

ELUNDINI LOCAL MUNICIPALITY

Credit Control and Debt Collection Policy



LOCAL MUNICIPALITY
IKAMVA ELIQAQAMBILEYO

hereby makes the following policy in terms of section 97(1) of the Local Government: Municipal Systems Act no. 32 of 2000.

CONTENTS

1.	PRINCIPLES	7
2.	DUTIES AND FUNCTIONS	7
2.1.	Duties and Functions of Council	7
2.2.	Duties and Functions of Mayor	9
2.3.	Duties and Functions of the Municipal Manager	9
2.4.	Duties and Functions of Communities, Ratepayers and Residents	10
2.5.	Duties and Functions of Ward Councillors	10
3.	AREA OF APPLICATION	10
4.	APPLICATION FOR SERVICES	10
5.	CUSTOMER SERVICE AGREEMENTS	11
6.	DEPOSITS AND GUARANTEES	11
7.	ACCOUNTS AND BILLING	12
8.	METERING OF CONSUMABLE SERVICES	12
10.	CUSTOMER ASSISTANCE PROGRAMMES	14
10.1.	Rates Rebate	14
10.2.	Arrangements for Settlement	14
10.3.	Payment of Rates by Instalments	14
10.4.	Indigent Assistance Scheme	15
10.5.	Free Basic Services	15
11.	COMMUNICATION	15
12.	PAYMENT FACILITIES AND METHODS	15
13.	ENQUIRIES AND APPEALS	15
14.	TENDERS FOR BUSINESS	16
15.	DEBT COLLECTION	16
17.	THEFT AND FRAUD	18
18.	REPORTING AND PERFORMANCE MANAGEMENT	19
19.	INCOME COLLECTION TARGET	19
20.	APPLICATION OF THE POLICY	19
21.	IMPLEMENTATION AND REVIEW OF THIS POLICY	24

PREAMBLE

WHEREAS section 152 (1) (b) of the Constitution of the Republic of South Africa Act 108 of 1996 (*the Constitution*) provides that one of the objects of local government is to ensure that the provision of services to communities occurs in a sustainable manner;

AND WHEREAS section 153 (a) of the Constitution provides that a municipality must structure its administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community;

AND WHEREAS section 195 (1) of the Constitution provides that the public administration must be governed by the democratic values and principles enshrined in the Constitution, including-

- The promotion of the efficient, economic and effective use of resources;
- The provision of services impartially, fairly, equitably and without bias; and
- The fact that people's needs must be responded to.

AND WHEREAS section 4 (1) (c) of the Local Government: Municipal Systems Act 33 of 2000 (*the Systems Act*) provides that the Council of a municipality has the right to finance the affairs of the municipality by charging fees for services, imposing surcharges on fees, rates on property and, to the extent authorised by national legislation, other taxes, levies and duties;

AND WHEREAS section 5 (1) (g), read with subsection (2) (b), of the Systems Act provides that members of the local community have the right to have access to municipal services which the municipality provides provided that, where applicable and subject to the policy for indigent debtors, pay promptly for services fees, surcharges on fees, other taxes, levies and duties imposed by the municipality;

AND WHEREAS section 6 (2) (c), (e) and (f) of the Systems Act provides that the administration of a municipality must take measures to prevent corruption; give members of a local community full and accurate information about the level and standard of municipal services that they are entitled to receive; and inform the *local* community about how the municipality is managed, of the costs involved and the persons in charge;

AND WHEREAS Chapter 9, sections 95, 96, 97, 98, 99 and 100, of the Systems Act provides for Customer Care Management, Debt Collection responsibility of the Municipality, contents of the policy, by-laws that give effect to the policy, Supervisory authority and Implementing authority.

IT IS HEREBY ADOPTED: a credit control and debt management policy of the Elundini Municipality.

DEFINITIONS

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:

"Act"	The Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) as amended from time to time;
"Arrangement"	A written agreement entered into between the Council and the debtor where specific repayment parameters are agreed to.
"Arrears"	Means those rates and service charges that have not been paid by the due date and for which no arrangement has been made.
"Authorized Representative"	Person or institution legally appointed by the Council to act or to fulfil a duty on its behalf;
"CFO"	Person appointed as the Chief Financial Officer of the Municipality, or his or her nominee.
"Council"	The municipal council, as referred to in section 157 of the Constitution of the Republic of South Africa Act 108 of 1996, of the Elundini Municipality established by part 7 of provincial notice 80, dated 27 September 2000;
"Credit Control"	All the functions relating to the collection of monies owed by ratepayers and the users of municipal services.
"customer"	Any occupier of any premises to which Council has agreed to supply or is actually supplying services, or if there is no occupier, then the owner of the premises and includes any debtor of the municipality;
"defaulter"	Any Person who owing the Council arrear monies in respect of rates and / or service charges;
"engineer"	The person in charge of the civil and/or electrical component of Council;
"equipment"	A building or other structure, pipe, pump, wire, cable, meter, engine or any accessories;
"free basic services"	means free electricity in areas with electricity up to a maximum of 50 Kwh and free

other sources of energy such as solar, gel, paraffin etc. in areas with no electricity.

