

ITEM A07/2026[1]

FINANCIAL REPORT AS AT 31 DECEMBER 2025

5/17/2

EXCO: 29 JANUARY 2026

REPORT OF THE CHAIRPERSON OF PORTFOLIO COMMITTEE FOR GOVERNANCE, ADMINISTRATION; BUDGET AND TREASURY SERVICES

1. PURPOSE

The purpose of this report is to table the Financial Report for December 2025 to Council as per Section 71, 52,72, and Section 66 of the MFMA.

2. LEGAL REQUIREMENTS

Municipal Finance Management Act 56 of 2003

3. BACKGROUND

In terms of section 52 of the Municipal Finance Management Act 56 of 2003(MFMA) "The Mayor of a municipality must, within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality".

In terms of Section 66 of the Municipal Finance Management Act 56 of 2003 (MFMA), "The Accounting Officer of a municipality must, in a format and for periods as may be prescribed, report to the Council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits and in a manner that discloses such expenditure per type of expenditure.

In terms of section 71 of the Municipal Finance Management Act 56 of 2003 (MFMA) "The Accounting Officer of a municipality must no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant Provincial Treasury a statement in the prescribed format on the state of the municipality's budget

In terms of section 72 of the Municipal Finance Management Act 56 of 2003(MFMA) "The accounting officer of a municipality must, by 25 January of each year:

(a) assess the performance of the municipality during the first half of the financial year, considering –

(i)The monthly statement referred to in section 71 for the first half of the financial year.

(b) Submit a report on such assessment to -

- (i) The Mayor of the Municipality
- (ii) The National Treasury and
- (iii) The relevant Provincial Treasury

The accounting officer must as part of the review-

- (a) Make recommendations as to whether an adjustment budget is necessary; and
- (b) Recommend revised projections for revenue and expenditure to the extent that this may be necessary.

3.1 MUNICIPAL BUDGET AND REPORTING REGULATIONS

The Municipal Budget and Reporting Regulations (MBRR) are designed to achieve a range of objectives, including improving the local government sphere's ability to deliver basic services by facilitating improved financial sustainability and enhancing medium term planning and policy choices on service delivery.

The objective of these Regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting process, and other relevant matters as required by the Act.

3.2 FINANCIAL OVERVIEW

The YTD Budget statement summary shown in the table below is prepared on a similar basis to the prescribed budget format, detailing Operating Revenue, Expenditure and Capital Expenditure.

- The YTD actual revenue billed is above the YTD budget by 8% and is at 54% at YE Budget.
- The YTD operating expenditure is above the YTD budget by 5% and is at 53% of the YE budget.
- The YTD expenditure of the capital budget reflects 53% performance against the YE budget as of 31 December 2025.

Key Financial drivers

Highlights

- **Capex Spending of 53%.**
- The Municipality is currently accelerating the process to get all consumers to register for prepaid, and as at 31 December 2025 there were 5 847 (82% of 7 141) consumers on prepaid electricity with an amount of **R 54 939 038.15** having been collected on prepaid sales during the billing period: 1 July 2025 to 31 December 2025. Conversion to smart Electricity metering system is at 99.2%
- The Municipality has on 10 April 2025, implemented percentage blocking on electricity prepaid customers where 30% of the electricity purchases is withheld to pay the debt over 30 days. The amount collected during the period 1 July 2025 to 31 December 2025 amounted to **R 8 934 721.59** and thus contributes to revenue collection.
- The amount of **R 8 267 195 .99** has been collected through the debt collector at 31 December 2025.

- Payment incentive is granted to all customers that pay their monthly bills in full by the due date. The amount of **R 1 420 909.47** has been allowed as an incentive.
- The interest amount of **R 500 519 .60** has been written off on accounts of customers that came forth to make payment arrangements.
- 98% of historical UIFW has been processed by council and has been forwarded to Financial Misconduct board for consequence management.
- The letter of demand has been issued to municipal employees and whose account are over 90 days for deduction on their monthly salaries.
- Demand letter has been forwarded to Government Department and service disconnection will be done by end January 2026.
- All Exxaro residential accounts has been moved from tenants to Exxaro Main Account to ensure receipts of Monthly payments. Eskom is gradually moving new tenants to Main account.

Low Lights

- Collection rate has declined to 84% from 2024/25 Financial Year rate of 88%.
- Hike in electricity charges has resulted in Consumers switching over to other sources of energy which includes solar and Gas. This will require downward budget adjustment
- The impact Economic hardship has resulted in increased unemployment, lack of consumer affordability , high debt book and low collection of revenue.
- Increasing operational expenditure i.e. overtime ,operational expenditure and Eskom.

Strategies to improve Financial Viability

- The Municipality is currently accelerating the process to get all consumers to register for prepaid, and as at 31 December 2025 there were 5 847 (82% of 7 141) consumers on prepaid electricity with an amount of R 54 939 038.15 having been collected on prepaid sales during the billing period: 1 July 2025 to 31 December 2025.
- Full implementation of credit control system and implementation of the cut of list and issuing of demand letters.
- Monthly reconciliation to ensure completeness of revenue.
- Replacement of malfunctioning meters is ongoing.
- The revenue enhancement, cost containment and reduction of UIFW'S strategies must be implemented to ensure sustainability of the business.
- Municipality is exploring the opportunity new revenue sources which Solar and Grey water to sustain the revenue collection.
- Investment packages: Procurement process for leasing of Rooigoud farm for solar plant and leasing of land for street mall at Marapong is under way in line with Section 33 of MFMA

3.2.1 OPERATING REVENUE

SUMMARY OPERATING REVENUE

Description R' thousand	2024/25	Budget Year 2025/26				
	Audited Outcome	Original Budget	YearTD actual	YearTD budget	YTD variance %	Full Year Forecast
R thousands						
Revenue						
Exchange Revenue						
Service charges - Electricity	218,595	270,621	117,628	135,310	-13%	43%
Service charges - Water	64,147	73,956	36,449	36,978	-1%	49%
Service charges - Waste Water Management	29,897	31,974	16,844	15,987	5%	53%
Service charges - Waste management	25,072	26,500	13,525	13,250	2%	51%
Sale of Goods and Rendering of Services	2,190	1,915	325	957	-66%	17%
Agency services	6,930	12,890	3,654	6,445	-43%	28%
Interest earned from Receivables	59,635	54,227	28,939	27,114	7%	53%
interest from Current and Non Current Assets	7,605	7,592	4,426	3,796	17%	58%
Rental from Fixed Assets	312	839	298	419	-29%	36%
Operational Revenue	20,474	2,776	755	1,388	-46%	27%
Non-Exchange Revenue						
Property rates	119,527	133,680	61,393	66,840	-8%	46%
Fines, penalties and forfeits	4,018	6,158	760	3,079	-75%	12%
Transfers and subsidies - Operational	266,160	260,209	191,011	130,105	47%	73%
Interest	24,196	20,874	12,007	10,437	15%	58%
Total Revenue (excluding capital transfers and contributions)	849,090	904,210	488,327	452,105	8%	54%

Total revenue reflects the YTD actual variance of 8% above the YTD budget and 54% at YE.

- **Electricity**
A positive YTD Actual vs Budget variance of 13 % and 43% of the YE Budget due to consumers switching over to other sources of Revenue.
- **Water**
A negative YTD Actual vs Budget variance of 1% and 49% of the YE Budget (Within the norm).
- **Waste water management** - A positive YTD Actual vs Budget variance of 5% and 53% of the YE Budget (Within the norm).
- **Waste Management** - A positive YTD Actual vs Budget variance of 2% and 51% of the YE Budget. (Within the norm).
- **Sale of goods and rendering of services** – A negative YTD Actual vs Budget variance of 66% and 17% of the YE Budget due to less sales on

tender documents and admin fees. Downwards adjustment to be made during budget adjustment.

- **Agency Fees** – YTD Negative variance of 37% and 32% of the Year End budget due to temporary closure of Palala Offices and various vacant positions in the traffic department.
- **Interest earned from Receivables** - A Positive YTD variance of 7% and 53% of the YE Budget mainly due to high debt book. The amount of **R41 million** has been written as uncollectible debt related to indigent consumers. This request upward adjustment of Budget
- **Rental of Equipment and facilities** – YTD Negative variance of 29% and 36% of the YE Budget. Less revenue was realised on the rental of Thusong Centre and Stadiums. This request down ward adjustment of Budget
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- **Interest from Current and Non-Current Assets** – YTD budget variance is above budget by 11% and 55% at YE budget mainly due low spending on Grant Funded Projects. The municipality has taken short term investments for the working capital and Grants received which has yield investment revenue.
- **Operational Revenue** – YTD negative variance of 46% and 27% of YE budget mainly due to slow recovery of the Economy, less revenue was realised on sundry incomes.
- **Property rates:** The YE Actual vs Budget variance is 8% and 46% at YE (Within the norm).
- **Fines and Penalties**
YTD negative budget variance 75% and 12% YE variance. Due to less fines issued. This request downward adjustment of Budget
- **Transfers and subsidies** – YTD positive budget variance 47% and 73% YE due to the 2nd trench of equitable share being received.
- **Interest earned from non-Exchange** - negative variance of 55% and 22% due to high debt book.

