



An Essential Guide to Fixing Joburg

***A must read for incoming councillors and voters who want to
fix the City of Johannesburg.***

**Report by Joburg Crisis Alliance
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Overview: Joburg's next council inherits a financial mess

Summary

- City Power changed over 10 years from being a cash-generator for the City of Johannesburg to being a cash-absorber.
- CoJ's cash sweeping system was used to subsidise City Power.
- CoJ's own Financial Turnaround Framework acknowledges that CoJ channelled surpluses from Johannesburg Water to fund City Power's structural deficits, without formal council approval.
- By the end of July 2026, City Power had an overdraft in the sweeping system of R22.476bn, Johannesburg Water had a credit of R2.304bn and CoJ core had a credit of R23.410bn. Other entities similarly had overdrafts or credits.
- CoJ is now committed to dismantling the sweeping system in order to benefit from the National Treasury's Metro Trading Entities Reform Programme.
- CoJ council has approved the reform process and key legal agreements which enable the ring-fencing of Johannesburg Water, City Power and Pikitup. This commits the City to the reforms.
- The Financial Turnaround Framework is driving this reform.
- City Power paid off Eskom arrears of R5.255bn by 21 August, but a later City Power document shows Eskom balances of R9.634bn brought forward into September.
- Paying Eskom in October meant City Power had to borrow another R2.5bn from CoJ core, likely pushing its sweeping overdraft to nearly R25bn.
- The Eskom arrears situation is largely hidden from the public by CoJ.
- The incoming council will inherit this financial and governance challenge.

The City of Johannesburg's next council inherits a metro trying to get out of deep financial trouble, now finally committed to moving away from a sweeping system which used surpluses from Johannesburg Water to prop up the financially distressed City Power.

The incentive for the City to get this right is enormous: the City's own Financial Turnaround Framework says R10.1 billion over three years in conditional grants from National Treasury are at risk if the City does not meet the reform commitments. In return, the City must give up the sweeping arrangement it has clung to, and largely hidden from public view, for years.

The sweeping arrangement has been criticised by civil society due to the secrecy around it and concerns that CoJ core is retaining funds from critical entities Johannesburg Water and City Power, and delaying or even reducing crucially needed revenue to those entities.

The traditional municipal model involves municipalities using profits from selling services such as electricity, water, sanitation and refuse removal to fund core operations.

However, CoJ documents from the past year show how electricity entity City Power does not in fact generate funds for CoJ core. Instead, City Power moved a decade ago from generating profit, to building up an internal overdraft of possibly as much as R25bn by October 2026. The documents illustrate how the sweeping arrangement has propped up City Power by, in part, subsidising it with revenue from Johannesburg Water.

City Power's situation has worsened in recent weeks.

Both City Power and Johannesburg Water are now expected to be ring-fenced during 2026/27, as part of National Treasury's Metro Trading Entities

Reform Programme. Johannesburg Water was scheduled to begin this process from 1 July 2026, while City Power's ring-fencing was targeted for completion by December 2026.

National Treasury does not simply have the power to order CoJ to restructure its trading entities. However, the reform programme carries a powerful financial incentive: grant funding is linked to reform performance and milestones, and CoJ's own documents have estimated that CoJ risks R10.1bn over three years if it does not comply.

In June 2026, the CoJ council approved the revised service delivery agreements, revenue management agreements and related reform agreements for the three entities. These expressly provide for the ring-fencing and form binding parts of the CoJ-entity service-delivery agreements. This means ring-fencing is no longer merely a National Treasury proposal or incentive, it is now also a binding commitment adopted by CoJ itself.

The central part of ring-fencing is dismantling the CoJ sweeping arrangement.

CoJ's own Financial Turnaround Framework, adopted by council in June as the driving plan for the ring-fencing and reforms, acknowledges **that the sweeping arrangement "channels Johannesburg Water's surpluses to fund City Power's structural deficits without formal Council approval, without Revenue-Sharing Agreements, and without performance conditions"**. It is this arrangement, which has been obscured to the public, which is now being dismantled.

The difficult financial situation of CoJ and City Power, its most troublesome entity, are illustrated in some of the documents tabled in council during the past year. These include the Municipal Finance Management Act (MFMA) monthly in-year financial reports in terms of MFMA section 71 (referred to as section 71 reports) and the City Power performance assessment reports, as well as annual reports and annual financial statements.

A key challenge with some of these reports is that there are delays in tabling them in council. This means crucial oversight reports – like monthly S71 reports and quarterly performance assessment reports – are sometimes months late, limiting oversight by council's section 79 oversight committees, the full council and the public. Another challenge is that crucial information in the reports is buried or not clearly explained, so it may be missed by councillors and the public. This is exacerbated by the limited public access to many of the reports. Councillor oversight is fragmented, with the S71 reports going to the council's Finance Committee and the key trading entity performance reports going to the Environment and Infrastructure Services Committee.

The S71 reports are pulled from the municipal database at three levels of government: by CoJ, by the provincial treasury and by National Treasury. These three sets of reports use differing levels of detail.

National Treasury's voluminous S71 report for the quarter ended June 2026 includes a spreadsheet listing municipalities with serious financial problems.¹ CoJ is listed as failing to make payments when due, failing to make Eskom payments, failing to pay other creditors, and being in financial distress.

CoJ's own S71 reports are traditionally sent to the council's Finance Committee, then tabled in council. They contain detail which is not included in the provincial and national S71 reports. Although the MFMA requires each monthly report to be sent to the Executive Mayor no later than 10 working days after the end of the relevant month, these reports are tabled in council months later.

¹ National Treasury. *Municipalities meeting criteria for determining serious financial problems in terms of section 138 & 140 of the MFMA, Q4 2025/26*. Section 71 report, quarter 4 2025/26. Available at [https://mfma.treasury.gov.za/Publications%20and%20Media%20Releases/Section%2071%20Information%20\(In-year%20Management,%20Monitoring%20and%20Reporting\)/2025-26/4th%20Quarter/Excel/2025_26%20Q4%20-%20S139%20Targets%20-%20Published.xlsx](https://mfma.treasury.gov.za/Publications%20and%20Media%20Releases/Section%2071%20Information%20(In-year%20Management,%20Monitoring%20and%20Reporting)/2025-26/4th%20Quarter/Excel/2025_26%20Q4%20-%20S139%20Targets%20-%20Published.xlsx)

The CoJ's most recently tabled reports are for June and July 2026, both tabled in council at the meeting of 30 September 2026. Councillors complained that these were not sent to the Finance Committee before that.

The June S71 report records the CoJ overall collection rate as only 85.3% for 2025/26, against an 88.5% budget assumption. The July S71 report shows a rise in the collection rate to 90.2%, but this is for a single month.

While the S71 reports still routinely refer to City Power as one of Johannesburg's "key cash generators", the reality shown in those very S71 reports is that it has become a major drain on the City's pooled cash.

The S71 reports track the **sweeping account**, an arrangement through which CoJ core manages the central cash collections and allocates to the core and entities. The sweeping arrangement is linked to the CoJ allocation of revenue from cash collections, but it's not clear how these arrangements operate, including how payments on consolidated accounts are allocated between entities, and CoJ policy on this is not available to the public. It's understood that in part-paid consolidated accounts, the electricity charge is the last to be paid as disconnecting power is the metro's strongest debt-collection tool.

Hundreds of millions – sometimes billions – move between CoJ core and municipal entities each month, but the monthly S71 reports give almost no explanation of the transactions.

The sweeping account shows how City Power's financial situation has deteriorated for a decade, and particularly sharply in the last year. This account appears to move incoming cash from customers and grants between CoJ core and its entities, with failing entities like City Power running sweeping account "overdrafts".

City Power's internal sweeping-account balance deteriorated from a positive R117.7 million in 2016/17 – the entity's last year-end positive balance – to an **overdraft** of R15.677bn by June 2025, R19.491bn by June 2026 and **R22.476bn overdraft** by the end of July 2026.

Johannesburg Water ended July 2026 with a **R2.304bn credit** in the sweeping system, emphasising its importance in keeping CoJ and City Power afloat, and CoJ core attributed a **R23.410bn credit** to itself.

City Power's situation has been made worse by its Eskom arrears. The CoJ Financial Turnaround Framework highlights potential default on the Eskom bill as top of the City's risks.

The Eskom arrears and City Power's ongoing inability to pay a bulk supply bill that its revenue does not cover adequately are central to City Power's need for the sweeping arrangement.

The **Eskom arrears** are of huge concern to the public, due to Eskom threats in May to cut power to certain supply points. Despite this crisis, CoJ authorities continue to downplay this issue and fail to provide clear information to the public.

On 21 August, Eskom announced that CoJ/CP had made the "final payment" to Eskom "to settle in full the accumulated overdue electricity debt of R5 255 421 994.16", and that CoJ/CP had at the same time undertaken to pay the July 2026 account of R1 860 379 885 in full on the due date of 31 August (see the Eskom statement [here](#)).

There was no indication from the Eskom statement or CoJ that there were other arrears.

Now it seems the arrears were significantly more, and likely only one set of accounts was settled.

A City Power “Eskom payments update” note circulated to City stakeholders on 19 October shows the “balance as per 30 September 2026” – more than a month after that “final payment” – as **R9.906bn**.