"Implementing Authority"

Means the Municipal Manager or his or her nominee acting in terms of section 100 of the Systems Act.

"interest"

A charge levied with the same legal priority as service fees and calculated at a rate determined by council from time to time on all arrear monies;

"municipal account"

An account rendered specifying charges for services and or goods provided by the municipality, or any authorised and contracted service provider, and/or assessment rates levied;

"Municipality"

Means the Elundini Municipality;

"Municipal Manager"

The person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act. 1998, (Act 117 of 1998) and include any person acting in that position or to whom authority was delegated;

"municipal services"

Those services provided by the municipality, such as, inter alia the supply of electricity, refuse removal and for which services charges are levied;

"municipal valuation"

Means the value of the property as determined in terms of the Property rate act

"occupier"

Any person who occupies any property or part thereof, without regard to the title under which he or she occupies the property,

"owner" - (a)

The person in whom from time to time is vested the legal title to premises;

(b) In a case where the person in whom the legal title is vested is insolvent or dead, or is under any form of legal disability whatsoever, the person in whom the administration of and control of such premises is vested as curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative;

(c) In a case where the Council is unable to determine the identity of such person, a person who is entitled to the benefit from such premises or from any improvement thereon;

(d) In the case of premises for which a lease of 30 years or more has been entered into, the lessee thereof;

(e) In relation to-

- i. A piece of land delineated on a sectional plan registered in terms of the Sectional Title Act 1986, (Act 95 of 1986), and without restricting the above to the developer or the body corporate in respect of the common property; or
 - ii. A section as defined in such Act, the person in whose name such a section is registered under a sectional title deed and includes the lawfully appointed agent of such a person;
- (f) Any legal person including but not limited to-
- i. A company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust, a closed corporation registered in terms of the Closed Corporations Act, 1984 (Act 69 of 1984) and a voluntary association;
 - ii. Any department of State;
 - iii. Any Council of Board established in terms of any legislation applicable to the Republic of South Africa;
 - iv. Any Embassy or other foreign entity;

"premises"

Includes any piece of land, the external surface boundaries of which are delineated on-

- a) A general plan or diagram registered in terms of the Land Survey Act, 1927 (9 of 1927), or in terms of the Deed Registry Act. 1937 (47 of 1937); or
- b) A sectional plan registered in terms of the Sectional Titles Act, 1986 (95 of 1986), which is situated within the area of jurisdiction of the Council;

"Supervisory Authority"

Means the Mayor of the Municipality or his or her nominee, acting in terms of Section 99 of the Systems Act.

1. PRINCIPLES

- 1.1. The administrative integrity of the municipality must be maintained at all costs. The democratically elected councillors are responsible for policy- making, while it is the responsibility of the Municipal Manager to ensure the execution of these policies.
- 1.2. All customers must complete an official application form, formally requesting the municipality to connect them to service supply lines. Existing customers may be required to complete new application forms from time to time, as determined by the Municipal Manager.
- 1.3. A copy of the application form, conditions of services and extracts of the relevant council's credit control and debt collection policy and by-laws must be handed to every customer on request at such fees as may be prescribed by Council.
- 1.4. Billing is to be accurate, timeous and understandable.
- 1.5. The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.
- 1.6. The customer is entitled to an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of a reasonable appeal.
- 1.7. Enforcement of payment must be prompt, consistent and effective.
- 1.8. Unauthorised consumption, connection and reconnection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to disconnections, penalties, loss of rights and criminal prosecutions.
- 1.9. Incentives and disincentives may be used in collection procedures.
- 1.10. The collection process must be cost-effective.
- 1.11. Results will be regularly and efficiently reported by the Municipal Manager and the Mayor.
- 1.12. Application forms will be used to, inter alia, categorise customers according to credit risk and to determine relevant levels of services and deposits required.
- 1.13. Targets for performance in both customer service and debt collection will be set and pursued and remedies implemented for non-performance.

2. DUTIES AND FUNCTIONS

2.1. Duties and Functions of Council

- 2.1.1. To approve a budget consistent with the needs of communities, ratepayers and residents.
- 2.1.2. To impose rates and taxes and to determine service charges, fees and penalties

to finance the budget.

