

**ASSESSING THE EFFECTIVE MANAGEMENT OF THE ALLOCATED FUNDING
FOR THE PROVISION OF FREE BASIC SERVICES IN POLOKWANE LOCAL
MUNICIPALITY**

by

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DEDICATION

This dissertation is dedicated to my late mother, Ms Salaminah Majola, who always supported and believed in me and taught me to be the responsible man, husband and father I am today. I also dedicate this dissertation to my wife, Thandi Moatshe, and my sons, Oakantswe and Phetagatso, for their love and continuous support during my studies; you have played a huge role in my life to get me to this point and I will cherish you forever.

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DECLARATION

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I declare that the above dissertation is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

SIGNATURE

DATE

UNIVERSITY OF SOUTH AFRICA

KEY TERMS DESCRIBING THE TOPIC OF THE DISSERTATION

Assess, Effectiveness, Free Basic Services, indigent, poor, funding, Polokwane Local Municipality, planning, prioritisation, budgeting, implementation, impact, monitoring and review.

ABSTRACT

Most households from rural areas did not have access to basic municipal services prior to the advent of democracy in 1994. The most affected were those from the former homelands and deep rural areas from the former South Africa. Hence, since 1994, the South African government has inherited huge infrastructure backlogs which affect effective delivery of basic municipal services, particularly Free Basic Services (FBS), to alleviate the plight of the rural and poor communities.

Municipalities have to be self-sustainable for effective service delivery, even though their revenue base is such that they cannot generate enough income to maintain, extend and sustain basic services. Yet, they are mandated by the Constitution of the Republic of South Africa, 1996 to deliver services to all communities within their areas of jurisdiction, irrespective of whether the beneficiaries of the services contribute to their revenue. For this reason, the national government has committed in the Constitution to allocate funding to municipalities through the equitable share allocations to subsidise the costs of providing FBS to indigent households. However, the impact of the FBS programme on indigent households in the Polokwane Local Municipality has not been significant, given the effective management of the programme. Hence, this study was conducted at the Polokwane Local Municipality to establish the effectiveness of the management of the funding allocated for the provision of FBS.

The primary aim of the study was to determine the extent to which the Polokwane Local Municipality effectively manages the provision of FBS and the related funding to establish deficiencies in the system, with a view to improve the effectiveness of FBS delivery to indigent households. The data comprised responses to a questionnaire, semi-structured interviews, documents and studies conducted at the Polokwane Local Municipality.

The study highlighted that the Polokwane Local Municipality has developed an indigent policy for the implementation of the FBS programme; however, it is only applied in urban or established areas, thus only covering Polokwane city, Seshego and Westernburg out of a possible 265 settlements. Proper planning is also only done around these three areas, while estimations are made for rural areas or villages in terms of targeted households and budgets. Furthermore, National Treasury provided more than three times

the funding budgeted by the municipality to fund the FBS programme. This suggests that the rest of the funds allocated for FBS delivery were used for municipal operations rather than for benefitting indigent households. Therefore, it can be concluded that the Polokwane Local Municipality does not manage the funding allocated for FBS effectively, given the limitations in the registration of indigent households as well as the planning, budgeting and implementation of the FBS programme. Finally, the study could not establish whether the municipality is making any impact on the lives of the indigent households as the municipality has not assessed the impact of the FBS programme on the indigent households since the inception of the programme in 2000.

The study will enable the development of proposals and recommendations which can assist in improving the effectiveness of the Polokwane Local Municipality's management of funding allocated for the provision of FBS.

Keywords: Assess, Effectiveness, Free Basic Services, indigent, poor, funding, Polokwane Local Municipality, planning, prioritisation, budgeting, implementation, impact, monitoring and review.

ABBREVIATION/ACRONYMS

ANC: African National Congress
BTO: Budget and Treasury Office
CDW: Community Development Worker
CoGTA: Department of Cooperative Governance and Traditional Affairs
Cosatu: Congress of South African Trade Unions
CWP: Community Works Programme
DCoG: Department of Cooperative Governance
DEA: Department of Environmental Affairs
DoE: Department of Energy
Dora: Division of Revenue Act 10 of 2014
DPLG: Department of Provincial and Local Government
DPSA: Department of Public Service and Administration
DWAF: Department of Water Affairs and Forestry
DWS: Department of Water and Sanitation
EPWP: Extended Public Works Programme
FBAE: Free Basic Alternative Energy
FBE: Free Basic Electricity
FBRR: Free Basic Refuse Removal
FBS: Free Basic Services
FBSan: Free Basic Sanitation
FBW: Free Basic Water
IDP: Integrated Development Plan
MFMA: Municipal Finance Management Act 56 of 2003
MIG: Municipal Infrastructure Grant
PMI: Project Management Institute
SABS: South African Broadcasting Corporation
SDBIP: Service Delivery and Budget Implementation Plan
SERI: Socio-Economic Rights Institute of South Africa
Unisa: University of South Africa
VIP: Ventilated Improved Pit Latrine
WRC: Water Research Commission

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CHAPTER 1

INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

The main aim of this study is to assess the Polokwane Local Municipality's effectiveness in delivering Free Basic Services (FBS), with an emphasis on the management of the funding allocated for the delivery of FBS. In establishing the effectiveness, the study also looks at the planning and prioritising of community needs for these services, allocation of the resources, and the operation and maintenance for sustainable service delivery. Furthermore, the study seeks to identify the objectives and benefits of ensuring effectiveness in FBS delivery, identify the general challenges encountered in the implementation of the FBS programme, make recommendations to improve its implementation and suggest areas for further research.

Against this background, this introductory chapter covers the definition of the concepts, background and rationale for the study, statement of the problem, research aim and objectives, research questions, conceptual framework, scope of the study, conceptualisation of the key concepts, hypothesis of the research study, and research design and methodology. It also provides a basic layout of the six chapters of this study.

1.2 BACKGROUND AND RATIONALE

Prior to 1994, the South African government only provided a particular segment of the population, consisting mainly of the white minority, with basic services. Thus, the apartheid government made excessive investments in the infrastructure that served mainly the white minority and maintained the apartheid state. In doing so, consumption expenditure on education, healthcare, housing, municipal services and welfare for the majority of the population was sacrificed to facilitate the development of infrastructure for a privileged minority, an extractive economy and a security state (South Africa, 2015b:104). Africans in general were not only excluded from the mainstream economy, but were also denied access to basic municipal services to satisfy their daily needs.

Since 1994, when South Africa became a democratic country with the end of apartheid, the situation has been changing. With these changes came the adoption of a new constitution which guaranteed everyone equal rights. The implications of such rights mean that the government of the day must address the imbalances established as part of the apartheid system to ensure that all South African households have access to the services provided by municipalities, including water, sanitation, electricity and refuse removal, to the extent determined by the different sector policies, irrespective of their socio-economic circumstances.

However, the sustainability of the services depends on how effectively the services are provided. Unfortunately, there were major backlogs on these services in the African communities which required the government to adopt a policy to speed up the delivery of services to the affected communities. As a result, the government adopted a FBS policy, together with the FBS programme, in 2000 to address the services needs within the poor communities and ensure that they also have access to Free Basic Water (FBW), Free Basic Electricity (FBE), Free Basic Sanitation (FBSan) and Free Basic Refuse Removal (FBRR).

The provision of these services, however, required funding, both for the development of infrastructure and the operationalisation of the programme. As a result, the national government, through National Treasury, allocated funds to municipalities through the Municipal Infrastructure Grant (MIG) and the equitable share transfers to fund infrastructure development, capacity building and operations and maintenance for the delivery of services to communities within their municipal areas, especially to the poor.

It was expected that these services would be implemented immediately following the adoption of the FBS policy; however, only FBW was implemented in 2001, followed by FBE in 2003. The Free Basic Sanitation Implementation Strategy was adopted in 2008, but was only rolled out as a pilot programme in selected municipalities by the then Department of Water Affairs and Forestry (DWAF). This was mainly due to the extent of funding required to implement the different service levels for sanitation. FBRR was only adopted in 2011 by the Department of Environmental Affairs (DEA) and has not yet been implemented by the majority of municipalities due to a lack of infrastructure to provide this service, especially to the poor, rural areas. Therefore, the

provision of FBS to indigent households by municipalities is still ineffective, even eighteen years after the government announced a policy on the provision of these services.

While the challenges to the provision of FBS can be attributed to poor governance, the lack of financial resources and/or poor financial management have also played a major role. This is due to the fact that these services would have been cross-subsidised by high-end consumers to complement the funding allocated to the municipalities through the local government equitable share to lessen the burden on municipal finances. Such cross-subsidisation simply means that high-end consumers would be charged a higher tariff to subsidise the consumption of basic services by indigent households for municipalities to sustain the delivery of these services. It should be applied in such a way that it does not put a burden on the paying consumers to the extent that they too cannot afford to pay for the services. The researcher will, therefore, seek to establish the effectiveness with which the Polokwane Local Municipality provides FBS, including the management of the funding allocated for the provision of the services.

The rationale for this study is premised on the fact that the majority of people in South Africa live below the poverty line, with unemployment at an all-time high. Indeed, the study conducted by Statistics South Africa (2014:14) found that, in 2011, a total of 16.3 million South Africans lived below the poverty line. As such, it is important that poverty alleviation be placed high on the government's agenda for service delivery. As indicated above, the government has since come up with social support programmes that seek to provide relief to the poor. These programmes include, among others, old age pensions, social grants, housing, free education, free health services and FBS. FBS has drawn interest from academics and researchers alike, with a number of reports and studies being conducted on the provision of these services. The review in this case looks at the existing reports and research studies on the provision of FBS and the extent to which these studies and reports addressed the financial management in the provision of FBS and/or how their findings contributed to the effectiveness of the provision of FBS.

One such study was conducted by the Socio-Economic Rights Institute of South Africa (SERI) in 2013. This research report provides an overview of the law and policies

relevant to FBS and municipal indigent policies in South Africa. It also details the regulations and strategies of FBS and examines the policy framework and implementation guidelines for municipal indigent policies. The report further highlights the numerous problems encountered with the implementation of indigent policies and the provision of FBS, including targeting methods of FBS, municipal systems of indigent application, conditionalities attached to the indigent status and FBS, and FBS amounts provided (SERI, 2013:10). SERI's report further states that, in 2009, after the Department of Provincial and Local Government (DPLG) was restructured into the Department of Cooperative Governance and Traditional Affairs (CoGTA) and there was institutional realignment, the FBS programme "collapsed" (SERI, 2013:27). As a result, there had been poor FBS coordination by the national department, poor FBS facilitation by the provinces (with dysfunctional or non-existent FBS provincial forums in some provinces) and poor FBS coordination structures at the municipal level (SERI, 2013:27). This lack of oversight from the national and provincial government resulted in the ineffective delivery of FBS at the local government level.

The other studies conducted on the FBS programme were rather specific to a particular service, rather than covering all of FBS, and, to a certain extent, covered the cost of providing such services. One such study was published by the Water Research Commission (WRC) in 2009, with a focus only on FBSan (Mjoli, Sykes & Jooste, 2009:58). The limitation of Mjoli *et al's* study in relation to this research is that the topic on FBS funding was limited to the funding required to provide the infrastructure for the provision of FBSan and the cost of ensuring access provided through the equitable share allocation and municipal funding, while it did not cover other services within the FBS programme.

Given the above, municipalities were then required to develop appropriate systems, processes and procedures for effective delivery of basic services, including FBS.

1.3 STATEMENT OF THE PROBLEM

In as much as the government has developed policies and legislation and put institutional arrangements and systems in place to provide FBS and there is literature available in this regard, until the date hereof, no literature has been published

providing information on the effect of the funding on the provision of FBS, including the effectiveness of the system developed to implement the FBS programme. The national government provides funding for FBS based on a formula determined by, among others, the number of indigent households within a municipality and the services backlogs. However, in a number of community meetings I attended as an official of the then Department of Provincial and Local Government, it was determined that everybody was not receiving these services. While there are good examples of municipalities who have developed systems for the delivery of FBS, these are exceptions rather than the norm. The majority of municipalities are still struggling to institutionalise the provision of these services due to a variety of reasons. The government has, over the years, allocated funding to the municipalities for the provision of FBS, but its effect has not been visible. The effectiveness of FBS in this context is thus measured by the effectiveness of the municipalities' planning, the development of systems supporting the implementation of such plans and the allocation and management of the resources provided to implement the plans.

1.4 RESEARCH AIM AND OBJECTIVES

The primary aim of this study is to determine the extent to which the Polokwane Local Municipality effectively manages the provision of FBS and the related funding.

The objectives to be addressed during this study are thus establishing:

- a) The effectiveness of the planning and prioritising of the needs in the delivery of FBS;
- b) The effect of municipal funding and its adequacy to fund FBS delivery;
- c) How the municipality prioritises and allocates resources for the delivery of municipal services;
- d) The impact of the municipal plans and priorities in ensuring effectiveness in the use of the resources and the delivery of municipal services;
- e) The trends in FBS delivery over three financial years; and
- f) The challenges and areas of improvement in the delivery of FBS.

1.5 RESEARCH QUESTIONS

To address the above objectives, the study will seek to address the following questions:

- a) How effective is the planning and prioritisation of the community needs in the delivery of FBS?
- b) What is the effect of municipal funding and its adequacy to fund FBS delivery?
- c) How does the municipality prioritise and allocate resources for the delivery of municipal services?
- d) What is the impact of the municipal plans and priorities in ensuring effectiveness in the use of the resources and the delivery of municipal services?
- e) What have the trends in FBS delivery over three financial years been?
- f) What challenges are experienced and what areas of improvement are there in the delivery of FBS?

1.6 CONCEPTUAL FRAMEWORK

With the advent of democracy in 1994, the government adopted an inclusive approach in which all people living in South Africa would have access to basic services, irrespective of their socio-economic status. This commitment was cemented in the Constitution of the Republic of South Africa, 1996, Chapter 2 on the Bill of Rights (South Africa, 1996). The idea of FBS per se was conceptualised by the African National Congress (ANC) (1994) through its *Reconstruction and Development Programme*, as an acknowledgement of the socio-economic challenges faced by the majority of South Africans. Thus, the ANC committed itself to guaranteeing everyone a minimum level of service to improve their social wellbeing. Chapter 2 of the Constitution is a reflection of the ANC's *Reconstruction and Development Programme* on the commitment to improve the lives of indigent households.

In 2000, six years after the ANC came to power, the ruling party announced the government's intent to provide indigent households with FBS. As such, the then DPLG

was tasked with the responsibility of coordinating the provision of the FBS programme. To this end, in 2005, the DPLG developed the Indigent Policy Framework and Implementation Guidelines (South Africa. DPLG, 2005b) to guide the national, provincial and local government institutions in the development of their sector specific policies and strategies for the provision of FBS.

1.7 SCOPE OF THE STUDY

The focus of the study is the effectiveness of FBS delivery by the Polokwane Local Municipality. The effectiveness was determined by the different steps taken by the municipality in the delivery of these services, ranging from planning and prioritising the community needs; allocating resources for the delivery of FBS; assessing the impact of the planning and relevance of the priorities in addressing the community needs for FBS; considering the trends in the delivery of FBS over three financial years; and establishing the challenges and areas of improvements. The scope of this study is set within the following geographical, hierarchical and time parameters.

1.7.1 Geographical Dimensions

The geographical dimension sets the specific geographical boundaries of the study. As indicated in the title to this dissertation, this study is limited to the Polokwane Local Municipality. Hence, the geographical units of this study include the different departments within the municipality which have an explicit role in the delivery of FBS. These units are the planning department, technical department and finance department as well as the municipal manager's office, which takes overall accountability for the delivery of the services.

