

MHLONTLO LOCAL MUNICIPALITY



CREDIT CONTROL AND DEBT COLLECTION POLICY

(FOR IMPLEMENTATION ON 1 JULY 2022)

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MHLONTLO LOCAL MUNICIPALITY
CREDIT CONTROL AND DEBT COLLECTION POLICY

Preamble

Whereas s152(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 s153(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 s195(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 s4(1) of the Local Government: Municipal Systems Act 32 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 s5(1)(g), read with (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 service fees, surcharges on fees, other taxes, levies and duties imposed by the municipality;

And whereas s6(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, and of the costs involved and the persons in charge;

And whereas Chapter 9, s95, 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 and by-laws that give effect to the policy, supervisory authority and implementing authority.

The Credit Control and Debt Collection Policy of the Mhlontlo Local Municipality is hereby adopted by Council.

1. Purpose

It is vital to the long term financial viability of the Mhlontlo Local Municipality that it collects the revenues (such as service charges, rates and taxes) due to it for services rendered. In terms of s96 of the Systems Act, a municipality:

- must collect all money that is due and payable to it subject to this Act and any other applicable legislation; and
- for this purpose, must adopt, maintain and implement a credit control and debt collection policy, which is consistent with rates and tariff policies and complies with the provisions of this Act. This means that appropriate credit control and debtors mechanisms must be maintained. The services provided by the Mhlontlo Local Municipality include electricity, refuse removal and other municipal services.

2. Definitions

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 municipality and the debtor where specific repayment arrangements 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
Authorised representative	Person or entity legally appointed by the Council to act or to fulfill a duty on its behalf
Accounting Officer	The person appointed as Accounting Officer in terms of s82 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) and include any person acting in that position or to whom authority was delegated
CFO	The person appointed as the Chief Financial Officer of the municipality, or his or her nominee
Council	The Municipal Council (as referred to in s157 of the Constitution) of the Mhlontlo 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 the municipality 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 owes the municipality arrear monies in respect of rates and/or service charges
Engineer	The person in charge of the civil/infrastructure/technical and/or electrical department of the municipality
Equipment	A building or other structure, pipe, pump, wire, cable, meter, engine or any accessories
Interest	A charge levied with the same legal priority as service fees and calculated at a rate determined by the municipality from time to time on all arrear monies
Municipal account	An account rendered specifying charges for services provided by the municipality, or any authorised and contracted service provider, and/or assessment rates levies
Municipality	Refers to Mhlontlo Local Municipality
Municipal services	Those services provided by the municipality, such as, inter alia:

	-the supply of electricity, refuse removal and other municipal services for which services charges are levied
Occupier	Any person who occupies any property or part thereof, without regard to the title under which he or she occupies the property
Owner	<p>The person in whom from time to time is vested the legal title to premises</p> <p>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</p> <p>In a case where the Council is unable to determine the identity of such person, a person who is entitled to the benefit of such premises with a building thereon</p> <p>In the case of premises for which a lease of 30 years or more has been entered into, the lessee thereof</p> <p>In relation to: A piece of land delineated on a sectional plan registered in terms of the Sectional Titles Act 1986 (Act 95 of 1986), and without restricting the above the developer or the body corporate in respect of the common property; or 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</p> <p>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; any Council of Board established in terms of any legislation applicable to the Republic of South Africa; iii) Any Embassy or other foreign entity</p>
Premises	<p>Includes any piece of land, the external surface, boundaries of which are delineated on:</p> <p>-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 -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;</p>

3. Principles

- 3.1 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 Accounting Officer to ensure the implementation of the policies.
- 3.2 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 Accounting Officer.
- 3.3 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.
- 3.4 Upon change of ownership, the municipality must advise the new owner in writing that the relevant policies are available at the municipality for their perusal.
- 3.5 All relevant billing is to be accurate, timeous and understandable.
- 3.6 The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.
- 3.7 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.
- 3.8 Enforcement of payment must be prompt, consistent and effective.
- 3.9 Incentives and disincentives may be used in collection procedures as determined by Council from time to time.
- 3.10 The collection process must be cost-effective.
- 3.11 Results will be regularly and efficiently reported by the Accounting Officer and the Mayor.
- 3.12 Application forms will be used to, inter alia, categorise customers according to credit risk and to determine relevant levels of services and deposits required.
- 3.13 Targets for performance in both customer service and debt collection will be set and pursued and remedies implemented for non-performance.

4. Duties and Functions

4.1 Duties and functions of Council

- To approve a budget consistent with the needs of communities, and residents.