- 2.1.3. To facilitate sufficient funds to give access to basic services for the poor.¹
- 2.1.4. To provide for a bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the municipality.²
- 2.1.5. To set an improvement target for debt collection, in line with acceptable accounting ratios and the ability of the Implementing Authority.³
- 2.1.6. To approve a reporting framework for credit control and debt collection.
- 2.1.7. To consider and approve by-laws to give effect to the Council's policy.
- 2.1.8. To monitor the performance of the Mayor (Supervising Authority) regarding credit control and debt collection.
- 2.1.9. To revise the budget should Council's targets for credit control and debt collection not be met.
- 2.1.10. To take disciplinary and/or legal action against councillors, officials and agents who do not execute council policies and by-laws, or act improperly in terms of such policies.
- 2.1.11. To approve a list of attorneys that will act for Council in all legal matters relating to debt collection.
- 2.1.12. To delegate the required authorities to monitor and execute the credit control and debt collection policy to the Mayor and Municipal Manager and Service Provider respectively.
- 2.1.13. To provide sufficient capacity in the Municipality's Financial Department for credit control and debt collection, alternatively to appoint a Service Provider, or debt collection agent.
- 2.1.14. To assist the Municipal Manager in the execution of his duties, if and when required.
- 2.1.15. To provide funds for the training of staff.

¹ Preferably, the total equitable share should be set aside for this purpose.

² The bad debt provision should at least reflect the increase in debtors during the previous financial year. The amount provided for can only be reduced by the amount provided for working capital.

³ A realistic target would be to improve on the previous year's result by 5% - 10%. The target should be reviewed every year until the turnover rate of debtors is between 45-56 days.

2.2. Duties and Functions of Mayor

- 2.2.1. To ensure that Council's budget, cash flow and targets for debt collection are met and executed in terms of the policy and relevant by-laws;⁴
- 2.2.2. To monitor the performance of the Municipal Manager in implementing the policy and by-laws;⁵
- 2.2.3. To review and evaluate the policy and by-laws in order to improve the efficiency of Council's credit control and debt collection procedures, mechanisms and processes;⁶
- 2.2.4. To report to Council.

2.3. Duties and Functions of the Municipal Manager

- 2.3.1. To implement good customer care management systems.
- 2.3.2. To implement council's credit control and debt collection policy.
- 2.3.3. To install and maintain an appropriate accounting system.
- 2.3.4. To bill customers.
- 2.3.5. To demand payment on due dates.
- 2.3.6. To raise penalties for defaults.
- 2.3.7. To appropriate payments received.
- 2.3.8. To collect outstanding debt.
- 2.3.9. To provide different payment methods.
- 2.3.10. To determine credit control and debt collection measures.
- 2.3.11. To determine all relevant work procedures for, inter alia, public relations, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
- 2.3.12. To instruct attorneys to proceed with the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders, etc.).
- 2.3.13. To set performance targets for staff.
- 2.3.14. To appoint staff to execute council's policy and by-laws in accordance with council's

⁴ Section 99 of the Local Government: Municipal Systems Act, 2000 provides that the executive committee must –

- a) Oversee and monitor –
 - i The implementation and enforcement of the municipality's customer care, credit control and debt collection policy and any by-laws enacted in terms of section 98; and

⁵ ii The performance of the municipal manager in implementing the policy and any by-laws.

⁶ b) When necessary, evaluate or review the policy and any by-law, or the implementation of the policy or such by-laws, in order to improve efficiency of its credit control and debt collection mechanisms, processes and procedures;

staff policy.

- 2.3.15. To delegate certain functions to heads of departments.
- 2.3.16. To determine control procedures.
- 2.3.17. To monitor contracts with service providers in connection with credit control and debt collection.
- 2.3.18. To report to the Mayor.

2.4. Duties and Functions of Communities, Ratepayers and Residents

- 2.4.1. To fulfil certain responsibilities as brought about by the privilege and or right to use and enjoy public facilities and municipal services.
- 2.4.2. To pay service fees rates on property and other taxes, levies and duties imposed by the municipality.
- 2.4.3. To observe the mechanisms and processes of the municipality in exercising their rights.
- 2.4.4. To allow municipal officials access to their property to execute municipal functions at a time that is agreeable by the consumer and municipal officials.
- 2.4.5. To comply with the by-laws and other legislation of the municipality.
- 2.4.6. To refrain from tampering with municipal services and property.

2.5. Duties and Functions of Ward Councillors

- 2.5.1. To hold regular ward meetings.
- 2.5.2. To adhere to and convey council policies to residents and ratepayers.
- 2.5.3. To adhere to the Code of Conduct for Councillors.
- 2.5.4. Ward Committees will act in terms of roles and functions as approved by Council.

