rates. One respondent remarked: *“The charging of municipal rates is a competency and legislative mandate from local municipalities within Vhembe.”*

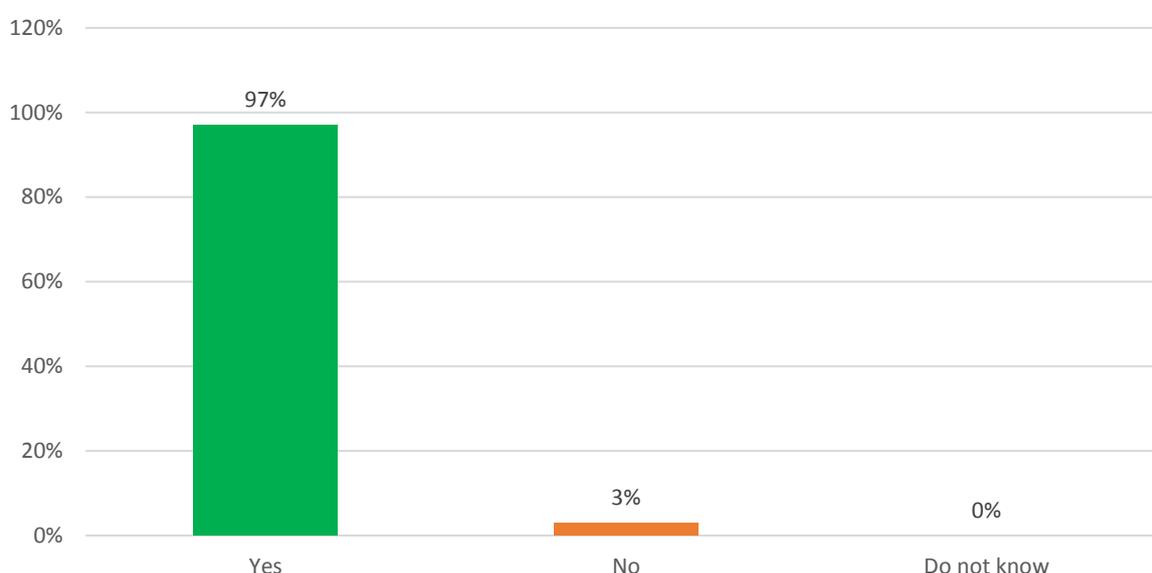
In the Thulamela Local Municipality, the findings revealed that 100% of the respondents indicated that the municipality charged municipal rates to the residents within its jurisdiction. One respondent remarked: *“The charging of municipal rates is*

important for revenue generation and shall ensure the proper financial sustainability of Thulamela municipality.”

In the Makhado Local Municipality, 100% of the respondents indicated that the municipality charged the residents municipal rates.

6.2.6.9 Whether the municipalities charge the residents for water provision

Figure 6.50: Whether the Vhembe District Municipality charges the residents for water provision



Source: Vhembe District Municipality Interview, September 2018

The findings, as seen in Figure 6.50, show that 97% of the respondents indicated that the Vhembe District Municipality charged the residents for water provision. In addition, 3% of the respondents indicated that local municipalities carry the charges. One of the respondents remarked: *“The Vhembe District Municipality is responsible for water provision in the entire district, all our local municipalities, Thulamela, Makhado, Musina and the new LIM345 gets water from us.”*

In the Thulamela Local Municipality, 100% of the respondents indicated that the municipality did not charge residents for the provision of water. One respondent

remarked: *“The water services for Thulamela residents are the responsibility of the Vhembe District, we do not charge residents for water directly.”*

In the Makhado Local Municipality, 100% of the respondents indicated that the municipality did not charge residents for the provision of water. One respondent remarked: *“Water provision is a district function, therefore Vhembe will provide you with information in that regard, as for Makhado, we do not charge water directly to residents.”*

6.2.6.10 Whether the municipalities charge for sewage and sanitation

The study found that 100% of the respondents indicated that the Vhembe District Municipality did not charge the residents for sewage and sanitation services. One respondent remarked: *“The local municipalities usually charges for those services.”*

In the Thulamela Local Municipality, 100% of the respondents indicated that the municipality charged residents for sewage and sanitation. One respondent remarked: *“Of course we only charge for sewage and sanitation services to the formalised structures such as townships and suburbs, villages are exempted from such service charges because the zoning of their areas is that of rural.”*

In the Makhado Local Municipality, 100% of the respondents indicated that the municipality charged the residents for sewage and sanitation services.

6.2.6.11 Whether the municipalities charge for the provision of electricity

The findings reflect that 100% of the respondents indicated that the Vhembe District Municipality did not charge for electricity provision. The respondents indicated that electricity charges to the residents were the responsibility of the local municipalities.

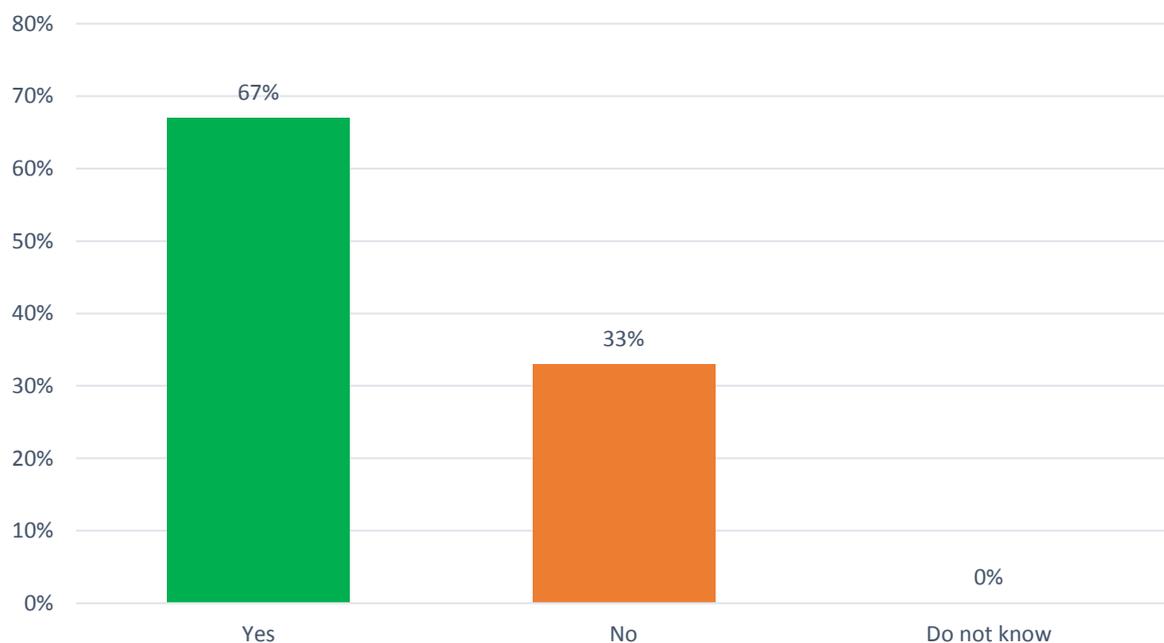
In the Thulamela Local Municipality, 100% of the respondents indicated that the municipality did not charge the residents. One respondent remarked: *“Thulamela Municipality does not sell electricity to residents at all; the residents buy their electricity from Eskom.”*

In the Makhado Local Municipality, 100% of the respondents indicated that the municipality did not charge the residents for the provision of electricity. The findings also reflect that the municipality does not sell electricity.

One respondent remarked: *“The Makhado Local Municipality does not sell electricity or charge for provision of electricity to the residents within its jurisdiction because the municipality does not have a licence to sell electricity and therefore the whole areas under Makhado get electricity from Eskom.”*

6.2.6.12 The municipalities’ ratio of cash to overdue revenue

Figure 6.51: The Vhembe District Municipality’s cash to overdue revenue ratio



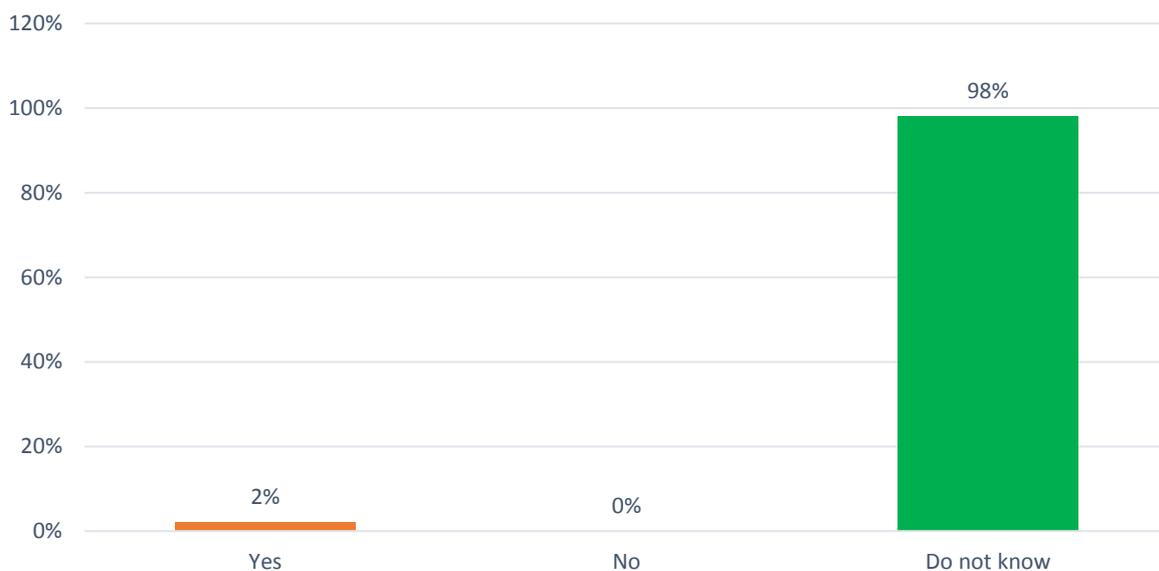
Source: Vhembe District Municipality Interview, September 2018

As per Figure 6.51, the findings revealed that 67% of the respondents indicated they did not know the municipality’s ratio of cash to overdue revenue. In addition, 33% of

the respondents had an idea about the cash to overdue revenue ratio. The researcher was provided with copies of financial statements of the Vhembe District Municipality. The financial statements reflect that for the 2016-2017 financial year, the ratio of the cash to overdue revenue of the Vhembe District Municipality was 21.3%. For the 2017-2018 financial year, the ratio was 34.1%.

In the Thulamela Local Municipality, the findings reflect that 100% of the respondents indicated that they had no idea of the ratio of cash to overdue revenue. The respondents indicated that the financial statements of the municipality would have information on the ratios of cash to overdue revenue. The findings of the financial statements of the Thulamela Local Municipality for 2016-2017 indicate that the ratio of the cash overdue revenue was 5.1%. For the 2017-2018 financial year, the municipality had a 16.1% ratio.

Figure 6.52: The Makhado Local Municipality’s cash to overdue revenue ratio



Source: Makhado Local Municipality Interview, September 2018

According to Figure 6.52, the findings reflect that 98% of the respondents indicated that they did not know the Makhado Local Municipality’s ratio of cash to overdue revenue. Only 2% of the respondents indicated that the municipality’s ratio of cash to overdue revenue for the 2016-2017 financial year was 4.4%. The financial statements of the Makhado Local Municipality specifically for the 2016-2017 financial year indicated that the ratio was at 4.4%. The finding of the 4.4% ratio confirmed the

statement by 2% of the respondents. The ratio for the municipality for the 2017-2018 financial year was 26.6%.

6.2.6.13 *The municipalities' ratio of current assets to current liabilities*

The findings reflect that 100% of the respondents of the Vhembe District Municipality indicated that the municipality's ratio of current assets to current liabilities for the 2016-2017 financial year was 14.1%. The findings of the respondents are corroborated by the financial statements of the Vhembe District Municipality for the same period of the 2016-2017 financial year.

In the Thulamela Local Municipality, 100% of the respondents indicated that the ratio of current assets to current liabilities for 2016-2017 was 3.7%. The financial statements of the Thulamela Local Municipality confirmed that the ratio was 3.7% for the same period. In addition, the financial statements for 2017-2018 reflected that the ratio for current assets to current liabilities was 8.6%.

In the Makhado Local Municipality, 100% of the respondents indicated that the ratio of current assets to current liabilities for the 2016-2017 financial year was 1.6%. The financial statements of the Makhado Local Municipality for the period 2016-2017 reflected 1.6% as the current assets to current liabilities ratio. For the 2017-2018 financial year, the financial statements reflected that the ratio of current assets to current liabilities was 5.6% (National Treasury 2018a).