- To impose rates and taxes and to determine service charges, fees, penalties and the interest rate on arrear debt to finance the budget.
- To facilitate sufficient funds to give access to basic services for the poor.
- 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.
- To set an improvement target for debt collection, in line with acceptable accounting ratios and the ability of the Implementing Authority.
- To approve a reporting framework for credit control and debt collection.
- To consider and approve by-laws to give effect to the Council's policy.
- To monitor the performance of the Mayor (Supervising Authority) regarding credit control and debt collection.
- To revise the budget should Council's targets for credit control and debt collection not be met.
- 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.
- To approve a list of attorneys/agents or 3rd parties appointed that will act for Council in all legal matters relating to debt collection.
- To delegate the required authority to monitor and execute the credit control and debt collection policy to the Mayor and Accounting Officer and/or Service Provider respectively.
- To provide sufficient capacity in the Municipality's Finance Department for credit control and debt collection alternatively to appoint a Service Provider, or debt collection agent.
- To assist the Accounting Officer in the execution of his or her duties, if and when required.
- To provide funds for the training of staff.

4.2 *Duties and functions of the Mayor*

- 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.
- To monitor the performance of the Accounting Officer in implementing the policy and by-laws.
- 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.
- To report to Council.

4.3 *Duties and functions of the Accounting Officer*

- To implement good customer care management systems.
- To implement Council's credit control and debt collection policy.
- To install and maintain an appropriate accounting system.
- To bill customers.
- To demand payment on due dates.
- To raise penalties and interest for defaults, as determined by Council from time to time.
- To appropriate payments received.
- To collect outstanding debt.
- To provide different payment methods.
- To determine credit control and debt collection measures.

- 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.
- To instruct attorneys to proceed with the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders, etc.).
- To set performance targets for staff.
- To appoint staff to execute Council's policy and by-laws in accordance with Council's staff policy.
- To delegate certain functions to heads of departments.
- To determine control procedures.
- To monitor contracts with service providers in connection with credit control and debt collection.
- To report to the Mayor.

4.4 *Duties and functions of Communities, Ratepayers and Residents*

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

4.5 *Duties and functions of Councillors*

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

5. *Area of Application*

This policy applies throughout the demarcated area of Mhlontlo Municipality, where the municipality is providing services and/or charges rates on property.

6. *Application for Services*

- A consumer who requires the provision of municipal services must apply for the service from the municipality.
- The application for the provision of municipal services must be made by the registered owner of an immovable property.

- The municipality will not entertain an application for the provision of municipal services from a tenant of a property, or any other person who is not the owner of the property.
- The only exception to the above is that 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
- An agent may with a proxy open an account in the name of the owner.
- The application for the provision of municipal services must be made in writing on the prescribed application form that is provided by the municipality.
- By completing the prescribed application form for the provision of municipal services the consumer of services enters into an agreement with the municipality.
- The agreement with the municipality must make provision for the following: -
 - An undertaking by the owner that he or she will be liable for collection costs including administration fees, interest, disconnection and reconnection costs, and any other legal costs occasioned by his or her failure to settle accounts by the due date on an attorney / client basis;
 - An acknowledgement by the owner that accounts will become due and payable by the due date notwithstanding the fact that the owner did not receive the account; and
 - That the onus will be on the owner to ensure that he or she is in possession of an account before the due date.
 - An undertaking by the municipality that it shall do everything in its power to deliver accounts timeously.
- The application for the provision of municipal services shall be made at least ten (10) days prior to the date on which the services are required to be connected.
- On receipt of the application for provision of municipal services, the municipality will cause the reading of metered services linked to the property to be taken on the working day preceding the date of occupation.
- The first account for services will be rendered after the first meter reading cycle to be billed following the date of signing the service agreement.
- No rates clearance certificate will be provided to a new owner of any property unless the agreement is signed by the new owner.

7. Deposits and Guarantees

- On application for the provision of municipal services the consumer deposit prescribed by council shall be paid.
- A guarantee in lieu of a deposit will be accepted on application for the provision of municipal services by a business in terms of the prevailing conditions determined by the Municipal Manager at the time of the application.
- Existing consumers moving to a new address are required to pay the prescribed consumer deposit on application for the provision of municipal services at the new address.
- The minimum deposit payable is determined annually by Council and is contained in the tariff book produced annually.
- The consumer deposit paid on application for the provision of municipal services must be reviewed annually and may be increased or decreased upon written notice to consumers.

