THE IMPACT OF AMALGAMATIONS ON SERVICE DELIVERY: THE CASE OF KAGISANO-MOLOPO LOCAL MUNICIPALITY AND MANGAUNG METROPOLITAN MUNICIPALITY

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Abstract

A number of municipalities have been amalgamated in South Africa since the country's independent demarcation authority, the Municipal Demarcation Board (MDB), came into existence in 1999. Municipal boundary re-determinations (i.e. amalgamations) should, according to the Municipal Demarcation Act of 1998, result in areas that fulfil constitutional obligations, enable effective local governance, enable integrated development and have an inclusive tax base (i.e. the demarcation objectives).

This report assesses whether municipal boundary re-determinations resulted in the fulfilment of these demarcation objectives with a specific focus on a key constitutional obligation – the delivery of services. The report used a mixed-methods approach to ascertain whether service provision in two South African municipalities – Kagisano-Molopo Local Municipality and Mangaung Metropolitan Municipality – improved after the mergers that occurred in 2011 and 2016 respectively. Relatedly, the report also assesses whether mergers yielded the envisaged results in terms of effective local governance, integrated development and an inclusive tax base. Quantitative data on the municipalities' financial performance and levels of service provision were mainly obtained from National Treasury and the country's statistical agency, Statistics South Africa (Stats SA). In addition, interviews with key informants were conducted to probe issues around the challenges encountered during the transitional period and the impact of the mergers on the delivery of services.

The results suggest that context is important. In Kagisano-Molopo, a rural municipality, service provision actually deteriorated in some areas after the merger. While Mangaung continued to provide services after the merger, the results indicate that the pace with which these services were being provided was negatively affected. More importantly, the study found that there were many factors that are contributing to municipal dysfunction but have little to do with amalgamations. Factors such as poor revenue collection, the economic climate, a culture of nonpayment for services, political interference, poor governance, increasing backlogs due to migration, councillors who fail to provide effective oversight and corruption are unlikely to be solved by amalgamations.

The six recommendations, based on the results of this study, are that there is a need for more explicit municipal boundary redetermination requests that clearly show how each of the constitutional objectives will be fulfilled; comprehensive and rigorous analyses before mergers are undertaken; more effective monitoring of the transitional phase after the merger; careful assessments of the benefits of incorporating largely rural municipalities into metros; exploring the possibility of “de-amalgamating” municipalities; and assessing the possibility of less frequent amalgamations.

1. INTRODUCTION

Many municipalities have been amalgamated in South Africa since the country's independent demarcation authority, the Municipal Demarcation Board (MDB), came into existence in 1999. From the 284 municipalities in 2000, the country currently has a total of 257 municipalities after the major municipal amalgamations carried out in 2011 and 2016.

A key municipal boundary re-determination (i.e. amalgamation) objective is that the amalgamated municipality should fulfil its constitutional obligations. An important constitutional obligation, according to section 152 of the country's Constitution, is the provision of basic services to communities (Government of South Africa, 1996). However, it is yet to be ascertained whether amalgamations have resulted in municipalities that fulfil this constitutional objective of delivering services.

Although there is a plethora of anecdotal evidence, very few studies have assessed the impact of municipal amalgamations on service provision in South Africa. Much of the literature has focused on the financial impacts of such mergers (Peterson and Annez, 2007; Ncube and Vacu, 2014; Ncube and Monnakgotla, 2016). Given the dearth of studies on this topic, we begin to address this gap by assessing whether service delivery has improved after amalgamations in two municipalities – Kagisano-Molopo Local Municipality (hereafter, Kagisano-Molopo) which resulted from the merger of Kagisano Local Municipality (Kagisano) and Molopo Local Municipality (Molopo) in 2011 and Mangaung Metropolitan Municipality (Mangaung) which incorporated Naledi Local Municipality (Naledi) in 2016. The terms amalgamation, merger and incorporation will be used interchangeably in this report.

Using insights from municipal officials and other stakeholders (e.g. provincial and national government officials), this study also assesses the extent to which transitional issues (typically faced by newly merged municipalities) have been resolved. Although covered in the international literature (Vojnovic, 2000; Carr and Feiock, 2016), this is an issue that is hardly mentioned in the literature on amalgamations in South Africa. The effective management of transitional issues, as the results of this study show, can have an impact on the merged municipality's ability to perform its constitutionally mandated function of service provision.

The study has three main objectives:

a) To investigate the impact of amalgamations on service delivery and performance of local government powers and functions in selected municipalities.
b) To assess whether the amalgamation of municipalities yields the envisaged results.
c) To explore and compare the level of performance before and after amalgamations with respect to local government powers and functions.

The report is divided into eight main parts. Section 2 provides a brief review of the empirical literature on municipal amalgamations. Section 3 outlines the legislative and policy framework. This is followed by the methods section (Section 4). The results for the Kagisano and Molopo merger (Section 5) and the incorporation of Naledi into Mangaung (Section 6) are then presented. The discussion in Section 7 presents the insights gained from the two case studies and provides recommendations on amalgamations based on the results. Section 8 concludes, highlighting the importance of addressing issues of service provision in South Africa's municipalities that cannot be solved by amalgamations.

2. LITERATURE REVIEW

According to the South African Department of Cooperative Governance and Traditional Affairs (COGTA), many municipalities are facing challenges in performing their constitutionally mandated functions (COGTA, 2009; 2014).[1] This is partly due to the legacy of apartheid spatial planning. During the apartheid era, there was a clear distinction between functional white local authorities (that usually had a solid economic

[1]According to section 152 of the Constitution of the Republic of South Africa, the objects of local government are to: provide democratic and accountable government; ensure the provision of services in a sustainable manner; promote social and economic development; promote a safe and healthy environment; and encourage the involvement of communities and community organizations in the matters of local government.

base and exercised fiscal autonomy) and the poorly endowed black local authorities that were not financially viable. The post-apartheid government's focus in its early years was on attempting to address these spatial, racial and socio-economic imbalances by amalgamating municipalities. Amalgamations after majority rule in South Africa were therefore inevitable in order to change the racialized structure of local government. Poor, mainly black, municipalities were merged with white ones as a way of redistributing resources from the "richer" communities to the "poorer" ones (Ncube and Monnakgotla, 2016). This early phase in South Africa's post-1994 demarcation history saw the number of municipalities being reduced from 1,262 in 1994 to 843 in 1996 (Ncube and Vacu, 2014: 308).

The demarcations of 2000 resulted in the creation of 284 "wall-to-wall" municipalities which covered the whole country. The Constitution provided for three categories of local government: Single-tier Category A (i.e. metropolitan) municipalities that exercise legislative and executive authority in their areas and a two tier system made up of Category B (local) municipalities and Category C (district) municipalities. A local municipality shares executive and legislative authority with a district municipality within whose area it falls.

The amalgamations after 2002 (which culminated in a total of 257 municipalities in 2016) focused on creating functional and financially viable municipalities.[2] Many of the municipalities that were amalgamated after 1994 were not financially viable and (a new wave of) amalgamations was seen by some policy-makers as a way of addressing these viability problems (Ncube and Monnakgotla, 2016). Amalgamations were supposed to result in financially viable municipalities that were administratively effective, efficient and benefited from economies of scale in the provision of municipal services (Dafflon, 2012; Reingerwertz, 2012; MDB, 2015a).[3]

[2]Currently, South Africa has 257 municipalities made up of 8 metropolitan municipalities and a total of 205 local municipalities grouped within 44 district municipalities.

[3]In terms of scale economies, the argument is that the cost of public goods is reduced due to less management capacity that is needed as duplication is eliminated. For example, instead of having two departments dealing with waste removal in the two separate municipalities before the merger, only one may be required after the merger.

Do amalgamations have a positive impact on municipalities in terms of scale economies, efficiency, improved financial viability and the provision of municipal services? Larger municipalities, according to some scholars, allow for better coordination of services, benefit from greater fiscal capacity, offer a wider range of services and result in better technical and administrative capacity (Bahl and Linn, 1992; Dollery, Byrnes and Crase, 2007). However, the empirical evidence is mixed. Using panel data from Israeli municipalities for the period 1999-2007 in order to analyze the effects of amalgamations carried out in 2003,[4] Reingewertz (2012: 10) found that amalgamations resulted in cost savings (with expenditure decreasing by 9%) without a decrease in level of services, thus providing evidence for the existence of efficiency and scale effects. However, using regression analysis, Fritz (2011) used data for the period 1964 to 1988 based on 1,111 municipalities in Germany and found that debt per capita and expenditure per capita increased after amalgamation while expenditure for administrative staff shrunk.[5] In their analysis of the impact of the 1998 amalgamations in Toronto (Canada's largest city) using data from 1988 to 2008, Slack and Bird (2013) found that the amalgamations did not result in cost savings and had no impact on the financial sustainability of the city. The amalgamations in Toronto actually resulted in increased levels of expenditure per household for most services. In this study, one important benefit of the amalgamation was the equalization of local services allowing people in the city to enjoy a similar level of municipal services.

Ncube and Vacu (2014) used case studies and econometric modelling to assess the financial and fiscal impacts of demarcations on four South African municipalities (the City of Tshwane, Mtubatuba Local Municipality, Matatiele Local Municipality and Bushbuckridge Local Municipality) and two Canadian municipalities (Halifax Regional Municipality and Toronto City). In this study, pre- and post-merger changes in indicators such as expenditures, revenues, tax base and debt were assessed. The findings suggested that demarcations resulted in high transitional costs which may negatively

[4] The aim of the amalgamations was to increase the efficiency of local government. A total of 11 amalgamations (based on 23 municipalities) were carried out.

[5] In some cases, higher expenditure levels may be due to higher service levels. Unfortunately, no information on changes in service levels was provided in this study.

affect service delivery. Given the negative impacts of amalgamations on (especially the short-term effects of) the affected municipalities' finances, the authors recommend the exploration of alternatives to amalgamations such as voluntary cooperation and inter-municipal service delivery agreements.

In their assessment of South African municipalities that were due for amalgamation in 2016 (with a focus on rural ones), Ncube and Monnakgotla (2016) argued that amalgamating those municipalities that were at risk of being dysfunctional was likely to make the situation worse. In their assessment of these municipalities based on four factors - institutional management; financial management; governance and service delivery – they gave the example of the merger between a functional municipality (Mangaung) and a rural one that was dysfunctional (Naledi). This amalgamation (and mergers in general), they argued, was not an appropriate tool for addressing municipal dysfunction which, in this case, would probably result in financial viability at the expense of democracy (i.e. reduced political participation of people in Naledi). It was not the MDB's function to address municipal dysfunction, they argued. This was a role that was supposed to be played by provincial and national government. Their recommendation was that rural municipalities with a weak economic base should be allowed to exist (and rely on government transfers) as they serve other critical democratic functions.

The results from the empirical studies indicate that context matters. For example, merging poor and rich municipalities is likely to result in increases in expenditure levels so as to bring everyone up to the same levels of service. These amalgamations may increase expenditure without a corresponding increase in the tax base resulting in a deterioration in the quality of services (Slack and Bird, 2013; see also Siddle and Koelble, 2016).

3. THE LEGISLATIVE AND POLICY FRAMEWORK

Chapter 7 of the Constitution is devoted to local government and outlines the legal foundations and aspirations for local government in South Africa. Apart from the Constitution, four pieces of legislation and a policy document, the 1998 White Paper on Local Government, provide the legislative and policy framework for the developmental, democratic and accountable local government system envisaged by foundational legislation. Two pieces of legislation - the Municipal Demarcation Act (No. 27 of 1998) and the Municipal Structures Act 117 of 1998 - have an important impact on the MDB's work. While the focus of the study is on these two Acts, they are complemented by other Acts which will not feature prominently in this report. For example, the Municipal Systems Act 32 of 2000 regulates key municipal organisational, planning, participatory and service delivery systems while the Municipal Finance Management Act 56 of 2003 regulates municipal financial matters.[6]

3.1 The Constitution

The Constitution outlines the developmental role of local government which, after 1996, is now seen as a separate sphere of government. Before 1996, local government was a function of provincial government. However, from 1996, municipalities now had the right to govern their own affairs without any interference from provincial and national government (section 151).[7] According to Section 152 of the Constitution, the five objects of local government are:[8]

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

Section 155 of the Constitution deals with the establishment of municipalities. In section 155(3)(b), it speaks of the need for legislation to establish the criteria and procedures for

[6] Other pieces of local government legislation such as the Municipal Property Rates Act 6 0f 2004 and the Municipal Fiscal Powers and Functions Act 12 of 2007, although important, are beyond the scope of this report.
[7] It should be noted that section 139 of the Constitution allows the provincial government to intervene where a municipality is failing to fulfil an executive obligation in terms of the Constitution.
[8] For the legislative framework, information is drawn from the specified Acts and is not presented as original work.

the determination of municipal boundaries by an independent authority. The Constitution specifies the three municipal categories in South Africa:

(a) Category A: A municipality that has exclusive municipal executive and legislative authority in its area.
(b) Category B: A municipality that shares municipal executive and legislative authority in its area with a category C municipality within whose area it falls.
(c) Category C: A municipality that has municipal executive and legislative authority in an area that includes more than one municipality.

The 38 municipal powers and functions are specified in Schedules 4B and 5B of the Constitution (see Appendix 1 for the list of powers and functions) while section 229 specifies municipal fiscal powers and functions (i.e. the levying of property rates and user charges).

3.2 The White Paper

After the adoption of the 1996 Constitution, local government had to be structured in a way that gave substance to the aspirations outlined in the Constitution. The 1998 White Paper on Local Government, which still guides government policy, laid out a developmental and transformative vision for the role of municipalities in South Africa (Pillay, Tomlinson and Du Toit, 2016). The developmental vision was based on local government's proximity to communities which would thus allow it to deliver the services and infrastructure using three approaches - integrated development planning and budgeting; performance management; and working together with local citizens and partners.

Apart from the urgent need to deliver services and address apartheid spatial distortions, the White Paper also acknowledges the vast disparities in municipal revenue bases. Although additional sources of revenue are explored in the document, there is a realization that some rural municipalities will find it difficult to be financially viable.

The foundational local government legislation found in the Constitution and the new government's policy on local government (i.e. White Paper) resulted in three important pieces of legislation - the Municipal Demarcation Act (MDA); followed by the Municipal Structures Act (MSA 1998) and the Municipal Systems Act (MSA 2000).

3.3 Municipal Demarcation Act (No. 27 of 1998)

The purpose of the Act is to provide for criteria and procedures for the determination of municipal boundaries by an independent authority; and to provide for matters connected thereto.[9] Chapter 1 of the Act enables the establishment of the MDB. The Act specifies the MDB's status, functions, powers and composition.

Demarcation criteria are specified in Sections 24 and 25 of the Act. According to Section 24, when the Board determines a municipal boundary its objective must be to establish an area that would:

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

Section 24 of the Municipal Demarcation Act, which specifies the demarcation objectives, is essentially the same as section 152 of the Constitution which outlines the objects of

[9] According to section 155(3)(b) of the Constitution, national legislation must establish criteria and procedures for the determination of municipal boundaries by an independent authority.

local government. As more fully explained in the methodology section, this report will assess the achievement of the demarcation objectives in the amalgamated municipalities based on this legislation.

Section 25 of the Act looks at the factors that should be taken into account when determining municipal boundaries. According to this section, in order to attain the objectives set out in section 24, the Board must, when determining a municipal boundary, take into account:

(a) the interdependence of people, communities and economies as indicated by:
    (i) existing and expected patterns of human settlement and migration;
    (ii) employment;
    (iii) commuting and dominant transport movements;
    (iv) spending;
    (v) the use of amenities, recreational facilities and infrastructure; and
    (vi) commercial and industrial linkages;
(b) the need for cohesive, integrated and unfragmented areas, including metropolitan areas;
(c) the financial viability and administrative capacity of the municipality to perform municipal functions efficiently and effectively;
(d) the need to share and redistribute financial and administrative resources;
(e) provincial and municipal boundaries;
(f) areas of traditional rural communities.

The factors specified in section 25 of the Municipal Demarcation Act are important and should be considered by the MDB when carrying out boundary re-determinations. However, these are not assessed in this report as the focus is on the objectives as specified in section 24 of the Act. The MDB has assessed these factors in its investigation reports that have been carried out before boundary re-determinations (see MDB, 2015a).

In terms of the demarcation process, section 21 of the Municipal Demarcation Act states that the Board must determine, or re-determine, municipal boundaries in South Africa. There are six main steps involved in this process and these are shown in Figure 1.

Figure 1: The process of determining/re-determining municipal boundaries

1
- A request is received for the determination or re-determination of a municipal boundary. The request may be submitted by the MEC, the Minister, or jointly by the affected municipalities (MDA Sec 22).
- Alternatively the MDB may take the initiative to determine or re-determine municipal boundaries.

2
- The MDB invites inputs on its intention to consider the matter. This is done by publishing a notice in a newspaper.
- The MDB sends a copy of the notice to the relevant MEC, the relevant Provincial House of traditional leaders, the magistrate(s) in the affected area, and the affected municipalities (MDA sec 26).

3
- The MDB considers all views and representations submitted in response to the invitation, and either determines or redetermines the boundaries, or conduct investigations, or hold public meetings (MDA sec 27) .

4
- If the boundaries are determined or re-determined, the MDB, proceeds with the publication of a section 21 notice to invite objections on its determination or re-determination.
- If the MDB decides not to determine or re-determine the boundaries, it may hold public meetings or conduct investigations.

5
- If a decision was taken to determine or re-determine the boundaries, the MDB publishes a notice to this effect in the Provincial Gazette, and invites objections within 30 days (MDA sec 21).

6
- The MDB considers all objections and either confirm, vary or withdraw its determination or re-determination.
- The MDB publishes its decision in the Provincial Gazette (MDA sec 21).

Source: MDB (2015b).

3.4 Municipal Structures Act 117 of 1998

A municipality, according to the Municipal Structures Act (No. 117 of 1998), is defined as the structures, political office bearers and administration of the municipality; a geographic area; and the community of the municipality. According to this definition, a municipality is made up of a municipal institution (political and administrative structures), and the people who live in a particular area. The purpose of the Act is:

a) to provide for the establishment of municipalities in accordance with the requirements relating to categories and types of municipality.
b) to establish criteria for determining the category of municipality to be established in an area.
c) to define the types of municipality that may be established within each category.
d) to provide for an appropriate division of functions and powers between categories of municipality.
e) to regulate the internal systems, structures and office-bearers of municipalities.
f) to provide for appropriate electoral systems.

Although the different categories of municipalities are specified in the Constitution, the criteria for determining when an area should have a single category A municipality or when it should have municipalities of both Category B and Category C are specified in Chapter 1 of the Municipal Structures Act.

Section 84 specifies the division of the 38 powers and functions specified in the Constitution (Schedules 4B and 5B) between district and local municipalities while section 85 allows the Member of the Executive Council (MEC) for local government, after consulting the MDB, to adjust the allocation of powers and functions between district and local municipalities. Section 85 also specifies the MDB's advisory role, based on its assessment of municipal capacity, before adjustments on powers and functions are made by the MEC.

3.5 Municipal Systems Act 32 of 2000

This Act regulates key municipal organisational, planning, citizen participation and service delivery systems. The purpose of the Act is:

a) to provide for the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities, and ensure universal access to essential services that are affordable to all.

b) to define the legal nature of a municipality as including the local community within the municipal area, working in partnership with the municipality's political and administrative structures.
c) to provide for the manner in which municipal powers and functions are exercised and performed.
d) to provide for community participation.
e) to establish a simple and enabling framework for the core processes of planning, performance management, resource mobilisation and organisational change which underpin the notion of developmental local government.
f) to provide a framework for local public administration and human resource development.
g) to empower the poor and ensure that municipalities put in place service tariffs and credit control policies that take their needs into account by providing a framework for the provision of services, service delivery agreements and municipal service districts.
h) to provide for credit control and debt collection.
i) to establish a framework for support, monitoring and standard setting by other spheres of government in order to progressively build local government into an efficient, frontline development agency capable of integrating the activities of all spheres of government for the overall social and economic upliftment of communities in harmony with their local natural environment.
j) to provide for legal matters pertaining to local government

3.6 Municipal Finance Management Act 56 of 2003

The purpose of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA) is to secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government. The Act also establishes treasury norms and standards for the local sphere of government.

4. METHODS AND DATA COLLECTION

Since the aim of the study was primarily to assess the levels of service provision before and after the mergers, a descriptive research design was used. This was based on a mixed-methods approach using both secondary (quantitative) data and interviews with key stakeholders. Secondary quantitative data on municipal financial performance and the levels of service provision were obtained from sources such as the Municipal Finance Data Tables (National Treasury), Financial and Non-Financial Censuses of Municipalities (Stats SA), annual performance reports, the integrated development plans (IDP), service delivery and budget implementation plans (SDBIP), audited financial statements (from the municipalities) and economic databases (Quantec).

A total of 17 officials were interviewed. Six senior officials were interviewed in each municipality (five section 57 managers and a councillor), two interviewees were from National Treasury and three interviewees were from COGTA (two from national COGTA and one from the North West provincial government).

The financial indicators in this study, based on the norms in the Municipal Finance Management Act Circular 71 (hereafter, the norm) where appropriate, were:

a) Total operating revenues.
b) Transfers as a percentage of total operating revenues.
c) Current ratio.
d) Liquidity ratio.
e) Cash coverage ratio.
f) Debtors collection rate.

The Auditor-General's audit opinions are an important indicator of financial management (and thus, good governance) in a municipality. Therefore, this study assessed the reports from the Auditor-General South Africa (AGSA) on the levels of fruitless, irregular and unauthorized expenditure as a percentage of total expenditure before and after the mergers.

High vacancy rates, particularly at the managerial level, may indicate that a municipality does not have the capacity to develop service delivery plans. At the lower levels, high vacancy rates may indicate a lack of capacity in executing these plans. The municipal vacancy rates for all municipal employees, managers and section 57 managers were assessed.

For service delivery, the focus of the assessment was on four key areas - water, sanitation, electricity for lighting and waste removal. The analysis on service delivery also looked at the municipality's capital expenditure and spending on repairs and maintenance. A lack of maintenance is likely to lead to the impairment of important assets and negatively impact the delivery of services. The key service delivery indicators in this study are:

- Piped water.
- Waste removal.
- Sanitation.
- Electricity for lighting.
- Capital expenditure.
- Expenditure on repairs and maintenance.

In terms of service delivery, comparisons were made between census and community survey data in order to assess the level of service delivery before and after the mergers. While Stats SA itself often makes such comparisons, it is important to note that care should be taken when interpreting the results of such comparisons due to sampling errors in survey research.

In order to establish the precision of the 2007 and 2016 community survey estimates, the standard errors (SE), coefficients of variation (CV) and confidence intervals (CI) for the four key variables in this analysis (based on percentages) were calculated and are presented in Appendices 2 to 4.[10] The measures of precision were estimated using Stata

[10] The main factors affecting the precision of survey estimates are the size of the sample taken relative to the population size, the sample design used and the variability of the underlying characteristic of interest in the population of interest.