3.2.2 OPERATING EXPENSES

Description R' thousand	2024/25	Budget Year 2025/26				
	Audited Outcome	Original Budget	YearTD actual	YearTD budget	YTD variance %	Full Year Forecast
R thousands						
Expenditure By Type						
Employee related costs	245,653	273,857	136,194	136,929	-1%	50%
Remuneration of councillors	14,369	16,063	7,100	8,032	-12%	44%
Bulk purchases - electricity	183,445	205,014	110,893	102,507	8%	54%
Inventory consumed	56,088	58,351	23,368	29,175	-20%	40%
Debt impairment	68,509	52,323	26,161	26,161	0%	50%
Depreciation and amortisation	97,365	95,671	47,158	47,835	-1%	49%
Interest	18,580	21,490	1,720	10,745	-84%	8%
Contracted services	71,459	83,590	36,601	41,766	-12%	44%
Transfers and subsidies	2,999	2,142	530	1,071	-50%	25%
Irrecoverable debts written off	16,852	15,500	38,556	7,750	398%	249%
Operational costs	78,643	77,405	47,308	40,743	16%	61%
Losses on Disposal of Assets	39,352	-	-	-		
Total Expenditure	893,314	901,405	475,590	452,715	5%	53%

Operating expenditure constitutes 6% YTD variance and 53% of YE Budget mainly due to the following:

Employee Costs and Remuneration of Councillors

Employees related costs: The YE actual variance is 1% lower than the YTD budget and 50% of the YE Budget mainly due to delays in filling of vacant positions. Management has implemented strategy to filling on critical vacancies. YE Employee related cost constitutes 29% of Total YTD expenditure. Over time is at 5% of the Employee related cost Budget. Management must put mechanism in place to mitigate overtime.

Budget adjustment will be done to trade-off between vacancy not filled and increase on Overtime.

The remuneration of councillor's: YTD actual variance is 12% below the YTD Budget and 44% against the YE budget. This is due to the implementation of the Upper limit Circular of Councillors. All the Exco members are fulltime.

Bulk purchases: Electricity

The YTD variance is 8% above the YTD budget and 54% of the YE Budget. Municipality has applied for the Reduction of NMD to reduce cost of supply. Implementation of Electricity smart metering system is at 99.6%. Lephalale Electricity system is STS compliant. Budget adjustment required.

Inventory Consumed

YTD actuals show a variance of 20% which is lower than the YTD budget and 40% of the YE budget. Inventory consumed has included the payment for the abstraction of Raw Water from Mokolo Dam. The expenditure is mainly affected by the supply of free water the villages. Less materials have been drawn from the stores than expected

Debt Impairment

YTD actual variance is 0% YTD Budget and 50% of YE Budget a journal has been processed every month based on the budget.

JULY	49,471.03	191,507.63	152,492.25	159,760.82	151,890.41	152,876.71	852,018.86
AUGUST	42,112.56	70,499.75	191,369.96	206,383.56	190,782.99	350,342.46	1,051,491.28
SEPTEMBER	40,754.10	69,061.60	110,140.69	199,726.03	116,807.88	184,726.02	723,216.32
OCTOBER	44,829.50	28,952.36	15,723.52	193,068.49	109,248.42	-	391,822.29
NOVEMBER	38,037.16	27,803.81	15,139.23	186,410.95	46,711.74	-	314,102.89
DECEMBER	39,395.63	69,061.60	110,140.69	193,068.49	130,766.84	-	542,433.25
JANUARY							
FEBRUARY							
MARCH							
APRIL							
MAY							
JUNE							
Totals	248,599.98	456,886.75	595,006.33	1,138,438.34	746,208.28	687,945.19	3,273,084.89

GRANT SPENDING

CONDITIONAL GRANTS FOR OCTOBER 2025-2026					
	DORA ALLOCATION	GRANTS RECEIVED	TOTAL EXPENDITURE	PERCENTAGE SPENT OF ALLOCATION RECEIV	PERCENTAGE SPENT OF DORA RECEIV
FMG (FINANCIAL MANAGEMENT GRANT)	1,988,000.00	1,900,000.00	812,737.00	43%	43%
DWA (WSIG)	63,300,000.00	53,226,882.00	53,226,882.00	100%	84%
MIG	52,566,000.00	40,671,000.00	21,882,391.00	54%	42%
EPWP	1,478,000.00	370,000.00	237,900.00	64%	16%
ENERGY EFFICIENCY	4,000,000.00	4,000,000.00	2,594,080.00	65%	65%
	123,244,000.00	100,167,882.00	78,753,990.00	79%	64%

Municipality has achieved 64% based on Dora allocation and spend 79% of the received.

All the grant contract has been awarded, and project are in progress. Project steering committee is effective. 4 Position for interns are on advert stage. EPWP staff has been appointed and has started in October 2025.

Revenue Management

The Municipality generates its operating revenue from property rates and service charges and in return the consumers are expected to pay for the services rendered to them by the municipality. The revenue Enhancement strategy and Cost Containment Strategies development and presented to improve the financial sustainability of the Municipality. Effective implementation of Credit Control and Debt collection form's integral part on the efficiency of the Process.

Collection rate for Q2 of financial year 2025/2026

The total amount billed for the period July 2025 to December 2025 is R **304 170 449.77** vs the actual collected amount of R **254 593 564.87**, and the cumulative average collection to date is **84%** against the National Treasury Target of 95%.

The improvement of Revenue from the last quarter is as a result of the following:

- The Municipality is currently accelerating the process to get all consumers to register for prepaid, and as at 31 December 2025 there were 5 847 (82% of 7 141) consumers on prepaid electricity with an amount of R 54 939 038.15

having been collected on prepaid sales during the billing period: 1 July 2025 to 31 December 2025.

- The Municipality has on 10 April 2025, implemented percentage blocking on electricity prepaid customers where 30% of the electricity purchases is withheld to pay the debt over 30 days. The amount collected during the period 1 July 2025 to 31 December 2025 amounted to R 8 934 721.59 and thus contributes to revenue collection.
- Full implementation of credit control system and implementation of the cut of list and issuing of demand letters.
- Monthly reconciliation to ensure completeness of revenue.
- Replacement of malfunctioning meters.

The following are the measures put in place to improve revenue collection:

- The Municipality is currently accelerating the process to get all consumers to register for prepaid, and as at 31 December 2025 there were 5 847 (82% of 7 141) consumers on prepaid electricity with an amount of R 54 939 038.15 having been collected on prepaid sales during the billing period: 1 July 2025 to 30 December 2025.
- Livewire has fitted 7 141 electricity meters with modems to enable them for prepaid metering and automated meter reading (AMR).
- Municipality is exploring the option of remote water metering reading system and is applying funding to install prepaid water metering system.
- The Municipality intends to implement flat rate at the villages to curb the cost of increasing cost of supply services as the village. This will be implemented as social income.
- The municipality is implementing the credit control system to Fastrack the collection of debt below 90% days.
- The project for the replacement of standing meters to improve revenue is ongoing.
- The standard operating procedure has been reviewed to improve efficiency and full implementation of credit control.
- The billing cycle has been revised to align to the pay dates of the consumers.
- Meter reading schedule has been developed and shared with members of community to ensure transparency on meter readings.
- The Municipality is looking at implementing the self-reading water reading system.

The table below depicts the total revenue billed and amount collected for July 2025 to December 2025:

SERVICE TYPE	AMOUNT BILLED	AMOUNT COLLECTED	COLLECTION RATE
Property Rates	67 577 720.43	58 359 563.96	86%
Electricity	82 533 364.47	76 194 121.02	92%
Prepaid Electricity	54 939 038.15	54 939 038.15	100%

Water	54 302 388.06	41 538 540.82	76%
Sanitation	24 675 802.62	14 211 052.07	58%
Refuse	19 721 578.11	9 219 245.29	47%
Sundry Services	420 557.93	132 003.56	31%
Total	R 304 170 449.77	R 254 593 564.87	84%

The Municipality uses preferential allocation method on payments received for rates and service charges. The first preference is allocated to rates, followed by sewerage, refuse, water and electricity.

