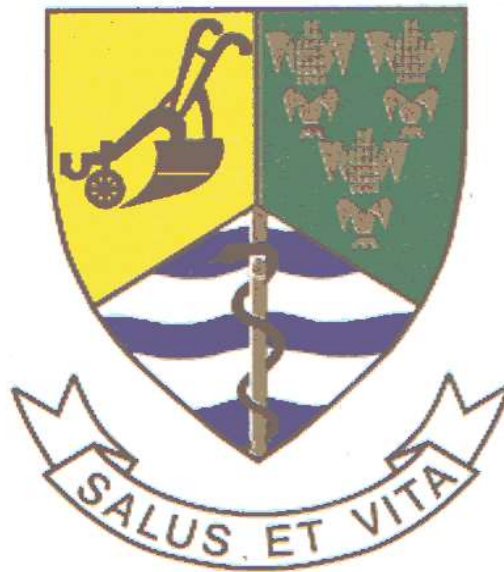


# **BELA – BELA LOCAL MUNICIPALITY**



## **DRAFT PRINCIPLES AND POLICY ON CREDIT CONTROL AND DEBT COLLECTION**

**2019 – 2020**

# Table of Contents

- PREAMBLE..... 4**
- 1. DEFINITIONS..... 4**
- 2. BACKGROUND..... 6**
  - 2.1. Legal Framework..... 6**
  - 2.2 Provision of Services ..... 6**
  - 2.3 Credit Control and Debt Collection..... 7**
- 3. PURPOSE OF THE POLICY..... 7**
- 4. RESPONSIBILITY FOR CREDIT CONTROL ..... 7**
  - 4.1 Supervisory Authority..... 7**
  - 4.2 Implementing Authority ..... 8**
  - 4.3 Unsatisfactory Levels of Indebtedness ..... 8**
- 5. FINANCIAL MATTERS ..... 8**
  - 5.1 Service Agreement..... 8**
  - 5.2 Liability for Payment..... 9**
  - 5.3 Juristic Person ..... 10**
  - 5.4 Controls over Deposits of Security ..... 10**
  - 5.5 Rendering of Accounts ..... 11**
  - 5.6 Actions to Secure Payment ..... 12**
  - 5.7 Cheque Payments ..... 12**
  - 5.8 Cost to Remind Debtors of Arrears ..... 13**
  - 5.9 Disconnection Fees ..... 13**
  - 5.10 Legal Fees ..... 13**
  - 5.11 Interest Charges..... 13**
  - 5.12 Payment of Accounts ..... 13**
  - 5.13 Power to Restrict or Disconnect Supply of Services..... 14**
  - 5.14 Disputes and Payments during Disputes ..... 15**
  - 5.15 Full and Final Settlement of an Amount..... 15**
  - 5.16 Arrangements to Pay Outstanding and Due Amount in Consecutive Installments ..... 16**
  - 5.17 Interest on Arrears ..... 17**
  - 5.18 Reconnection of Services ..... 17**
  - 5.19 Deductions from Salaries and Allowances..... 17**
- 6. PERSONNEL AND FINANCIAL IMPLICATIONS ..... 18**
- 7. FRAUD, TAMPERING AND OTHER CRIMINAL ACTIVITY ..... 18**

**8. AGENTS, ATTORNEYS AND OTHER COLLECTION AGENTS ..... 19**

**9. CREDIT CONTROL POLICY TO BE APPLIED FOR INDIGENT HOUSEHOLDS ..... 19**

**9.1 Introduction..... 19**

**9.2 Aims of the Policy ..... 19**

**9.3 Obligation to Pay ..... 20**

**10. DEBT COLLECTION ..... 20**

**10.1 Abandonment of Claims ..... 20**

**10.2 Writing off Bad Debt ..... 20**

**11. IMPLEMENTATION AND REVIEW OF THIS POLICY ..... 20**

**ANNEXURE A: CREDIT CONTROL AND DEBT COLLECTION PROCEDURES FOR ANY  
OUTSTANDING AMOUNTS ..... 21**



**BELA BELA LOCAL MUNICIPALITY**  
**CREDIT CONTROL AND DEBT COLLECTION POLICY**

**PREAMBLE**

**WHEREAS** section 96 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) requires a municipality to adopt, maintain and implement a credit control, debt collection and customer care policy;