Version 14.1. The CV is the ratio of the standard error of a survey estimate to the value of the estimate itself and is a measure of the relative variability of the estimator. This study implemented the same model used by Stats SA to determine the reliability of survey estimates, based on the CVs obtained. In terms of this model, CV levels of between 0.0% and 16.5% can be regarded as reliable for most purposes. Those between 16.6% and 33.4% should be used with caution while those above 33.5% indicate that survey estimates are unreliable (Stats SA, 2016a: 52).

This study also uses supplementary information on service provision from Stats SA's Non-financial Census of Municipalities (produced annually). While this information from the non-financial census is not directly comparable to data from the census or community survey, it provides valuable insights on whether there were improvements in the rate of service provision in the municipalities.[11]

For service delivery backlogs, in cases where the required information could not be obtained from Stats SA's reports, it was computed using Stata statistical software from the publicly available datasets for the 2011 Census (the 10% sample) and the 2007 and 2016 Community Surveys (using the weights released with the datasets to generate estimates for South Africa).[12]

Service delivery is but one of the envisaged results of municipal demarcations specified in the Municipal Demarcation Act of 1998. The aim, with boundary re-determinations, must be to create an area that will fulfil the four objectives specified in the Act (see section 3.3 in this report). The objectives in section 24 of the Act are the fulfilment of constitutional obligations; enabling effective local governance; enabling integrated development; and having a tax base as inclusive as possible of users of municipal services in the

[11] The main difference is that the Non-Financial Census of Municipalities uses consumer units while the census and the community survey are based on households. According to Stats SA, a household is a person or a group of people who live together and jointly provide themselves with food and other essentials. A consumer unit is a delivery point and may be a house with one household or a block of flats with many households. Municipalities use consumer units to measure service provision as most of them are unable to determine the number of households receiving services (Stats SA, 2013). However, many of them use the two terms interchangeably, which is incorrect.

[12] Stats SA datasets are available at https://www.datafirst.uct.ac.za/dataportal/index.php/catalog/485.

municipality. The fulfilment of each of these objectives was assessed using both the available documentary evidence (e.g. the existence of an IDP as evidence for the fulfilment of the objective on integrated development) and qualitative interviews (e.g. the responses by officials on the existence of ward committees and complaints systems).

Before evaluating the impact of amalgamations on service delivery, this study also assessed the various transitional issues that need to be managed before newly merged municipalities can successfully provide services (Ncube and Vacu, 2014). Some of these issues were assessed by national COGTA just before the 2016 local government elections (Sigidi, 2016). The assessment by COGTA used a framework that was based on seven key result areas - legal matters, human resources management, finance, technical, communications, integrated development plan (IDP) and institutional matters. Such an assessment provides an important contextual backdrop to the unique challenges that amalgamating municipalities face in South Africa and what follows is a brief review of the seven key result areas in turn.

When municipalities merge, a number of legal issues have to be resolved. The merging municipalities come with different by-laws and policies which have to be rationalized. There are also issues of consolidating all human resource contracts and infrastructure projects (e.g. memoranda of understanding and service level agreements).

In terms of human resources, a migration and placement policy for the amalgamated municipality has to be developed. This is an important transitional issue as it can have an impact on employee morale and motivation – issues that can affect service delivery. A new organizational structure has to be developed, different labour policies have to be rationalized, job evaluations have to be conducted and workers graded. Also, relocation costs have to be determined and pay parity issues addressed, with remuneration packages often being set at the level paid by the municipality with the higher pay levels (Slack and Bird, 2013).

Financial systems have to be consolidated. Decisions have to be made on the valuation roll for the merged municipality, the IT platform (including the billing system) and the migration of data to the consolidated system. Also, the rationalization of the different tariffs and the consolidation of the annual financial statements are some of the major issues that have to be dealt with by the new municipality.

There has to be, in terms of the technical aspects of the merger, a compilation, verification and consolidation of projects from the merging municipalities. It is also important to determine, for the newly merged municipality, the projects that will have priority over others.

The merger will also involve the development or re-alignment of the communications strategy. Not only is there a need for awareness campaigns (in various media outlets on what the merger entails) before and after the merger but there is also the issue of the selection of municipal names and logos. An important aspect of awareness campaigns is that of informing communities of the financial implications of the merger as tariffs may increase, particularly for consumers from municipalities that levied low tariffs before the merger.

Newly merged municipalities have to adopt a new Integrated Development Plan (IDP), the principal strategic planning instrument which guides decision-making and informs all planning, budgeting, investment, development, management and implementation in the medium-term.

Lastly, according to the COGTA framework used in this report, institutional matters such as the identification of council chambers for the newly merged municipality and the utilization of satellite offices have to be attended to.

The seven key result areas outlined above are clearly related and there is some overlap between many of them. They are only presented as separate factors in the framework for illustrative purposes. For example, pay parity issues have financial, human resources and legal implications.

Qualitative interviews with key personnel from the municipalities allowed us to assess the challenges faced by merging municipalities, some of which are hardly mentioned in the international literature (e.g. the existence of ethnic tensions when deciding on new municipal names and logos). An assessment was also made of the progress in addressing the transitional challenges identified by COGTA in 2016 in the case of Mangaung (see Appendix 7).

The sometimes contradictory accounts given by the municipal officials on the transitional arrangements were resolved by referring them to the most senior Section 57 official interviewed. However, the study also used other sources such as the extant documentation on these transitional arrangements (e.g. Sigidi, 2016) and the municipalities' own reports to corroborate some of the information provided by the officials.

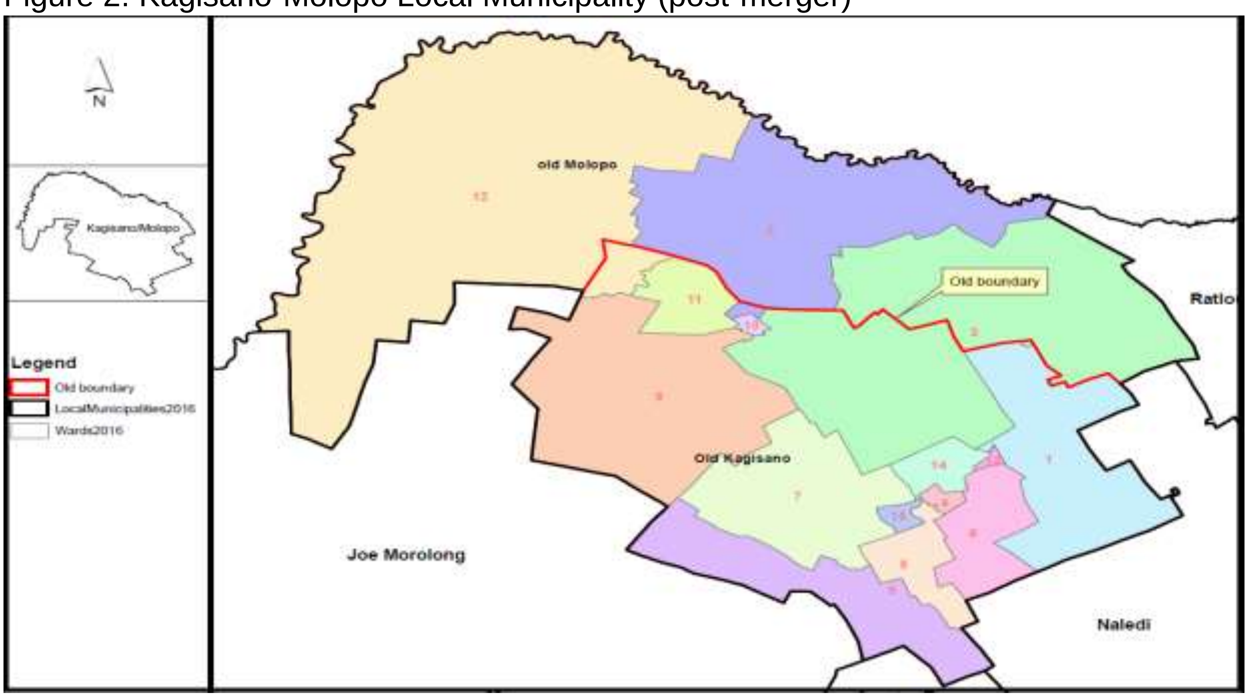
A major research challenge was that of obtaining information from the pre-merger Kagisano and Molopo municipalities on financial performance before the merger. These are municipalities that were not submitting information to National Treasury (e.g. financial statements, IDPs, SDBIP) and there are gaps in the Municipal Treasury Data Tables (National Treasury, 2019a) that were used in this study. Also, very few officials interviewed in the municipalities and both national and provincial government had much to say on the Kagisano-Molopo merger as this happened many years ago. Of the six officials interviewed only one was employed by the municipality when this merger took place.

Not only were these two cases chosen because they appear on the national COGTA minister's list of dysfunctional municipalities but they also represent different settings. In the case of Kagisano and Molopo, the setting was one of two large rural municipalities that were dependent on government revenues for almost all their revenues. In the case of Mangaung and Naledi, the setting was one of a large and mainly rural municipality being incorporated into a metropolitan municipality.

5. THE CASE OF KAGISANO-MOLOPO

In 2004, the MEC for Local Government and Housing in the North West requested the MDB to amalgamate Kagisano and Molopo. Both were predominantly rural municipalities within Bophirima District Municipality, later renamed Dr Ruth Segomotsi Mompati District Municipality (DRSMDM). Kagisano was made up of several villages with Ganyesa being the largest while Molopo was made up of small towns between large farming areas with Tosca as the administrative centre. Kagisano had a total of 12 wards while Molopo had four. The request made it clear that both municipalities had no tax base and had no prospect of increasing their revenue base. The main objective of the merger, according to the MEC, was to "promote economies of scale" and rationalise the number of municipalities in the district (Department of Developmental Local Government and Housing North West Province, 2004). The MEC's motive seems to have been based on section 25(d) of Municipal Demarcation Act which refers to the "need to share financial and administrative resources". Figure 2 shows the municipality after the 2011 merger.

Figure 2: Kagisano-Molopo Local Municipality (post-merger)



Source: MDB GIS Unit, 2019.

Table 1 shows the total population of the two pre-merger municipalities and the post-merger Kagisano-Molopo Local Municipality. The table shows that there were significant decreases in the total population between Census 2001 and the 2007 Community Survey in the two pre-merger municipalities. Kagisano recorded a decrease of 14% while that of Molopo was much higher at 44%. In 2007, Kagisano and Molopo's populations represented 2.3% and 0.2% of the provincial totals respectively. The number of households also decreased between 2001 and 2007 by 6% in Kagisano and 13% in Molopo. Although the closure of Pomfret as a result of the high level of asbestos contamination was a major factor in Molopo's case, the two towns also experienced decreases in population as people migrated from these mainly rural areas to seek job opportunities in urban areas (DRSMDM, 2008).

Table 1: Pre- and post-merger population and number of households in Kagisano-Molopo

	Kagisano (2001)	**Molopo (2001)**	**Kagisano (2007)**	**Molopo (2007)**	**Kagisano-Molopo (2011)**
Population	88,780	11,688	75,946	6,516	105,789
Number of households	21,181	3,631	19,888	3,174	28,531

Source: Stats SA Community Survey 2007 and 2016 (Stats SA, 2007a; 2011c).

Increased educational attainment rates are an important indicator of employability, labour participation and development. For those aged 20 and above in 2007, 35% had no schooling in Kagisano Local Municipality compared to 46% in Molopo (the provincial and national percentages were 14% and 10% respectively). In Kagisano, 6% had completed matric compared to 9% in Molopo. In the North West province, 16% had completed matric compared to 19% nationally. Of those aged 20 and above, 4% had some form of higher education in both Kagisano and Molopo compared to the provincial and national levels of 6% and 9% respectively.[13] These results show that levels of education in both municipalities were lower (in some cases much lower) than both provincial and national levels.

In 2016, for those aged 20 and above in the merged Kagisano-Molopo, 51% had no schooling, 36% had completed secondary and 3% had completed some form of higher

[13] These calculations are based on the 2007 Community Survey data.

education. The provincial percentages were 19%, 65% and 5% respectively (Stats SA, 2018: 34).

In 2006, the MDB published a notice in terms of section 26 of the Municipal Demarcation Act for the merger between Kagisano and Molopo. While Bophirima District Municipality and Kagisano supported the merger, Molopo objected to it. According to the MDB, apart from these objections from Molopo, there was much support for the merger. In 2008, Molopo finally agreed to amalgamate with Kagisano and the section 21 notice was published in the same year. The MEC then issued a notice indicating the date of effect as the date of the next local government elections (MDB, 2009a).[14]

5.1 Transitional arrangements

The transitional framework for Kagisano-Molopo is shown in Appendix 5. The merged municipality faced a number of legal, human resource, finance, communication and IDP challenges, some of which remain unresolved to this day. This section is based on interviews with Section 57 managers from Kagisano-Molopo and what follows is an outline of the transitional challenges that the municipality faced after the merger.

In terms of legal matters, while most of the contracts were successfully consolidated, the IT contract presented the merged municipality with a situation where the two contracts from the erstwhile Molopo and Kagisano had to be honoured for two years after the merger. A legal issue that has remained outstanding and continues to adversely affect the municipality to this day is that of the incomplete integration of the records management system. There were missing documents from Molopo on fruitless, irregular and wasteful expenditure dating back to the period before the merger which continue to impact Kagisano-Molopo in terms of the Auditor-Generals audit reports (see Appendix 5).

Although a formal job evaluation exercise was undertaken and job descriptions developed in 2014, the actual report cannot be found. Ensuring salary parity was an important aspect

[14] The local government elections were held on 18 May 2011.

of the human resource issues given that employees from the pre-merger Molopo municipality were generally paid more than those from Kagisano although both were Grade 2 municipalities. However, the human resource issues have yet to be fully resolved eight years after the merger with some employees from the pre-merger municipalities refusing to sign their new contracts.

There was no agreement on the new name for the municipality. The consensus among councillors was that both names from the pre-merger municipalities would be used, hence the name Kagisano-Molopo. A more contentious issue had to do with the logo. Many councillors argued that there was no consultation regarding the logo that the municipality has been using. While several meetings were held in this regard, there was no agreement on the symbols to be used in the logo. The current logo, some councillors argue, tends to glorify the symbols of a particular clan (the Barolong) over those of others. The issue of the logo has yet to be resolved.

Kagisano and Molopo were very large, rural, municipalities with low population densities before the merger. In terms of institutional matters, the lack of satellite offices in the merged municipality has had a significant impact on the community, particularly those in the former Molopo municipality. As a result of the closure of the offices in Tosca, these people now have to travel long distances to access municipal offices, clinics, police and health services with ambulances facing difficulties in navigating the bad roads in this vast municipality.[15] Clearly, the lack of satellite offices (an institutional matter which has not been satisfactorily resolved) has had an impact on service delivery.

In terms of communication, an awareness campaign, which included traditional authorities, was implemented after the merger. Although Kagisano-Molopo has a communications unit, the municipality still does not have a communications strategy. While assistance was received from the Office of the Premier in terms of developing the communications strategy, the strategy has yet to be to be adopted by Council. A new IDP

[15]Although municipal access roads are the responsibility of the municipality, limited finances and technical expertise have been cited as challenges in delivering this service.

was developed by the new municipality which took the existing IDPs into consideration. However, the IDPs were not consolidated fairly according to officials interviewed.[16] According to senior municipal officials interviewed, the new municipality focused on projects from the erstwhile Kagisano (which was, according to the officials, more underdeveloped). This, according to those interviewed, caused some unrest as the merger was seen to be concentrating on some villages and not others. Molopo villages, it was argued, were under-served due to the prioritization that favoured erstwhile Kagisano areas – an indication of a diminution in the "local voice" and the "local choice" of those from the pre-merger Molopo as a result of the merger (see Dollery, Kortt and Grant, 2012). The view by most officials interviewed was that Molopo would have probably done better on its own (i.e. without merging with Kagisano). An example was given of some road projects not being not implemented in Molopo although they appeared on the post-merger IDP with funding.[17]

5.2 Financial indicators

A key factor in the delivery of services is the availability of the financial wherewithal to do so. Municipalities rely on two main sources of finance in order to fulfil their constitutional objectives – own revenues and government transfers. This section compares the pre-merger Kagisano and Molopo municipalities with the post-merger Kagisano-Molopo municipality on a number of financial indicators (including the sources of revenue).

As shown in Table 2, both municipalities relied heavily on government transfers before the merger (more so in Kagisano than in Molopo). Also, Kagisano reported persistent deficits between 2007 and 2008.[18]

[16] This result is not surprising given that the post-merger Kagisano-Molopo was dominated by councillors from the pre-merger Kagisano.
[17]This view was not shared by the only councillor interviewed in Kagisano-Molopo. This councillor, who represented a ward in the erstwhile Kagisano, felt that the projects in the post-merger Kagisano-Molopo were being implemented fairly and in accordance with the IDP.
[18] All the figures presented in this report are nominal values.

Table 2: Revenue and expenditure in Kagisano and Molopo municipalities

	2006/07		2007/08	
	Kagisano	**Molopo**	**Kagisano**	**Molopo**
Operating revenue	27,999,692	17,765,849	32,848,866	7,706,822
Govt. Transfers	27,771,525	16,873,483	32,308,677	6,785,492
Transfers as % revenue	*99%*	*95%*	*98%*	*88%*
Operating Expenditure	36,554,069	6,017,670	36,616,351	8,493,511
Surplus/Deficit	-8,554,377	11,748,179	-3,767,485	-786,689

Sources: Kagisano Local Municipality audited Annual Financial Statements 2007/08; Molopo Local Municipality Financial Statements 2007/08 (National Treasury, 2011a; 2019c).

The local government equitable share (LGES) allocated to Kagisano in the period leading up to the merger was R33.7 million in 2009/10 and R42.8 million in 2010/2011. For Molopo, the allocations were R6.8 million in 2009/2010 and R8.6 million in 2010/11 (Government of South Africa, 2009; 2010; 2011).

As Table 3 shows, Kagisano-Molopo has continued to rely heavily on government grants although the yearly decrease in this percentage from the pre-merger municipalities from the 2006/07 financial year has continued in the merged municipality. Kagisano-Molopo also recorded surpluses in 2016 and 2017.

Table 3: Revenue and expenditure in Kagisano-Molopo municipality

	2013/14	**2014/15**	**2015/16**	**2016/17**
Operating revenue	123,593,211	126,122,667	161,402,026	176,631,322
Govt. Transfers	114,182,911	112,931,001	137,779,558	132,118,845
Transfers as % of revenue	*92%*	*90%*	*85%*	*75%*
Operating Expenditure	130,189,028	144,664,638	125,885,007	157,876,968
Surplus/Deficit	-6,595,817	-18,541,971	35,517,019	18,754,354

Source: National Treasury Municipal Finance Data Tables (National Treasury, 2019a).

The local government equitable share allocated to Kagisano-Molopo in 2011/12 after the merger was R58.5 million, a figure that was slightly higher than the combined total allocation of R51.4 million for the pre-merger Kagisano and Molopo municipalities in 2010/2011. In the interviews with most officials, much was made of this slight increase in the allocated equitable share amount as they expected a much higher increase.

It is important to note that post-merger allocations are not based on a simple addition of pre-merger allocations. National Treasury, in its calculations of the equitable share, uses a formula that has three main components. Firstly, there is the Basic Services component which assists municipalities in providing basic services to poor households and depends on the number of poor households and the cost of services. National Treasury works with Stats SA to get household numbers, particularly the number of poor households in the municipalities. In this component, the poor households identified by the municipalities are not the same ones that are used in the formula as National Treasury is specific on what is considered a poor household – a household with a monthly income that is less than two old age pensions. Secondly, the Community Services component subsidizes municipal health and related services. Thirdly, the Institutional Services component assists municipalities to fund their administrations and is made up of a fixed component allocated to all municipalities (for fixed costs) and a figure based on the number of councillors. In this component, there is the recognition that municipalities with higher poverty levels are less likely to fund their institutional costs and will therefore need increased allocations (National Treasury, 2012; 2015).[19]

The LGES is but one form of revenue that municipalities get from the fiscus. Municipalities also get conditional grants from national and provincial governments (among other sources) which form a significant part of total revenues. For example, of the pre-merger Kagisano municipality's total operating income of R32.8 million in 2008 (Table 2), R11.5 million (35%) was made up of various conditional grants with the equitable share allocation amounting to R20.1 million. The Municipal Infrastructure Grant (MIG) forms a big portion of these conditional grants. The aim of the MIG is to provide all South Africans with at least a basic level of service through the provision of funds that cover the capital cost of basic infrastructure. The MIG addresses the issue of basic services directly as it can only be spent on infrastructure for basic levels of service for the poor and public municipal facilities (municipal transport, fire stations, local sports facilities, etc.). It can also be used for infrastructure to provide services (e.g. electricity, water and sanitation)

[19] In addition to these three main components, the LGES formula also includes to other factors - a revenue adjustment factor which adjusts for the capacity of municipalities to raise own revenues from taxes, surcharges and user fees and a general correction and stabilization factor (a negligible portion that is used to ensure that guarantees on the future allocations indicated for municipalities are met).

to institutions such as schools, clinics and recreational facilities if they are extensively used by the poor (COGTA, 2004).[20]

Kagisano's expenditure of R36,554,069 represented expenditure per capita of R411 compared to Molopo's expenditure per capita of R1,520 in 2007. For the North West's municipalities, the average expenditure per capita was 1,376 in 2007, indicating very low expenditure levels per capita in Kagisano (Stats SA, 2007a; National Treasury, 2019c).

After the merger, Kagisano-Molopo's expenditure of R125,885,007 represented expenditure per capita of R1,226 in 2016. This represents a drop in per capita expenditure for those in the former Molopo municipality whose expenditure per capita was R1,520 in 2007. However this represents a significant increase for the pre-merger Kagisano municipality community whose expenditure per capita was R411 in 2007.

The current ratio is used to assess a municipality's ability to pay back its short-term liabilities with its short-term assets. This ratio compares a municipality's current assets such as cash and bank deposits with its current liabilities such as creditors and loans due. A higher ratio (e.g. 2) indicates that a municipality has assets whose value is more than twice that of its current debts. The current ratio in 2008 for Kagisano was 3.6 compared to Molopo's ratio of 1.1. The norm, is between 1.5 and 2 indicating that although Kagisano had a good ability to meet its obligations, Molopo ran the risk of failing to keep up with its payments.

Kagisano-Molopo had current ratios of 414.4 and 400.8 in 2019 and 2018 respectively. These ratios are much higher than those reported for the pre-merger municipalities (Kagisano with 3.6 and Molopo with 1.1 in 2008). In 2019, Kagisano-Molopo's current ratio was also much higher than the norm and the average current ratio of similar municipalities in the North West (4.7) and South Africa (2.9) (National Treasury, 2019b).

