

FINANCIAL RESILIENCE IN LOCAL GOVERNMENT: NAVIGATING TODAY'S CHALLENGES

From fiscal pressure to an investable portfolio of resilience

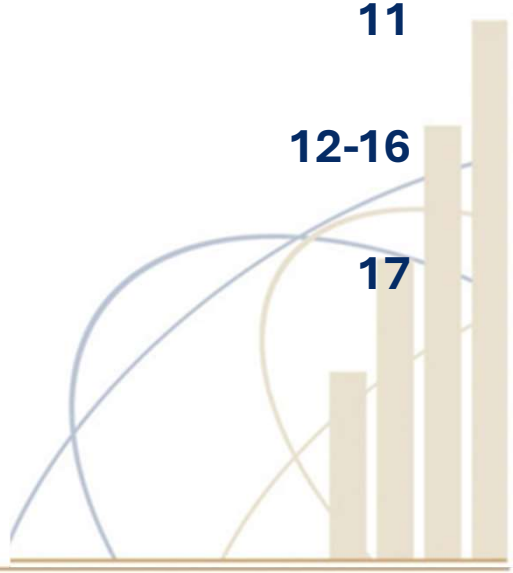
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The burning platform

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The challenge is structural: weak cash conversion, rising debt, constrained transfers and deteriorating assets reinforce one another.

63.9%
Preliminary collection rate, 2025/26

R484.5bn
Municipal consumer debt, June 2026

R185.2bn
Municipal creditors, June 2026

39 / 257
Municipalities with clean audits

1 Revenue

Budgeted income is not translating into cash at the required rate.

2 Debt

Old consumer debt and bulk-service arrears compress operating space.

3 Infrastructure

Ageing assets, losses and project underspending weaken service and revenue performance.

4 Governance

Audit regression, weak controls and fragmented accountability erode credibility.

Resilience is the capacity to absorb shocks while maintaining essential functions, then adapt and improve.

A systems view of financial resilience

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Municipal finances are resilient only when **revenue, assets, governance, people** and **capital** work as one connected system.



The point is not to protect a single budget cycle. It is to preserve service continuity, institutional credibility and the municipality's ability to invest.

Revenue shortfalls and structural underfunding

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Resilience requires both stronger own-revenue performance and a fiscal framework aligned to the cost of assigned functions.

2026/27 division of nationally raised revenue

R58bn

Transfer gap after maximum efficiency and 28% own-revenue uplift.

R133bn p.a.

Moderate scenario transfer requirement.

R17bn p.a.

Potential uplift if all municipalities reached the 50th percentile.

R25bn–R31bn

Unresolved range for annual underfunded mandates in the source material.

Strategic implication: efficiency is necessary, *but not sufficient.*
Fiscal reform and *disciplined revenue management must advance together.*

Share



National	Provincial	Local
48.9	41.7	9.4

From isolated projects to a resilience portfolio

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Do not design projects around whichever funding window happens to be open.
Organise investments around strategic outcomes and interconnected risks.

THE AD HOC TRAP

Ad hoc funding
Projects shaped to fit available capital

Fragmented delivery
Weak links across water, energy, roads and revenue

Short-term optimisation
Immediate outputs crowd out lifecycle value

Limited credibility
Investors cannot see the city-wide logic



SHIFT

PORTFOLIO APPROACH

Strategic portfolio	Projects selected against city priorities
Interconnected systems	Benefits and trade-offs managed across services
Lifecycle value	Capital, maintenance and resilience co-benefits considered
Investable city	Transparent pipeline improves confidence and capital access

A resilience portfolio is a strategic model for **organising, planning** and **developing** projects across city priorities and essential services.

- Builds resilience
- Aligns stakeholders
- Delivers long-term value
- Optimises investment
- Improves risk management

Six practices that make resilience investable

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6 KEY PRACTICES FOR MATURITY & IMPACT

A maturity pathway for cities and a common language for municipal leaders, communities and financiers.



1 Holistic & Integrated

Material risks, assets, strategic plan and delivery roadmap

2 Stakeholder Coordination

Political capacity, communities, business and financiers engaged early

3 Capital Allocation

Financial flexibility, skills and ability to respond

4 Data Strategy & Use

Social and financial data, modelling, ROI and co-benefits

5 Project Execution

Portfolio systems, skills, training and leakage controls

6 Transparency & Accountability

Disclosure, ownership, standards and grievance mechanisms

PRACTICAL USE

Self-assess
Understand current strengths and gaps

→ **Prioritise Gaps**
Focus on the most critical areas

→ **Target Support**
Align resources to build capacity

→ **Strengthen & Track**
Improve the pipeline and monitor progress over time

Stronger decisions
Better outcomes for people & cities

Aligned stakeholders
Building trust and shared ownership

Efficient capital use
Delivering value and resilience

Data-driven insights
Smarter planning and performance

Continuous improvement
Stronger pipeline, greater impact

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Credibility is built through systems

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BUILDING ACCESS TO FINANCE

The illustration of how resilience, revenue discipline, project management and transparent reporting can reinforce access to finance.