 ESKOM PAYMENTS UPDATE							
	B/F Billing Sep 26	Payment 04 Sep 26	Payment 10 Sep 26	Payment 17 Sep 26	Payment 23 Sep 26	07 Oct 2026	Bal as per 30 September 2026
	0.02	14,597,776.52					0.02
	5,378,562,199.03	250,000,000.00	400,000,000.00	147,377,806.89			4,581,184,392.14
	3,557,446,804.92			252,622,193.11	450,000,000.00		2,667,328,323.50
	510,920,290.59						510,920,290.59
	186,713,763.60						186,713,763.60
						1,959,591,760	
	9,633,643,058.12	14,597,776.52	250,000,000.00	400,000,000.00	450,000,000.00	1,959,591,760	9,905,738,530
PAYMENTS SINCE RINGFENCING							
10 October 2026	CP Collections				R500,000,000		
17 October 2026	CoJ Loan				R2,500,000,000		
19 October 2026	CP Collections				R300,000,000		
20 October 2026	CP Collections				R200,000,000		



R3,5 billion paid to date

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This is not a single month’s debt, even if CoJ/CP failed to make that R1.860bn payment on 31 August.²

The City Power note lists six line items, possibly indicating different Eskom accounts or bundles of accounts. The brought-forward balances (“B/F”) at the start of September totalled R9.634bn; while this presumably included the August monthly invoices, it indicates that the R5.255bn settlement did not represent the full Eskom arrears.

It’s not clear which amounts are arrears, which are current accounts or whether the July current amount due on 31 August was paid as promised. The note records payments totalling R1.5bn during September and two further charges added, leaving a balance outstanding of R9.906bn.

If R5.255bn was “settled in full” by 21 August, if the July current account of R1.8bn was paid as promised on 31 August, if the R1.5bn paid in September covered the August current account, if the R1.9560bn invoiced on 7 October is the September account due at the end of October, then what exactly does the remaining R7.946bn represent?

Was the amount promised to Eskom on 31 August not paid? And what is the rest?

The same note lists four payments subsequently made in October – “since ringfencing” – totalling R3.5bn, with R1bn sourced from City Power collections and R2.5bn a “CoJ loan”. That would indicate that the outstanding balance in late October (including the two new charges) was about **R6.406bn**.

That R2.5bn CoJ loan was likely added to City Power’s internal overdraft, bringing it to nearly R25bn.

² The S71 reports submitted to CoJ council show CoJ/City Power budgeted to spend R17.583bn on buying electricity, which would have been an average monthly bill of about R1.5bn. The 2025/26 actual spend on bulk electricity was R20.660bn. For most months, CoJ’s recorded bulk electricity expenditure was about R1.5bn a month.

This situation might explain why Finance MMC and Deputy Executive Mayor Loyiso Masuku asked the council meeting of 30 September to approve a short-term loan of R5bn, alongside the planned long-term loan of about R10bn to fund the upcoming three years of capital expenditure (the capital expenditure loan was planned in Budget 2026/27). The loans did not get enough support from councillors to get approval, and the documents on these loans were withheld from the public.

The Eskom arrears are not clearly mentioned in the monthly S71 reports tabled in council or in the City Power quarterly performance assessment reports. When mention is made of difficulties with bulk supply bills (the performance assessment reports frame this as difficulties with spending more than budget on purchasing bulk supply) or, briefly, a dispute with Eskom over unpaid debts and alleged overbilling, no information is provided for the amounts owing or disputed, any debt agreement made or any payments made.

In addition to its overwhelming operational problems, City Power's situation is worsened by three financial problems: Eskom charges City Power interest on the account arrears; CoJ core charges City Power interest every year on its sweeping account overdraft; CoJ core charges City Power a management fee for running the billing.

Again, these issues are not highlighted by council.

The **Eskom interest** is listed deep in the City Power performance assessment reports, on page 293 in the 2025/26 Q2 report and page 230 in the 2025/26 Q3 report. By the end of March 2026, the Eskom interest on arrears had reached **R322.739m** in 2025/26. There is no indication how much of this had been paid. The interest record identifies the Eskom accounts in arrears, primarily the bulk accounts (the biggest arrears, with an interest charge of R316.838m on what seems to be multiple accounts), the streetlights (R225 472) and the free electricity (R10 909). While the main arrears are not specified, the size of the interest indicates huge arrears.

CoJ charges City Power **interest** on the internal overdraft. This is listed in the City Power annual reports. City Power was charged **R1.159bn** in interest by CoJ core on this internal overdraft in 2024/25 and R1.077bn in 2023/24.

The CoJ **management fees** charged to City Power are also listed in the entity's annual reports, totalling R126.484m for the year in 2024/25 (2023/24: R119.607m).

It is operational challenges that are bringing City Power down.

There is no single explanation for **City Power's collapse**, but the warning signs are everywhere and come up in various reports.

Bulk-electricity expenditure reached R20.660bn in 2025/26, R3.077bn over budget. Electricity customers owed CoJ R12.257bn at year-end, almost R10bn of it more than 90 days overdue.

City Power's own 2024/25 annual report valued electricity losses at an extraordinary R5.67bn, with almost 30% of electricity purchased lost before it could generate revenue. Most of the value loss was non-technical — theft, vandalism, illegal connections, meter bypasses and weaknesses in the revenue chain. Yet electricity losses scarcely feature in CoJ's monthly financial reporting.

Vandalism is an ongoing, massive problem, but is not quantified or, apparently, opposed through a clear strategy. This is a problem across CoJ: vandalism of infrastructure appears to be regarded simply as a cost of doing business, despite even CoJ authorities starting to comment that some of the vandalism is orchestrated. There has long been an assumption in civil society that at least some of the vandalism is aimed at enabling emergency procurement for certain contractors.

The next council will inherit a City struggling to safeguard the bulk electricity and water it purchases, struggling to defend infrastructure against increasingly organised vandalism, struggling to collect what it bills customers, underspending on infrastructure while overspending operationally, carrying a severely weakened electricity utility and trying to dismantle a cash-management system that remains poorly explained to both councillors and the public.

The new council's first priorities should include timely financial reporting to council, full disclosure of the funding plan, transparent reform of the sweeping system and compliance with National Treasury's Metro Trading Services Reform Programme, credible restructuring of City Power's internal debt, and much clearer reporting on Eskom arrears and payments, electricity and water losses, and consumer debt.

The following report provides more detail on some of the above issues.

1. The S71 reports

The monthly reports in terms of section 71 of the Municipal Finance Management Act (MFMA) are submitted to the council as crucial oversight tools. These are referred to as the S71 reports.

These provide useful in-year insight into the City's financial situation.

However, these reports are usually months late in arriving in council. At what is expected to be the CoJ council's last meeting, on 30 September 2026, the monthly reports for June 2026 and July 2026 were tabled.

The full series from 2025/26 and the July 2026 report are used for an overview of CoJ finances, particularly the position of electricity entity City Power.

1.1. S71 reports: background

In terms of section 71, municipal accounting officer (the city manager) must, by no later than 10 working days after the end of each month, submit to the mayor and the provincial treasury a report on the state of the municipality's budget for that month and for the financial year-to-date. The provincial treasury in turn must submit the consolidated municipal reports to National Treasury. The province also publishes a quarterly report, within 30 days of the end of each quarter, and sends the consolidated statements to the provincial legislature no later than 45 days after the end of each quarter.

There is no legal requirement to submit these reports to council – a serious accountability oversight – but traditionally the reports are sent first to the council's section 79 finance committee (an oversight committee set up in terms of S79 of the Local Government: Municipal Structures Act) and then to council. They are tabled in council by the MMC for Finance, currently Executive Deputy Mayor Loyiso Masuku.

The CoJ council tends to receive these reports late. Of the 2025/26 reports, the fastest to be tabled was the December 2025 report, tabled just under two months later on 26 February 2026; the rest were all tabled at least two months after the end of the relevant month with one (September 2025) nearly five months late.³ These reports are intended as important in-year accountability tools, but tabling them late reduces their effectiveness.

Although the June and July 2026 reports would have been sitting in the mayor's office by mid-July and mid-August and should thus have been available for the council meeting of 26 August, they were tabled only at the meeting of 30 September. Although the August report should have been sitting in the mayor's office by then, that report was not tabled.

This routine late delivery raises questions over where in the system the reports are delayed, whether this is deliberate and, if deliberate, what is being hidden from both council and the public.

The June and July 2026 reports are particularly crucial. The June report covers the end of the 2025/26 financial year, and both reports are key indicators of the metro's financial position in the run-up to the November election.

³ Monthly reports and dates of tabling in council: July & August 2025 tabled 30 October 2025; September, October, November and December 2025 tabled 26 February 2026; March 2026 tabled 4 June 2026; April and May 2026 tabled 26 August 2026; June and July 2026 tabled 30 September 2026.

These reports were not tabled at the council meeting of 26 August although both should have been available by then. That meeting was due to have been the last council meeting before the November election, so councillors and residents would not have had sight of them before the election.

The 30 September meeting was a last-minute extra, called because council did not get through the full agenda of the previous meeting.

Council is not due to sit again before the election, so later reports will go to the new council.

The June report was signed off by the Group CFO Tebogo Moraka and Finance MMC Masuku on 17 September and submitted to the council meeting of 30 September.