[20] It is important to note that with the MIG, the focus is on new infrastructure, or the 'revitalisation' of existing infrastructure. It cannot be used for repairs and maintenance which should be funded from other sources (e.g. the municipality's own revenue).

Cash coverage measures the time, in months, that a municipality could manage to meet its total operating expenditure using only its cash reserves. The norm range is between 1.5 and 3. For Kagisano, the cash coverage ratio for 2008 was 0.3 compared with a ratio of 1 for Molopo (National Treasury, 2019c). For the merged municipality, the cash coverage for 2018 was 2.5. This ratio was not only higher than that of the pre-merger municipalities but was also the same as the average current ratio for municipalities in the North West (National Treasury, 2019b).

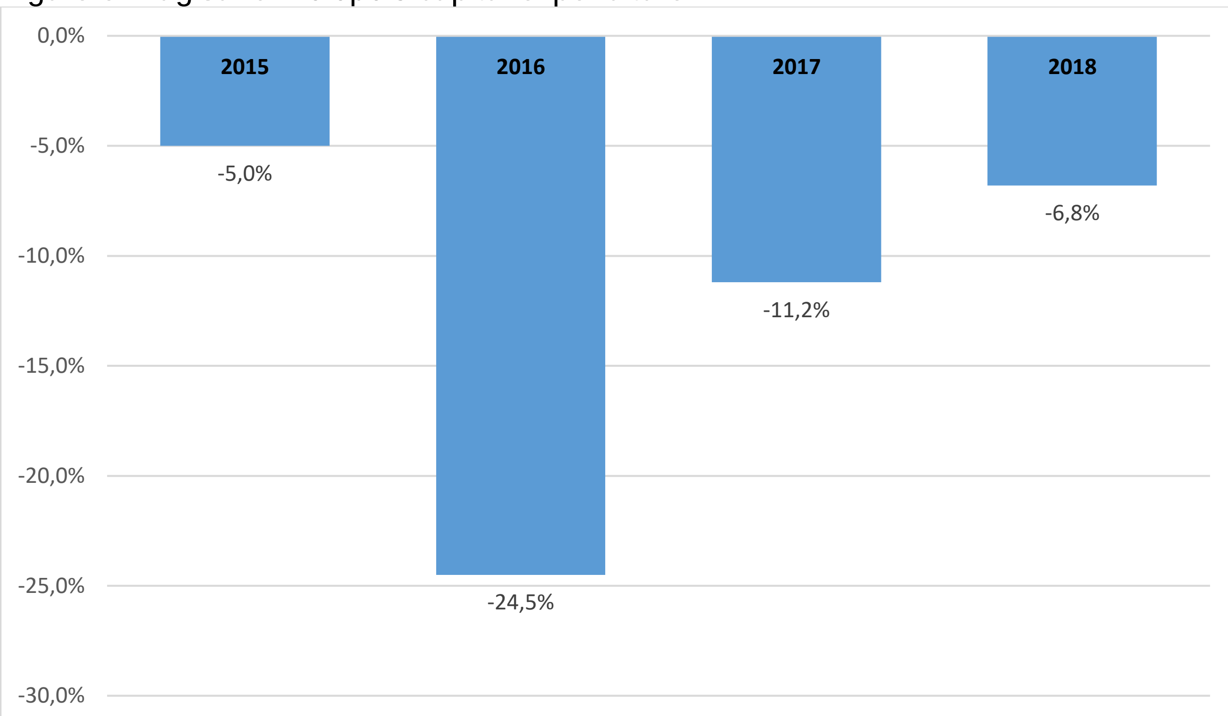
Underspending on the capital budget can result in the under-delivery of basic services and may be an indicator of a municipality's inability to manage large projects on time due to resource constraints.[21] It can also be attributed to a lack of proper planning by municipalities resulting in the late registration of projects and contractors not being appointed timeously (North West Provincial Government, 2013). In the 2006/07 financial year, capital spending was 24% of the adjusted budget (representing underspending of 76%) in Kagisano. However, there was overspending on the capital budget of 56% and 90% in 2007/08 and 2008/2009 respectively. For Molopo, there was underspending of 61% on the capital budget in 2006/07 although the following financial year (2007/08) saw overspending of 131%. In 2008/09, there was underspending of 71% in the municipality (National Treasury, 2011). The norm for capital expenditure is between 95% and 100% (i.e. underspending of up to 5%).[22]

Figure 3 shows that underspending on the capital budget decreased from 24.5% in 2016 to 6.8% in 2018. The underspending in 2018 was the same as that of other municipalities in the North West and much lower than the South African average of 20.3%. Although Kagisano-Molopo's underspending on the capital budget in 2018 was slightly higher than

[21] This indicator reports on actual spending as a percentage of the budget for capital expenses.
[22] However, capital spending is not an easy indicator to interpret as this spending (unlike operating expenditure) does not occur continuously and usually depends on factors such as supply chain, project and contract management.

the norm, it was lower than the underspending of 24% and 71% reported in pre-merger Kagisano and Molopo respectively in 2008/09 (National Treasury, 2019b).[23]

Figure 3: Kagisano-Molopo's capital expenditure

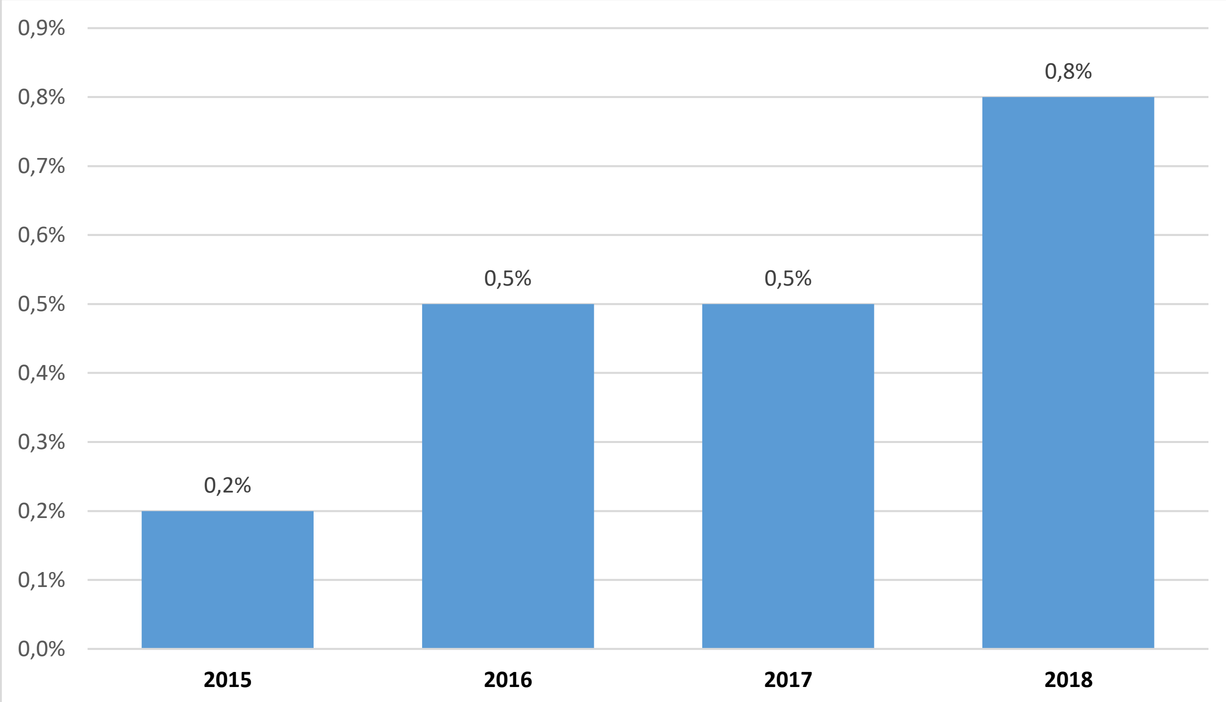


Source: National Treasury Municipal Money (National Treasury, 2019b).

A lack of maintenance is likely to lead to the impairment of important assets and negatively impact the delivery of services. For maintenance, the indicator looks at repairs and maintenance expenditure as a percentage of total fixed assets (i.e. property, plant and equipment). For Kagisano, expenditure on repairs and maintenance represented 11.9% of total fixed assets in 2008 while the percentage for Molopo was 1.3%. Although Kagisano's percentage was above the norm of 8%, that of Molopo was below this norm (National Treasury, 2019c). Spending on repairs and maintenance for Kagisano-Molopo increased from 0.2% in 2015 to 0.8% of total fixed assets in 2018 (Figure 4). The spending on repairs and maintenance in 2018 was therefore much lower than the norm. Also, this spending was lower than that of both pre-merger municipalities in 2008.

[23] In terms of the MIG, Kagisano-Molopo did not spend its full allocations (which had to be rolled over) in 2013/14 and 2016/17, see People's Assembly 2018 https://www.pa.org.za/questions/questions-asked-to-the-minister-of-cooperative-gov/2018-w1312-25-july-2018.

Figure 4: Spending on repairs and maintenance in Kagisano-Molopo



Source: National Treasury Municipal Money (National Treasury, 2019b).

The persistent underspending on the capital budget and maintenance has been attributed to the limited capacity in the merged municipality. For example, although Kagisano-Molopo is supposed to perform the municipal roads function, the limited resources (financial, personnel and equipment) make the delivery of serviced roads and the performance of repair and maintenance tasks difficult (with some projects being carried out over two financial years). Also, Kagisano-Molopo does not have a maintenance plan with repairs and maintenance work limited mainly to buildings.[24]

National Treasury's *State of Local Government Finances and Financial Management Report* (SoLGF), first published in 2009, measures municipal financial performance based on eight variables which are ranked between 1 (performing well) and 3 (performing poorly). The variables, which are assessed annually, are: cash coverage, cash balance, reliance on capital transfers, overspending, underspending of capital budgets, debtors growth, debtors as a percentage of own revenue and creditors as a percentage of cash.

[24] Interview with senior municipal finance official. See also Kagisano-Molopo 2014/15 Annual Report (National Treasury, 2019c).

The total score on this system ranges from eight (i.e. a score of one on each variable, thus indicating excellent performance) to 24 (a score of three on each variable, indicating a poor performance). A total score equal to or greater than 16 indicates financial distress. In the pre-merger period between 2009 and 2011, Kagisano was identified as a financially distressed municipality once, in 2009.[25] Although it was not identified as a financially distressed municipality in 2011, the municipality was one of those that either did not report their cash position as at 30 June 2011 or "whose reported numbers were obviously inaccurate" (National Treasury, 2011b: 31). For the post-merger period between 2012 and 2018, Kagisano-Molopo consistently scored below 16 on National Treasury's monitoring system and did not appear on the list of financially distressed municipalities.[26]

The results presented in this section suggest that there were improvements in some financial indicators such as cash management whereas others, such as repairs and maintenance, deteriorated – there were lower levels of expenditure (as a percentage of total fixed assets) in the post-merger municipality. It is also important to note that both Kagisano and Molopo relied on the district municipality's assistance in the performance of their financial functions before the merger (MDB, 2008). After the merger, the assistance to Kagisano-Molopo from the district was limited to internal audit functions.[27]

5.3 Objects of local government

This section assesses the extent to which the two municipalities, Kagisano and Molopo, were fulfilling their obligations based on the four factors espoused in the legislation - constitutional objectives, effective local government, integrated development and an inclusive tax base. A comparison is then made with the merged Kagisano-Molopo

[25] The purpose of the report is to regularly assess municipal finances so as to identify municipalities that are in "financial distress" and determine the type of support to be provided to these municipalities. This is an initial indication of financial health. Financial distress should be distinguished from the term "financial crisis" which is used in Section 139 of the Constitution and Section 139 of the MFMA (National Treasury, 2013).

[26] Although Kagisano-Molopo was placed under administration by the provincial government in August 2018 in terms of Section 139(1)(b) of the Constitution, this decision was nullified in September 2019 by the North West Division of the High Court which ruled that proper processes had not been followed by the provincial government.

[27] Interview with Kagisano-Molopo municipal official. See also Kagisano-Molopo Annual Report 2014/15 (National Treasury, 2019c).

municipality on the fulfilment of these objectives. This assessment uses various sources of information including the MDB's assessment conducted in 2008, documents from Treasury, Stats SA's Census and Community Survey and the qualitative interviews with key officials.

5.3.1 Constitutional objectives

5.3.1.1 Democratic and accountable government

Kagisano and Molopo were rural municipalities with very low population densities as shown in Table 4. Although Kagisano was slightly smaller than Molopo (in terms of area), it had a much higher population density of 6.8 people per square kilometer compared to Molopo's 0.5 people per square kilometre in 2007. The population per councillor in Kagisano was 3,302 compared to 815 in Molopo while the national average was 5,444 people per councillor in 2007. Although councillors in Kagisano were serving more people, those in Molopo were serving a dispersed population in a larger area. The table also shows that the number of square kilometres per councillor was 494 in Kagisano compared to 1,559 in Molopo while the national average in 2007 was 137 (Stats SA, 2007b).

Table 4: Pre- and post-merger Kagisano-Molopo's size and representation

	Kagisano (2007)	**Molopo (2007)**	**Kagisano-Molopo (2016)**
Population density (km^2)	6.8	0.5	4.3
Population	75,946	6,516	102,703
Area (km^2)	11,354	12,473	23,827
Wards	12	4	15
Councillors	23	8	29
Households	19,888	3,174	28,274

Source: Stats SA 2011 Census and 2016 Community Survey (Stats SA 2007a; 2011c); MDB 2018 Capacity Assessment (MDB, 2018).

Kagisano-Molopo's population decreased from 105,789 in 2011 to 102,703 in 2016 (a trend that was established in the pre-merger municipalities). It also experienced a slight drop in the population density from 4.4 in 2011 to of 4.3 people per square kilometre in 2016. The population per councillor in Kagisano-Molopo was 3,541 compared to a national average of 5,729 people per councillor in 2016 (Stats SA, 2016b; 2019).

The merger between Kagisano and Molopo had an impact on the community's interaction with the municipality. Not only was there a reduction in the number of councillors (thus affecting the population per councillor) after the merger, but there were also difficulties that the communities in the former Molopo (the periphery) now faced in accessing the municipal facilities in Ganyesa, the seat of the new municipality. Attempts at maintaining a government presence through Thusong Centres has, according to municipal officials interviewed, proved challenging due to the difficulties experienced in reaching people in the periphery (largely as a result of poor roads).[28]

The existence of a public participation policy, ward committees and a complaints system is a useful indicator of democracy and accountability. Kagisano-Molopo has a public participation policy in place. The Municipality has also established 15 ward committees chaired by ward councillors. Although 12 of these ward committees are functioning normally, three of them are non-functional. The municipality has also implemented a complaints system where the community is encouraged to express its satisfaction/dissatisfaction with municipal services. However, the community has largely failed to use the complaints system, preferring to air its views through protest action.[29]

5.3.1.2 Service delivery

Before the merger, neither municipality was responsible for the provision of water, electricity and sanitation services which were performed by the district municipality.[30] Both pre-merger municipalities were responsible for the refuse removal function. In spite of the pre-merger municipalities not being responsible for water, electricity and sanitation, the

[28] Interviews with municipal officials indicate that Thusong centres do not offer a wide range of services. Thusong Centres are one-stop service centres providing information and services to mainly rural communities. The six main services provided are government (grants and housing applications), office (printing and scanning), education and skills development, LED, business services, and information and communication activities.

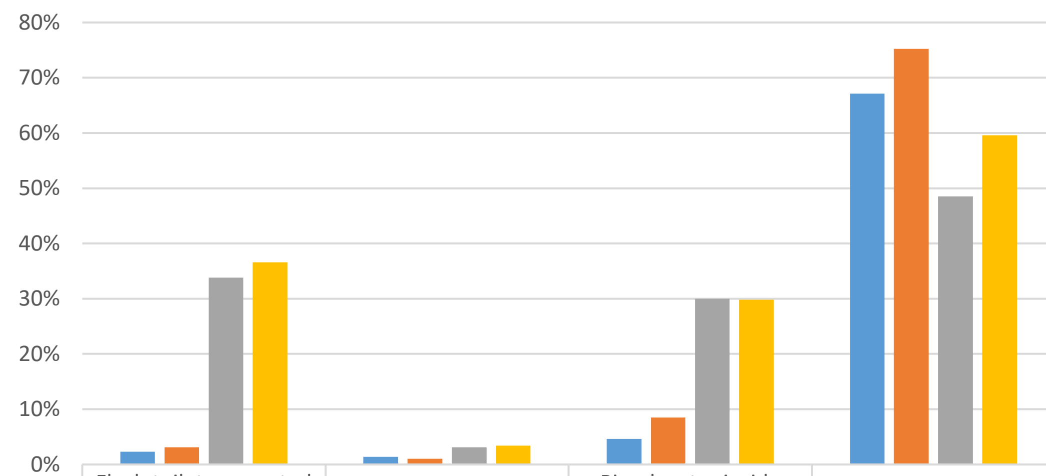
[29] Interview with Kagisano-Molopo municipal official.

[30] Most of the villages in the district used pit latrines, refuse dumps and rudimentary water supply networks made up of boreholes and village communal pipes before 2011, see DRSMDM 2007-08 Annual Performance Report (DRSMDM, 2008).

expectation was that the merger would result in improvements in the provision of these services.[31]

In Kagisano, Figure 5 shows that there was poor delivery in terms of refuse removal and flush toilets. Also, although there was some improvement in the percentage of households with piped water inside the dwelling, this improvement occurred from a low base of 5% in 2001.[32] Progress was made in terms of electricity for lighting between 2001 and 2007 although the percentage of households with access was still lower than the provincial average of 83% in 2007.

Figure 5: Service delivery in pre-merger Kagisano and Molopo municipalities



	Flush toilet connected to sewerage	Refuse removal	Piped water inside dwelling	Electricity for lighting
Kagisano (2001)	2%	1%	5%	67%
Kagisano (2007)	3%	1%	9%	75%
Molopo (2001)	34%	3%	30%	49%
Molopo (2007)	37%	3%	30%	60%

Source: Stats SA 2007 Community Survey (Stats SA, 2007a).

For Molopo, although the percentage of households with access to services was much higher than that of Kagisano (except for electricity for lighting where access in Kagisano was higher), service delivery levels in this municipality were lower than the provincial

[31] Kagisano-Molopo 2011/2012 Service Delivery Budget and Implementation Plan (National Treasury, 2019c).
[32] Both Kagisano and Molopo did not have an indigent support policy in place between 2007 and 2011 according to Stats SA's Non-Financial Census (Stats SA, 2007b; 2011d).

averages. Figure 5 shows that service delivery improved in terms of the percentage of households with access to flush toilets connected to sewerage and electricity for lighting although there were no improvements in terms of refuse removal and piped water inside the dwelling.

The backlog for water in this report refers to those households without piped water within a radius of 200 metres. In terms of sanitation, the backlog is made up all households without at least a VIP toilet.[33] For electricity backlogs, this refers to households with no access to electricity for lighting and refuse removal backlogs refer to households not receiving refuse removal services from the municipality.

Table 5 shows that water and sanitation backlogs were much higher (both in absolute terms and as a percentage of total households in the municipality) in Kagisano which had six times the number of households in Molopo. In terms of refuse removal, the backlogs in Kagisano (as a percentage of total households) were slightly higher than those in Molopo although Kagisano had a lower percentage of households without access to electricity for lighting in 2007.

Table 5: Access to basic services in pre-merger Kagisano and Molopo in 2007

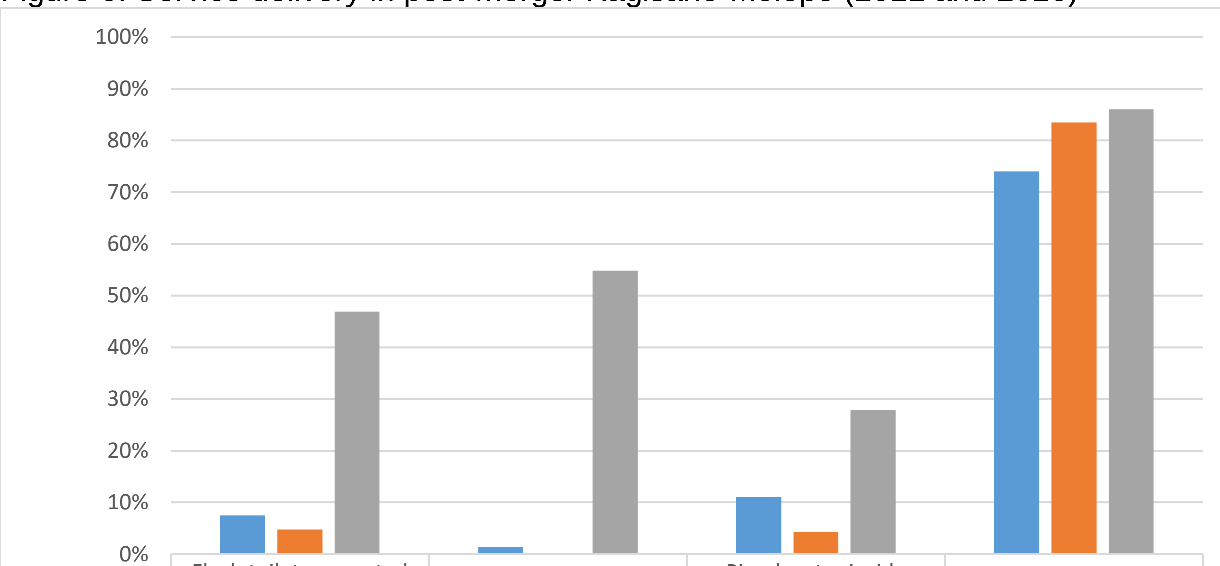
Service	Municipality	Households	Backlog (%)
Backlogs in access to water	Kagisano	9931	50%
	Molopo	1003	32%
Backlogs in access to sanitation	Kagisano	14809	74%
	Molopo	1504	47%
Backlogs in access to electricity	Kagisano	4928	25%
	Molopo	1283	40%
Backlogs in access to refuse removal	Kagisano	19697	99%
	Molopo	3065	97%
Number of households	Kagisano	19888	
	Molopo	3174	

Source: Stats SA 2007 and Community Survey 2007.
Note: The data have been weighted to represent South African households.

[33] See Department of Water Affairs and Forestry (2003) and Department of Water and Sanitation (2017) for national norms and standards for domestic water and sanitation services. See also DRSMDM (2013).

After the merger, the district municipality continued to provide the three basic core services (water, electricity and sanitation) while Kagisano-Molopo (as was the case with the pre-merger municipalities) was responsible for waste removal. Figure 6 shows that apart from electricity for lighting, service provision in the three other core basic services (flush toilets connected to sewerage, refuse removal and piped water inside dwelling) regressed between 2011 and 2016. These services were improving marginally (or at least not regressing) before the merger in both municipalities (see Tables 4 and 5).[34]

Figure 6: Service delivery in post-merger Kagisano-Molopo (2011 and 2016)



	Flush toilet connected to sewerage	Refuse removal	Piped water inside dwelling	Electricity for lighting
KM 2011	8%	1%	11%	74%
KM 2016	5%	0%	4%	83%
NW 2016	47%	55%	28%	86%

Source: Stats SA 2016 Community Survey (Stats SA, 2016b).
Note: KM stands for Kagisano-Molopo.