1 Embed resilience

Integrate resilience into the IDP, strategic planning and decision-making.

2 Connect functions

Align portfolio managineent, risk, engineering, performance, data and finance.

3 Use reliable data

Track service levels and link project performance through regular reporting.

4 Manage the pipeline

Maintain visibility across a long-term portfolio and redirect resources when projects stall.

5 Disclose and improve

Publish infrastructure and performance information; sustain audit and governance discipline.

CORE LESSON

Municipalities do not need to be perfect before attracting capital. They need a coherent direction, credible systems, visible progress and disciplined execution.



Resilient
Plan for shocks and adapt continuously.

Aligned
Break silos for better collaboration.

Evidence-Based
Use reliable data to drive decisions.

Accountable
Be transparent and improve consistently.

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Strong systems. Clear direction. Better outcomes.

Debt management and creditworthiness

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STRONG FINANCE. RESILIENT INFRASTRUCTURE. SUSTAINABLE FUTURE.

Borrowing cannot substitute for weak operations, but resilient infrastructure cannot be built without access to fit-for-purpose capital.



01 STABILISE
Secure the Foundation

- **Reconcile debtors** and creditors
- **Agree realistic** repayment plans
- **Protect cash** for priority services



Goal: Preserve liquidity • Reduce risk • Ensure continuity

02 STRENGTHEN
Build Operational Capability

- **Raise cash collection** performance
- **Remediate controls** and audit findings
- **Build project** preparation capability



Goal: Improve performance • Strengthen controls • Build capacity

03 ACCESS
Enable Sustainable Investment

- **Develop bankable** project pipelines
- **Match finance** to risk and revenue
- **Use creditworthiness** as a governance signal



Goal: Unlock capital • Align risk & return • Signal credibility

FINANCE MUST FOLLOW A CREDIBLE OPERATING MODEL

Realistic revenue, visible project controls, transparent reporting and measurable benefits.

- Visible Revenue
- Project Controls
- Transparent Reporting
- Measurable Benefits

Infrastructure is a financial strategy



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Every leaking pipe, failed meter and delayed project weakens service reliability, revenue performance and investor confidence.

PLAN	PREPARE	PROCURE	DELIVER	MAINTAIN	MONITOR
Long-term capital investment plan	Feasibility, demand, risk and impact readiness	Compliant contracting and vendor readiness	Project controls, on-time and on-budget execution	Lifecycle funding and preventative maintenance care	Service, financial and resilience outcomes

R18.6bn
Reported capital underspend in 2025/26



22%
Reported share of capital budget underspent

PORTFOLIO
Manage interdependencies, not isolated projects

A credible pipeline should show readiness, funding source, delivery risk, operating implications, maintenance provision and resilience benefit.

FUNDING SOURCE — DELIVERY RISK — OPERATING IMPLICATIONS — MAINTENANCE PROVISION — RESILIENCE BENEFIT

Governance and audit outcomes

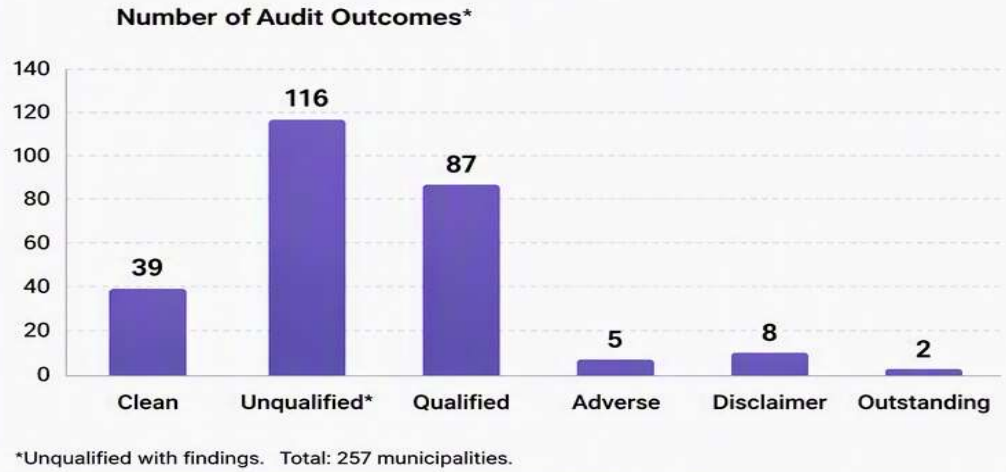
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CLEAN AUDITS. STRONGER SYSTEMS. FINANCIALLY RESILIENT.

