

**BUDGET AND TREASURY OFFICE: DEBT MANAGEMENT REPORT**

**PURPOSE**

The purpose of this report is to provide an overview of cash collection statistics and debt recovery performance for the period ending 31 December 2025.

**BACKGROUND**

Section 96 of the Local Government: Municipal Systems Act 32 of 2000 (MSA) states that a municipality must:

- Collect all the money that is due and payable to it, subject to the MSA and any other applicable legislation; and
- For this purpose, must adopt, maintain and implement a credit control and debt collection policy which is consistent with its rates and tariff policies and complies with the provisions of this Act.

Section 100 of the same act states that the municipal manager must:

- Implement and enforce the municipality's credit control and debt collection policy and any by-laws enacted in terms of section 98.
- In accordance with the credit control and debt collection policy and any such by-laws, establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the municipality; and
- At such intervals as may be determined by the council report the prescribed particulars to a meeting of the supervisory authority referred to in a section 99.

Section 8 of the WRDM Credit Control and Debt Management policy states that the Chief Financial Officer shall report quarterly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Executive Manager as supervising authority in terms of MSA section 99 read in conjunction with MSA 100.

**DISCUSSION**

The Municipal Financial Management Act (MFMA) establishes principles for sound financial management, including effective debt management practices to ensure financial sustainability. In accordance with the MFMA, municipalities must implement proper debt management strategies to minimize financial risk.

Section 97 of the MFMA emphasises the importance of revenue collection and credit control policies to ensure that all revenue due is collected efficiently. Additionally, section 64 requires municipalities to have sound cash and debt management systems in place, ensuring that debts are settled when they are due and that the adequate provisions for doubtful debts are made.

## Collection Statistics

Category	Period ending 31 December 2025	Previous period	% Change	Year to Date Collection
Total Cash Collection	R770 565.52	R714 462.92	7.8%	R1 580 042.91
Total Billing Amount	R962 486.84	R785 808.72	22.5%	R1 748 295.56
Collection Rate %	80%	91%	-11 %	90.4%
Arrears Collected	R225 514.85	R270 046.46	9%	R495 561.31
Total Outstanding Debt	R11 577 573	R11 263 844	2.9%	

## List of Debtors

Debtor	Account Active	Outstanding Balance
Adel Jut 1	Yes	R605 658
Adel Jut 2	Yes	R1 437 420
Capitec Bank	No	R315 972
Department of Health	Yes	R30 762
Bajwa Brothers	Yes	R165 137
NYDA	Yes	R449 887
United Meat & Chicken	Yes	R3 172 737
Merafong City Local Municipality	Yes	R5 400 000
<b>Total</b>		<b>R11 577 573</b>

## **Overview**

The municipality is experiencing collection challenges with some of the accounts, and these have since been handed over to an external legal firm – Ncube Incorporated – in line with WRDM Credit Control and Debt Management policy. These accounts are as follows:

- Adel Jut
- Adel Jut 2
- Capitec Bank
- United Meat and Chicken; and
- NYDA

## **Progress on the collection of outstanding debt as received from Ncube Incorporated:**

### **Adel Jut Accounts**

The attorneys indicated that they received returns of non-service on both accounts on the domicilliom elected by debtors. They have requested the sheriff to re-serve the letters of demand on the leased premises.

The lessee, however, is currently making additional payments to reduce the debt. The municipality referred the matter to Ncube Incorporated who resolved in commencing legal proceedings against Adel Jut.

### **Capitec Bank**

Capitec was served with a letter of demand, who in their response disputed that they owe the municipality.

The municipality referred the matter to Ncube Incorporated who resolved in commencing legal proceedings against Capitec Bank.

### **Department of Health**

The municipality entered into an agreement with the Department of Health in 2023 to establish the Emergency Medical Services base in Wedela at the Wedela Fire Station.

After the intervention by the Gauteng Debt Committee the department Gauteng Department of Health further made a payment of R195 514.85 in the period under review (previous quarter: R250 046.46), which significantly reduced the outstanding balance to R30 thousand.

### **Bajwa Brothers**

This is a new account arising from service level agreement (SLA) concluded between Bajwa Brothers and the municipality in December 2023. Despite this, the account already reflects a significant outstanding balance.

The debtor owes the municipality R165 137 which continues to increase on monthly basis. This is due to the tenant paying the rental amount excluding value added tax (VAT) and the electricity consumption charges, resulting in the ongoing accumulation of the outstanding balance. The issue of the SLA commencement date is also a contributing factor on the outstanding balance, which will have to be revised, and appropriate credit notes will be passed on the financial system to reflect the correct amount outstanding.

### **United Meat and Chicken**

The attorneys have indicated that punitive costs were awarded against the municipality, and that the tenant can only vacate the premises on 31 January 2026. The last payment made by the lessee was in April 2025.

The tenant has been issued with a letter instructing them to vacate municipal property by 31 January 2026.

### **NYDA**

The new SLA between the municipality and the NYDA was successfully concluded during the second quarter. However, despite this, NYDA has not yet made any payments. make a payment. Consequently, the outstanding amount owed by NYDA currently stands at R449 887.

In response to the continued non-payment, the attorneys served the NYDA with a letter of demand. In accordance with legislation governing proceedings against the organs of state, summons may only be served six months after the letter of demand was first served. The matter has been scheduled for February 2026 for service of summons.

### **Merafong City Local Municipality (MCLM)**

The municipality continues to experience challenges with MLCM non-servicing of the long outstanding debt. The debt is currently 100% impaired. The municipality has resolved that a letter of demand should be sent to the Municipal Manager of Merafong City Local Municipality.

### ***RECOMMENDATION THAT***

1. Council takes note of the debt management report.