



## CREDIT CONTROL AND DEBT COLLECTION POLICY

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

## **MOLEMOLE LOCAL MUNICIPALITY CREDIT CONTROL AND DEBT COLLECTION POLICY**

### **1. BACKGROUND**

#### **1.1 Legal Framework**

1.1.1 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.

#### **1.2 Provision of Services**

1.2.1 The Municipal Council must give priority to the basic needs of the community, promote the social and economical 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.

1.2.2 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.

1.2.3 According to the MSA the phrase “financial 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.

### **1.3 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.

## **2. PURPOSE OF THE POLICY**

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

## **3. RESPONSIBILITY FOR CREDIT CONTROL**

### **3.1 Supervisory Authority**

3.1.1 In terms of the MSA the Mayor must:-

- Oversee and monitor-
  - the implementation and enforcement of the Municipality credit control and debt collection policy and any by-laws enacted; and
- 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.
- Report to every scheduled meeting of the Council.

### **3.2 Implementing Authority**

3.2.1 In terms of the MSA the Municipal Manager must:-

- Implement and enforce the Municipality's credit control and debt collection policy and any by-laws enacted in terms of the Municipal Systems Act;
- 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
- Report the prescribed particulars monthly to a meeting of the supervising authority.

### **3.3 Unsatisfactory Levels of Indebtedness**

The responsibility of Councillors 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 Councillor for that ward or part.

3.3.2 The Councillor concerned:-

- ❑ 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
- ❑ May make any appropriate recommendations to the supervisory authority.

## **4. FINANCIAL MATTERS**

### **4.1 Service Agreement**

4.1.1 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.
- When the consumer is not the owner of the property to which the services are to be provided, a properly executed letter from the owner, or authorised agent, indicating that the consumer is the lawful occupant of the property shall be attached to the service contract.

4.1.2 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.

4.1.3 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.

4.1.4 The registered owner of an immovable property in respect of which application for the provision of municipal services has been made shall, at least ten 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.

4.1.5 The municipality may, upon the written request of the registered owner of an immovable property, enter into a written agreement with both the registered owner and occupier of the immovable property in respect of which application for the provision of municipal services has been made. The agreement shall be in accordance with the prescribed form.

## **4.2 Liability for Payment**

4.2.1 The owner will, subject to par 4.2.2 below, 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 4.1.4 above.

4.2.2 The occupier, if a person other than 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 4.1.5 above.

4.2.3 The occupier will remain liable for payment in terms of par 4.2.2 above, up to and including the date which the occupier terminates the Service Agreement as indicate in the Notice of Termination of Services, whether the occupier was in actual occupation of the property or premises during the currency of the Service Agreement or otherwise.

4.2.4 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.

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

4.2.6 An increase in a consumer deposit in terms of par 4.4.3 and 4.4.6 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.

4.2.7 A copy of the identity document, marriage certificate and drivers license must be submitted with the Service Agreement.

### **4.3 Juristic Person**

4.3.1 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.

4.3.2 Any Service Agreement signed by a person on behalf of a legal person in par 4.3.1 above must be accompanied by a resolution authorising such person to sign on behalf of the legal person.

### **4.4 Control over Deposits of Security**

4.4.1 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.

4.4.2 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.

4.4.3 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.

4.4.4 Should the customer wish to appeal against a decision of the Chief Financial Officer in terms of par 4.3.3 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 4.3.3 above.

4.4.5 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.

4.4.6 After the disconnection of services by the Municipality, an increased deposit of a sum equal to two month's service levies may automatically be required in addition to a reconnection fee.

4.4.7 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.

4.4.8 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.

#### **4.5 Rendering of Accounts**

4.5.1 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.

4.5.2 Accounts will be delivered to all consumer/ratepayers fourteen (14) days before the due date of payment, 15<sup>th</sup> of every month.

4.5.3 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).

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

- (a) (i) Basic Water Levy or Availability Charge.
- (ii) Site Rental (if applicable).
- (iii) Refuse Removal.
- (iv) Sewerage Service or Availability Charge.

- (v) Property Rates.
- (vi) Other charges, levies and taxes.
- (b) (i) Water Consumption Charge.
- (c) (i) Any Arrear Amount Due.
- (ii) Interest on Arrear Amounts.
- (iii) Collection Charges or Legal Costs.
- (d) The Amount of any Increase in a Consumer Deposit.
- (e) The unit price and number of units consumed in relation to water consumption.
- (f) (i) The total amount payable
- (ii) The date on or before which payment must be made.