After the merger, Table 6 shows decreases in household backlogs in terms of sanitation from 46% in 2011 to 28% in 2016 (mainly due to an increase in households with access

[34] While noting that service provision had deteriorated, municipal officials interviewed pointed out that this could not be ascribed solely to the merger. The main reason given for the deterioration in access to water was that the municipality is in a water-scarce region and is increasingly reliant on groundwater which is difficult to access. Sedibeng Water, which is the company that provides water in the district, also notes that there are problems with vandalism, theft of infrastructure, diesel and cabling (Sedibeng Water, 2018).

to VIP toilets from 12,417 in 2011 to 18,190 in 2016).[35] The backlog for electricity for lighting decreased from 26% of households with no access in 2011 to 14% in 2016. Household backlogs in terms of sanitation and electricity decreased by 40% and 49% respectively between 2011 and 2016. Backlogs increased in terms of water and refuse removal.

Table 6: Access to basic services in post-merger Kagisano-Molopo in 2011 and 2016

Service	Year	Households	Backlog (% of households)
Backlogs in access to water	2011	8389	29%
	2016	11702	41%
	Percentage growth	39%	
Backlogs in access to sanitation	2011	13218	46%
	2016	7869	28%
	Percentage growth	-40%	
Backlogs in access to electricity	2011	7475	26%
	2016	4038	14%
	Percentage growth	-49%	
Backlogs in access to refuse removal	2011	28242	99%
	2016	28259	100%
	Percentage growth	-0.1%	
Number of households	2011	28531	
	2016	28274	
	Percentage growth	-0.9%	

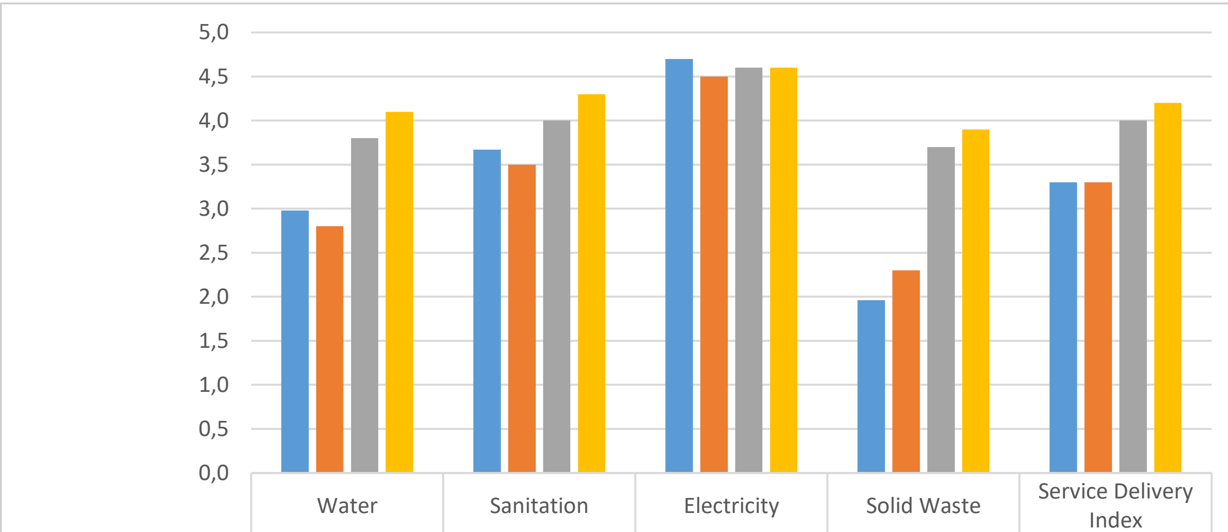
Source: South African Population Census 2011 (10 percent sample) and Community Survey 2016.
Note: The data have been weighted to represent South African households.

In order to contextualize the service delivery levels in post-merger Kagisano, the service delivery index was used. The index was produced in 2016 by Stats SA as an overall measure of service delivery across municipalities. This measure was based on a composite service delivery index consisting of a weighted average of four individual index scores covering water, sanitation, solid waste and electricity. The level of service on each of these four indices is a number from 1 to 5 with 1 representing no access, 2 representing minimal access, 3 representing basic access, 4 representing intermediate access and 5 representing full access. Kagisano-Molopo's service delivery index score of 3.3 was the

[35] However, according to municipal officials, the switch from long-drop toilets to the VIP toilets has caused dissatisfaction among many residents as the quality of these VIP toilets is very poor.

same as that of other B4 municipalities in South Africa (Figure 7). The score for North West municipalities was 4.0 while that of all municipalities in South Africa was 4.2 (Stats SA, 2016c: 81). While Kagisano-Molopo scored particularly well on the electricity index, it performed poorly on the solid waste index.

Figure 7: Service delivery in Kagisano-Molopo, B4, provincial and all municipalities in 2016



	Water	Sanitation	Electricity	Solid Waste	Service Delivery Index
Kagisano-Molopo	3,0	3,7	4,7	2,0	3,3
B4 municipalities	2,8	3,5	4,5	2,3	3,3
North West	3,8	4	4,6	3,7	4
All Municipalities	4,1	4,3	4,6	3,9	4,2

Source: Stats SA 2016 Community Survey (Stats SA, 2016c).

An important aspect of service delivery is the support a municipality provides to the poor through a free basic services and/or indigent policy. Free basic services are targeted at indigent households (identified using various targeting approaches determined by municipalities), and involve ensuring basic levels of service to households that are unable to pay for them. In 2011, Kagisano was implementing a free basic services policy for electricity with 5,680 consumer units benefitting. However, it did not have an indigent policy. Molopo did not have either a free basic services or indigent policy in place in 2011 when the merger took place (Stats SA, 2011d). By 2016, the number of consumer units benefitting from free basic electricity (50KWh per month) in the merged municipality was 6,000.[36]

None of the six municipal officials interviewed in Kagisano-Molopo felt that the merger had resulted in improved service delivery. However, a politician from Kagisano-Molopo supported the merger and indicated that problems with service delivery had very little to do with the merger. The other five officials indicated that the merger had had a negative impact on service delivery. As one senior municipal official put it:

> There are no gains [as a result of amalgamations]. If we are improving in terms of providing services, I'd clap for the merger but we are still moving at a tortoise's speed because we don't have money. So for me, the merger has not done anything new, Ja, it has done nothing new. I believe that maybe if they were left alone, they would perform better. (Municipal Official, Kagisano-Molopo, 12 September 2019)

In terms of human resources, Table 7 shows that both Kagisano and Molopo had higher vacancy rates (for all employees) than the national average of 21% while their vacancy rates for managerial positions (including Section 57 managers) were much lower than the national average of 12% in 2008. Although the vacancy rates for managerial positions (excluding Section 57 managers) were low between 2008 and 2010, the vacancy rates for Section 57 managers ranged from 0% for both municipalities in 2008 to 67% for Molopo in 2010. Table 7 shows that, apart from the vacancy rate of 67% for Section 57 managers in 2010, vacancy rates were lower in Molopo than in Kagisano. The high vacancy rates for all employees in Kagisano (which were consistently higher than the national averages between 2008 and 2010) suggest that this may have been one of the reasons why the municipality was experiencing difficulties in performing its functions.

[36] According to Kagisano-Molopo's Annual Report for 2014/15 all consumers in all the 15 wards were provided with free basic water. However, this information does not appear in Stats SA's Non-Financial Census for 2015 (Stats SA, 2015).

Table 7: Employment statistics in pre-merger Kagisano and Molopo

	2007/08		2008/09		2009/10	
	Kagisano	**Molopo**	**Kagisano**	**Molopo**	**Kagisano**	**Molopo**
All Employee Positions	100	34	90	30	119	40
Vacant Employee Positions	41	10	22	0	41	2
Vacancy rate – all employees	*41%*	*29%*	*24%*	*0%*	*34%*	*5%*
National vacancy rate - All	21%		15%		18%	
Managerial positions	4	1	4	1	9	0
Vacancy rate - Managerial	0	0	0	0	0	0
Vacancy rate – Managerial	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
National vacancy rate - Managerial	10%		11%		18%	
Managerial Positions - S57	5	1	5	1	5	3
Vacant Managerial Positions - S57	0	0	2	0	0	2
Vacancy rate – S57	*0%*	*0%*	*40%*	*0%*	*0%*	*67%*
National vacancy rate – S57	12%		16%		15%	

Source: Stats SA Non-Financial Census of Municipalities (Stats SA, 2019).

After the merger, Table 8 shows that Kagisano-Molopo had low vacancy rates (for all employees) with these rates being below 5% between 2012 and 2017 except for the 45% in 2012 and 43% in 2016. However, vacancy rates for managerial positions in Kagisano-Molopo were generally higher than those of the pre-merger municipalities. Vacancy rates for Section 57 managers in Kagisano-Molopo were also generally higher when compared to those of the two municipalities before the merger – the trend is one of increasing vacancy rates from 2014 to 2017. While the amalgamation may not have been responsible for the increase in the vacancy rates for Section 57 managers, the municipal officials interviewed could not explain this trend of increasing vacancy rates.

Table 8: Kagisano-Molopo employment statistics

	2012	2013	2014	2015	2016	2017
All Employee Positions	115	95	98	106	173	114
Vacant Employee Positions	45	4	3	3	43	4
Vacancy rate – all employees	*39%*	*4%*	*3%*	*3%*	*25%*	*4%*
National vacancy rate – All employees	13%	16%	15%	13%	14%	14%
Managerial positions	14	11	8	8	11	8
Vacant positions - Managerial	5	3	0	0	4	0
Vacancy rate – Managerial	*36%*	*27%*	*0%*	*0%*	*36%*	*0%*
National vacancy rate - Managerial	12%	16%	16%	12%	13%	11%
Managerial Positions - S57	6	8	5	5	6	5
Vacant Managerial Positions - S57	2	1	0	3	4	4
Vacancy rate – S57	*33%*	*13%*	*0%*	*60%*	*67%*	*80%*
National vacancy rate – S57	19%	15%	15%	17%	22%	27%

Source: Stats SA Non-Financial Census of Municipalities (Stats SA, 2019).

It is useful to assess the total number of employee positions before (i.e. the total for the two pre-merger municipalities) and after the merger in order to determine the merger's impact. The combined average of employee positions for the pre-merger Kagisano and Molopo for the years 2008 to 2010 of 137 is not much higher than the merged Kagisano-Molopo average of 131 for the years 2015 to 2017. However, this is a crude comparison as it does not tell us much about why these figures are similar. Municipal staff can increase or decrease due to numerous factors that are not related to amalgamations (e.g. adding more staff to improve service levels, a shift to outsourcing, etc.) thus making it difficult to determine the amalgamation's impact on the number of staff in the merged municipality (see Slack and Bird 2013).

A more useful measure is one that looks at municipal salaries (i.e. employee-related costs and councillors' remuneration) as a percentage of expenditure before and after the merger. Expenditure on salaries, wages and allowances in Kagisano was 29% in 2007 and 35% in 2008. Before the merger, the expenditure on salaries for Molopo was 58%

and 43% in 2007 and 2008 respectively.[37] While the figures for Kagisano were within the norm range of between 25% and 40%, those for Molopo exceeded the norm. A ratio that exceeds the norm, according to National Treasury's Municipal Finance Management Act Circular 71, may be an indication of overstaffing or expenditure that is not related to service delivery (Government of South Africa, 2014).

There was a reduction in the expenditure on salaries in post-merger Kagisano-Molopo after the merger with this expenditure not exceeding 30% of total operating expenditure between 2014 and 2017 as shown in Table 9. Kagisano-Molopo's employee-related costs were also within the norm range between 2014 and 2017. From 2014 to 2017, the average employee-related costs as a percentage of total expenditure in South Africa ranged from 26% in 2015 to 27% in 2017 (Stats SA, 2014; 2015; 2016d; 2017).

Table 9: Salaries as a percentage of total operating expenditure in Kagisano-Molopo

	2013/14	**2014/15**	**2015/16**	**2016/17**
Operating Expenditure	130,189,028	144,664,638	125,885,007	157,876,968
Salaries and allowances	31,119,782	33,163,574	34,826,236	38,539,098
Salaries as % of expenditure	*23%*	*23%*	*28%*	*24%*

Source: National Treasury Municipal Finance Data Tables (National Treasury, 2019a).

5.3.1.3 Enable socio-economic development

Indirect indicators such as unemployment levels and dependency ratios can be used to assess the level of social and economic development. The unemployment rate in Kagisano of 46% was much higher than Molopo's 10% in 2007 (provincial and national rates were 35% and 33% respectively). Kagisano's dependency ratio of 88% was also much higher than that of Molopo at 64%. The dependency ratios for both municipalities were higher than the North West's 54% and the national ratio of 56%, indicating that there was more pressure on those of working age in the municipalities.[38]

[37] Kagisano Local Municipality Annual Financial Statements 2006/07 and 2007/08; Molopo Local Municipality Annual Financial Statements 2006/07 and 2007/08 (National Treasury, 2019c).
[38] These calculations are based on the Community Survey 2007 data. As pointed out by Stats SA, unemployment in this survey used different questions from those used in the Labour Force Survey (2007c).

After the merger, the unemployment rate in Kagisano-Molopo was 24% - lower than the provincial and national rates which were both at 27% in 2016. Its dependency ratio was 85%. The North West had a dependency ratio of 57% while the national average was 53% in 2016.[39]

In terms of enabling social and economic development, Kagisano-Molopo does have a community services and Local Economic Development (LED) directorate with several programmes receiving financial support from the municipality. According to municipal officials, examples of activities that have received this support include brick-laying and vegetable garden projects. There is an acknowledgement in the 2018/2022 IDP that these small projects do not contribute much to the local economy (National Treasury, 2019c).

5.3.1.4 Promotion of a safe and healthy environment

The promotion of a safe and healthy environment, was an envisaged objective that was not being addressed by Kagisano-Molopo although the officials interviewed acknowledged its importance.

5.3.2 Enable effective local governance

Table 10 shows increasing levels of fruitless, irregular and unauthorized expenditure as a percentage of operating expenditure in Molopo from 13% in 2007 to 31% in 2008. Kagisano did not report any fruitless, irregular or unauthorized expenditure in 2007 while this amounted to 2% in 2008. The norm for irregular, fruitless, wasteful and unauthorised expenditure (as a percentage of total expenditure) is 0%.

[39] Quantec EasyData.

Table 10: Fruitless, irregular and unauthorized expenditure in pre-merger Kagisano and Molopo

	2006/07		2007/08	
	Kagisano	**Molopo**	**Kagisano**	**Molopo**
Fruitless & Wasteful Expenditure	0	480,809	637,472	7,200
Irregular Expenditure	0	2,273	0	390,758
Unauthorised Expenditure	0	302,319	0	2,224,940
Total	0	785,401	637,472	2,622,898
Total as % of operating expenditure	*0%*	*13%*	*2%*	*31%*

Source: Kagisano Local Municipality Annual Financial Statements 2007/08, Molopo Annual Financial Statement 2007/08, AGSA Audit Reports (AGSA, 2013).

In terms of audit opinions, which are used as an indicator of effective governance in this report (see MDB, 2015a), Table 11 indicates a deteriorating situation between 2008 and 2011, the period leading up to the merger. From unqualified audit opinions in the two municipalities in the 2007/08 financial year, both municipalities had disclaimers in 2009/10 and 2010/11.

Table 11: Municipal audit opinions in pre-merger Kagisano and Molopo

Municipality	Audit Opinion 2007/8	Audit Opinion 2008/9	Audit Opinion 2009/10	Audit Opinion 20010/11
Kagisano	Unqualified	Qualified	Disclaimer	Disclaimer
Molopo	Unqualified	Financially unqualified with findings	Disclaimer	Disclaimer

Source: AGSA (2013).

The district municipality provided assistance to Molopo in the performance of its financial function since the establishment of the municipality.[40] This assistance had also been extended to Kagisano from the time it was established until the 2004/05 financial year when the municipality appointed its Chief Financial Officer (MDB, 2008).

Table 12 shows that fruitless, irregular and unauthorized expenditure in Kagisano-Molopo has increased (as a percentage of operating expenditure) after the merger. In 2014, the Auditor-General noted that unauthorized, irregular and fruitless and wasteful expenditure

[40] Molopo Local Municipality had a municipal manager but was utilizing the district municipality's Chief Financial Officer and executive managers as it did not have sufficient funds to employ its own Section 57 managers, see Molopo 2007 Local Municipality Annual Financial Statement (National Treasury, 2019c).

in respect of prior years had yet to be dealt with in accordance with section 32 of the MFMA.[41] Also, the municipality did not disclose all irregular expenditure in 2015. However, even when unauthorized, irregular, fruitless and wasteful expenditure in respect of prior years is excluded, the levels have generally increased in the merged municipality. For the period 2015 to 2018, unauthorized, irregular, fruitless and wasteful expenditure as a percentage of operating expenditure ranged from 32% to 81% - levels that were higher than those reported by the former Kagisano and Molopo before 2011.

Table 12: Fruitless, irregular and unauthorized expenditure in Kagisano-Molopo

	2014	**2015**	**2016**	**2017**	**2018**
Fruitless & Wasteful Expenditure	40,057,656	17,605,127	82,968	41,243	64,791
Irregular Expenditure	23,403,791	40,057,656	131,722,106	34,407,425	111,235,008
Unauthorised Expenditure	12,953,360	23,403,791	40,057,656	17,605,127	24,996,067
Total	76,414,807	81,066,574	171,862,730	52,053,795	136,295,866
Total as % of operating expenditure	*25%*	*32%*	*81%*	*33%*	*74%*

Source: Kagisano-Molopo Local Municipality Annual Financial Statements; AGSA Audit Reports (National Treasury, 2019c); Municipal Finance Data Tables (National Treasury, 2019a).
Note: The total includes unauthorised, irregular and fruitless and wasteful expenditure in respect of prior years which had yet to be dealt with in accordance with section 32 of the MFMA.

The newly merged Kagisano-Molopo municipality received disclaimers for the two years following the merger (2011/2012 and 2012/2013) (National Treasury, 2019a; 2019c). These results are not surprising given the difficulties that the pre-merger municipalities were facing in terms of submitting their financial statements to the Auditor-General. Also, the period just after the merger tends to present challenges in terms of the consolidation of records and financial management systems as was the case in Kagisano-Molopo. It is interesting to note that despite the initial challenges faced by the municipality, audit opinions showed some improvements from 2014 culminating in an unqualified audit in

[41] This was partly the result of unresolved transitional issues, according to the municipal officials interviewed. Some of the irregular expenditure dates back to the period before the merger and documents on this expenditure cannot be located.

2016.[42] However, these improvements were not maintained with regressions resulting in a qualified audit in 2017 and a disclaimer in 2018.

An unqualified audit report does not indicate an absence of financial problems in a municipality. This is because the audit report does not assess such things as the adequacy of cash reserves, the effectiveness of municipal spending, the sustainability of the municipality's debt burden and the nature and extent of the unauthorized, irregular and wasteful expenditure. Although there is a correlation between negative audit opinions and financial distress, it is possible for a municipality to receive either a clean or unqualified audit opinion and still be financially distressed (National Treasury, 2011b).

If governance is defined as the process through which decisions are made and implemented in the management of economic and social resources, then oversight over those tasked with implementing decisions is an important aspect of effective local governance (World Bank, 1991; Madue, 2013). The problems experienced by the municipality in terms of fruitless, irregular and unauthorised expenditure were exacerbated by the fact that many councillors are failing to play a meaningful oversight role. As noted in other studies on the low educational levels of South Africa's councillors (see Van Niekerk and Taaibosch, 2017), some councillors in Kagisano-Molopo were barely literate and could not evaluate basic reports. A councillor in Kagisano-Molopo said:

> When I'm elected as a councillor, the community doesn't look at my background and educational qualifications [but] there might be certain requirements of educational background for you to be able to understand whatever is going on. From my personal experience, when I stand before someone whom I believe is more educated than me, I'll believe that whatever comes from his or her mouth is correct because of the educational background. Those who are educated can convince us easily especially when they're using this technical language. Even when you look at the agenda, you

[42] It is important to note that municipal officials who were interviewed indicated that the 2016 audit report was not an accurate reflection of the true state of the municipality's financial affairs as some items had not been included, the inclusion of which would not have resulted in a clean audit.

need [a basic understanding] of what to check for but in some instances you just go to the recommendations and you don't even understand what the recommendations mean. I think the administration can easily manipulate councillors. (Councillor, Kagisano-Molopo, 13 September 2019).

5.3.3 Enable integrated development

The existence of the IDP was used as an indication of a municipality's commitment to enabling integrated development (see MDB, 2015a). This strategic document outlines a municipality's future plans for economic and social development. The IDP has to be reviewed annually for it to remain relevant. This review must assess whether objectives are being achieved and if not, specify the necessary corrective action. This assessment also takes into account the changing internal and external circumstances that impact on the municipality's plans. In 2010/11, both Kagisano and Molopo had revised IDPs. The post-merger Kagisano-Molopo also had a revised IDP in 2019.

5.3.4 Have a tax base as inclusive as possible of users of municipal services in the municipality

A tax base is the total amount of assets or revenue that is liable for taxation. In the case of municipal taxation this is largely in the form of property rates. The MEC acknowledged, in the 2004 demarcation request, that neither municipality generates its own revenues through the provision of services. This merger was, essentially, a "zero plus zero" arrangement in terms of the tax base as Kagisano-Molopo has continued to rely on government transfers for much of its revenues.

5.4 Municipal powers and functions

The powers and function performed by the two municipalities before the merger were very similar to the ones performed by the post-merger Kagisano-Molopo. Of the four core services assessed in this study, there were no changes in the performance of these functions after the merger. Both pre-merger municipalities were responsible for refuse removal with electricity, water and sanitation being district functions. Information on municipal powers and functions for both pre-merger Kagisano and Molopo was sourced from municipal documents (mainly the SDBIP) and the MDB's capacity assessments (MDB, 2009b). According to the information from municipal officials, the merger resulted in the performance of five functions that were not being performed by either pre-merger municipality - childcare facilities, Billboards and the display of advertisements, local tourism, stormwater management and fencing and fences. Appendix 6 shows the powers and functions of pre-merger Kagisano and Molopo and those of the post-merger Kagisano-Molopo.

For the post-merger Kagisano-Molopo, the information received from the municipality did not contain verifiable indicators for each of the powers and functions in Appendix 6 despite repeated requests from the researchers.[43] However, the MDB's 2018 capacity assessment for Kagisano-Molopo indicates that there was no equipment and infrastructure available for the performance of the stormwater, refuse removal and cemeteries functions. For the MDB's 2018 capacity assessment, Kagisano-Molopo also did not provide any information on local tourism, billboards and child care functions (MDB, 2018).