**AND WHEREAS** section 97 of the Systems Act prescribes what such policy must provide for;

**NOW THEREFORE** the Bela-Bela Municipal Council adopts the revised policy as set out in this document.

**1. DEFINITIONS**

“account“	any account rendered for municipal services provided;
“Act”	the local Government: Municipal System Act, 2000 (Act No. 32 of 20000, as amended from time to time
“authorized agent”	means- (a) any person authorized by Municipal Council to perform any act, function or duty in terms of, or exercise any power under these Bylaws; and/or (b) any person to whom the Municipal Council has delegated the performance of certain rights, duties and obligation in respect of providing revenue services; and/or (c) any person appointed by the Municipal Council in terms of a written contract as a service provider to provide revenue services to customers on its behalf, to the extent authorized in such contract;
“CFO”	Chief Financial Officer.
“customer”	means a person with whom the Municipality or its authorized agent has concluded an agreement for the provision of municipal services and is liable for rates and taxes, other charges;
“defaulter”	any customer in arrears;
“Sundry Debt”	means any debt other than rates, housing, metered services, sewerage and refuse removal;
“Consolidated Account”	A monthly account reflecting municipal services fees, charges, surcharges on fees, property rates and other municipal taxes, levies and duties and all consolidations in terms of Section 102 of the Act.
“Payment Arrangement”	any arrangement made by agreement between the Municipality and a customer for the payment of arrears, in instalments period, whatever the form of such arrangement might be, whether in the form of an acknowledgement of debt, or in correspondence, provided that such arrangement is recorded in writing and signed on behalf of the Municipality by an authorized official.
“flow restrictor”	A washer which is installed in the water connection which allows a daily consumption of approximately 360 liters per day.
“illegal connection”	Any connection to any system through which the municipal services are provided, which is not authorised or approved by the Municipality or its authorised agent.
“flow limiter”	An electronic device which allows for a normal flow rate but restricts the daily volume to a preset amount of 300 litres per day.
“80/20 pre-payment debt recovery	Means a pre-payment system whereby 20% of payment is allocated to arrears and 80% is allocated to the purchase of electricity.
“Municipality”	means- (a) the Bela-Bela Local Municipality or its successors-in title;
“Municipal Council”	means the municipal council as referred to in section 157 (1) of the constitution, 1996 (Act 108 of 1996);



“Municipal Manager”	means the person appointed by the Municipal Council as the Municipal Manager of the Municipality in terms of section 82 of the Local Government: municipal Structures Act, (Act No. 117 of 1998) and included any person- (a) acting in such position; and to whom the Municipal Manager has delegated a power, function or duty in respect of such a delegated power, function or duty;
“municipal services”	means for purpose of this policy, services provided by the Municipality or its authorized agent, including refuse removal, water supply, sanitation, electricity services and rates, housing rental, sundry services or any one of the above;
“occupier”	includes any person in actual occupation of the land or premises without regard to the title under which he occupies, and, in the case of premises sub-divided and let to lodgers or various tenants, shall include the person receiving the rent payable by the lodgers or tenants whether for his own account or as an agent for any person entitled thereto or interested therein
“owner”	means- (a) the person in whom from time to time is vested the legal title to premises;  (b) in case where the person in whom the legal title to premises is vested is insolvent or dead, or is under any form of legal disability whatsoever, the person in whom the administration and control of such premises is vested as curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative;  (c) in any case where the municipality or its authorized agent is unable to determine the identity of such person, a person who is entitled to the benefit of the use of such premises or a building thereon;  (d) in the case of premises for which a lease agreement of 30 years or longer 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 No.95 of 1986), the developer or the body corporate in respect of the common property; or  (ii) a section as defined in the Sectional Title Act, 1986 (Act No. 95 of 1986), the person in whose name such section is registered under a sectional title deed and includes the lawfully appointed agent of such a person; or a person occupying land under a register held by a tribal authority;
“property”	any portion of land, of which the boundaries are determined, within the jurisdiction of the Randfontein Local Municipality;



## **2. BACKGROUND**

### **2.1. Legal Framework**

2.1.1 This policy has been compiled in accordance with the Local Government- Municipal Systems Amendment Act (MSA), 2003, Act No 44 of 2003. The Council of the municipality, in adopting this policy on Credit Control and Debt Collection, recognizes its constitutional obligations as set out in Chapter 7 of the Constitution and Chapter 9 of the Municipal Systems Act, No 44 of 2003, to develop the local economy and to provide acceptable services to its residents. It simultaneously acknowledges that it cannot fulfill these constitutional obligations unless it exacts payment for the services which it provides and for the taxes which it legitimately levies in full from those residents who can afford to pay, and in accordance with its indigent relief measures for those who have registered as indigents in terms of the Council approved indigent management policy.

### **2.2 Provision of Services**

2.2.1 The Municipal Council must give priority to the basic needs of the community, promote the social and economic development of the community and ensure that all residents and communities in the municipality have access to at least the minimum level of basic municipal services in terms of section 152 (1) (b) and 153 (a) of the Constitution.

2.2.2 In terms of the MSA the municipal services provided to residents and communities in the Municipality must:-

- ❑ be within the municipality's financial and administrative capacity;
- ❑ be provided in a manner that –
  - is fair and equitable to all its residents and communities;
  - ensures the highest quality service at the lowest cost and the most economical use and allocation of available resources; and
  - is financially and environmentally sustainable; and
- ❑ regularly be reviewed with a view to upgrading, extension and improvement.

2.2.3 According to the MSA the phrase “financially sustainable”, in relation to the performance of a municipal service, means the performance of a municipal service in a matter that:-

- ❑ is likely to ensure that revenues from that service are sufficient to cover the cost of –
  - operating the service; and
  - maintaining, repairing and replacing the physical assets used in the performance of service;
- ❑ is likely to ensure –
  - a reasonable surplus in the case of a service performed by the Municipality itself;
  - a reasonable profit, in the case of a service performed by a service provider, other than the Municipality itself;



- ❑ is likely to enable the Municipality or other service provider to obtain sufficient capital requirements for the performance of the service; and
- ❑ takes account of the current and anticipated future –
  - level and quality of that service;
  - demand for the service; and
  - ability and willingness of residents to pay for the service.