#### **4.5.5 RESPONSIBILITY FOR AMOUNTS DUE**

- a. In terms of Section 118 (3) of the Act an amount due for municipal service fees, surcharge on fees, property rates and other municipal taxes, levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property.
  - i. Accordingly, all such Municipal debts shall be payable by the owner of such property without prejudice to any claim which the Municipality may have against any other person.
  - ii. The Municipality reserves the right to cancel a contract with the customer in default and register the owner only for services on the property.
  - iii. No new services will be permitted on a property until debts on the property are paid, or suitable arrangements made to pay such debts.
- b. Where the property is owned by more than one person, each such person shall be liable jointly and severally, the one paying the other to be absolved, for all Municipal debts charged on the property.
- c. Except for property rates, owners shall be held jointly and severally liable, the one paying the other to be absolved, with their tenants who are registered as customers, for debts on their property.
- d. Refuse removal shall form part of the property debt, payable by the owner of the property.

- e. Tenants and/or agents may be held liable for arrear rates in accordance with the provisions of Section 28 of the Municipal Property Rates Act.
- f. Should any dispute arise as to the amount owing, the customer shall pay all amounts which are not subject to the dispute.
- g. Pre-paid meters shall not be installed until all outstanding debt has been paid in full.

#### **4.6 Actions to Secure Payment**

4.6.1 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:-

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

#### **4.7 Dishonoured Payments**

4.7.1 Where the bank later dishonours any payments made to the Municipality, the Municipality may levy such costs and administration fees against an account of the defaulting debtor in terms of the Municipality's tariff provisions.

4.7.2 Any dishonoured payment in par 4.7.1 above due to insufficient funds with the financial institution on which it is drawn, will be sufficient grounds for a review of the credit rating of the customer in terms of par 4.4.2 and 4.4.3 above.

4.7.3 The Chief Financial Officer may determine not to accept a cheque or other negotiable instrument as payment from a customer, other than a cheque or negotiable instrument on which payment is guaranteed by the financial institution on which it is drawn, should a payment or previous payment by the customer has been dishonoured as meant in par 4.7.1 above.

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

4.8.1 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 may be levied against the account of the debtor in terms of the municipality's tariff provisions.

#### **4.9 Disconnection Fees**

4.9.1 Where any service is disconnected as a result of non-compliance with these regulations 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.

#### **4.10 Legal Fees**

4.10.1 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.

4.10.2 The Council may levy and recover such collection charges not included in par 4.8.1 above.

#### **4.11 Interest Charges**

4.11.1 Interest 15% will be charged on any amount due and in arrears in accordance with the relevant legislation.

#### **4.12 Payment of Accounts**

4.12.1 The Municipality may:-

- Consolidate any separate accounts of persons liable for payments to the Municipality;
- Credit any payment by such a person against any account of that person; and
- 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 current account first will be followed and consumer accounts credited as such. Credits will be allocated as follow:-

- Property Rates (current account).
- Refuse (current account).

- ❑ Electricity (current account).
- ❑ Sewer (current account).
- ❑ Sundry (VAT) (current account).
- ❑ Water (current account).
- ❑ Interest.
- ❑ Arrears.

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

4.13.1 The Municipality may restrict the supply of water or discontinue any other service to any premises whenever a user of any service:-

- ❑ 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;
- ❑ Fails to comply with a condition of supply imposed by the municipality;
- ❑ Obstructs the efficient supply of water or any other municipal services to another customer;
- ❑ Bypasses or tampers with or attempts to bypass or tamper with any metering equipment of the municipality;
- ❑ Supplies such municipal service to a customer who is not entitled thereto or permits such service to continue;
- ❑ Causes a situation which in the opinion of the municipality is dangerous or a contravention of relevant legislation;
- ❑ 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
- ❑ 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.

4.13.2 Water services of defaulters will be restricted within five (5) working days after the monthly due date.

4.13.3 Notices will only be distributed with the discontinuation of services.

4.13.4 Notices will be distributed to National and Provincial Departments, who will be given twenty one (21) days to settle accounts in arrear, failing which services will be discontinued without any further notice.

4.13.5 The Municipality shall reconnect and or restore full levels of supply of any of the restricted or discontinued services only after the full amount outstanding and due, including the costs of such

disconnection and reconnection, if any, have been paid in full or any other condition or conditions of this Credit Control Policy as it may deem fit have been complied with.

4.13.6 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.

4.13.5 The Municipality will block a consumer from the purchase of electricity on the prepayment electricity system if the account rendered by the Municipality is not paid by the due date as indicated on the account.

4.13.6 Withholding approval of building plans.

Institutions or individual persons, who apply to the Municipality for the approval of building plan, and who are in arrears with their services account, will have approval of the building plan withheld by the Municipality until the arrear debt with Council is settled.