1.7.2 Hierarchical Dimensions

This study is limited to the experiences of the managers and their officials with regard to the effectiveness in planning and identifying the community needs for FBS delivery, the allocation and adequacy of the resources to support FBS delivery, the assessment of the performance trends over three years, the challenges experienced in their day-to-day operations, and their views on the areas requiring improvements.

1.7.3 Time Dimensions

This study is limited to three municipal financial years, starting on 1 July 2013 and ending on 30 June 2016, being the 2013/14, 2014/15 and 2015/16 financial years. An analysis of the allocation of the resources over these years and the performance trends will provide a fair indication of the effectiveness of FBS delivery.

1.8 CONCEPTUALISATION OF KEY CONCEPTS

Defining the concepts makes it clearer and easier to understand the meanings and context in which the concepts are used. To limit confusion, the key terms and abbreviations are listed below.

1.8.1 Free Basic Services

According to the CoGTA website, FBS is defined as the minimum amount of services provided on a day-to-day basis, sufficient to cover or cater for the basic needs of indigent households (South Africa. CoGTA, 2014). Various sector departments have set minimum norms and standards, outlining basic levels of services or quantity to be supplied to the indigents with regard to water, electricity, sanitation and refuse removal.

1.8.2 Indigent versus Poor

According to Vocabulary.com (no date), an indigent person is extremely poor, lacking the basic resources of a normal life, while being poor describes having little of something. Often, the indigent lack not only money, but also homes. For the purpose of this study, the two terms are used interchangeably.

1.8.3 Effectiveness

According to Vijay Luthra and Business Dictionary.com (2018), effectiveness means the degree to which objectives are achieved and the extent to which targeted problems are solved. In contrast to efficiency which means doing something while considering the costs, effectiveness means "doing the right thing" and is determined without reference to costs.

1.9 HYPOTHESIS OF THE RESEARCH STUDY

The available literature shows that municipalities can have effective systems in place for the provision of FBS, but the availability of funding and how they plan and manage their financial resources allocated for these services determine their success or failure. The assumption can, therefore, be made that when the funding allocated for the provision of FBS is adequate, the ineffective implementation of the programme is due to poor planning and poor financial management by the municipalities. This study will thus highlight the facts regarding the planning and management of the resources allocated for the provision of FBS and the limitations and/or gaps in the system developed to implement the FBS.

1.10 RESEARCH METHODOLOGY

This section discusses the research methodology in relation to the research design, the area of study and the characteristics of the population of the research. It furthermore outlines the methods used in collecting and analysing the data and the research procedure as well as the ethical considerations and limitations that could be encountered while conducting the research.

1.10.1 Research Design

Burns and Grove define a research design as “a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings” (2003:195). Designing a research thus helps the researcher plan and implement the study in such a way that the intended results can be obtained, thus increasing the chances of obtaining information that could be associated with the real situation. Given that this study seeks to understand the effectiveness in the planning, prioritisation and delivery of municipal services, with the focus on effectiveness within the Polokwane Local Municipality, the overall plan for obtaining the answers to the research questions will include the collection, collation and analysis of the existing data as well as interviews with the identified participants within the municipality.

1.10.2 Procedure for Data Collection

The researcher will send a letter to the relevant municipal managers of the sample municipality, requesting permission to conduct the research on the municipality, pertaining to the planning, allocation and management of the funding for the provision of FBS. In addition, a questionnaire will be sent to the relevant officials, requesting information and highlighting the purpose for which the information will be used. With regard to the national and provincial sample institutions, it should be noted that no interactions will be undertaken with them, even though the researcher will consult the legislation, policies and guidelines developed by these institutions for municipalities with regard to FBS management.

1.10.3 Sample Size

A simple, random sampling was used to select the targeted municipality. According to Easton and McColl (1997), such a sampling is a basic sampling technique in which a group of subjects (a sample) is selected for a study from a larger group (a population). Each individual is chosen entirely by chance and each member of the population has an equal chance of being included in the sample. However, after consultation with the supervisor, it was agreed that the study be conducted in only one municipality.

In addition, this study focuses on the municipality as the direct provider of FBS. This municipality has been chosen based on its capacity to implement the programme. Furthermore, the choice of focusing on one municipality was informed by issues of accessibility, time constraints, availability of the participants (namely, distribution of and receiving the questionnaire) and an understanding of the dynamics within the various departments.

1.10.4 Description of the Population

The target population is the Polokwane Local Municipality. A questionnaire will be sent to the officials in the planning, technical and finance units responsible for the planning and implementation of the FBS programme as well as the management and accounting of the funds allocated for the implementation of this programme.

1.10.5 Data Collection Tools

All the respondents will be asked to fill in a questionnaire. According to Wikipedia (no date), a questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents. The researcher will use a questionnaire because the selected population is conversant with the FBS programme. The questionnaire contains closed-ended questions as such questions save time and keep the respondents focused on the subject.

In addition, interviews will be conducted with the selected respondents for follow-ups to gain further clarity on the provided information.

1.10.6 Data Analysis

The data from the questionnaire will be sorted, analysed and compiled into a report. Hence, the report will provide the findings of the study with regard to the roles and responsibilities of the target group, pertaining to the planning and prioritisation of the community needs, the allocation of resources and the effect of the funding on the provision of FBS. The analysis of the data will conclude with recommendations on how to ensure effectiveness in the allocation and management of the financial resources allocated for the FBS programme, with specific reference to the planning, prioritisation and allocation and management of the funding.

1.10.7 Validity and Reliability

According to the Pinellas School District and Florida Center for Instructional Technology (no date), reliability and validity are two concepts that are important for defining and measuring bias and distortion. As such, reliability refers to the extent to which assessments are consistent, while validity refers to the accuracy of an assessment and whether or not it measures what it is supposed to measure. Also, according to Amin (2005), content and construct validity is determined by expert judgement. Hence, the validity of the questionnaire will be obtained by presenting it to at least two professional people, including the supervisor of this research.

1.10.8 Ethical Considerations

The researcher will solicit consent from the Polokwane Local Municipality to conduct the research and will inform the participants, in writing, well in advance, before the interviews take place, that their participation is voluntary and that they can withdraw their participation without any ramifications. The researcher will furthermore treat the information received from the recipients with the utmost respect and will keep it as confidential as possible. In addition, the researcher has sought the necessary ethical clearance from the research council of the University of South Africa (Unisa).

1.10.9 Limitations

There are a number of limitations to the study that might impact it. These include the limited or lack of literature on the funding for the provision of FBS; the availability of the key respondents and stakeholders, such as the consultants who have worked with the programme; an understanding of the concepts by the key informants; and the time constraints faced by the researcher due to other work commitments.

Given these limitations, a work plan, which incorporates the researcher's work commitments and activities, will be developed and agreed on with the supervisor. Also, the possible respondents will be identified to establish their knowledge of the research area. In addition, the possible respondents will be informed of the research and their written consent to participate in the study will be obtained well in advance.

1.11 LAYOUT OF THE CHAPTERS

This study is made up of the following six chapters:

Chapter 1 provides an overview of the entire study. It covers the definition of the concepts, background and rationale for the study, statement of the problem, research aim and objectives, research questions, conceptual framework, scope of the study, conceptualisation of the key concepts, hypothesis of the research study, and research design and methodology.

Chapter 2 focuses on the literature review on the effect of funding on FBS delivery. It also provides the ideal service delivery value chain for the effective delivery of basic services and the effective use of the resources. In addition, it covers the legislative provisions and guidelines for the delivery of FBS. Finally, the allocation of funding to deliver these services is discussed.

Chapter 3 provides an ideal framework for the delivery of FBS. This chapter is more a desktop study and outlines the requirements for effective FBS delivery from the planning stage to the actual delivery of the services.

Chapter 4 discusses the research design and methodology, population and sampling, and designing and administering of the survey questionnaire. It also describes the measures used to establish the trustworthiness of the study findings of the qualitative research. It furthermore discusses the ethical principles that were followed to safeguard the rights of the respondents. Finally, it discusses the storage and destruction of the data.

Chapter 5 deals with the analysis and interpretations of the data. In addition, it discusses the collection of the data which was collected using four data collection instruments, namely the literature review, document analysis, a self-administered questionnaire and follow-up personal interviews.

Chapter 6 discusses the realisation of the study aim and objectives and provides a summary of the main conclusions of each chapter. It also discusses the limitations of the study, major findings of the empirical study, recommendations and areas of further research.

1.12 SUMMARY

This chapter provided a general introduction to the study. It covered the definition of the concepts, background and rationale for the study, statement of the problem, research aim and objectives, research questions, conceptual framework, scope of the study, conceptualisation of the key concepts, hypothesis of the research study, and research design and methodology. It also provided a basic layout of the six chapters of this study.

The next chapter reviews the literature on FBS delivery.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

The former President of South Africa, Mr Thabo Mbeki, first announced the intention of the government to provide Free Basic Services (FBS) at the Congress of South African Trade Unions (Cosatu) congress in September 2000 (Pillay, Tomlinson & Du Toit, 2006:283). This was done in recognition of the plight of indigent households and the acknowledgment that they would not be able to pay for access to basic municipal services. Thus, the FBS programme was introduced by the government in 2000.

However, this programme called for more effective use of public resources as it put more pressure on the nation's already stretched financial resources. Thus, the sustainable delivery of FBS to poor households depend to a large extent on the capacity of municipalities to effectively manage the FBS programme through planning, implementing, operating and maintaining the service delivery infrastructure. The capacity, in this context, refers to the human resources, infrastructure capacity, funding, systems, processes and procedures and their effectiveness in supporting service delivery.

Against this background, this chapter covers the effectiveness of municipal systems designed to deliver FBS, including the planning and identification of the needs; prioritisation of the needs; allocation and management of the resources; procurement and development of the infrastructure; service delivery and operation and maintenance of the infrastructure; and continuous improvement. In addition, this chapter will discuss the legislation, Constitution, guidelines, and norms and standards developed to provide a framework within which FBS should be provided. Also, the criteria for the identification of indigent households and the funding constraints will be discussed. Finally, the funding allocated to implementing the FBS programme, namely the Municipal Infrastructure Grant (MIG) and the equitable share allocations, and the purpose of the funding will be covered.

2.2 EFFECTIVENESS OF MUNICIPAL SYSTEMS DESIGNED TO DELIVER FREE BASIC SERVICES

Effectiveness is the extent to which outputs achieve the objectives or policy aims (Hardiman and Mulreany, 1991:19). It thus provides decision makers with feedback on the impact of deliberate actions and affect critical issues, such as the allocation of scarce resources and whether an existing strategy should be maintained or changed (Bullock, 2006:iv).

According to Exitant, operational effectiveness includes but is not limited to efficiency. It refers to any number of practices that allow a company to better utilize its inputs by, for example, reducing defects in products or developing better products faster. In other words, operational effectiveness involves continuously improving functional performance. To accomplish this, managers lead and control the functional activities within the organisation, measure and improve the processes for which they are responsible, and subsequently close the loop by leveraging those improvements for enhanced functional effectiveness.

In the context of the local government, the emphasis is on the effective use of resources in the delivery of basic services. The Cogta report on the State of Local Government in South Africa indicates that most municipalities in South Africa do not have the capacity or are unable to effectively deliver basic services to their consumers (Cogta, 2009:34). This inability is due to the municipalities facing huge demands for basic services, resulting from backlogs inherited from the former apartheid era. These backlogs have been increasing since 1994 due to growth and ageing and/or dilapidated infrastructure caused by poor operations and maintenance. While municipalities are required to allocate a portion of their budgets for the operations and maintenance of this infrastructure, their revenue base has shrunk to such an extent that they are unable to maintain basic services infrastructure.

Developing countries in Asia and Africa are still lagging behind in terms of percentage contribution of local revenues to the overall government revenues as well as the percentage of own revenues (vis-à-vis transfers and grants) in the total local revenues (Alam, 2010:9). Most municipalities, especially the rural and smaller municipalities,

rely mostly on grants from national and provincial governments to provide basic services. They struggle each day to ensure service delivery to the communities and pay little attention to the sustainability of such services. Yet, sustainability of basic services delivery requires municipalities review the whole value chain for delivering the services. Consequently, a review of the systems and procedures for delivering the services is required. Such a review should consider the planning and identification of the needs; prioritisation of the needs; allocation and management of the resources to the priorities; management and monitoring of the procedures to ensure effectiveness; efficient and economical use of the resources, both financial and human; and ultimately the delivery and sustainability of quality services.

As indicated above, effectiveness is measured by the extent to which the outputs achieve the objectives or policy aims. However, achieving effectiveness within municipalities requires much more. Therefore, as municipalities review their services delivery value chain, they also have to ensure that they acquire skilled and capable personnel. This, together with committed, strong leadership, should improve effectiveness within municipalities and improve their service delivery.

2.2.1 Effectiveness through the Service Delivery Value Chain

The efficient, effective and economical delivery of basic municipal services is not only determined by the efficient use of the resources in the delivery of the services, but is also a result of effective planning for the delivery of such services. Therefore, failure by municipalities to plan properly could result in poor service delivery or incorrect targeting of community needs. It is, therefore, important that, while effectiveness determines the extent to which outputs achieve the objectives or policy aims, effectiveness also be contextualised from the planning stage.

Achieving effectiveness in this context considers the value chain in delivering municipal services and the effectiveness of the system designed to deliver such services. For the purpose of this study, the process of delivering services at the municipal level is summarised into six key steps, as indicated in **Figure 1**, which together provide a framework within which effectiveness could be achieved. These key steps are the planning and identification of the needs; prioritisation of the needs;

allocation and management of the resources; procurement and development of the infrastructure; service delivery and operation and maintenance of the infrastructure; and continuous improvement. While this model provides a guide for good practice in effective FBS delivery in general, it also serve as a criteria to assess the effectiveness within Polokwane Local Municipality in its delivery of FBS.

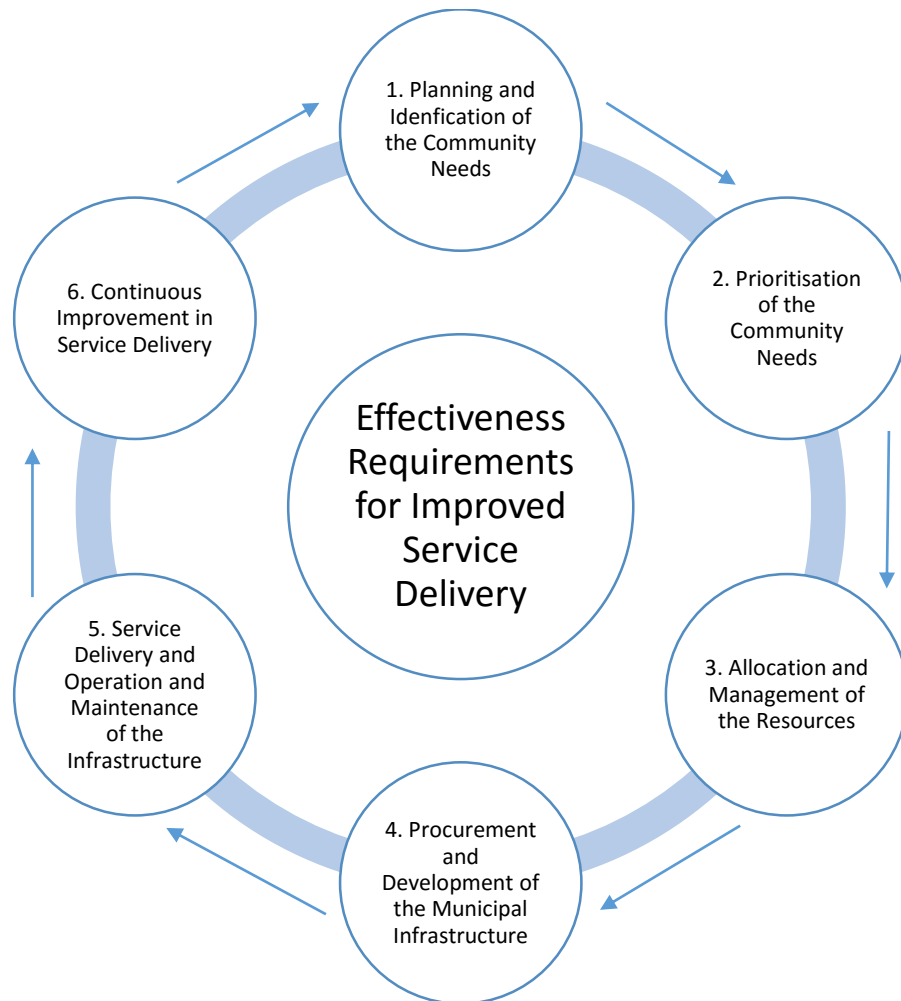


Figure 1: Value chain for effective service delivery, adapted from the project management cycle

(Melik, 2007:19)

The service delivery value chain is an adaptation of the project management cycle and only reflect the pertinent steps to this study (Melik, 2007:19). Understanding the project or service delivery life cycle will help organisations build a shared long-term vision for managing people and projects in today’s dynamic world (Melik, 2007:17). The delivery of FBS takes place during the service delivery stage and should be maintained in the

operation and maintenance stage. This is a continuous process in which the plans are reviewed annually from the prioritisation step to the last step.