The collection rates of other service types are comparatively low as they fall in the accounts of consumers who reside in farms, Marapong, Thabo Mbeki and vacant stands that do not pay their accounts regularly.

The differences in the collection rate percentages is because some of the consumers in Marapong Township for example, are on Eskom's prepaid electricity and do not pay the municipality for water, refuse removal and sanitation services. Municipality intends to engage Eskom to enter a Memorandum of Understanding (MOU) for Eskom to suspend purchase of electricity for account holders who defaulted on rates and taxes payment of the municipality.

The Municipality is also providing refuse removal services to informal settlements and rural areas to comply with national legislation. The Municipality is however, not billing these services. Consumer awareness campaign will be conducted at the Villages to encourage residents to pay for the services at a flat rate. This will enable the municipality to sustain services provided to the villages.

The municipality is in the process of replacing the malfunctioning metres which are resulting in water losses.

4 METER READING CYCLE AND DATE OF THE ACCOUNT

The meter reading cycle run from the 1st of the current month till the last day of the month of the following month. With the new billing systems accounts are sent electronically on the same day billing is completed. Invoices for Government Institution accounts are prepared and forwarded within 3 days after billing is done. Interest is charged on debts over the 30 days and older. After billing run the credit control and debtor collection policy is implemented i.e whereby a cut off is done for customer which did not adhere to the due date. A 14 days' notice is issued to customer for cut of the accounts over 30 days prior the implementation The due date for the payment included on the statement to remind customers to pay their accounts regularly.

A process flow has been implemented to ensure the process is followed monthly and timely. Management is exploring the process of automating the process in the EMS.

5. FINANCIAL ANALYSIS – PERFORMANCE

Performance Indicator	2023/24 Audited Outcome	204/25 Audited Outcome	Dec-25
Operating Revenue incl Capital transfers	96%	95%	54%
Operating expenditures	89%	95%	53%
Operating surplus/Deficit	57,463,279	96,233,076	12,737,018
Percentage of capita expenditure	81%	79%	53%
% Conditional grants performance	97%	92%	64%
Cash/cost coverage	1.26	1.00	1.58
Debt to revenue ratio	4.94	6.60	4.11
Current ratio	3.95	2.01	1.54
Collection rate	78%	88%	84%
Cash/Cash equivalent	60,426,613	66,287,682	111,156,440
Net outstanding debtors	387,053,910	359,808,682	293,637,331
Outstanding creditors	114,283,386	229,408,920	275,258,124

The Municipality's financial position by end of December 2025 had a positive net asset to the value R1,5 billion.

Current Ratio – 1.54: 1

The current ratio is within the norm which means the municipality is capable to cover short-term liabilities more 1.83 times with its current assets. Due to irrecoverable debt written off.

Cash/Cost Coverage ratio 1.58: 3

The ratio indicates the municipality's inability to meet its monthly fixed operating commitments from cash and short-term investments for 3 Months, i.e for how many months cash is available to cover the fixed monthly commitments. Percentage Cost coverage (R-value all cash at a particular time plus R-value investments, divided by R-value monthly fixed operating expenditure) YTD. Due increasing fixed cost .Cost containment strategies to be implemented.

Employee related Costs as a percentage of Total operating Expenditure

Employee related cost is sitting at 29% which is within the norm of 25 – 40%. Overtime constitutes 5 % of the salary bill. The Municipality must implement strategies to reduce overtime and explore the shift system and appoint only critical positions.

Actual Borrowings

The total outstanding borrowings as of December 2025 is R72.2 Million which includes Outstanding Financial lease for Zeeland R19.6 million and DWS long term debt R 52.6 million. DBSA loan has been paid up. The loan repayment for Zeeland is paid monthly and the interest on the loan 14 % per annum based on the weighted average capital of EXXARO.

6. DEBTORS REPORT

The current debtors balance is R 830 151 563.83 and has reduced from R854 360 915 .18 due to the debt write off of R41.million .The amount of R 735 990 927.74 is for accounts that are older than 90 days and has been handed to the debt collectors. Internal credit control strategies are in place and cut offs are performed on monthly basis to ensure that all outstanding debts on accounts within 30 – 60 days are collected on time.

The cleansing of the debt book is in progress to improve the debt collection ratio.

The municipality is implementing the credit control system to fast-track the collection of debt below 90% days.

Debtors by Income Source

TotalsPerServiceType	Total	Current	30 days	60 days	90 days	120 days	150 days	Over 180 days
Advance Payment	(26,432,223.39)	(26,767,810.98)	946.37	1,333.08	972.16	987.91	998.85	330,350.22
Electricity	157,584,699.37	19,566,927.10	4,046,908.92	3,039,705.21	3,269,380.23	2,836,326.80	2,769,760.12	122,035,690.99
Sundry Debtors	9,669,541.65	120,779.43	66,303.10	59,288.25	58,539.89	59,238.60	57,798.42	9,247,592.96
Property Rates	248,679,586.33	18,799,163.24	6,507,306.63	5,653,079.74	5,593,007.23	5,096,923.52	5,227,067.71	201,803,098.26
Sanitation	109,662,057.72	6,669,214.64	2,543,067.99	2,246,197.40	2,170,197.80	2,150,422.16	2,134,646.01	91,748,311.72
Traffic Fines	2,350,292.00	228,575.00	206,972.00	111,500.00	9,400.00	48,950.00	162,700.00	1,582,195.00
Waste Disposal	120,235,438.72	5,510,038.50	2,304,693.04	2,008,529.01	1,962,178.43	2,612,156.02	1,900,384.43	103,937,479.29
Water	208,402,171.43	14,224,164.54	5,078,060.32	4,688,802.13	4,183,215.69	4,027,834.08	3,753,291.26	172,466,803.41
	830,151,563.83	38,371,051.47	20,754,257.37	17,808,435.82	17,228,691.43	16,832,839.09	16,006,566.80	703,151,521.85

Debtors by Customer Category

ServiceDesc4	Total	Current	30 days	60 days	90 days	120 days	150 days	Over 180 days
Agricultural Properties	94,001,822.68	1,114,529.55	1,994,869.84	1,636,786.69	1,713,792.56	2,044,062.11	1,727,924.37	83,769,857.56
Business Properties	40,763,785.46	8,524,465.93	1,658,786.66	1,140,891.72	1,093,387.60	1,168,390.58	1,052,622.63	26,125,240.34
Government	27,382,548.61	2,348,412.31	1,223,805.88	1,464,754.84	1,164,781.82	1,016,060.74	903,125.29	19,261,607.73
Residential Properties	668,003,407.08	26,383,643.68	15,876,794.99	13,566,082.57	13,254,929.45	12,604,325.66	12,322,894.51	573,994,816.22
TOTAL	830,151,563.83	38,371,051.47	20,754,257.37	17,808,435.82	17,228,691.43	16,832,839.09	16,006,566.80	703,151,521.85

The amount owed by Government Department is R 27.3 million

Government Department	Sum of Balance	Sum of Days0Amt	Sum of Days30Amt	Sum of Days60Amt	Sum of Days90Amt	Sum of Days120Amt	Sum of Days150Amt	Sum of Days180P Amt
Department Of Agriculture	314,730.04	45,443.61	22,946.09	22,807.96	30,028.99	24,253.31	34,194.42	135,057.66
Department Of Education	2,478,088.63	155,599.61	130,594.16	110,828.13	107,055.61	103,078.09	90,137.58	1,780,995.45
Department Of Health	1,125,270.26	488,021.49	18,967.79	18,456.31	18,288.55	18,126.06	17,394.88	548,015.18
Department Of Land Affairs	182,524.72	4,728.58	2,797.13	2,778.79	2,760.48	2,742.12	2,844.54	163,875.10
Department of Nature Conservation	294,619.49	45,741.76	22,428.08	22,134.54	21,840.01	20,450.59	20,172.74	141,850.77
Department Social Development	7,255.61	7,255.61	-	-	-	-	-	-
Department of Economic Development	2,814.15	2,814.15	-	-	-	-	-	-
Department of Justice	68,207.41	7,024.29	3,456.22	3,438.49	3,400.54	3,362.96	3,188.11	64,336.80
Department of Public Works	17,580,779.65	1,260,781.25	556,564.14	751,721.21	504,022.62	511,354.80	406,374.73	13,589,960.90
Department of Public Works - National	5,040,855.68	751,539.84	430,756.94	497,880.24	442,853.83	299,574.49	298,710.55	2,319,079.99
Department of Public Works - Provincial	198,966.04	(429,215.66)	29,587.39	29,286.98	28,986.61	28,686.22	25,651.70	485,983.90
Department of Transport	24,981.88	318.58	660.62	645.51	639.58	633.69	1,404.02	20,678.98
Umpopo Economic Development Agency	43,454.15	10,301.60	5,948.32	4,976.68	4,907.02	3,398.41	3,051.12	11,773.00
Grand Total	27,382,548.61	2,348,412.31	1,223,805.88	1,464,754.84	1,164,781.82	1,016,060.74	903,125.29	19,261,607.73

The Government debt as at 31 December 2025 is sitting at R 27.3 million and the outstanding debts are followed up with government on monthly basis and at Government Forum convened by Coghsta.

