

ITEM 33

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 30 September 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 30 September 2025	Previous period	% Change	Year to Date Collection
Total Cash Collection	R714 462.92	R533 137.83	34%	R714 462.92
Total Billing Amount	R785 808.72	R703 988.52	11.6%	R785 808.72
Collection Rate %	91%	76%	15 %	91%
Arrears Collected	R270 046.46	R105 730.44	155.4%	R270 046.46
Total Outstanding Debt	R11 263 844	R11 657 625	-3.4%	

List of Debtors

Debtor	Account Active	Outstanding Balance
Adel Jut 1	Yes	R603 017
Adel Jut 2	Yes	R1 402 553
Bajwa Brothers	Yes	R 146 087
NYDA	Yes	R276 821
Capitec Bank	No	R315 972
United Meat & Chicken	Yes	R2 939 806
Department of Health	Yes	R179 588
Merafong City Local Municipality	Yes	R5 400 000
Total		R11 263 844

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
- Department of Health; 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.

Capitec Bank

The letter of demand was served to Capitec and in their response disputed that they owe the municipality. They have requested a meeting with the municipality's Budget and Treasury Office (BTO) for further discussion on the debtor's reconciliation that was provided.

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. The department made a payment R250 046.46 in the period under review and the municipality successfully submitted another invoice for the outstanding balance of R179 588.22.

United Meat and Chicken

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

NYDA

NYDA is currently not making any payments on their account. Their formal agreement with the municipality expired on 31 January 2024 and have continued on a month-to-month basis since then. However, the NYDA has not made any payments since December 2023.

The municipality had several meetings with the NYDA in an effort to resolve the issue. During these engagements they committed to resume payments as soon as the new SLA is concluded.

However, the new SLA has still not been signed despite the municipality's best effort to ensure the issue is resolved as soon as possible.

In response to the continued non-payment, the attorneys served NYDA with a letter of demand. In accordance with legislation governing proceedings against the organs of state, summons must 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.

RECOMMENDATION THAT

1. Council take cognisance of the debt management report.