6.2.6.14 *The municipalities' ratio of total assets to total liabilities*

The study found that 100% of the respondents of the Vhembe District Municipality indicated that the ratio of the total assets to total liabilities for the 2016-2017 financial year was 9.3%. The findings of the respondents were corroborated by the financial statements of the Vhembe District Municipality for the same period of the 2016-2017 financial year.

In the Thulamela Local Municipality, 100% of the respondents indicated that the ratio of total assets to total liabilities for the 2016-2017 financial year was 5.1%. The financial statements reflected that for the 2017-2018 financial year, the ratio of total assets to total liabilities was 28.0% for the first quarter, 33.8% for the second quarter, 16.5% for the third quarter, and 16.4% for the fourth quarter of 2018 (National Treasury 2018a).

In the Makhado Local Municipality, 100% of the respondents indicated that the ratio of total assets to total liabilities of the municipality was 4.4% for the 2016-2017 financial year. The financial statements of the Makhado Local Municipality for the same period confirmed the 4.4% ratio. The financial statements for the 2017-2018 first quarter showed 1.4%, second quarter 0.5%, third quarter 24.1%, and in the fourth quarter the ratio was 26.0%.

6.2.6.15 The municipalities' human resource (HR) capability and the percentage of personnel costs over the entire operating budget

The respondents were asked to comment on the HR capability and the percentage of personnel costs over the entire operating budget. The respondents shared with the researcher the figures on staff wages and salaries. The findings reflect employee-related costs for the 2016-2017 financial year. In the context of the Vhembe District Municipality, 100% of the respondents indicated that they were aware of the percentage of the personnel costs of the Vhembe District Municipality. The financial statements of the Vhembe District Municipality for the 2013-2014 financial year indicated that the total expenditure on staff wages and salaries as a percentage of the operating budget was 50.0% and for the 2015-2016 financial year spending on staff wages and salaries constituted 50.9% of the operating expenditure.

In addition, for the 2016-2017 financial year, after the municipal boundary demarcation had taken place, the findings reflect that the Vhembe District Municipality's staff wages and salaries as a percentage of operating expenditure was 47.8%. The findings also

reflect that the Vhembe District Municipality had 614 staff members as part of its HR capability (Vhembe District Municipality Annual Report 2016/2017:18).

In the context of the Makhado Local Municipality, 100% of the respondents indicated that they were aware of the HR capability and the percentage of the personnel costs of the municipality over the entire operating budget. The financial statements of the Makhado Local Municipality revealed that for the 2013-2014 financial year, the municipality spent 30.3% of its entire operational budget on staff wages and salaries. In contrast, for the 2014-2015 financial year, the municipality spent 29.9% of its entire operational budget on staff wages and salaries. In the 2015-2016 financial year, the Makhado Local Municipality spent 29.1% of its operational budget on staff wages and salaries. For the 2016-2017 financial year, the municipality spent 27.9% of its entire operational budget on staff wages and salaries (National Treasury 2018a). The findings also reflect that the Makhado Local Municipality had 600 staff members who formed part of the HR capability (Makhado Local Municipality Annual Report 2016/2017:56).

In the context of the Thulamela Local Municipality, the respondents were asked to comment on the HR capability and the percentage of personnel costs of the entire operational budget of the municipality. The financial statements of the Thulamela Local Municipality for 2013-2014 showed that the municipality had spent 39.5% of its entire operational budget on staff wages and salaries. For the 2014-2015 financial year, the Thulamela Local Municipality had spent 30.9% of its entire operational budget on staff wages and salaries. In contrast, in the 2016-2017 financial year, the municipality had spent 40.3% of its entire operational budget on staff wages and salaries. In addition, the findings revealed that the Thulamela Local Municipality had 744 staff members who formed part of the HR capability of the municipality (Thulamela Local Municipality Draft Annual Report 2016/2017:96).

6.2.6.16 The municipalities' sources and types of revenues

The respondents were also asked to comment on the sources of revenue for the Vhembe District Municipality. The findings reflect that 100% of the respondents indicated and listed the following as the sources of revenue for the municipality: sale of water, rendering of services, rental of facilities and equipment, interest received from trading, certificates of acceptance, fire services, sale of tender documents, government grants, and interest received from investments. The findings from the respondents were confirmed by the financial statements of the Vhembe District Municipality for the 2016-2018 financial years (National Treasury 2018a).

In the Makhado Local Municipality, 100% of the respondents indicated that they were aware of the sources and types of revenue for the municipality. One respondent remarked: *"The municipality receives revenue from interests and investments, property rates and grants from national government."*

The findings also reflect that the Makhado Local Municipality's types and sources of revenue include property rates, service charges, interest and investments, fines, licences, permits, agency services, government transfers for operating expenses, and government transfers for capital expenses. For the financial year July 2016 to June 2017, the Makhado Local Municipality's revenue from residents paying for water, property rates, licences, fines, interest, and investment amounted to 50.61%, and 49.39% of the revenue for the same period came from equitable shares of taxes and grants from the national government.

In the context of the Thulamela Local Municipality, 100% of the respondents indicated that the sources and types of revenue for the Thulamela Local Municipality came from the following, as remarked by one of the respondents: *"The municipality gets revenue from the sale of sites, hiring of facilities; for example town halls and stadiums, graves, traffic fines, and licensing revenue, billed revenue such as property rates, unbilled revenue and grants and conditional grants."*

The Thulamela Local Municipality's financial statements reflected that the municipality's sources and types of revenue included property rates, service charges,

interests and investments, fines, licences, permits, government transfers for capital expenses, government transfers for capital expenditure, and other services (National Treasury 2018a). The 2016-2017 financial statements of the Thulamela Local Municipality reflected that the municipality generated 76.0% of its revenue from equitable shares of taxes and grants from the national government and 24.0% from residents' payments for property, water, rates, licences, and fines, and from interest and investments (National Treasury 2018a).

6.3 OVERALL RESEARCH ANALYSIS AND FINDINGS OF THE STUDY

The literature explored in this study, the data analysed, and the study findings suggest that there is a need for the MDB and the national government to involve all stakeholders who are affected by the municipal boundary demarcation, as well as a need to improve service delivery in the Vhembe District Municipality and Makhado and Thulamela local municipalities, in particular in the Vuwani and Malamulele areas within the Vhembe District Municipality. In addition, the findings of the study reinforce the need to consider factors other than financial viability as criteria when a decision on redetermination of municipal boundaries is being effected in South Africa.

The study has important implications for the Vhembe District Municipality, Makhado, and Thulamela local municipalities with particular reference to the Vuwani and Malamulele areas where municipal boundary demarcation took place. The experiences of different areas in South Africa where both municipal and provincial boundary demarcation had taken place provide varying theoretical perspectives of municipal boundary demarcation and its implications for financial viability and the manner in which the issues of demarcation disputes are resolved.

This study adds to the existing body of knowledge in a wide range of areas, including contextualising financial non-viability and factors, which should be considered when boundary demarcation decisions are made in local government in South Africa. Furthermore, the study adds to the existing body of knowledge on the relationship between service delivery and boundary demarcation, including the applicable theories

and processes followed in restructuring local government to achieve financial viability of municipalities in South Africa.

The overall literature findings are provided in sub-sections. Firstly, the sub-sections are based on the research objectives and the theoretical findings of the study. The theoretical findings of the study are based on the many factors to consider when determining municipal boundaries. Secondly, the findings based on each research question are discussed to provide conclusions on the research problem of the study, which throughout the literature and study findings provided clarity on the research objectives of this study.

6.3.1 Findings: Objective 1: The investigation of the causes of demarcation disputes in the Vhembe District Municipality

The study revealed that the causes of demarcation disputes in the Vuwani and Malamulele areas are a complex issue. For instance, the majority of the respondents in the Vuwani area, where municipal boundary demarcation took place in 2015, indicated that the main cause of demarcation disputes in that area was as a result of the establishment of a new municipal boundary of the Collins Chabane Local Municipality and the decision that this municipality would have main offices in the Malamulele area. It can therefore be deduced from the study findings that the main cause of demarcation disputes in the Vhembe District Municipality was merging the boundaries of the Makhado Local Municipality (Vuwani area) with the newly established municipal boundary, the Collins Chabane Local Municipality.

In contrast, the findings of the study reflected that the majority of the respondents in the Malamulele area were of the view that the main cause of demarcation disputes was due to the fact that Xitsonga-speaking people would not be provided with adequate services. Based on the observation, the study found that the villages in the Malamulele area had less infrastructure development in terms of tarring of roads as compared to the villages in the Vuwani area, which had more roads, and which were tarred. However, the literature findings and analysis found that the main causes of demarcation disputes in South Africa in general are due to inadequate public

participation process by the MDB. The study also found through the literature review that municipal boundary demarcation decisions, which are undertaken by the MDB, must be democratic and legitimate for the outcome to be accepted by the community. The legitimacy of that decision making emanates from the public participation theory, which also advocates that even opposing views by parties to a public decision must be considered. The authorities must be able to prove that such a process was undertaken democratically for the purposes of legitimacy to be attained.

Although it is difficult to please all opposing views related to demarcation decisions, the study found that in terms of incorporating the Vuwani area into the newly established Collins Chabane Local Municipality, the location of the new municipality's offices in Malamulele was the main contentious issue related to the demarcation decision. Nonetheless, the study findings also highlighted that the residents of the Malamulele area were not opposed to the MDB's decision to locate the office in the newly established Collins Chabane Local Municipality. However, what appeared to be contentious and the main cause of the demarcation dispute was the fear that if such a municipality was not established and located in the Malamulele area, then the non-provision of services to the Xitsonga-speaking residents would result.

6.3.2 Findings: Objective 2: The investigation of the extent to which the residents were consulted in the demarcation decision process

Part 3 of the Demarcation Act sets out the procedures for municipal boundary demarcation. In particular, section 26(b) of the act deals with inviting views from the public or members of the community. In relation to the Vuwani area, the study found that all the respondents were of the view that the MDB did not at all consult the villages that were affected by the demarcation decision. In contrast, the study highlighted that the majority of the respondents in the Malamulele area were of the view that the MDB had consulted the villages before a decision was taken to establish the new Collins Chabane Local Municipality.

The literature emphasises the importance of public participation. Notably, section 152(1)(e) of the Constitution stipulates that one of the key objectives of local government is to encourage the involvement of local communities and community organisations in the matters of local government. The findings of the study reflected that residents in the Vuwani area felt that the constitutional requirement of involving the local community in matters of municipal boundary demarcation was not adhered to by the MDB. The study also highlighted that in South Africa in general, the local government has challenges of public participation. Therefore, the study found that the local authorities need to repeal policies and legislation regarding public participation. The study also found that the reason why public participation fails in relation to municipal boundary demarcation could be attributed to the fact that the MDB does not have sufficient capacity to run public engagement processes itself and that it tends to call for help from the same municipalities that are facing possible redetermination, de-establishment, or amalgamation.

The study findings also revealed that the MDB has challenges as far as the facilitation of public participation in demarcation matters are concerned, because of its current configuration and composition, which have institutional limitations, particularly around the MDB's ability to engage fully with the public. On the contrary, although the findings of the study revealed challenges of public participation as far as demarcation matters are concerned, some authors argue that the Merafong demarcation case proves the value of public participation and deliberation, as well as emphasising the need to place a duty on the government to facilitate public involvement and the ideal of public deliberations.

The study also highlighted the importance of the public participation theory that obligates decision makers to find out what the public's preferences are. As the Vuwani area findings revealed, it appears that the MDB did not take into consideration the preferences of the residents in terms of being moved from the Makhado Local Municipality boundary to the newly established Collins Chabane Local Municipality. The literature, as far as consultation is concerned in the Vhembe District Municipality, found that the MDB conducted public consultations as required by legislation, and the evidence of such is found in the court case judgment in *Masia Traditional Council and*

Others v Municipal Demarcation Board and Others. However, in the study findings of the Vuwani area, the villagers contradicted the literature evidence regarding the notion that they were consulted in the demarcation decision process in the Vhembe District Municipality.

6.3.3 Findings: Objective 3: Evaluation of the level of service provision and possible challenges in the Vhembe District Municipality

The study found that in terms of service delivery provision in the Vuwani area, the majority of the households relied on community taps to access water. Similarly, the majority of the Malamulele area residents indicated that the households made use of community taps. The study also found that the villagers of the Vuwani area had access to piped water at community stands at a distance of between 200 m and 500 m from their dwellings. The findings of the study revealed that a greater proportion of households had access to piped water from that distance to the community stand.