Clean audits are evidence of functioning systems.

Financial resilience requires continuous control, not year-end compliance activity.

AUDIT OUTCOMES OVERVIEW



*Unqualified with findings. Total: 257 municipalities.

CONTINUOUS READINESS
Test controls and evidence throughout the year.

ACTION-PLAN DISCIPLINE
Track recurring findings, owners, dates and closure.

OVERSIGHT CAPABILITY
Strengthen internal audit, audit committees and MPACs.

CONSEQUENCE MANAGEMENT
Address repeated non-compliance and control failure.

THE TAKEAWAY

- Clean audits reflect strong processes and evidence.
- Continuous control builds sustained financial resilience.
- Stronger oversight reduces risk and improves outcomes.
- Discipline today. Confidence tomorrow.

A practical 12-month resilience agenda

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Sequence Quick Operational Gains with the Institutional Changes Needed to Sustain Them.

Quick wins create momentum.
Institutional changes make progress last.

1 Funded budgets

Prevent adoption of unfunded budgets and keep a credible funding plan active.

2 Creditor discipline

Keep signed agreements current and prove that released funds are used as intended.

3 UIFWE reduction

Maintain a verified register, process each item lawfully and evidence movement.

4 Consequence management

Operate a lawful disciplinary board and track referrals, investigations and decisions.

Leadership message:
do not manage the letter. Manage the underlying financial practices every month.

Strengthen Controls | Ensure Accountability | Drive Transparency | Sustain Public Trust

Pillar 1 | Funded budget discipline

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The strongest prevention is to make budget credibility visible before Council decisions.

Minimum readiness

- Latest funding assessment completed
- Credible funding plan approved where required
- Cash-flow forecast reconciled to collection assumptions
- Adjustments budget remains funded
- Council decisions document trade-offs

Leadership questions

- Can the CFO reconcile budget balance to cash reality?
- Are revenue assumptions supported by current performance?
- Are funding-plan measures implemented, not merely adopted?
- Are risks escalated before tabling?

Core evidence

- Funding assessment and working papers
- Council-approved budget and adjustments budget
- Funding plan and quarterly progress
- Cash-flow and creditors-age analysis
- Corrective action tracker



Clarity today.
Confidence in every decision.

A resilient MTREF converts uncertainty into explicit assumptions, triggers and management action.

1. **Understand** — Identify key uncertainties and risks.
2. **Convert** — Translate into explicit assumptions and scenarios.
3. **Trigger** — Set early warning triggers and thresholds.
4. **Act** — Apply management responses and adjust plans.
5. **Improve** — Review outcomes, learn, and strengthen credibility.

Build Credibility
Robust information you can stand behind.

Strengthen Confidence
Leadership insight that drives better decisions.

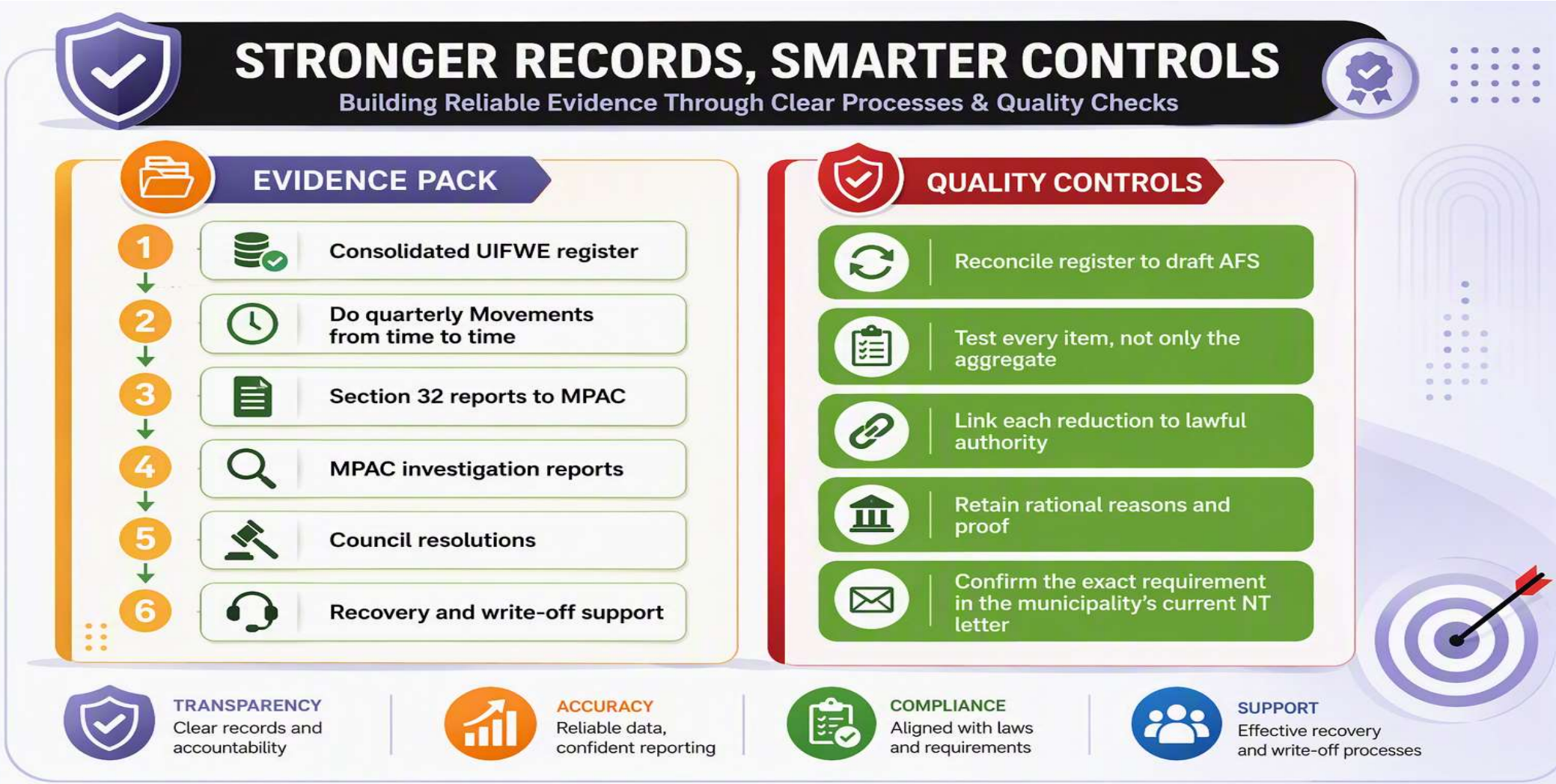
Enhance Transparency
Visible evidence for accountable governance.