Process of Expediting payments

Invoices for Government Institution accounts are prepared and forwarded within 3 days after billing is done.

Government debts are forwarded to COGHSTA to assist Municipality with Debt collection through Government Debt Forum that is held quarterly between the Municipalities and relevant Government Departments.

Credit control department is expediting the account on weekly basis in line their payment timelines and to date the department are paying on monthly basis, however the challenge remains Public Works that cites that they are in the process of verifying their asset registers and registering the 57 village schools which are currently being charged property rates but not being paid

Low collection rate is still concerning the following initiatives are in place to improve the collection rate:

- Monthly Revenue enhancement meetings are held with debt collector and all stakeholders to review debt collection performance, share all challenges and strategies to improve the collection rate.
- The standard operating procedure has been reviewed to improve efficiency and full implementation of credit control. The cut of date within 44 days effective from January 2026.
- Appointment of Customer Care Unit Clerk on progress to improve of customer care and timeous resolving of customer queries.
- Strengthening and improving working relationship between municipality and debt collector with the common goal of improving revenue collection.
- Monitoring and evaluation of performance at taking corrective action for continuous improvement.
- Municipality appointed Livewire Engineering (Pty) Ltd in November 2022 to run prepaid vending management.
- The Municipality has recently appointed the debt collector, Double M MedPrac Solutions (Pty) Ltd and the contract is for 3 years. It is expected that the debt collector will assist the Municipality in collecting its revenue.
- The Municipality has on 10 April 2025, implemented percentage blocking on electricity prepaid customers where 30% of the electricity purchases is withheld to pay the debt over 30 days. The amount collected during the period 1 July 2025 to 31 December 2025 amounted to R 8 934 721.59 and thus contributes to revenue collection.
- Payment incentive is granted to all customers that pay their monthly bills in full by the due date, and for the period 1 July 2025 to 31 December 2025 an amount of R 1 420 909.47 has been allowed as an incentive. The incentive is implemented to recognise good paying customers and to also encourage others to follow suite and pay their bills by the due date.
- The Municipality has during Quarter 1 and 2 of 2025/2026 financial year, written off an interest amount of **R 500 519.60** on accounts of customers that came forth to make payment arrangements. The initiative encouraged the customers with long outstanding debt to start making payments on their accounts.

Indigent Accounts

- No one should be denied access to basic services because of their inability to pay, households with combined income of less than R4 600 qualify to apply for indigent status. In return treasury is giving Equitable shares.
- The Item on indigent registration has been approved by Council for 2 758 indigent applicants, and an amount of R 41 639 748.77 was written off as per the Indigent Policy.

Uncollectible debts

- The municipality is currently addressing the uncollectible debts. The current debt book includes the debts that are more than three years and have therefore prescribed.
- The amount of R41.6 Million has been written off in for **indigents** in Q2 and additional amount of R26 million will be written Off in line with the budget.
- The Municipality is targeting to write-off the amount over **R26 261 364.72** for debt relating to 1 441 consumers that are deregistered, liquidated, prescribed sequestrated, and the breakdown is as follows:

Reason for write-off	Sum of Balance	Number customers
DEREGISTRATION	R3 590 295.36	66
LIQUIDATION	R1 191 382.29	20
PRESCRIBED	R21 479 295.15	1 354
SEQUESTERED	R391.92	1
Total	R26 261 364.72	1 441

7. STRATEGIES TO ENHANCEMENT REVENUE

- In order to deliver service delivery and ensure operational efficiency the following initiatives have been implemented:
- The municipality has appointed the service provider for the credit control and indigent management system.
- Training and strengthening of governance committees and end users on SCM Policies
- Workflows in the financial system has been reviewed to ensure the system of internal financial control
- Segregation of duties has been outlined to avoid conflicting roles.
- Financial system process flow has been implemented to ensure no payment without Purchase order. All payments are processed in the financial system to ensure Audit trail.
- Weekly Meetings for fast tracking for Capex expenditure
- Safeguarding Municipal assets – Security is strengthened at the workshop. Budget allocated to strengthen security at the strategic assets.
- Supply Chain are conducting market analysis to ensure value for Money in Procurement.
- Terms of reference for appointment of the transaction advisory services for the prefeasibility study report for Paarl Wastewater Treatment and Purchase of Zeeland Water Treatment Plant has been completed and approved by specification committee. The procurement process is underway.

Strategies to improve revenue collection

- Implementation of sub system to enhance collection of revenue through the internal Credit Control Office.
- Replacement of old standing meters for the supply of water meters.
- Application of water restriction at Marapong areas for debt collection.
- Consumer awareness Notices are issued to inform consumers of the cut of date for payments.
- Effective monitoring of billing system to improve credit control.
- Installation of water smart metres.
- DBSA capacity support on revenue enhancement.
- Continuous update of the system with the supplementary valuation roll to ensure accurate billing of property rates.
- Monitoring of Revenue enhancement initiatives

8. COST CONTAINMENT

All Directorates have committed to adhere to cost containment as outlined in Circular 82 issued by National Treasury

ITEM	YE BUDGET	TYD BUDGET	EXPENDITURE	YE%	YTD%
OVERTIME	13,381,925.00	6,690,962.50	7,349,789.81	55%	110%
CONSULTANTS	22,296,278.00	11,148,139.00	11,744,799.87	53%	105%
TRAVELLING	2,434,345.00	1,217,172.50	843,009.17	35%	69%
ACCOMODATION	2,043,200.00	1,021,600.00	1,018,534.59	50%	100%
TOTAL	40,155,748.00	20,077,874.00	20,956,133.44	52%	104%

The municipality has implemented the cost containment strategies.

Municipality has spent 104% of the YTD budget and are committed to implement cost containment strategies to reduce the operational cost in the next financial year.

Municipality to cut on traveling and accommodation, consultant and overtime cost for the next quarter only legislative meetings to be attended.

9. STRATEGIES FOR COST CONTAINMENT

- Reduce travelling and accommodation
- Municipality stopped providing staff with tea and coffee.
- Stringent reduction of overtime to 50%
- Booking for accommodation 3 Star.
- Telephone reduced to R200 per employee where applicable.
- Pool cars to be used by official without car allowance.
- Where possible Team and Zoom Meetings are encouraged
- Online and onsite training where possible.
- Paperless for council /EXCO /MPAC Items Agenda save on printing and overtime and transport costs.
- Rapid response to queries, overtime only allocated for emergencies threatening life and health.
- Filling for some vacant position delayed and staggered to save employee related costs and align to treasury regulations.
- Parking of municipal fleet after working hours.
- Full Implementation of time and attendance.
- Attach attendance register for offsite meetings and training.

- Pre- authorisation of trips outside town.

10. WITHDRAWAL REPORT

The Total payment of creditors as 31 December 2025 amounts to R475 Million. The creditors consist of suppliers which are providing services within the municipal area. Section 65 of MFMA requires the Municipality to pay suppliers within 30 days. BTO department is following up with end users on Monthly basis to adhere to month end deadlines and ensure that invoices due for payment are timeously forwarded to expenditure Department for Payment.