## **2.3 Credit Control and Debt Collection**

1.3.1 The Municipal Council must ensure that all money that is due and payable to the Municipality is collected, subject to the provisions of the MSA.

1.3.2 For this purpose the Municipal Council must adopt, maintain and implement a credit control and debt collection policy consistent with its rates and tariff policies and complying with the provisions of the MSA.

1.3.3 The credit control and debt collection policy may differentiate between different categories of ratepayers, users of services, debtors, taxes, services, service standards and other matters as long as the differentiation does not amount to unfair discrimination.

1.3.4 The Municipal Council must adopt by-laws to give effect to its credit control and debt collection policy, its implementation and enforcement.

## **3. PURPOSE OF THE POLICY**

The purpose of this policy is to ensure that credit control forms part of the financial management system of the Bela-Bela Local Municipality and to ensure that the same procedure be followed for each individual case.

## **4. RESPONSIBILITY FOR CREDIT CONTROL**

### **4.1 Supervisory Authority**

4.1.1. In terms of the MSA the Mayor must:-

- I. Oversee and monitor-
  - the implementation and enforcement of the Municipality credit control and debt collection policy and any by-laws enacted; and
- II. When necessary evaluate, review or adapt the policy and any by-laws, or the implementation of the policy and any by-laws, in order to improve efficiency of its credit control and debt collection mechanisms, processes and procedures.
- III. Report to every scheduled meeting of the Council.

4.1.2. **Councillors should pledge support for the implementation of the municipal credit control and debt collection by-law by ensuring that their own accounts are fully and timeously paid.**



4.1.3. Ward committee members should fulfil their role by enhancing participatory democracy in local government in accordance to Municipal structures act.

## **4.2 Implementing Authority**

In terms of the MSA the Municipal Manager must:-

- 3.2.1. Implement and enforce the Municipality's credit control and debt collection policy and any by-laws enacted in terms of the Municipal Systems Act;
- 3.2.2. In accordance with the credit control and debt collection policy and any such by-laws establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the Municipality, and
- 3.2.3 Report the prescribed particulars monthly to a meeting of the supervising authority.
- 3.2.4 Councilors and officials should report to the Municipal manager on any detected breaches of the policies and by-laws.
- 3.2.5 Municipal manager should submit any information pertaining to the implementation of the policy to council.
- 3.2.6 The delegation of responsibilities are in accordance with section 59, 60 and 610 of municipal system act.

## **4.3 Unsatisfactory Levels of Indebtedness**

The responsibility of Councilors is also determined in the MSA as set out below.

- 3.3.1. If the level of indebtedness in a particular ward or part of the Municipality exceeds the level of the acceptable norm as determined in the Municipality's budget guidelines, the supervisory authority (Mayor) must, without delay, advise the Councilors for that ward or part.
- 3.3.2. The councilors concerned:-
  - 3.3.2.1. Must without delay convene a meeting of the ward committee, if there is one, or convene a public meeting and report the matter to the committee or meeting for discussion and advice; and
  - 3.3.2.2. May make any appropriate recommendations to the supervisory authority.

## **5. FINANCIAL MATTERS**

### **5.1 Service Agreement**

5.1.1 Before supplying of a service, a consumer must enter into a contract of agreement and such contract should provide for a deposit to be paid as security.

- Such contract shall set out the conditions on which services are provided and shall require the consumer to note the contents of the municipality's credit control and debt collection policy, (A copy of the policy will be provided to such consumer upon request.) The





consumer shall note the provision of the Municipal Systems Act in regards to the municipality right of access to property.

5.1.2 All applications for the provision of Municipal Services in respect of any immovable property shall be made by the registered owner of the said immovable property in writing and in accordance with the prescribed form.

5.1.3 Individuals and businesses with lease agreements to lease properties from the municipality and Government departments will be allowed to open an account in the name of the lessee of the property.

5.1.4 The registered owner of an immovable property in respect of which application for the provision of municipal services has been made shall, at least five working days prior to the date on which the services are required to be connected, enter into a written agreement with the Municipality in accordance with the prescribed form.

## **5.2 Liability for Payment**

5.2.1 The owner will be liable for payment of the municipal account for the provision of municipal services entered into in terms of the written agreement mentioned in par 5.1.4 above.

5.2.2 Nothing contained in this policy will prohibit the Council to collect payment of any amount from the owner or any other person, in terms of applicable legislation.

5.2.3 The Chief Financial Officer may consolidate separate municipal accounts, or portions thereof, of persons liable for payment to the Council.

5.2.4 An increase in a consumer deposit in terms of par 5.4.3 and 5.4.6 below, becomes payable within twenty one (21) days from the date on which the consumer is notified thereof or should the consumer appeal against such increase, then within twenty one (21) days from the date on which the consumer is informed of the decision of the Municipal Manager, if the appeal is not upheld.

5.2.5 A copy of the identity document, marriage certificate and driver's license must be submitted with the Service Agreement.

5.2.6 According to Sect 27 of the Municipal Property Rates Act, Act 6 of 2004, the municipality will furnish each person liable for the payment of assessment rates with an account. The person liable for payment of the rates remains however liable for such payment whether or not such person has received a written account from the municipality. If the person concerned has not received a written account, that person must make the necessary enquiries from the municipality.