In 2014, the national COGTA minister identified Kagisano-Molopo as one of the dysfunctional municipalities in South Africa, just three years after the amalgamation of Kagisano and Molopo which was supposed to address the problems of functionality. The minister requested the MDB to either amalgamate Kagisano-Molopo with another municipality or designate it as a district management area (DMA).[44] Although this request was later withdrawn, it was an indication that, according to the minister, the amalgamation of 2011 had not yielded the expected benefits.

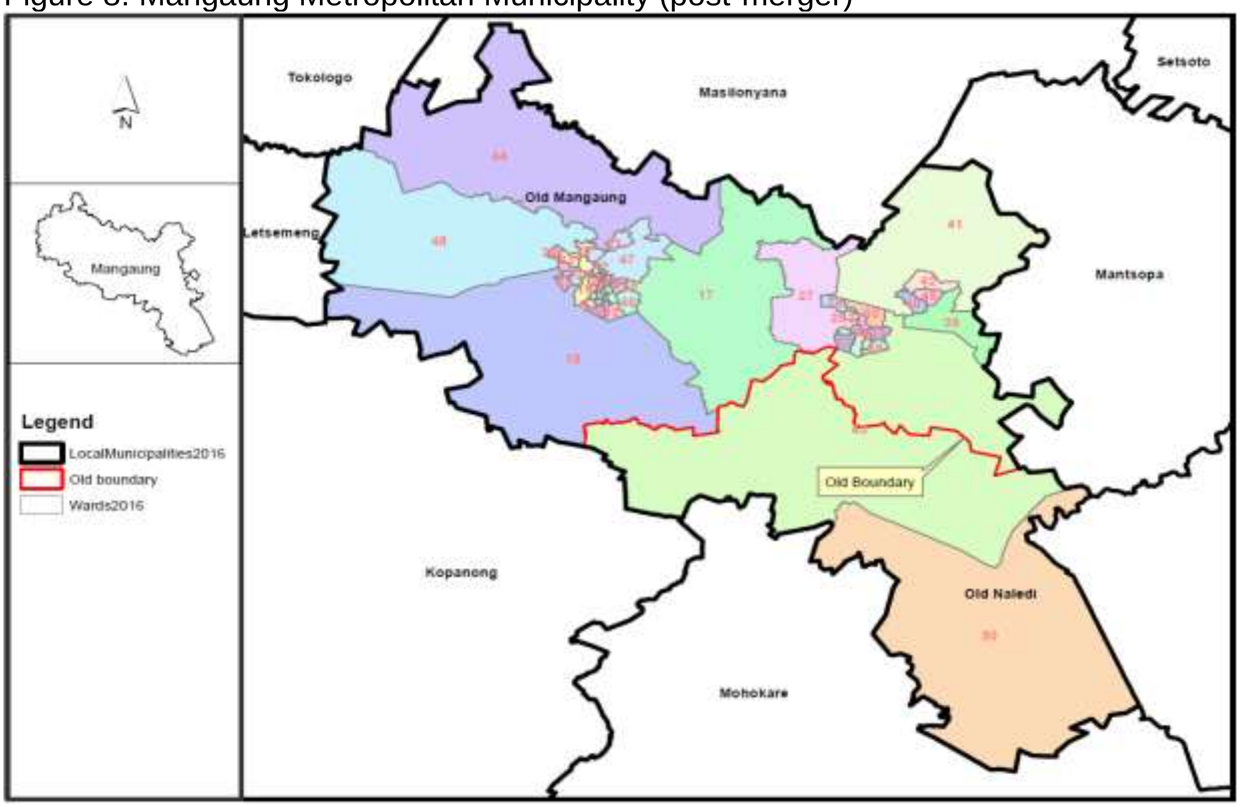
[43] For the functions listed in Appendix 6, only municipal planning, municipal roads, fencing and street lighting had, according to the MDB's 2018 capacity assessment, equipment and infrastructure for their performance (MDB, 2018).
[44] A DMA is an area that has no local municipality and is administered directly by the district municipality.

6. THE CASE OF MANGAUNG

In 2014, the Minister of Cooperative Governance and Traditional Affairs, based on section 22 of the Local Government: Municipal Demarcation Act of 1998, requested the MDB to re-determine the municipal boundaries of Naledi Local Municipality. The initial request from the minister was to either merge the municipality with another local municipality in the Xhariep district or to establish a DMA for the Naledi area. After consultations with the MEC, the request in 2015 was for the municipality to be incorporated into Mangaung Metropolitan Municipality. The reason given by the minister for the merger was to optimize the financial viability of the new municipality (COGTA, 2015).

Mangaung Metropolitan Municipality is a Category A municipality in the Free State Province of South Africa. Mangaung was a local municipality under the Motheo District Municipality in 2000 but was elevated to a metropolitan municipality in 2011 with 97 councillors and 49 wards. Figure 8 shows the municipality after the 2016 merger.

Figure 8: Mangaung Metropolitan Municipality (post-merger)



Source: MDB GIS unit.

Before its incorporation into Mangaung Metropolitan Municipality, Naledi, created in 2000 as a Category B (local municipality), was part of the Free State's Xhariep District Municipality. The municipality had four wards and eight councillors. It was the smallest municipality in the district (in terms of geographical area) and had the highest population density (7.1 people per square kilometre) in Xhariep District Municipality. The municipality's economy was largely based on agriculture with almost a third of its land used for farming cattle, sheep and grain (MDB, 2015a).

Naledi Local Municipality had a total population of 24,797 individuals in 2016, a marginal increase over the 24,314 reported in the 2011. The number of households in Naledi increased from 7,690 in 2011 to 8,378 in 2016 (Stats SA, 2016b). Mangaung's population increased from 645,440 in 2001 to 747,431 in 2011. The average population growth rate was 1.47% over this period. The number of households in the municipality increased from 185,013 in 2001 to 231,921 in 2011 (Stats SA, 2011c).

In 2011, for those aged 20 and above in Naledi Local Municipality, 7% had no schooling compared to 4% in Mangaung. In Naledi, 19% had completed matric compared to Mangaung's 30% and 5% had some form of higher education compared to 14% in Mangaung (Stats SA, 2011c).

Mangaung Metropolitan Municipality has a diverse economy and is the largest contributor to the economy of the Free State Province. The largest contributor to the municipality's output is the community services sector (which largely consists of government) followed by the finance sector. The other significant sectors are retail trade, manufacturing, mining and agriculture. As shown in Table 13, Naledi's economy was much smaller with community services, trade and agriculture being the significant sectors.

Table 13: Pre-merger Naledi and Mangaung's Gross Value Added (GVA) by economic sector in 2015 (Millions)

	Mangaung	Naledi	Free State	National
Agriculture	675.79	119.75	8,157.52	84,592.00
Mining	274.70	91.05	18,127.21	281,523.01
Manufacturing	4,914.75	18.11	20,540.84	486,863.02
Electricity	3,315.26	90.81	8,188.15	136,387.84
Construction	1,691.81	22.27	4,876.10	149,344.01
Trade	9,532.69	176.67	26,571.06	543,700.00
Transport	8,452.11	81.11	19,610.01	371.503.05
Finance	14,699.56	103.74	29,893.33	730,720.86
Community Services	19,406.10	248.42	46,178.84	840,266.00
Total	62,962.77	951.93	182,143.06	3,253,396.74

Source: Quantec EasyData

A number of submissions were made in response to the publication of the notice in terms of section 26 of the Municipal Demarcation Act for the incorporation of Naledi Local Municipality (Naledi) into Mangaung Metropolitan Municipality (Mangaung). Naledi and several community and political organizations such as the South African Municipal Workers' Union, the African National Congress and the Dewetsdorp Agricultural Union indicated that they supported this amalgamation. From the public meetings held, the majority of people in Naledi supported the incorporation of their municipality into Mangaung and felt that this would result in better service delivery and infrastructure. There were also, according to the representations received, already existing functional links between the Naledi community and Mangaung in terms of transport, shopping, employment and social amenities (MDB, 2015a).

However, some concerns were raised. According to the Democratic Alliance's caucus in Mangaung, the merger would be problematic for both Mangaung (in terms of delivering services given the rural nature of Naledi) and Naledi (in terms of the higher tariffs that this community would have to bear as a result of its incorporation into the metropolitan municipality). According to an FF Plus MPL, Mangaung was already facing financial constraints in terms of section 25(c) of the Municipal Demarcation Act (i.e. financial viability and administration capacity to perform municipal functions). Three other submissions pointed out that Mangaung could not afford the merger as it was not only indebted but also struggling to sustainably deliver services in the metro. In spite of these objections, the MDB confirmed its determination decision in terms of section 21 of the Municipal Demarcation Act (MDB, 2015a). A notice in terms of section 12 of the Municipal Structures Act was duly published by the Free State's MEC responsible for COGTA on 8 July 2016. This notice disestablished Naledi Local Municipality and re-established Mangaung Metropolitan Municipality. The effective date for these published changes was the day on which the results of the municipal elections were declared (Free State Provincial Government, 2016).[45]

6.1 Transitional arrangements[46]

In its 2016/2017 annual report, Mangaung notes that the incorporation of Naledi and Soutpan/Ikgomotseng (previously part of Masilonyana Local Municipality) had "been smoother and more successful, despite increased household and population numbers" (Mangaung Metropolitan Municipality, 2018a: 9). This can be mainly attributed to the fact that this was an incorporation, the much smaller, struggling, municipality (Naledi) was essentially being brought into a much larger municipality which had functioning systems.

The transition was largely successfully managed according to the majority of municipal officials interviewed. Much progress had already been made by the end of 2016 in terms of legal, finance, technical, IDP and institutional matters. In terms of human resources, staff from Naledi were to be "ring-fenced" in a unit (the Naledi Admin Unit) until a new inclusive organogram had been approved for Mangaung after the merger.[47] Although a communication strategy had been completed and several public engagements held by the end of 2016, much work still had to be done in terms of communication and human resource matters (Sigidi, 2016). By the time this study was conducted in October 2019, there were two main issues that had yet to be resolved – human resource and IDP issues

[45] Municipal elections were held on 3 August 2016.
[46] This section is based on interviews with senior municipal officials from Mangaung.
[47] The notice disestablishing Naledi (and re-stablishing Mangaung Metropolitan Municipality) in terms of section 12 of the Municipal Structures Act established the Naledi Administrative Unit.

(particularly the Spatial Development Framework or SDF).[48] What follows is a review of these issues in turn.

After the merger, Naledi did not embark on a new job evaluation exercise. Instead, employees from the erstwhile Naledi were placed in appropriate positions at Mangaung municipality based on their job descriptions. A major challenge resulting from this process was that of ensuring salary parity. Employees from the former Naledi municipality had to be given the same salaries as their counterparts in the metro – salaries that were higher than those they had received in Naledi. This had a negative impact on Mangaung's financial position as issues of ensuring salary parity were not catered for in the Municipal Demarcation Transitional Grant (MDTG) received from National Treasury.[49]

In terms of staff placements, the auditing, corporate services, solid waste, engineering services and social services departments in Mangaung successfully absorbed all members of staff from the former Naledi Local Municipality. However, not all employees from the erstwhile Naledi municipality have been successfully placed. This has resulted in seven employees (from the IDP and performance management unit) being under-utilized as they have not been placed, three years after the merger.

Although the IDPs from Mangaung and Naledi were consolidated, there were gaps in the information received from Naledi in terms of the SDF (which is part of the IDP). The maps received from Naledi show the size but do not describe land use. Information on land use is important when approving land development applications and attempts at obtaining this information have not been successful. This means that, for the areas of erstwhile Naledi, this process will have to be conducted afresh. The municipality is currently conducting a major review of the SDF which will re-assess land use within the entire municipality. The

[48] For a more detailed outline of the transitional issues, based on responses from the municipal officials, see Appendix 7.

[49] R18 million was received from the National Treasury although municipal officials reported that this was insufficient with ICT connectivity issues requiring more funds (which were sourced internally). Officials also felt that the determination of the grant amount was not clear and an amount of R60-80 million would have been appropriate for transition issues. For the amounts disbursed see National Treasury, Documents – National Budget 2016 at http://www.treasury.gov.za/documents/national%20budget/2016/default.aspx.

municipality, in partnership with the National Department of Rural Development and Land Reform, is also developing its first Rural Development Plan that will specifically target municipal wards that are rural in nature, including Ward 50 (from the former Naledi municipality).

6.2 Financial indicators

As Table 14 shows, Naledi depended mainly on government transfers with revenue from service charges, although showing some improvement during the pre-merger period, being lower as a percentage of total revenues. Mangaung, as is the case with other metros in South Africa, was less dependent on government transfers with revenue from service charges contributing almost half of total revenues in 2014 and 2015. However, there was a decrease in service charges as a percentage of total revenues which was accompanied by an increase in transfers in 2016.

Table 14: Pre-merger Naledi and Mangaung's revenue and expenditure (millions)

	2013/14		**2014/15**		**2015/16**	
	Naledi	**Mangaung**	**Naledi**	**Mangaung**	**Naledi**	**Mangaung**
Total revenue	105.8	5,876	90	5,543	112	4,123
Govt. Transfers	65.7	1,723	56	1,608	53	1,710
Transfers as % revenue	*62%*	*29%*	*62%*	*29%*	*47%*	*41%*
Service charges	26.3	2,793	27	2,718	*45*	*928*
Service charges as % of revenue	*25%*	*48%*	*30%*	*49%*	*40%*	*23%*
Operating Expenditure	112.5	4,976	104	5,460	110	4,223
Surplus/Deficit	-6.7	900	-14	83	2	-100

Source: Naledi Local Municipality Annual Financial Statements; Mangaung Metropolitan Municipality Annual Financial Statements (National Treasury, 2019c).

The equitable share was R597 million in Mangaung and R39 million in Naledi in 2015/16 before the merger. After the merger, Mangaung received R630 million in 2016/17 which was lower than the combined allocation of the pre-merger municipalities. There was an increase in the equitable share from R631 million in 2017/18 to R736 million in 2019/20 (Government of South Africa, 2015; 2016; 2016; 2018; 2019). Many (particularly metropolitan) municipalities have experienced reductions in their equitable share largely due to the adjustment that is made to account for their capacity to raise their own revenues.[50]

Table 15 shows that there was an increase in operating expenditure in the year after the merger which has been partly attributed to the incorporation of Naledi and Soutpan/Ikgomotseng in 2016.[51] However, this was accompanied by an increase in government transfers. Table 14 shows that government transfers increased by just over R200 million in 2016/17 representing an increase of 12%.[52] Table 15 shows that total revenues have been decreasing in Mangaung since 2017 while the reliance on government transfers has increased. Also, post-merger service charges as a percentage of total revenues have decreased from almost half of total revenues before the merger to a quarter of total revenues in 2019. This has been attributed to several factors (e.g. the large number of poor households, adverse economic conditions and poor collection rates from consumer debtors), some of which are not related to Naledi's incorporation. Mangaung's service charges as a percentage of total revenues were the lowest among metros while its reliance on transfers was the highest of all the metros in 2018 (National Treasury, 2019c).

[50] Interview with National Treasury official.
[51] Interview with municipal official.
[52] While these government transfers contributed to the increase in revenue for the 2016/2017 financial year, it is also important to note that Mangaung Metropolitan Municipality had incurred high levels of debt (borrowings which were reported as own revenue) in 2016/17. This reduction in borrowings after 2016/17, according to a municipal official, partly explains the reported increase in government transfers as a percentage of own revenues after 2016/17.

Table 15: Post-merger Mangaung's revenue and expenditure

	2016/2017	2017/2018	2018/2019
Total revenue	7,705,545,297	5,210,925,890	5,007,530,900
Govt. Transfers	1,921,825,112	1,861,384,308	1,871,199,842
Transfers as % revenue	*25%*	*36%*	*37%*
Service charges	3,198,859,677	1,115,247,720	1,242,813,818
Service charges as % of revenue	*42%*	*21%*	*25%*
Operating Expenditure	6,646,498,990	4,927,661,451	5,353,397,841
Surplus/Deficit	1,059,046,307	283,264,439	-345,866,941

Source: Mangaung audited Annual Financial Statements except for 2019 (which shows unaudited results) (National Treasury, 2019c).

Before the merger, Mangaung's current ratio in 2016 was 0.93 while that of Naledi was 1.31. Naledi's current ratio was about 25 percent higher than that of similar municipalities and also higher than the national average of 1.03.[53] The ratios for both municipalities were lower than the norm range of 1.5 to 2 indicating that they both ran the risk of failing to keep up with their payments. After the merger, Mangaung's current ratio was 1.09 for the 2018/2019 financial year which was lower than the average current ratio of 1.4 for metros (National Treasury, 2019b).

Consumer debtors as a percentage of own revenue provide a useful and easily calculated indicator of the state of municipalities' debtor management capabilities. This percentage has been increasing after the merger in Mangaung. It increased from 26% in 2017 to 39% in 2018 and, based on the 2018/2019 unaudited financial statement, to 48% in 2019.[54]

Not only has the level of consumer debt increased after the merger, Mangaung has also experienced challenges in collecting revenue from its debtors. The annual collection rate, an indicator measuring the level of payments relative to annual billed revenue, increased slightly from 84% in 2015 to 86% in 2016 before the merger. This rate then deteriorated after the merger to 76% in 2017 (Mangaung Metropolitan Municipality, 2018b).

[53] Similar in terms of the classification of municipalities provided by the Municipal Infrastructure Investment Framework (MIIF).

[54] Mangaung audited Annual Financial Statements 2017/18 and unaudited Annual Financial Statement 2018/19 (National Treasury, 2019c).

This poor revenue collection had an adverse impact on the municipality's liquidity ratio. This ratio shows the municipality's ability to pay its current liabilities (such as rent and salaries) and the current portion of long-term debt when they become due, using its cash and equivalents. Before the merger, Naledi had a liquidity ratio of 0.76 while Mangaung's ratio was 0.97 in 2016. For both municipalities, the ratio was lower than the recommended ratio of one. Mangaung had a liquidity ratio of 0.1 in the 2018/19 financial year, a ratio that was much lower than the average of 0.6 for similar municipalities (i.e. metros) (National Treasury, 2019b). This weak liquidity position prompted Moody's to downgrade Mangaung Metropolitan Municipality by three notches from Ba3 to B3 in August 2019. Moody's report cited "weak governance, which exacerbates collection issues" as one of the liquidity pressures. It also noted that there was uncertainty on the ability of the municipality to improve its liquidity profile over the next one and half years.[55]

In terms of capital expenditure, which includes expenditure on infrastructure projects like new water pipes and roads, Naledi underspent by 32% in 2016. This was more than 1.5 times that of similar municipalities and more than twice the national average of 14%. Mangaung underspent by 11% (a slight improvement on underspending of 16% reported in 2015) which was the same as that of similar municipalities in 2016. The norm for capital expenditure is between 95% and 100% (i.e. underspending of up to 5%). Underspending persisted after the merger in Mangaung at 28% (more than double the level of similar municipalities) in 2017 and 14% in 2018 (slightly lower than the average of 16% for all metros) (National Treasury, 2019b).

In 2015, spending on repairs and maintenance represented 0.7% of total fixed assets in Naledi. Expenditure on repairs and maintenance in Mangaung increased slightly from 1.8% in 2015 (lower than the metro average of 1.9%) to 3% in 2016 (about the same as that of other metros) before dropping to 0% in 2017 and 2018 (National Treasury, 2019b). The norm for expenditure on repairs and maintenance is 8%.

[55] Moody's 2019 Moody's downgrades the ratings of Mangaung, Metropolitan Municipality; the outlook is negative, https://www.moodys.com/research/Moodys-downgrades-the-ratings-of-Mangaung-Metropolitan-Municipality-the-outlook--PR_405781.

In the three years leading up to its amalgamation with Mangaung, Naledi appeared on National Treasury's list of financially distressed municipalities twice - in 2014 and 2016. It scored poorly on such indicators cash balances (2014), cash coverage (in 2016), overspending and debtors as a percentage of cash in both 2014 and 2016.

For Mangaung, the financial distress scores were assessed for the period 2014 to 2018 in order to ascertain whether there had been a change after the merger. During this period, Mangaung was one of the four metropolitan municipalities that appeared on the list of financially distressed municipalities in 2018. The municipality scored particularly poorly on four indicators – cash coverage, underspending of capital budgets, debtors as a percentage of revenue and creditors as a percentage of cash.

6.3 Objects of local government

What follows is an assessment of the extent to which these two municipalities were meeting their constitutional obligations before and after the merger. This assessment is based on the four demarcation objectives in Section 24 of the Municipal Demarcation Act - the fulfilment of constitutional objectives, effective local government, integrated development and an inclusive tax base.[56]

6.3.1 Constitutional objectives

6.3.1.1 Democratic and accountable government

Table 16 indicates that although Naledi was just over half the size of Mangaung, the population density was much higher in the metro. The population per councillor in Naledi was 3,039 while that in Mangaung was 7,705 in 2011. The national average was 5,332 in 2011. However, councillors in Naledi were serving fewer people in a large area. The table shows that the number of square metres per councillor was 428 in Naledi while in Mangaung it was 128. The national average in 2015 was 125.

[56] The MDB carried out an assessment that covered the demarcation objects and factors as laid out in Sections 24 and 25 of the Municipal Demarcation Act before the redetermination of boundaries. The MDB's assessment conducted in 2015, using mainly Treasury and Census 2001 and 2011 data, recommended the disestablishment of Naledi and its incorporation into Mangaung Metropolitan Municipality.

Table 16: Pre-merger Naledi, Mangaung and post-merger Mangaung's size and representation

	Naledi (2011)	Mangaung (2011)	Mangaung (2016)
Population density (km^2)	7	119	87
Area (km^2)	3 424	6 284	9,886
Wards	4	49	50
Councillors	8	97	100
Households	7,690	231,921	262,332

Source: Stats SA 2011 Census; The Local Government Handbook (Municipalities of South Africa, 2019).