In contrast, in the Malamulele area, the study found that the majority of the households in the villages had access to piped tap water at community stands at a distance of between 200 m and 500 m from their dwellings. The study findings also revealed that none of the households in the villages of the Vuwani and Malamulele areas paid for water services at all. The findings that the residents are receiving water services free of charge have financial implications for the sustainability of the Vhembe District Municipality. The proposition that supports the literature findings suggests that for a municipality to achieve financial viability, it must generate revenue; the study findings for both the Vuwani and Malamulele areas indicated that the Vhembe District Municipality is losing prospective revenue due to the non-payment of water services.

The study findings also revealed that the majority of the households in the Malamulele area made use of wood for fire as a source of energy for cooking. Similarly, more than half of the households in the Vuwani area indicated that wood was used as a source of energy. Interestingly, the study found that all households in the Vuwani area had access to electricity and made use of such for lighting in the households. In addition, the study discovered that all households in the Vuwani and Malamulele areas had

prepaid meters, which means that the households buy electricity to recharge the meter boxes.

The study also found that no households in the Vuwani and Malamulele areas had rubbish disposal services. The study found that none of the households in the Vuwani and Malamulele areas paid for refuse removal. Although the study established that both the Vuwani and Malamulele areas are classified as rural areas, it appears that redrawing a municipal boundary by establishing a new municipality will reproduce a non-viable municipality. The evidence of such appears from the study findings of large areas, which are predominantly rural, and the fact that services such as refuse removal do not generate revenue at all. The literature review also found that the Mutale Local Municipality, which previously fell under the Vhembe District Municipality, was de-established by the MDB mainly due to its inability to generate sufficient revenue to service its debts, and it was considered a rural municipality that relied heavily on government grants. The implications of the findings suggest that the newly established municipal boundary (the Collins Chabane Local Municipality) will inherit the characteristics of the former Mutale Local Municipality.

The study also sought to establish what would encourage the residents of the Vuwani and Malamulele areas to pay for the provision of services. The study found that 56% of the residents of Vuwani area indicated that the provision of services would encourage them to pay municipal rates and 44% of the residents indicated that nothing would encourage them to pay municipal rates. In contrast, only 1% of the Malamulele respondents indicated that nothing would encourage them to pay municipal rates and 4% of the residents indicated that they did not know what would encourage them to pay for municipal services.

The study also revealed that more than 40% of the households in the Vuwani area made use of pit toilets without ventilation. Similarly, more than 40% of the households in the Vuwani area made use of pit toilets with ventilation. In contrast, the study found that more than 90% of the households in the Malamulele area made use of pit toilets with ventilation. The study also discovered that more than 60% of the households in the Vuwani area had main dwelling structures made of cement blocks or concrete. In

contrast, the results from the study revealed that more than 90% of the households in the Malamulele area had main dwelling structures made of bricks.

The study also found that both the Vuwani and Malamulele areas had access to gravel road infrastructure. However, from the observations, the study found contradictory evidence, which indicated that some villages, particularly within the jurisdiction of the Vuwani area, had main roads that consisted of tarred road infrastructure. In addition, the study found evidence, which was corroborated by the residents, that most of the road infrastructure in the Malamulele area consisted of gravel roads. The literature review confirmed that service delivery protests are often evident in communities where there were problems of boundary demarcation. One such example is the Zamdela township in Sasolburg, Free State province, where there were demarcation protests in 2013, where the study found that the community of Zamdela was also confronted with service delivery issues.

The literature confirmed the study findings in the Vuwani and Malamulele areas in relation to service delivery challenges. For instance, it was found that the majority of the respondents in the Vuwani area make use of pit toilets and this is also so in the Malamulele area. Therefore, the community of the Vuwani area has boundary challenges, which could also be linked to service delivery issues as indicated by some authors in the Zamdela township boundary demarcation case. However, the literature found that there were some dissenting voices with respect to the relationship between demarcation protests and service delivery protests. Some authors argue that the two protests are not the same. This study found through reviewing the literature that community protests are not linked to service delivery and it was also found that protests in general in South Africa are a reflection of the violent nature of South African society as a whole.

6.3.4 Findings: Objective 4: Investigation into whether municipal redetermination in the Vhembe District Municipality addressed the challenge of financial non-viability

This study found that the majority of the respondents indicated that the Vhembe District Municipality was not able to generate enough cash to pay its debts. The review of the Vhembe District Municipality's financial statements found that the municipality generated its money from the national government, which confirms the findings from the respondents that the municipality was not able to generate enough cash to pay its debts. The study pointed out through the literature review that for a municipality to be able to provide uninterrupted services to the residents, it cannot depend on government subsidies and grants. The study also found that for a municipality to be regarded as financially viable, the municipality must be able to generate enough cash to pay its debts, including both short- and long-term cash flow requirements.

The study also highlighted that in the 2016-2017 financial year, the Vhembe District Municipality only managed to generate around 13.53% of its cash, which emanated from the residents paying for services such as water, rates, licences, and fines.

The literature review also found that financial resources are generated through the municipality's ability to create, supply, and deliver products, services, or programmes useful to the residents. The study highlighted that municipalities that are unable to meet their short-term obligations present a risk to their creditors, the residents, or customers to whom they provide services, as well as the people working for that municipality. Therefore, on one dimension of assessing the financial viability of municipalities, the study found that the Vhembe District Municipality is not financially viable, mainly because the municipality does not generate enough cash to pay its short-term obligations, which poses a risk to its creditors and stakeholders.

The study identified that cash coverage measures the length of time in months that a municipality can manage to pay for its day-to-day expenses using its cash reserves. It was found from the literature review that a municipality cannot rely on its cash reserves to pay all short-term bills and that, ideally, a municipality must have at least three months of cash available to be regarded as financially viable. In terms of cash

coverage as a dimension to measure financial viability, in 2014, before the municipal boundary demarcation took place in the Vhembe District Municipality, the study found that the municipality had cash coverage of 3.3 months, which classifies the municipality's cash coverage as good (more than three months) for that period. However, in 2015, the year that the demarcation decision was taken by the MDB, the municipality had cash coverage of 1.5 months, which is classified as average (between one and three months).

The implications of the study findings are that if a municipality cannot pay its short-term bills and day-to-day expenses without making use of cash reserves, it negatively affects its cash flow. For 2016, the period in which the new boundary was implemented, the Vhembe District Municipality had cash coverage of 2.3 months and again the results of the study found that the municipality could not manage to pay its debts without creating a deficit or negative cash flow. Similarly, in 2017, the municipality had cash coverage of 2.9 months.

For the Thulamela Local Municipality, the findings revealed that more than 50% of the respondents indicated that the municipality was not able to generate enough cash to pay its debts. The study also found through the review of financial statements and annual reports of the Thulamela Local Municipality that for 2014, before the demarcation decision was taken by the MDB, the municipality had cash coverage of 7.0 months and for 2015 the municipality had cash coverage of 6.0 months, which, according to the measure applied by National Treasury to assess a municipality's ability to pay for its day-to-day expenses, the Thulamela Local Municipality for the 2014-2015 financial year was financially viable in terms of the dimension of its ability to generate enough cash to pay its debts. More so, for 2016, the year in which the municipal boundary demarcation became effective, the study found that the Thulamela Local Municipality had cash coverage of 5.6 months, which reflects that the financial performance of the municipality for that period was good, in terms of the National Treasury measure.

Moreover, for 2017, one year after the demarcation decision became effective, the study found that the cash coverage of the Thulamela Local Municipality was 10.4 months, which reflects an improvement compared to the 2015-2016 financial year.

The significance of the 2017 cash coverage reflects that the municipality was in a healthy financial situation. The literature review found that for a municipality to be considered financially viable, that municipality must demonstrate the proven ability to manage its financial resources adequately. Therefore, on one dimension of assessing the financial viability of a municipality as identified in the literature with respect to a municipality being able to generate enough cash to pay its debts, the study found that for the Thulamela Local Municipality, especially after demarcation had taken place, there is evidence that suggests that the cash coverage had improved, meaning that the municipality was able to pay its day-to-day expenses, including creditors, without creating a deficit or using its financial reserves, which is a sign of financial viability.

In the context of the Makhado Local Municipality, the study found that more than 60% of the respondents indicated that the municipality was able to generate enough cash to pay its debts. In contrast, the study findings, through the literature review, found that for 2014, before the MDB made the decision to incorporate villages in the Vuwani area from the Makhado Local Municipality into a newly established municipal boundary, the Collins Chabane Local Municipality, the municipality had cash coverage problems. In 2015, the period in which the MDB made the decision to incorporate the Vuwani area into the Collins Chabane Local Municipality, the Makhado Local Municipality had cash coverage of 0.8 months. The financial performance of the municipality by National Treasury's measure appears to be poor as far as cash coverage is concerned. The implication is that the Makhado Local Municipality was not able to generate enough cash to pay for its day-to-day expenses, including paying its short-term debts for the 2015 period.

The findings of the study contradict the results of the interviews conducted by the researcher with the municipal officials of the Makhado Local Municipality in relation to the municipality's ability to generate enough cash to pay its debts. The central significance of the study findings for the municipality's cash coverage is based on the fact that, in an instance where it is poor (less than one month), such a financial status would affect the financial viability of that municipality. Therefore, for the 2015 period, the study found that the Makhado Local Municipality on one dimension of assessing the financial viability of a municipality was not financially viable. In the context of 2016,

the period during which the boundary demarcation decision in the Vhembe District Municipality became effective, the Makhado Local Municipality's cash coverage drastically went up from 0.8 months in 2015 to 3.8 months.

The study found that for the 2016 period, the municipality was able to generate enough cash to pay for its day-to-day expenses, including paying for its short-term debts. The implication of the study findings is that after 2016, when the demarcation had taken place, the financial performance of the Makhado Local Municipality improved, which is a sign of financial viability on at least one dimension. However, for the 2017 period, according to the financial statements of the Makhado Local Municipality, the cash coverage of the municipality was 1.4 months, of which the National Treasury measure reflects that the financial performance of the municipality was average (between one and three months). Again, as the study found in 2015 in relation to the poor financial performance of the Makhado Local Municipality, the 2017 period's financial results reflected that the municipality did not generate enough cash to pay for its day-to-day expenses and short-term debts. Therefore, the study found that in 2017 the Makhado Local Municipality had financial viability issues, at least with respect to one dimension of assessing financial viability, as identified from the literature review findings.

The study found that more than 50% of the respondents indicated that the Vhembe District Municipality could not stay within its allocation. In essence, the study highlighted that the municipality relied heavily on government grants. The study also found through the financial statement analysis that for the 2013-2014 financial year, the period before the municipal boundary demarcation decision had taken place, the municipality had overspent on its operating budget by 20.9%. The study revealed that the spending of the operating budget usually serves as an indication of how much a municipality spends on its operating expenses, rather than what such spending was planned and budgeted for. Controlling the municipality's day-to-day expenses is important in order to avoid cash shortages. In addition, the study identified that if a municipality significantly overspends on its operating budget, it is regarded as a sign of poor operating controls, and, as such, overspending on the operating budget by up to 5% is usually condoned. However, overspending that exceeds 15% of a municipality's operating budget is a sign of high risk.

The literature review revealed that municipalities that rely heavily on a single funding source usually encounter more financial challenges compared to organisations that have multiple, reliable funding sources. The study found that the Vhembe District Municipality relies on government grants to meet its financial commitments and, as such, the study highlighted that financial viability generally depends on good financial practices. Therefore, for the 2014-2015 financial year, the study found that the Vhembe District Municipality had financial control problems and was not able to stay within its allocated budget. The evidence of such was reflected by the financial performance of overspending on its operating budget by 2.9%.

In the 2015 financial year, the period in which the demarcation decision was taken by the MDB to incorporate the Vuwani area into the newly established Collins Chabane Local Municipality boundary, the study found that the Vhembe District Municipality had overspent on its operating budget by 0.3%, which is within the condoned overspending percentage as prescribed by National Treasury. However, for the 2016-2017 financial year, the period in which the demarcation decision became effective and had been implemented for a period of a year, the study found that the Vhembe District Municipality's overspending on its operational budget increased drastically to 58.1% as compared to 20.9% in 2014 before the MDB made the decision to incorporate the Vuwani and Malamulele areas into the newly established Collins Chabane Local Municipality. As illustrated in the previous paragraph, financial viability depends on good financial management practices and the actual ability of a municipality to manage its budgeting process, as well as the results of the process. It is evident, as the study found, that the Vhembe District Municipality for the period before and after the boundary demarcation process, on the dimension of its ability to stay within its allocated budget, was not financially viable because it constantly overspent on its operational budget, which is a risk for the financial performance of the municipality and its ability to pay for its day-to-day expenses. The review of the literature and analysis of the financial statements confirmed the findings of the study that the Vhembe District Municipality was not able to stay within its allocated budget.