Municipalities spend a great deal of resources throughout the value chain until the actual services are provided and have to account for the use of the public resources during this process.

2.2.1.1 Planning and Identification of the Community Needs

To be effective, management of the entities must address the needs of their constituencies (Sudit, 1996:57). These needs involve the gap between what they have as basic services and what they should have, translated into the backlogs in service delivery. These needs could include the need for basic municipal services, such as water, sanitation, electricity, refuse removal, roads and recreational parks. The delivery of municipal services to the community thus starts with the identification of these needs within the communities. Since local government is at the centre of service delivery, it is better placed to assess the needs for service delivery within the different communities.

The Municipal Systems Act 32 of 2000 requires municipalities to develop a culture of community participation (South Africa, 2000). To this end, section 16(1)(a)(i) states that a municipality must develop a culture of municipal governance that complements the formal representative government with a system of participatory governance and must, for this purpose, encourage and create conditions for the local community to participate in the affairs of the municipality, including the preparation, implementation and review of its Integrated Development Plan (IDP). The IDP is a five-year strategic plan of a municipality, indicating the priorities for implementation for the next five years. It is accepted that a one-year budget is insufficient; as a result, most public sector entities around the world have introduced long-term financial plans or multi-year budgets (Bergmann, 2009:9). Consequently, while the IDP provides the targets and priorities for the next five years, it should also include a long-term financial plan to ensure that the targets could be achieved.

The IDP process is undertaken to establish community needs for services and is a political process spearheaded by the councillors as public representatives and

supported by municipal officials. These are mass public engagements where communities raise their concerns on service delivery and the need for such services. A record is kept of the community needs established during the IDP process for deliberation by the different municipal councils.

It should be noted that the key to effectiveness, at this stage, is to ultimately ensure that there is a match between the community needs and the plan to deliver basic services. Also, municipalities, through political representatives, should give feedback to the communities on which priorities would be prioritised for implementation and whether the identified needs would improve the social wellbeing of the targeted communities. As such, an IDP emphasises the relevance and appropriateness of the needs. Once there is agreement with the communities, the needs can be translated into an IDP for each particular municipality.

In addition, a useful starting point in strategic planning is the pursuit and attainment of high levels of organisational effectiveness for which superior quality and efficiency are instrumental (Sudit, 1996:107).

2.2.1.2 Prioritisation of the Community Needs

Prioritisation of the community needs follows from the community consultations undertaken in the previous step. The effectiveness with which the needs are prioritised will largely depend on the effectiveness of the engagements. Prioritisation of the community needs should consider the extent of the impact the municipality would make if they were to address the needs and/or the implications should the needs not be addressed. In this regard, some of the issues raised by the communities might not necessarily need immediate attention, vis-à-vis other pressing and more urgent needs. Also, there may be limited resources to respond to all the needs.

Given the above, the prioritisation of the community needs should consider the relevance of the needs in addressing the current service delivery backlogs, within a particular municipality and community. It follows thus that, while all the identified needs should be addressed, the available resources will dictate what would be prioritised for implementation within a particular year and for subsequent years. Therefore, the needs from the communities will be ranked from Priority 1 to the need of least priority.

Ultimately, the wrong prioritisation could mean poor targeting and a waste of resources.

This prioritisation will be reflected in the IDP for the next five years, with specific targets for each year. In addition, the needs are reviewed annually with the yearly review of the IDP to establish their relevance and/or reprioritisation. This is mainly informed by the availability of the resources.

2.2.1.3 Allocation and Management of the Resources

The delivery of basic municipal services depends mainly on the availability of resources, both human and financial. The test for the effectiveness of the allocation and management of the resources is mainly determined at the service delivery stage. According to Durchslag and Reuters's second element of conventional economic efficiency theory, which relates to the way that existing resources are allocated, the high levels of competition among producers should prevent them from making excessive profits by raising their selling prices to an unreasonable level above their marginal costs (2010:235). As such, there should be value for money for the consumers of municipal services. Consequently, the tariffs charged for services should not only be reflective of the cost of producing and delivering such services, but should also be affordable to the average consumer. This is more relevant at the local government level, given that high-end consumers are charged higher tariffs to subsidise indigent households.

Municipalities need to allocate the funding and other necessary resources, namely human resources, office space, and computers, to implement the IDP, set targets and translate them into annual implementation plans. Such annual performance plans for municipalities are known as a Service Delivery and Budget Implementation Plan (SDBIP). Furthermore, according to Van der Waldt and Fox, in the case of local government, projects are directly aligned with the IDPs of local, district and metropolitan municipalities as well as the SDBIPs (2015:11). The SDBIP provides both the targets and resources allocated for the implementation of the plan. It is a legal requirement that the performance agreements for municipal officials, especially municipal managers and top management, are linked to the targets in the SDBIP. In this regard, senior municipal officials could be held accountable by municipal councils

for the delivery of basic services and the efficient, effective and economic management of the resources allocated for the delivery of the services.

However, most municipalities are unable to generate enough revenue from the rates and service charges due to internal system failures and thus rely on grants allocated by provinces and the national government for the delivery of services and to provide for their operational requirements. Therefore, any wastage of these resources could adversely affect service delivery as the grants are allocated annually and require another year before becoming available again. Thus, an analysis of the resources needed to achieve each target in the SDBIP is required to determine the human resources needed to deliver such targets and the quantification of the costs for the delivery of the services.

Moreover, effective delivery of basic services would, to a large extent, be determined by the proper placement of staff and their skills and expertise in the delivery of the set targets. Wrong placement could result in poor service delivery and misuse and/or wastage of the public resources. Once the resources are allocated, the municipal councils must set up oversight and monitoring systems (as required by the Systems Act) to monitor the performance and hold managers accountable. Such systems should also determine the framework within which the procurement of goods and services could be done for the delivery of municipal services.

2.2.1.4 Procurement and Development of the Municipal Infrastructure

In terms of the Municipal Finance Management Act 56 of 2003 (MFMA) Circular 62 (South Africa, 2003), the resources of municipalities and municipal entities must be used effectively, efficiently and economically. The circular was issued to enforce supply chain management compliance and address the implementation weaknesses that have been highlighted in recent audit findings. These practices at municipalities and municipal entities are adversely affecting sound financial management, weakening the spirit and ethos of the MFMA and affecting service delivery (National Treasury, 2012:1).

Furthermore, the provision of services by municipalities requires that they develop the necessary infrastructure to facilitate the delivery of the basic services. Hence, they

need adequate funding to procure the goods and services. These resources, as discussed above, are mainly sourced from government grants and own revenue. Once the resources are allocated to the identified priorities, the municipalities need to procure the goods and services in line with the requirements of their supply chain management policies. According to the Project Management Institute (PMI), project procurement management includes the processes to purchase or acquire the products, services or results needed from outside the project team to perform the work (2004:269).

Municipalities should maximise the benefits from the limited resources. As such, the use of goods and services in the development of municipal infrastructure for service delivery should ensure value for money, with little or no wastage. Thus, goods and services procured by the municipalities should not only be of good quality, but should also be procured at the lowest cost possible or at competitive prices. For this purpose, the main objective of the supply chain management regulatory framework in the MFMA (South Africa, 2003) and relevant circulars is to ensure efficiency, effectiveness and economy in the use of the resources and provision of basic services.

2.2.1.5 Service Delivery and Operation and Maintenance of the Infrastructure

Municipalities are established to provide, among others, basic services as contemplated in schedules 4 and 5 of the Constitution of the Republic of South Africa, specifically relating to Parts B of the said schedules (South Africa, 1996). As such, while the previous discussion focused on the procurement of goods and services and the development of a basic services infrastructure, it is, at this stage, where services are provided to the communities. Municipalities need both human and financial resources to effectively deliver and sustain service delivery, while operating and maintaining the infrastructure to ensure that it remains useful over its lifespan. It is thus, at this stage, that the allocated resources are used to ensure effective delivery of basic services. Therefore, achieving excellence demands the development of a high-performance team. Such a group will produce high-quality solutions, will provide coordination among members, and will be the vehicle for shared responsibility in managing the department (Bradford and Cohen, 1997:170).

The effective delivery of basic services requires that municipalities develop appropriate policies, bylaws and tariffs as well as develop billing systems for the issuing of services bills to the consumers of the municipal services. They should also develop credit control policies for the collection of revenue due to them. Therefore, to be effective, municipalities should ensure that consumers are charged appropriately for the units of services consumed and that the debtors are paid within the set timeframes, in line with their credit control policies. Furthermore, even though, as stated in paragraph 2.1, indigent households are those municipal services consumers who do not have the means to pay for the services, municipalities should still monitor the units of services consumed by these households and the related costs for the purpose of billing. However, unlike the general consumers, the indigent households' bills will be subsidised from the equitable share allocations from the national government, including cross-subsidisation by the high-end consumers. The effectiveness of the debt collection system requires that municipalities should not only issue bills and collect the debts, but should also manage the losses of income due to non-payment by consumers and take action where there are defaulters.

However, the provision of basic services goes beyond consumption, billing and collection of revenue. Municipalities spend huge sums of money to procure bulk services from bulk suppliers, such as Eskom in the case of electricity and the Rand Water Board in the case of bulk water, before they can reticulate the services to the end-users or consumers. As such, municipalities should assess the units of services procured from the bulk suppliers and those distributed and billed to the consumers. This will enable them to establish whether there were any losses which could result in loss of income. Such losses could be a result of illegal connections by consumers and/or losses due to dilapidated and old infrastructure that result in water pipe bursts. Municipalities should also develop operations and maintenance plans and make provision in their operational budgets to operate and maintain the services infrastructure to avoid or, at least, limit the losses due to dilapidated infrastructure. Losses due to illegal connections should be addressed through the enforcement of the relevant bylaws.

According to the 2016/17 MFMA report issued by the Auditor-General, most municipalities which find themselves in serious financial difficulties have, in most

cases, failed to collect the revenue due to them (Auditor-General, 2017:3). The consequences are that they failed to deliver basic services and the operations and maintenance of their infrastructure. As a result, they may also have lost income due to failures in service delivery and due to theft of municipal services through illegal connections. Thus, the sustainability of service delivery and the financial viability of municipalities depend largely on how effective they are in managing service delivery.

2.2.1.6 Continuous Improvement in Service Delivery

In project management, after the conclusion of the project's life cycle and the termination of the project, the host organisation needs to assess its successes and failures (Van der Waldt and Fox, 2015:53). The Batho Pele Principles generally expect municipalities to be responsive to community needs, provide quality services and strive for continuous improvements in the delivery of municipal services (DPSA, 1997:2). Thus, during this final stage, the effectiveness in service delivery is determined through an assessment which determines the impact of the service delivery on the targeted communities and identifies the challenges and lessons learnt to improve the process going forward.

In addition, community demands for services evolve which has implications for continuous improvements from the strategies employed by the municipalities to respond to these demands. According to the Cambridge University Press (2018), continuous improvement is the process of making regular, small changes and improvements to the products, services, and so forth of a company rather than a few big changes. Also, a policy of continuous improvement means that every employee must be focused on doing their job in the most effective way.

However, the need for continuous improvement should be determined by the limitations in the current system of service delivery. It should start with an assessment of the effectiveness of the system in facilitating service delivery. It should subsequently seek to address the current demands or needs for services. Finally, the managers and politicians within the municipalities should seek to understand how relevant and effective the current systems of service delivery are in responding to the current and future needs.

Government operations are regulated by legislation and policies and these provide standard processes and systems of service delivery with little room for innovation. This is a system inherited from the past where officials followed the rules, without questioning their effectiveness, with the risk of performing poorly. Thompson believes that, in a situation where there may be a sole supplier of goods or services in a specific location, there will always be a danger of the emergence of an atmosphere of complacency (2005:168). He further states that it is not only organisations that perform poorly that run the risk of delivering poor quality service, but also those organisations that produce superior quality services as they may run the risk of losing their enthusiasm for delivering quality (Thompson, 2005:169).

Municipalities should learn from their past performances, whether good or bad, to improve their current and future performance and avoid repeating the same mistakes. This assessment of their performance should, however, not be limited to the organisation's own experiences, but should also include the mass of knowledge and practices that could be learnt from the private sector organisations. It should be noted, however, that some scholars advocate that private sector practices should not be applied or imposed on public sector organisations (Wilson, 1998). This is mainly based on their position that the two sectors have different reasons of existence: the private sector exists to make profit, while the public sector provides services. As Wilson puts it, the changing nature of the public sector and the increased emphasis on private sector techniques have inevitably led to certain tensions, particularly between those who believe the public sector is unique and should not have private sector culture and practices imposed upon it and those who do not (Wilson, 1998:33).

Moreover, consumers of municipal services today are different from those of 10 years ago. They now demand quality services and accountability by municipalities in the provision of basic services to such an extent that they will protest poor services and a lack of service delivery. It is, therefore, important for senior municipal managers and political leaders to develop a culture of continuous improvement within their organisations. The change should be planned for and coordinated to ensure its success and cannot happen by chance. There should also be a concerted effort by public managers to create a paradigm shift in thinking to ensure effectiveness and continuous improvement in the management of their organisations and the delivery of

services. This improvement should be applied from the planning stage to the service delivery stage to identify and address deficiencies in the system.

2.3 FREE BASIC SERVICES DELIVERY

FBS is a by-product of the process outlined above and targets mainly indigent households. These households are subsidised through the equitable share allocations allocated to municipalities as their share of the revenue raised nationally, as per section 218 of the Constitution of the Republic of South Africa (South Africa, 1996), due to their inability to pay for municipal services or contribute to municipal revenue and guarantee for subsidised quantities of basic levels of services. It is, therefore, critical that municipalities cover as much beneficiaries as possible to increase the impact of the FBS programme and ensure value for money in the delivery of FBS.

However, in determining the effectiveness in the delivery of FBS, one should also consider the legislative framework and guidelines determining the delivery of such services as well as the resources allocated for this purpose. The availability of the infrastructure alone will not ensure the delivery of FBS. Hence, municipalities must develop indigent policies and bylaws for the management of indigents and develop indigent registers and databases to ensure that the FBS programme is targeted at the right people. These provide the basis for the effective management of the FBS programme.