In the meantime, the Gauteng Treasury used the data in the consolidated Gauteng municipalities quarterly report (April-June 2026), which was published in the provincial gazette on 31 July. Likewise, National Treasury extracted the data from the local government database and published the full national set of S71 reports for April-June 2026 (the fourth quarter of 2025/26) on 16 September.

The council and the Joburg public were thus last to receive the June report on their own metro.

The three published versions of the reports – the monthly report tabled in council, and the quarterly reports published by provincial treasuries and by National Treasury – all contain different levels of detail.

The Gauteng report, published fastest, has the least detail on individual municipalities. The April-June 2026 report was a 10-page consolidated report for Gauteng municipalities, with data with some narrative (Gauteng Provincial Gazette no 244 of 31 July 2026). National Treasury's reports are vast bundles of spreadsheets, with the most financial detail but minimal narrative (see [here](#)).

The report presented to council does not contain much of the detail in the National Treasury report, but it contains crucial details on CoJ finances that are not available elsewhere, with both figures and narrative.

1.2. S71 reports: Gauteng's 4th quarter report

The Gauteng Treasury consolidated report gives little detail on each municipality, focusing on an overall provincial picture. However, it provides the information below on CoJ. The budgeted figures refer to the adjusted budget.

- **CoJ revenue:** CoJ reported high operating revenue performance above 98% of budget by year end. Note that "revenue" in connection to service and other charges to customers refers to the amount invoiced, not the cash collected.
- **CoJ expenditure:** CoJ recorded the highest overall expenditure of the Gauteng municipalities at 116.1% of the expenditure budget.
- **Electricity billing to customers:** CoJ operating revenue for energy (the amount invoiced to electricity consumers) was **R25.468bn** or 99.5% of the budgeted amount.
- **Electricity running costs:** CoJ operating expenditure for energy (the amount spent running City Power) was **R25.553bn** or 119.5% of budget. It was the only Gauteng municipality to overspend on this. This is higher than the amount invoiced to customers.
- **Eskom purchases:** CoJ recorded the highest spending on bulk purchases for the quarter at 117.5% of budget. This is assumed to refer to bulk electricity purchases – the Eskom bill – as bulk water is usually bundled into "inventory consumed", and the table in the Gauteng report refers to "Bulk purchases – electricity".

- **Capex:** CoJ spent only 72.4% of its capital budget by year end. (The May report submitted to council showed capital spending at 52% of budget, indicating big spending in June.)
- **Water:** CoJ reported operating revenue for water management of **R11.103bn** or 93.2% of budget. This means it invoiced customers less than it had expected. CoJ reported operating expenditure for water management of **R11.408bn** or 102.4% of budget. This means that the reported water-management function spent more than it invoiced customers.
- **Sanitation:** CoJ reported operating revenue for waste water management (amount invoiced to customers for sanitation) of R8.181bn or 101% of budget. At the same time, it reported operating expenditure for waste water management of just R968m, which was 106.7% of budget.
- **Refuse removal:** CoJ reported operating revenue for refuse removal (Pikitup) of R4.762bn, which was 139.4% of budget. This is amount invoiced to customers. The Gauteng report comments that this is “unrealistic and likely indicative of a reporting inaccuracy or underbudgeting”.
- **Refuse removal:** CoJ reported operating expenditure for refuse removal (Pikitup) of R4.595bn or 112.5% of budget. Pikitup thus invoiced customers more than it spent, if the revenue figures were correct.
- **Debtors:** Overall, debtors owed Gauteng municipalities R180.152bn, about 69% of this owed by households. There was no breakdown by municipality.
- **Creditors:** Overall, the Gauteng municipalities owed creditors R47.724bn. There was no breakdown by municipality.

2. S71 reports: What's in CoJ's June and July reports

These are the versions of the S71 reports tabled in council.

2.1. The cost of trading services and collections

Trading service	Revenue 2025/26	Expenditure 2025/26	Cash collections 2025/26	Collection rate
City Power	R26.293bn	R27.949bn	R26.929bn	92.5%
Joburg Water	R19.952bn	R19.575bn	R15.971bn ⁴	74.2%
Pikitup	R3.425bn	R4.865bn	R2.799bn	74.7%

Source: CoJ S71 report for June 2026, Table SC11 (revenue & expenditure figures) and "May 2026 Billing & June 2026 Collections: YTD Billing & Collections" (collections & collection rates). Note: Figures drawn from different tables may not match.

CoJ core	Revenue 2025/26	Expenditure 2025/26	Cash collections 2025/26	Collection rate
Property rates	R18.920bn	--	R17.513bn	88.9%

Source: CoJ S71 report for June 2026, Table C4 (revenue) and "May 2026 Billing & June 2026 Collections: YTD Billing & Collections" (collections & collection rates). Note: Figures drawn from different tables may not match.

During 2025/26, CoJ billed R74 089.012m for rates, electricity, water and refuse (it's assumed that sanitation is included in the water figures), and collected R63 211.118m, an overall collection rate for the City of just **85.3%**.

The collection rate for electricity is highest (92.5% for the year), followed by rates (88.9%), refuse (74.7%) and water (74.2%). The water collection rate is assumed to include sanitation, which is also managed by Johannesburg Water.

Budget 2025/26 assumed an overall collection rate of **88.5%** for 2025/26, 89.1% for 2026/27 and 89.6% for 2027/28. Thus the 2025/26 actual collection rate was below target. At an 88.5% collection rate, the City would have collected about R2.358bn more.

Budget 2026/27 assumes a lower overall collection rate of 86% for 2026/27, 86.1% for 2027/28 and 86.2% for 2028/29.

⁴ In the Billing table in the S71 report, this refers to water, while sanitation is not specified. It is assumed from the amount that this refers to both water and sanitation services, which are both managed by Johannesburg Water and often not clearly separated in CoJ financial documents.

2.2. Employee costs

In November 2025, bonuses across CoJ and overtime paid by City Power and Public Safety ran the month's budget over by R1 109.703m (12%). The Political Facilitated Agreement (PFA) was approved by council March 2026. The impact of the PFA is not explicitly referred to and is not clearly apparent in the S71 records. Employee-related costs were R1 982.644m in March 2026, increased to R2 175.668m in April 2026, dropped to R2 076.043m in May 2026, dropped to R1 958.765m in June 2026, and increased slightly to R2 026.301m in July 2026.

2.3. Metro reform and ring-fencing

In terms of National Treasury's Metro Trading Services Reform Programme, CoJ is starting to separate the trading entity finances from CoJ core (generally referred to as ring-fencing).

CoJ committed in its May 2026 budget process to reform the sweeping arrangement (**see below**), referring to a hybrid arrangement, and introduce phased revenue-sharing with Johannesburg Water from 1 July 2026. This is also a crucial aspect of CoJ's financial turnaround strategy.

Deputy Mayor Masuku confirmed the start of ring-fencing Johannesburg Water from 1 July in her budget speech on 27 May 2026: "The framework is supported by the Hybrid Model for sweeping arrangement reform and a phased Revenue-Sharing Agreement commencing with Johannesburg Water on 1 July 2026."⁵

The CoJ's Financial Turnaround Framework⁶, approved by council in June 2026,⁷ explicitly plans for the start of ring-fencing Johannesburg Water as a crucial aspect of the City's financial recovery:

The recommended approach for reforming the sweeping arrangement is the Hybrid Model: a phased, risk-mitigated transition to ring-fencing, commencing with Johannesburg Water on 1 July 2026 and expanding over 36 months. The Hybrid Model preserves Group cash-pooling benefits during the transitional period while establishing entity-level accountability through formal, Council-approved Revenue-Sharing Agreements. It is the only approach that is simultaneously legally sound, financially viable and practically achievable within the City's current institutional capacity and the National Treasury's reform timeline.

The Framework says this hybrid model has four pillars:

1. Formal revenue-sharing agreements. It describes these as "Council-approved instruments that explicitly define transfer amounts, caps, conditions and performance requirements for each entity, replacing the opaque sweeping mechanism with documented, accountable inter-entity transfers".
2. Entity cash retention limits: This means "defined daily liquidity buffers permitting entities to retain specified cash amounts for operations, creditor payments and infrastructure before any sweeping balance, restoring practical board authority over cash positions".

⁵ Loyiso Masuku. 27 May 2026. *City of Johannesburg 2026 Budget Speech by the Executive Deputy Mayor and Member of the Mayoral Committee for Finance in the City of Johannesburg, Councillor Loyiso Masuku*. Available at <https://joburg.org.za/media/Speeches/Documents/MMC%20for%20Finance/Budget-Speech-2026-EDM-Cllr-Loyiso-Masuku.pdf>

⁶ City of Johannesburg. May 2026. *Financial Turnaround Framework: Restoring Liquidity, Revenue Integrity, Infrastructure Delivery and Institutional Accountability*. Version 3.0. (Available from the City of Johannesburg.)

⁷ Item 66: *Financial Turnaround Framework for the City of Johannesburg*. Tabled and approved at the City of Johannesburg council's 38th Ordinary Meeting on 24 & 25 June 2026.