Act Early
Address issues before they escalate.

Deliver Resilience
Sustainable budgets. Stronger communities.

Pillar 2 | UIFWE reduction, item by item

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Pillar 3 | Consequence management chain

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A board on paper is not enough.

Functionality and implementation must be demonstrated.

1. **Identify**
2. **Assess referral**
3. **Investigate**
4. **Recommend**
5. **Council decides**
6. **Implement**

Evidence checkpoints

- **Lawful appointment or shared-board agreement**
  Foundation documents and agreements in place.
- **Preliminary and final investigation outcomes**
  Clear findings with documented evidence.
- **Council resolutions, minutes and reasons for variation**
  Decisions documented with full reasons where outcomes vary.
- **Process register and item-level referral assessment**
  Records show step-by-step handling of referrals.
- **Disciplinary Board recommendations submitted to Council**
  Formal recommendations with rationale and evidence.
- **Sanctions, recovery records, criminal case numbers and tracking**
  Complete record of actions taken and ongoing tracking.

Accountability is proven through evidence at every step. | Process. Records. Decisions. Outcomes.

Pillar 4 | Creditor agreements and payment proof

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THE CHECKLIST CONNECTS

signed agreements, invoice-linked release and proof of intended use.

ESKOM | WATER BOARDS | SARS | AGSA | PENSION FUNDS

1 AGREEMENT

Signed by both parties and aligned to an affordable cash-flow plan.

2 PAYMENT

Current invoice and arrears commitments tracked every month.

3 PROOF

Bank proof, remittance, creditor statement and reconciliation filed together.

ESCALATE A LIKELY DEFAULT BEFORE IT OCCURS.

A breached plan is a Section 216 risk signal.

THE TIME FOR ACTION IS NOW

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Financial resilience is not a destination.
It is a continuing process of disciplined revenue and expenditure management, credible governance, investable planning and accountable delivery.



STABILISE
Strengthen core operations, manage risks and maintain financial control.

STRENGTHEN
Build capability, improve efficiency and reinforce financial discipline.

INVEST
Allocate resources to high-impact opportunities for future returns.

ADAPT
Monitor changes, learn quickly and adjust to emerge stronger.

THRIVE
Drive sustainable growth, create value and achieve long-term impact.

DISCIPLINED REVENUE & EXPENDITURE
Align income and spending with priorities. Eliminate waste and focus on value.

CREDIBLE GOVERNANCE
Ensure transparency, ethical decisions and strong oversight.

INVESTABLE PLANNING
Build forward-looking plans that attract confidence and investment.

ACCOUNTABLE DELIVERY
Track performance, take ownership and deliver on commitments.

CONTINUOUS IMPROVEMENT
Measure, learn and refine to build lasting resilience every day.

STABILISE • STRENGTHEN • INVEST • ADAPT • THRIVE

A resilient today. A stronger tomorrow.



Thank You!

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