5.2.7 According to Sect 28 of the Municipal Property Rates Act, Act 6 of 2004, if an amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determined for payment by the municipality, the municipality 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. The municipality may recover an amount only after it has served a written notice on such tenant or occupier.

The amount that the municipality may recover from the tenant or occupier is limited to the



amount of the rent or other money due or payable, but not yet paid, by such tenant or occupier to the owner of the property.

5.2.8 According to Sect 29 of the Municipal Rates Act, Act 6 of 2004, a municipality may recover the amount due for rates on a property in whole or in part from the agent of the owner, if this is more convenient for the municipality, but only after the municipality has served a written notice on the agent in this regard. The amount that the municipality may recover from the agent is limited to the amount of any rent or other money received by the agent on behalf of the owner, less any commission due to the agent.

### **5.3 Juristic Person**

5.3.1 Should the occupier be a juristic person, the following will apply:-

- (a) If the occupier is a Company registered in term of the Companies Act, 1973, Act no 61 of 1973, the Directors of such Company shall agree to be jointly and severally liable for payment in terms of the Service Agreement, if the Company fails to make such payment.
- (b) If the occupier is a Closed Corporation registered in terms of the Closed Corporation Act, 1984, Act no 69 of 1984, the Members shall agree to be jointly and severally liable for payment in terms of the Service Agreement, if the Closed Corporation fails to make such payment.
- (c) If the occupier is an Association with legal persona, the Members of the Association shall agree to be jointly and severally liable for payment in terms of the Service Agreement, if the Association fails to make such payment.

5.3.2 Any Service Agreement signed by a person on behalf of a legal person in par 53.1 above must be accompanied by a resolution authorising such person to sign on behalf of the legal person.

### **5.4 Controls over Deposits of Security**

5.4.1 The deposit to be paid must be an amount not less than a sum equal to one month's service levies or a minimum amount determined by Council from time to time.

5.4.2 The Chief Financial Officer may before entering into a Service Agreement with a customer, or at any time thereafter, if deemed necessary, make such credit rating enquiries with other municipalities and/ or a credit bureau.

5.4.3 Should the Chief Financial Officer determine that the customer poses a payment risk to the Council; the Chief Financial Officer may determine a consumer deposit reflecting such payment risk.

5.4.4 Should the customer wish to appeal against a decision of the Chief Financial Officer in terms of par 5.3.3 above, the customer may submit an appeal and reasons in writing to the Municipal Manager, within twenty one (21) days from the date on which the customer is notified of the determination of the Chief Financial Officer meant in par 5.4.3 above.

5.4.5 The Municipal Manager must consider the appeal within six weeks from the date of the appeal and must notify the customer of his/ her decision within a reasonable time thereafter.



5.4.6 The deposit increase will be raised annually based on average consumption for the year.

5.4.7 Consumer accounts opened **prior to 2008** were not required to pay for a service deposit.

5.4.8 Consumer accounts opened **after 2008** are required to pay for the service deposit before services could be rendered.

5.4.9 Where the services are not readily available and the Municipality must incur additional costs to provide such services, the Municipality may require bank guarantees for the provision of municipal services.

5.4.10 Deposits received must be reviewed annually and a register should be maintained. The total sum of deposits received shall constitute a short-term liability in the books of the Municipality. No interest shall accrue in favour of the depositors thereof upon termination of the debtor's agreement with the Municipality. The deposit will first be offset against any outstanding balance (if any) and then be refunded without interest to the customer.

## 5.5 Rendering of Accounts

5.5.1 **As from 1/7/2011** the municipality will only enter into Rendering of Services Agreements with owners of properties with regard to rates and services to be rendered at a property. The owner of the property will have to pay the relevant deposit as described in the Principles and Policy on Tariffs of the Bela-Bela Municipality which deposit will be held as security for services rendered by the municipality until the property is sold. Only account holders with positive proof of identity or an authorised agent/tenant with a Power of Attorney or affidavits will be allowed to complete an Acknowledgement of account.

5.5.2 Where a consumer has not completed a rendering of services agreement, the date of transfer of ownership shall be deemed to be the date of rendering of services. A consumer will be contacted to complete a rendering of services agreement, should they not do so within a period of 7 days the municipality will suspend the consumer's services.

5.5.2 Although the Municipality must render an account for the amount due by a debtor, failure thereof shall not relieve a debtor of the obligation to pay the amount.

5.5.3 Accounts will be delivered to all consumer/ratepayers seven (7) days before the due date of payment, 15<sup>th</sup> of every month.

5.5.4 Accounts to ratepayers and users of municipal services must contain at least the following particulars:-

- The name of the Municipality.
- The name of the ratepayer/ user of the service.
- The service levies or rates in question.
- The period allowed for the payment of services and rates.
- The land and address in respect of which the payment is required.
- Any discount for early or prompt payment (if applicable).



5.5.5 The Municipal Account shall reflect amounts due for the following:-

- a. Basic Water and Electricity Levy or Availability Charge.
- b. Site Rental (if applicable)
- c. Refuse Removal.
- d. Sewerage Service or Availability Charge.
- e. Property Rates.