SUMMARY SECTION 65 REPORTS: WITHDRAWAL REPORT

DESCRIPTION	1st QUARTER	2nd QUARTER	TOTAL
ESKOM(ELECTRICITY BULK)	47,674,548.04	59,429,833.29	107,104,381.33
EXXARO COAL(WATER BULK)	25,237,572.39	17,143,930.63	42,381,503.02
CAPITAL PROJECTS	36,818,994.08	37,747,761.01	74,566,755.09
SALARIES	65,750,610.41	75,377,185.12	141,127,795.53
CREDITORS	23,397,393.92	30,328,354.20	53,725,748.12
CONTRACTS	29,899,249.75	26,636,998.65	56,536,248.40
TOTAL	228,778,368.59	246,664,062.90	475,442,431.49

TOP 20 SUPPLIERS

SUPPLIER NAME	AMOUNT PAID
Eskom Holdings SOC Ltd-Limpopo	17947786.14
LIVEWIRE ENGINEERING AND CONSULTING	3258979.8
LPG: PMG ROAD & TRANSPORT	2748764.13
Auditor-General of South Africa - National	2422345.02
ENABLE ARM RESPOND	2360707.4
TSHASHU CONSULTING AND PROJECTS MANAGERS	2350234.45
MALERATE CONSTRUCTION	2100532.5
LEKWALO M (PTY) LTD	1939762.5
DEPARTMENT OF WATER AND SANITATION	1635964.79
BLANKO INVESTMENT	1615474.57
HWA ENGINEERS AND PROJECT MANAGERS	1522108.28
EXXARO COAL	1475604.5
EXXARO COAL	1392924.74
DEUNICE TRADING	1307285.62
DDP VALUERS	666854.2
CATHU CONSULTING	650325
LEHUNA ENGINEERING SERVICES (PTY) LTD	647200.93
MKHIPHELENIZONKE TRADING AND PROJECTS	556742.5
FIRST TECHNOLOGY	490670.5
KHUMZO TRADING ENTERPRISE	474375
CIDB CONSTRUCTION MANAGEMENT SERVICES	427449.11

11. DWS DEBTS / INTERGOVERNMENTAL RELATIONS

Department OF Water and Sanitation Payment Plan						
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Capital	114 024 297	130 138 957	109 614 583	89 090 210	68 565 836	48 041 463
Interest	27 517 089		-	-	-	-
Deposit Paid	(11 402 430)		-	-	-	-
Payments	-	(20 524 373)	(20 524 373)	(20 524 373)	(20 524 373)	(20 524 373)
Interest write off	-					(27 517 089)
Total	130 138 957	109 614 583	89 090 210	68 565 836	48 041 463	0

The municipality is a water service authority and have signed an agreement in 2015 to supply raw water in line with the Water service act and the licence issued to the Municipality.

DWS has been supplying raw water to the municipality from 2015 after completion of MCWAP 1 project. The amount of R141million was outstanding as 31 December 2022. The long-term settlement agreement was signed for the settlement of raw water liability with the Department in February 2023.

Interest

Interest was charged on overdue accounts since 2017 till September 2022. The balance of interest owed will be written off upon full settlement of capital amount and future interest were frozen.

Deposit amount

Municipality was requested to pay 10% of the capital amount as part of the settlement agreement. The amount was paid on R11 Million 28 February 2023

Repayment Schedule.

Three equal instalments of R6 841 458 are made annually. These payments are made within 5 days after the receipt of equitable share trench by the Municipality. The amount of R20 482 089.06 was paid by 31 December 2024 in line with the debt arrangement. The outstanding debts is R52 Million.

Department OF Water and Sanitation Payment Schedule	
	Amount
Capital	114,024,297.03
Interest	
Deposit Paid	(11,402,429.70)
Payments :	
12/9/2023	(6,934,304.35)
22/02/2024	(6,849,857.29)
21-06-2024	(6,697,917.42)
16/10/2024	(7,301,487.46)
28/12/2024	(7,133,663.62)
18/06/2025	(4,958,521.92)
9/9/2025	(10,114,166.71)
Total Outstanding	52,631,948.56

12. SUPPLY CHAIN MANAGEMENT REPORTS

The municipality utilising bid committee system in line with Supply Chain Management Policy to source good and services from suppliers Procurement department is centralised to ensure transparency and segregation of duties. Inzalo Financial system is utilised with workflows in line with system of delegations to instil the culture of Governance and Control.

Below is a table that summarises the Procurement for 2024/24 Financial year. Lephalale Municipality has developed a procurement plan and weekly meetings as an endeavour to accelerate the execution of the plans and acceleration of service delivery.

Summary of Procurement

RFQ	43	28	9	-	5	-	1	-	-	-
Tender	33	18	5	1	4					5
Total	79	46	14	1	9		1			5

13. GOVERNANCE / PRIORITIES PROGRESS ON 2023/24 YE AUDITS

The municipality has achieved Unqualified Audit opinion in 2023/24 financial year. The Municipality implemented an audit action plan to monitor progress on the closing of the outstanding audit findings.

UIFW'S REDUCTION STRATEGY

Summary of UIFW REPORT AS 31 December 2025

Expenditure	Opening Balance as per 2025/2026	Current Additions	Authorised	Amount recovered	Written Off	Closing Balance by the end of June 2025
Unauthorised	49,398,000	-	-	-	-	49,398,000.00
Irregular	2,740,138	-	-	-	-	2,740,138.00
Fruitless and wasteful	3,864,836	231.87	-	-	-	3,865,067.87
	56,002,974	231.87	-	-	-	56,003,205.87

Council has appointed the Financial Misconduct Board and LPT has facilitated training to the financial misconduct board. The board is currently busy with the compilation of the terms of reference. Upon finalisation of TOR processing of the UIFW report will continue.

The Unauthorised Amount of R39 581 609 at YE closing of 2024 – 25 and in related to non-cash items which includes debt impairment as a result of high debt book and impairment of assets in relation to projects taking longer to complete. The amount of R72 was incurred in the 1st quarter of 2025/26 Financial Year in relation to late payment of Eskom Invoices.

The opening balance for 2025 /26 is R56 million mainly due to the following:

R2,4 Million – Relates to historical irregular expenditure

The amount of R272k was relating the transaction for the drilling of boreholes at villages reported on the RFQ instead of the Deviation register.

R1,4 Million – Relates to the Marapong Cemetery due to exorbitant pricing by Service Provider. The municipality has withheld retention money in lieu of recovering the costs.

Amount of R2,4million relates the Cashbook transactions that were not reconciled at YE and were reconciled in Q1.Amount R18 332 relates to indigent benefit paid ineligible indigents applicants.

The Municipality has incurred Unauthorized expenditure for R49 Million during 2024/25 Financial year. This is mainly due to non-cash items.

The Internal Audit Unit of the Municipality was requested to investigate to determine if there is any official liable for the UIFW. Some of the findings were as follows:

- (a) The reasons for the UIFW related to the composition of the BAC which has since been rectified. The implications thereof were that all bids adjudicated during the period were regarded as irregular.
- (b) LLM has concluded 3-year agreements with various PSP. Any payment to the PSP for the duration of the contract is regarded as irregular and increases the value of the UIFW register and opening balances to the AFS.
- (c) The fruitless expenditure related to interest charged on outstanding Eskom account as the Municipality was in financial distress and could not pay Eskom on time. Most of the disclosed fruitless and wasteful expenditure was caused by interest on late payments.

A report was tabled before Council for processing. Council referred the reports to MPAC for further investigation. MPAC referred the report back to the AO for further investigation. Consequently, the UIFW were disclosed in the Annual Financial Statements for auditing by the AGSA.

The AGSA reviewed the AFS and raised findings on the process followed as this is contrary to National Treasury procedural guidelines. AGSA raised findings on this process and then concluded that no proper investigations were conducted during the year as the base to write off the unauthorised expenditure, fruitless and wasteful expenditure, and irregular expenditure by Council. Hence the prior year's errors were not corrected in the AFS.

The AGSA has since recommended that proper procedures prescribed by the NT be followed to clear the prior years' errors and reduce the amount of the UIFW figures registers as these affects the opening balances in the AFS and must be corrected.

National Treasury has since outlined procedural guidelines to clear the UIFW and this must be followed to the letter to reduce the value of the UIFW. In terms of section 32(2)(b), irregular expenditure may only be written off by Council if, after an investigation by a council committee, the irregular expenditure is certified as irrecoverable. The Council Committee responsible for investigating the UIFW referred to in 32(2) (b) is the MPAC and not the Internal Audit Unit.

National Treasury has directed Municipalities to develop a strategy to reduce the UIFW. Implementation of the strategy will be reported to Treasury on quarterly basis for monitoring. A panel of consultant has been appointed to Investigate the UIFW's. The investigation will be conducted in the 2nd quarter.

3.1 CHALLENGES

- Revenue collection rate is 84%, which is below the target of 95%
- Slow progress on capex expenditure may lead to National Treasury and Department withholding funds.
- Supply of free basic services to rural areas putting pressure on operating revenue.
- Increasing overtime.
- Increased cost on consultants / contracted services.