It should be noted that the literature reviewed provide limited information on the effectiveness in the use of resources and delivery of FBS.

2.3.1 Legislative Provision

As indicated above, municipal functions are allocated in terms of schedules 4 and 5, Parts B of the Constitution of the Republic of South Africa, 1996 (South Africa, 1996). There are key pieces of legislation emanating from the Constitution, regulating how municipalities provide basic services and allocate and manage their funding. For example, section 84 of the Municipal Structures Act 117 of 1998 (South Africa, 1998) provides for the powers and functions for local government, including basic services provision, such as water, sanitation, electricity and refuse removal, as contemplated

in the Constitution. Also, section 73(1)(c) of the Systems Act requires municipalities to develop systems to ensure that all members of the local community have access to at least a minimum level of basic municipal services (South Africa, 2000). Moreover, the Division of Revenue Act 10 of 2014 (Dora) (South Africa, 2014a) provides for the equitable division of revenue raised nationally among the national, provincial and local spheres of government and, therefore, provides funding for the delivery of municipal services. To support service delivery, the main objective of the MFMA (South Africa, 2003) is to secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government and municipal managers are held accountable for this in terms of section 60 of the Act. The above acts together provide a policy framework for municipalities in the management of the resources provided for the delivery of basic services, including FBS, and the planning, implementation and accounting for municipal performance in the delivery of such services.

2.3.2 Citizen Right to Access Basic Services

The Constitution of the Republic of South Africa, 1996 (South Africa, 1996) is committed to redressing the injustices of the past and establishing a society based on social justice. This commitment translates into a mandate which should be pursued by the government at all three levels within South Africa. Against this background, Fuo's article explored and critically investigated the relevance and potential of local government's indigent policies in contributing towards the pursuit of social justice in South Africa (2014:189). Although the Constitution does not expressly articulate what social justice entails, it can be argued that social justice is primarily concerned with the eradication of poverty and extreme inequalities to access material resources to ensure that all citizens command the resources needed to equally participate in socio-political life (Fuo, 2014:188).

Therefore, social justice cannot be achieved at the exclusion of indigent households and the government's FBS programme was developed to ensure inclusive achievement of social justice. Consequently, citizens who cannot afford to pay have entitlements which they would not have had if they were receiving services from

commercial agents. Those entitlements derive from citizenship and social policy, rather than from economic efficiency (Awortwi, 2003:67).

2.3.3 Free Basic Services Implementation Guidelines

The then Department of Provincial and Local Government (DPLG), now the Department of Cooperative Governance and Traditional Affairs (CoGTA), was mandated with the responsibility of developing a national policy on the delivery of FBS and provide guidance to sector departments in developing sector-specific policies on Free Basic Water (FBW), Free Basic Sanitation (FBSan), Free Basic Electricity (FBE) and Free Basic Refuse Removal (FBRR). To this end and more specifically related to the cost of providing FBS, the DPLG issued the “Guidelines for the implementation of the national indigent policy by municipalities” (South Africa. DPLG, 2005c).

In terms of these guidelines, “the costs associated with implementing an indigent policy must be carefully considered. A number of factors will influence the cost of this implementation, which will need to be borne by the municipality. These factors are listed and described below:

- a) **Monitoring & Evaluation Costs:** The costs associated with refining or establishing and aligning monitoring and evaluation efforts by the municipality needs to be factored. This also applies to the analysis and management of data.
- b) **Analysis of Financial Framework:** An analysis of the municipality’s current financial framework and identification of barriers to the implementation of the indigent policy.
- c) **Targeting Methods:** The targeting methods chosen will affect the administration required to implement the indigent policy. This is a critical factor of influence since the different targeting methods require different systems to administer them. Municipalities may have to upgrade existing capacities (both personnel and systems) to make the policy work.
- d) **Cost of Communications:** The cost of communications is another influencing factor. An effective communications campaign needs to be considered and implemented together with the focusing of services towards

indigents. This campaign must be both internally (between municipal departments) and externally focused and have the capacity to draw out and process feedback received. The communications campaign must target not only indigents, but the whole of the municipality.

- e) **Cost of Infrastructure:** The services that need to be delivered in most instances require either the upgrading of existing infrastructure or the development of new infrastructure.
- f) **Cost of Ensuring Accessibility:** Following on closely to the cost of infrastructure and the costs associated with targeting, is the cost of ensuring that indigents can access the services they require. This may entail the municipality having to establish additional application points or upgrading existing points of application.
- g) **Cost of Service Levels:** A municipality has to budget not only for the provision of services, but also for the installation and maintenance of the services being provided.” (South Africa. DPLG, 2005c:20-21)

While the framework provides the ideal, the reality in municipalities is different. For example, as indicated in paragraph 2.2.1.5, most municipalities, especially the smaller, rural municipalities, have failed to collect revenue for the services rendered to the consumers. This is due to the level of poverty within their communities. Also, from the engagements attended within government, the assumption is that services tariffs charged by municipalities do not facilitate the recovery of the full costs from the consumers. The municipalities, therefore, rely mostly on government grants for their operations and delivery of services and such grants still do not provide enough resources. This is supported by an article on financial inequality in South Africa in that “government, through the fiscus, has to pay municipalities for the FBS rendered, but in most cases the amounts paid do not cover the cost of the service, thus placing the municipality’s finances under strain” (Claassens, 2009:48).

An example of this can be found in a case study on the Msunduzi Local Municipality. It was established that the population of the municipality increased greatly, in the rural settlements and poor urban areas, while its revenue increased only marginally (Zondi, 2010:24). As such, a large portion of their consumers would be classified as indigent,

with only a small segment of the community being able to afford the services provided by the municipality.

In addition, with the advent of democracy in 1994, government inherited the legacies of apartheid combined with widespread poor budgetary and financial mismanagement, a massive backlog in basic services and infrastructure, race and regional inequalities in provision and sometimes tense social relationships. This tended to limit the opportunities for social development and expanded service delivery (McLennan and Munslow, 2009:1). This calls for a review of the systems used to deliver services and a stricter, more effective and more economical use of available funding to cover more indigent households with the provision of FBS and applying the key steps in the service delivery value chain discussed in paragraph 2.2.1. This will, to a large extent, address the issues discussed above.

2.3.4 Sector Norms and Standards

In the context of this study, the planning and identification of the needs, prioritisation of the needs and service delivery should be guided by the norms and standards established by the different sector departments as effective FBS relies on it, in addition to relying on the effective and economical use of the resources. These norms and standards provide the minimum requirements for effectiveness in the delivery of services by municipalities, while striving for value for money. To this end, relevant sector departments, including the Department of Water and Sanitation (DWS), Department of Energy (DoE) and Department of Environmental Affairs (DEA), have developed policies to give effect to the implementation of the FBS programme. These policies provide levels of services to be provided to poor households, as indicated in the table below.

Table 1.

Table 1: Levels of FBS as per sector policies

Department	FBS	Basic Level of Service (per Household per Month)
DWS	FBW	6 kilolitres

DWS	FBSan	VIP
DoE	FBE	50 kWh
DEA	FBRR	<ul style="list-style-type: none"> i. On-site appropriate and regularly supervised disposal in areas designated by the municipality (remote rural areas); ii. Community transfer to a central collection point (medium density settlements); iii. Organised transfer to central collection points and/or kerbside collection (high density settlements); and iv. Mixture of 'ii' and 'iii' for the medium to high density settlements.

(South Africa. DPLG, 2005b:17-18)

The Constitution guarantees certain basic rights, as contained in Chapter 2: Bill of Rights (South Africa, 1996). In terms of section 27(1)(b), everyone has the right to access sufficient levels of water service. This right extends to those who cannot afford to pay for services and should receive FBW through the FBS programme. A number of articles have been written on the issue of access to water.

One such article looked at realising the right to access sufficient water in South Africa and sought to establish the extent to which the country has met its constitutional obligation to provide access to sufficient water (Heleba, 2009). It concluded that, while great strides have been made in bringing basic services, such as water, to indigent households, many still do not have access to water or have access to insufficient water (Heleba, 2009:10).

Another article by Smith (2010) questioned whether the 6 kilolitres of FBW provided to indigent households is enough to cater for their domestic water needs. The article

calls for the review of the norms and standards as international studies have shown that it might be insufficient (Smith, 2010:596).

In an article by Tissington (2008), a key finding was that the national government, with the devolution of responsibility for water services delivery to local government in 2000, has steadily decreased financial and technical support to the local government for a number of reasons. Municipalities are, therefore, under considerable pressure to become self-sufficient and recover service-related costs (Tissington, 2009:10). This, together with high poverty levels resulting from unemployment, means that municipalities should provide more people with FBS with fewer resources and calls for efficient and effective management of resources at the local government level and a review of their operations (Cogta, 2009:25).

Moreover, the pressure on municipalities could increase with some circles of the communities and scholars, such as Smith (2010), questioning the levels or amounts of FBS provided. In a study done by Reynolds on the provision of electricity and FBE in Khayelitsha, it was established that, while the City of Cape Town Metropolitan Municipality provided 50 kWh of FBE, an average consumption per household per month was actually 150 kWh of electricity (2012:16). This suggests that indigent households still had to pay for the difference of 100 kWh of electricity consumed, even though most of them might not have the means to do so.

The issues discussed here could be addressed through the fifth step, dealing with service delivery and operation and maintenance.

2.3.5 Criteria for the Identification of Indigent Households

One of the criteria used to identify indigents is the combined household income of/or equal to two old-age pensions; at the time of writing it averaged at R1,410 per person, with a combined total income of R2,820 (DPLG, 2005c:25). This combined figure has increased from R1,560 since 2005, as per the guidelines issued by the then DPLG (South Africa. DPLG, 2005c:25).

According to Borat, Oosthuizen and Van der Westhuizen (2012), increasing the poverty line would mean more households would have to be provided with FBS, while

reducing it would mean more funding would be available for circulation to fund other government priorities. Borat *et al* (2012) also consider the impact of increasing the value of the FBS poverty line in terms of additional share and the number of households eligible for support and the additional financial costs, rather than in terms of the effectiveness in the management of these resources. This study rather talks to the policy review; however, it is close to the topic of this research as it also talks to the adequacy of the funding available for the implementation of the FBS programme and calls for effectiveness in the use of these limited resources.

2.3.6 Funding Constraints

Municipalities are responsible for the delivery of basic services, such as water, sanitation and waste removal, and financing such services through appropriate tariff and local tax mechanisms (Pillay *et al*, 2006:285) and funding is a critical input in the delivery of these municipal services. Hence, municipalities could have well-developed plans, systems and processes to deliver the services, but would still fail in their endeavour to deliver the services if funding is unavailable. This means that municipalities must ensure value for money in the management and use of this scarce resource. The limited financial resources within municipalities can furthermore be exacerbated by the lack of capacity to bill and collect revenues from those who can afford to pay which contributes to high consumer debts, while ensuring that their systems also account for subsidies to indigent households.

While Pillay *et al* (2006) posed questions and provided answers on the policies, systems, processes and, to a certain extent, the determination and use of the resources to deliver FBS, some scholars have gone a step further and have also looked at the financial viability of municipalities to implement the programme. One such scholar asserted that, for municipalities to be economically viable or cost-effective, they should deliver good value services at an affordable price, while ensuring that the revenues are sufficient to fund the systems management and expansion (Simasiku, 2010:10). Another study looked at policy implementation in a multi-organisational context, with specific reference to the implementation of the FBW policy, and analysed the financial implications of providing the service by municipalities (Ncgobo, 2012:2). Clearly, improvements in municipal performance requires

acknowledgement of the challenges experienced by municipalities at both political and administrative levels and the adoption of a plan of action to address the limitations and failures in service delivery, which the key steps in service delivery value chain seek to address.

2.4 ALLOCATION OF FUNDING

Municipalities are established mainly to provide basic services to the communities within their areas of jurisdiction. To do this, they require resources, especially funding. As such, they are required to generate revenue from the services they render to the community to extend and sustain the provision of such services. However, most of the targeted, indigent households fall within low income areas and are unable to contribute financially to municipal revenues. These areas have been recognised by the government and are provided for in terms of funding to develop infrastructure for the provision of FBS. Consequently, the bulk of municipal revenue comes from grants allocated to them by the national government in equitable shares and capital grants.

One such grant through which the government provides capital funding is the MIG, allocated in terms of schedule 5, Part B of the Dora (South Africa, 2014a), while operationalisation and delivery of FBS should be funded through municipal own revenue and the equitable share allocations. The MIG is a specific purpose allocation to municipalities to subsidise their capital funding to develop basic services infrastructure in poor communities to facilitate the delivery of FBS.

While the discussion on the allocation and management of the resources discussed above provide the basis for effectiveness in the delivery of FBS, this section provides a summary of the key sources of funding allocated for support service delivery. This discussion provides allocations and transfers made in terms of the Dora.

2.4.1 Municipal Infrastructure Grant

The purpose of the MIG is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro-enterprises and social institutions servicing poor communities (South Africa, 2014a:106). It should be noted that this is a major government grant and is complemented by other smaller grants

from sector departments, such as the Regional Bulk Infrastructure Grant allocated for the development of bulk water and sanitation infrastructure. In terms of the MIG Framework, issued by the then DPLG, the grant is provided to develop basic municipal infrastructure for water, sanitation, waste management, roads and storm water, street lighting, and community facilities, such as play parks, sports facilities, halls and early childhood development centres (South Africa. DPLG, 2004:4). The municipality could also use a portion of the grant to build project management capacity (South Africa. DPLG, 2004:15).

The Polokwane Local Municipality was allocated an amount of R266,671,000 in the 2014/15 financial year to develop basic services infrastructure and provide basic services to indigent households, with R280,198,000 and R293,473,000 estimated allocations for the 2015/16 and 2016/17 financial years, respectively. **Table 2** provides an indication of the allocations made to the Polokwane Local Municipality in the 2014/15 financial year and the rest of the municipalities within the Capricorn District. From the table, it is clear that the Polokwane Local Municipality receives the biggest allocation among the five local municipalities within the Capricorn District. The allocations are based on, among others, the number of backlogs across all basic municipal services. Therefore, the effective use of the resources is more relevant in this municipality, given the amount of funding allocated from the national coffers.

Table 2: MIG allocations

Demarcation Number	Municipality	Financial Year		
		Allocation	Forward Estimates	
		2014/15 (R)	2015/16 (R)	2016/17 (R)
LIM351	Blouberg	38,408,000	40,265,000	41,966,000
LIM352	Aganang	32,157,000	33,665,000	35,048,000
LIM353	Molemole	28,943,000	30,277,000	31,496,000
LIM354	Polokwane	266,671,000	280,198,000	293,473,000
LIM355	Lepelle-Nkumpi	49,920,000	52,617,000	54,914,000
DC35	Capricorn District	252,059,000	264,083,000	276,581,000
Total: Capricorn District Municipalities		668,158,000	701,105,000	733,478,000

(South Africa, 2014a)

2.4.2 Equitable Share Allocations

The equitable share allocations are provided to municipalities as their share of the revenue raised nationally, as required by section 214 of the Constitution (South Africa, 1996). Municipalities mostly use these allocations to supplement their revenue to provide for operational and service delivery costs, including the maintenance of the basic services infrastructure for sustainable service delivery. Section 214(2)(d) of the Constitution states that these allocations are provided to ensure that the provinces and municipalities are able to provide basic services and perform the functions allocated to them. Therefore, a portion of the allocations should be spent on the provision of FBS to indigent households.