5.5.5.1 Other charges, levies and taxes.

- a. Water and Electricity Consumption Charge.
- b. Any Arrear Amount Due.
- c. Interest on Arrear Amounts.
- d. Collection Charges or Legal Costs.
- e. The Amount of any Increase in a Consumer Deposit.
- f. The unit price and number of units consumed in relation to water consumption.
- g. the total amount payable
- g. The date on or before which payment must be made.

5.5.5.2 Inability to read meters

- When the municipality is unable to read meters due to:
  - ❖ Inability to access
  - ❖ The meter being faulty, invisible or cannot be located
  - ❖ Or any other circumstances
- As per above an average consumption will be determined on the basis of prior months average consumption.
- A penalty/surcharge will levied to the consumer account if the municipality estimates for three (3) consecutive months as a result of the consumer's failure to provide access to a readable meter.

## **5.6 Actions to Secure Payment**

5.6.1 The Municipality and service providers may, in addition to the normal civil legal procedures to secure payment of accounts that are in arrears, take the following action to secure payment for municipal rates and services:-

5.6.1.1 Restriction of the provisions of water services in accordance with the relevant legislation.

5.6.1.2 Disconnection of electricity services in accordance with the relevant legislation

5.6.1.3 Refusal/Restriction on the selling of pre-paid electricity to non-payers of other services

## **5.7 Cheque Payments/dishonored cheques and payments**

From 1 July 2013 the municipality will only accept bank guaranteed cheques from consumers who have previously made dishonored cheques or payments.

Penalties will be levied on cheque referred to drawer(RD), stale cheques , post dated cheques ,incorrectly completed cheques as well as dishonored debit orders and EFTs



### **5.8 Cost to Remind Debtors of Arrears**

For any action taken in demanding payment from the debtor or reminding the debtor, by means of telephone, fax, email, letter or otherwise, that his/her payments are due, a penalty fee will be levied against the account of the debtor in terms of the municipality's tariff provisions.

### **5.9 Disconnection Fees**

Where any service is disconnected as a result of non-compliance with these provisions by the customer, the Municipality shall be entitled to levy and recover the disconnection fee as determined by the Municipality from time to time from the user of the services.

### **5.10 Legal Fees**

5.10.1 All legal costs, including attorney-and-own-client costs incurred in the recovery of amounts in arrears shall be levied against the arrears account of the debtor.

5.10.2 The Council may levy and recover such collection charges not included in par 5.10 above.

### **5.11 Interest Charges**

Interest will be charged on any amount in arrears in accordance to the prime rate of the reserve bank + 2%.

### **5.12 Payment of Accounts**

5.12.1 The Municipality may:-

- 4.12.1.1 Consolidate any separate accounts of persons liable for payments to the Municipality;
- 4.12.1.2 Credit any payment by such a person against any account of that person; and



4.12.1.3. Implement any of the debt collection and credit control measures provided for in these regulations in relation to any arrears on any of the accounts of such a person.

4.12.2 When payment is received from a debtor, the principle of oldest debt will be followed and consumer accounts credited as such. Credits will be allocated as follow:-

1. Arrear
2. Electricity (current account)
3. Water (current account).
4. Sewer (current account).
5. Refuse (current account).
6. Sundry (VAT) (current account).
7. Property Rates (current account).
8. Interest.

### **5.13 Power to Restrict or Disconnect Supply of Services**

The Municipality may restrict the supply of water or discontinue any other service to the premises where metered services are rendered when the consumer:-

- 5.13.1. Fails to make full payment on the due date or fails to make acceptable arrangements for the repayment of any amount for services, rates or taxes;
- 5.13.2. Fails to comply with a condition of supply imposed by the municipality;
- 5.13.3. Obstructs the efficient supply of water or electricity or any other municipal services to another customer;
- 5.13.4. Bypasses or tampers with or attempts to bypass or tamper with any metering equipment of the municipality;
- 5.13.5. Supplies such municipal service to a customer who is not entitled thereto or permits such service to continue;
- 5.13.6. Causes a situation which in the opinion of the municipality is dangerous or a contravention of relevant legislation;
- 5.13.7. Is placed under provisional sequestration, liquidation or judicial management, or commits an act of insolvency in terms of the Insolvency Act no 24 of 1936; and
- 5.13.8. If an administration order is granted in terms of section 74 of the Magistrates Court Act, 1944 (Act 32 of 1944) in respect of such user.
- 5.13.9. In the case where an installation has been illegally reconnected on a consumer's premises after having been previously legally disconnected by the Municipality, or in the case where the electrical equipment of the Municipality has been tampered with to prevent the full registration of consumption by the meter, the electricity supply may be physically removed from those premises.