Naledi's incorporation in 2016 meant not only an increase in the municipality's geographic extent (i.e. spatial footprint) but also the spreading of its (fewer) councillors over an ever-wider territory. As shown in Table 16, there was a decrease in the number of wards (and councillors) - these are outcomes that are likely to have a negative impact on democracy and accountability.[57]

Functioning ward committees, a public participation policy and the existence of a municipal complaints system are indicators of a democratic and accountable government. Both Naledi and Mangaung had functioning ward committees and a municipal complaints system before 2016.[58] In 2019, Mangaung not only had functioning ward committees in all the wards but also a public participation policy.[59]

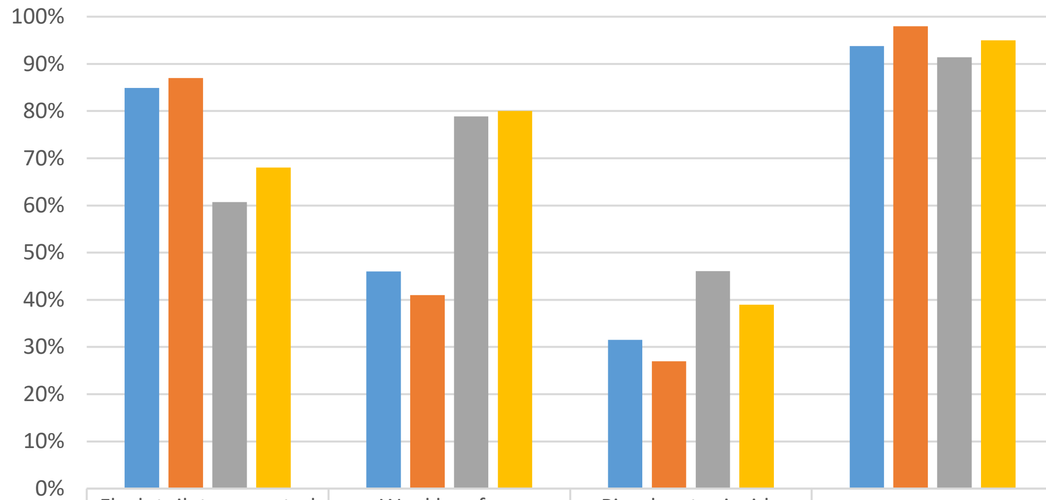
6.3.1.2 Service delivery

Figure 9 shows that there were improvements in the delivery of some services (sanitation and electricity for lighting) although there was a regression in terms of refuse removal and access to piped water inside the dwelling in Naledi between 2011 and 2016 before the merger. In Mangaung, there were improvements in all the service delivery indicators

[57] This is particularly true in a country with one of the lowest number of municipalities in the world. South Africa's average population size per municipality is also very high. In an evaluation of 10 countries, South Africa with 5,671 citizens per councillor, was the fourth highest on this list (Plaatjies, 2019: 11).
[58] According to the Municipal IQ's Hotspots Monitor, Mangaung and Naledi had a similar number of service delivery protests (one per year on average for both) during the period 2012-2014. This indicates high levels of dissatisfaction in both municipalities (MDB, 2015a).
[59] Interview with municipal official.

between 2011 and 2016 except for piped water inside the dwelling which decreased from 46% in 2011 to 39% in 2016. [60]

Figure 9: Service delivery in pre-merger Naledi and Mangaung (2011 and 2016)



	Flush toilet connected to sewerage	Weekly refuse removal	Piped water inside dwelling	Electricity for lighting
Naledi 2011	85%	46%	32%	94%
Naledi 2016	87%	41%	27%	98%
Mangaung 2011	61%	79%	46%	91%
Managaung 2016	68%	80%	39%	95%

Source: South African Population Census 2011 (10 percent sample) and Community Survey 2016.
Note: The data have been weighted to represent South African households.

Before the merger, of the 7,690 households in Naledi 7,754 of them had access to piped water within 200 metres of the dwelling while 206 of them (i.e. the 3% shown in the last column of Table 17) had no access to piped water within 200 metres of the dwelling. The percentage of households without access to water within 200 metres of the dwelling increased to 9% in 2016. Although the number of households only grew by 10% between 2011 and 2016, the number of households with no access to water within 200 metres of the household increased from 206 in 2011 to 636 in 2016 (representing a 209% increase as shown in column 3 of Table 17 as “Percentage growth”). There were increases in the sanitation backlog between 2011 and 2016 although the backlogs in terms of refuse

[60] The Community Survey 2016 data for service delivery at the municipal level should be treated with caution due to the high coefficients of variation (above 16.5%) although most estimates in this study were reliable (see Appendix 4 for Mangaung).

removal and electricity decreased in both absolute and relative terms between 2011 and 2016.[61]

Table 17: Backlogs in access to basic services in pre-merger Naledi (2011 and 2016)

Backlogs	Year / % growth	Households	Percentage
Access to water	2011	206	3%
	2016	636	9%
	Percentage growth	209%	
Access to sanitation	2011	778	10%
	2016	966	12%
	Percentage growth	24%	
Access to electricity for lighting	2011	474	6%
	2016	202	2%
	Percentage growth	-57%	
Access to refuse removal	2011	4048	53%
	2016	3491	42%
	Percentage growth	-14%	
Number of households	2011	7690	
	2016	8378	
	Percentage growth	10%	

Source: South African Population Census 2011 (10 percent sample) and Community Survey 2016.
Note: The data have been weighted to represent South African households.

Of Mangaung's 255,938 households, 247,006 households (97%) either had access to water inside the dwelling or less than 200 metres from the dwelling representing a backlog of 8,932 households (3%) in 2016. This represented a decrease in the backlogs as a percentage of total households from the 5% in 2011 to 3% in 2016 (fourth column in Table 18). In absolute terms, this represented a decrease of 23% as the number of those without access fell from 11,573 to 8,932 (column in Table 18) in 2011. The sanitation backlog increased from 47,518 households in 2011 to 53,903 households in 2016 in terms of households with access to flush or VIP toilets. Of those on the sanitation backlog, 7,715 households were using bucket toilets. Table 18 shows that there were decreases in the backlogs for electricity and refuse removal between 2011 and 2016. These decreases

[61] For water and sanitation norms and standards, see Department of Water Affairs and Forestry (2003) and Department Water and Sanitation (2017). For the determination of refusal removal backlogs, see also Mangaung Metropolitan Municipality Reviewed Integrated Development Plan 2019/20 (National Treasury, 2019c).

occurred against a backdrop of a 10% increase in the in the number of households between 2011 and 2016 indicating that backlogs were a moving target during this period.

Table 18: Backlogs in access to basic services in pre-merger Mangaung (2011 and 2016)

Backlogs	Year / % growth	Households	Percentage
Backlogs in access to water	2011	11573	5%
	2016	8932	3%
	Percentage growth	-23%	
Backlogs in access to sanitation	2011	47518	20%
	2016	53903	21%
	Percentage growth	13%	
Backlogs in access to electricity	2011	19802	9%
	2016	10534	4%
	Percentage growth	-47%	
Backlogs in access to refuse removal	2011	43299	19%
	2016	41949	16%
	Percentage growth	-3%	
Number of households	2011	231921	
	2016	255938	
	Percentage growth	10%	

Source: South African Population Census 2011 (10 percent sample) and Community Survey 2016.
Note: The data have been weighted to represent South African households.

Stats SA, through its Non-Financial Census of Municipalities, has been publishing information on municipal service provision since 2002. Although this census is not directly comparable with the population census, the community or household survey, it is still an important tool for assessing service delivery in South Africa's municipalities.

In 2016, there were 4,759 indigent households from a total of 8,378 households in Naledi – 57% of the households in the municipality were poor. Table 19 shows that between 2015 and 2016, there was a 55% decrease in the number of consumer units with access to refuse removal services in the municipality. There were increases of 1% and 6% in the number of new consumer units for water and electricity respectively between 2015 and 2016.

Table 19: Municipal service delivery in Naledi

	2014	2015	2016	Change (%)[1]
Water	8,251	8,374	8,439	1
Free basic water	4,759	4,759	6,094	28
Sanitation	8,162	8,183	8,192	0
Free basic sanitation	4,759	4,759	4,759	0
Electricity	7,690	7,690	8,176	6
Free basic electricity	4,759	4,759	4,759	0
Refuse removal	8,271	8,271	3,715	-55
Free refuse removal	4,759	4,759	4,759	0
Indigents (Households)	4,759	4,759	4,759	0

Source: Stats SA Non-Financial Census of Municipalities (Stats SA, 2019).
Note: [1]This is the percentage change between 2015 and 2016

Table 20 shows the type of water and sanitation facilities provided in Naledi. There was a 2% increase in the number of consumer units with access to water inside the yard while there was a decrease of 47% in the number of consumer units with access to water less than 200 metres from the yard between 2015 and 2016. In terms of sanitation, there was a 47% decrease in the number of consumer units using the bucket system and a 1% increase in the number of consumer units using a flush toilet connected to a public sewerage system between 2015 and 2016.

Table 20: Types of water supply and sanitation facilities in Naledi

	2014	2015	2016	Change (%)[1]
Water Supply				
Inside the yard	7,690	8,080	8,226	2
Less than 200m from yard	458	191	101	-47
More than 200m from yard	0	0	0	0
Types of toilet facilities				
Flush toilet connected to public sewerage system	7,690	7,889	7,979	1
Flush toilet connected to septic tank	199	0	0	0
Ventilated Improved Pit latrine	0	0	0	0
Bucket system	170	191	101	-47

Source: Stats SA Non-Financial Census of Municipalities (Stats SA, 2019).
Note: [1]This is the percentage change between 2015 and 2016.

In pre-merger Mangaung, there were increases in the number of consumer units with access to water (3%) and refuse removal (10%) between 2015 and 2016 (Table 21).

There was no change during this period in the number of consumer units with access to sanitation but service provision in terms of electricity actually decreased by 5%.[62] There were increases in the number of indigent households from 26,889 in 2015 to 34,541 in 2016, an increase of 28%.

Table 21: Municipal service delivery in pre-merger Mangaung

	2014	2015	2016	Change (%)[1]
Water	166,962	171,050	175,556	3
Free basic water	24,108	26,889	24,753	-8
Sanitation	148,869	176,460	176,460	0
Free basic sanitation	43,796	26,889	29,034	8
Electricity	194,410	197,243	186,717	-5
Free basic electricity	37,665	26,889	23,372	-13
Refuse removal	188,594	189,155	208,294	10
Free refuse removal	20,228	26,889	29,022	8
Indigents (Households)	20,105	26,889	34,541	28

Source: Stats SA Non-Financial Census of Municipalities (Stats SA, 2019).
Note: [1]This is the percentage change between 2015 and 2016.

In terms of water and sanitation facilities, there was a 5% increase in the number of consumer units with access to water inside the yard between 2015 and 2016 in Mangaung as shown in Table 22. This was accompanied by a 100% decrease in the in the number of consumer units with access to water less than 200 metres from the yard. For sanitation, there was a 47% decrease in the number of consumer units using the bucket system, a 2% decrease in the number of consumer units with VIP toilets and a 2% increase in the number of consumer units with a flush toilets connected to a public sewerage system between 2015 and 2016.

[62] It is important to note that there were high levels of access to electricity in both Naledi and pre-merger Mangaung (over 90% in both municipalities). According to Mangaung's reviewed IDP for 2015-16, the main challenge was on the backlogs in maintenance and the provision of electricity to informal areas (National Treasury, 2019c).

Table 22: Type of water supply and sanitation facilities in pre-merger Mangaung

	2014	2015	2016	Change (%)[1]
Water Supply				
Inside the yard	159,163	163,251	171,132	5
Less than 200m from yard	3,880	3,880	0	-100
More than 200m from yard	0	0	0	0
Types of toilet facilities				
Flush toilet connected to public sewerage system	114,218	118,306	121,418	3
Flush toilet connected to septic tank	0	0	0	0
Ventilated Improved Pit (VIP) latrine	24,680	50,221	48,976	-2
Bucket system	132	3,974	2,107	-47
Other	5,920	40	40	0

Source: Stats SA Non-Financial Census of Municipalities (Stats SA, 2019).
Note: [1]This is the percentage change between 2015 and 2016.

The water backlog in Mangaung in 2016 was estimated at 17,555 consumer units before the merger. The municipality, in its reviewed IDP specified a target of connecting 3,300 consumer units a year although it noted that there was an increase of about 1,000 new stands per annum. At that rate it was estimated that it would take about 8 years to eliminate the water backlog. The sanitation backlog in Mangaung was estimated at 53,259 consumer units in 2016.[63]

Post-merger Mangaung's service provision is shown in Table 23. It is important to note that the number of indigent households increased dramatically from the pre-merger municipality's 34,541 in 2016 to 54,725 in 2017 – an increase of 58%.[64] The number of indigent households did decrease to 40,065 in 2018, a decrease of 27% from 2017, although this number was still 16% higher than the one for pre-merger Mangaung in 2016.

Although low in percentage terms, there was an increase of 2,051 consumer units with access to water between 2017 and 2018 (an increase of 1.1%, see Table 23). There were no increases in terms of electricity and refuse removal but Mangaung's service provision

[63] Mangaung Reviewed Integrated Development Plan 2015-16 (National Treasury, 2019c).
[64] This figure, given the number of indigents in the pre-merger Naledi, seems rather high (even when account is taken of the incorporation of Soutpan/Ikgomotseng in 2016) and should be treated with caution especially given the more plausible figure provided for the number of indigent households in 2018.

increases in terms of sanitation (8.6%) exceeded the national average by five percentage points between 2017 and 2018. In 2016, Mangaung inherited a municipality with huge service delivery backlogs particularly in the areas of water, sanitation and refuse removal (see Table 17) and service provision was extended to the areas of the former Naledi municipality after the merger. Service provision in terms of refuse removal (between 2016 and 2017) and sanitation (between 2017 and 2018) also included areas such as Dewetsdorp, Wepener and Van Stadensrus (i.e. areas in the former Naledi municipality).[65]

Table 23: Municipal service delivery in post-merger Mangaung (Consumer units)

	2017		**2018**		**Change (%)**	
	Mangaung	**South Africa**	**Mangaung**	**South Africa**	**Mangaung**	**South Africa**
Water	185,788	12,811,967	187,839	13,289,089	1.1	3.7
Free basic water	35,325	4,750,309	40,065	4,089,034	13.4	-13.9
Sanitation	185,321	11,325,615	201,349	11,734,223	8.6	3.6
Free basic sanitation	35,325	3,589,829	40,065	2,989,014	13.4	-16.7
Electricity	217,711	11,554,275	217,711	11,916,039	0.0	3.1
Free basic electricity	24,886	2,563,493	29,658	2,317,144	19.2	-9.6
Refuse removal	217,711	9,689,417	217,711	9,918,741	0.0	2.4
Free refuse removal	35,325	2,769,879	40,065	2,608,909	13.4	-5.8
Indigents (Households)	54,725	3,511,741	40,065	3,631,443	-26.8	3.4

Source: Stats SA Non-Financial Census of Municipalities (Stats SA, 2019).

There was an increase of 2,044 consumer units receiving water inside the yard, an increase of 1%, between 2017 and 2018 in Mangaung (Table 24). There was also a 7% decrease (from 101 in 2017 to 108 in 2018) in the number of consumer units receiving water less than 200 metres from the yard. In terms of toilets, there was a 53% decrease in the number of consumer units using the bucket system with the number decreasing from 2,977 to 1,400 between 2017 and 2018. During this period the number of consumer

[65] Mangaung municipal official; see also De Beer (2018); Mangaung Annual Report 2016/2017 (National Treasury, 2019c).

units with VIP toilets decreased by 7% while there was an increase of 20,981 (16%) consumer units with flush toilets connected to the public sewerage system.

Table 24: Types of water supply and sanitation facilities in post-merger Mangaung

	2017		**2018**		**Change (%)**	
	Mangaung	**South Africa**	**Mangaung**	**South Africa**	**Mangaung**	**South Africa**
Water supply						
Inside the yard	185,687	9,032,327	187,731	9,480,962	1	5
Less than 200m from yard	101	2,648,473	108	2,650,344	7	0
More than 200m from yard	0	688,705	0	704,255	0	2
Types of toilet facilities						
Flush toilet connected to public sewerage system	129,397	6,753,041	150,378	7,059,846	16	5
Flush toilet connected to septic tank	0	407,497	0	440,625	0	8
Ventilated Improved Pit latrine	48,976	2,929,438	45,600	2,922,592	-7	0
Bucket system	2,977	60,557	1,400	42,612	-53	-30
Other	272	800,102	272	874,874	0	9

Source: Stats SA Non-Financial Census of Municipalities (Stats SA, 2019).

In Mangaung, none of the interviewed officials felt that the incorporation of Naledi had improved service delivery in a metro that was already struggling. They also argued that the incorporation of Naledi essentially ruralised Mangaung, posing challenges in providing services to geographically dispersed communities. According to a senior municipal official:

> Some people like to joke that we're a rural metro. What the new boundaries did was to increase our service coverage. From here to the last town which is Van Stadensrus which now shares a border with Lesotho is 153km and I like the [legislation], the way it defines a Category A municipality. They say it's a highly compact geographic space which you find we're not. In Johannesburg, your services are here, your network is

here…you can maintain. Now when you have to spread your network and services there are challenges that deal with the pace at which you can eradicate your backlogs. Your operational costs just increase because the area is so vast, you can't deliver quality services. So this case should have been treated on [the basis of] what kind of a municipality are we creating as a result of that? (Municipal Official, Mangaung, 3 October 2019).

Table 25 shows the employment statistics for Naledi and Mangaung before the merger. Naledi's vacancy rates (for all employees) between 2014 and 2016 were not only lower than those of Mangaung but were also lower than the national averages of 15% in 2014, 13% in 2015 and 14% in 2016. Although Naledi's vacancy rate for managers was higher than the national average of 18% in 2014, its vacancy rates for 2015 and 2016 were much lower than the respective national averages of 12% and 13% (and lower than those of Mangaung throughout this period). In terms of Section 57 managers the national average vacancy rates were 16% in 2014, 30% in 2015 and 21% in 2016. Mangaung's high vacancy rates for all employees and the high vacancy rates for Section 57 managers in 2016 may have negatively affected service delivery, while the lower rates in Naledi indicate that the municipality had the necessary staffing levels to perform its functions.

Table 25 - Employment statistics for pre-merger Mangaung and Naledi

	2013/14		**2014/15**		**2015/16**	
	Naledi	**Mangaung**	**Naledi**	**Mangaung**	**Naledi**	**Mangaung**
Employee Positions	80	6,256	78	7,803	147	8,611
Vacant Employee Positions	4	1,995	1	3,905	1	4,315
Vacancy rate – all employees	*5%*	*32%*	*1%*	*50%*	*2%*	*50%*
Managerial positions	9	231	9	244	5	276
Vacancy rate - Managerial	3	80	0	106	0	123
Vacancy rate – Managerial	*33%*	*35%*	*0%*	*43%*	*0%*	*45%*
Managerial Positions - S57	4	9	4	10	3	8
Vacant Managerial Positions - S57	1	0	1	2	1	4
Vacancy rate – S57	*25%*	*0%*	*25%*	*20%*	*33%*	*50%*

Source: Stats SA Non-Financial Census of Municipalities (Stats SA, 2019).

The vacancy rate for all municipal employees in 2018 was 47% while that for managers was 45% in post-merger Mangaung (Table 26). This means that Mangaung Metropolitan Municipality was operating with just over half of the staff it needed in order to provide critical municipal services. These vacancy rates represented increases over those of the previous year (2017) when vacancy rates for all municipal employees and managers were 43% and 39% respectively. The vacancy rate for Section 57 managers decreased from 27% in 2017 to 18% in 2018. Although these post-merger vacancy rates are lower than those obtaining just before Naledi's incorporation, they suggest that the municipality is under-capacitated.

Table 26: Post-merger Mangaung staffing levels

	2017	**2018**
Employee Positions	7,860	7,025
Vacant Employee Positions	3,394	3,336
Vacancy rate – all employees	*43%*	*47%*
Managerial positions	271	241
Vacancy rate - Managerial	106	108
Vacancy rate – Managerial	*39%*	*45%*
Managerial Positions - S57	15	11
Vacant Managerial Positions - S57	4	2
Vacancy rate – S57	*27%*	*18%*

Source: Stats SA Non-Financial Census of Municipalities (Stats SA, 2019).

Salaries (i.e. employee related costs and councillors' remuneration) as a percentage of total expenditure in Naledi were increasing in the period leading up to the merger from 24% in 2014 to 30% in 2016 (Table 27). However, these employee related costs were within the norm range of 25% to 40%.

Table 27: Salaries as a percentage of total operating expenditure (Naledi)

	2013/14	**2014/15**	**2015/16**
Operating Expenditure	112,458,350	103,577,964	110,379,571
Salaries and allowances	28,740,865	30,895,601	35,948,127
Salaries as % of expenditure	*26%*	*30%*	*33%*

Source: Naledi Local Municipality Annual Financial Statements 2014-2016 (National Treasury. (2019c).

Table 28 shows that employee-related costs did not exceed 40% in Mangaung before and after the merger. The post-merger increase in salaries was attributed to two factors by the municipal officials interviewed. Firstly, there was the issue of ensuring salary parity for the erstwhile Naledi employees who now had to earn the “metro salaries” demanded by Mangaung’s workers just before the 2016 municipal elections. Secondly, the decrease in the number of municipal employees from 4,466 in 2017 to 3,689 in 2018 notwithstanding, there was an increase in salaries largely due to industrial action by Mangaung’s workers who demanded (and were given) higher salaries during the 2017/18 financial year.

Table 28: Salaries as a percentage of total operating expenditure (Mangaung) (millions)

	2013/14	**2014/15**	**2015/16**	**2016/17**	**2017/2018**
Operating Expenditure	4,976	5,460	4,224	6,646	4,928
Salaries and allowances	1,156	1,311	1,338	1,662	1,613
Salaries as % of expenditure	*23%*	*24%*	*32%*	*25%*	*33%*

Source: Mangaung Metropolitan Municipality Annual Financial Statements (National Treasury, 2019c).

However, what is more worrying, from a service delivery perspective, was that funds had to be diverted in order to meet the workers’ salary demands. According to a municipal official:

> The merger had an impact [on salaries] but another thing, of salaries of Mangaung employees, where I think… just before the elections, there was a strike in the city where the employees were demanding the so-called “metro salaries”. That had an impact. I know that we had to take money from repairs and maintenance to try and close this gap. But since then the salary bill has been going up, as an impact of the merger and also what happened in the city. (Municipal Official, Mangaung, 4 October 2019).

6.3.1.3 Enable socio-economic development

Indirect indicators such as the GVA per capita, Human Development Index (HDI) and income levels can be used to assess the level of social and economic development. GVA measures the value of goods and services produced in an area over a given period. A higher GVA per capita indicates a larger revenue base and greater ability to pay taxes. Table 29 shows that Naledi's GVA estimate of R951.94 million in 2015 was the lowest in the district and contributed 0.52% of the Free State's total. Mangaung Metropolitan Municipality's GVA estimate of R62,962 million in 2015 was the highest in the Free Sate contributing 34.5% of the province's GVA. The metro's GVA per capita of R76,759 was also almost twice that of Naledi which had the lowest GVA per capita in the district. South Africa's GVA per capita in 2015 was R65,840. In 2018, Mangaung's GVA per capita was R87,420 while the national GVA per capita was R75,205.[66]

Table 29: GVA for local municipalities in Xhariep District Municipality in 2015 (Current prices)

Municipality	GVA 2015 (Million Rand)	GVA as Percentage of Free State total	GVA per capita
Kopanong	2,167.28	1.19%	43,912
Letsemeng	1,785.64	0.98%	46,230
Mohokare	1,484.02	0.81%	42,790
Naledi	951.94	0.52%	39,295

Source: Quantec EasyData.