In the context of the Thulamela Local Municipality, more than 80% of the respondents indicated that the municipality was able to stay within its allocation. The study found

through the review of the financial statements for the 2015 period, during which the demarcation decision was made, that the Thulamela Local Municipality was able to stay within its allocated budget and that its overspending was at 7.6%. The findings of the analysis of the financial statements for the 2015 period confirmed the study findings of the respondents of the Thulamela Local Municipality. However, the review of the financial statements for 2016 revealed that the municipality had overspent on its operational budget by 42.8%, which is a sign of high risk to its financial performance.

The findings from the financial statements contradicted those of the respondents of the Thulamela Local Municipality. Therefore, for the 2016 period, after the demarcation decision was implemented in the Vuwani and Malamulele areas, the study found that the Thulamela Local Municipality on the dimension of its ability to stay within its allocated budget was not financially viable, even after the municipal boundary demarcation took place.

For the Makhado Local Municipality, the study found that more than 50% of the respondents indicated that the municipality was able to stay within its allocated budget. The study found through the analysis of the financial statements for 2014-2015 that the Makhado Local Municipality had overspent on its operational budget by 13.5% and 7.0%. Therefore, for the period before the demarcation decision was implemented, the study found that the Makhado Local Municipality was able to manage to stay within its allocated budget. Similarly, for the 2016-2017 period, after the demarcation decision had been implemented, the study found that the municipality was able to stay within its allocated budgeted, of which, under the financial viability dimension of a municipality's ability to stay within the allocation, the study found that the Makhado Local Municipality was financially viable before and after the MDB implemented the municipal boundary changes in the Vuwani and Malamulele areas.

The study found that more than 60% of the respondents in the Vhembe District Municipality indicated that the municipality was not managing within its revenue without creating a deficit. The analysis of the financial statements of the Vhembe

District Municipality revealed that the municipality received 86.47% of its revenue from the national government and, furthermore, that for the period before and after demarcation has been implemented for the Vuwani and Malamulele areas, the Vhembe District Municipality had overspent on its operational budget and thereby created a deficit. Therefore, the study found that on the dimension of assessing the financial viability based on the sources and types of revenues, that the municipality relied on revenue it received from the national government. Therefore, it was found not to be financially viable even after the municipal boundary demarcation has taken place.

For the Thulamela Local Municipality, the study found that more than 50% of the respondents indicated that the municipality was not able to manage within its revenue sources. The study findings confirmed the results of the financial statement analysis. The findings showed that the Thulamela Local Municipality obtained 76.0% of its revenue from the national government, and the study found that the municipality was not able to collect sufficient revenue from other sources to pay for its day-to-day expenses. The study also revealed through the literature review that there are also other municipalities that are not able to generate their own revenue or income to be self-sufficient. Therefore, the general rule set by National Treasury in South Africa is that municipalities are not supposed to be mainly reliant on transfers and grants from other spheres of government.

The study also highlighted that for the period before and after the municipal boundary demarcation, the Thulamela Local Municipality had overspent on its operational budget, which is a sign of creating financial deficit. Therefore, on the dimension of assessing financial viability using sources and types of revenue, the study found that the Thulamela Local Municipality was not able to manage within its revenue sources and that it has created a huge deficit by relying heavily on national government transfers and grants. Therefore, the municipality was not financially viable before or after the municipal boundary demarcation. The findings of the study confirmed what certain authors have argued in the literature, namely that municipal boundary demarcation will not make municipalities viable, self-sufficient, or self-reliant.

For the Makhado Local Municipality, the study found that more than 60% of the respondents indicated that the municipality was not able to manage within its revenue sources without creating a deficit. In terms of the review of the financial statements of the Makhado Local Municipality, the results contradicted the study findings, because in the 2016-2017 financial year, after the municipal boundary demarcation had been implemented, the Makhado Local Municipality generated 50.6% of its revenue from residents paying for rates, licences, and fines and from interest and investments, and only 49% of the revenue came from transfers and national government grants. Therefore, the study could not find conclusive evidence to suggest and support that the municipality was not able to manage within its revenue sources, and the study results showed that the municipality was able to generate 50% of its income from traditional revenue sources. However, the financial results for 2014 found that the Makhado Local Municipality overspent its operational budget by 13.5%, and for 2017, one year after the demarcation decision was implemented, the study found that the Makhado Local Municipality had overspent on its operational budget by 3.9%, which, by National Treasury overspending standards, is usually condoned.

The study found no conclusive evidence from the respondents that the Vhembe District Municipality earned interest on outstanding debts and income from licences and fines, and investments. However, the review of the literature through the analysis of the Vhembe District Municipality's financial statements found that the municipality earned interest from licences, fines, and investments.

On the other hand, the study found that more than 70% of the respondents indicated that the Thulamela Local Municipality earned interest from outstanding debts, licences, and fines. The review of the financial statements of the Thulamela Local Municipality confirmed the findings of the study that the municipality earned interest from outstanding debts, investments, fines, and licences. Furthermore, the financial statements revealed that the municipality also earned interest from permits, rent of facilities and equipment, and service charges. The financial statements of the Thulamela Local Municipality revealed, however, that the municipality did not earn

interest from property rates penalties or gains from the disposal of property, plant, and equipment.

In the context of the Makhado Local Municipality, the study found that more than 80% of the respondents indicated that the municipality earned interest from outstanding debts, licences, and fines. The review of the financial statements found that the Makhado Local Municipality earned interest from outstanding debts, fines, and licences. In addition, the findings reflected that the municipality earned interest from service charges, rent of facilities and equipment, and permits. However, the financial statements reflected that the Makhado Local Municipality did not earn interest from penalties and the collection of charges on property rates, or made any gains from the disposal of property, plant, and equipment. On the aspect of interest earning in relation to financial viability, the study found through the literature review that earning of interest from various services rendered by municipalities serves as a source of revenue for each municipality. Therefore, overall, the study found that the Vhembe District Municipality and the Thulamela and Makhado local municipalities earned interest from various services such as investments, licences, and fines.

The study found that all the respondents indicated that the Vhembe District Municipality received grants and subsidies from the national government. The study also confirmed the empirical findings from the respondents that the financial statements of the Vhembe District Municipality reflected that the bigger portion of the revenue of the municipality came from the national government through transfers and grants. Similarly, the study found that all respondents indicated that the Thulamela Local Municipality received grants from the national government. Again, the empirical findings of the study confirmed the financial statement findings that the Thulamela Local Municipality received grants and subsidies from the national government. Interestingly, the study found that for the 2016-2017 financial year, which is the period when a portion of the Thulamela Local Municipality (Malamulele area) was incorporated into the new established Collins Chabane Local Municipality, that the Thulamela Local Municipality derived its revenue from grants and subsidies from the national government, which constituted 76% of its revenue. In terms of financial viability, as argued in Chapter 2 in the literature review by some authors, municipalities

that rely heavily on national grants and subsidies run the risk of being financially unviable.

For the Makhado Local Municipality, the study found similar results with respect to the municipality receiving municipal grants and subsidies from the national government. However, the findings from the financial statements of the Makhado Local Municipality with regard to the amount of grants and subsidies it received from the national government differed substantially from that of the Thulamela Local Municipality (76%) and the Vhembe District Municipality (86%). The Makhado Local Municipality receives 49.39% of its revenue from grants and subsidies from the national government.

The study found that 54% of the respondents indicated that the Vhembe District Municipality received income from commercial or business activities. In addition, the study found that 46% of the respondents indicated that the municipality received income from rates on other activities (including agricultural or municipal). However, the findings from the review of the financial statements of the Vhembe District Municipality reflected that the municipality did not gain any income from commercial/business and agricultural activities.

In the Thulamela Local Municipality, the study found that more than 60% of the respondents indicated that the municipality received income from rates and residential, commercial, business/state, and other activities (including/municipal). However, the study found through the review of the financial statements of the Thulamela Local Municipality for the 2016-2017 financial year, the period during which the municipal boundary demarcation had already taken place in the Malamulele and Vuwani areas, that the municipality received income from property rates for residential activities at formalised settlements such as urban areas, and from rates on renting of facilities and equipment.

For the Makhado Local Municipality, the study found that more than 50% of the respondent indicated that the municipality received income from rates, residential,

commercial/business/state, and other activities (including agricultural/municipal). Similar to the empirical findings, the study found through the review of the financial statements of the Makhado Local Municipality for the 2016-2017 financial year that the municipality received income from property rates for residential and commercial activities and rates from renting of facilities and equipment. Therefore, the study found that both the Thulamela and Makhado local municipalities, which were affected by the municipal boundary demarcation in the Vhembe District, received some income from other sources, including renting of facilities and property rates for residential and business activities.

The study found that all the respondents in the Vhembe District Municipality indicated that the municipality did not charge residents for refuse removal and it was also found that the refuse removal was a function of local municipality, not district municipality. The literature findings confirmed the empirical findings that the Vhembe District Municipality did not charge residents for refuse removal.

For the Thulamela Local Municipality, the study found that all the respondents indicated that the municipality charged residents for refuse removal. However, the study found that the municipality only charged residents who live in urban areas, such as Thohoyandou, and townships, such as Makwarela, for refuse removal. The implications of the study findings are that the Thulamela Local Municipality only receives revenue from refuse removal from residents who reside in formalised settlements. It follows that since the municipality does not receive revenue from residents residing in villages, that the revenue collection base would be lower and that it will have an impact on the financial flow of the municipality.

For the Makhado Local Municipality, the study found that all the respondents indicated that the municipality charged residents for refuse removal. The study also found that none of the villages that were affected by the demarcation decision paid for refuse removal. As mentioned previously, refuse removal revenue also counts as revenue to stabilise the financial performance of a municipality. In terms of charging residents for municipal rates, the study highlighted that only residents in formalised areas such as

the suburbs like Makhado Town and Makwarela township near Thohoyandou Town paid for refuse removal. The implication of this is that the villagers of the Malamulele and Vuwani areas do not pay for municipal rates at all since the areas are rural and do not have infrastructure from which the local municipalities of Makhado and Thulamela can generate any property rates revenue.

As previously mentioned in the analysis, the financial viability of a municipality is concerned with revenue bases and that it can only be realised if a municipality has a sound financial status, which depends on the ability of the municipality to collect rates and taxes from residents. The literature review identified the ability-to-pay theory, which recognises the importance of municipalities to make use of taxation as a method to ensure that residents pay rates and taxes. The study also highlighted that the Vhembe District Municipality does not collect municipal rates from the residents. However, the study confirmed that the Vhembe District Municipality is responsible for the sale of water to the entire district. The implication of the findings is that the Thulamela and Makhado local municipalities do not sell water directly to the residents. Similarly, the Vhembe District Municipality and Thulamela and Makhado local municipalities only charge for sewage and sanitation services rendered to formalised urban areas and, as such, the villagers in the Vuwani and Malamulele areas do not pay for sewage and sanitation services because the areas are rural in nature.

In terms of the provision of electricity, the study found that the Vhembe District Municipality and Thulamela and Makhado local municipalities do not sell electricity to the residents and that the three municipalities do not have a licence to sell electricity. As such, the residents buy electricity from Eskom. The implication of the results is that none of the municipalities generate any revenue from the sale of electricity because this service is not rendered at municipal level. The results confirmed the empirical findings that both the Malamulele and Vuwani areas' residents buy electricity from Eskom and that prepaid meters are used across the households.

In relation to the ratio of cash to overdue revenue, the study found that for the 2016-2017 financial year, one year after the demarcation decision had been affected, the Vhembe District Municipality's ratio was 21.3%, and 34.1% for 2017-2018. The

literature review identified that one of the indicators of assessing the financial viability of a municipality is through the ratio of cash to current overdue revenue, and that the ratio usually compares the value of a municipality's short-term assets (cash, bank deposits) and compares that with the municipality's short-term liabilities (creditors and loans overdue). The criterion used by National Treasury to measure a municipality's financial performance is that the higher the ratio, the better. The normal acceptable range of the current ratio is 1.5 to 2 (which means that the municipality has 1.5 to 2 times more assets than current debt). Therefore, anything less than 1.5 to 2 is an indication that a municipality may struggle to keep up with its payments.

The study found that for the 2016-2017 financial year, the Vhembe District Municipality had a higher ratio of cash, and for the 2017-2018 financial year, the period after the boundary demarcation decision had taken place, it reflected well and even improved significantly compared to 2016, when the demarcation decision became effective. Therefore, on the aspect of the ratio of cash to overdue revenue, the study established that the Vhembe District Municipality was not struggling to keep up with its payment of debts. The findings suggest that the district municipality showed signs of financial improvement after the demarcation decision. However, it follows that the district municipality's boundary was not altered but only the local municipalities within that district boundary experienced the boundary changes, which involved moving villages from the Makhado and Thulamela local municipalities to the newly established boundary of the Collins Chabane Local Municipality.