- The deposit will be the equivalent of one month's charge for all municipal services supplied, however this may be increased if it is determined that the consumer is a credit risk.
- On termination of the supply of services the amount of the deposit less any payment due to the municipality will be refunded to an account holder, provided that payments due are less than the deposit paid, and that the account holder has provided a forwarding address.
- If the chief financial officer intends increasing the minimum deposit payable by the owner, then he or she shall, in the aforesaid notice, state full reasons for the increase, and allow the owner an opportunity to make written representations in this regard.
- An aggrieved owner may, within a period of 21 (twenty one) days of having been notified of an increase in the minimum deposit payable, lodge an appeal against the decision of the chief financial officer with the municipal manager.
- The municipal manager shall, in his or her capacity as the appeal authority, consider the appeal, and confirm, vary or revoke the decision of the chief financial officer, within a reasonable period.
- The chief financial officer may, in respect of business premises, accept an irrevocable bank guarantee in lieu of a deposit.

8. Accounts and Billing

- The municipality shall provide all customers with a monthly consolidated account for municipal service rendered, which account shall be generated on a monthly basis in cycles of approximately thirty (30) days.
- The monthly consolidated account can include property rates charges, in which case they shall comply with section 27 of the Municipal Property Rates Act No. 6 of 2004.
- All accounts rendered by the municipality shall be payable on the due date.
- Account balances which remain unpaid 30 days after the due date shall attract interest on arrears, irrespective of the reasons for non-payment.
- All accounts are payable as above regardless of the fact that the customer has not received the account, the onus being on the customer to obtain a copy of the account before the due date.

9. Rates and Refuse Charges

- Rates and refuse charges shall be billed annually or monthly, as agreed by the municipality with the customer.
- Property rates and refuse charges which are levied annually shall be billed in terms of the July account of each year.
- Property rates and refuse charges which are levied on a monthly basis shall be billed in terms of monthly accounts.
- The tariffs to calculate property rates and refuse charges are determined annually, approved by Council and contained in the tariff book produced by the municipality.

10. Sundry Debtor Accounts

- Sundry debtor accounts may be rendered by the municipality from time to time.
- Any sundry debtor account shall be included in the monthly consolidated account produced by the municipality.

11. Valuation of Properties

All properties within the boundaries of Mhlontlo Municipality are to be valued in terms of the legislation applicable to the valuation of properties for the purpose of levying property rates.

12. Payment of Accounts

- All accounts rendered by the municipality are due and payable on the due date.
- All payments, whether made by cash, stop order, electronic payments or payments made through agents must be receipted by the municipality by the close of business on the due date. Cheques will not be accepted as payment of an account except in the case of rates and service charges (all other payments must be made by a bank guarantee cheque). Where a cheque has been dishonoured the person issuing the cheque shall not be allowed to pay by cheque in future.
- Accounts rendered by the municipality can be paid at any municipal cashier office and any other pay point as determined by the Municipal Manager from time to time.
- The payment methods and facilities supported by the municipality can be used to make payments on accounts.
- Payments received in respect of rates and service charges will be allocated by the municipality entirely within its discretion, on the account of the debtor.
- Part payment received on an account shall be allocated firstly to reduce any penalty charges that may have accrued on the account.
- An official receipt issued by the municipality will be the only proof of payments made.

13. Interest on Arrear Debt

- Account balances which remain unpaid after the due date shall attract interest of 5% irrespective of the reason for non-payment.
- The following categories of arrear debt shall not attract interest on arrears: -
 - Indigent debt.
 - Closed accounts.
 - Deceased estates.
 - Insolvent estates.
 - Debtors under administration (administration portion only).
 - The first 30 days after delivery date for all service arrears.
- Interest on arrear debt shall be calculated for each month for which such payment remains unpaid and part of a month shall be deemed to be a month.
- No interest shall be charged on any outstanding amounts in respect of which an agreement had been concluded for the payment by way of installment thereof, provided the installment is paid in full by the due date.

14. Recovery of Rates from Owners, Tenants, Occupiers and Agents

- The municipality may utilise the procedures prescribed in terms of section 17 to recover rates

- arrears from the owner of immovable property.
- Alternatively, the municipality may recover rates arrears in whole or in part from a tenant or occupier of the immovable property, despite any contractual obligation to the contrary on the tenant or occupier. The municipality may recover an amount only after the municipality has served a written notice on the tenant or occupier.'
 - The amount the municipality may recover from the tenant or occupier of a property is limited to the amount of rent or other money due and payable, but not yet paid, by the tenant or occupier to the owner of the property.
 - Any amount the municipality 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.
 - The tenant or occupier of a property must, on request by the municipality, furnish the municipality 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 municipality.
 - The municipality may, despite the Estate Agents Affairs Act 1976, 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.
 - The municipality may recover the amount due for rates from the agent of the owner only after it has served a written notice on the agent.
 - The amount 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.
 - The agent must, on request by the municipality, furnish the municipality with a 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 municipality.
 - The municipality must provide an owner of a property in its jurisdiction with copies of accounts sent to the occupier of the property for municipal services supplied to the property if the owner requests such accounts in writing from the municipality.