3. AREA OF APPLICATION

This policy applies throughout the area of the Municipality.

4. APPLICATION FOR SERVICES

- 4.1. Consumers who require a service must enter into a written service agreement with the municipality.

- 4.2. The process must occur ten (10) days prior to taking occupation of the premises, so that the Municipality can ensure that a meter reading is taken on the appropriate day and that the services are available when occupation is taken. Failure to adhere to the timeframe may result in customers not having the services available when occupation is taken.
- 4.3. The Municipality will render the first account after the first meter reading cycle to be billed following the date of signing the service agreement.
- 4.4. Consumers who illegally consume services without this agreement will be subject to punitive action.
- 4.5. Application by a tenant for a service connection shall be counter- signed by the land-lord. In the event that the tenant vacates the property, the land-lord will be liable for full settlement of the account.

5. CUSTOMER SERVICE AGREEMENTS

- 5.1. Customer service agreements are those agreements that will be from time to time be entered into between the customer and the Municipality for the supply of municipal services;
- 5.2. The contents of the agreement includes this policy as well as:

An undertaking by customers:

- That they are liable for the costs of collection, including any administration fees, penalties for late payment, legal costs, interest, disconnection fees and reconnection fees;
- That any alleged non-receipt of an account does not stop the collection process;

An undertaking by Council:

- That it will deliver accounts to customers;
- That it will inform customers that they are required to request statements in the event that they do not receive an account.

6. DEPOSITS AND GUARANTEES

- 6.1. Consumer deposits are payable when new customers sign-on and when existing customers move to a new supply address.
- 6.2. Deposits from business must be 50% cash and 50% guarantee in cases where the applicable amount exceeds R30 000. If less the whole amount should be in cash and only under circumstances as determined by Council from time to time.
- 6.3. Customers must pay a deposit equal to an amount as determined by Council from time to

time.

- 6.4. The Municipality may increase or decrease deposits and guarantees to suit the particular circumstances.

7. ACCOUNTS AND BILLING

- 7.1. Customers will receive one consolidated bill for all services to a property, which is situated within the boundaries of the Municipality.
- 7.2. Accounts are produced in accordance with the meter reading cycles.
- 7.3. An account will be rendered each month in cycles of approximately 30 days.
- 7.4. The Municipality will undertake to have the accounts delivered to all consumers. However non-receipt of an account does not prevent interest charges and debt collection procedures. In the event of non-receipt of an account, the onus rests on the account holder to obtain a free copy of the account, before the due date.
- 7.5. Accounts must be paid on the due date as indicated on the account. Interest on arrears will accrue after due date if the account remains unpaid irrespective of the reason for non-payment.
- 7.6. Payments for accounts must be received on or before the due date at a Municipal pay-point by the close of business. In the case of any electronic payments or payments via agents, the money must be received in the municipal bank account on or before the due date and not later than the close of Business.
- 7.7. Consumers will be notified of their unpaid accounts prior to the commencement of the debt collection process and/or notices will be included in the monthly statement.
- 7.8. Non-payment of the account will result in debt collection actions as per section 15 of this policy.

8. METERING OF CONSUMABLE SERVICES

- 8.1. The municipality may introduce various metering equipment and customers may be encouraged to convert to a system preferred by the municipality.
- 8.2. Customers who default (fail to pay by a due date) may be required by the municipality to convert to another metering system.
- 8.3. Prepayment metering is the preferred installation for all new households- and where applicable, business accounts.
- 8.4. Meters (credit) will be read monthly. Should circumstances prevent reading the Municipality is entitled to estimate a reading that is within reason comparable to past consumption.

- 8.5. A Customer is responsible to ensure access to metering equipment at a time that is agreeable by the consumer and the municipal officials and will accept any cost to ensure access (such as relocating the meter) if satisfactory access is not possible.
- 8.6. Voluntary readings:
- These will be permitted provided the municipality obtains any final reading should the customer move to another supply address.
 - Customers may be liable for a fee to cover the costs of obtaining a reading if no advance warning is given and special arrangements are required to obtain a reading.
 - The Municipality is entitled to make suitable adjustments to the readings should the debtor fail to ensure that a final reading is obtained.
 - An audit reading during the normal reading cycles must be obtained once every six months. If a special audit reading becomes necessary this will be done at the cost of the consumer.
 - The customer may elect to supply voluntary readings subject to compliance with the rules. The Chief Financial Officer may, however, cancel the voluntary reading convenience if the customer fails to ensure the audit reading is obtained or should the customer fail to render readings on two consecutive occasions.
- 8.7. Routine or special maintenance of metering equipment will be communicated to the customer. The meter replacement advice will indicate the removal reading.