3. A delegation of authority matrix: Formal clarification of decision-making powers between entity boards and CoJ's Group Treasury, "restoring entity board financial oversight authority under the Companies Act and MFMA".
4. Performance conditionality: All transfers to City Power and entities in deficit are linked to defined turnaround milestones, "converting cross-subsidisation from an entitlement into an accountability instrument".

The target date for the first three pillars is listed as June 2026, and for the fourth was September 2026.

The Framework says "the ring-fenced bank account for Johannesburg Water must be operational and MFMA Section 8-compliant by 30 June 2026" and City Power's R19bn sweeping balance "must be formally restructured as a subordinated loan by September 2026".

The council meeting of 24-25 June 2026 approved various items including these, in line with the Framework deadlines:⁸

- The Financial Turnaround Framework;⁹
- Revised service delivery agreements (SDAs), service level agreements (SLAs) between CoJ and its entities City Power, Johannesburg Water and Pikitup,¹⁰ reviewed delegations of authority for the three entities¹¹, and updated shareholder compacts for the three entities¹², all drafted in the light of the metro trading reforms;
- Business improvement and capital investment plans in terms of the metro trading reforms for Johannesburg Water¹³ and City Power¹⁴, a report on aligning budget allocations to minimum access standards¹⁵, Johannesburg Water performance improvement action plan¹⁶, City Power trading reform strategy¹⁷ and Pikitup performance improvement action plan¹⁸; and
- A service level standards framework for CoJ¹⁹, aimed at establishing uniform service delivery standards across departments and entities.

The agreements presented to council were not signed, but appear to have been approved by council for signing.

⁸ City of Johannesburg. *Minutes of the 38th Ordinary Meeting of the City of Johannesburg Municipality, held on Wednesday & Thursday, 24 & 25 June 2026, at 10:00, at the Constance Connie Bapela Council Chamber, Metropolitan Centre, Braamfontein.*

⁹ Item 66.

¹⁰ Item 68 (the DA dissented on this item, citing being ignoring when asking to speak during the debate on this item and sound challenges during the debate).

¹¹ Item 75 (the DA dissented on this item). The resolution agreed when passing this item includes: "That the Council notes that the revised Delegations of Authority support SPoMA alignment by ensuring that operational authority, financial management responsibility and accountability are located within the relevant trading entity, while preserving Board oversight and shareholder reserved powers."

¹² Item 85 (the DA dissented on this item).

¹³ Item 69 (the DA dissented on this item).

¹⁴ Item 70 (the DA dissented on this item).

¹⁵ Item 71. The resolution agreed when passing this item includes: "That the Council supports the ring-fencing, financial sustainability, operational efficiency and infrastructure investment objectives of the trading services in line with the Metro Trading Services Reform Programme and National Treasury requirements, noting that the detailed modalities of the implementation of the ring fencing will be determined by the Executive management Team and the City Manager." (The DA dissented on this item.)

¹⁶ Item 72 (the DA dissented on this item).

¹⁷ Item 73 (the DA dissented on this item).

¹⁸ Item 74 (the DA dissented on this item).

¹⁹ Item 83

While the documents tabled appear to set out the formal arrangements for ring-fencing, and there is reference to revenue-sharing, there do not appear to be any formulas or figures setting out such sharing. Instead, the documents would enable such revenue-sharing agreements. The documents also allow for fees to be charged by CoJ to the entities for services. However, the emphasis appears to be on retaining revenue attributable to running the entity – such as electricity revenue or water revenue – to run that entity.

The Johannesburg Water SLA performance targets include a transitional stage of identifying systems, customers, cash arrangements and migration requirements, and the service-level regime KPIs include a target of 100% for “Collected Water and Sanitation Revenue remitted, credited, transferred or made available to Johannesburg Water”, 100% for “Sweeps or treasury transfers affecting Water and Sanitation Revenue fully disclosed and, where unauthorised or prejudicial, reversed”, and 100% for water and sanitation revenue managed “so as to enable payment of lawful creditors, including Rand Water, any bulk water supplier, essential service provider, statutory authority”.²⁰ In the Johannesburg Water SLA, the stated purpose of the SLA includes this: “This SLA further aims to ensure that CoJ’s treasury practices, set-offs, internal accounting processes, support-service functions and system interfaces do not prejudice Johannesburg Water’s liquidity, bulk water payment obligations, wastewater treatment obligations, operational sustainability, contractual commitments, Board oversight, audit readiness or SPoMA²¹ accountability.” The SLA sets out which tasks in customer management and billing are for Johannesburg Water and which are for CoJ; CoJ retains responsibility for debt recovery.

The Financial Turnaround Framework lists the risk of City Power defaulting on the Eskom account at the top of the risk matrix, calling this risk likelihood “high” with an “extreme” impact, and recommending both the establishment of a Transition Fund before City Power exits the sweeping pool and an “Eskom settlement by September 2026”; the responsibility for this is assigned to City Power and the CoJ Group CFO.²²

Treasury provides a performance-based grant to encourage the reform and ring-fencing, which CoJ has accessed. The intention of the reform programme is to improve performance of the metro trading services and improve the quality and reliability of services. The key grant in this is the Urban Development Financing Grant (UDFG). The June 2026 S71 report shows CoJ was allocated R645.319m through the UDFG in 2025/26 (an increase on the original allocation), but spent only R100.648m (16%). There is no explanation for this underspend.

The Financial Turnaround Framework also references the risk of forfeiting the grant funding linked to the reform if CoJ does not comply, listing this as R10.1bn at risk over the three MTEF years. The Framework lists the likelihood of this happening as “medium” but with an “extreme” impact, and calls for “proactive” engagement with National Treasury, quarterly compliance progress reporting and agreeing to timelines.

Other risks identified in the Framework risk matrix include insufficient reduction of non-revenue water (high likelihood, high impact), failing to reduce electricity losses from the current 30% (high likelihood, high impact), failure to resolve the unaffordability of the Political Facilitated Agreement on

²⁰ “Revenue Management Service Compact and Transitional Support Service Level Agreement” Entered into between Johannesburg Metropolitan Municipality and Johannesburg Water SOC Ltd. Schedule 1: Transitional revenue operating model and migration plan. Schedule 2: Comprehensive KPI and service level regime. (Tabled and approved as Item 68 at the 38th Ordinary Council Meeting of 24 & 25 June 2026.

²¹ Single Point of Revenue Accountability.

²² Financial Turnaround Framework, Risk Matrix, page 36.

staff increases (high likelihood, high impact), and continued underspending on the capital budget (high likelihood, high impact).

The S71 monthly report for July 2026 does not give any indication that ring-fencing is on track. Instead, it shows the continuation of the existing arrangement with Johannesburg Water and City Power remaining in the sweeping arrangement. The S71 report gives no indication of how the promised revenue-sharing arrangement was implemented.

3. Cash collections and sweeping

3.1. The sweeping system

CoJ runs an internal “sweeping” arrangement, allocating the cash collected between CoJ core and the entities. This is a controversial arrangement, due to concerns that Johannesburg Water is being used to subsidise CoJ core when the funds are desperately needed for the ailing water service.

There has previously been little information available to the public on this arrangement.

The Financial Turnaround Framework²³ approved by council on 24 June 2026 (see above) gives a clearer indication of the sweeping arrangement. Moving City Power, Johannesburg Water and Pikitup out of this arrangement is central to the metro trading service reforms, and is outlined in the Framework:

At the centre of these challenges sits a structural governance failure that runs deeper than any individual financial metric: the sweeping arrangement. Under the current model, all municipal entity bank accounts are zero-balanced daily into the City's primary bank account, which in practice has evolved from a sound liquidity management tool into an opaque cross-subsidisation mechanism that channels Johannesburg Water's surpluses to fund City Power's structural deficits without formal Council approval, without Revenue-Sharing Agreements, and without performance conditions. The consequence is a combined infrastructure backlog exceeding R52 billion, an accelerating deterioration in revenue-generating service capacity, entity boards that are structurally unable to exercise financial oversight, and a direct conflict with the National Treasury Metro Trading Services Reform Framework that places R10.1 billion in MTEF conditional grants at risk. This framework confronts that structural failure directly.

The central argument of this framework is that Johannesburg's financial recovery will not be achieved through revenue collection alone. Revenue recovery is essential, but it must be implemented simultaneously with expenditure control, trading services reform, audit remediation, municipal entity stabilisation, capital expenditure discipline, labour-management stability and stronger political-administrative oversight. The framework is organised around six integrated recovery pillars — Financial Recovery, Revenue Enhancement, Expenditure Containment, Creditor and Liquidity Reform, Governance and Compliance, and Labour Stability — supported by the Hybrid Model for sweeping arrangement reform and a phased Revenue-Sharing Agreement framework commencing with Johannesburg Water on 1 July 2026.

The immediate test of this framework is implementation discipline. Johannesburg already has significant plans, technical interventions and diagnostic reports. The problem is not the absence of plans but the persistent failure to convert plans into visible and measurable outcomes.

The Framework, passed by council in June, aims to bring that implementation discipline.

Note this crucial aspect acknowledged in the Framework in the above extract: the sweeping arrangement **“channels Johannesburg Water's surpluses to fund City Power's structural deficits without formal Council approval, without Revenue-Sharing Agreements, and without performance conditions”**.