Not only was Naledi's HDI estimated at 0.572 much lower than that of Mangaung at 0.605 in 2015, it also had the lowest HDI in Xhariep District Municipality. The HDI in the Free State was 0.571 while that of South Africa in 2015 was 0.659. In 2018, Mangaung had an estimated HDI of 0.630, the lowest among the country's metros. South Africa's HDI for 2018 was 0.680.[67]

Overall unemployment levels in Naledi were lower than those in Mangaung. Unemployment levels fell from 37% in 2001 to 26% in 2011 compared to the Mangaung rates of 40% in 2001 and 28% in 2011. In 2011, the youth (i.e. those aged between 15 and 24) unemployment rate was 35% in Naledi compared to 38% in Mangaung. However, the dependency ratio, which remained unchanged at 65% in 2001 and 2011 (compared to Mangaung's ratios of 47 in 2011 and 50 in 2001), indicates that there was more

[66] Quantec EasyData.
[67] Quantec EasyData.

pressure on those that were employed in Naledi compared to those in Mangaung before the merger (Stats SA, 2011c).

When asked how the municipality was promoting social and economic development, municipal officials pointed out that the municipality had an economic development department that looked at economic development for the whole metro. The emphasis in this regard was on the procurement budget - there was an effort to procure services (e.g. events coordination and catering) from small businesses and community members. Efforts were also made to ensure that service providers were from the municipality's different regions.

6.3.1.4 Promotion of a safe and healthy environment

In terms of the promotion of a safe and healthy environment, Mangaung has an environmental policy and programme which was first adopted in 2004. It also has environment-based IDP sector plans such as the Integrated Waste Management Plan, Air Quality Management Plan, Climate Change Adaptation and Mitigation Strategy, Biodiversity management plan, the alien invasive species monitoring, control and eradication plan (Mangaung Metropolitan Municipality, 2015). The municipality has a dedicated and functional Environmental Management sub-directorate that is tasked with ensuring compliance with legislation and municipal policies on environmental management.[68]

6.3.2 Enable effective local governance

As shown In Table 30, Naledi performed poorly between 2014 and 2016 receiving two qualified audits and a disclaimer in 2015/16. Mangaung had unqualified audit outcomes during this period leading up to the merger. Table 30 also shows high levels of fruitless, irregular and unauthorized expenditure in both Naledi and Mangaung with the percentage of this expenditure showing a dramatic increase in Naledi just before its incorporation into Mangaung.[69]

[68] Interview with senior municipal official.
[69]The impending incorporation of Naledi provided an incentive for its officials to incur high levels of fruitless, irregular and unauthorised expenditure according to the Mangaung officials interviewed.

Table 30: Pre-merger fruitless, irregular and unauthorised expenditure in Mangaung and Naledi (millions)

	2013/14		**2014/15**		**2015/16**	
	Naledi	**Mangaung**	**Naledi**	**Mangaung**	**Naledi**	**Mangaung**
Fruitless & Wasteful Expenditure	1.3	654.7	0.2	722.1	0.6	0.7
Irregular Expenditure	13.9	987.1	11.3	654.7	12.0	8.3
Unauthorised Expenditure	33.1	673.1	29.7	987.1	67.5	660.8
Total	48.3	2,314.9	41.2	2,363.9	80.1	669.8
Total as % of operating expenditure	*43%*	*46%*	*39%*	*43%*	*73%*	*16%*
Audit Opinion	Qualified	Unqualified	Qualified	Unqualified	Disclaimer	Unqualified

Source: Naledi Local Municipality Annual Financial Statements; Mangaung Metropolitan Municipality Annual Financial Statements; AGSA Audit reports (National Treasury, 2019c).

After the merger, fruitless, irregular and unauthorized expenditure as a percentage of total expenditure increased from 16% to 21% in Mangaung as shown in Table 31 (a reversal of the pre-merger trend where this expenditure was decreasing).

Table 31: Fruitless, irregular and unauthorized expenditure in post-merger Mangaung

	2016/17	**2017/18**
Fruitless & Wasteful Expenditure	14,304,932	26,700,031
Irregular Expenditure	94,109,471	127,208,794
Unauthorised Expenditure	933,317,255	874,191,987
Total	1,041,731,658	1,028,100,812
Total as % of operating expenditure	*16%*	*21%*
Audit Opinion	Qualified	Qualified

Source: AGSA Audit reports (National Treasury, 2019c).

6.3.3 Enable integrated development

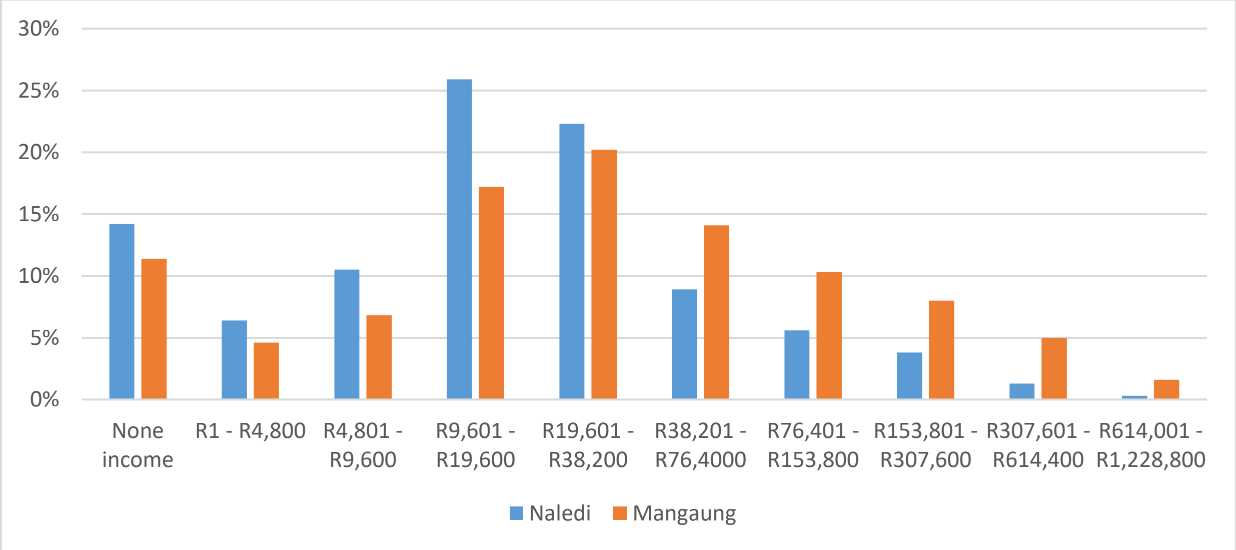
In 2014/15, Naledi had a revised IDP before the merger and so did Mangaung. The different IDPs from the two municipalities were successfully consolidated after the merger (see Appendix 7).

6.3.4 Have a tax base as inclusive as possible of users of municipal services in the municipality

For municipal taxes and user fees, three important factors should be considered. Firstly, the geographic type of the area (as it is very difficult to collect property taxes from traditional areas due to unemployment, property valuation difficulties and tax administration challenges) (Financial and Fiscal Commission, 2018). Secondly, the income levels in the municipality as these affect the community's ability to pay for services. Thirdly, the local economic activity.

Although none of the people in Naledi lived in a traditional area in 2011 (MDB, 2015a), household income levels were low. Figure 10 shows the average household income grouped according to predefined income categories. The figure indicates that 39% of households in Mangaung were earning over R38,200 per annum compared to 20% of those in Naledi. These low income levels (and the much lower GVA per capita alluded to earlier in this report), indicate that there was not much potential for the generation of own revenue in Naledi. In the period leading up to its incorporation into Mangaung, Naledi's tax revenue represented a very small percentage of total revenues, remaining below 5% between 2013 and 2015. Property rates as a percentage of total revenues were 4% in 2015.

Figure 10: Household income levels in pre-merger Naledi and Mangaung (2011)



Source: Stats SA Census 2011 (Stats SA, 2011c).

In Mangaung, property taxes were a significant percentage of total municipal revenue. Property taxes as a percentage of total revenue stood at 14% in 2015 and 20% in 2016. The metro averages were 17% in 2015 and 16% in 2016, an indication that the property tax's contribution to total revenues was comparable to that of other metros in the country. After the merger, property rates as a percentage of total revenues were 13% in 2017 and increased to 17% in 2018. The average for metros was 16% in 2017 and 18% in 2018 (National Treasury, 2019a).

Clearly, Naledi's incorporation into Mangaung did not contribute to an increase in the metro's tax base as most households in Naledi were poor with a large number of them receiving free basic services even before the merger. An important outcome resulting from Naledi's incorporation was the increase in the number of indigent households in the post-merger municipality.

5.4 Municipal powers and functions

Of the four core services assessed in this study, there were no changes in the performance of these functions after the merger as Mangaung continued to exercise all the four functions – water, sanitation, electricity and refuse. There was no change in all the other powers and functions performed by Mangaung after the incorporation of Naledi as shown in Appendix 8.[70]

In sum, the results suggest that, based on Section 24 of the Municipal Demarcation Act, Naledi was not meeting the objects of local government as laid out in the Constitution. The results presented in this report on such things as service delivery, difficulties in complying with audit legislation and regulations, the high dependence on government transfers, financial distress (twice between 2014 and 2016), low GVA per capita, high dependence ratios and low levels of capital expenditure indicate that the municipality was struggling to fulfil its obligations. Based on similar findings, and considering its very small size compared to the larger Mangaung Metropolitan Municipality, the MDB's justification

[70] For the pre-merger Naledi's powers and functions, see Appendix 9.

report of 2015 recommended a merger between the two. The incorporation into Mangaung was seen as a way of addressing Naledi's viability problems without negatively impacting Mangaung's ability to fulfil its constitutional obligations.[71] But the results also indicate that Mangaung was already struggling. The municipality was characterized by poor revenue collection, a large deficit and an increasing reliance on government transfers just before the merger. In 2018, two years after the incorporation of Naledi, National Treasury identified Mangaung as a financially distressed municipality.

7. DISCUSSION

In terms of service delivery, the results of this study indicate that context matters. The costs or benefits of a merger will depend on the specific circumstances of the merging municipalities and cannot be generalized as is the case in much of the literature (Vojnovic, 2000; MDB, 2017). This study assessed whether amalgamations resulted in improved service delivery in two South African municipalities. The first case looked at the merger between two struggling rural municipalities and the second one looked at the incorporation of a struggling, largely rural, municipality into a functioning metro.

Amalgamating the poor rural municipalities (Kagisano and Molopo) did not result in improved service delivery - the results indicate that there was a deterioration in at least two of the four indicators assessed. As pointed out by Ncube and Monnakgotla (2016), merging two struggling rural municipalities may actually worsen municipal dysfunction, as it did in this case.

There was also the expectation that the merger would result in economies of scale in the merged Kagisano-Molopo. However, of the four core services assessed in this study, three were being provided by the district municipality (DRSMDM) before and after the merger. To wit, it is difficult to see where any benefits from scale effects would come from in such a context.

[71] The MDB's 2015 report adds an important caveat – good political leadership and governance. It outlines the critical role played by "good political leadership and administrative and financial governance" which this (and any other) amalgamation ultimately depended on in the fulfilment of constitutionally mandated functions (MDB, 2015a: 87).

The context was different in Mangaung, a functioning metro which incorporated a struggling rural one. Here, the results are similar to those from Slack and Bird (2013) in their study of amalgamations in Toronto. They found that communities from the small poorer municipalities that became part of the City of Toronto benefited from an equalization of service provision thus allowing them to enjoy similar levels of service to those of communities from the richer municipalities. The evidence suggests that this was the case, to some extent, in the Mangaung/Naledi merger. Services were extended to the former Naledi areas after its incorporation into Mangaung. The poorer municipalities in the City of Toronto also managed to tap into the tax base of the richer communities. Similarly, Naledi, which had no significant tax base of its own, did benefit from the larger tax base of Mangaung after its incorporation.

An important outcome of the merger between Naledi and Mangaung, now one of the largest metropolitan areas in the world (see City Mayors, 2019), has been the ruralisation of the metro. While having large rural areas within a metro is not uncommon even in developed countries (see Cox, 2013), the situation in Mangaung is not similar to that of other metros in South Africa or those in the West. As municipal officials pointed out, factors such as the sheer size of the municipality after the merger, the poor road network in some of the incorporated rural areas and the poor functional links between the core and remote rural areas now present service delivery challenges.

Also, there were some transitional matters that have yet to be resolved in both municipalities. The impact of transitional issues such as the incomplete integration of records and unresolved human resource issues in both Kagisano-Molopo and Mangaung after the mergers, although not clearly articulated by the interviewees, may have had a negative impact on service delivery. In the case of Mangaung, for example, these unresolved issues led to staff under-utilization and, as pointed out by some municipal officials, also affected staff morale. While the transitional process is rarely smooth (see Carr and Feiok, 2016 for a Canadian example) there is a need for better monitoring by the provincial government as some of these transitional issues remain unresolved (eight years after the merger in the case of Kagisano-Molopo).

Councillors have two main roles that have a significant impact on service delivery – representation and scrutiny (Snape and Dobbs, 2003; Karlsson, 2012). In terms of representation (sometimes referred to as *responsiveness*), councillors are supposed to communicate their constituents' concerns and serve as a link between the citizens and local government. Scrutiny (sometimes referred to as *accountability*) involves holding the municipal executives to account, monitor policy implementation and the council's conduct (Kerley, Liddle and Dunning, 2018). South Africa is a country with one of the lowest number of municipalities and is also among those countries with the highest average population sizes per municipality (Plaatjies, 2019). It is, therefore, difficult to see how the amalgamations assessed in this study were supposed to promote responsiveness and accountability. Not only was there a decrease in the number of councillors in both post-merger Kagisano-Molopo and Mangaung, but these councillors now had to serve much larger areas, which, in some cases, were widely dispersed and difficult to reach (see also Okamoto, 2012 for a Japanese example).

Although quantity (i.e. the number of councillors) is an important aspect of municipal governance, there is a need to consider issues of quality as well (i.e. the calibre of those elected to represent the community – see Mohale, 2018). These quality issues, which have little to do with amalgamations, also had an impact on service delivery in both municipalities. There were high levels of fruitless, irregular and wasteful expenditure in the period leading up to the merger and these high levels have persisted after the merger in the case of Kagisano-Molopo (expenditure that could have, in some cases, been channeled towards service provision). As pointed out by the councillors themselves, this was partly due to shortcomings in the effectiveness of the oversight and governance role that was exercised over the administration. The results from this study on the challenges faced by councillors in effectively executing their roles are consistent with those from a recent study that found that seven of the 10 councillors interviewed in Mangaung did not have a high school diploma (Van Niekerk and Taaibosch, 2017). An important recommendation emanating from Van Niekerk and Taaibosch's study, which is supported by the findings presented here, was for basic numeracy and literacy skills for councillors.

Officials in both Kagisano-Molopo and post-merger Mangaung pointed out that their municipalities were promoting social and economic development. In the case of the former, this was largely in the form of offering financial support for small projects (e.g. vegetable gardens) while the latter's focus was on the prioritisation of procurement from small businesses within the community. However, without the actual figures on the extent of this support (i.e. how much was actually spent), it is difficult to assess whether the municipalities' efforts in this regard had a sustainable impact in terms of economic development in the communities.

An important demarcation objective, the promotion of a safe and healthy environment, was not being addressed at all by Kagisano-Molopo – the merger did not have any impact in this regard. Given the importance of the need for not only community awareness, but also concrete policies and programmes on environmental matters, this is an issue that clearly needs to be addressed by the municipality. Mangaung on the other hand had environmental policies and programmes but these cannot be ascribed to the merger as they were in place before the merger occurred.[72]

Both post-merger municipalities did have IDP plans (used in this study as an indicator for the third demarcation objective as laid out in the Municipal Demarcation Act – "enable integrated development"). These IDPs were also being reviewed annually thus indicating the existence of development planning in the municipalities.

A comparison was made, in this study, in terms of the performance of powers and functions between the pre- and post-merger municipalities. As expected, there were no changes in the performance of these powers and functions in Mangaung after the merger. In the case of Kagisano-Molopo, five more functions were performed by the municipality according to the information from municipal officials although no verifiable indicators on the performance of these new functions were provided. It is possible that this could

[72] This raises broader issue on the demarcation objectives as laid out in section 25 of the Municipal Demarcation Act. Firstly, should all the objectives be regarded as being of equal importance? Secondly, should we expect all the objectives to be fulfilled by all post-merger municipalities?

represent a case of the post-merger municipality taking on more functions. However, based on information from the MDB's 2018 capacity assessments, it is more plausible that these "new" five functions were allocated to the municipality but are not actually performed (as was the case in both pre-merger Kagisano and Molopo where these "new" five functions, among others, were listed as "allocated but not performed" in the municipalities' SDBIPs).

The problems that apartheid spatial planning still poses to this day should be acknowledged. However, there are new challenges that have arisen in South Africa's municipalities (see COGTA, 2009). There is a need to pay more attention to issues of poor governance, poor municipal leadership, poor financial management, corruption, a lack of capacity, poor revenue collection (exacerbated by political interference) and poor monitoring by COGTA (Kanyane, 2014; Koma, 2016). In the absence of effective solutions to these issues, municipal boundary re-determinations are likely to be a mere distraction in terms of addressing service provision challenges and improving the living conditions of people in the country. As Ncube and Monnakgotla (2016) point out, municipal boundary re-determinations are not the appropriate instruments for correcting municipal dysfunction.

A number of factors should be borne in mind when interpreting the results of this study. First, this study described the situation before and after the merger (i.e. it is a descriptive study) and we can, therefore, not draw causal inferences. A myriad of other factors such as the economic climate, a culture of nonpayment for services, political interference, poor governance, increasing backlogs due to migration and corruption (see Kanyane, 2011) also affect service delivery and cannot be adequately accounted for in a descriptive study.

Second, there were some gaps in the financial and service delivery information from pre-merger Kagisano and Molopo municipalities. These municipalities were failing to submit the required information on performance to the National Treasury due to capacity constraints (leading to gaps in National Treasury's municipal database). Therefore, what is presented here is not a complete picture of the pre-merger situation in Kagisano and Molopo.

Third, the incorporation of Naledi into Mangaung occurred three years ago and it is possible that not enough time has elapsed in order to fully assess the effects of this merger.

Fourth, comparisons were made in this study between survey and census data in order to assess the level of service delivery before and after the merger. Some of the comparisons made in this study between census and community survey data should be treated with caution due to sampling errors in surveys.

In spite of these limitations, the results provide useful indications of service levels before and after the merger and provide a useful indication of the impact of amalgamations in Kagisano-Molopo and Mangaung as long as the limitations outlined here are understood.

There are six recommendations that emerge from this study in terms of boundary re-determinations. First, there is a need for those requesting such re-determinations to show, explicitly, how these boundary redeterminations will result in a municipality that will fulfil its constitutional obligations. In other words, requests that merely refer to concepts such as "economies of scale" as was the case in the Kagisano-Molopo merger should be restated (in terms of constitutional objectives) before they are accepted.

Second, comprehensive and rigorous analyses, which compel the MECs to look at the totality of the area and not just elevate certain criteria (e.g. issues of the tax base and finance) over the others before a decision is made to re-determine municipal boundaries. This analysis should also clearly outline some of the problems that may be created by the boundary re-determination (i.e. merger costs and benefits should be carefully documented).

Third, the characterization of a metro as conurbation in the legislation (Government of South Africa, 1998) does not seem to apply to the post-merger Mangaung. In such mergers, it is therefore important for future research to assess the efficiency of incorporating largely rural municipalities into metros, which involves a trade-off between increased densification (a characteristic of metros according to the legislation) and the redistribution of resources given the apartheid legacy.

Fourth, after the merger, there is a need for more effective monitoring and evaluation of transitional issues by provincial CoGTA and an analysis of whether municipalities are fulfilling their constitutional objectives. In Kagisano-Molopo, for example, the municipal officials interviewed felt that the transitional manager should not have been withdrawn until all the major issues had been resolved.

Fifth, there is a need to explore the possibility of de-amalgamations. Although there were some benefits that can be ascribed to the merger (e.g. better financial management and higher expenditure per capita in the case of Kagisano-Molopo and the extension of basic services to areas of the erstwhile Naledi), the majority of respondents in both municipalities felt that the mergers had not been successful in fulfilling the demarcation objectives. The possibility of de-amalgamating the municipalities was suggested by most of the officials interviewed. However, merely de-amalgamating Kagisano-Molopo into Kagisano and Molopo, municipalities that were dysfunctional before the merger, is unlikely to result in functional municipalities. Instead, the possibility of reviving DMAs (and designating the area currently covered by Kagisano-Molopo as a DMA) should be explored and aligned with the notion of District Development Model and other policy pronouncement made by the president. In the case of Kagisano-Molopo, the district municipality is providing most of the basic services anyway. In the case of Mangaung, areas such as Naledi, whose incorporation has resulted in a municipality that does not seem to conform to the concept of what a metro should look like, could also be designated as DMAs.[73]

[73] Whether areas such as the erstwhile Naledi (which tend to change the character of a metro) are removed from Mangaung or not, there is a need to explore the possibility of implementing a categorization system for metros that

Finally, the national minister's request for Kagisano-Molopo to be amalgamated with another municipality in 2014 (just three years after the 2011 merger) raises a broader issue – how often should boundary re-determinations occur in South Africa? In this regard, the possibility of less frequent boundary re-determinations (many of which are disruptive and affect planning) is an issue that is already being incorporated into the bill.

8. CONCLUSION

Using a mixed-methods approach, this article assessed whether municipal boundary re-determinations resulted in improved service provision in two South African municipalities – Kagisano-Molopo Local Municipality and Mangaung Metropolitan Municipality. Quantitative data on the municipalities' levels of service provision before and after the mergers were analyzed. In addition, interviews with key informants from the municipalities and government departments were conducted to probe issues around the qualitative aspects of service delivery and the challenges encountered during the transitional period.

The results suggest that context is important. In Kagisano-Molopo, a rural municipality, service provision actually deteriorated in some areas after the merger. While Mangaung continued to provide services after the merger, the results indicate that the pace with which services were being provided was negatively affected. The results of the study, however, suggest that boundary redeterminations cannot solve municipal dysfunction. There is a need to address issues of service provision that cannot be solved by amalgamations such as poor revenue collection, councillors who fail to provide effective oversight, and corruption.

is similar to the MIIF framework used for local municipalities. The differences between Mangaung and metros such as the City of Johannesburg and the City of Cape Town on issues such as financial stability and the presence of what resembles a conurbation indicate that the gap between these metros and Mangaung necessitates such a classification system.