As indicated in **Table 3**, the Polokwane Local Municipality was allocated an amount of R455,799,000 in the 2014/15 financial year, with indicative allocations of R520,607,000 and R567,041,000 for the 2015/16 and 2016/17 financial years, respectively. The amounts allocated in equitable shares to municipalities are determined, among others, by the number of service delivery backlogs and indigent

households within a municipal area, including the proportion of the population in relation to the total population of the country.

Table 3: Equitable share allocations

Demarcation Number	Municipality	Financial Year		
		Allocation	Forward Estimates	
		2014/15 (R)	2015/16 (R)	2016/17 (R)
LIM351	Blouberg	117,073,000	147,530,000	148,949,000
LIM352	Aganang	98,119,000	123,182,000	123,637,000
LIM353	Molemole	89,014,000	106,570,000	106,230,000
LIM354	Polokwane	455,799,000	520,607,000	567,041,000
LIM355	Lepelle-Nkumpi	161,207,000	204,682,000	206,840,000
DC35	Capricorn District	465,510,000	502,596,000	540,985,000
Total: Capricorn District Municipalities		1,386,722,000	1,605,167,000	1,693,682,000

(South Africa, 2014a)

2.5 SUMMARY

This chapter covered the literature review on the effectiveness of municipal systems designed to deliver FBS, including the planning and identification of the needs; prioritisation of the needs; allocation and management of the resources; procurement and development of the infrastructure; service delivery and operation and maintenance of the infrastructure; and continuous improvement. The chapter also covered the provision of FBS, including the legislation, Constitution, guidelines, and norms and standards developed to provide a framework within which FBS should be provided. In addition, the criteria for the identification of indigent households and the funding constraints were discussed. Lastly, the funding allocated for implementing the FBS programme, namely the MIG and the equitable share allocations, and the purpose of the funding was covered.

The next chapter provides a framework for effective FBS delivery.

CHAPTER 3

IDEAL FRAMEWORK FOR FREE BASIC SERVICES DELIVERY

3.1 INTRODUCTION

National legislation, policies and guidelines, as discussed in Chapter 2, provide a framework within which Free Basic Services (FBS) should be managed and implemented. As such, section 152(2)(i) of the Constitution (South Africa, 1996) dictates that a municipality must structure and manage its administration, budgeting and planning process to give priority to the basic needs of the community and to promote the social and economic development of the community. Moreover, effective implementation of FBS requires that these services be planned for and budgeted for properly and implemented effectively. Also, as discussed in Chapter 2, effectiveness is judged based on the extent to which the outputs, as contained in the plans, achieve the objectives or policy aims (Hardiman and Mulreany, 1991:19).

Against this background, this chapter provides an ideal framework, which should be deployed together with dedicated support teams, committed leadership and political will, for effective delivery of FBS. It also covers the indigent management system, including the development of the indigent policy and bylaws as well as the criteria for the identification of indigent households. In addition, the chapter will look at the planning for FBS delivery, thereby also considering the Integrated Development Plan (IDP), budgeting for FBS and the Service Delivery and Budget Implementation Plan (SDBIP). It also covers the implementation of FBS, with a focus on the implementation of the indigent policy and service delivery norms and standards developed to guide FBS delivery. Finally, this chapter discusses FBS monitoring and exit strategy.

3.2 INDIGENT MANAGEMENT SYSTEM

The provision of FBS to indigent households is a legislative requirement. For its effective implementation, municipalities must put in place a system. This system must start with the development of indigent policies and bylaws, which will guide the identification and registration of households qualifying to benefit from the FBS programme.

3.2.1 Development of the Indigent Policy and Bylaws

Due to the level of unemployment and poverty within municipal areas, both households and individual citizens are unable to access or pay for basic services and this grouping is referred to as the “indigent”. A municipality, therefore, needs to develop and adopt an indigent policy to ensure that indigent households can access the package of services included in the FBS programme. Thus, an ideal indigent policy should allow municipalities to target the delivery of essential services to citizens who experience a lower quality of life. To guide municipalities in the development of such a policy, the former Department of Provincial and Local Government (DPLG) developed indigent policy implementation guidelines. These guidelines provide a foundation upon which municipalities can build their own indigent policies to meet their own responsibilities in respect of providing basic municipal services for all (South Africa. DPLG, 2005c:12). Regardless of how the policy is developed, it should define:

- How the municipality will approach dealing with poverty (plan);
- How the municipality will approach accessing the indigent;
- Who will benefit from FBS;
- Which services will be delivered;
- How much of a particular service will be provided to the beneficiaries;
- What level of service will be offered to indigents; and
- What process will be used for managing the indigents?

An indigent policy should also detail the linkages between the various poverty alleviation programmes that will result in indigent households moving away from the poverty trap; resources allocated by the municipality to enable the implementation of its indigent policy; process for tracking and assessing the service received by the indigent and the real benefit that has resulted from the subsidies; and projected implementation targets (milestones) for the rollout of FBS to the entire indigent population within the municipal area. Overall, an indigent policy is a critical planning document that is crafted within a municipality’s IDP and financial planning instruments and takes cognisance of the municipality’s specific conditions. It is thus unique to each

municipality. Indigent policies also allow municipalities to plan the scale and scope of their FBS delivery.

However, effective billing and credit control within municipalities are critical to effectively deliver FBS. For this reason, section 97(1)(c) of the Municipal Systems Act 32 of 2000 requires a municipality's credit control and debt collection policy to make provision for indigent debtors that is consistent with its rates and tariff policies and any national policy on indigents must be included in the credit control policy of the municipality (South Africa, 2000). To give effect to the implementation of the indigent policies and credit control, municipalities must furthermore develop and adopt appropriate bylaws.

3.2.2 Criteria for the Identification of Indigent Households

The criteria for the identification and registration of indigent households qualifying to benefit from the government's FBS programme should be provided for in the municipal indigent policies. As such, the former DPLG developed indigent policy implementation guidelines which provide the criteria for the identification and registration of indigents. These criteria include the registration processes that municipalities can employ; the screening of indigents; the approval of applications; and the necessary management system required to manage the data on indigent households (South Africa. DPLG, 2005c:8).

According to these guidelines (South Africa. DPLG, 2005c:23), the basic requirements for households to qualify for FBS are as follows:

- The applicants must be South African citizens or at least have a recognised refugee status.
- They must reside in a dwelling, since FBS is not provided to individuals, but to households.
- They must prove that they cannot afford to pay for the services.
- The combined monthly household income of the applicant should not be more than two combined monthly old-age government pensions.
- Child-headed households should be regarded as indigent.

3.3 PLANNING FOR FREE BASIC SERVICES DELIVERY

Effective service delivery is the result of proper and effective planning by municipalities. Hence, municipalities must develop long-term plans to project future service delivery needs and development as well as short-term plans to deal with the immediate service delivery and developmental needs. The key planning instruments provided for in the legislation for this purpose include the IDP, the three-year budget and the SDBIP. While these plans deal with service delivery in general, they should also express the plans of municipalities in providing FBS.

Section 153 of the Constitution requires that a municipality must structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community and to promote the social and economic development of the community, especially the poor (South Africa, 1996). The Municipal Finance Management Act 56 of 2003 (MFMA) (South Africa 2003), together with the Systems Act (South Africa, 2000), aims to facilitate compliance with this constitutional duty by ensuring that municipalities' priorities, plans, budgets, implementation actions and reports are properly aligned (National Treasury, 2011:75).

3.3.1 Integrated Development Plan

According to Chapter 5 of the Systems Act, each municipality must undertake an integrated development planning process, which involves preparing a strategic development plan for a five-year period, to produce an IDP (South Africa, 2000). The former DPLG developed the *IDP Guide Pack* to guide municipalities in the development of their IDPs (South Africa. DPLG, no date). Also, as the IDP is a legislative requirement, it has a legal status and supersedes all other plans that guide the development at the local government level. Moreover, public participation is central to the development of the IDP, including participation by indigents to inform on the IDP service delivery priorities. As such, section 29(1)(b)(ii) of the Systems Act requires municipalities to establish appropriate mechanisms, processes and procedures to ensure the participation of the local community in the drafting of the IDP (South Africa, 2000:40).

Ultimately, the IDP guides and informs all planning, budgeting, management and decision-making in a municipality for the delivery of FBS to indigent households. It is furthermore used to plan for future developments in the municipal area to meet the needs of the community. Hence, it sets out the municipality's goals and development plans which need to be aligned with the municipality's available resources. The municipal council subsequently adopts the IDP and undertakes annual reviews and assessments of the performance based on the annual report (National Treasury, 2011:75).

3.3.2 Budgeting for Free Basic Services

FBS can only be prioritised by municipalities and implemented effectively if it is clearly expressed in the IDPs and allocated financial and other resources for its success. Thus, achieving the municipal goals on FBS, as set out in the IDP, needs resources, especially finances. As such, municipalities need to develop their three-year budgets, in terms of both operations and capital, based on all available sources of revenues. The three-year budgets set out the revenue raising and expenditure plan of the municipality for approval by the council. The allocation of the funds needs to be aligned with the service delivery priorities in the IDP (National Treasury, 2011:75). Section 68(a) of the Constitution (South Africa, 1996) requires a municipality's accounting officer to assist the mayor in performing the budgetary functions assigned to the mayor in terms of Chapters 4 and 7 of the MFMA (South Africa, 2003).

3.3.3 Service Delivery and Budget Implementation Plan

The SDBIP is an annual performance plan of a municipality and flows directly from the IDP and three-year budget. It, therefore, sets out the monthly and quarterly service delivery and financial targets aligned with the annual targets set in the IDP and budget. As the municipality's implementation plan, it lays the basis for the performance agreements of the municipal manager and other senior managers within the municipality to hold them accountable for service delivery achievements and failures, including FBS provision. Section 69(3)(a) of the MFMA requires that a municipality's accounting officer must submit to the mayor a draft SDBIP for the budget year no

longer than 14 days after approval of the annual budget (South Africa, 2003). It is highly critical that FBS be included in the targets of the SDBIP.

3.4 IMPLEMENTATION OF FREE BASIC SERVICES

3.4.1 Implementation of the Indigent Policy

Each municipality is expected to develop an indigent policy in relation to the specific needs and financial standing of the municipality (South Africa. DPLG, 2005c:33). The policy should also outline the approach the municipality will use for cross-subsidisation and pricing of the services.

The policy needs to be developed in compliance with the nationally set norms and standards and must be enforceable by the municipality. Indeed, the DPLG defined six minimum steps that municipalities need to engage with to implement their indigent policies. These steps are:

- a) **Planning activities:** There are specific minimum planning activities that a municipality must undertake to have an effective indigent policy. A municipality must have a precise understanding of its own capabilities and resources as well as the needs of its constituencies.
- b) **Institutional arrangements:** The municipality must map out the institutional arrangements it will follow for the development and implementation of its indigent policy. This means that a municipality will need to have formal structures and processes through which the indigent policy will be managed.
- c) **Communication activities (community participation):** A municipality must leverage the existing communications channels, for example ward committees, and newer structures, such as Community Development Workers (CDWs), to explain the purpose and objectives of its indigent policy and FBS programme.
- d) **Indigent application and verification:** Where a municipality's chosen targeting method requires applications from indigents, a verification process will be necessary.

- e) **Monitoring, evaluation and impact assessment:** It is essential that an indigent policy be monitored and evaluated. A municipality is thus required to report back to the national government on the effectiveness of its FBS delivery. Impact assessments are an important part of this process to determine the extent to which FBS is making a real impact on the quality of life.
- f) **Exit from indigence:** The ultimate outcome of the FBS programme is that those who require the relief will eventually experience an improvement in their quality of life, resulting in them no longer requiring the relief. For this to occur, partnerships are required between the municipality and other spheres of the government with regard to the poverty alleviation of indigents (South Africa. DPLG, 2005c:33).

3.4.2 Service Delivery Norms and Standards

FBS and the levels of services provided should be in line with the norms and standards developed by the different sector departments at the national level. These norms and standards provide the basic acceptable levels of FBS to be provided by municipalities. For example, the Department of Water and Sanitation (DWS) has set the basic level of Free Basic Water (FBW) at six kilolitres per month, while the Ventilated Improved Pit Latrine (VIP) was set as a basic acceptable Free Basic Sanitation (FBSan) level of service. Furthermore, the Department of Energy (DoE) has set the basic level of energy provision for Free Basic Electricity (FBE) to poor households at 50 kilowatts per hour per month for an average poor household, with provision made for Free Basic Alternative Energy (FBAE), such as candles, solar and ethanol gel, at a monthly subsidy of R55 per poor household where there is no grid to provide electricity. The provision of Free Basic Refuse Removal (FBRR) is more complicated than the above services. As such, the Department of Environmental Affairs (DEA) has provided different service levels that could be applied, depending on the density and geographical area to be served. Thus, onsite waste disposal is recommended for small, sparsely populated areas, while kerbside collection is recommended for densely populated areas (South Africa. DPLG, 2005b:25).

3.5 FREE BASIC SERVICES MONITORING AND EXIT STRATEGY

3.5.1 Free Basic Services Monitoring

The provision of FBS has budgetary implications. As such, municipalities are required to undertake regular reviews of FBS provision to indigent households, including monitoring and evaluating the provision as well as doing an impact assessment. In this way, municipalities can assess the impact of FBS on the quality of life of indigent households (South Africa. DPLG, 2005c:33) to inform future budgetary needs and policy directions. Municipalities are subsequently required to report back to the relevant provincial and national government departments on the effectiveness of their FBS delivery.

3.5.2 Free Basic Services Exit Strategy

The aim of government with the FBS programme is not to register and keep people in the programme, but rather to provide relief. Hence, the ultimate aim is to improve the indigents' socio-economic conditions and eventually graduate them from the programme. The ultimate outcome of the FBS programme is that those who require the relief will eventually experience an improvement in their quality of life, resulting in them no longer requiring the relief (South Africa. DPLG, 2005c:33).

Therefore, even though the FBS programme is funded mainly from the equitable share allocations provided to municipalities by the national government and complemented by municipal revenues, the funding model is unsustainable. It requires a system to limit or reduce the dependency of indigent households on the FBS programme. Consequently, municipalities are required to develop and adopt exit strategies, linking the FBS programme with other social relief programmes, to manage the transition from the FBS programme. Such exit strategies should furthermore ensure that those who exit the FBS programme can sustain themselves, which would require continuous support and monitoring.

For this reason, municipalities cannot provide FBS in isolation from other governmental social relief programmes, such as those dealing with job creation. In this way, while indigents are benefiting from the FBS programme in terms of their basic services needs, they are also prioritised for jobs through programmes, such as the

Extended Public Works Programme (EPWP), Community Works Programme (CWP) and other job creation and community empowerment programmes by municipalities and the government's social partners. This should improve their socio-economic status and, ultimately, ensure their exit from the FBS programme.

3.6 SUMMARY

This chapter provided an ideal framework for the delivery of FBS. It also covered the indigent management system, which covered the development of the indigent policy and bylaws as well as the criteria for the identification of indigent households; the planning for FBS delivery, which looked at the IDP, budgeting for FBS and SDBIP; the implementation of FBS, which focused on the implementation of the indigent policy and service delivery norms and standards developed to guide FBS delivery; and FBS monitoring and exit strategy.

The next chapter discusses the research design and methodology.

CHAPTER 4

RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

This chapter discusses both the qualitative and quantitative research designs by defining both methods. In addition, the research methodology will be covered in terms of the population size, research sample, data collection methods, data collection instruments, data analysis, and data processing instruments. The design of the questionnaire and the reliability and validity of the research will also be covered. Moreover, this chapter will consider the establishment of trustworthiness by looking at credibility, transferability, dependability and conformability. Also, ethical considerations, such as voluntary participation and confidentiality, will be discussed. The chapter concludes with a discussion on the storing and destruction of the data.

