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TREASURY CIRCULAR MUN NO. 4/2026

THE MAYOR, CITY OF CAPE TOWN
THE MAYOR, WEST COAST DISTRICT MUNICIPALITY
THE MAYOR, MATZIKAMA MUNICIPALITY
THE MAYOR, CEDERBERG MUNICIPALITY
THE MAYOR, BERGRIVIER MUNICIPALITY
THE MAYOR, SALDANHA BAY MUNICIPALITY
THE MAYOR, SWARTLAND MUNICIPALITY
THE MAYOR, CAPE WINELANDS DISTRICT MUNICIPALITY
THE MAYOR, WITZENBERG MUNICIPALITY
THE MAYOR, DRAKENSTEIN MUNICIPALITY
THE MAYOR, STELLENBOSCH MUNICIPALITY
THE MAYOR, BREEDE VALLEY MUNICIPALITY
THE MAYOR, LANGEBERG MUNICIPALITY
THE MAYOR, OVERBERG DISTRICT MUNICIPALITY
THE MAYOR, THEEWATERSKLOOF MUNICIPALITY
THE MAYOR, OVERSTRAND MUNICIPALITY
THE MAYOR, CAPE AGULHAS MUNICIPALITY
THE MAYOR, SWELLENDAM MUNICIPALITY
THE MAYOR, GARDEN ROUTE DISTRICT MUNICIPALITY
THE MAYOR, KANNALAND MUNICIPALITY
THE MAYOR, HESSEQUA MUNICIPALITY
THE MAYOR, MOSSEL BAY MUNICIPALITY
THE MAYOR, GEORGE MUNICIPALITY
THE MAYOR, OUDTSHOORN MUNICIPALITY
THE MAYOR, BITOU MUNICIPALITY
THE MAYOR, KNYSNA MUNICIPALITY
THE MAYOR, CENTRAL KAROO DISTRICT
THE MAYOR, LAINGSBURG MUNICIPALITY
THE MAYOR, PRINCE ALBERT MUNICIPALITY
THE MAYOR, BEAUFORT WEST MUNICIPALITY

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THE CHIEF DIRECTOR: DISASTER MANAGEMENT AND FIRE BRIGADE SERVICES – DEPARTMENT OF LOCAL GOVERNMENT

RE: CONSISTENT ENFORCEMENT OF DEBT COLLECTION AND CREDIT CONTROL MEASURES FOR COUNCILLORS AND EMPLOYEES

1. PURPOSE

1.1 The purpose of this circular is to remind municipalities of their statutory obligations to ensure strict compliance with the Code of Conduct for Councillors (Schedule 7 of the Municipal Structures Act), the Code of Conduct for Councillors Regulations (GN 3538, GG 48786, published on 14 June 2023), and all other applicable legislation regulating the financial obligations of municipal councillors and employees.

1.2 This circular further seeks to strengthen the implementation and enforcement of municipal credit control and debt collection measures in respect of serving councillors, outgoing councillors, and municipal employees. It serves to reinforce the responsibility of all councillors and employees to maintain their municipal accounts in good standing and to settle all municipal charges when due.

1.3 Additionally, this circular serves as a critical reminder of PT Circular 12 of 2025, which underscores the necessity of consistently applying credit control and debt collection measures throughout the year, including during the festive season. Consistently enforcing credit control protections safeguards municipal revenue, prevents selective enforcement, ensures the sustainable delivery of public services, and complies with the constitutional principle of equality before the law.

2. LEGAL CONTEXT AND STATUTORY FRAMEWORK

2.1 The duty of municipalities to collect revenues for services rendered is firmly established in municipal legislation. The relevant statutory provisions governing this mandate include:

2.1.1 Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) [MSA]: Section 96 obligates a municipality to collect all money due and payable to it. To give effect to this duty, Section 98 requires the Municipality to adopt, maintain, and implement a credit control and debt collection policy consistent with its rates and tariff policies, which must be given legal effect through municipal by-laws.

2.1.2 Code of Conduct for Councillors (Schedule 7, Municipal Structures Act): Item 14 explicitly prohibits a councillor from being in arrears to the Municipality for rates and service charges for a period longer than three (3) months. Failure to comply constitutes a breach of the Code of Conduct.

2.1.3 Code of Conduct for Councillors Regulations, 2023 (GN 3538): These regulations provide procedural steps for managing councillor arrears. The Municipal Manager must notify a councillor in writing when their account is in arrears for more than two (2) months and request settlement. If arrears exceed three (3) months, the Municipal Manager must immediately refer the matter to the Speaker, who is legally required to ensure the outstanding debt is recovered. This procedure applies uniformly, including to newly elected councillors.