²³ City of Johannesburg, May 2026. *Financial Turnaround Framework: Restoring Liquidity, Revenue Integrity, Infrastructure Delivery and Institutional Accountability*. Version 3.0. (Available from the City of Johannesburg.)

Thus, the progressive collapse of City Power over the past decade has been bringing down Johannesburg Water.

The Framework refers to CoJ as having “a structural governance failure embedded in the sweeping arrangement”, and says the CoJ could appear solvent at Group level while masking “severe distress” at Johannesburg Water, City Power and the Johannesburg Social Housing Company (Joshco).

This also gives insight into the Framework’s first major deadline on dismantling the sweeping arrangement: get Johannesburg Water out of the sweeping arrangement from 1 July 2026.

The monthly sweeping is recorded in the S71 reports, which include a monthly record of cash movements (Summary Table 1.1 Cash movements) and a monthly record of intercompany transactions (Table 3 Sweeping movements).

Table 1.1, the cash movements table, records cash collected from customers, government grants received, loan funding received, operational and capital expenditure, and positive and negative sweepings.

Sweepings are recorded in both Table 1.1 and Table 3, with hundreds of millions of rand – sometimes billions of rand – moving around each month. There is no explanation for these movements in the S71 reports.

Table 3 appears to be a record of CoJ’s internal system of allocating the cash collected between CoJ core and its entities. While the monthly sweepings records (the positive and negative flows tracked by each table) do not match in the two tables, the **net movement** (net of cash in and cash out) in Table 1.1 matches the **monthly net balance** (of positive and negative movements across CoJ core and its entities) in Table 3; these line items match in the tables for every month.

Thus Table 1.1 appears to show what is collected, while Table 3 appears to show CoJ core allocates the overall cash position among CoJ core and entities. Note there are also intercompany transactions included which are not part of the collections.

Below are Table 1.1 and Table 3 from the July 2026 report.

Jul-26	
Description	R
Cash Collections	4,940,873,313
Revenue cash collections paid into Primary and Ordinary bank accounts	75,128,738
Direct Payments into MOE Revenue accounts	10,960,824
Prepaid Collections	297,617,063
Other Income (Interest Received, Vat Refund, Licensing Fees)	501,643,388
Operating Grants and Subsidies	3,604,529,000
Positive Sweepings and Non-Sweeping Movements	111,038,658
Total Cash Inflows	9,541,790,984
Outflows	
Description	R
Operational and Capital Expenditure and Treasury Transactions*	-5,018,164,019
Negative Sweepings and Non-Sweeping Movements	-5,357,958,573
Total Cash Outflows	-10,376,122,591
Net Movement	-834,331,607

Summary Table 1.1 Cash Movements as at 31 July 2026

Entity	End of June Balance R	Monthly Inflows R	Monthly Outflows R	Net Movement R	End of July Balance R
City Power	-19,491,296,269	1,762,162,508	-4,746,895,085	-2,984,732,577	-22,476,028,846
Joburg Water	3,431,670,369	17,060,542	-1,145,209,561	-1,128,149,019	2,303,521,350
Pikitup	2,566,128,914	311,422,765	-186,505,333	124,917,433	2,691,046,347
Parks Zoo	1,043,456,839	12,001,456	-96,687,297	-84,685,841	958,770,998
Fresh Produce	696,394,763	28,844,156	-79,885,491	-51,041,335	645,353,429
JDA	-2,068,613,702	93,277	-101,478,693	-101,385,416	-2,169,999,119
Joshco	-1,970,053,401	8,781,615	-43,976,849	-35,195,233	-2,005,248,634
Metro Bus	-460,062,026	3,770,057	-20,141,730	-16,371,673	-476,433,698
Propcom	37,800,746	6,351,611	-35,791,401	-29,439,791	8,360,956
Propcom Portfolio	-127,833,870	22,883,235	-91,055,988	-68,172,752	-196,006,623
Roads	286,794,938	5,581,091	-89,638,955	-84,057,863	202,737,075
MTC	-854,428,394	4,695,365	-171,169,544	-166,474,179	-1,020,902,573
JTC	140,797,703	771,941	-4,596,524	-3,824,583	136,973,120
Core	19,615,928,476	9,439,536,438	-5,645,255,216	3,794,281,222	23,410,209,698
Total Sweepings and Balances	2,846,685,086			-834,331,607	2,012,353,479

Table 3: Sweeping movements including Intercompany Transactions: Source: Sweeping and Bank Statements

Table 3 shows the financial position of the entities and how they contribute to CoJ finances.

Most of the entities, but not all, have some form of cash generation.

The S71 reports state that the City's key cash generators are City Power, Johannesburg Water, Pikitup and rates and taxes.

Table 3 tracks allocations (sweepings) for City Power, Johannesburg Water and Pikitup; the rates are collected by CoJ core.

Table 3, the sweeping record, appears to record the cash credited to or paid out on behalf of each entity, drawn from the CoJ central cash pool.

Negative balances for entities appear to indicate that funds flowing to those entities exceed the cash inflows credited to them through the sweeping/current-account system. Conversely, positive balances seem to indicate a credit in the internal cash management system.

In one S71 report (March 2026), sweepings are referred to as "sweeping account loans to municipal entities", with City Power and Pikitup the "dominant entities", and reference to interest being charged on these loans.

The Table 3 negative balances show the entities mean the entity has drawn more from the pooled system than has been credited to it: the CoJ S71 reports refer to these entities as "overdrawn" and mention charging interest on those internal overdrafts. City Power's overdraft is exceptional in scale.

Table 3 shows City Power has an "overdraft" with CoJ core of R22.476bn, Johannesburg Water is in credit of R2.304bn. The Johannesburg Development Agency (JDA) and Johannesburg Social Housing Company (Joshco) are overdrawn (R2.170bn and R2.005bn).

Table 3 shows City Power recording inflows of R1.762bn and R4.747bn of outflows through the sweeping system, worsening its internal position by R2.985bn. Johannesburg Water recorded R17m of inflows and R1.145bn of outflows, worsening its position by R1.128bn.

See more below on the City Power situation.

CoJ core records itself in credit of R23.410bn.

Note that these “credits” do not appear to be cash sitting in a bank account, but rather a record of which entities or sectors are used to subsidise others.

City Power describes the sweeping arrangement in its annual reports. “The municipal entity has a sweeping arrangement with the City of Johannesburg Metropolitan Municipality whereby all cash is swept on a daily basis to the City of Johannesburg Metropolitan Municipality’s bank account. All bank accounts have a zero balance due to the sweeping arrangement with City of Johannesburg except some of the entity’s ABSA bank accounts which were not swept during the financial period which resulted in balances at the end of the reporting period. Petty cash is reflected as cash on hand. The cash owed to the entity by the City of Johannesburg Metropolitan Municipality is reflected as an amount due from the shareholder,” said the entity’s annual report for 2023/24.

3.2. Collection and allocation

In the cash collections from customers, some payments have a clear recipient: for example, prepaid electricity goes to City Power and prepaid water to Johannesburg Water, and single-service invoices for a big electricity or water customer.

However, many customers have consolidated accounts containing charges for multiple services, such as a household receiving a single invoice for rates, electricity, water, refuse and sanitation. The CoJ billing system must thus allocate a single payment from a customer to multiple accounts. If a customer underpays an account or has outstanding debt, the billing system is programmed to allocate payments in a specific order.

CoJ was asked to clarify the allocation system. CoJ does not appear to have a policy on the allocation, but an allocation priority is built into the billing system so payments are automatically allocated.

The City uses a system-driven payment allocation process. Payments received are automatically allocated against the debt and charges reflected on the customer’s municipal account in accordance with the allocation rules configured in the City’s billing system.

Where a customer settles the full amount due, the payment is allocated against the relevant charges reflected on the account, which may include property rates, electricity, water, sanitation, refuse removal and other applicable municipal charges.

Where a customer makes a partial payment, the customer does not ordinarily determine which individual service or charge should receive that payment. The City’s billing system automatically applies the payment according to the configured allocation rules.

In general, the allocation takes into consideration:

- older outstanding debt on the municipal account;
- applicable sundry and related charges, including penalties and disconnection or reconnection charges, where applicable; and
- current debt relating to the municipal services and charges reflected on the account.

The allocation is therefore not ordinarily undertaken manually by officials each time a payment is received. It is processed automatically through the City's billing system according to the applicable system rules.

With regard to your request for the policy or regulatory provision governing the order of payment allocation, we are verifying the applicable provision with the relevant Revenue/Billing officials to ensure that we provide you with the correct policy reference and do not misstate the City's approved allocation hierarchy.

We will provide the relevant policy provision or further clarification once this has been confirmed.²⁴

No further response could be obtained, leaving both the existence of a policy on allocation and the system-embedded allocation hierarchy unclear. A policy on this could not be found on the CoJ website.

The S71 reports include this note: "Receipts are generally allocated to services in proportion to the total debt outstanding on an account."

It is understood that rates are a high-priority item for allocation, while electricity is a lower-priority item for allocation, as disconnection is used as a debt-collection tool. However, this could not be confirmed.

If electricity charges are the lowest priority for system allocation, this could affect the collection rate for electricity service charges.

²⁴ Response to query by Kgamanyane Maphologela, Director: Customer Communications, City of Johannesburg, Group Finance. 8 September 2026.