9. THEFT AND FRAUD

- 9.1. Any natural or juristic person found to:-
- 9.1.1. be illegally connected to municipal services;
 - 9.1.2. has tampered with meters, the reticulation network or any other supply equipment;
 - 9.1.3. has committed any unauthorised act associated with the supply of municipal services, and;
 - 9.1.4. be involved in theft of and fraudulent activity;
- will be prosecuted and/or held liable for penalties as determined from time to time.
- 9.2. Council will immediately terminate the supply of services to a customer should such conduct as outlined in paragraph 9.1 be detected;
- 9.3. The total bill owing, including penalties, assessment of unauthorised consumption and discontinuation and reconnection fees, and increased deposits as determined by Council if applicable, will be due and payable before any reconnection can be sanctioned.
- 9.4. The municipality will maintain monitoring systems in order to identify customers who are undertaking illegal actions.
- 9.5. The municipality reserves the right to lay criminal charges and/or to take any other legal

action against both vandals and thieves.

- 9.6. Any person failing to provide information or providing false information to the municipality may face immediate disconnection and/or legal action.

10. CUSTOMER ASSISTANCE PROGRAMMES

These are programmes that the Municipality may at its discretion, implement to assist customers to meet their obligations, such as:

- 10.1. Rates rebates consistent with the Property Rates Policy;
- 10.2. Arrangements for settlement of arrears;
- 10.3. Payment of rates by instalments;
- 10.4. Indigent assistance scheme;
- 10.5. Free basic services.

10.1. Rates Rebate

Rebates on rates may be granted by Council in terms of Council's Property Rates policy.

10.2. Arrangements for Settlement

- 10.3.1. Arrangements are permissible for debtors who experience difficulties in paying their accounts.
- 10.3.2. The terms applicable for the settlement of arrear debt will be as approved by Council. See Annexure A
- 10.3.3. All employees and councillors arrangement will be made in reference to Municipal Systems Act schedule 2 (10).

10.3. Payment of Rates by Instalments

- 10.4.1. Owners may pay the property rates annually or in equal monthly instalments over a period of 12 months.
- 10.4.2. Interest shall accrue on all monthly paid rates accounts if they are not paid by the due date as indicated on the account.
- 10.4.3. Regular monthly instalment payments must be maintained if the owner opts for monthly instalments. Failure to maintain monthly instalment payment for three (3) consecutive months shall result in the cancellation of the facility and all future instalments become payable. Indigent accounts will remain on monthly instalment.

10.4. Indigent Assistance Scheme

An account holder may apply to the Municipality, in accordance to the stipulations and criteria of the Council's Indigent Policy, to be declared an indigent household.

10.5. Free Basic Services

Council will provide free basic services to household approved as Indigent debtors on a monthly basis in quantities as determined as stipulated in the Indigent Policy.

11. COMMUNICATION

11.1. The municipality will at its own cost make the Credit Control and Debt Collection policy brochure available to the community. Any amendments may be communicated in a newsletter from time to time.

11.2. Councillors must from time to time, address ward committees on the contents of the policy and any amendments thereto.

12. PAYMENT FACILITIES AND METHODS

12.1. Municipal payment and enquiry facilities will be maintained subject to acceptable levels of activity when compared to the operational costs. The Municipal Manager or his/her designate has the discretion to open and close offices as required.

12.2. The consumer acknowledges that any agent used for transmitting payments to the Municipality is at the risk and cost of the consumer. In addition the consumer must take into account the transfer time of the particular agent.

12.3. A range of payment methods are available and may be extended as required subject to financial implications. The Municipality shall actively monitor the effectiveness of pay facilities, methods and convenience for consumers.

12.4. The Chief Financial Officer shall allocate payments according to pre-determined priorities.

13. ENQUIRIES AND APPEALS

13.1. Any resident or consumer who may feel aggrieved concerning his/her account may address a grievance / appeal to the Municipal Manager or Chief Financial Officer or visit any Customer Care Office provided by the municipality.

13.2. A customer who has lodged an enquiry is not relieved of the responsibility to maintain regular payment of the account. An interim payment similar to the average account must be paid by the due date pending finalisation of the enquiry. Failure to make a payment

will result in debt collection action been instituted against the customer.

- 13.3. Depending on the nature of the enquiry and the resources available, the enquiry must receive a response within 10 days.
- 13.4. If a customer has received a response and is still not convinced on the outcome, the customer may again approach the Municipal Manager in writing.