4.2 RESEARCH DESIGN

Burns and Grove define a research design as “a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings” (2003:195). Designing a research thus helps the researcher plan and implement the study in such a way that the intended results can be obtained, thus increasing the chances of obtaining information that could be associated with the real situation. Given that this study seeks to understand the effectiveness in the planning, prioritisation and delivery of Free Basic Services (FBS), with the focus on effectiveness within the Polokwane Local Municipality, the overall plan for obtaining answers to the research questions will include the collection, collation and analysis of the existing data as well as interviews with the identified participants within the municipality.

Furthermore, the decision to use a qualitative or quantitative approach should be based on the research questions and the nature of the data needed to address the questions (Matthews and Ross, 2010:113). Thus, this study is a mixed methods research and will include both qualitative and quantitative methods of design. The mixed method design is defined as one that includes at least one quantitative method (which is designed to collect numbers) and one qualitative method (which is designed

to collect words) where neither type of method is inherently linked to any particular inquiry paradigm (Creswell and Clark, 2011:2).

4.2.1 Qualitative Research Design

Qualitative research methods were developed in the social sciences to enable researchers to study social and cultural phenomena. Examples of the qualitative method include action research, case study research and grounded theory (Myers, 2013:8). Marczyk, DeMatteo and Festinger (2005) also include survey studies, which will be the focus of this study, in the qualitative research category. They indicate that survey studies, among others, attempt to find relationships between the characteristics of the respondents and their reported behaviours and opinions (Marczyk *et al*, 2005:151).

4.2.2 Quantitative Research Design

According to the USC Library Guides (2018), the quantitative method emphasises objective measurements and the statistical, mathematical or numerical analysis of data collected through polls, questionnaires and surveys or by manipulating pre-existing statistical data, using computational techniques. Quantitative research thus focuses on gathering numerical data and generalising it across groups of people to explain a particular phenomenon.

4.3 RESEARCH METHODOLOGY

This study will follow a mixed methods research design, wherein the qualitative method will include interviews, a questionnaire and an analysis of the existing data and the quantitative method will focus on a comparative analysis of the figures. According to Wikipedia (no date), a questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from the respondents. This, together with face-to-face interviews with the relevant respondents, will form the basis for the data collection for this study.

4.3.1 Population Size

While the departments responsible for the FBS programme have developed policies and norms and standards to regulate the provision of the basic services, these documents will only be used for reference purposes. They will thus not be engaged for participation in the study. Instead, a simple, random sampling was used to select the targeted Polokwane Local Municipality, from among all the municipalities providing FBS. The targeted population, however, is officials within the Polokwane Local Municipality that are responsible for the planning, delivery and operations and maintenance of the FBS, and include the Technical Director, Chief Financial Officer and the Deputy Chief Financial Officer. According to Easton and McColl (1997), simple, random sampling is a basic sampling technique in which a group of subjects (a sample) is selected for a study from a larger group (a population). Each individual is chosen entirely by chance and each member of the population has an equal chance of being included in the sample.

This study focuses on a municipality since municipalities are the closest of the three spheres of government to the communities and are agents of the government in the provision of basic services. Furthermore, the choice of focusing on one municipality was informed by issues of accessibility, time constraints, availability of the participants (namely, the distribution of and receiving the questionnaire) and an understanding of the dynamics within the various departments. However, this study will still provide a fair representation of the issues regarding FBS delivery, from planning, delivery and operation and maintenance.

4.3.2 Research Sample

The target population is the Polokwane Local Municipality as this study will look at its capacity to implement the FBS programme. A questionnaire will be sent to the officials in the planning, technical and finance units responsible for the planning and implementation of the FBS programme as well as the management and accounting of the funds allocated for the implementation of this programme.

4.3.3 Data Collection Methods

As alluded to above, the data collection method used in this research will include a questionnaire and face-to-face personal interviews. The questionnaire will be sent to the key respondents who are of interest to this study. Once the data has been collected, the researcher will capture the received data and consolidate it into a Microsoft Word document and Microsoft Excel spreadsheet for further analysis.

4.3.4 Data Collection Instruments

All the respondents will be asked to fill in a questionnaire. The researcher will use a questionnaire because the selected population is conversant with the FBS programme and the system required to implement the programme. The questionnaire contains closed-ended questions as such questions save time and keep the respondents focused on the subject.

In addition, interviews will be conducted with the selected respondents for follow-ups to gain further clarity on the provided information. The interviews will be conducted as they are one of the most important data gathering techniques for qualitative researchers in business and management (Czaja and Blair, 1996:119).

4.3.5 Data Analysis

The data from the questionnaires will be sorted, analysed and compiled into a report. Hence, the report will provide the findings of the study with regard to the effectiveness of the planning, prioritisation, allocation of the resources and delivery and maintenance of the service delivery infrastructure as well as the impact on FBS delivery. The analysis of the data will conclude with recommendations on how to ensure efficiency, effectiveness and economy in the allocation and management of the financial resources allocated to the FBS programme.

4.3.6 Data Processing Instruments

The researcher will use manual data processing instruments; thus, scientific data processing instruments, such as SPSS or IBM, will not be purchased or used.

4.4 DESIGNING THE QUESTIONNAIRE

Considering the types of information needed from the respondents and how best to elicit that information is key to designing your research. These decisions must, therefore, be made early in the survey design (Czaja and Blair, 1996:18). The researcher requires knowledge which can be gathered through a questionnaire. A questionnaire is a set of questions which can be answered by the research participants in a number of ways. Most questionnaires are designed to gather already structured data and some include a set of answers from which the respondents can choose, while others include more open-ended questions which allow respondents to answer the questions in their own way (Matthews and Ross, 2010:201). For the purpose of this study, the researcher will use more closed-ended questions to keep the respondents focused.

4.5 RELIABILITY AND VALIDITY

According to the Pinellas School District and Florida Center for Instructional Technology (no date), reliability and validity are two concepts that are important for defining and measuring bias and distortion. As such, reliability refers to the extent to which assessments are consistent, while validity refers to the accuracy of an assessment and whether or not it measures what it is supposed to measure. Also, according to Amin (2005), content and construct validity is determined by expert judgement. Hence, the validity of the questionnaire will be obtained by presenting it to at least two professional people, including the supervisor of this researcher.

4.6 ESTABLISHING TRUSTWORTHINESS

4.6.1 Credibility

To ensure the credibility of this research, the researcher will evaluate whether the research findings represent a “credible” conceptual interpretation of the data drawn from the original data provided by the participants.

4.6.2 Transferability

The researcher will ensure that the findings are transferable beyond this study so they can be of value to the participants in improving the effectiveness of FBS provision of their institution.

4.6.3 Dependability

The researcher will do an assessment of the quality of the integrated processes of data collection, data analysis, and theory generation as a test of dependability.

4.6.4 Conformability

The researcher will measure how well the inquiry's findings are supported by the data collected to ensure conformity.

4.7 ETHICAL CONSIDERATIONS

Virtually all studies with human participants involve some degree of risk. As such, the research participants' protection must be contextualised and appreciated (Marczyk *et al*, 2005:234). This, therefore, requires adherence to some ethical considerations. The researcher will thus solicit consent from the Polokwane Local Municipality to conduct the research and will inform the participants, in writing, well in advance, before the interviews take place, that their participation is voluntary and that they can withdraw their participation without any ramifications. The researcher will furthermore treat the information received from the recipients with the utmost respect and will keep it as confidential as possible. In addition, the researcher has sought the necessary ethical clearance from the research council of the University of South Africa (Unisa).

4.7.1 Voluntary Participation and Harmlessness to the Respondents

Participating in this study is voluntary and participants are under no obligation to participate. If they do decide to participate, they will be given an information sheet and asked to sign a written consent form. The participants are also free to withdraw at any time and without giving a reason.

Please note that the participants' identity will remain anonymous. Also, should they choose to participate in the study, it might be impossible for them to withdraw once they have submitted a completed questionnaire as this will affect the conclusion of the study.

4.7.2 Confidentiality

The participants have the right to insist that their names not be recorded anywhere in this research and that no one, apart from the researcher, will know about their involvement in this research. Also, even though the participants' answers may be reviewed by those responsible for ensuring that the research is done properly, including the transcriber, external coder and members of the Research Ethics Review Committee, the records that identify the participants will be available only to those working on the study, unless permission is granted for others to see the records.

The participants will be informed that the anonymous data may be used for other purposes, such as a research report, journal articles and/or conference proceedings. However, their privacy will be protected in any publication of the information. For example, a report of the study may be submitted for publication, but the individual participants will not be identifiable in such a report.

It should be noted that it is sometimes impossible to make an absolute guarantee of confidentiality or anonymity, however, the researcher will ensure that the participants will not be connected with the information that they share during the study. The researcher will, however, encourage all participants to do so. For this reason, the researcher will advise the participants not to disclose personally sensitive information.

4.8 STORING AND DESTROYING OF THE DATA

Hard copies of the participants' answers will be stored by the researcher for a period of five years in a locked cupboard or filing cabinet at the researcher's home. For future research or academic purposes, electronic information will be stored on a password protected computer. Future use of the stored data will be subject to a further research ethics review and approval, if applicable.

With regard to the destruction of the information, the hard copies will be shredded and the electronic copies will be permanently deleted from the hard drive of the researcher's computer through the use of a relevant software programme.

4.9 SUMMARY

This chapter covered both the qualitative and quantitative research designs by defining both methods and indicated that the mixed method will be used for this research. In addition, the research methodology was covered in terms of the population size, research sample, data collection methods, data collection instruments, data analysis and data processing instruments. The design of the questionnaire and the reliability and validity of the research was also discussed. Furthermore, this chapter considered the establishment of trustworthiness by looking at credibility, transferability, dependability and conformability. Also, ethical considerations, such as voluntary participation and confidentiality, were discussed. The chapter concluded with a discussion on the storing and destruction of the data.

The next chapter discusses the analysis and interpretations of the data.

CHAPTER 5

PROVISION OF FREE BASIC SERVICES IN POLOKWANE LOCAL MUNICIPALITY

5.1 INTRODUCTION

This chapter reports on the research findings from the questionnaire, interviews and documents sourced from the municipality and National Treasury. It also discusses the municipal indigent policy, covering the objectives of the policy and the indigent register. In addition, it covers the planning for Free Basic Services (FBS); the budgeting for FBS; and the implementation of FBS, including the institutional arrangements. Moreover, it discusses the monitoring and reporting of FBS. The chapter concludes with a look at the FBS review and exit strategy.

5.2 DATA ANALYSIS AND INTERPRETATION

According to Zechmeister and Posavac (2003:15), in quantitative research, data analysis and interpretation mainly involves four major steps: **I**nspection, **D**escription, **E**stimating confidence and **A**nnouncing results. These steps are often more simply referred to as the IDEA model of data analysis and interpretation. During the Inspection step, the researcher must ensure that the data is free of errors, while looking for any anomalies and outliers. The Description is used to determine what the dataset looks like, while the researcher examines the variability, finds measures of central tendency and looks for trends and possible relationships. Estimating confidence helps the researcher construct confidence estimates for the findings. This is done by providing answers to questions on how likely the results are due to change, whether the results differ from those of other researchers and whether the findings are interesting? Lastly, announcing the results involves the use of words, along with statistical measures and “pictures” of the data, to tell the audience what was found and what it means.

5.3 PROFILE OF THE POLOKWANE LOCAL MUNICIPALITY

According to Wikipedia (no date), Polokwane, a northern Sesotho word that means “place of safety”, was renamed in February 2002. The local municipality is a Category B municipality located within the Capricorn District in the Limpopo Province. It is one of four municipalities in the district, making up just under a quarter of its geographical area, as seen in **Map 1**. The Polokwane Municipality accounts for only 3% of the total surface area of Limpopo; however, over 10% of the Limpopo population resides within its boundaries. The municipality also serves as the economic hub of Limpopo and has the highest population density in the Capricorn District.



Map 1: Capricorn District

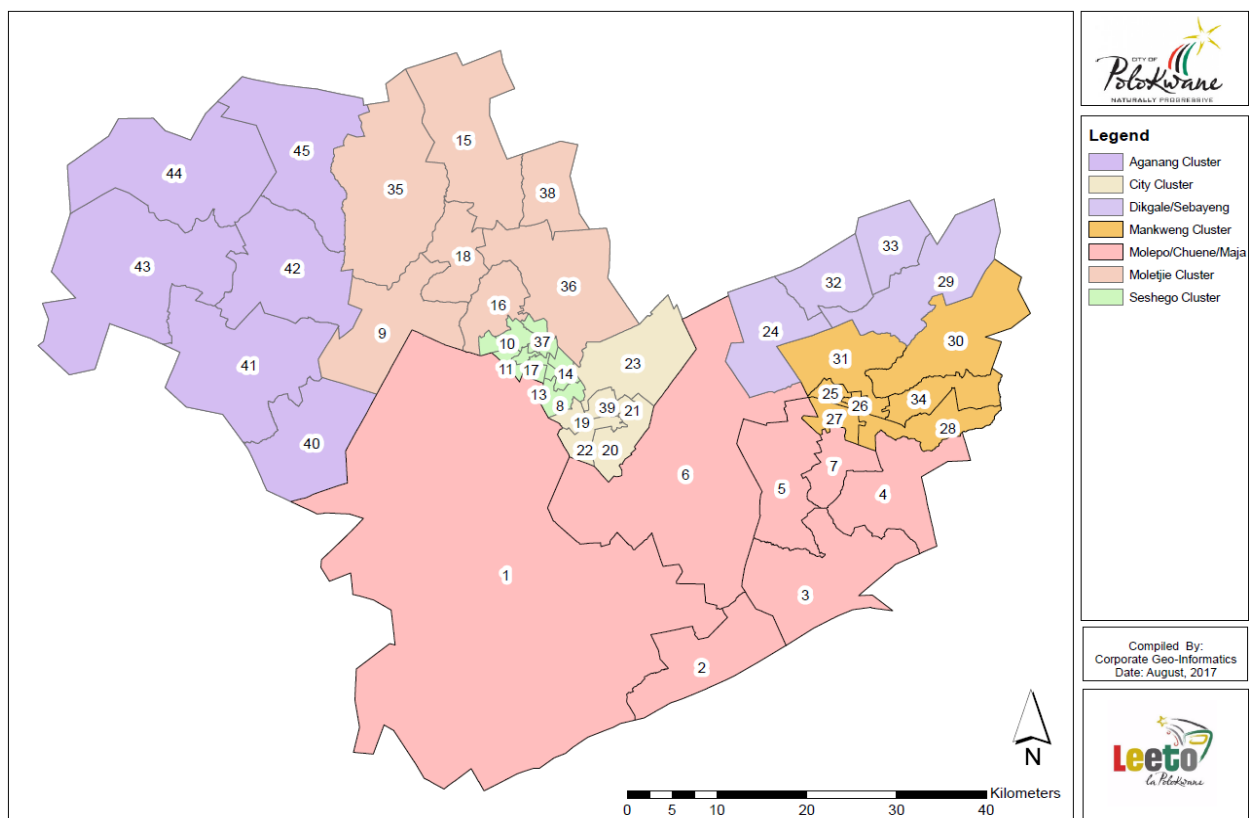
(Municipalities.co.za)

Also according to Wikipedia (no date), it is a city with more than a century of phenomenal growth and prosperity. The municipal spatial pattern reflects that of the historic apartheid city model, characterised by a segregated settlement. At the centre of the area is the Polokwane economic hub, which comprises the central business district, industrial area and a range of social services and well-established formal

urban areas servicing the more affluent residents of Polokwane. Situated on the outskirts, in several clusters, are less formal settlement areas, which are experiencing enormous influx from rural urban migration trends. These areas are in dire need of upgraded services and infrastructure, both social and engineering, and are struggling to cope with the informal influx of more people who want access to an improved quality and standard of living.