3.2 WAY FORWARD

- Implementation of Cost Containment Strategies.
- Implementation of Revenue Enhancement Strategy
- The implementation of UIFW reduction Strategy.
- Centralise invoices to Expenditure Department to ensure suppliers are paid within 30 days.
- Fast tracking Capex expenditures.
- Application or takeover of Eskom licence at Marapong and new area or agreement with Eskom to implement % blocking.
- The Municipality must conduct skills audit to improve operational efficiency.
- Management to put stringent control on overtime, travelling and accommodation where possible do more with less.
- Only critical positions must be appointed.

4 STAFF IMPLICATIONS

None

5 FINANCIAL IMPLICATIONS

- Municipality is fast racking capital spending to avoid the withdrawal of funding by National Treasury.
- The Municipality will also continue to implement the revenue enhancement initiatives and cost containment strategies to remain financially viable.

6 OTHER PARTIES CONSULTED

- Executive Management

7 ATTACHMENTS

- Financial Report - C-Schedule is attached as an **ANNEXURE**.



CSchedule_V6.9
(23)_Lephalale_M06_

RECOMMENDED

1. That the December 2025 Financial Report be noted as per Section 71, 52,72, and Section 66 of the MFMA.
2. That the Financial report be submitted to National and Provincial Treasury

ITEM A13/2026[1]

THIRD QUARTER REPORT ON COST RECOVERY AND REVENUE COLLECTION

2/2/3;5/3/1/1

EXCO: 29 JANUARY 2026

REPORT OF THE CHAIRPERSON OF PORTFOLIO COMMITTEE FOR GOVERNANCE, ADMINISTRATION; BUDGET AND TREASURY SERVICES

1. PURPOSE

The purpose of this report is to update Council on the status of Cost Recovery Plan and Revenue collection as at 31 December 2025.

2. LEGAL REQUIREMENTS

- Municipal Finance Management Act
- Municipal Systems Act
- Division of Revenue Act

3. BACKGROUND

Revenue Collection

The Municipality generates its operating revenue from property rates and service charges and in return the consumers are expected to pay for the services rendered to them by the municipality. The revenue Enhancement strategy and Cost Containment Strategies development and presented to improve the financial sustainability of the Municipality. Effective implementation of Credit Control and Debt collection form's integral part on the efficiency of the Process.

Collection rate for Q2 of financial year 2025/2026

The total amount billed for the period July 2025 to December 2025 is R **304 170 449.77** vs the actual collected amount of R **254 593 564.87**, and the cumulative average collection to date is **84%** against the National Treasury Target of 95%.

The improvement of Revenue from the last quarter is as a result of the following:

- The Municipality is currently accelerating the process to get all consumers to register for prepaid, and as at 31 December 2025 there were 5 847 (82% of 7 141) consumers on prepaid electricity with an amount of R 54 939 038.15 having been collected on prepaid sales during the billing period: 1 July 2025 to 31 December 2025. Conversion to smart Electricity metering system is at 99.2%
- The Municipality has on 10 April 2025, implemented percentage blocking on electricity prepaid customers where 30% of the electricity purchases is withheld to pay the debt over 30 days. The amount collected during the period 1 July

- 2025 to 31 December 2025 amounted to R 8 934 721.59 and thus contributes to revenue collection.
- The amount of R 8 267 195 .99 has been collected through the debt collector at 31 December 2025.
 - Payment incentive is granted to all customers that pay their monthly bills in full by the due date. The amount of R 1 420 909.47 has been allowed as an incentive.
 - The interest amount of R 500 519 .60 has been written off on accounts of customers that came forth to make payment arrangements.
 - 98% of historical UIFW has been processed by council and has been forwarded to Financial Misconduct board for consequence management.
 - The letter of demand has been issued to municipal employees and whose account are over 90 days for deduction on their monthly salaries.
 - Demand letter has been forwarded to Government Department and service disconnection will be done by end January 2026.
 - All Exxaro residential accounts has been moved from tenants to Exxaro Main Account to ensure receipts of Monthly payments. Eskom is gradually moving new tenants to Main account.

The following are the measures put in place to improve revenue collection:

- The Municipality is currently accelerating the process to get all consumers to register for prepaid, and as at 31 December 2025 there were 5 847 (82% of 7 141) consumers on prepaid electricity with an amount of R 54 939 038.15 having been collected on prepaid sales during the billing period: 1 July 2025 to 30 December 2025.
- Livewire has fitted 7 141 electricity meters with modems to enable them for prepaid metering and automated meter reading (AMR).
- Municipality is exploring the option of remote water metering reading system and is applying funding to install prepaid water metering system.
- The Municipality intends to implement flat rate at the villages to curb the cost of increasing cost of supply services as the village. This will be implemented as social income.
- The municipality is implementing the credit control system to fastrack the collection of debt below 90% days.
- The project for the replacement of standing meters to improve revenue is ongoing.
- The standard operating procedure has been reviewed to improve efficiency and full implementation of credit control.
- The billing cycle has been revised to align to the pay dates of the consumers.
- Meter reading schedule has been developed and shared with members of community to ensure transparency on meter readings.
- The Municipality is looking at implementing the self-reading water reading system.

The table below depicts the total revenue billed and amount collected for July 2025 to December 2025:

SERVICE TYPE	AMOUNT BILLED	AMOUNT COLLECTED	COLLECTION RATE
--------------	---------------	------------------	-----------------

Property Rates	67 577 720.43	58 359 563.96	86%
Electricity	82 533 364.47	76 194 121.02	92%
Prepaid Electricity	54 939 038.15	54 939 038.15	100%
Water	54 302 388.06	41 538 540.82	76%
Sanitation	24 675 802.62	14 211 052.07	58%
Refuse	19 721 578.11	9 219 245.29	47%
Sundry Services	420 557.93	132 003.56	31%
Total	R 304 170 449.77	R 254 593 564.87	84%

The Municipality uses preferential allocation method on payments received for rates and service charges. The first preference is allocated to rates, followed by sewerage, refuse, water and electricity.

The collection rates of other service types are comparatively low as they fall in the accounts of consumers who reside in farms, Marapong, Thabo Mbeki and vacant stands that do not pay their accounts regularly.

The differences in the collection rate percentages is because some of the consumers in Marapong Township for example, are on Eskom's prepaid electricity and do not pay the municipality for water, refuse removal and sanitation services. Municipality intends to engage Eskom to enter a Memorandum of Understanding (MOU) for Eskom to suspend purchase of electricity for account holders who defaulted on rates and taxes payment of the municipality.

The Municipality is also providing refuse removal services to informal settlements and rural areas to comply with national legislation. The Municipality is however, not billing these services. Consumer awareness campaign will be conducted at the Villages to encourage residents to pay for the services at a flat rate. This will enable the municipality to sustain services provided to the villages.

The municipality is in the process of replacing the malfunctioning metres which are resulting in water losses.

5 METER READING CYCLE AND DATE OF THE ACCOUNT

The meter reading cycle run from the 1st of the current month till the last day of the month of the following month. With the new billing systems accounts are sent electronically on the same day billing is completed. Invoices for Government Institution accounts are prepared and forwarded within 3 days after billing is done. Interest is charged on debts over the 30 days and older. After billing run the credit control and debtor collection policy is implemented i.e whereby a cut off is done for customer which did not adhere to the due date. A 14 days' notice is issued to customer for cut of the accounts over 30 days prior the implementation The due date for the payment included on the statement to remind customers to pay their accounts regularly.

A process flow has been implemented to ensure the process is followed monthly and timely. Management is exploring the process of automating the process in the EMS.

6 DEBTORS REPORT

The current debtors balance is **R 830 151 563.83** of which **R 735 990 927.74** is for accounts that are older than 90 days and has been handed to the debt collectors. Internal credit control strategies are in place and cut offs are performed on monthly basis to ensure that all outstanding debts on accounts within 30 – 60 days are collected on time.

The cleansing of the debt book is in progress to improve the debt collection ratio. The municipality is implementing the credit control system to fast-track the collection of debt below 90% days.

Debt Collector's Collection

The debt collector, Double M Medprac Solutions (Double M) got appointed in October 2024 to collect debts over 90 days. Double M has collected an amount of R 8 267 195.99 during the period 01 July 2025 to 31 December 2025.