For the same period of the 2016-2017 financial year, the Thulamela Local Municipality had a 5.1% ratio and, as such, the study found that the municipality struggled with payments to creditors and loans due. However, for the period after the demarcation decision had taken place, in the 2017-2018 financial year the municipality had a 28.0% ratio, which was a drastic improvement compared to the previous financial year. Overall, on the ratio of current assets to current liabilities, the findings suggest that after the boundary demarcation decision, the Thulamela Local Municipality was able to meet its financial commitments. The findings suggest that this was possibly because of the burden off-loaded by removing the villages under the Malamulele area from the boundary of the municipality, which could have improved the financial performance of

the Thulamela Local Municipality – at least on the aspect of the ratio of current assets to current liabilities as an indicator to assess the financial viability of a municipality.

For the Makhado Local Municipality, the study found that the ratio of current assets to current liabilities for the 2016-2017 financial year was 1.6%, and for the 2017-2018 financial year it was 5.6%. The study found through the analysis of the financial statements that the ratios indicated by the respondents for the 2016-2017 and 2017-2018 financial years were correct. The results for the Makhado Local Municipality for the period when the demarcation decision became effective, as well as for the period of one year after the boundary demarcation decision had been implemented, indicate that the Makhado Local Municipality was struggling to keep up with payments of creditors and loans due and overall the results reflected that after the demarcation, incorporating the Vuwani area into the new boundary of Collins Chabane Local Municipality, the Makhado Local Municipality still experienced financial challenges with respect to keeping up with its payments.

The study also identified that another indicator to assess the financial viability of a municipality is the ratio of total assets to total liabilities. In the context of the Vhembe District Municipality for the 2016-2017 financial year, the municipality's liquidity ratio was 9.3% over the period and the review of the financial statements also confirmed the findings of the empirical evidence. For the 2017-2018 financial year, the municipality had a ratio of 32.4%. The study found that the liquidity ratio shows the ability of a municipality to pay its current liabilities (monies it owes immediately such as rent and salaries) as they become due, and long-term liabilities (such as loans) as they become payable. These ratios usually indicate the level of cash a municipality has and whether it has the ability to turn other assets into cash to pay off liabilities and other obligations. The study also identified the measure used to assess the municipality's immediate ability to pay its current liability. This measure is described as good if the ratio is more than 1 and poor if it is less than 1. Regarding the assessment of the performance of the Vhembe District Municipality, the study found that the municipality demonstrated the ability to turn other assets into cash to pay off liabilities and other current obligations.

In the context of the Thulamela Local Municipality, the study found that the liquidity ratio of total assets to total liabilities for the 2016-2017 financial year was at 13.7%, and for the 2017-2018 financial year, one year after the demarcation decision was made, the liquidity ratio was 21.7%, which is a drastic increase compared to the 2016-2017 financial year, which is the period during which the demarcation decision became effective to incorporate the Malamulele area villages in the Thulamela Local Municipality into the newly established boundary of the Collins Chabane Local Municipality. The study findings reflected that after the demarcation decision was made in the Malamulele area, the municipality experienced some changes with regard to its liquidity ratio. The findings confirmed what was found in the literature, namely that liquidity answers the question of whether a municipality is likely to meet its financial obligations in a timely manner, which is important to providing uninterrupted services to the community.

In the context of the Makhado Local Municipality, the study found that the liquidity ratio for the 2016-2017 financial year was 1.6% and 6.7% for the 2017-2018 financial year, which is a drastic improvement compared to 2016-2017, which was the period after which the demarcation decision took effect. The significance of the findings is that after the Vuwani area was moved from the Makhado Local Municipality to the Collins Chabane Local Municipality, it had the level of cash or the ability to turn other assets into cash to pay off liabilities and other current obligations. The study findings display a positive sign that, on a small scale, due to the demarcation decision, the municipality's financial performance improved. Therefore, it is implicit that the demarcation decision to remove villages from the Makhado Local Municipality has had an impact on improving the liquidity ratios of the municipality, at least for the period of the 2017-2018 financial year.

The study identified through the literature review that the HR capability and the percentage of personnel costs over the entire operational budget are an indicator of the financial viability of a municipality. The review of the financial statements for the 2016-2017 financial year found that the Vhembe District Municipality had 614 staff members as part of its HR capability and, furthermore, the percentage of personnel costs over the entire budget reflected that the municipality had spent 47.8% of its entire operational budget on staff salaries and wages. The significance of the findings is

based on the notion that high employee-related costs threaten the sustainability of the operational budget.

The literature review identified that spending on staff salaries and wages from the entire operational budget is regarded as within the norms if it is between 25% and 40%, and outside the norms if its less than 25% or more than 40%. In addition, the study identified that National Treasury prescribes that municipalities are not allowed to spend more than 3% of their total budgets on operational costs and salaries. It is clear that for the period during which the demarcation decision took place, that the Vhembe District Municipality had exceeded the norms percentage of spending on staff salaries and wages and, as such, the study found that it threatens the sustainability of the operating budget and ultimately its ability to maintain a financially viable status. The study could not establish the spending patterns on staff salaries and wages for the 2017-2018 financial year for the Vhembe District Municipality.

In the context of the Thulamela Local Municipality, the study found that for the 2016-2017 financial year, the municipality had spent 40.3% of its entire operational budget on staff salaries and wages. The implication of the findings is that the municipality was still within the acceptable range of 25% to 40% of total expenditure. The municipality did not show any sign of overspending on its operational budget on staff salaries and wages during the time when the demarcation decision was effected in August 2016. Its HR capability was 744 staff members.

For the Makhado Local Municipality, the study found that for the 2016-2017 financial year, the municipality had spent 27.9% of its operational budget on staff salaries and wages. The implication of the study findings is that the municipality, after the demarcation decision was effected, showed signs of being within the acceptable norms of spending of its operational budget on staff salaries and wages, and the HR capability was 600 staff members. Therefore, the overall assessment of the Vhembe District Municipality and Thulamela and Makhado local municipalities during the boundary demarcation revealed that there was no dramatic impact of the HR capability and spending on personnel costs on its entire operational budget in terms of the issue of financial viability of all three municipalities covered in this study. On this objective

overall, the study could not find evidence of correlation between financial viability and municipal boundary demarcation of incorporating the Vuwani and Malamulele areas into the new boundary of Collins Chabane Local Municipality, as the incorporated areas still do not have sufficient capacity to generate revenue to meet financial obligations to creditors and for delivery of services to the community.

6.4 CONCLUSION

This chapter presented the data analysis and the interpretation of the study findings and results. The data, which were gathered through survey questionnaires; key informant interviews; financial statements and annual reports from National Treasury, the Thulamela and Makhado local municipalities, and Vhembe District Municipality; and literature on financial viability and demarcation and service delivery challenges. The study made a clear distinction between the responses obtained from the survey questionnaires, the key informant interviews, and the findings of the literature, as well as the explanations and reflections of the researcher. The structure of the questionnaire and interview schedule, as well as the research objective of the study, were followed throughout the data-analysis process. The overall conclusion from the data analysis is that the main cause of demarcation disputes in the Malamulele area was the fear that services would not be delivered to the Xitsonga-speaking people. In the Vuwani area, the main cause of demarcation disputes was found to be the location of the office of the new municipality being in the Malamulele area. Furthermore, the study found that in the Vuwani area, the MDB did not consult the residents of the villages affected by the demarcation decision.

In addition, the study found that in terms of service delivery in the Malamulele area, the villages were worse off compared to the villages of the Vuwani area in terms of infrastructure. However, it was evident that the villages of both the Malamulele and Vuwani areas had service delivery challenges and that none of the villages paid for municipal services. The study also found that the residents of the Vuwani area felt that the only way to resolve the demarcation disputes was for the MDB to reverse the decision to incorporate the area into the Collins Chabane Local Municipality. On the

relationship between financial viability and municipal boundary demarcation, the data and conclusions indicated that there was no relationship between demarcation and financial viability. In essence, no evidence was found that redrawing the boundaries of the Vuwani and Malamulele areas and incorporating these areas into the Collins Chabane Local Municipality would achieve or realise a financially viable municipality. It is evident that the villages in the Malamulele and Vuwani areas had no tax base revenue as no municipal services were found to be paid for by either the residents of the areas under the Makhado and Thulamela local municipalities or the Vhembe District Municipality.

Having narrated in detail on data analysis and findings thereof in chapter 6, it is the customary of research documents to also provide concluding remarks inclusive of recommendations on the research endeavours pursued. Therefore, chapter 7 in the next page discusses the conclusions and recommendations of the study.

CHAPTER 7

CONCLUSIONS AND RECOMMENDATIONS

7.1 INTRODUCTION

Chapter 7 focuses on conclusions and recommendations. The chapter opens with an introductory statement, followed by the summary, conclusions, recommendations, implications of the research for theory and practice, the scope for further research and conclusion.

The overall purpose of this study was to identify whether municipal boundary demarcation would improve the financial viability of the Vhembe District Municipality in the Limpopo province, South Africa. The study also aimed to establish the main causes of demarcation disputes in the Vuwani and Malamulele areas. The study considered five sub-questions, which were aligned to the research objectives. The problem statement of this study was derived from the government's pronouncement, in particular the decision in 2015 by the Minister of CoGTA and the subsequent decision by the MDB to grant a request by the Malamulele Task Team for a stand-alone municipality, and, ultimately, the reaction of the community of the Vuwani area, previously under the Makhado Local Municipality, to object and protest the decision to incorporate the Vuwani area into the newly established boundary of the Collins Chabane Local Municipality, situated in the Malamulele area.

The level of responses and analysis discussed in Chapter 6 revealed the need for a different approach to stakeholder engagement in relation to public participation and to address the financial viability of the local municipalities in the Vhembe District Municipality. Furthermore, there is also a need to consider other factors as determinants for municipal boundary demarcation as prescribed by the Demarcation Act of 1998. The purpose of this is to contribute to the existing body of knowledge, to

uplift the lives of people across the country, and furthermore for the research project to serve as a contribution to the existing knowledge, rejection of such knowledge, as well as filling existing gaps in the present knowledge base and generating of new knowledge to supplement the existing body of knowledge (UNISA 2016:50).

The views of the villagers were collected through a standardised questionnaire, as well as the views of key informants (municipal officials) through interviews, and documentary analysis, review of financial statements, and review of literature were conducted in order to identify, determine, and establish the common demarcation disputes in the Vuwani and Malamulele areas and to determine whether municipal boundary redetermination addressed the issue of financial viability, as well as to determine the service delivery challenges in the Vhembe District Municipality and the Thulamela and Makhado local municipalities. As indicated by UNISA (2016), the purpose and the contribution of research must be validated through a literature review of available empirical research, published annual reports, media articles from newspapers, public announcements or statements from the government, and legislation and policies in relation to local government and financial management in South Africa.

Furthermore, the findings of this study filled the gaps in the present knowledge base on municipal boundary demarcation decision challenges and their impact on financial viability in the Vhembe District Municipality, thereby proposing the consideration of other factors. This chapter presents the conclusions and recommendations of the research. The conclusions of the study emanate from the research findings, results, and literature review. The recommendations of the study are presented and are categorised into sections, stated as recommendations for the national CoGTA, traditional leaders in the Vhembe District, the MDB, National Treasury, and the ANC. The study furthermore proposes a stakeholder strategy for public participation. The implications of the study for theory and practice are provided and the scope of the research is discussed as supported by the study findings.

7.2 CONCLUSIONS

The study concludes that there are inferences and significant associations among the literature reviewed on the main causes of demarcation disputes in the Vuwani and Malamulele areas. Furthermore, the study concluded that there was no relationship between financial viability and municipal boundary demarcation. The boundary demarcation challenges experienced nationwide indicate the complexity of the nature of spatial planning configurations and how they affect service delivery in instances where such demarcation or boundary redetermination fails to be accepted by the affected communities. This study found and concluded that the villagers of the Vuwani area did not want to accept the decision by the MDB to remove the area from the boundary of the Makhado Local Municipality and incorporate the villages into the Vuwani area into the newly established Collins Chabane Local Municipality. The study also concluded that the location of the newly established Collins Chabane Local Municipality in the town of Malamulele proved to be one of the main cause of demarcation disputes, especially for the Vuwani area.

An important conclusion is that, in order for the MDB to improve the acceptability rate of demarcation decisions, there is a need to strengthen stakeholder management and public participation. The strengthening could be achieved by developing a legitimacy mechanism that would advocate the consolidation of opposing views to demarcation to convince the parties to accept the outcome of the MDB's decisions. For service delivery in both the Vuwani and Malamulele areas, the study concluded that both areas had huge service delivery challenges, but it is noteworthy to mention that the researcher observed that in the Malamulele area the villages appeared to be worse off in terms of road infrastructure compared to the villages in the Vuwani area.