5.4 HOUSEHOLD INDICATORS

In 2011, the Polokwane Local Municipality had a total of 178,001 households, with an average household size of 3.5 people; in 2016, the number of households increased to 214,464, with an average household size of 3.3 people (Statistics South Africa, 2016:20). The municipality has a total of 45 wards, covering 265 settlements, divided into seven clusters. A total of 17,785 households did not have piped water in 2016, while a total of 11,057 households did not have electricity. Also, in 2011, a total number of 99,492 households did not have flush or chemical toilets; this number has increased to 111,064 in 2016. The majority of those households without basic services infrastructure reside in the rural areas or villages.



Map 2: Polokwane wards per cluster

(South Africa. Polokwane Local Municipality, 2017)

5.5 INDIGENT POLICY

The Polokwane Local Municipality has developed an indigent policy over the 2014/15, 2015/16 and 2016/17 financial years, which are the focus of this study. The 2016/17 policy was approved by the municipal council on 26 May 2016. This policy is reviewed annually, in line with the budget preparation process. The changes to the policy are mainly informed by the relevant changes in the market, such as changes in the national legislation or changes to the local economic circumstances that affect the affordability of basic services by the lower band of rate payers and consumers of municipal services.

The policy provides for, among others, the objectives, principles, criteria for indigent households, subsidies to indigent households and application for subsidies. According to the 2016/17 indigent policy (South Africa. Polokwane Local Municipality, 2016b), a household qualifies for an indigent subsidy if its total income does not exceed the sum of two state-funded social grants plus two child support grants which was calculated at R3,500 during the 2016/17 financial year. In addition, the applicants must be permanent residents of Polokwane; must be South African citizens; may not be the registered owner of more than one property; does not necessarily have to be the owner, but must at least be the occupier; and can include child headed families. Moreover, the property may only be used for residential purposes.

5.5.1 Objectives of the Policy

The objectives of this policy are to:

- a) Provide a framework within which the municipality can exercise its executive and legislative authority with regard to the implementation of financial aid to indigent households in respect of their municipal account;
- b) Determine the criteria for qualification of indigent households;
- c) Ensure that the criteria are applied correctly and fairly to all applicants;

- d) Allow the municipality to conduct *in loco* visits to the premises of the applicants to verify the actual status of the household with respect to meeting the criteria on an indigent household; and
- e) Allow the municipality to maintain and publish the register of names and addresses of account holders receiving subsidies, namely, financial aid in respect of the municipal services account (South Africa. Polokwane Local Municipality, 2016b:5).

5.5.2 Indigent Register

All households, irrespective of their socio-economic status, are provided with FBS. However, according to the Deputy Chief Financial Officer of the Polokwane Local Municipality, no register is compiled for the rural areas and the register only accounts for indigent households in the urban areas (South Africa. Polokwane Local Municipality, 2016a:51). Thus, the register only covers three areas (namely, Polokwane city, Seshego and Westernburg) from 265 possible settlements. As most indigent households reside in rural areas which are not accounted for, the registered indigent households only represent a fraction of the total indigent households within the municipality. For these urban areas, the register is reported to have been linked with live data from credible credit bureaus to ensure proper vetting of indigent applications.

The municipality's indigent register is reviewed annually, in line with the budgeting processes, to ensure that the resources are allocated to support the provision of FBS to the registered indigents. The municipality is also planning to do an economic assessment of the households in the rural areas and compile an indigent register to ensure that only qualifying households receive FBS.

Moreover, the National Treasury statistics used to determine the equitable share allocations for the 2014/15, 2015/16 and 2016/17 financial years reflected a higher number of indigents households of 113,199; 117,957; and 142,046, respectively, as seen in **Table 4**. This is a huge difference in the number of registered indigent households within the municipality.

Table 4: Number of indigent households for the Polokwane Local Municipality as per the municipal indigent registers and National Treasury statistics

Financial Year	2014/15	2015/16	2016/17
Total registered indigent households as per the municipal indigent registers (covering only Polokwane City, Seshego and Westernburg)	9,800	9,800	11,500
Total poor households living below the poverty line as per the National Treasury statistics	113,199	117,957	142,046
Difference	103,399	108,157	130,546

(South Africa, Polokwane Local Municipality, 2016b; National Treasury, 2014; National Treasury, 2015; National Treasury, 2016)

5.6 PLANNING FOR FREE BASIC SERVICES IMPLEMENTATION

Planning represents management's attempt to anticipate the future and guard itself against the threat of change and thus the planners have the central mission of minimising uncertainty (Webber, 1981:24-25). Hence, planning for FBS provision has been part of the municipality's Integrated Development Plans (IDPs) for the three years ending 30 June 2017 and has been ranked number seven based on the budget allocation and IDP prioritisation. See South Africa. Polokwane Local Municipality, 2014a; South Africa. Polokwane Local Municipality, 2015b; and South Africa. Polokwane Local Municipality, 2016d. The IDP is the municipality's five-year strategic plan for the development of the municipality. Moreover, planning for FBS also formed part of the Service Delivery and Budget Implementation Plans (SDBIPs) for the 2014/15 to 2016/17 financial years. See South Africa. Polokwane Local Municipality, 2014b; South Africa. Polokwane Local Municipality, 2015c; and South Africa. Polokwane Local Municipality, 2016c. The municipality does, however, acknowledge that the FBS policy should be aligned with the municipal budget reform and processes to avoid over incentives to indigents which will result in municipal finances which are not viable in the long run.

5.7 BUDGETING FOR FREE BASIC SERVICES IMPLEMENTATION

The effective provision of FBS to indigent households depends on the availability of the basic services infrastructure. For this reason, the Polokwane Local Municipality was allocated funds through the Municipal Infrastructure Grant (MIG), totalling R880,657,000 over the 2014/15 to 2016/17 financial years, as seen in **Table 5**. The purpose of this grant is to subsidise the capital costs of providing basic services to poor households by developing the infrastructure for the delivery of basic municipal services (South Africa, 2016:184). According to the MFMA Section 71 reports issued by the National Treasury (2014/15, 2015/16 & 2016/17), the municipality managed to spend an average of 92.94% of the above amount over the three years. However, there was not much increase in the number of poor households accessing the basic services infrastructure, as discussed in paragraph 5.5.2.

Table 5: MIG allocations to the Polokwane Local Municipality

Municipal Financial Year	Municipality	Allocated (R'000)	Transferred to date (R'000)	Transfers as % allocation	Expenditure to date (R'000)	Expenditure as % allocation
2014/15	Polokwane	304,914	304,914	100.00	301,014	98.72
2015/16	Polokwane	275,800	275,800	100.00	275,800	100.00
2016/17	Polokwane	299,943	299,943	100.00	241,697	80.58
Total		880,657	880,657	100.00	818,511	92.94

(National Treasury, 2014, 2015 & 2016 Division of Revenue Bills)

In terms of section 227 of the Constitution, the local government is entitled to an equitable share of the nationally raised revenue to enable it to provide basic services and perform its allocated functions (South Africa, 1996). Therefore, the operations and maintenance for the provision of FBS to indigent households, in addition to other core services, are mainly funded from the local government equitable share from the national revenue. This local government equitable share is an unconditional transfer that supplements the revenue that municipalities can raise themselves from, among others, property rates and service charges, for those municipalities that have the least potential to cover these costs from their own revenues (South Africa, 2016:93). The formula for the allocation of equitable shares to municipalities is provided in **Table 6**.

Table 6: Local government equitable share formula

Structure of the local government equitable share formula	
LGES = BS + (I + CS)xRA ± C	
where	
LGES is the local government equitable share	
BS is the basic services component	
I is the institutional component	
CS is the community services component	
RA is the revenue adjustment factor	
C is the correction and stabilisation factor	

(National Treasury, 2014 Division of Revenue Bill)

The basic services component of the formula helps municipalities provide Free Basic Water (FBW), Free Basic Sanitation (FBSan), Free Basic Electricity (FBE) and Free Basic Refuse Removal (FBRR) to households that fall below an affordability threshold.

Table 7 provides the subsidies allocated to the Polokwane Local Municipality for the provision of FBS over the 2014/15 to 2016/17 financial years, as determined by the number of households living below the poverty line as determined by National Treasury as equivalent to two state old-age pensions. This allocation to the municipalities is calculated as the total subsidy multiplied by the number of poor households, as per the annual community survey conducted by Statistics South Africa.

Table 7: Basic services equitable share allocations for the 2014/15 to 2016/17 financial years in terms of the Division of Revenue Bills

Financial Year	Municipality	Number of Households	Households with monthly income less than 2 state old age pensions	Electricity	Water	Sanitation	Solid waste	Total Basic Services Component
		<i>Census 2011 data, updated using 2013 General Household Survey</i>	<i>Census 2011 data, updated using 2013 General Household Survey</i>	<i>The number of poor households multiplied by agreed monthly cost and multiplied by 12 to get the annual figure</i>	<i>The number of poor households multiplied by agreed monthly cost and multiplied by 12 to get the annual figure</i>	<i>The number of poor households multiplied by agreed monthly cost and multiplied by 12 to get the annual figure</i>	<i>The number of poor households multiplied by agreed monthly cost and multiplied by 12 to get the annual figure</i>	
2014/15	Polokwane	185,357	113,199	81,804,518	126,454,806	103,241,127	86,545,215	398,045,666
2015/16	Polokwane	193,147	117,957	93,693,095	141,191,277	113,819,568	95,412,935	444,116,875
2016/17	Polokwane	227,650	142,046	120,978,233	182,921,165	145,287,873	121,792,260	570,979,531

(National Treasury, Division of Revenue Bills, 2014, 2015 & 2016)

As per **Table 7**, the allocation to the Polokwane Local Municipality for FBS provision has increased by 30% over the three years, while the municipality's poor households have only increased by 20%, representing an increase of 28,847 additional indigent households, over the same period. The Polokwane Local Municipality has consistently budgeted an amount of R60,000,000 for each of the 2014/15, 2015/16 and 2016/17 financial years, totalling R180,000,000 over the three years. This budgeting approach assumed that the number of indigent households would remain constant over the three years. The budgets were, however, less than the combined equitable share allocations of R570,979,531 provided for the provision of FBS over the same period and did not take into consideration the increase in the number of indigent households.

5.8 IMPLEMENTATION OF FREE BASIC SERVICES

5.8.1 Institutional Arrangements for the Provision of Free Basic Services

The responsibility to implement FBS within the Polokwane Local Municipality is currently shared between the Budget and Treasury Office (BTO) and the Engineering Department. The BTO is responsible for the registration of indigent households, administering the provision of FBS and billing the services consumed, including FBS. The Engineering Department is responsible for the physical provision of FBS to indigent households; issuing tokens to the households for access to FBS, especially for electricity; and budgeting for the provision of FBS. The municipality is, however, of the opinion that the responsibility for the provision of FBS should lie with the Billing Division within the BTO, while the Engineering Department should only focus on the infrastructure development to enable the provision of these services.

5.8.2 Implementation of Free Basic Services

FBS is implemented, in line with the targets set in the IDPs and SDBIPs, and is regulated by the municipal indigent policy. The services provided by the municipality as FBS include FBW, FBSan, FBE, FBRR and a rebate on property rates (South Africa. Polokwane Local Municipality, 2016b:6). However, during the interview with the Deputy Chief Financial Officer, the officer indicated that the levels of FBS provided to urban and rural settlements differ, as per **Table 8**.

Table 8: Levels of FBS provision

FBS	Levels of Services Provided per Indigent Household per Month	
	Urban Settlements	Rural Settlements
FBW	6 kilolitres per household	Services not metered
FBSan	100% of the basic levy for sewerage per month	Services not metered
FBE	100 kilowatts per hour	50 kilowatts per hour
FBRR	100% of the basic levies for refuse removal per month	Service not provided
Property rates rebate	100% exemption for properties with a maximum value of R200,000 Properties with a value exceeding R200,000 are exempted on the first R100,000	Not applied

(South Africa. Polokwane Local Municipality, 2016b)

As is seen in **Table 8**, the amount of electricity provided by the municipality to indigent households in urban areas is above the national norm of 50 kilowatts per hour per month, which is determined to be adequate for an average indigent household. Moreover, the effectiveness could not be established for the unmetered services in the rural areas, especially for FBW and FBSan.

5.9 MONITORING AND REPORTING OF FREE BASIC SERVICES

The Polokwane Local Municipality has established a system for the monthly monitoring and reporting of the FBS programme within the municipality, which is integrated within the financial management system managed by the BTO. However, at an operational level, its effectiveness depends on the alignment and cooperation between the BTO and the Engineering Department, which is responsible for the physical delivery of FBS and the issuing of tokens to indigent households. The FBS

provision is more a billing issue than an engineering one and relates to the billing and crediting of qualified indigent households' accounts with the set subsidies in terms of the indigent policy.

At a strategic level, FBS is one of the Key Performance Areas of the Municipal Manager, as outlined in the SDBIP (South Africa. Polokwane Local Municipality, 2016c:6). The Municipal Manager is held accountable for the delivery of FBS and has to report monthly to the council on the performance of the municipality with regard to the delivery of FBS to indigent households. The FBS performance reports form part of the monthly revenue reports which are submitted to the council and include an analysis of the progress against the financial and non-financial performance targets.

The structure of the local government allows for political oversight of the administration of municipalities. As such, the Portfolio Committee on Finance oversees the entire financial matters of the Polokwane Local Municipality and makes recommendations on the municipality's budget and financial matters. This committee also develops recommendations to the Mayoral Committee which subsequently integrates the recommendations and submits them to the council for either noting and/or approval. Therefore, the monitoring and reporting of FBS within the municipality is, to a large extent, effective as the above structures provide stringent oversight and ensure fairness and transparency in the provision of FBS. Moreover, the management of the municipality is held accountable for the delivery of FBS.

However, as discussed in paragraph 5.5.2, the indigent register only accounts for three established areas within the municipality and does not include the rural areas. Therefore, the reports to the council will also only provide the progress against the set targets in the established town and will only provide estimations for the rural areas. Hence, to further improve the implementation, monitoring and reporting of FBS, all the stakeholders within the municipality and the community at large, especially in the rural areas, must be educated and made aware of the FBS programme to ensure that the municipality registers and effectively accounts for the provision of FBS to all indigent households, including those in the rural areas.

5.10 FREE BASIC SERVICES REVIEW AND EXIT STRATEGY

5.10.1 Free Basic Services Performance Review

Municipalities should regularly monitor their basic services delivery performance and the use of resources utilised to deliver such services, to ensure effective, efficient and economic use of limited public resources.

If performance is not monitored, it would be impossible to determine whether reasonable progress is being achieved in delivering organisational objectives (Ball, 1998:1). Yet, the Polokwane Local Municipality has not done a review of the performance of the FBS programme since its inception in 2000. The municipality has, however, indicated that the number of indigent households has increased over the years, mainly to due to socio-economic issues, such as unemployment, an ageing population and child-headed households due to the passing on of parents or guardians.

Also, the review of the FBS programme depends largely on the effective implementation of the programme. However, the implementation of the programme is currently lacking given that only a small number of indigent households are accounted for in the indigent register. Therefore, there is a need for an intensive awareness campaign through public participation to ensure that all eligible indigent households are accounted for and only the qualifying indigents are subsidised in both the established and rural areas. Structures are already available which could assist with such an awareness campaign, including the Community Development Workers (CDWs) and Ward Committees.