14. TENDERS FOR BUSINESS

This section must be read with the Procurement Policy and Tender Conditions of the Municipality and will include the following:

- 14.1. When inviting tenders for the provision of services or delivery of goods, potential contractors may submit tenders subject to a condition that consideration and evaluation thereof will necessitate that the tenderer obtain from the municipality a certificate stating that all relevant municipal accounts owing by the tenderer and/or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of non-compliance) have been made for payment of any arrears.
- 14.2. No tender will be allocated to a person/contractor until a suitable arrangement for the repayment of arrears, has been made. No further debt may accrue during contract period.
- 14.3. A condition allowing the municipality to deduct any moneys owing to the municipality from contract payments.

15. DEBT COLLECTION

The Chief Financial Officer is authorised to institute these mechanisms without exception and with the intention of proceeding until the debt is collected.

The following mechanisms may be used to collect:

- 15.1. Disconnection / restriction of metered services for all overdue rates and service charges.
- 15.2. Barring from buying prepayment services by debtors who are in arrears with rates and service charges.
- 15.3. Allocating a portion of any payment for prepayment services to arrear debt.
- 15.4. Insisting on prepayment supplies is installed at the cost of the debtor.
- 15.5. Emolument attachment orders on debtors' salaries.
- 15.6. Withholding of rates clearance certificates under certain conditions. (Refer to section 118 of the Systems Act of 2000.)
- 15.7. Legal process, including the attachment and sale of goods or immovable property.

- 15.8. Withholding payment on contracts.
- 15.9. Any other method authorised by Council from time to time.
- 15.10. Claim on rental for payment of assessment rates and service levies in arrears:
- 15.10.1 The municipality may attach the rental or any other payment due to debtors who are in arrears with their municipal accounts.
- 15.10.2 If any debt levied in respect of a property is unpaid by the owner of the property the Municipal Manager may recover the amount in whole or in part from a tenant or occupier of the property, despite any contractual obligation to the contrary on the tenant or occupier.
- 15.10.3 The amount the Municipal Manager may recover from the tenant or occupier of Property is limited to the amount of the rent or other money due and payable, but not yet paid by the tenant or occupier to the owner of the property; and
- 15.10.4 Any amount the Municipal Manager recovers from the tenant or occupier of the Property must be set off by the tenant or occupier against any money owed by the tenant or occupier to the owner; and
- 15.10.5 The tenant or occupier of the property must on request by the Municipal Manager, furnish the Municipal Manager with a written statement specifying all payments to be made by the tenant or occupier to the owner of the property for rent or other money payable on the property during a period determined by the Municipal Manager.
- 15.10.6 The Municipal Manager may recover the amount due for debt on a property in whole or in part from the agent of the registered owner, if this is more convenient for the Municipal Manager.
- 15.10.7 The Municipal Manager may recover the amount due for debt from the agent or the registered owner only after written notice has been served on the agent, and
- 15.10.8 The amount the Municipal Manager may recover from the agent is limited to the amount of any rent or other money received by the agent on behalf of the registered owner less any commission due to the agent; and
- 15.10.9 The agent must, on request by the Municipal Manager, furnish the Municipal Manager with written statement specifying all payments for rent on the property and any other money received by the agent on behalf of the owner during a period determined by the Municipal Manager.

16. Irrecoverable debt

Criteria for irrecoverable debt

(1) Debt will only be considered as irrecoverable if it complies with one or more of the following criteria:

- (a) All reasonable notifications and cost-effective legal avenues have been exhausted to recover a specific outstanding amount; or
- (b) any amount equal to or less than R500.00, or as determined by Council from time to time, will be considered too small, after having followed basic checks, to warrant further endeavours to collect it; or
- (c) the cost to recover the debt does not warrant further action; and
 - (i) where a company or close corporation has been deregistered or is dormant and has no assets of value to attach; or
- (d) the amount outstanding relating to insolvency;
 - (i) is the residue after payment of a dividend in the rand from an insolvent estate; or
 - (ii) there is a danger of a contribution;
 - (iii) no dividend will accrue to creditors; or
 - (iv) there are insufficient funds to cover any preference afforded by section 118 (3) of the Systems Act; or
- (e) the amount outstanding relating to a deceased estate;
 - (i) has no liquid assets to cover the outstanding amount following the final distribution of the estate; or
 - (ii) where the estate has not been reported to the Master and there are no assets of value to attach; or
- (f) it has been proven that the debt has prescribed; or
- (g) the debtor is untraceable or cannot be identified so as to proceed with further action; or
 - (i) the debtor has emigrated leaving no assets of value to cost effectively recover Council's claim; or
- (h) it is not possible to prove the debt outstanding; or
 - (i) a court has ruled that the claim is not recoverable;
 - (ii) the claim is subject to any order of court;
 - (iii) the claim is subject to an out of court settlement agreement; or
 - (iv) the debt is subject to a settlement in terms of section 109 of the Systems Act; or
 - (i) the outstanding amount is;
 - (i) due to an irreconcilable administrative error by the City;
 - (ii) as a result of an administration error.