One of the main conclusions of the study is for a municipality to obtain a financially viable status, revenue generation is essential, and the study found that, on average, the revenue base of the Makhado and Thulamela local municipalities and the Vhembe District Municipality was low. For instance, none of the mentioned municipalities that this study focused on sold electricity to the residents of respective areas under its control. The conclusion suggests that no revenue is generated at all from the sale of

electricity as the residents purchase electricity from vendors of Eskom. The study concludes that the NDP established a national spatial fund to promote the vision and rationalisation of existing funding streams for spatial development. Furthermore, the NDP mandated the utilisation of mediation processes to resolve serious spatial conflicts.

Based on the literature reviewed and the research findings, it can be concluded that the mediation process to resolve spatial planning conflict is absent and it appears that the MDB is unable to effectively live up to the NDP to resolve spatial planning conflicts through mediation processes. Therefore, the Vuwani area demarcation dispute is notably an illustration of a failed mediation process by the Minister of CoGTA to resolve demarcation disputes. The study also concludes that for the first time since the MDB was established, that section 22(2) of the Demarcation Act was invoked by the minister to determine and redetermine the municipal boundaries based on the aspect of financial non-viability.

In the context of this research, in terms of financial viability and non-viability of municipalities, this research adds valuable scholarly comprehension on the pivotal structure of local government in South Africa, contributing significantly to the existing body of knowledge on Public Administration and Management. One of the main conclusions of the study is that demarcation is complex and a thorny issue in South Africa, therefore it is worthy of significant further theoretical investigation on the relationship between financial viability and boundary demarcation of municipalities. The study concludes that the financial viability of the Makhado and Thulamela local municipalities and the Vhembe District Municipality was affected by the inability of the three municipalities to generate revenue, especially due to the mere fact that the majority of the villages within the three municipalities comprise of rural areas.

Although this study did not intend to explore whether bigger municipalities are better or bigger is cheaper, the study concludes that there is no consensus among the authors in the literature on whether reducing or increasing the number of municipalities using economies of scale or financial viability is a determinant of improved financial performance. The study also concludes that traditional leaders have a major role to

play in ensuring that spatial planning conflicts do not deter the restructuring of local government in South Africa. Furthermore, service delivery is still a challenge that faces municipalities in the Vhembe District Municipality and paying for services is a prerequisite of a successful, financially viable municipality – not boundary demarcation. Finally, the main elements that were drawn from the research findings indicated that there is no relationship or evidence to support that redetermination of municipal boundaries would achieve or result in financial viable municipalities in the Vhembe District. Moreover, the main causes of demarcation disputes in the Vuwani and Malamulele areas are the fact that the newly established Collins Chabane Local Municipality's location in Malamulele Town has proven to be the contentious reason why the demarcation dispute persists, as well as the removal of the Vuwani area villages from the Makhado Local Municipality and incorporating them into the new municipal boundary.

The study also implicitly concludes that the villagers of the Vuwani area appeared to prefer to be retained within the previous boundary of the Makhado Local Municipality, meaning that the villagers did not want to be incorporated with the Xitsonga-speaking villagers in the Malamulele area, which now forms part of the Collins Chabane Local Municipality (previously part of the Thulamela Local Municipality).

7.3 RECOMMENDATIONS

Quality services are provided to residents by both local and district municipalities in situations where good governance is practised through sound financial management. In certain instances, boundary demarcation of municipalities could be effected to achieve such good governance. The recommendations of this study focus on the principles of public participation in relation to stakeholder engagement on matters of municipal boundary demarcation disputes in the Vhembe District Municipality and the principles of good governance that originated from the literature review and the responses of the participants. The recommendations of the study are categorised into five sections, namely recommendations for the national Department of CoGTA, recommendations for the MDB, recommendations for traditional leaders in the

Vhembe District, recommendations for National Treasury, and recommendations for the ANC.

7.3.1 Recommendations for the national Department of Co-operative Governance and Traditional Affairs (CoGTA)

According to the rules and responsibilities of CoGTA as prescribed in Chapter 3 of the Constitution and based on the research findings of the study, the following recommendations are made for the demarcation and redemarcation of municipal boundaries in the Vhembe District Municipality:

- Putting people and concerns first: Redrawing municipal boundaries must be driven by the wishes of the community of the Vuwani and Malamulele areas. In essence, the views and opinions of the villagers of the Vuwani area in particular must be put first and whatever outcome the government and the MDB seek to achieve must be secondary to the interests of the community. Therefore, it is the responsibility of CoGTA to ensure the mission of putting the villagers and the concerns raised by the community first. This will contribute to a smoother demarcation process and improve the acceptability rate by the communities affected by a demarcation decision.
- Supporting the delivery of municipal services to the right quality and standard: CoGTA has a constitutional mandate to support municipalities that are struggling financially, such as the Thulamela and Makhado local municipalities, to deliver essential municipal services to the residents of the Vuwani and Malamulele areas.
- The promotion of good governance, transparency, and accountability: This study has posited that good governance is at the epicentre of a developmental state and therefore governance also includes the local level. Graham *et al.* (2003:3) identified five principles of good governance that CoGTA must adopt in addressing the spatial planning conflicts and matters of poor financial management in local government:
 - Legitimacy and voice: In this regard, CoGTA must play a supportive role by ensuring that all stakeholders in demarcation disputes are afforded legitimacy and voice through different means.

- Direction: Officials of CoGTA and national and provincial government have the responsibility to ensure that boundary demarcation decisions take cognisance of issues such as the historical, cultural, and social perspectives of the community. Cognisance is achieved by acknowledging social cohesion realities such as languages spoken in the Vuwani and Malamulele areas and the dynamics of the former Bantustan apartheid spatial planning.
 - Performance: In this instance, CoGTA must play a supportive role in terms of municipalities that are struggling financially.
 - Accountability: As a government structure, CoGTA must be accountable and transparent to the people affected by the decisions it makes such as redetermination of municipal boundaries, and the officials must play a proactive role in engaging with all stakeholders in circumstances where there are disputes.
 - Fairness: Officials of CoGTA, particularly the minister, must exercise fairness when making decisions pertaining to municipal boundary determination.
- In terms of ensuring sound financial management and accounting, CoGTA must ensure that in municipalities where demarcation of boundaries are being affected, a proper feasibility study is conducted prior to the decision being made to redraw such boundaries, because it is not always probable that redetermination of municipal boundaries would be an outcome towards good financial management.
 - Building institutional resilience and administrative capacity: CoGTA has a constitutional mandate to monitor the governance performance and stability of municipalities. As such, CoGTA must strengthen the monitoring and evaluation framework to deal with administrative incapability as a result of unfilled vacancies and low staff morale due to maladministration in municipalities.

Determining whether financial viability is the core or only factor in determining municipal boundaries: The Minister of CoGTA made the decision in 2015 to redetermine the municipal boundaries in the Vhembe District, Limpopo province, and the decision was implemented by invoking section 22(2) of the Demarcation Act of 1998. This study recommends that there are other factors that the minister could have relied on other than financial viability as determinants for the redetermination of the municipal boundaries in the Vhembe District. In this study,

the municipal boundary demarcation dispute centred around the factor of the interdependence of people, communities, and economies as indicated by existing and expected patterns of human settlements. The research findings of this study revealed that the demarcation disputes were caused by the location of the new municipal boundary. In addition, the research findings revealed that financial viability could not be achieved in the Vhembe District Municipality and Makhado and Thulamela local municipalities due to the decision of the minister to redraw the boundaries. The minister could have considered the factor of areas of traditional rural communities because the Vuwani and Malamulele areas fall under traditional authorities and, in particular, the villages in the Vuwani area that were opposed to the decision to be incorporated into Collins Chabane Local Municipality were under the Masia Traditional Authority. Therefore, it follows that the factor on how the areas under traditional control were going to be affected had to be considered as a criterion for municipal boundary demarcation in the Vhembe District. This study recommends that the Minister of CoGTA should not use one core factor to address the challenges of municipalities in South Africa, because the circumstances of communities differ from one to another. The Vuwani area demarcation dispute should serve as a lesson to CoGTA that financial viability cannot trump other factors to be taken into account when effecting municipal boundary changes, as set out in section 22(2) of the Demarcation Act:

- “m) interdependence of people, communities, and economies as indicated by
- (vii) existing and expected patterns of human settlement and migration;
 - (viii) employment;
 - (ix) commuting and dominant transport movements;
 - (x) spending;
 - (xi) the use of amenities, recreational facilities, and infrastructure; and
 - (xii) commercial and industrial linkages;
- n) the need for cohesive, integrated, and unfragmented areas, including metropolitan areas;
- o) the financial viability and administrative capacity of the municipality to perform municipal functions efficiently and effectively; the sole utilisation of this factor for demarcation of municipal boundaries in 2015 attracted some criticism from authors on whether it was appropriate for the MDB to use it as trump over other factors to effect changes in local government;

- p) the need to share and redistribute financial and administrative resources;
- q) provincial and municipal boundaries;
- r) areas of traditional rural communities;
- s) existing and proposed functional boundaries, including magisterial districts, voting districts, health, transport, police, and census enumerator boundaries;
- t) existing and expected land use, and social, economic and transport planning;
- u) the need for coordinated municipal and provincial and national programmes and services, including the need for the administration of justice and healthcare;
- v) the topographical and environmental and physical characteristics of the area;
- w) the administrative consequences of its boundary determination; and
- x) the need to rationalise the total number of municipalities within different categories and of different types to achieve the objectives of effective and sustainable service delivery, financial viability, and macro-economic stability” (RSA 1998c).

7.3.2 Recommendations for the Municipal Demarcation Board (MDB)

The Demarcation Act was primarily promulgated to serve as a statutory body that has the function to determine municipal boundaries in conjunction with other legislation. Section 21 of the Demarcation Act gives the MDB the powers to determine boundaries in South Africa. This study posited that the MDB made the decision to locate the new municipal boundary in the town of Malamulele, which sparked a dispute among the villagers of the Vuwani area, who were opposed to the demarcation decision. This study recommends that the MDB should have placed the offices of the Collins Chabane Local Municipality in a central place such as in the town of Vuwani, because the town would be considered central to both the Vuwani and Malamulele areas.

In relation to financial viability in the Vhembe District, the MDB should not merge rural areas with an already financially unstable municipality. For instance, the MDB merged some villages from the now disestablished Mutale Local Municipality with the Thulamela Local Municipality, and the study illustrated that the villages do not pay for municipal services. Therefore, it is not possible to establish a new municipal boundary aiming for financial viability while relying on rural areas to generate revenue.

This study also recommends that the MDB develops a stakeholder engagement strategy that includes social cohesion when effecting municipal boundary demarcation. The matter of lack of proper public consultation featured in the research findings of this study. For instance, the villagers of the Vuwani area felt that the MDB did not consult the community regarding the incorporation of eight villages in the Vuwani area that were previously under the Makhado Local Municipality. However, this study established that the MDB did conduct public consultations with all affected villages. The question that perhaps would be answered by the recommendations of this study is that the MDB needs to strengthen stakeholder engagement.

This study recommends that the MDB establishes offices in all the provinces, namely Gauteng, Limpopo, Mpumalanga, North West, Free State, KwaZulu-Natal, Eastern Cape, Northern Cape, and Western Cape. The establishment of such offices would enable the MDB to have action contact with communities where demarcation takes place. At the time when this study was undertaken, the MDB only had offices in Centurion in the Gauteng province. Therefore, it is arguably not accessible to rural communities such as in the Vuwani area, which would like to further engage with the MDB on matters of demarcation disputes. As a result, the communities have no choice but to protest.

7.3.3 Recommendations for the traditional leadership

This study found that traditional leaders play an important role in ensuring the building of social cohesion in the communities in South Africa, in particular in villages where there are traditional authorities. This study recommends proper engagement between the MDB and traditional leaders in the Vuwani area. The significance of the engagement would reduce the demarcation disputes in areas where villages must be moved from one traditional council to another. It was established by this study that the traditional leaders in the Vuwani area played a critical role in ensuring that there was peace and harmony in the community. For instance, the research findings found that the Masia Traditional Council challenged the MDB decision in court to incorporate villages under its jurisdiction into the Collins Chabane Local Municipality situated in the Malamulele area and the court found in favour of the MDB. It follows that such engagement between traditional leaders and the MDB in demarcation is essential.