#### **14.4 Disputes and Payments during Disputes**

4.14.1 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.

4.14.2 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.

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

4.15.1 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.

4.15.2 The Chief Financial Officer shall be at liberty to appropriate monies received in respect of any of its municipal services it deems fit.

4.15.3 The provisions above shall prevail notwithstanding the fact that such lesser payment was tendered and/or accepted in full settlement.

4.15.4 The Chief Financial Officer and/or his/her delegate shall consent to the acceptance of such a lesser amount in writing.

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

4.16.1 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.

4.16.2 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:-

- The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments;
- The current monthly amount must be paid in full; and
- The written agreement has to be signed on behalf of the Municipality by a duly authorised officer.

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

4.16.4 Implementation of the following principles **(as a once off initiative)** could enhance the success of debt collection to a great extent:-

- Where arrangements are made to pay off the arrear amount in instalments, such an arrangement should be honoured for at least a six month consecutive period where after

arrears will be written off on a monthly basis on a rand for rand basis (for every one rand that is paid one rand will be written off from the provision for bad debt).

4.16.5 The Municipality may, in the sole discretion of the Chief Financial Officer or any other person authorised by her, refuse to allow any further arrangements should a consumer default on any arrangement.

4.16.6 All arrangements shall be subject to periodic review.

#### **4.17 Interest on Arrears**

4.17.1 Implementation of the following principles **(as a once off initiative)** could also enhance the success of debt collection to a great extent:-

- ❑ Levying of interest on arrear accounts should be immediately suspended upon completion of a debt agreement. This will allow debtors to see progress on their accounts, as continued payments will reflect a decrease on the balance.
- ❑ As long as the agreement is honoured no further interest will be added. However, in case of defaulting the suspended amount will be reversed and interest will again be levied from date of default.
  
- ❑ Where arrangements are made to pay off the arrear amount in instalments, such instalments should be determined on the outstanding amount excluding arrear interest. Such an arrangement should be honoured for at least a six-month consecutive period **4.18**

#### **Reconnection of Services**

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

#### **4.19 BUSINESSES WHO TENDER TO THE MUNICIPALITY**

4.19.1 When inviting tenders for the provision of services or delivery of goods, potential contractors must declare that all relevant municipal accounts owing by the tenderer 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 the payments of arrears.

4.19.2 The Municipality will at its sole discretion check whether all the Municipal accounts are up to date.

4.19.3 No tender will be allocated to a person / contractor until suitable arrangement for the repayment of arrears over the duration of the contract, has been made. The tenderer must maintain arrangements and pay current installments as provided for in any contract with the Municipality.

4.19.4 Where payments are due to a contractor in respect of goods or services provided to the Municipality, any arrear amount owing to the Municipality may be set off against such payments.

#### **4.20 AGREEMENT WITH EMPLOYERS**

4.20.1 Section 103 of the Municipal Systems Act reads as follows: -

" A Municipality may:

- a. with the consent of a person liable to the municipality for the payment of rates or other taxes or fees for municipal services, enter into an agreement with that person's employer to deduct from the salary or wages of the person-
- b. any outstanding amounts due by that person to the municipality; or
- c. such regular monthly amounts as may be agreed."

4.20.2 The onus to introduce such arrangements remains with each employer / employee.

4.20.3 A collection commission may be payable to the employer as determined from time to time.

#### **4.21 STAFF AND COUNCILLORS IN ARREARS**

4.21.1 Item10 of Schedule 2 to the Act states that: - "A staff member of the Municipality may not be in arrears to the municipality for rates and service charges for a period longer than 3 months and a municipality may deduct any outstanding amounts from a staff member's salary after this period."

4.21.2 The Municipality shall liaise with the relevant staff on repayment of their arrears and issue the necessary salary deduction instruction where appropriate.

4.21.3 Item 12A of Schedule 1 to the Act states that: - " A Councillor may not be in arrears to the municipality for rates and service charges for a period longer than three months."

4.21.4 The Municipal Manager shall liaise with the Mayor and issue the necessary salary deduction instruction where appropriate.

#### **4.22 ACKNOWLEDGEMENTS OF DEBT**

4.22.1 The Municipality may, at its discretion, enter into an Acknowledgement Of Debt and an admission of liability, with customers and owners in arrears with municipal service fees, surcharges on fees, property rates and other municipal taxes, levies, duties and sundry charges.

4.22.2 Before any Acknowledgement Of Debt is concluded, all services must be consolidated onto one account (if not done previously) and an Acknowledgement Of Debt concluded for the full debt of all services where possible.

4.22.3 The customers' current account must be paid in full, and maintained, for the duration of the agreement.

4.22.4 The owner of a property must consent in writing to an Acknowledgement Of Debt and admission of liability with the Municipality and his tenant.