- 5.13.10 Water and electricity services of defaulters will be restricted 5 working days after the monthly due date for current consumption
- 5.13.11 Notices will only be distributed with the discontinuation of services.
- 5.13.12 Notices will be distributed to National and Provincial Departments, who will be given fourteen (14) days to settle accounts in arrear, failing which services will be discontinued without any further notice.
- 5.13.13 The Municipality shall reconnect or restore full levels of supply of any of the restricted or discontinued services only after the full amount outstanding due, including the costs of such disconnection and reconnection have been paid or reasonable amount or any other condition or conditions of this Credit Control Policy as it may deem fit have been complied with.
- 5.13.14. The right to restrict, disconnect or terminate service due to non-payment shall be in respect of any service rendered by the Municipality and shall prevail notwithstanding the fact that payment has been made in respect of any specific service and shall prevail notwithstanding the fact that the person who entered into agreement for supply of services with the municipality and the owner are different entities or persons, as the case may be.
- 5.13.15. The owner may submit a written instruction to restrict or disconnect supply of services on their respective properties.

#### **5.14 Disputes and Payments during Disputes**

- 5.14.1 A dispute must be submitted in writing to the Municipal Manager prior to the final due date for payment of the contested amount. Such dispute must contain details of the specific item(s) on the account, which are subject to dispute with full reasons.
- 5.14.2 Should any dispute arise as to the amount owing by an owner in respect of municipal services the owner shall, notwithstanding such dispute, proceed to make regular minimum payments based on the calculation of the average municipal debits for the preceding three months prior to the arising of the dispute and taking into account interest as well as the annual amendments of tariffs of the Municipality.
- 5.14.3 The municipality must within 30 days resolve the dispute and notify the consumer.

#### **5.15 Full and Final Settlement of an Amount**

- 5.15.1 Where the exact amount due and payable to the Municipality has not been paid in full, any lesser amount tendered to and accepted by a municipal employee, except the Chief Financial Officer and/or his/her fully authorised delegate, shall not be deemed to be in final settlement of such an amount.
- 5.15.2 The Chief Financial Officer shall be at liberty to appropriate monies received in respect of any of its municipal services it deems fit.
- 5.15.3 The provisions above shall prevail notwithstanding the fact that such lesser payment was tendered and/or accepted in full settlement.
- 5.15.4 The Chief Financial Officer and/or his/her delegate shall consent to the acceptance of such



a lesser amount in writing.

5.15.5 Deposit amount will only be appropriated into an account once the account is inactive. Or the property has been transferred.

5.15.5 All payments will be receipted and allocated into a consumer account, however the deposit amount will be ring-fenced and kept as a security.

### **5.16 Arrangements to Pay Outstanding and Due Amount in Consecutive Installments**

5.16.1 One of the key objectives of debt collection is to encourage debtors to start paying their monthly accounts in full. In addition, it is also necessary to ensure that arrear debt is addressed. The current average balances on consumer accounts necessitates that innovative ideas be implemented to encourage consumers to pay off their arrears. At the same time it is also of utmost importance that regular payers not be discouraged through the implementation of any possible incentives.

5.16.2 The main aim of an agreement will be to promote full payment of the current account and to address the arrears on a consistent basis. A debtor may enter into a written agreement with the Municipality to repay any outstanding and due amount to the Municipality under the following conditions:-

5.16.2.1. The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments;

5.16.2.2. The current monthly amount must be paid in full; and

5.16.2.3. The written agreement has to be signed on behalf of the Municipality by a duly authorised officer.

5.16.3 In order to determine monthly instalments, a comprehensive statement of assets and liabilities of the debtor must be compiled by a credit control official.

- Firstly, to ensure the continuous payment of such arrangement the amount determined must be affordable to the consumer, taking into account that payment of the monthly current account is a prerequisite for concluding an arrangement.
- Secondly, the outstanding amount must be taken into consideration when an agreement is entered into. A minimum amount, based on the outstanding arrears amount on the account need to be paid on signature of the agreement.
- Agreement of payment of the outstanding amount will be regarded as an interest free arrangement if consumer do not default from the agreement.
- The maximum agreement period may not exceed 24 months - also refer to Section 14(2) in Consumer Protection Act for outstanding amounts, cases were the agreement exceeds the 24 month due affordability if the consumer the matter will escalated to the Municipal Manager or his/her delegate to deal with the matter.





#### 5.16.4 Consequences of breach of arrangement

If a payment arrangement was dishonored by the consumer the municipality shall do the following:

- The services will be suspended/disconnected
- The consumer will be required to pay their current account plus all defaulted payments from date of arrangement subject to verification of financial affordability before services are reconnected.
- The consumer will not be allowed to enter into a second arrangement unless otherwise authorized by the CFO at his discretion.

5.16.5 All indigents will be required to convert their conventional meters 20 Amps prepaid meters. All other consumers have an option to be convert to prepaid meters.

### **5.17 Interest on Arrears**

Implementation of the following principles could also enhance the success of debt collection to a great extent:-

- 5.17.1. The interest levied on an account during the agreement period, be written back as soon as the arrear amount has been paid in full.
- 5.17.2. Maximum period for extension of payment, on which no interest is levied, must be limited to a period to the discretion of the CFO.
- 5.17.3. Levying of interest be suspended when an account has been closed
- 5.17.4. No interest will be levied on honored payment agreements.
- 5.17.5. Interest is calculated on the monthly principal outstanding(in debt exclusive of unpaid interest

### **5.18 Reconnection of Services**

The Chief Financial Officer shall authorize the reconnection of services or reinstatement of service delivery only after satisfactory payment has been made according to the Municipality's Credit Control Policy.

