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PROJECT NAME: THE STATE OF CITY FINANCES 2027 CHAPTER 1: THE CHANGING STATE OF MUNICIPAL FINANCES

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SACN Council Chairperson: Cllr. Xola Pakati

Company Registration Number: 2002/031754/08 / **Non-Profit Organisation Number:** 032-488-NPO

Table of Contents

About SACN 3
Background 3
Scope of Work 3
Deliverables 4
Methodology 5
Time-scale 5
Expertise Required 5
Criteria for Selection 6
Resources & Costing 6
Submissions & Enquiries 6
Applicable Terms and Conditions 6

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About SACN

The South African Cities Network (SACN) was established in 2002 by the Minister for Provincial and Local Government, in collaboration with the mayors of South Africa's largest cities and the South African Local Government Association (SALGA), as an independent Section 21 company with the mandate to:

- Promote good governance and management in South African cities;
- Analyse strategic challenges facing South African cities, particularly in the context of global economic integration and national development challenges;
- Collect, collate, analyse, assess, disseminate, and apply the experience of large city government in a South African context; and
- Promote shared-learning partnerships between different spheres of Government to support the management of South African cities.

The work of the SACN aims to assist and guide cities to become effective drivers of local and national development within a context where the rapid growth of city populations requires increased service delivery and improved city management. Finances and the management thereof is fundamentally important in enabling the city to perform its functions effectively.

Background

SACN conducts research on the state of participating cities' finances to determine their general wellbeing and assess their ability to deliver on developmental mandates.

The State of City Finances reports on the finances of the nine largest cities in South Africa: Johannesburg, Cape Town, eThekwini, Ekurhuleni, Tshwane, Nelson Mandela Bay, Buffalo City, Mangaung and Msunduzi.

The State of City Finances report was first produced in 2007 and was published biennially between 2011 and 2022.

The objectives of the State of City Finances 2027 (SoCF 2027) are to:

- Conduct a longitudinal analysis of the state of city finances between 2021/2 and 2025/26;
- Assess and explain the state of financial management in the metros and intermediate city municipalities (ICMs);
- Identify key issues of concern both for cities and key stakeholders (e.g. policies and reforms) to enable them to fulfil their developmental role.

The theme for SoCF 2027 is financial sustainability, at a time when the spotlight is on the perilous finances of many municipalities and their failure to consistently deliver basic services to communities. This theme provides a golden thread linking the chapters, which will analyse financial performance and financial management, and the reforms introduced to improve trading services, viewed against the prescripts of the Municipal Finance Management Act, the primary purpose of which is to ensure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities.

Scope of Work

The scope of work for this chapter consists of applying the analysis of municipal finance customary in previous State of City Finances to:

1. The eight Metros: Johannesburg, Cape Town, eThekwini, Ekurhuleni, Tshwane, Nelson Mandela Bay, Buffalo City, and Mangaung.

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2. The thirty-nine Intermediate City Municipalities (ICMs).
3. The analysis should thus be separated into two sub-chapters, one for metros and the other for ICMs.

The analysis should explain changes in the state of municipal finances between local government financial years 2021/22 and 2025/26, i.e. the last local government administrative term, as well as any broad trends identifiable over time.

The following metrics, analysed in every State of City Finances, should be included:

- Total revenue
- Own revenue
    - Own revenue breakdown
- Transfers and grants
- Total expenditure
- Operating expenditure
    - Operating expenditure breakdown
- Capital expenditure
- City borrowing
- City debtors
- City cash management
- Audit findings

An accompanying narrative based on the following topical headings should be contextualized within the cross-cutting issues of governance, and the sustainability of municipal finances:

- Are cities collecting the revenue for the activities that they budget for?
- What is the composition of cities' own revenue?
- What is the state of non-revenue water and electricity?
- What is the breakdown of cities' operating expenditure?
- What is the state of bulk creditor backlogs (Eskom/Water Boards)
- What are areas of cities' capital expenditure?
- What are cities audit outcomes and what explains the findings?

The narrative must provide detailed, city-specific context to explain changes in financial performance in each city, and provide a basis for comparison across cities.