17. THEFT AND FRAUD

- 16.1. The Municipality does not condone theft and fraud of municipal services and will monitor the service networks for signs of tampering or irregularities.
- 16.2. The Council may approve specific penalties and distinguish between cases of vandalism and theft as approved in the tariff structure of that particular year.
- 16.3. Subsequent acts of tampering may lead to a refusal to supply certain services for

determined periods.

18. REPORTING AND PERFORMANCE MANAGEMENT

17.1. The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Mayor as supervisory authority in terms of section 99 of the Systems Act, read with section 100(c).

This report shall contain particulars on:

17.1.1. Cash collection statistics, showing high-level debt recovery information (numbers of customers; enquires; arrangements; default arrangements; growth or reduction of arrear debt). Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, state, institutional and other such divisions.

17.2. If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the Municipal Manager who will, if he agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realisable income levels.

17.3. The Mayor as Supervisory Authority shall, at intervals of 3 months, report to Council as contemplated in section 99(c) of the Systems Act.

19. INCOME COLLECTION TARGET

The long-term target is a debtor turnover ratio of 30 days, that is, debtors are expected to pay for services on average in a month and collection rate of 95% as per national treasury norm.

20. APPLICATION OF THE POLICY

The Council reserves the right to differentiate between different categories of consumers, debtors, services or service standards when applying the Policy.

The Council will on application of the credit control policy avoid discrimination as forbidden by the Constitution unless it is established that the discrimination is fair as allowed by the Constitution.

ANNEXURE "A"

Arrangements

If a customer cannot pay his/her account with the municipality then the municipality may enter into an extended term of payment with the customer according to the applicable category of the customer. The customer must:

- i. Sign an acknowledgement of debt;
- ii. Acknowledge that interest could be charged at the prescribed rate;
- iii. Pay the current portion of the account and towards the arrears;
- iv. Sign an acknowledgement that, if the arrangements being negotiated are later defaulted on, that no further arrangements will be possible and that disconnection/restriction electricity will follow immediately, as will legal proceedings.
- v. Acknowledge liability of all costs incurred.
- vi. Arrangements for settlements i) If a consumer cannot pay his/her account with the municipality then a mutual acceptable extended term, not exceeding 24 months, of payment with the customer may be entered into. He/she must:
 - (a) Sign an acknowledgement of debt;
 - (b) Supply proof of income;
 - (c) Supply proof if a debt repayment arrangement was made, e.g. Signed debit order from a bank account or signed debit order at his/her employer;
 - (d) Acknowledge that interest will be charged at the prescribed rate;
 - (e) Pay the current portion of the account in cash or electronic funds transfer; and
 - (f) If the arrangements that are being negotiated are later defaulted on, electricity supply will be fully blocked until outstanding debt are settled in full or arrear instalments are paid in full.
 - (g) Customers with arrears may be restricted when purchasing electricity on the "Auxiliary" system whereby purchases will be allowed on a minimum ratio of 3:7, i.e. for every R10.00 purchase the amount of R3.00 electricity and R7.00 will be credited to the account.
 - (h) Sign consent to an emoluments attachment order in terms of Section 65J of the Magistrate's Courts Act 1944 (Act 32 of 1944) together with acknowledgement of debt if consumer is permanently employed. If payment arrangements are in default all monies can be deducted from consumer's salary.
 - (i) If a consumer requests a payment arrangement to be reduced, proof of the change in financial situation must be provided. A debt rescheduling arrangement requires the payment of the current monthly charges plus a mutually agreed amount towards the arrears each month. • If a debt arrangement is not honoured, the debt collection process or legal action will resume from where it was suspended and not restart at the beginning of the debt management process.
 - (j) Council reserves the right to raise the deposit/security requirement in accordance with paragraph 6.4 (e) of debtors who seek arrangements for payment of municipal accounts.