### **5.19 Deductions from Salaries and Allowances**

5.19.1 MSA Schedule 1(12A) a councilor may not be in arrears to the municipality for rates and service charges for longer than 3 months

5.19.2 MSA Schedule 2(10) a councilor may not be in arrears to the municipality for rates and service charges for longer than 3 months, the municipality may deduct any outstanding amount from staff member's salary after this period.

5.19.3 It is the policy of Council that Councilors and officials will set an example to the community. In this regard, Councilors must sign a debit order against their allowances and officials against their salaries for the monthly payment of consumer accounts. When a councilor or official leave the employment of the municipality, all outstanding debts and deposit will be deducted from their salary/leave day's credit.



5.19.4 If the outstanding amount exceeding the 3 months is unfordable, a councilor or staff member will Enter into a payment agreement with the municipality.

## **6. PERSONNEL AND FINANCIAL IMPLICATIONS**

- 6.1 Where a credit control and debt collection function does not exist, this implies that a dedicated structure be established with a credit control officer in charge. In view of the fact that credit control and debt collection must always be able to operate in isolation to any customer management service, it is imperative that a staff establishment for this function be implemented.
- 6.2 The establishment of a credit control and debt collection division will have to be financed from the operating budget, which will have an incremental impact on the budget. However, this will be offset by improved cash inflow as a result of an efficient collection system.

## **7. FRAUD, TAMPERING AND OTHER CRIMINAL ACTIVITY**

- 7.1 If a consumer is being suspected to tamper with any water or electricity meter or deals with the electricity in any manner which the Municipality has reasonable grounds for believing interferes in an improper or unsafe manner or is calculated to interfere in an improper or unsafe manner with the efficient supply of electricity to any other consumer, the Municipality may, with or without notice, disconnect the electricity supply but such supply shall be restored as soon as the cause for the disconnection has been permanently remedied or removed. The fee as prescribed by the Municipality for the Tampering of Meters and the costs involve to replace a meter as well as the average consumption for the period of the tampering, shall be paid by the consumer before the electricity supply is restored or on an individual cases the matter maybe escalated to the Municipal Manager of his/her delegate to negotiate the terms, which services can be restored or reconnected, unless it can be shown that the consumer did not use or deal with the electricity in an improper or unsafe manner.
- 7.2 Any person, who undertakes or allow or causes any other person to undertake an illegal connection, will be guilty of an offence.
- 7.3 A customer who becomes aware of an illegal connection of the water and electricity supply to a property or premises owned by or occupied by such or another customer, must immediately notify the Council thereof his/her identity will be protected, a compensation of R250 will be offered upon verification of the claim[TGS1].
- 7.4 Council will immediately disconnect any illegal connection and remove any wiring, piping or other equipment or installation relating to an illegal connection.
- 7.5 The Municipality may not interfere where criminal activity is evident. The legal penalties and criminal justice system may not be subject to conflicting resolutions by the municipality. All such cases must be prosecuted to the fullest extent of the law.
- 7.6 Municipality may not supply water or electricity to a customer who is found guilty of/or if it is admitted that fraud, theft or any other criminal action involving the use of these services existed, until the



total costs, penalties, other fees and tariffs and rates arising from tempering or illegal connections due to the municipality have been paid in full, or on an individual cases the matter maybe escalated to the Municipal Manager of his/her delegate to negotiate the terms, which services can be restored or reconnected.

7.7 The municipality should open a criminal case with the South African Police Service.

7.8 The Municipality encouraged all its consumer using conventional (Measured) meters to convert to prepaid meters.

## **8. AGENTS, ATTORNEYS AND OTHER COLLECTION AGENTS**

8.1 All external agents acting on behalf of the Municipality are to be named, together with their details and contact information. Likewise, all agents are to be supplied with a copy of the credit control measures.

8.2 Clear instructions to agents and other arrangements must be explained for the customers' benefit. Under no circumstances may agents negotiate terms, extend payment periods or accept cash on behalf of municipality, unless specifically instructed in writing to do so. The agent, on request by consumers, must produce this instruction.

8.3 The costs to the Municipality and to the debtor must be detailed for each stage of the credit control measures and for all possible actions. The liability for the costs of legal action and other credit control actions must as far as is legally possible be for the account of the debtor.

## **9. CREDIT CONTROL POLICY TO BE APPLIED FOR INDIGENT HOUSEHOLDS**

### **9.1 Introduction**

9.1.1 The key purpose of an indigent subsidy policy is to ensure that households with no or lower income are not denied a reasonable service, and on the contrary the local authority is not financially burdened with non-payment of services.

9.1.2 Provided that grants are received and funds are available, the indigent subsidy policy should remain intact.

9.1.3 To achieve the purpose it is important to set a fair threshold level, and then to provide a fair subsidy of tariffs. The consumer, in order to qualify for indigence, needs to complete the necessary documentation as required.

9.1.4 The credit control policy and debt collection policy must be read in conjunction with the indigent support policy.

### **9.2 Aims of the Policy**

9.2.1 The credit control policy aims to achieve the following:-

9.2.1.1. To distinguish between those who can and cannot genuinely pay for services;

9.2.1.2. To get those who cannot pay to register with the municipality so that they could be given subsidies;

9.2.1.3. To enable the municipality to determine and identify defaulters to ensure appropriate credit control procedures;



9.2.1.4. To establish an indigence directory of all persons who comply with the policy.

### **9.3 Obligation to Pay**

It is important to note that the subsidy received may not cover the full account. In such event the consumer is still responsible for the balance between the full account and the subsidy received. Credit control must still be applied for these outstanding amounts.