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APPENDIX 1: Municipal powers and functions

<table>
<tr><th>Schedule 4 Part B</th><th>Schedule 5 Part B</th></tr>
<tr><td>

- Air pollution
- Building regulations
- Child care facilities
- Electricity and gas reticulation
- Firefighting services
- Local tourism
- Municipal airports
- Municipal planning
- Municipal health services
- Municipal public transport
- Municipal public works
- Pontoons, ferries, jetties, piers and harbours,
- Stormwater management systems in built-up areas
- Trading regulations
- Water and sanitation services

</td><td>

- Beaches and amusement facilities
- Billboards and the display of advertisements in public places
- Cemeteries, funeral parlors and crematoria
- Cleansing
- Control of public nuisances
- Control of undertakings that sell liquor to the public
- Facilities for the accommodation, care and burial of animals
- Fencing and fences
- Licensing of dogs
- Licensing and control of undertakings that sell food to the public
- Local amenities
- Local sport facilities
- Markets
- Municipal abattoirs
- Municipal parks and recreation
- Municipal roads
- Noise pollution
- Pounds
- Public places
- Refuse removal, refuse dumps and solid waste disposal
- Street trading
- Street lighting
- Traffic and parking

</td></tr>
</table>

APPENDIX 2: Community Survey 2007 - Estimates of the service delivery indicators and measures of precision for Kagisano and Molopo municipalities

Service	Municipality	Description of service	Weighted count of persons	Percentage (%)	Standard error of (%)	CV of %	Lower confidence limit of %	Upper confidence limit of %
Piped water	Kagisano	Inside dwelling	1682	8.5	1.50	17.6	5.9	11.9
		Outside dwelling	13532	68.0	2.50	3.7	63.3	73.0
		No piped water	4675	23.5	2.20	9.4	19.4	28.2
	Molopo	Inside dwelling	945	29.8	3.40	11.4	23.6	36.8
		Outside dwelling	1626	51.3	3.60	7.0	44.2	58.2
		No piped water	602	18.9	2.7	14.3	14.2	24.8
Refuse removal	Kagisano	Weekly refuse removal	191	1.0	0.57	57.0	0.3	3.0
		Refuse not removed weekly	0	0.0	0.00	0.0	-	-
		No refuse removal	19697	99.0	0.57	0.6	97.0	99.7
	Molopo	Weekly refuse removal	109	3.4	1.42	41.8	1.5	7.6
		Refuse not removed weekly	0	0.0	0.00	0.0	-	-
		No refuse removal	3065	96.6	1.42	1.5	92.4	98.5
Electricity for lighting	Kagisano	Connected to electricity	14690	75.2	2.22	3.0	70.6	79.3
		Not connected	4899	24.8	2.22	9.0	20.7	29.4
	Molopo	Connected to electricity	1891	59.6	3.51	5.9	52.6	66.2
		Not connected	1282	40.4	3.51	8.7	33.8	47.4
Toilet type	Kagisano	Connected to sewerage	626	3.1	0.95	30.6	1.7	5.7
		Not connected to sewerage	15291	76.9	2.18	2.8	72.3	80.9
		No toilet	3972	20.0	2.04	10.2	16.3	24.3
	Molopo	Connected to sewerage	1163	36.7	3.57	9.7	30.0	43.9
		Not connected to sewerage	791	24.9	3.12	12.5	19.3	31.5
		No toilet	1219	38.4	2.47	6.4	31.9	45.4

APPENDIX 3: Community Survey 2016 - Estimates of the service delivery indicators and measures of precision for Kagisano-Molopo municipality

Service	Description of service	Weighted count of persons	Percentage (%)	Standard error of %	CV of %	Lower confidence limit of %	Upper confidence limit of %
Piped water	Inside dwelling	951	3.4	0.43	12.6	2.6	4.3
	Outside dwelling	21380	75.6	1.02	1.3	73.6	77.6
	No piped water	5944	21.0	0.97	4.6	19.2	23.0
Refuse removal	Weekly refuse removal	0	0.0	0.00	0.0	-	-
	Refuse not removed weekly	27356	96.8	0.39	0.4	95.9	97.4
	No refuse removal	918	3.2	0.39	12.2	2.6	4.1
Electricity for lighting	Connected to electricity	24353	86.1	0.80	0.9	84.5	87.6
	Not connected	3922	13.9	0.80	5.8	12.4	15.5
Toilet type	Connected to sewerage	1222	4.3	0.50	11.6	3.4	5.4
	Not connected to sewerage	24773	87.6	0.81	0.9	85.9	89.1
	No toilet	2279	8.1	0.68	8.4	6.8	9.5

APPENDIX 4: Community Survey 2016 - Estimates of the service delivery indicators and measures of precision for Mangaung and Naledi municipalities

Service	Municipality	Description of service	Weighted count of persons	Percentage (%)	Standard error of %	CV of %	Lower confidence limit of %	Upper confidence limit of %
Piped water	Mangaung	Inside dwelling	99,225	38.8	0.49	1.3	37.8	39.7
		Outside dwelling	153,699	60.1	0.49	0.8	59.1	61.0
		No piped water	3,015	1.2	0.12	10	1.0	1.4
	Naledi	Inside dwelling	2,289	27.3	2.02	7.4	23.5	31.5
		Outside dwelling	5,515	65.8	2.17	3.2	61.4	69.9
		No piped water	575	6.9	1.18	17.1	4.9	9.6
Refuse removal	Mangaung	Weekly refuse removal	204,952	80.1	0.39	0.5	79.3	80.8
		Refuse not removed weekly	44,831	17.5	0.37	2.1	16.8	18.2
		No refuse removal	6,155	2.4	0.16	6.7	2.1	2.7
	Naledi	Weekly refuse removal	3,464	41.3	2.25	5.4	37.0	45.8
		Refuse not removed weekly	4,524	54.0	2.29	4.2	49.5	58.4
		No refuse removal	391	4.7	1.0	21	3.1	7.0
Electricity for lighting	Mangaung	Connected to electricity	245,339	95.9	0.2	0.2	95.4	96.2
		Not connected	10,599	4.1	0.2	4.9	3.8	4.6
	Naledi	Connected to electricity	8,176	97.6	0.67	0.69	95.9	98.6
		Not connected	202	2.40	0.67	27.9	1.4	4.1
Toilet type	Mangaung	Connected to sewerage	168,980	66	0.43	0.7	65.2	66.9
		Not connected to sewerage	82,819	32.4	0.42	1.3	31.5	33.2
		No toilet	4,139	1.6	0.11	6.9	1.4	1.9
	Naledi	Connected to sewerage	7,092	84.6	1.84	2	80.7	87.8
		Not connected to sewerage	1,009	12.0	1.70	14.1	9.1	15.8
		No toilet	278	3.3	0.87	26.4	2.0	5.5

APPENDIX 5: Transitional arrangements for Kagisano-Molopo

1. Legal matters

Question	Response
Were all by-laws evaluated and priority areas identified in order to have rationalized and aligned by-laws and policies?	Both municipalities did not have by-laws. Policies for merged municipality were aligned.
Were all the contracts successfully consolidated, i.e. HR & Admin, Finance and Infrastructure Projects (contracts/MOUs/SLAs) and financial implications assessed?	Contracts were not consolidated. Contracts were honored from Molopo without appropriate documentation.
Was a contingency liability register for possible claims against the affected municipalities developed?	No information
Did the merged municipality develop a list of both civil and labour cases?	Yes.
Was there an assessment of all outstanding court cases for both municipalities and were financial provisions made for these?	Yes.
Were the records management systems from the merging municipalities successfully integrated?	No. There were missing records from Kagisano and Molopo. In terms of expenditure, there were missing documents on fruitless expenditure from Molopo which continue to be noted by the AG and there are no records to resolve them.

2. Human resources

Question	Response
Was a migration policy developed and presented to the Local Labour Forum?	Yes.
Was the new organizational structure completed and approved by PCMC?	Yes.
Were formal job-evaluations conducted?	Yes but it was only done in 2014 and the report cannot be located. Both were Grade 2 municipalities although those from Molopo were generally earning higher salaries. Salary discrepancies continued until 2014 as the MM said he had no scientific basis on which to base any salary increments. After the job evaluation exercise a number of employees refused to sign contracts for new posts and these issues have yet to be resolved 8 years after merger.
Were job descriptions developed?	Yes. The post-merger municipality hired Deloittes.
Were the conditions of service and labour related policies for both municipalities reviewed and rationalized?	Yes.
Were the cost implications of human resource migration and rationalization assessed?	No information.
Were all staff placed within organogram	Yes but a few employees had issues with their placement.

3. Finance matters

Sub-activities	Completed?
Was a valuation roll for the two municipalities successfully implemented?	Yes, a valuation roll was developed. We engaged with commercial farmers on some of the issues that were raised. Some of these issues were resolved. An unresolved issue concerns the farmers debts owed to the previous municipalities which they feel should be cancelled and start from 2011 when the new valuation rolls were developed.
Was the process of data migration completed successfully?	Yes
Was the Asset Register successfully updated in terms of GRAP?	No information.
Was the rationalization of different tariffs completed successfully?	No information
Was the list of grants and loans consolidated?	No information
Were the IT systems (including billing) consolidated?	We continued to pay two IT systems after the merger. This continued for 2 years. The issue of billing does not arise as both pre-merger municipalities did not bill for electricity and water.
Was mSCOA successfully implemented?	Yes
Were the Annual Financial Statements successfully consolidated?	Yes.

4. Technical matters

Sub-activities	Completed?
Was there a successful compilation, verification consolidation and prioritization of projects from the two merging municipalities?	Yes and councillors reached a consensus on these issues

5. Communication matters

Sub-activities	Completed?
Was the communication strategy finalised and the implementation plan approved?	We do not have a strategy. The office of the premier tried to assist municipalities in in the district in terms of developing the communication strategy. It is yet to be adopted by council.
Was a communications team, with a central communication point, successfully developed?	Yes. We have a communications unit
Were there community awareness programmes about merger (radio, print media)?	Yes and these were done for almost a year. The office of the premier conducted outreach meetings and stakeholder engagements
Did traditional leaders participate in the dissemination of information?	Yes, they were taken on board.
Were challenges encountered in the selection of names and logos?	There was no agreement on the name for the merged municipality hence the name Kagisano-Molopo…a consensus was reached. Problems with the logo have yet to be resolved. There is no documentation on its meaning and politician have instructed the administration to stop using the current logo as there were no proper consultations. Some councillors argue that the logo glorifies the symbols of a particular clan (the Barolong) over those of others.

6. IDP matters

Sub-activities	Completed?
Was a consolidated IDP for the municipality successfully drafted and adopted after the merger?	A new IDP was developed by the new municipality which took the existing IDPs into consideration. IDPs were not consolidated properly. The municipality only continued with projects from Kagisano. This caused unrest as merger was only concentrating on some villages and not others. Molopo villages are under-served due to prioritization. Kagisano is better served and merger contributed although it is not only one to blame. Molopo would have probably done better on its own. Some road projects not implemented in Molopo although appearing on IDP with funding.
Other issues	Thusong centres are not working in former Molopo due to bad roads. All facilities are in Kagisano. Merger contributed to problems in Molopo.

7. Institutional matters

Sub-activities	Completed?
Were council chambers identified after the merger?	Yes
Was a decision made on the utilization of satellite offices?	No. Tosca was supposed to be a satellite office but later it was decided to have one office in Ganyesa as having two centres would lead to a management crisis. Therefore a decision was made not to have satellite offices and Tosca offices were closed. This has had a negative impact on the communities in the former Molopo (e.g. Tosca) in terms of accessing facilities that are only available in Ganyesa (or Morokweng which has a Thusong Centre) such things as health facilities. Not only are there long distances to contend with but also the state of the roads.

APPENDIX 6: Kagisano-Molopo - Performance of powers and functions before and after the merger

Powers and functions	Performed		
	Kagisano	Molopo	Kagisano/Molopo[1]
Childcare facilities			Y
Local tourism			Y
Municipal planning		Y	Y
Stormwater management			Y
Cemeteries	Y	Y	Y
Local Sports Facilities	Y	Y	Y
Billboards and the display of advertisements			Y
Municipal Roads	Y	Y	Y
Fencing and fences			Y
Public Places	Y	Y	Y
Municipal Parks and Recreation	Y	Y	Y
Street Lighting	Y	Y	Y
Refuse Removal and Refuse Dumps[2]	Y	Y	N
Local amenities		Y	Y
Municipal Public Works		Y	Y

Source: Kagisano 2009/10 Service Delivery Budget and Implementation Plan; Molopo 2010/11 Service Delivery Budget and Implementation Plan; MDB (2009)

Notes:

[1] The Kagisano-Molopo functions should be treated with caution as efforts to obtain the verifiable indicators for each of these functions from municipal officials was unsuccessful. This could be a list of all the allocated functions, some of which may not be performed by the municipality.

[2]The post-merger Kagisano-Molopo is not yet executing this function due to a lack of legal dumping sites and solid waste disposal sites.

APPENDIX 7: Transitional arrangements for Mangaung

1. Legal matters

Question	Response/Explanation
Were all by-laws evaluated and priority areas identified in order to have rationalized and aligned by-laws and policies?	Yes. We had 36 by-laws to rationalize. There was public participation. 26 are now at provincial level for final gazetting. 10 have yet to be approved - these are outstanding.
Were all the files from the merging municipalities consolidated under one record management system?	Yes. All Naledi records had to be reclassified to follow the Mangaung system.
Were all the contracts successfully consolidated, i.e. HR & Admin, Finance and Infrastructure Projects (contracts/MOUs/SLAs) and financial implications assessed?	Yes. Major challenge was on the use of different systems and service providers. We negotiated with Naledi service providers for data migration contracts. All we did was to honour contracts until they expired. All employees were placed into Mangaung organogram under Naledi Admin Unit where they were to temporarily stay until they were placed. Payment parity was implemented. However, placement has not been completed. It was supposed to be completed after 12 months. Seven employees in planning (IDP) and performance monitoring management (PMS) are frustrated as they are under-utilized in Naledi. For example, Mangaung does not have an IDP Manager but there is an IDP Manager from the former Naledi at the Naledi Admin Unit. The issue of the seven employees still has to be resolved.
Was a contingency liability register for possible claims against the affected municipalities developed?	Yes.
Did the merged municipality develop a list of both civil and labour cases from Naledi and Mangaung?	Yes.
Was there an assessment of all outstanding court cases for both municipalities and were financial provisions made for these?	Yes. Some were settled and some were defended
Were the records management systems from the merging municipalities successfully integrated?	Yes.
Any other legal matters?	One challenge with contracts was the resignation of key top managers from Naledi before the merger (MM and CFO). Those that entered into contracts had left and it was difficult to stitch together the sequence of events leading to the signing of the contract.

2. Human resources

Question	Response/Explanation
Was a migration policy developed and presented to the Local Labour Forum?	Yes. This was based on the revised the policy from 2011.
Was the new organizational structure completed and approved by PCMC?	No information
Were formal job-evaluations conducted?	We did not re-evaluate jobs. We just placed employees in correct posts.
Were job descriptions developed?	Employees came with job descriptions from Naledi
Were the conditions of service and labour related policies for both municipalities reviewed and rationalized?	Yes.
Were the cost implications of human resource migration and rationalization assessed?	Yes.

3. Finance

Question	Response/Explanation
Was a valuation roll for the two municipalities successfully implemented?	Yes. This was a success.
Was the process of data migration completed successfully?	Yes. We were using 2 different systems and all data was converted from their systems to ours
Was the Asset Register successfully updated in terms of GRAP?	Yes. This was a key project. A number of queries were raised by AG and these were resolved.
Was the rationalization of different tariffs completed successfully?	Yes.
Was the list of grants and loans consolidated?	Yes. Grants were consolidated but they had no loans.
Were the IT systems (including billing) consolidated?	Yes.
Were the Annual Financial Statements successfully consolidated?	Yes.
Were IT platforms procured and configured	We upgraded servers to accommodate those two towns. Issue of connections was handled by MDTG grant. The grant of R18 million was insufficient for the ICT connectivity issues. A figure of about R60 million would have been better.

4. Technical

Question	Response/Explanation
Was there a successful compilation, verification consolidation and prioritization of projects from the two merging municipalities?	Yes.
Any other technical matters?	Transitional grant should cover service delivery backlogs. Naledi depended on government financing so we inherited huge service backlogs but this was not a factor in considering the amount of the LGES. So from an infrastructure perspective it was a challenge as a sizable chunk of the budget had to be redirected.

5. Communications

Question	Response/Explanation
Was the communication strategy finalized and the implementation plan approved?	No. We do not have a communications strategy as a municipality. The focus was on re-branding for the former Naledi areas.[1]
Was a communications team successfully developed?	We have a communications department.
Were there community awareness programmes about merger (radio, print media)?	Yes. Mainly prior to the elections.
Were challenges encountered in the selection of names and logos?	No.
Has all the relevant information from Naledi been incorporated onto the Mangaung website?	No information

Note:
[1]This response is odd given the fact that the finalization of a communication strategy is mentioned by Sigidi (2016) and also appears in the municipality's financial recovery plan (Mangaung Metropolitan Municipality, 2018b).

6. IDP

Question	Response/Explanation
Was a consolidated IDP for the municipality successfully drafted and adopted after the merger?	Yes, although there were some gaps in the records in terms of land use information from Naledi.
Any other IDP matters?	Missing information. We had to review the different spatial development frameworks (SDF). Naledi's maps only show size but not land use and we have not been able to obtain this information. It's important that when we approve land development applications we do so in line with what it's been approved for. The municipality is currently conducting a major review of the SDF and this process will address this gaps. The municipality, in partnership with the National Department of Rural Development and Land Reform, is also developing its first Rural Development Plan that will specifically target municipal wards that are rural in nature, including Ward 50 (from the former Naledi municipality).

7. Institutional matters

Question	Response/Explanation
Were council chambers identified after the merger?	Yes.
Was a decision made on the utilization of satellite offices?	Yes. Provincial Gazette specified an Admin Unit for Naledi which is essentially a region. But council must decide and formally establish 4 regions. Currently regional managers are largely coordinators (they do not have authority over staff in the regional office).

APPENDIX 8: Mangaung - Performance of powers and functions before and after the merger

Schedule 4 Part B

Function	Performed pre-merger (Y/N)	Performed post-merger (Y/N)	By-laws to regulate function? (Y/N or N/A)	Verifiable indicator (i.e. equipment and staff allocated)
Air pollution	Y	Y	N	Air Quality Stations and Staff
Building regulations	Y	Y	Y	Staff
Child care facilities	Y	Y	Y	Staff
Electricity and gas reticulation	Y	Y	Y	Staff, Network Infrastructure, Equipment, Vehicles
Firefighting services	Y	Y	Y	Staff, Equipment, Vehicles
Local tourism	Y	Y	N	Staff
Municipal airports	Y	Y	N	No. Outsourced through a lease agreement.
Municipal planning	Y	Y	Y	Staff and Equipment
Municipal health services	Y	Y	Y	Staff, Equipment
Municipal public works	Y	Y	N	This is done through our Engineering Services department.
Pontoons, ferries, jetties, piers and harbours,	N	N	N	
Stormwater management systems in built-up areas	Y	Y	N	Staff, Equipment and Vehicles
Trading regulations	Y	Y	Y	Staff
Water and sanitation services	Y	Y	Y	Staff, equipment and Vehicles

Schedule 5 Part B

Function	Performed pre-merger (Y/N)	Performed post-merger (Y/N)	By-laws to regulate function? (Y/N or N/A)	Verifiable indicator (i.e. equipment and/or staff allocated)
Beaches and amusement facilities	Y	Y	Y	Staff, Equipment and Vehicles
Billboards and the display of advertisements in public places	Y	Y	Y	Staff
Cemeteries, funeral parlors and crematoria	Y	Y	Y	Staff, Equipment and Vehicles
Cleansing	Y	Y	Y	Staff, Equipment and Vehicles
Control of public nuisances	Y	Y	Y	Staff, Equipment and Vehicles
Facilities for the accommodation, care and burial of animals	Y	Y	N	Staff, Equipment and Vehicles. The municipal has a Public ZOO and Game farm at Kwaggafontein and Naval Hill.
Fencing and fences	Y	Y	N	
Licensing and control of undertakings that sell food to the public	Y	Y	N	Staff
Local amenities	Y	Y	Y	Staff, Equipment and Vehicles
Local sport facilities	Y	Y	Y	Staff, Equipment and Vehicles
Markets	Y	Y	Y	Staff, Equipment and Vehicles
Municipal parks and recreation	Y	Y	Y	Staff, Equipment and Vehicles
Municipal roads	Y	Y	Y	Staff, Equipment and Vehicles
Noise pollution	Y	Y	Y	Staff, Equipment and Vehicles
Pounds	Y	Y	N	Done in partnership with SPCA through an MOU
Public places	Y	Y	Y	Staff
Refuse removal, refuse dumps and solid waste disposal	Y	Y	Y	Staff, Equipment and Vehicles
Street trading	Y	Y	Y	Staff

Street lighting	Y	Y	Y	Staff, Equipment and Vehicles
Traffic and parking	Y	Y	Y	Staff, Equipment and Vehicles

Are there any other powers and functions (apart from those listed above) that have been allocated to (and are being performed by) Mangaung Metropolitan Municipality (Y/N)?

Yes.

If so, what are these functions?

Libraries.

APPENDIX 9: Naledi - Performance of powers and functions before and after the merger

Schedule 4 Part B

Function	**Performed pre-merger (Y/N)**	**By-laws to regulate function? (Y/N or N/A)**	**Verifiable indicator (i.e. equipment and staff allocated)**
Building regulations	Y	N	Staff performing these duties. There was a policy to perform duties.
Child care facilities	Y	N	Staff performing these duties.
Firefighting services	Y	N	This function was performed with the assistance of the District Municipality. A lease agreement was in place.
Local tourism	Y	N	LED Unit was performing these functions – an integrated policy was in place
Municipal planning	Y	N	Staff performing these functions, with the assistance of provincial government (COGTA)
Municipal health services	Y	N	Environmental Health Unit was performing these duties – policies were in place
Municipal public works	Y	N	Staff performing these functions.
Stormwater management systems in built-up areas	Y	N	Staff performing these duties.
Trading regulations	Y	N	These functions were performed by LED Unit.
Water and sanitation services	Y	N	Staff performed these duties.

Schedule 5 Part B

Function	Performed pre-merger (Y/N)	By-laws to regulate function? (Y/N or N/A)	Verifiable indicator (i.e. equipment and/or staff allocated)
Cemeteries, funeral parlors and crematoria	Y	N	Staff performing these duties.
Cleansing	Y	N	
Control of public nuisances	Y	N	
Control of undertakings that sell liquor to the public	Y	N	
Fencing and fences	Y	N	
Licensing and control of undertakings that sell food to the public	Y	N	
Local sport facilities	Y	N	Lease agreements (Golf course, tennis etc.)
Municipal parks and recreation	Y	N	
Municipal roads	Y	N	
Noise pollution	Y	N	
Public places	Y	N	
Refuse removal, refuse dumps and solid waste disposal	Y	N	
Street lighting	Y	N	Municipality was providing the service via Centlec