- (k) All debtors entering into settlement arrangements shall provide their banking details and those who have a facility to sign a debit order with their financial institutions, shall be required to do so.
 - (l) Debtors who default on three occasions in respect of arrangements, may be denied the privilege of making further arrangements, and the full amount will be payable.
 - (m) Consumers will only be allowed to get extension for payment of current accounts once in a financial year.
- vii. Acknowledge and accept the following conditions to be applicable:

CATEGORIES OF DEBTORS

DOMESTIC CUSTOMERS

DEBT	PAYMENT OF ARREARS
Less than R1 000,00	No arrangement
R1001,00 to R3 000,00	20% of outstanding debt plus the cost of the credit control actions as down payment. The balance over maximum 8 months subject thereto that the installment on the amount of debt not older than 60 days, will not be less than 50% of the average account on the applicable property.
R3 001,00 to R6 000,00	30% initial payment of the outstanding amount plus make arrangement for the balance of the outstanding amount over maximum 12 months subject thereto that the installment on the amount of debt not older than 60 days, will not be less than 50% of the average account on the applicable property.
R6 001,00 and more	50% initial payment of the outstanding plus make arrangement for the balance of the outstanding amount over maximum 12 months subject thereto that the installment on the amount of debt not older than 60 days, will not be less than 50% of the average account on the applicable property.

In all cases the consumer deposit to be increased to 3 times the average monthly consumption or a minimum as determined annually and published in the tariff list.

BUSINESS

	PAYMENT OF ARREARS
Less than R20 000,00	No arrangement
1 st default in any twelve-month cycle:	30% of arrear amount plus current account as down payment. Balance over maximum of 6 months subject thereto that the installment on the amount of debt not older than 60 days, will not be less than 50% of the average account on the applicable property. Deposit adjusted to 3 months consumption.
2 nd default in any twelve-month cycle:	50% of arrear amount plus current account as down payment. Balance over maximum of 6 months subject thereto that the installment on the amount of debt not older than 60 days, will not be less than 50% of the average account on the applicable property. Deposit adjusted to 3 times average of total monthly account.

SCHOOLS / HOSPITALS, ETC.

	PAYMENT OF ARREARS
1 st default in any twelve month cycle:	3 weeks' notice – no arrangements. Deposit adjusted to 3 months consumption.
2 nd default in any twelve month cycle:	2 weeks' notice – no arrangements. Deposit adjusted to 3 times average of total monthly account.
3 rd default in any twelve-month cycle:	48-hour notice. Deposit adjusted to 3 times average of total monthly account.

<u>SPORT- and SOCIAL CLUBS</u>	50% of arrear amount plus current account as down payment. Balance over maximum of 3 months. Deposit adjusted to 3 times average of total monthly account.
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OLD AGE & DISABILITY PENSIONERS

DEBT	PAYMENT OF ARREARS
R500,00 to R3 000,00	5% of outstanding debt plus the cost of the credit control actions as down payment. The balance over maximum of 18 months.
R3 001,00 to R6 000,00	5% of outstanding R3 000,00 plus 3% over R3 000, 00 plus the cost of the credit control actions. The balance of the outstanding amount over maximum 24 months.
R6 001,00 and more	5% of the first R3 000,00 outstanding plus 3% above R3 000, 00 outstanding plus the cost of the credit control actions. The balance of the outstanding amount over maximum 36 months.

Arrangements for this category of debtor will be free of interest, should the payment arrangement be maintained regularly.

ACCOUNT HOLDERS UNDER ADMINISTRATION

Where a person has been placed under administration the following procedures will be followed:

- i. The debt as at the date of the administration court order will be placed on hold, and collected in terms of the court order by the administrator's dividend.
- ii. The administrator is to open a new account on behalf of the debtor, with a new deposit – No account is to be opened/operated in the debtor's name as the debtor is not entitled to accumulate debt (refer section 74S of the Magistrates Courts Act 32 of 1944).
- iii. Until such time as this new account is opened, the debtor is to be placed on limited services levels. The consumer will be compelled to install a prepaid electricity meter, should one not already be in place. The Municipality will be entitled to recover the cost of the basic services by means of purchases made on the prepaid meter.
- iv. Should there be any default on the current account – the supply of services is to be limited or terminated, and the administrator handed over for the collection of this debt.

INDIGENT

- i. All customers qualifying as indigent and having remaining arrear debt after any relief has been granted, will repay that debt as follows:

Over 36 months, in addition to monthly service charges, with immediate payment of the cost of the credit control action taken. Such arrangements for this category of debtor will be free of interest should the payments be regularly maintained.

- ii. In case it is found that payment at present and in future will be impossible, the arrear amount shall be recommended to be written off.

21 IMPLEMENTATION AND REVIEW OF THIS POLICY

21.1 This policy shall be implemented once approved by Council. All future arrangements must be considered in accordance with this policy.

21.2 In terms of section 17(1) (e) of the MFMA this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process if there are any changes.

Date of Council Adoption:

Effective date:

Municipal Manager's Signature:.....

APPROVED