## **10. DEBT COLLECTION**

### **10.1 Abandonment of Claims**

10.1.1. The Municipal Manager must ensure that all avenues are utilised to collect the municipality's debt.

10.1.2. There are certain circumstances that allow for the valid termination of debt collection procedures as contemplated in section 109(2) of the Systems Act, such as:-

- The insolvency of the debtor, whose estate has insufficient funds.
- A balance being too small to recover, for economic reasons considering the cost of recovery
- Indigent household who have no assets which can be sold for recovery of debt to municipality
- Any debtors' account whose cost to recover is more than the assets of that debtor
- A deceased debtor who has no assets to recover the debt

10.1.3. Where Council deems that a customer or groups of customers are unable to pay for services rendered. The municipality will maintain audit trails in such an instance, and document the reasons for the abandonment of the action or claim in respect of the debt.

### **10.2 Writing off Bad Debt**

All write-offs are done in accordance with the Policy on the provision for doubtful debt and write-off of irrecoverable debt.

## **11. IMPLEMENTATION AND REVIEW OF THIS POLICY**

11.1 This revised policy together municipal tariffs shall be implemented once approved by Council. All future credit control and debt collection measures must be taken in accordance with this policy.

11.2 A municipal council must adopt a credit control and debt collection by-law to give effect to this policy in accordance with section 98(1) of MSA.

11.3 The by-law should be consistent with national and provincial legislation

11.3 In terms of section 17(1) (e) of the MFMA this policy is reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.



## **ANNEXURE A: CREDIT CONTROL AND DEBT COLLECTION PROCEDURES FOR ANY OUTSTANDING AMOUNTS**

Where consumers fail to pay their municipal accounts by the due date stipulated on the account, the following actions will be taken.

1. Final notices/ accounts may be delivered; posted or communicated in any manner which the municipality may deem fit, after the final date of payment. The final notice/ account will contain that the client may arrange to pay the outstanding balance in terms of the Credit Control Policy. Information that the account constitutes as a final notice and failure to settle the account on the due date may lead to disconnection of services at any date thereafter, without further notice, must however form an integral part of the account.
2. An Acknowledgement of Debt must be completed with all arrangements for paying off arrear accounts. Copies of this document must be handed to the client. An affidavit of financial affairs must also be submitted to determine an affordable monthly installment.
3. Only account holders with positive proof of identity or an authorised agent/tenant with a Power of Attorney or affidavits will be allowed to complete an Acknowledgement of Debt.
4. Debit orders may be completed for the monthly payment of the agreed amount or at least the current amount, as far as possible. If the arrangement is dishonoured, the full balances will immediately become payable. No further debit order arrangement will be accepted if a previous debit order has been dishonoured
5. Where cheques are returned, "Refer to Drawer" after an arrangement has been made, the full balance will immediately become payable.
7. Where arrangements were not made and water and/or electricity supply is restricted due to non-payment, it will only be restored upon payment of the full outstanding balance or signing of an Acknowledgment of Debt on merits and the payment of a minimum amount as determined by the CFO.
8. Merit cases, where special circumstances prevail, must be treated individually and could amongst others include the following categories:-
  - a) Deceased estates;



- b) Liquidated companies;
- c) Private persons under administration;
- d) Outstanding enquiries on accounts, for example, misallocated payments, water leaks, journals, incorrect levies, etc;
- e) Certain categories of Pensioners; and
- f) Child headed families or Ophans
- g) Any other cases not mentioned which can be regarded as merit cases due to circumstances.

Extension for payment of arrears in respect of merit cases should not exceed 24 months (2 years) or any other period in the discretion of the Municipal Manager or his/ her delegate.

- 9. Only the Municipal Manager or his delegate may agree to such extensions and these must be supported by documentary proof. Previous payment record will be taken into consideration.
- 10. When restriction of water and electricity supply takes place due to non-payment, or an agreement is dishonored the consumer's deposit will be adjusted.
- 11. New consumer deposits for business and industrial customers must be re-assessed three months after the initial deposit date.
- 12. All other business and industrial deposits will be reviewed annually.
- 13. Where the consumer has not entered into a service agreement with the Municipality, water may be restricted until such time as a service agreement has been signed and the applicable deposits paid.
- 14. Where services are illegally restored criminal action will be taken if possible. All costs occurred to disconnect the electricity/water supply will be for the account of the consumer and owner respectively before the service will be reconnected
- 15. Where municipal accounts remain outstanding or unpaid for more than 60 days, without response, the account will be handed over to debt collectors for the collection and/ or legal action to the Attorneys and can be listed at the Information Trust Corporation. These clients will have to make further arrangements at the attorneys and/or the debt collectors for payment of the arrear amounts. The current monthly accounts must be paid to the Municipality directly.
- 16. Once an account has been handed over for collection, the case will not be withdrawn unless there was a mistake or oversight on the part of the Municipality.