COMPARISON INTERNAL VS DEBT COLLECTORS COLLECTIONS AS AT 31 DECEMBER 2025													
MONTH	Revenue Collected Internally	Collection by Debt Collector	Total Revenue Collected	Revenue Expected to collect	Balance below 90 days Q3 Internal / Target	Debt over 90 days - Debt Collectors Q2	Uncollectible Debt	Collectible Amount handed over to Debt Collector	Total Debt	Monthly balance movement	Debt Collectors performance on handed over debt	% Contribution to revenue collection by internal mechanisms	% Contribution to revenue collection by Debt Collector
Jul-25	42,385,114	1,671,256	44,056,371	58,752,505	93,402,494	742,647,576	272,184,257		636,050,070		0.36%	96%	4%
Aug-25	32,365,646	1,703,958	34,069,604	45,885,358	76,957,708	770,306,896	294,892,389		847,264,606	11,214,536	0.36%	95%	5%
Sep-25	46,162,872	2,079,461	48,242,333	48,313,602	75,114,460	779,246,455	263,487,064		854,360,915	7,096,310	0.40%	96%	4%
TOTAL Q1	120,913,632	5,454,675	126,368,307	152,951,465									
Oct-25	41,696,960	1,546,090	43,243,050	55,475,093	98,642,108	768,020,503	242,661,587		866,662,611	12,301,606	0.23%	96%	4%
Nov-25	41,563,195	1,155,065	42,718,260	44,717,238	96,624,820	723,508,775	238,127,317		820,133,595	(46,529,016)	0.23%	97%	3%
Dec-25	42,152,622	111,406	42,264,028	51,026,654	94,166,636	735,990,928	145,245,908		830,151,564	(10,017,968)	0.02%	100%	0%
TOTAL Q2	125,412,737	2,812,967	128,225,704	151,218,964									
Total Mid Year	246,326,369.99	8,267,195.99	254,593,565.98	304,170,449.77									

Debtors by Income Source

TotalsPerServiceType	Total	Current	30 days	60 days	90 days	120 days	150 days	Over 180 days
Advance Payment	(26 432 223.39)	(26 767 810.98)	945.37	1 333.08	972.16	987.91	998.85	330 350.22
Electricity	157 584 699.37	19 586 927.10	4 046 908.92	3 039 705.21	3 269 380.23	2 836 326.80	2 769 760.12	122 035 690.99
Sundry Debtors	9 669 541.65	120 779.43	66 303.10	59 289.25	58 539.89	59 236.60	57 798.42	9 247 592.96
Property Rates	248 679 586.33	18 799 163.24	6 507 306.63	5 653 079.74	5 593 007.23	5 096 923.52	5 227 007.71	201 803 098.26
Sanitation	109 662 057.72	6 669 214.64	2 543 067.99	2 246 197.40	2 170 197.80	2 150 422.16	2 134 646.01	91 748 311.72
Traffic Fines	2 350 292.00	228 575.00	206 972.00	111 500.00	9 400.00	48 950.00	162 700.00	1 582 195.00
Waste Disposal	120 235 438.72	5 510 038.50	2 304 693.04	2 008 629.01	1 962 178.43	2 612 156.02	1 900 364.43	103 937 479.29
Water	208 402 171.43	14 224 164.54	5 078 060.32	4 688 802.13	4 163 215.69	4 027 834.08	3 753 291.26	172 466 803.41
TOTAL	830 151 563.83	38 371 051.47	20 754 257.37	17 808 435.82	17 226 891.43	16 832 839.09	16 006 566.80	703 151 521.85

Debtors by Customer Category

ServiceDesc4	Total	Current	30 days	60 days	90 days	120 days	150 days	Over 180 days
Agricultural Properties	94 001 822.68	1 114 529.55	1 994 869.84	1 636 786.69	1 713 792.56	2 044 062.11	1 727 924.37	83 769 857.56
Business Properties	40 763 785.46	8 524 465.93	1 658 786.66	1 140 891.72	1 093 387.60	1 168 390.58	1 052 622.63	26 126 240.34
Government	27 382 548.61	2 348 412.31	1 223 805.88	1 464 754.84	1 164 781.82	1 016 060.74	903 125.29	19 261 607.73
Residential Properties	668 003 407.08	26 383 643.68	15 876 794.99	13 566 002.57	13 254 929.45	12 604 325.66	12 322 894.51	573 994 816.22
TOTAL	830 151 563.83	38 371 051.47	20 754 257.37	17 808 435.82	17 226 891.43	16 832 839.09	16 006 566.80	703 151 521.85

The amount owed by Government Department is R 27.3 million

Government Department	Sum of Balance	Sum of Days0Amt	Sum of Days30Amt	Sum of Days60Amt	Sum of Days90Amt	Sum of Days120Amt	Sum of Days150Amt	Sum of Days180P_Amt
Department Of Agriculture	314 730.04	45 443.61	22 948.09	22 807.96	30 026.99	24 253.31	34 194.42	135 057.66
Department Of Education	2 478 088.63	155 599.61	130 584.18	110 628.13	107 055.61	103 078.09	90 137.58	1 780 995.45
Department Of Health	1 125 270.29	486 021.49	18 967.79	18 458.31	18 288.55	18 128.06	17 394.88	548 015.18
Department Of Land Affairs	182 524.72	4 726.58	2 797.13	2 778.79	2 760.46	2 742.12	2 844.54	163 875.10
Department of Nature Conservation	294 619.49	45 741.76	22 429.08	22 134.54	21 840.01	20 450.59	20 172.74	141 850.77
Department Social Development	7 255.61	7 255.61	-	-	-	-	-	-
Department of Economic Development	2 814.15	2 814.15	-	-	-	-	-	-
Department of Justice	88 207.41	7 024.29	3 456.22	3 438.49	3 400.54	3 362.96	3 188.11	64 336.80
Department of Public Works	17 580 779.65	1 260 781.25	556 564.14	751 721.21	504 022.62	511 354.89	406 374.73	13 589 960.99
Department of Public Works - National	5 040 855.68	751 599.64	430 756.94	497 880.24	442 853.63	299 974.49	298 710.55	2 319 079.99
Department of Public Works - Provincial	198 966.94	(429 215.86)	29 587.39	29 286.98	28 986.61	28 866.22	25 651.70	485 963.90
Department of Transport	24 981.88	318.58	660.62	645.51	639.58	633.69	1 404.92	20 678.98
Limpopo Economic Development Agency	43 454.15	10 301.60	5 046.32	4 978.68	4 907.02	3 398.41	3 051.12	11 773.00
Grand Total	27 382 548.61	2 348 412.31	1 223 885.58	1 484 754.64	1 184 781.62	1 016 060.74	903 125.29	19 261 607.73

The Government debt as at 31 December 2025 is sitting at R 27.3 million and the outstanding debts are followed up with government on monthly basis and at Government Forum convened by Coghsta.

Process of Expediting payments

Invoices for Government Institution accounts are prepared and forwarded within 3 days after billing is done.

Government debts are forwarded to COGHSTA to assist Municipality with Debt collection through Government Debt Forum that is held quarterly between the Municipalities and relevant Government Departments.

Credit control department is expediting the account on weekly basis in line their payment timelines and to date the department are paying on monthly basis, however the challenge remains Public Works that cites that they are in the process of verifying their asset registers and registering the 57 village schools which are currently being charged property rates but not being paid

Low collection rate is still concerning the following initiatives are in place to improve the collection rate:

- Monthly Revenue enhancement meetings are held with debt collector and all stakeholders to review debt collection performance, share all challenges and strategies to improve the collection rate.
- The standard operating procedure has been reviewed to improve efficiency and full implementation of credit control. The cut of date within 44 days effective from January 2026.
- Appointment of Customer Care Unit Clerk on progress to improve of customer care and timeous resolving of customer queries.
- Strengthening and improving working relationship between municipality and debt collector with the common goal of improving revenue collection.
- Monitoring and evaluation of performance at taking corrective action for continuous improvement.
- Municipality appointed Livewire Engineering (Pty) Ltd in November 2022 to run prepaid vending management.
- The Municipality has recently appointed the debt collector, Double M MedPrac Solutions (Pty) Ltd and the contract is for 3 years. It is expected that the debt collector will assist the Municipality in collecting its revenue.
- The Municipality has on 10 April 2025, implemented percentage blocking on electricity prepaid customers where 30% of the electricity purchases is withheld to pay the debt over 30 days. The amount collected during the period 1 July 2025 to

31 December 2025 amounted to R 8 934 721.59 and thus contributes to revenue collection.

- Payment incentive is granted to all customers that pay their monthly bills in full by the due date, and for the period 1 July 2025 to 31 December 2025 an amount of R 1 420 909.47 has been allowed as an incentive. The incentive is implemented to recognise good paying customers and to also encourage others to follow suite and pay their bills by the due date.
- The Municipality has during Quarter 1 and 2 of 2025/2026 financial year, written off an interest amount of R 500 519.60 on accounts of customers that came forth to make payment arrangements. The initiative encouraged the customers with long outstanding debt to start making payments on their accounts.