4. The collapse of City Power

The S71 reports show the financial consequences of the collapse of City Power, with the entity moving from a “key cash generator” to having an “overdraft” with CoJ core of R22.5bn at the end of July 2026.

This internal overdraft has built up over nearly a decade.

The S71 reports do not overtly identify the causes of the collapse, but rather show the financial impact. The reports include costs relating to higher-than-budgeted bulk electricity costs (primarily the Eskom bill), inadequate revenue (that is, amounts billed to customers) compared to the costs of running the service, inadequate collections, the huge unanticipated increase in impaired debt (debt which cannot be recovered from customers), cash movements, the extraordinary deterioration of City Power’s position in the CoJ’s internal sweeping arrangements, and the refusal of contractors to work for City Power because of concerns they will not be paid.

They do not explain the disconnect between City Power managing a collection rate of 92.5% for the year but ending that year with its internal overdraft with CoJ R3.815bn worse.

They do not refer to the operational causes behind the financial collapse: the electricity losses, which are believed to be a key factor bringing down City Power, the increase in bulk costs without a corresponding increase in invoicing customers, a tariff structure which apparently does not cover the cost of supply, allowing overdue debt to Eskom to accumulate to R5.255bn until the utility formally gave City Power notice of disconnection, the subsequent lack of transparency over the cost of paying that bill, the reasons for the huge increase in customer inability or refusal to pay despite City Power targeting thousands of accounts for disconnections, the cost of vandalism (through both damage to infrastructure and enabling of electricity theft), the cost of aging infrastructure, the political chaos in CoJ and entity management, the CoJ allocation of cash received from customers which likely puts City Power at the end of money flow, and supply chain inefficiencies.

4.1. City Power performance reports

The City Power performance assessment report for October to December 2025 was tabled at council on 30-31 March 2026, and the performance assessment report for January to March 2026 was tabled at council on 22 July 2026.²⁵

City Power’s performance assessment report for January to March 2026 (the most recent available) acknowledges the entity’s difficult situation, but stops short of highlighting the Eskom arrears. Rather, the main issue with the Eskom accounts is presented as City Power buying more bulk electricity than budgeted, although there is no mention of additional revenue from selling that extra power.

“City Power continues to operate under severe financial and operational constraint,” said City Power board chair Makhosini Kharodi in the report. “The Company recorded revenue of R6.9 billion,

²⁵ City Power. *Quarter 2 Report FY2025/26. Reporting period: 01 October to 31 December 2025*. Tabled at the City of Johannesburg 48th Extra-Ordinary Council Meeting of 30-31 March 2026.

City Power. *Quarter 3 Final Report FY 2025/26. Reporting period: 01 January 2026 to 31 March 2026*. Tabled at the City of Johannesburg 52nd Extra-Ordinary Council Meeting of 22 July 2026.

expenditure of R6.2 billion, a surplus of R757.8 million, and a net overdraft of R19.1 billion. Intercompany debtors stood at R4.1 billion, which remains a material liquidity concern.”

Kharodi listed priorities as “reconciling and remitting collections, settling intercompany debt, reducing the overdraft and interest burden, stabilising Eskom payment discipline, improving meter reading and billing integrity, and finalising an accountable operating model for billing and collections. These require urgent management action and decisive shareholder support.”

City Power CEO Tshifularo Mashava resigned with effect from 31 March 2026, and City Power’s COO, Charles Tlouane, took over as Acting CEO.

“The Executive remains concerned that recurring cash-flow shortfalls continue to delay payments to suppliers and contractors, creating exposure to avoidable interest, service interruptions, and possible fruitless and wasteful expenditure. The pressure is particularly acute in relation to bulk purchases, where the approved budget remains materially below actual demand-driven expenditure. As electricity supply cannot be suspended because of budget constraints, the underfunding of bulk purchases creates a real risk of irregular expenditure unless the budget is urgently aligned to actual consumption and cost requirements,” said Tlouane in the report.

CFO Rendani Sadiki referred to “significant challenges” but avoided the Eskom arrears. “The company continues to face liquidity challenges in that its current assets amounting to R9,449 billion are significantly less than its current liabilities, which amount to R29,608 billion. The main contributing factor to the liquidity problem is the net overdraft amounting to R19,119 billion, as well as trade and other payables amounting to R9,389 billion,” said Sadiki in the report.

This means City Power owed CoJ R19.119bn and its own creditors (such as suppliers, and presumably including Eskom arrears) R9.389bn.

The overdraft referred to in both reports is the internal loan from the CoJ, managed through the sweeping account. The January to March report: “It should be noted that the sweeping account overdraft is not a commercial banking facility. It is an internal loan from the City of Johannesburg, representing the accumulated current account balance between City Power and its shareholder. This means the overdraft has grown because City Power has drawn more from the CoJ current account relationship than it has returned the deficit has compounded over time and now carries interest that is materialising as a R288 million budget overrun in a single reporting period. The committee should request the total principal balance of this overdraft and the interest rate applied, to fully quantify the ongoing exposure.”

The January to March report: “Cost Escalation: Three Drivers: Total expenditure exceeded budget by R405 million. The three identified drivers are bulk purchases (externally driven by Eskom tariff increases), debt impairment (a lagging indicator of collection failures), and finance costs (indicating balance sheet stress through increased borrowing or adverse interest rate movements). Given that bulk purchases are the largest single expenditure driver, this gap must be addressed urgently.”

Both reports list interest payments on late payment of accounts, mainly but not solely Eskom accounts.

The September to December 2025 report gives a total interest charge of R230.219m, with at least R230.217m of this linked to overdue Eskom accounts.²⁶

²⁶ Table 180: Interest on late payments.

The January to March 2026 report gives a total interest charge of R322.739m, with at least R322.693m linked to overdue Eskom accounts.²⁷

Both tables list six Eskom line items for interest charges, apparently separate accounts: Eskom bulk accounts (R316.838m by end of March 2026); Eskom streetlights account (R225 472); Eskom free electricity (R10 909); Eskom payment “to be reversed” (R5.617m); Mogale bulk supply (R2 908); and Lethabong bulk supply (R0).

These interest amounts indicate substantial arrears, which are not specified.

The reports give the year-to-date collection level by end of March 2026 as 91.72% (lower than the target of 93.70%). During the 2025/26 year, monthly collection levels veered from 75.68% (January 2026) to 108.94% (March 2026); these are listed as collection levels based on actual billing.

Consumer receivables (customer debt) were up to R3.511bn for the year by the end of March 2026, which was R932m over budget.²⁸

4.2. The “overdraft” with CoJ core

City Power was overdrawn in the CoJ internal accounting system at the end of 2024/25 by R15.677bn. This position worsened by R3.815bn over the year to being overdrawn by R19.491bn at the end of 2025/26 (30 June 2026); this worsened dramatically to R22.476bn by 31 July 2026. This situation is recorded in Table 3, the sweeping report.

The October report noted: “City Power: The bank overdraft is an internal loan from the City and represents the current account balance between both parties. Engagements continue with the city regarding the interest on the bank overdraft being freeze and the shareholders loan being converted to equity.” This was raised again in subsequent months but does not appear to have been resolved.

This overdraft started in 2017/18.

The CoJ S71 report for February 2022 confirms the start of the overdraft: “City Power sweeping account was positive from 2016 to 2017. From 2018 to date the sweeping account has been negative due to a great mismatch in funding sources for its CAPEX; 16% from grants, 12% from long term loans, 71% from short-term funds. The bank overdrafts have constituted a significant portion of sources of funding for CAPEX. The city as the shareholder is still to approve the proposals including whether to provide additional funding required for some of the turnaround interventions.”²⁹

City Power’s AFS³⁰ also record this situation, but as shareholder (CoJ core) “loans” under the sweeping account. Note that these are not the only shareholder loans to the entity, with other loans including capital loans.

The City Power AFS notes that it pays interest on the CoJ sweeping account overdraft. “Interest Paid: Sweeping Account: Exceeded the budget by R542 million due to a high bank overdraft balance. The overdraft represents an internal loan from the city. A formal proposal has been submitted to the City requesting the freezing of interest on the overdraft and the conversion of the shareholder loan to

²⁷ Table 165: Interest on late.

²⁸ Table 166: Statement of Financial Position.

²⁹ City of Johannesburg. April 2022. *Section 71 report: Period ended 28 February 2022*. Available at <https://joburg.org.za/work/Documents/investor%20relations/2022/Section%2071%20report%20February%2022.pdf>

³⁰ City Power AFS for 2018/19 to 2024/25.

equity. A response is awaited,” said City Power AFS 2024/25, recording the interest paid on the sweeping account in 2024/25 as **R1.159bn** and in 2023/24 as **R1.077bn**.

The S71 reports show the year-end balances on these loans increasing over the years:

2016/17: R117.720m³¹ (note this is a positive balance)

2017/18: -R1.284bn³² (all balances from here on are negative)

2018/19: -R2.882bn

2019/20: -R4.003bn

2020/21: -R5.406bn

2021/22: -R6.782bn

2022/23: -R10.058bn

2023/24: -R11.395bn

2024/25: -R15.677bn (listed as impaired)

2025/26: -R19.491bn³³

July 2026: -R22.476bn³⁴

This huge overdraft, the result of City Power drawing on CoJ core rather than helping fund it, means that the electricity service is no longer a cash generator for CoJ but rather a major and ongoing cash drain.