2.1.4 Staff Arrears (Schedule 2, Section 10 of the MSA): Municipal staff members are prohibited from being in arrears on their municipal accounts for more than three (3) months. The Municipality is empowered to automatically deduct any outstanding amounts from the staff member's salary after this period.

2.1.5 Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) [MFMA]: Compels the implementation of effective revenue management systems. This duty requires the Municipal Manager and delegated officials to actively implement credit control procedures to recover arrear amounts from both staff and councillors.

2.1.6 Policy Interference: In terms of Section 173(5)(a) of the MFMA, any councillor or municipal official who interferes with the implementation of a municipality's approved credit control policy commits an offence. Upon conviction, such interference carries a statutory penalty of a fine or imprisonment for up to five (5) years.

2.1.7 Financial Misconduct: In terms of Section 171 of the MFMA, the failure by an official to properly implement the approved credit control policy constitutes financial misconduct. The Municipality is legally obligated to investigate such failures and, where necessary, institute formal disciplinary proceedings.

3. KEY FINANCIAL AND GOVERNANCE RISKS

3.1 Failing to enforce credit control measures against councillors and employees creates severe operational and governance risks. Municipalities must actively mitigate the following vulnerabilities:

3.1.1. Financial Instability: Failing to recover debt owed by public officials results in immediate revenue losses, cash flow constraints, and an increase in irrecoverable debt, which directly threatens the financial sustainability of the Municipality and service delivery.

3.1.2. Regulatory Non-Compliance: Inconsistent application of credit control policies represents a breach of statutory duties, resulting in adverse municipal audit findings, weak internal governance controls, and heightened regulatory scrutiny.

3.1.3. Erosion of Public Confidence: Applying rules to ordinary citizens while exempting public officials undermines public confidence, weakens the broader societal payment culture, and exposes the Municipality to significant reputational and legal risks.

4. REQUIRED ADMINISTRATIVE AND CREDIT CONTROL ACTIONS

4.1. To ensure compliance with the legislative framework, municipal administrations are requested to assist in implementing the following credit control and administrative actions:

TARGET GROUP	CREDIT CONTROL ACTION TO BE IMPLEMENTED	APPLICABLE LEGISLATIVE AUTHORITY
Outgoing Councillors	Immediately implement measures to recover all outstanding debt prior to the expiration of their term. Municipalities must deduct any outstanding balances from final remuneration, allowances, gratuities, or other monies due to them, in accordance with local policies and in compliance with applicable legislation.	*Schedule 7 (Item 14) of Municipal Structures Act.*
Incoming/Newly Elected Councillors	Ensure that any incoming councillor whose municipal accounts are in arrears enters into a formal, binding repayment agreement immediately upon taking office, which must include provisions for automatic salary and allowance deductions to bring their accounts up to date.	*Schedule 7 (Item 14) of Municipal Structures Act.*

TARGET GROUP	CREDIT CONTROL ACTION TO BE IMPLEMENTED	APPLICABLE LEGISLATIVE AUTHORITY
Municipal Employees in Arrears	Actively enforce debt recovery processes against staff members whose accounts are in arrears for more than three (3) months. Implement direct salary deductions to recover outstanding amounts in accordance with the credit control policy and collective agreements and in compliance with applicable legislation.	*Schedule 2 (Section 10) of MSA.*
Newly Appointed Employees	Ensure that newly appointed employees with outstanding municipal debt enter into formal, binding repayment agreements upon appointment, incorporating automatic salary deduction clauses to clear the outstanding balances.	*Municipal Credit Control Policy.*

4.2. **COUNCIL TABLING AND SUBMISSION REQUEST**

4.2.1. To ensure high-level awareness and formal compliance, municipalities are requested to do the following:

4.2.1.1. **Council Tabling:** This circular must be tabled as an official agenda item at the next available council meeting. This is to ensure that all serving councillors, as well as executive officials, are fully apprised of their personal and statutory financial obligations.

4.2.1.2. **Submission of Proof:** Once tabled, municipalities must immediately submit a copy of the formal council agenda item and the relevant council resolution demonstrating compliance to the Provincial Treasury via email at: **mfma.mfma@westerncape.gov.za**

5. Municipalities are reminded that revenue collection is the lifeblood of municipal survival. Failing to enforce our credit control policies uniformly not only violates our statutory obligations under the Municipal Systems Act, but it also compromises the constitutional principle of equality before the law.

Victor Senna Digitally signed by Victor Senna
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DEPUTY DIRECTOR-GENERAL: FISCAL AND ECONOMIC SERVICES
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