Deliverables

The required output is a chapter of the State of City Finances report titled "The Changing State of Municipal Finances" consisting of:

- A narrative of between 10,000 and 12,000 words in length, written to high professional standard for each of the two units of analysis namely Metros and ICMs (i.e. between 20,000 and 24,000 words);
- Data and supporting documents on which the analysis is based. The raw data, the statistical analysis and data stories emerging from the analysis are all to be uploaded to SCODA;
- The chapter will be expected to comply with SACN's Standard Authors' Guide and Data Guide.
- The chapter is expected to meet the professional standards of SACN reporting.

Prior to the commencement of work, the successful service provider will be expected to:

- Initiate a project inception meeting with the SACN project team.

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- Produce an inception report, within 21 calendar days of appointment. The inception report should include the following:
    - Staff, experience, and work responsibilities
    - A refined project plan including timeframes and milestones linked to payment schedules
    - Communication protocols
    - Methodology, including:
        - Research design
        - Approach to gathering and validating data
        - Approach to documenting and reporting results
        - Quality control

Methodology

The analysis and narrative should be based on credible research and reliable data. Researchers should use budget and expenditure data from the National Treasury Local Government Database and Reporting System: Municipal Finance Data (municipaldata.treasury.gov.za) and GoMuni/LG Portal (lg.treasury.gov.za).

It is expected that the research will involve primary and secondary data analysis, document analysis, case studies, modeling, key informant interviews, and consulting expert opinion. The research must be explicit in citing evidence, and identifying any assumptions, speculations or uncertainties. As some sections of the report are meant to reflect local government perspectives and point of view, it is important that as far as possible these are actively sought and obtained through ethical research methods.

Time-scale

This project is anticipated to be undertaken over a six (6) month period commencing mid-January 2022 and concluding mid-June 2022. The exact timing will be finalised upon contract signature.

Expertise Required

Applications from interested individuals must provide evidence of the technical capacity to undertake this exercise. This includes capacity to deliver the results in the timeframe provided, as well as some indication of prior experience in undertaking similar projects. Individuals' CVs must be included, as well as a description of any further resources that may be required. Required skills / qualifications include the following:

- College or University degree in Urban Economics, Urban Development/Planning, Economics, Labour Economics, Development Economics, International Development or other relevant fields;
- A minimum of five to ten years of relevant experience in the urban economics, job creation or related field is advantagous.
- Experience in project management is required
- Excellent computer literacy, including research and report writing skills;
- Personal commitment to pro-poor development, efficiency and flexibility, teamwork spirit with the ability to work independently or under minimum supervision; and
- Excellent communication, written and verbal skills.

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Criteria for Selection

Bids will be adjudicated on relative value for money gauged against the following criteria:

- Proposal and methodology quality: 30%
- Value for Money: 30%
- Qualification, track record & references of personnel that will work on the project: 20%
- Diversity & level of ownership and project involvement of Previously Disadvantaged Individuals (bidders to provide BBBEE certificates where applicable): 20%

Resources & Costing

The cost proposal submitted should include:

- An indicative costing approach (roles and cost elements) to the above brief as well as costing rates to be applied (hourly rates).
- Bidders are encouraged to be competitive in their pricing and demonstrate innovative approaches to enable value for money and affordability.
- All project meetings will either be held in Johannesburg or conducted through virtual platforms.

Submissions & Enquiries

Individuals should submit a detailed technical and financial proposal. The technical proposal is expected to be clear and concise and should be a maximum of 10 pages. It should include:

- Methodology: the approach to be implemented in conducting this exercise;
- Timeline: a detailed timeline for executing all project activities;
- Risk management: a comprehensive list of anticipated project risks and contingency plans;
- Skills and qualifications: evidence of technical capacity to undertake this study highlighting examples of similar work previously undertaken;
- Name and qualifications of individuals responsible (i) for overseeing the work; (ii) for undertaking the work (if different);
- Financial proposal: detailing costing, broken down by professional fees and expenses.
- Bidders are encouraged to engage with previous State of City Finances reports which can be found on the SACN website https://sacities.net/municipal-finance-reports/

Applicable Terms and Conditions

SACN reserves the right not to award this contract, or to renegotiate its terms, subject to circumstances and adequacy of submissions. The selection will be based on the strength and quality of the application, and demonstrable knowledge of municipal finance and governance. Collaboration between researchers, practitioners and/or service providers is encouraged.

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