7.3.4 Recommendations for National Treasury

National Treasury in South Africa has a legislative mandate based on the Constitution. The Constitution provides for National Treasury to ensure that there is transparency, accountability, and sound financial controls in the management of South African public finances. This study recommends that National Treasury must play a supporting role in the newly established Collins Chabane Local Municipality, as the municipality must build a tax base in order to collect its own revenue to deliver municipal services to the villages in the Vuwani and Malamulele areas.

7.3.5 Recommendations for the African National Congress (ANC)

The ANC is the ruling party in Vhembe District, therefore the majority of the ward councillors in the Makhado and Thulamela local municipalities are from the ANC. The ruling party therefore has the responsibility to ensure that the process of municipal boundary demarcation is not used as a tool for political gain. It was posited in the literature review of this study that demarcation protests are not always about demarcation but rather about service delivery. Moreover, the ANC should not have used the name of the late former minister of the DPME to name the newly established municipal boundary in the Malamulele and Vuwani areas. They should have found a neutral name that would unite the villagers from the two areas, because the study has highlighted the sensitive tribal issue at play between the Xitsonga- and Tshivenda-speaking villagers, and politicians and traditional leaders sometimes use the issue to advance political goals.

7.4 THE IMPLICATIONS OF THE RESEARCH FOR THEORY AND PRACTICE

The research findings of this study may be generalised and regarded as meaningful, especially since the study identified that municipal boundary demarcation in the Vhembe District had challenges and that financial viability could not be achieved as a result of municipal boundary demarcation. In addition, the study identified that there were other factors that the Minister of CoGTA and the MDB could have used or

considered as a basis for effecting municipal boundary redetermination in the Vhembe District. The study also generated knowledge that has the probability of alleviating demarcation disputes in South Africa. This study contributes to existing knowledge with regard to the topic in question, namely an analysis of municipal boundary demarcation and local government legislative frameworks, as well as best practices of good governance and financial management. Furthermore, the study revealed the main causes of demarcation disputes in the Vhembe District and that financial viability cannot always be used as a criterion for financially sustainable municipalities in South Africa. For this reason, the influence of the study originated from a different angle of scientific inquiry.

The study is crucial in determining whether municipal boundary decisions can address the challenge of financial viability. The study also imperatively reflected that there are a number of steps that the MDB and CoGTA could have taken to manage the demarcation process in a manner that could prevent disputes from the communities affected by the demarcation decision. This study explored the ability-to-pay theory in relation to achieving financial viability for struggling municipalities in South Africa. The theory and its implications for practice in relation to this study are based on the empirical findings, which suggest that residents must pay for services provided by the Vhembe District Municipality and the Thulamela and Makhado local municipalities. The practical implications of this study in relation to service delivery in the Vhembe District are that there are service delivery challenges in the Vuwani and Malamulele areas and that the revenue base is weak. In order to address this challenge, the communities should be encouraged to pay for services.

Another implication of the study is that there exists a large gap in the literature on Public Administration and Management regarding the causes of demarcation disputes in the Vhembe District. In addition, the study provided new insight into financial viability and municipal boundary demarcation and concluded that financial viability is not attained by reducing or increasing the number of municipalities. It is imperative to draw from the theory towards finding solutions for the restructuring of local government and spatial planning and to use empirical evidence to deal with service delivery challenges. Moreover, the villagers in the Vuwani area in particular who participated in the study

indicated that they were not consulted by the MDB when the decision was made to incorporate the Vuwani area villages into the Collins Chabane Local Municipality. The research finding in relation to lack of consultation on the part of the MDB was not, however, supported by evidence. The study findings reflected, however, that the approach employed by the MDB to deal with public consultation in demarcation matters is not adequate and the legitimacy around the approach suggests the need to strengthen it.

7.5 SCOPE FOR FURTHER RESEARCH

While the findings of the study were revealing and interesting, some limitations must be noted, which future research, in addition to furthering knowledge on municipal demarcation decisions on financial non-viability, could address. The scope for further research is provided in the following sub-sections. The sub-sections consist of the research methods and each of the research questions and objectives.

The research questions and objectives encompassed the main themes of the study, namely a discussion of the main causes of demarcation disputes in the Vhembe District and the origin of financial viability as a determinant for municipal demarcation in South Africa using scholarly literature and official documentation regarding the financial status of the Vhembe District Municipality and the Thulamela and Makhado local municipalities.

7.5.1 Future research with regard to research methods

In this study, data were collected by means of questionnaires, interviews, analysis of financial statements, documental analysis, and a literature review. The study followed the positivism and interpretivism research philosophies due to the complexity of the study and because municipal demarcation is a sensitive subject. In this regard, the complexities of municipal demarcation decision challenges necessitated that the

research be undertaken in an organised manner. To this end, future studies might address this limitation by emphasising the use of other philosophies.

7.5.2 Future research with regard to the causes of demarcation disputes in the Vhembe District

A credible study could comprise of what other strategies the MDB could employ to resolve demarcation disputes other than reversing the decision to incorporate the Vuwani area into the Collins Chabane Local Municipality. Related to the aforesaid, another avenue of future research is to identify or to clarify the difference between consultations and public meetings. In this regard, future research may explore what is adequate consultation and why the legislation is silent on the difference between public consultation and public meetings in relation to demarcation matters. CoGTA has the task to work with the traditional leaders in the Vuwani area to mediate the demarcation dispute and to find common ground on the matter. Therefore, it would be interesting to conduct research to determine why the villagers in Vuwani area would like to remain under the Makhado Local Municipality.

7.5.3 Future research on service delivery challenges in the Vuwani and Malamulele areas

In the Vhembe District of South Africa, with the increasing demand for public services and the scarcity of public financial resources to deliver the services, municipalities such as Thulamela and Makhado local municipalities face a burden to deliver quality uninterrupted services to the residents. Public Administration and Management scholars are therefore encouraged to further examine the relationship between service delivery protests and demarcation protests. Although this study found that there are service delivery challenges in the Vuwani and Malamulele areas, it is not clear whether the initial protests by the Malamulele area residents to demand a stand-alone municipality were because of service delivery challenges. Future research may shed light on the matter.

Finally, more questions that are fundamental also emerged that necessitate further research and inquiry, namely:

- Did the traditional leaders in the Vuwani area influence the villagers to object to the MDB's decision to incorporate the eight villages into the Collins Chabane Local Municipality?
- Why did the Minister of CoGTA rely on financial viability to effect municipal boundary changes in the Vhembe District?
- Is it possible for the MDB to reverse the demarcation decision to accommodate the Vuwani area's eight villages that are opposed to the demarcation decision?
- How best can financial viability for rural municipalities be achieved without effecting boundary changes?

In this study, the deductions and inferences constituted the contextualisation of the concept of financial viability and the relationship municipal redetermination has in the Vhembe District. The MDB and CoGTA ought to overhaul the approach to municipal boundary demarcation in areas where it would not be feasible to achieve financial viability through demarcation. Whether or not such an approach is realised depends significantly on CoGTA, National Treasury, and the MDB revisiting the approach to addressing the financial challenges of municipalities in South Africa.

As the discipline of Public Administration and Management continues to develop and evolve, theories, models, principles, and restructuring of local government continue to be redefined according to the UN's principles on good governance and to embrace the vision of the NDP on the aspect of spatial planning. There is a need to continue exploring, discovering, and probing the concept of financial viability and the relevance of this concept to municipal boundary demarcation, which is a complex and thorny issue. In addition, the literature and the analysis of the financial statements of the Thulamela and Makhado local municipalities and the Vhembe District Municipality, as well as the responses from officials, found no relationship between municipal boundary demarcation and financial viability.

Furthermore, this study demonstrated that the location of the newly established Collins Chabane Local Municipality was the main reason for demarcation disputes in the Vhembe District. In order to achieve the objectives of the NDP, with specific reference to spatial planning overhaul, it is important to develop a new approach to the

restructuring of local government by considering the many other factors outlined in the Demarcation Act when effecting boundary changes. It is thus anticipated that the discussions, findings, and recommendations of this study will assist the current Minister of CoGTA and the MDB to better manage the reaction to outcomes of demarcation decisions in South Africa.

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Annexure A: Household Questionnaire

University of South Africa (UNISA)
Department of Public Administration and Management

Field of study:
Doctor of Philosophy in Public Administration and Management

Year: 2018

Questionnaire for research title:

Analysis of Municipal Demarcation on Financial Non-Viability of the Vhembe District
Municipality

Personal details:

Surname: Raseala

Name(s): Promise Sibusiso

Student number: 51826704

Contact details:

Tel. No.: +27 12 429 6996

E-mail Address: raseala.raseala@gmail.com

Promoter: Prof LL Luvuno

General Introduction

Dear respondent,

My name is ***Promise Sibusiso Raseala*** and I am a Doctoral candidate in the Department of Public Administration and Management at the University of South Africa. Currently, I am undertaking my thesis fieldwork for the partial fulfilment of the degree of Doctor of Public Administration and Management entitled as “Analysis of *Municipal Demarcation on financial non-viability of the Vhembe District Municipality*”. The research is conducted under the supervision of Prof Londolozza Leo Luvuno, from the Department of Public Administration and Management in University of South Africa.

Regard to ethical issues that guide this study, the researcher pledges strict adherence to ethical conduct as it applies to academic research projects in higher educational institutions in South Africa. Specifically, participation is voluntary and there is no penalty or loss of benefit for non-participation. Hence, you, as a respondent of this study, have the right to withdraw your participation in the study at any time without negative consequences. Your response is entirely confidential and anonymous. Results are only used on an aggregated level, hence, it will not affect you in person. Furthermore, there are no potential risks anticipated with partaking in this study. The researcher strongly believes that the findings of this study will have contribution in the future municipal demarcation decisions in South Africa. Thus, your genuine and timely response is highly appreciated.

This survey has four sections. The first section consists of the socio-demographic information which reflects on the respondent, while the second section aims to examine the causes of demarcation disputes in Vhembe District Municipality. The third section focuses on examination of the extent to which the villagers were consulted in the demarcation decision process, followed by the fourth section which assesses the level of service provision and possible challenges in Vhembe District Municipality.

Thank you in advance for the available information you are sharing and the precious time you are going to spend for this study.

Biographical Information

Please give your response to all the questions under this section by putting a tick mark (✓) at one or more boxes where appropriate.

1. What is your gender?		<input type="checkbox"/> Male	<input type="checkbox"/> Female
2. What is your age group?			
<input type="checkbox"/> 18-30	<input type="checkbox"/> 31-40	<input type="checkbox"/> 41-50	<input type="checkbox"/> 51-60
3. What is your highest level of education?			
No schooling / primary school			
Secondary schooling			
Diploma			
Degree			
Master's and above			
Other (please specify)			
4. What is your current employment status?			
Employed full-time			
Employed part-time			
Unemployed			
Pension, Housewife at home, Permanent sick or disabled			
Student			
Other (please specify)			
5. What language(s) do you mainly speak at your household?			
English			
Xitsonga			
Tshivenda			
Northern Sotho / Sepedi			
Other (please specify)			
6. Can you speak any other language (s)? please specify?			
		<input type="checkbox"/>	No <input type="checkbox"/>
		Yes	

OBJECTIVE 1: Investigate the causes of demarcation disputes in Vhembe District Municipality

Please give your response to all the questions under this section by either putting a tick mark (√) at the choice that best describes the question asked or by writing on the space provided.