CoJ core charges City Power interest on the sweeping overdraft, which is listed in the City Power annual reports; the entity also receives a limited amount of interest from the sweeping. The last time the interest received by City Power was higher than the interest paid was in 2016/17.

Interest on the sweeping account:

2016/17: Interest paid: R14.704m; interest revenue: R21.082m

2017/18: Interest paid: R69.050m; interest revenue: R4.803m

2018/19: Interest paid: R191.370m; interest revenue: R11.226m

2019/20: Interest paid: R226.145m; interest revenue: R12.530m

2020/21: Interest paid: R210.523m; interest revenue: R18.537m

2021/22: Interest paid: R270.627m; interest revenue: R22.145m

2022/23: Interest paid: R622.180m; interest revenue: R18.213m

2023/24: Interest paid: R1 076.640m; interest revenue: R24.467m

2024/25: Interest paid: R1 159.244m; interest revenue: R25.246m

³¹ City Power. Undated. *2nd Draft: City Power Johannesburg (SOC) Ltd Business Plan (July 2020-June 2021)*. Available at https://joburg.org.za/documents/_Documents/Budget/Tariffs%202021-22/ITEM%2004%20Annexure%20B01%20City%20Power%202020-21%20Business%20Plan.pdf

³² The 2018/19 report is the earliest available online.

³³ City of Johannesburg. 30 September 2026. *City of Johannesburg MFMA In-Year Financial Report for the period ended 31 July 2026*. (S71 report for July 2026).

³⁴ City of Johannesburg. 30 September 2026. *City of Johannesburg MFMA In-Year Financial Report for the period ended 31 July 2026*. (S71 report for July 2026).

4.3. CoJ management fees

CoJ charges City Power administration and management fees for managing its billing system.

“The Entity has an existing arrangement with City of Johannesburg acting as an agent to collect and manage the electricity consumer debtors on behalf of the Entity (principal). A fixed monthly administration fee of R10 540 333 (2024: R9 967 050) was paid to City of Johannesburg in terms of the arrangement,” states the City Power annual report 2024/25.³⁵

“City Power and City of Johannesburg agreed to transfer some functions relating to the billing of consumer debtors during the new financial year. The transaction was effective from 1 July 2025. In terms of the agreement City Power will be responsible for the main functions within the billing value chain. This includes meter reading, meter reading validation to improve billing accuracy challenges. City of Johannesburg will continue to issue final invoices and collection of debtors on behalf of City Power. The transfer resulted in additional expenditure on employee expenditure due to the transfer of employees.”

Administration and management fees paid by City Power to CoJ, listed in the City Power annual reports³⁶ are:

2018/19: R98.687m

2019/20: R104.017m

2020/21: R103.618m

2021/22: R109.006m

2022/23: R114.456m

2023/24: R119.607m

2024/25: R126.484m

4.4. The overdue Eskom bill

The huge increase in the City Power overdraft with CoJ core in recent months is assumed to relate to part payment of the massive R5.255bn overdue Eskom bill. However, at least part of that overdue bill was paid in August, so that overdraft is expected to have increased again.

On 21 August 2026, Eskom said it issued notification of intent to interrupt supply to Joburg on 17 May and confirmed that CoJ/CP had made “final payment” to Eskom “to settle in full the accumulated overdue electricity debt of R5 255 421 994.16”, and that CoJ/CP had at the same time undertaken to pay the July 2026 account of R1 860 379 885 in full on the due date of 31 August (see the Eskom statement [here](#)).

At the time, this was assumed to be the full amount of the City Power arrears to Eskom.

³⁵ City Power. Integrated Annual Report 2024/25. Available at <https://www.citypower.co.za/about-us/company-reports/annual-reports>

³⁶ City Power annual reports for 2016/17 and 2017/18 are not available, and later reports do not contain those historical figures.

The full overdue debt of R5.255bn was thus paid between mid-May and 21 August and, if the month-end payment was honoured, another R1.860bn on 31 August.

These payments should be reflected in the S71 reports for May to August.

However, the S71 reports are remarkable for the inadequate reporting on the Eskom payments, a critical financial problem for the City. When mention is made of overdue Eskom bills, neither the amount owing nor the payments are detailed.

However, the Eskom arrears are included in the lengthy City Power quarterly performance assessment reports also tabled in council, although buried deep in the reports and not clearly stated. Again, these reports are tabled months late. The most recent are the reports for October to December 2025³⁷ (tabled in council three months later on 30 March 2026)³⁸ and January to March 2026³⁹ (tabled in council nearly four months later on 22 July 2026).⁴⁰ While these reports go through various meetings, the delay does not indicate that City Power's financial crisis is regarded with any particular urgency by City political heads. When mention is made of the bulk supply bills, neither the amount owing nor the payments are detailed. Instead, interest charges on arrears are specified.

On 24 June 2026, a CoJ council meeting heard that discussions were ongoing with Eskom on the CoJ/CP debt and Eskom's threat to cut off four critical substations (Crowthorne, Allandale, Beyers Naudé and Fordsburg). Councillors referred to the debt as R5.3bn and "about R5bn". MMC for Finance Loyiso Masuku said work streams were being established between CoJ, City Power and Eskom.

The National Treasury's S71 report for the year end 30 June 2026, published in September, lists these amounts for CoJ:

- R18 711.122m as the year-to-date "actual" expenditure for the Eskom bulk purchases, under "Expenditure", significantly higher than the original budgeted amount of R14 399.337m (MBRR Metros / JHB / sheet SC1). This would be the cost incurred during the year, excluding any arrears pre-2025/26. Note that the listing of this amount under "Expenditure" indicates the bill, but may not indicate that this amount was actually paid.
- R7 972.089m as the "Electricity >Bulk Purchase" amount for June alone and the year-to-date total of R7 715.438m, under "Trade and Other Payable Exchange Transactions (MBRR Metros / JHB / sheet SC3).
- In a different document in the S71 bundle, the CoJ year-to-date "actual" expenditure for "Bulk purchases – electricity" is listed as R20 659.644m (MBRR / C4 / Gauteng / JHB).
- In another document in the S71 bundle, the CoJ "Current liabilities" – "Trade and other payables from exchange transactions" have a year-to-date "actual" of R59 174.274m; long-term trade and other payables add another R2 358.657m (MBRR / C6 / Gauteng / JHB). This presumably includes any outstanding amounts due to Eskom.

³⁷ City Power. *Quarter 2 Report FY2025/26. Reporting period: 01 October to 31 December 2025*. Tabled at the City of Johannesburg 48th Extra-Ordinary Council Meeting of 30-31 March 2026.

³⁸ According to information in the documents tabled in council, City Power's October to December 2025 report was submitted by City Power to City of Johannesburg authorities on 9 January 2026, tabled at the Mayoral Committee on 19 February, tabled in the Environment and Infrastructure Services Committee on 10 March, and tabled in council on 30 March 2026.

³⁹ City Power. *Quarter 3 Final Report FY 2025/26. Reporting period: 01 January 2026 to 31 March 2026*. Tabled at the City of Johannesburg 52nd Extra-Ordinary Council Meeting of 22 July 2026.

⁴⁰ According to information in the documents tabled in council, City Power's January to March 2026 report was submitted by City Power to CoJ authorities on 10 April 2026, tabled at the Mayoral Committee on 25 May, tabled at the Environmental and Infrastructure Services Committee on 3 June, and tabled in council on 22 July 2026.

The CoJ's version of the S71 reports for June and July record no bulk-electricity aged creditor, despite the known Eskom arrears at the time.

- The June 2026 report includes "Table SC4: Aged Creditors Analysis" with an entry for "Bulk electricity", a total of R860.211m for 2024/25 and "-" for 2025/26.
- The June S71 2026 report briefly mentions an unspecified Eskom debt, in a variance (over-expenditure) of R3 076.818bn on the Eskom bulk electricity bill, reported as mainly due to the bulk purchases "exceeding the approved budget by R2.2 billion".
- The July 2026 report again includes "Table SC4: Aged Creditors Analysis" with a total of R961.371m for 2024/25 bulk electricity creditors and nothing for 2025/26.

There is no mention of any additional Eskom payment in the July 2026 report. However, the huge increase in the City Power internal overdraft with CoJ in July hints at a big payment to Eskom.

The August report, which must include at least part payment on the Eskom overdue debt and, if CoJ honoured its promise to Eskom, the full end-of-month R1.860bn too, was not made available to council, although in terms of the MFMA timelines it should have been submitted to CoJ authorities by then.

Eskom charges City Power interest on arrears.

The **Eskom interest** is listed deep in the City Power performance assessment reports, on page 293 in the 2025/26 Q2 report and page 230 in the 2025/26 Q3 report. By the end of March 2026, the Eskom interest on arrears had reached **R322.739m** in 2025/26. There is no indication how much of this had been paid. The interest record identifies the Eskom accounts in arrears: the bulk accounts (the biggest arrears, with an interest charge of R316.838m on what seems to be multiple accounts), the streetlights (R225 472), the free electricity (R10 909), and Mogale bulk supply (R2 908). While the main arrears are not specified, the size of the interest indicates huge arrears.