Indigent Accounts

- No one should be denied access to basic services because of their inability to pay, households with combined income of less than R4 600 qualify to apply for indigent status. In return treasury is giving Equitable shares.
- The Item on indigent registration has been approved by Council for 2 758 indigent applicants, and an amount of R 41 639 748.77 was written-off as per the Indigent Policy.

Uncollectible debts

- The municipality is currently addressing the uncollectible debts. The current debt book includes the debts that are more than three years and have therefore prescribed.
- The amount of R41.6 Million has been written off in for indigents in Q2 .
- The Municipality is targeting to write-off the amount over **R26 261 364.72** for debt relating to 1 441 consumers that are deregistered, liquidated, prescribed sequestrated, and the breakdown is as follows:

Reason for write-off	Sum of Balance	Number customers
DEREGISTRATION	R3 590 295.36	66
LIQUIDATION	R1 191 382.29	20
PRESCRIBED	R21 479 295.15	1 354
SEQUESTRATED	R391.92	1
Total	R26 261 364.72	1 441

Revenue Enhancement Strategy

- In order to deliver service delivery and ensure operational efficiency the following initiatives have been implemented:
- The municipality has appointed the service provider for the credit control and indigent management system.
- Training and strengthening of governance committees and end users on SCM Policies
- Workflows in the financial system has been reviewed to ensure the system of internal financial control
- Segregation of duties has been outlined to avoid conflicting roles.

- Financial system process flow has been implemented to ensure no payment without Purchase order. All payments are processed in the financial system to ensure Audit trail.
- Weekly Meetings for fast tracking for Capex expenditure
- Safeguarding Municipal assets – Security is strengthened at the workshop. Budget allocated to strengthen security at the strategic assets.
- Supply Chain are conducting market analysis to ensure value for Money in Procurement.
- Terms of reference for appointment of the transaction advisory services for the prefeasibility study report for Paarl Wastewater Treatment and Purchase of Zeeland Water Treatment Plant has been completed and approved by specification committee . The procurement process is underway.

Strategies to improve revenue collection

- Implementation of sub system to enhance collection of revenue through the internal Credit Control Office.
- Replacement of old standing meters for the supply of water meters.
- Application of water restriction at Marapong areas for debt collection.
- Consumer awareness Notices are issued to inform consumers of the cut of date for payments.
- Effective monitoring of billing system to improve credit control.
- Installation of water smart metres.
- DBSA capacity support on revenue enhancement.
- Continuous update of the system with the supplementary valuation roll to ensure accurate billing of property rates.
- Monitoring of Revenue enhancement initiatives

Conditional Grants

CONDITIONAL GRANTS FOR OCTOBER 2025-2026					
	DORA ALLOCATION	GRANTS RECEIVED	TOTAL EXPENDITURE	PERCENTAGE SPENT OF ALLOCATION RECEIV	PERCENTAGE SPENT OF DORA RECEIV
FMG (FINANCIAL MANAGEMENT GRANT)	1,900,000.00	1,900,000.00	812,737.00	43%	43%
DWA (WSIG)	63,300,000.00	53,226,882.00	53,226,882.00	100%	84%
MIG	52,566,000.00	40,671,000.00	21,882,391.00	54%	42%
EPWP	1,478,000.00	370,000.00	237,900.00	64%	16%
ENERGY EFFICIENCY	4,000,000.00	4,000,000.00	2,594,080.00	65%	65%
	123,244,000.00	100,167,882.00	78,753,990.00	79%	64%

Municipality has achieved 64% based on Dora allocation and spend 79% of the received.

All the grant contract has been awarded, and project are in progress. Project steering committee is effective .4 Position for interns are on advert stage. EPWP staff has been appointed and has started in October 2025.

Cost Containment and Cost control

All Directorates have committed to adhere to cost containment as outlined in Circular 82 issued by National Treasury. To ensure the optimization of resources Municipality is implementing the cost containment measures which will reduce the operational costs .

Summary Cost Containment as at 31 December 2025

ITEM	YE BUDGET	TYD BUDGET	EXPENDITURE	YE%	YTD%
OVERTIME	13,381,925.00	6,690,962.50	7,349,789.81	55%	110%
CONSULTANTS	22,296,278.00	11,148,139.00	11,744,799.87	53%	105%
TRAVELLING	2,434,345.00	1,217,172.50	843,009.17	35%	69%
ACCOMODATION	2,043,200.00	1,021,600.00	1,018,534.59	50%	100%
TOTAL	40,155,748.00	20,077,874.00	20,956,133.44	52%	104%

The municipality has implemented the cost containment strategies. Municipality has spent 104% of the YTD budget and are committed to implement cost containment strategies to reduce the operational cost in the next financial year. Municipality to cut on traveling and accommodation, consultant and overtime cost for the next quarter only legislative meetings to be attended.

3.1 CHALLENGES

- Theft of Infrastructure asset which will result in fruitless and wasteful expenditure and cost overruns on Projects.
- None- responsive of the bids due to failure of bidder to submit legislative compliance documents that delay procurement progress
- Under-expenditure on capital projects.
- Municipality is unable to collect revenue at Marapong, Thabo Mbeki and farms as electricity there is distributed directly by Eskom to the residents.
- Marapong population has increased and the demand for services exceed the supply.
- Water and electricity losses as a result of illegal connections and dilapidated infrastructure (pipe bursts)
- Revenue generation from electricity sales is threatened by increasing number of customers switching to solar system and gas energy

3.2 WAY FORWARD

- Municipality to implement the revenue generation initiatives.
- Optimisation of credit control and Debt Collection Value Chain.
- Project weekly meeting of Executives and Divisional Managers be held to speed up the procurement Process.
- Improve the current forward planning strategies in terms of Capital projects spending.
- Continue strengthening internal controls to ensure the culture of financial discipline.

- DBSA non-financial support project in progress to assist with revenue enhancement and asset care.
- Implement UIFW reduction strategy.
- Implement revenue enhancement strategy.

4. STAFF IMPLICATIONS

- Filling of vacancies to be optimised to align to funds availability.

5. FINANCIAL IMPLICATIONS

- Low collection rate on payments of rates and taxes.
- It is anticipated that the loss of jobs and closing of some business could also affect revenue collection if the economic conditions continue to deteriorate
- The municipality has optimised the billing system to align to pay dates.
- There are currently vacant positions and the savings generated from not paying their salaries are used to defray other municipal operating expenditure.
- Travelling and subsistence expenditure costs have been reduced.

6. OTHER PARTIES CONSULTED

Executive Management

7. ATTACHMENTS

- National Treasury: Notice 317 of 2019: Local Municipal Finance Management Act 2003. Municipal cost containment Regulations 2019
- Revenue Collection Report
- Revenue Enhancement Strategy Document
- Debt relief - Interest write-off for 2024-2025
- Prepaid electricity 30% percentage blocking collection / Debt Recoveries
- Debt Collector's Report
- Payment incentives
- Write-off of deregistered, liquidated, prescribed and sequestrated debt



MFMA Circular No
82 - Cost Containmen



LEPHALALE
PROGRESS REPORT F



LIM362_REVENUE
ENHANCEMENT STRA



WRITE-OFF OF
DEREGISTERED LIQUI



REVENUE
COLLECTION REPOR



DEBT RECOVERIES
30%_1 JULY 2025 - 3



DEBT RELIEF
SCHEDULE - INTERES



PAYMENT INCENTIVE
AMOUNT_JULY 2025



REVENUE
COLLECTION - INTERI

RECOMMENDED

1. That the progress report on implementation of cost recovery plan and revenue enhancement strategy be noted.
2. That the Revenue Enhancement Strategy be implemented, and the progress report be tabled to Council on quarterly basis during the 2025/2026 financial period.
3. That the Progress report on Cost Containment as outlined on Notice 317 of 2019 issued by National Treasury be implemented and progress report be tabled in Council quarterly during the in 2025/2026 financial period.

COUNCIL RESOLUTION



ITEM A07/2026[1]

FINANCIAL REPORT AS AT 31 DECEMBER 2025

5/17/2

COUNCIL:29 JANUARY 2026

RESOLVED

1. That the December 2025 Financial Report be noted as per Section 71, 52,72, and Section 66 of the MFMA.
2. That the Financial report be submitted to National and Provincial Treasury

CFO