7. Which of the following do you think are the causes of demarcation disputes in your area?	
Fear of the unknown-contesting for positions	
Fear of being led by Tsonga/Venda speaking people	
Lack of knowledge for the locality of the new Municipal offices	
Community service delivery programmes and developments	
Anticipation of losing business opportunities	
Minimum job opportunities for Venda/Tsonga speaking people	
No services will be taken to Venda/Tsonga speaking people	
The new Municipality will be situated in Malamulele	
Other (please specify)	
8. Of the causes which you have indicated above, please indicate which ones are of more importance? Please specify	

OBJECTIVE 2: Investigate the extent to which villagers were consulted in demarcation decision process.	
9. Were you consulted by the Municipal Demarcation Board on demarcation matters?	<input type="checkbox"/> Yes <input type="checkbox"/> No
10. If “Yes” did the Municipal Demarcation Board consult you on the following:	<input type="checkbox"/> Yes <input type="checkbox"/> No
Your choice of municipality to be located	<input type="checkbox"/> Yes <input type="checkbox"/> No
On how demarcation would affect how you are relating with other communities around you?	<input type="checkbox"/> Yes <input type="checkbox"/> No
On how many villages will be laid-out in the new municipality?	<input type="checkbox"/> Yes <input type="checkbox"/> No
On how employment issue will be dealt with in the new municipality?	<input type="checkbox"/> Yes <input type="checkbox"/> No
On how commuting and dominant transport movements?	<input type="checkbox"/> Yes <input type="checkbox"/> No
On the use of amenities, recreational facilities and infrastructure?	<input type="checkbox"/> Yes <input type="checkbox"/> No
On areas of traditional rural communities (for example which traditional authority or chief you would like to fall under)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Whether public meetings were held on demarcation issues?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Was the venue to the public meetings accessible?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Were you notified about the time of the meetings?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Which medium of communication was used by the Municipal Demarcation Board for notification for public meetings?	<input type="checkbox"/> Radio Newspaper <input type="checkbox"/> <input type="checkbox"/> Television Letter <input type="checkbox"/> <input type="checkbox"/> Word of mouth <input type="checkbox"/> Other (please specify)

14. Which access to piped water does your household use?		
Piped (tap) water inside dwelling.		
Piped (tap) water inside on community stand: distance less than 200 m from dwelling.		
Piped (tap) water inside yard		
Piped (tap) water on community stand: distance between 200 m and 500 m from dwelling.		
Piped (tap) water on community stand: distance between 500 m and 1000 m (1 km) from dwelling		
Piped (tap) water on community stand: distance greater than 1000 m (1 km) from dwelling.		
No access to piped (tap) water.		
15. Are you paying for water services?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
16. Which source of energy does your household use for cooking?		
Electricity		
Paraffin		
Coal		
Solar		
Gas		
Wood		
Animal dung		
Other (please specify)		
17. Are you paying for electricity?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
18. Which source of energy does your household use for lightning?		
Electricity		
Paraffin		
Solar		
Gas		
Candles		

Other (please specify)		
19. How is refuse being removed at your household?		
Removed by local authority/private company less often		
Removed by local authority/private company at least once a week		
Own refuse dump		
Communal refuse dump		
No rubbish disposal		
20. Are you paying for refuse removal?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
21. Are you paying municipal rates in your area?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
22. What can motivate you to pay municipal rates?	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	
23. What toilet facilities does your household use?		
Flush toilet (connected to sewage system)		
Flush toilet (with septic tank)		
Chemical toilet		
Pit toilet with ventilation		
Pit toilet without ventilation		
Bucket toilet		
Other (please specify)		

24. What type of main dwelling structure by wall construction material have your household used?	
Brick	
Wood	
Cement block/ concrete	
Corrugated iron/ zinc	
Plastic	
Cardboard	
Mud & cement mix	
Mud	
Thatch or Grass	
Asbestos	
Other (please specify)	
25. What type of main dwelling does your household use?	
House or brick/concrete block structure on a separate stand or yard or on a farm	
Traditional dwelling/hut/structure made of traditional materials	
Flat or apartment in a block of flats	
Cluster house in a complex	
Informal dwelling (shack; not in backyard; e.g. in an informal/squatter settlement or on a farm)	
Informal dwelling (shack; in backyard)	
House/flat/room in backyard	

Other (please specify)	
26. How much distance does your household resides from the clinic or health facility?	
500 m	
1 km	
5 km	
10 km	
20 km	
More than 20 km	
27. What type of road infrastructure does your household have access to?	
Gravel road	
Tarred road	
No road	

END

THANK YOU FOR YOUR PARTICIPATION!!

Annexure B: Key Informant Interview Guide

University of South Africa (UNISA)
Department of Public Administration and Management

Field of study:

Doctor of Philosophy in Public Administration and Management

Year: 2017

Questionnaire for research title:

Analysis of Municipal Demarcation on financial non-viability of the Vhembe District Municipality

Personal details:

Surname: Raseala

Names: Promise Sibusiso

Student number: 51826704

Contact details:

Tel. No.: +27 12 429 6996

E-mail Address: raseala.raseala@gmail.com

Promoter: Prof LL Luvuno

General Introduction

Dear respondent,

My name is ***Promise Sibusiso Raseala*** and I am a Doctoral candidate in the Department of Public Administration and Management at the University of South Africa. Currently, I am undertaking my thesis fieldwork for the partial fulfilment of the degree of Doctor of Public Administration and Management entitled as “*Analysis of Municipal Demarcation decision on financial non-viability of the Vhembe District Municipality*”. The research is conducted under the supervision of Prof Londolozza Leo Luvuno, from the Department of Public Administration and Management in University of South Africa.

Regard to ethical issues that guide this study, the researcher pledges strict adherence to ethical conduct as it applies to academic research projects in higher educational institutions in South Africa. Specifically, participation is voluntary and there is no penalty or loss of benefit for non-participation. Hence, you, as a respondent of this study, have the right to withdraw your participation in the study at any time without negative consequences. Your response is entirely confidential and anonymous. Results are only used on an aggregated level, hence, it will not affect you in person. Furthermore, there are no potential risks anticipated with partaking in this study. The researcher strongly believes that the findings of this study will have contribution in the future municipal demarcation decisions in South Africa. Thus, your genuine and timely response is highly appreciated.

This interview has two sections. The first section consists of the socio-demographic information which reflects on the respondent, and the second section aims to investigate whether municipal redetermination in Vhembe District Municipality addressed the challenge of financial non-viability.

Thank you in advance for the available information you are sharing and the precious time you are going to spend for this study.

RESPONDENTS

The key informant interviews targets municipal officials from the following five (5) department(s) within the Vhembe District Municipality; Department of Budget and Treasury, Community Services, Department of Water Services and Department of Infrastructure Development and Department of Development Planning.

GUIDELINES

Be rest assured that the information gathered during this study will be treated as highly confidential as possible in accordance with the UNISA College of Economics and Management Sciences Research Ethics Committee and as such the anonymity and dignity of the respondents will be protected. Please be kindly informed that the value of this interview depends entirely on your honesty and your co-operation would be highly appreciated.

PROCESS

Before data collection process starts, your informed consent will be sought to conduct the study. As a respondent, you will be asked to consent to recording and transcription of the primary data obtained. The interviewer will take notes during the interview process.

COMMUNICATION

The mode of communication is verbal. The interview will ask questions in order to find out opinions and ideas of the sampled research participants about the issues under study.

Biographical Information

Please give your response to all the questions under this section by putting a tick mark (✓) at one or more boxes where appropriate.

4. What is your gender?		<input type="checkbox"/> Male	<input type="checkbox"/> Female
5. What is your age group?			
<input type="checkbox"/> 18-30	<input type="checkbox"/> 31-40	<input type="checkbox"/> 41-50	<input type="checkbox"/> 51-60
6. What is your highest level of education?			
No schooling / primary school			
Secondary schooling			
Diploma			
Degree			
Master's and above			
Other (please specify)			
4. What is your current employment status?			
Employed full-time			
Employed part-time			
Unemployed			
Pension, Housewife at home, Permanent sick or disabled			
Student			
Other (please specify)			

Please give your responses under this section by filling in on the spaces provided on each question. Where applicable you may provide a yes or no response on the spaces provided.

OBJECTIVE 1: Investigate whether municipal redetermination in Vhembe District Municipality addressed the challenge of financial non-viability.

<p>6. Is the municipality able to generate enough cash to pay its debts?</p> <p>6.1 If no, why is it so?</p> <hr/> <hr/> <hr/> <hr/>	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>
<p>7. Is the municipality able to live within its allocation?</p> <p>7.1 If no, why is it so?</p> <hr/> <hr/> <hr/> <hr/> <hr/>	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not Know <input type="checkbox"/>
<p>8. Is the municipality able to manage within its revenue sources without creating a deficit?</p> <p>8.1 If no, why is it so?</p> <hr/> <hr/> <hr/> <hr/>	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>

9. Does the municipality earn interest from the following?		
9.1 External investments	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>
9.2 Outstanding debtors	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>
9.3 Dividends received	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>
9.4 Fines	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>
9.5 Licences and permits	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>
9.6 Income for agencies services	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>
9.7 Rental of facilities and equipment	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>

9.8 Bad debt recovered	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>
9.9 Public contributions and donations	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>
9.10 Gains on the disposal of property, plant and equipment	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>
10. Does the municipality get grants and subsidies from the following?		
10.1 National Government	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>
10.2 Provincial Government	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>
10.3 Other Spent conditional grants	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>
11. Does the municipality get income from rates from the following?		

11.1 Residential	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>
11.2 Commercial/business	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>
11.3 State	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>
11.4 Other (including agricultural, municipal)	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>
12. Is the municipality charging residents for refuse removal?	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>
13. Is the municipality charging municipal rates to the residents?	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>
14. Does the municipality charges for water provision to the residents?	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>

16. Does the municipality charges for sewerage and sanitation?	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>
17. Does the municipality charges for provision of electricity?	<input type="checkbox"/> Yes	<input type="checkbox"/> No Do not know <input type="checkbox"/>

18. What is the district municipality's ratio of cash to overdue revenue?

19. What is the district municipality's ratio of current assets to current liabilities?

20. What is the district municipality's ratio of total assets to liabilities?

21. What are the district municipality's human resource capability and the percentage of personal costs over the entire operating budget?

22. What are the municipality's sources and types of revenues?

END

THANK YOU FOR PARTICIPATION!!

Annexure C: University of South Africa Ethical Clearance



DEPARTMENT: PUBLIC ADMINISTRATION AND MANAGEMENT
RESEARCH ETHICS REVIEW COMMITTEE

Date: 15 August 2018

Ref #: PAM/2018/020 (Raseala)
Name of applicant: Mr PS Raseala
Student#: 51826704

Dear Mr Raseala

Decision: Ethics Clearance Approval 15 August 2018 to 14 August 2021

Researcher: Mr PS Raseala, student#: 51826704, raseaps@unisa.ac.za,
tel: 073 317-2019
[Supervisor: Dr LL Luvuno, tel: 012 429-4360, luvunli@unisa.ac.za]

Research project 'Analysis of Municipal Demarcation decision on Financial non-viability of the Vhembe District Municipality' **Qualification:** PhD (Public Administration)

Thank you for the application for **research ethics clearance** by the Department: Public Administration and Management: Research Ethics Review Committee, for the above mentioned research. Ethics approval is granted for the period **15 August 2018 to 14 August 2021**. If necessary to complete the research, you may apply for an **extension** of the period.

The decision will be tabled at the next College RERC meeting for notification/ratification.

For full approval: The low risk application was **expedited and reviewed** in compliance with the *Unisa Policy on Research Ethics* and the *Standard Operating Procedure on Research Ethics Risk Assessment* by the RERC on 15 August 2018.

The proposed research may now commence with the proviso that:

- 1) The researcher will ensure that the research project adheres to the values and principles expressed in the Unisa Policy on Research Ethics.
- 2) Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study, as well as changes in the methodology, should be communicated in writing to this Ethics Review Committee.



University of South Africa
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PO Box 392 UNISA 0003 South Africa
Telephone: +27 12 429 3111 Facsimile: +27 12 429 4150
www.unisa.ac.za

- 3) The researcher will conduct the study according to the methods and procedures set out in the approved application.
- 4) Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of participants' privacy and the confidentiality of the data, should be reported to the Committee in writing, accompanied by a progress report.
- 5) The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study, among others, the **Protection of Personal Information Act 4/2013**; **Children's Act 38/2005** and **National Health Act 61/2003**.
- 6) Only de-identified research data may be used for secondary research purposes in future on condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data requires additional ethics clearance.
- 7) Field work activities **may not** continue after the expiry date given. Submission of a completed research ethics progress report will constitute an application for renewal of Ethics Research Committee approval.

Note:

The reference number PAM/2018/020 (Raseala) should be clearly indicated on all forms of communication with the intended research participants, as well as with the Committee.

Yours sincerely,



Dr C Alers
Chairperson:
Research Ethics Review Committee
Office tel. : 012 429-6286
E-mail : alersc@unisa.ac.za



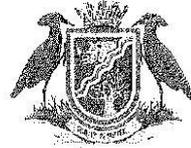
Prof MT Mogale
Executive Dean:
College of Economic and Management Sciences
E-mail : mogalmt@unisa.ac.za



Annexure D: Vhembe District Municipality Approval

VHEMBE DISTRICT MUNICIPALITY

PRIVATE BAG X5006, THOHOYANDOU, 0950
TEL: 015 960 2000, FAX: 015 962 1017
Website: www.vhembe.gov.za



Ref: 4/4

Enq: Maphalaphathwa L.N

Date: 17 August 2017

ATTENTION: Mr Raseala P

RE: APPLICATION TO CONDUCT ACADEMIC RESEARCH: YOURSELF.

1. Your application dated 13 March 2017 refers.
2. It is with pleasure to inform you that your request mentioned above is hereby granted to you.
3. Please contact HR Manager at 015 960 2097/ 072 238 9895 in order to arrange the starting date.
4. Should there be anything you need clarity on, feel free to call our office at 015 960 3558.

Kind Regards



MUNICIPAL MANAGER
MR RAMBADO M.R

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DATE