Some of the S71 reports over 2025/26 include brief mentions of difficulties with the Eskom bill, and mention of interest charged on arrears:

- The reports note that CoJ/City Power frequently went over budget on the bulk electricity bill. In July 2025, it overspent by R323.981m, attributed to "the tariff charged and units purchased at higher costs" and suspension of load shedding, resulting in customers buying more electricity and thus City Power buying more bulk electricity. In August 2025, it overspent by R527.631m, in November by R56.572m, in December by 6%, in January 2026 by R823.167m, in February by R854.553m, in March 2026 by R2.1bn.
- Some overspending was attributed to Eskom charging interest on overdue invoices: R135.317m in September 2025, R201m in October 2025, an unspecified amount in December 2025, and unspecified amounts again in 2026. There is no total for the amount wasted on interest on late payments to Eskom for the year.
- Despite buying more power from Eskom than budgeted, there was no indication in the reports that the cost of the additional electricity purchased was offset by re-selling that electricity, and the revenue for the year (the amount invoiced to customers) did not significantly change. This hints at problems with the tariffs City Power charges its customers or the impact of electricity losses, or both.
- In the November 2025 report, City Power hinted at a tariff problem. "The following mitigating actions will be implemented: review and negotiate power purchase agreements (PPAs) for more favourable terms; increased use of cost-reflective tariffs to recover the true cost of supply; explore alternative energy sourcing (e.g., embedded generation, IPPs) to diversify supply."

4.5. Electricity losses

Alarming, electricity losses simply do not feature in the monthly S71 oversight reports submitted to council. The repeated mention of bulk purchases going over budget with no corresponding indication of an increase in revenue (billing to customers) or cash recoveries hints that at least part of this additional cost is due to electricity losses.

The National Treasury's S71 report for the fourth quarter of 2025/26 (April-June 2026) records City Power's electricity losses as 27.5% of all electricity purchased, the second-highest for a metro after Nelson Mandela Bay's 28.5%.

City Power's integrated annual report 2024/25 lists electricity losses as 29.85% for that year, down from the 2023/24 figure of 31.86%. City Power estimated the value of the losses in 2024/25 as **R5.670bn** (2023/24: R4.932bn). "While technical losses remained stable at approximately 9%, the increase is primarily driven by non-technical losses, including theft, vandalism, illegal connections, bypassed meters and inefficiencies in the revenue value chain. Losses have trended upward since 2021 due to lower units sold, although units purchased began to increase again from 2024 into 2025 in line with rising consumption," said City Power's annual report.

The enormous losses are an ongoing operational problem which appears to be a significant factor in City Power's collapse. As such, it is inexplicable that CoJ is not publicly tracking this issue to illustrate the finances.

4.6. Bulk purchases of electricity

CoJ/City Power budgeted to spend R17.583bn on buying electricity, which would have been an average monthly bill of about R1.5bn. The 2025/26 actual spend on bulk electricity was R20.660bn. For most months, CoJ's recorded bulk electricity expenditure was about R1.5bn a month. Then, in April, the recorded expenditure dropped to R972m. The May recorded expenditure (after the cut-off threat) was R1.710bn, June was R2.430bn and July was R2.733bn.⁴¹

This explains City Power being over budget for the year by R3.077bn on bulk electricity, listed in Table C4 in the June S71 report. The same report also records that amount in the variance report for City Power, mainly attributable to overspend on bulk electricity, saying it was "driven by higher energy consumption".

4.7. Electricity billing and collections

Table C4 (June report) records that CoJ billed customers a total of R25.420bn for electricity in 2025/26 (service charges for electricity), almost exactly on budget (R25.584bn). Set against the huge increase in the bulk electricity cost, this seems inexplicable. However, a different table in the same report (on page 8) lists the billing for electricity for the year (June 2025 to May 2026) as R29.118bn, and collections allocated to electricity as R26.929bn (July 2025 to June 2026).

⁴¹ These figures are from Table C4 in the monthly S71 reports tabled in council. See "Expenditure by type", line item "Bulk purchases – electricity" and column "Monthly actual".

4.8. The City Power collections rate

The collections rate for electricity swings from 106% in July 2025, 98% in August and 100% in September, plummets to 82% in October, recovers to 96% in November, drops to 85% in December and 77% in January, improves to 86% in February, recovers to 109% in March, drops to 83% in April, back up to 102% in May and drops to 94% in June, with an overall collection rate for the year of 92.5%. Note that the monthly collection rates are based on the previous month's billing and also include collection of historical debt, explaining why some figures are over 100%.

These figures would seem to indicate that City Power has a better than expected collection record, particularly in the light of the massive historical customer debt; however, this rate is a significant failure against the "target level" of 97.5% listed in the S71 March 2026 report. It's unclear why such a high target would be set in the face of the historical customer debt.

4.9. Debt impairment

From November 2025, the monthly reports repeatedly refer to City Power contributing to customer debt impairment running over budget (that is, greater amounts of impaired debt than anticipated). This is a problem linked mainly to City Power, Johannesburg Water and Group Finance, with the over-budget (or under-budget) amounts **bundled together in a joint total**:

- July 2025: R334.606m under budget, attributed to the start of the financial year overall, but for City Power attributed to "improved collection levels" (106.6% for City Power that month).
- August 2025: R154.651m under budget, attributed partly to a SAP error in pricing
- September 2025: nothing reported.
- October 2025: nothing reported.
- November 2025: R399.684m over budget.
- December 2025: 13% over budget, no figure provided.
- January 2026: R1 539.881m over budget.
- February 2026: R1 905.171m over budget.
- March 2026: R1 240.348m over budget.
- April 2026: R1 688.893m over budget.
- May 2026: R1 968.975m over budget.
- June 2026: R2 015.720m over budget.
- July 2026: under budget by 18% but attributed to the department still processing year-end accruals.

The reports link this to a high collection rate target for City Power. "The year-to-date collection level is 91.72% which was used to determine the debt impairment reported based on the actual billing against the target level of 97,50%."

4.10. City Power struggling

In 2025/26, CoJ/City Power collected enough cash (R26 928.926m) to, in theory, pay R20 659.644m on the bulk electricity bill. However, this amount does not include the unknown remains of the Eskom debt, which was finally paid off on 21 August, and at least part of which may have been run

up in a previous financial year. More crucially, it doesn't cover the enormous additional costs of running City Power such as staff, maintenance, contractors, finance costs, fleet, security.

City Power is clearly struggling, as shown by the increase in its "overdraft" with CoJ core by R3 814.785m during 2025/26 and, in the single month of July 2026, by another R2 984.732m.

4.11. Electricity debtors

By the end of 2025/26 (30 June 2026), CoJ was owed R12 256.665m by electricity customers, with R9 974.916m of that owed for more than 90 days (Table SC3). This is up by R1 706.686m from the total of R10 549.979m (R8 874.829m over 90 days) owed in July 2025.

4.12. Electricity debtor disconnections

During 2025/26, City Power listed electricity accounts identified each month for disconnection in an attempt to get payment. The reported monthly collections total R1.299bn over 13 months, although repeated figures in some months may mean the actual total is lower.

This is the record:

- July 2025: 5 997 accounts, collecting R79.4m of R3.3bn owed.
- August 2025: 13 290 accounts, collecting R147m of R8.5bn owed.
- September 2025: 13 290 accounts, collecting R147m of R8.5bn owed (this appears to be a repeat of August's data).
- October 2025: 5 776 accounts, collecting R65.4m of R3.8bn owed.
- November 2025: 4 146 accounts, collecting R99.3m of R2.7bn owed.
- December 2025: 4 146 accounts, collecting R99m of R2.7bn owed (repeat of November's data).
- January 2026: 4 146 accounts, collecting R99.3m of R2.7bn (another repeat of November data).
- February 2026: 6 599 accounts, collecting R53.6m of R5.4bn owed.
- March 2026: 14 130 accounts, collecting R190m of R9.8bn owed.
- April 2026: 3 124 accounts, collecting R93m of R1.7bn owed.
- May 2026: 3 124 accounts, collecting R93.1m of R1.7bn owed (repeat of April data).
- June 2026: 3 124 accounts, collecting R93.1m of R1.7bn owed (repeat of April data).
- July 2026: 2 983 accounts, collecting R39.9m of R1.8bn owed.

4.13. "Cash generator"

It's unclear why the S71 routinely still refer to City Power as one of the "key cash generators" for the City, when it is in fact a massive cash drain.

4.14. Inadequate accountability

The S71 reports provide the expenditure on bulk electricity (with “monthly actual” expenditure). However, they do not include a clear reconciliation of bulk supplier invoices, cash payments, arrears and outstanding Eskom debt.

4.15. Lower spend: contractor problems

A few of the S71 reports mention that City Power saved operational costs on lower commission paid on electricity re-sales, due to fewer customers using third-party vendors.

Multiple monthly reports from August 2025 onwards refer to City Power spending less on contracted services, including on the repairs and maintenance budget, due “invoice delays and contractor hesitancy”. In October 2025, this was further explained as contractors unwilling to work for City Power due to “prior-year non-payments”. This contractor reluctance was also referred to in most of the subsequent reports.

4.16. City Power and SARS

In March and April 2026, City Power spent an unspecified unbudgeted amount on legal expenses “regarding the SARS refund matter”. This is not explained.