4.22.5 Re-connection and disconnection fees, where applicable, must be paid in full before any Acknowledgement Of Debt can be entered into.

4.22.6 By entering into an Acknowledgement Of Debt the debtor(s), and where applicable, the owner, acknowledge that failure to meet any installment will result in prompt disconnection action being taken, without prejudice to any legal action that the Municipality may take to recover the arrears.

**4.22.7** Acknowledgements Of Debt negotiated on business accounts shall require the agreement to be signed by a duly authorised Director / Member of the business. Personal sureties to the value of the debt plus current accounts are also required. **Under no circumstances are agreements to be completed without such sureties.**

4.22.8 An Acknowledgement Of Debt may **not** be granted where:

- 4.23 Arrears have arisen due to dishonoured cheques, direct debit reversals etc;
- 4.24 Instances of repeated meter tampering have been identified
- 4.25 The services have been removed; or
- 4.26 The customer's deposit has been increased due to a poor risk profile.

4.22.9 Where any debt has arisen as a result of the Municipality having applied an incorrect charge and/or tariff, the customer may arrange to pay the debt over a maximum period at the discretion of the Chief Financial Officer and any interest or penalties may be waived.

4.22.10 The amount of the down payment and the period of the Acknowledgment of Debt shall be at the discretion of the Chief Financial Officer.

4.22.11 The Acknowledgement of Debt shall be terminated if a debtor relocates from the property. The balance owing shall become immediately due and payable.

4.22.12 The monthly installments on an Acknowledgement of Debt are payable within twenty one (21) days from the date of the account notwithstanding any further extension of time printed on the face of the account.

## **5. PERSONNEL AND FINANCIAL IMPLICATIONS**

5.1. 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.

5.2 . 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.

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

- 7.1 Any person, who undertakes or allow or causes any other person to undertake an illegal connection, will be guilty of an offence.
- 7.2 A customer who becomes aware of an illegal connection of the water/electricity supply to a property or premises owned by or occupied by such customer, must immediately notify the Council thereof and his/her identity will be protected.
- 7.3 The Council will immediately disconnect any illegal connection and remove any wiring, piping or other equipment or installation relating to an illegal connection.
- 7.4 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.
- 7.5 The Municipality may not supply water/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 due to the municipality have been paid in full.

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

- 1.1 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.
- 1.2 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.
- 1.3 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.

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

### **8.1 Introduction**

8.1.3 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.

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

8.3.1 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 indigency, needs to complete the necessary documentation as required.

### **8.2 Aims of the Policy**

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

- To distinguish between those who can and cannot genuinely pay for services;
- To get those who cannot pay to register with the municipality so that they could be given subsidies;
- To enable the municipality to determine and identify defaulters to ensure appropriate credit control procedures;
- To establish an indigent directory of all persons who comply with the policy.

### **8.3 Obligation to Pay**

8.2.1 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. Where applicable, credit control must still be applied for these outstanding amounts.

## **9. DEBT COLLECTION**

### **9.1 Abandonment of Claims**

- The Municipal Manager must ensure that all avenues are utilised to collect the municipality's debt.
- 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:-
  - a) The insolvency of the debtor, whose estate has insufficient funds.
  - b) A balance being too small to recover, for economic reasons considering the cost of recovery.
- 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.

### **9.2 Writing off Bad Debt**

- 9.2.1 Council must appoint a committee in terms of its delegations to review and recommend to Council to approve all bad debt write off cases.

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

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

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.

**11. CREDIT CONTROL AND DEBT COLLECTION REGULATIONS 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 or posted 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 authorized agent with a Power of Attorney 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.
5. Where cheques are returned, "Refer to Drawer" after an arrangement has been made the full balance will immediately become payable.
6. No person will be allowed to enter into a second agreement if the first agreement was dishonoured, except in special merit cases. Such applications will be approved by the Chief Financial Officer only and must be submitted before the arranged due date.
7. Where arrangements were not made and water 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.
8. Merit cases, where special circumstances prevail, must be treated individually and could amongst others include the following categories:-
  - 8.2 Deceased estates;
  - 8.3 Liquidated companies;
  - 8.4 Private persons under administration;

- 8.5 Outstanding enquiries on accounts, for example, misallocated payments, water leaks, journals, incorrect levies, etc;
- 8.6 Certain categories of Pensioners; and
- 8.7 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 preferably not exceed 60 months (5 years) or any other period in the discretion of the Chief Financial Officer or his/ her delegate.

- 9. Only the Chief Financial Officer 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 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.
- 15. Where municipal accounts remain outstanding or unpaid for more than 3 months, 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.