5.10.2 Free Basic Services Exit Strategy

As discussed in Chapter 3, the aim of the government with the FBS programme is not to register and keep people in the programme, but rather to provide relief. Hence, the ultimate aim is to improve the indigents' socio-economic conditions and eventually graduate them from the programme. According to the former Department of Provincial and Local Government (DPLG), the ultimate outcome of the FBS programme is that those who require the relief will eventually experience an improvement in their quality of life, resulting in them no longer requiring the relief (South Africa. DPLG, 2005c:33).

Therefore, while indigents are benefiting from the FBS programme in terms of their basic services needs, they should also be prioritised for jobs through programmes, such as the Extended Public Works Programme (EPWP), the Community Works Programme (CWP) and other job creation and community empowerment programmes by municipality and the government's social partners. This should improve their socio-economic status and, ultimately, ensure their exit from the FBS programme.

The Polokwane Local Municipality does not have an exit strategy and the prioritisation of unemployed people for jobs within the municipality is not linked to the indigent register. The implications of such an oversight are that those registered on the indigent register will remain registered and those prioritised for jobs might not be assisting or supporting indigent households to move out of poverty. Consequently, the municipality will need to continually subsidise indigent households to such an extent that its resources will be stretched to the limit and the municipality might eventually be unable to provide the FBS at the set norms and standards. It is thus imperative that the municipality reviews its approach to the management of the FBS programme and its link with other social support programmes and job creation programmes to ensure that the poor and those registered as indigents are prioritised for jobs that become available.

5.11 SUMMARY

This chapter reported on the research findings from the questionnaire, interviews and documents sourced from the municipality. It furthermore discussed the municipal indigent policy, including the objectives of the policy and the indigent register. In addition, it covered the planning for FBS; the budgeting for FBS; and the implementation of FBS, including the institutional arrangements. The monitoring and reporting of FBS were also discussed. The chapter concluded with the FBS review and exit strategy.

The next chapter discusses the findings, recommendations and areas for further studies.

CHAPTER 6

FINDINGS, RECOMMENDATIONS AND AREAS FOR FURTHER STUDIES

6.1 INTRODUCTION

This study investigated the effectiveness of the Polokwane Local Municipality's management of the funding allocated for its provision of Free Basic Services (FBS). It did so using a case study research. In this chapter, the findings are outlined, recommendations are made and those areas of further research are identified. The research objectives form the basis for the conclusions of this chapter.

6.2 CHAPTER REVIEW

In Chapter 1, the study introduced the research topic and the purpose of the study as articulated in the research problem. The research objectives were identified as establishing:

- a) The effectiveness of the planning and prioritising of the needs in the delivery of FBS;
- b) The effect of municipal funding and its adequacy to fund FBS delivery;
- c) How the municipality prioritises and allocates resources for the delivery of municipal services;
- d) The impact of the municipal plans and priorities in ensuring effectiveness in the use of the resources and the delivery of municipal services;
- e) The trends in FBS delivery over three financial years; and
- f) The challenges and areas of improvement in the delivery of FBS.

These research objectives are later used to form the basis for the conclusions of this study. The primary aim of the study was also identified as determining the effectiveness with which the Polokwane Local Municipality manages the funding allocated for its provision of FBS.

Chapter 2 focused on the literature review on the effect of funding on FBS delivery. It also provided, as its starting point, a discussion on the ideal service delivery value chain for the effective delivery of basic services and the effective use of resources. In addition, the chapter covered the legislative provisions and guidelines for the delivery of FBS. Finally, the allocation of funding to deliver these services, which was later tested during a case study, was discussed.

Chapter 3 provided an ideal framework for the delivery of FBS which, together with dedicated support teams, committed leadership and political will, will ensure effective FBS delivery. The chapter was more a desktop study and outlined the requirements for effective FBS delivery from the planning phase to the actual delivery of these services. Moreover, it was indicated that effective implementation of FBS requires that these services be planned for and budgeted for properly and implemented effectively.

Chapter 4 discussed the research design and methodology, population and sampling, and designing and administering of the survey questionnaire. It also described the measures used to establish the trustworthiness of the study findings of the qualitative research. The issue of ethics was also discussed, as the study involved one-on-one contact with the research respondents. It thus discussed the ethical principles that were followed to safeguard the rights of the respondents. Finally, it discussed the storage and destruction of the data to ensure the security of the data.

Chapter 5 dealt with the analysis and interpretations of the data. In addition, it discussed the collection of the data which was collected using four data collection instruments, namely the literature review, document analysis, a self-administered questionnaire and follow-up personal interviews. The chapter also included a discussion on the municipal indigent policy, covering the objectives of the policy and the indigent register; the planning for FBS; the budgeting for FBS; and the implementation of FBS, including the institutional arrangements; and the monitoring and reporting of FBS. The chapter concluded with the FBS review and exit strategy.

6.3 FINDINGS

This section provides some of the key findings from the research into the Polokwane Local Municipality's effectiveness in its management of the financial resources allocated for its provision of FBS. These findings were guided by the objectives and the research questions, covering the availability of the indigent policy; the planning, budgeting, implementing, and monitoring and reporting of the FBS; and the FBS review and exit strategy.

6.3.1 Indigent Policy and Register

The indigent policy forms the basis for the provision of FBS as it outlines, among others, the qualification criteria and the procedure for the identification and registration of indigents. It also includes the levels of FBS to be provided to indigent households. The Polokwane Local Municipality has had an indigent policy over the years under review, namely the 2014/15 to 2016/7 financial years, which was reviewed annually. The policy covered all the key areas for effective implementation of the FBS programme, as outlined in their objectives as discussed in Chapter 5.

However, the municipality's indigent policy states that the poverty threshold is calculated as a sum of two times the amount of state-funded social grants plus two child support grants which was calculated at R3,500 during the 2016/17 financial year (South Africa. Polokwane Local Municipality, 2016b). However, the national policy position and the allocation of the equitable share allocation provided to support the provision of FBS to indigent households are calculated as the sum of two old-age pensions, which is lower than the municipality's threshold. Therefore, the Polokwane Local Municipality should have more indigents on their register than they currently have and could be subsidising households that are not eligible to receive FBS.

Moreover, the indigent register only covers three established towns out of the 265 settlements within the municipality. Also, the number of indigent households on the indigent register remained 9,800 for the 2014/15 and 2015/16 financial years and only increased to 11,500 in the 2016/17 financial year, while National Treasury reported that the number of households living below the poverty line, which was used to determine the allocation of the equitable share allocations, was 113,199; 117,957 and

142,046, respectively, for the same period (Division of Revenue Bills, 2014, 2015 & 2016). It was thus found that the municipality has not made an effort to identify and register the eligible indigent households in the rural areas, which, according to the National Treasury's figures, represent the majority of indigent households within the municipality. The indigent register, therefore, is inadequate or limited as a source of information to determine the effectiveness with which the municipality is managing the funding allocated for its provision of FBS.

6.3.2 Planning

Effective implementation of the FBS programme and management of the funding allocated for the provision of these services to indigent households depend on the effectiveness of the planning within the municipality. The plans should provide targets or deliverables, budgets and timelines for the effective implementation of the programme and should be informed by an assessment of the needs for FBS across all settlements within a municipal area. The Polokwane Local Municipality has developed both an Integrated Development Plan (IDP), which is its five-year strategic plan for the development of the municipality, and a Service Delivery and Budget Implementation Plan (SDBIP), which is an annual performance plan to support the implementation of the FBS programme. However, these plans are only effectively implemented in the established areas since an assessment of the FBS needs were not done in the rural areas. Hence, the targets and budgets provided in the plans for the rural areas were mere estimates. Consequently, the impact of these plans cannot be established, given that the rural areas represent the majority of the settlements within the municipality.

6.3.3 Budgeting

The Polokwane Local Municipality has, over the 2014/15 to 2016/17 financial years, spent 92.94% of the total capital subsidy of R880,657,000 allocated to it by National Treasury for the development of infrastructure to enable it to provide basic services to indigent households. This has, however, not resulted in a significant increase in the number of indigent households with access to FBS. This is due to the indigent register only accounting for three established towns out of the 265 settlements within the

municipality, even though every household in the rural areas received FBS. Therefore, the Polokwane Local Municipality's budget for the operations and maintenance of FBS was only based on estimates, especially for the rural areas.

Moreover, the budgeted amount for FBS provision by the Polokwane Local Municipality in the financial years 2014/15 to 2016/17 remained R60,000,000 per year, totalling R180,000,000 over the three years. This suggests that there was no scientific basis for determining the budget allocations. This was in contradiction of the increase in the equitable share allocations provided to the municipality by National Treasury, which showed an increase of 30% over the three years, with a combined total allocation of R570,979,531 over the years under review.

It is clear from the above and the discussion in Chapter 5 that the municipality ineffectively managed its funding for FBS.

6.3.4 Implementation

The implementation of FBS to indigent households is a shared responsibility between the Budget and Treasury Office (BTO) and the Engineering Department. Thus, rather than complementing each other's responsibilities, the departments shared the responsibilities and accountability. This increased the risk of ineffectiveness in the way the services are provided. The provision of FBS is more a billing issue that should be dealt with by the BTO, with the Engineering Department only focusing on the infrastructure development to enable the provision of FBS. Furthermore, the municipality did not have specific bylaws for the provision of FBS and instead used the indigent policy, which appeared to be adequate for this purpose.

The municipality's offering of FBS included Free Basic Water (FBW), Free Basic Sanitation (FBSan), Free Basic Energy (FBE), Free Basic Refuse Removal (FBRR) and a rebate on property rates. However, it was established that water provision was only metered in urban areas, where indigent households received 6 kilolitres of water per month, which is in line with the national policy, while the rural areas were not metered, meaning there was no way of ascertaining the volume of water consumed per household per month. The implication of such an oversight is that the municipality

could be losing income from water losses. Furthermore, the registered indigent households in the urban areas received 100 kilowatts per hour of electricity per month, while the households in the rural areas received only 50 kilowatts per hour per month. The national policy set the minimum level of FBS to be provided per month at 50 kilowatts per hour per month. Also, as there is no indigent register for the rural areas, the municipality could be providing FBE to households that do not qualify for this service, thus wasting funds that could further develop legitimate indigents. In addition, most unregistered households use Ventilated Improved Pit Latrines (VIPs) as a basic level of FBSan and no kerbside refuse collection service is provided. There is no valuation roll for the properties in the rural areas; therefore, the rebates on the property rates do not apply to the rural areas.

Consequently, the impact of the implementation of the indigent policy is very minimal given that the majority of the possible indigents are not accounted for in the policy.

6.3.5 Monitoring and Reporting

As discussed in Chapter 5, there are structures, processes and systems in place for the effective monitoring and reporting of the FBS. However, the limitations in the planning, budgeting and implementation of the FBS programme render the monitoring and reporting in the rural areas ineffective. This is mainly due to the monitoring and reporting only focusing on a small number of registered indigent households, while a large proportion of the indigents remain unregistered. Ultimately, this raises questions regarding the reliability of the municipality's reports on FBS provision in the rural areas.

6.3.6 FBS Review and Exit Strategy

The municipality has not done a review of the performance of the FBS programme, since its inception; however, this could have assisted in the improvement in the municipality's management of the programme. Therefore, there is no way of establishing the areas that need improvement to make a positive impact on indigent households.

Furthermore, the municipality does not have an exit strategy that ensures alignment with and integration of the social support programmes to ensure that those registered

as indigents are prioritised for jobs to improve their socio-economic conditions. If the municipality had had such a strategy, it would have ensured, to a certain extent, that those who would earn above the indigent household income, as per the municipal indigent policy, would be deregistered from the indigent register, decreasing the number of indigent households needing FBS. The implication of such an oversight is that those who are on the register might remain on the register with little hope of improvement of their socio-economic conditions, which puts more pressure on the limited financial resources of the municipality.

6.4 RECOMMENDATIONS

The funding allocated for the provision of FBS is an enabler for the delivery of these services. The effectiveness with which it is managed depends largely on the effectiveness in the municipality's planning, registration of indigents, budgeting, and monitoring and reporting. However, as discussed above, there are a lot of gaps in the way the Polokwane Local Municipality manages the FBS programme and these need to be addressed before any improvement can be realised in the management of FBS funding.

It is, therefore, recommended that the municipality should:

- a) Undertake an assessment of the rural areas to establish the total number of households and their socio-economic statuses, with a view of identifying legitimate indigent households;
- b) Develop clear plans with targets and budgets for the rural areas based on the above assessment;
- c) Undertake an education and awareness campaign in the rural areas to clarify the indigent policy, especially the qualification criteria and the need for those who do not qualify to pay for the services consumed;
- d) Undertake metering of the water services provided in the rural areas to determine the services consumed as well as the losses suffered by the municipality;

- e) Align and integrate the FBS programme with the social support programmes on job creation programmes to ensure that the indigents are prioritised for jobs to improve their socio-economic conditions; and
- f) Ensure that responsibility and accountability for the direct delivery of FBS to indigent households lie with one department, thus choosing between the BTO and the Engineering Department, to improve effectiveness.

6.5 AREAS FOR FURTHER STUDIES

The Polokwane Local Municipality, as with most municipalities with a larger footprint of rural areas, assumes that people living in these areas are generally poor and thus chooses to provide everyone with FBS, rather than identifying and registering the actual indigent households. The main reason for this approach is that the cost of identifying, screening and registering indigent households in the rural areas is very high and it might not be cost effective to go through the process. This assumption has, however, not been tested.

Given the above, two areas require further study as they affect the effectiveness with which municipalities implement the FBS programme and use the resources, especially the funding allocated to implement the programme. The first is research on the cost involved in identifying, screening and registering indigent households in rural areas for the purpose of providing FBS only to legitimate indigent households as opposed to the cost of providing FBS to all households. The second is a study to test the assumption that households in rural areas are generally poor and the impact of this assumption on the revenue generated by municipalities. Both these assumptions would require a contrast of two municipalities, each of which is applying a different approach to the implementation of the FBS programme. Hence, one of the municipalities should provide FBS to all, while the other should identify and target only registered indigent households.

6.6 CONCLUSION

The primary aim of this study was to establish the effectiveness in the Polokwane Local Municipality in delivering FBS, with an emphasis on the management of the funding allocated for the delivery of FBS. Effectiveness in this context was measured

by the effectiveness of planning by the Polokwane Local Municipality, the development of systems supporting the implementation of such plans, and the allocation and management of the resources provided to implement these plans.

The hypothesis to the study was that the lack of effectiveness in the implementation of the FBS programme and the management of funding allocated to implement the programme was due to a lack of municipalities institutionalising the programme, namely developing appropriate systems, processes and procedures for the implementation of the programme. The Polokwane Local Municipality has developed an indigent policy for the implementation of the FBS programme; however, this policy is only applied in the urban areas and thus only covers three cities, namely Polokwane city, Seshego and Westernburg, out of the 265 settlements. Proper planning is, therefore, only done for these the three areas, while mere estimations are made for the rural areas in terms of the targeted households and budgets. Consequently, National Treasury provided more than three times the funding budgeted by the municipality to fund the FBS programme. This suggests that the rest of the funds allocated for FBS provision were used for municipal operations during the financial years under review. Therefore, it can be concluded that the Polokwane Local Municipality does not effectively manage the funding allocated to it for FBS, given the limitations in the registration of indigent households, planning, budgeting and implementation of the FBS programme.

Finally, there is no way of determining whether the municipality is making any impact on the lives of the indigent households as the municipality has not done any assessment of the impact of the programme on the indigent households since the inception of the programme.

6.7 SUMMARY

This chapter covered the review of the chapters, the findings of the research with an emphasis on the indigent policy, planning, budgeting, implementation, monitoring and reporting, and FBS review and exit strategy. The chapter further covered the recommendations and areas of further research.

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