15. Debt Collection

- Handover of debt to debt collectors
 - Debts which have been outstanding for more than 60 days from due date shall be handed over to debt collectors appointed by the municipality for the purposes of collecting such debt.
 - If the debt collectors are unsuccessful in collecting the debt within 90 days of same being handed over, the debt may be handed over to attorneys for legal action.
 - Only the municipal manager may hand over debts to attorneys for collection, and the Municipal Manager shall hand such debts over to attorneys for collection if they have not been collected by debt collectors within the aforementioned period of 90 days, unless the Municipal Manager is of the opinion that it shall not be cost effective to do so.
 - If the Municipal Manager is of the opinion that it is appropriate to do so (such as in cases of urgency), he or she may hand over debts for collection to attorneys at any time prior to the expiration of any of the periods referred to above and without first handing them to debt collectors.

- The following types of debt will not be handed over to debt collectors.
 - (i) Debts of indigent debtors that are registered as indigent at the date of handover.
 - (ii) Government debt.
 - (iii) Debt that is being paid off as per an arrangement with the debtor.
 - (iv) Debt that has not been under internal query for at least two months.
- The process of collecting debt by debt collectors includes: -
 - (i) The phoning of debtors.
 - (ii) Sending out demand letters.
 - (iii) Making arrangements with debtors to pay off debt in terms of the Council's credit control and debt collection policy.
 - (iv) Making follow-up contact with debtors on unpaid arrangements.
- Handover of debt to Attorneys for legal collection
 - Debt that could not be collected by the debt collectors and debt that requires urgent legal attention will be handed over to attorneys for legal collection.
 - The following types of debt will not be handed over to attorneys: -
 - (i) Debt of approved indigent debtors that has not yet been written off by the council.
 - (ii) Debt that is being paid off as per an arrangement with the debtor.
 - (iii) Debt that has not been under internal query for at least two months.
 - The process of legal collection includes: -
 - (i) Final demands for payment to debtors.
 - (ii) Emolument attachment orders on debtor's salaries.
 - (iii) Summons issued for debt to be paid.
 - (iv) Default judgment be obtained against the debtor.
 - (v) The attachment of moveable properties and sale in execution of moveable property
 - (vi) The attachment of immoveable property and the sale of immoveable property.
- Section 118 of the Local Government: Municipal Systems Act No 32 of 2000
 - The municipality will issue a certificate required for the transfer of immovable property

in terms of Section 118 of the Local Government: Municipal Systems Act No 32 of 2000, which is lodged with the municipality in the prescribed manner.

This is subject to all amounts that became due in connection with that property for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties during the two years preceding the date of application for the certificate have been fully paid.

- Debt older than two years on the property irrespective of whether the owner of the property accumulated the debt will also have to be paid by the owner before the transfer of the property can be affected.
- If the owner refuses to pay the debt which is older than two years then the municipality will apply to a competent Court for an order in the following terms: -
 - (i) In the case where there is already a judgment for the payment of the amount, an order that the judgment debt be paid out of the proceeds of the sale, before the mortgage debt is settled.
 - (ii) In the case where there is no judgment debt, for an order staying transfer of the property pending the finalisation of a civil action to be instituted against the person who is in law liable for the payment of the outstanding debt.
 - (iii) The above action must be taken before the property is transferred as the statutory lien created by Section 118(3) of the Act only endures until the property has been transferred and in terms of Section 118(5) of the Act the new owner of the property cannot be held liable for the debt that became due before a transfer of a residential property took place.
- Other debt collection methods
 - The debt collection methods mentioned in the paragraphs above are not an exhaustive list of methods that can be applied to collect debts and any other methods that can be initiated will be implemented with the approval of Council.
- Debt Collection Costs
 - Any costs, which include collection costs, charges, disbursements and legal costs relating to any of the debt collection methods applied to collect the debt will be debited to the account of the defaulting debtor.

16. Arrangements to pay Arrear Debt

- **A** Introduction
 - 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.
 - 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: -
 - (a) The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly installments;
 - (b) The current monthly amount must be paid in full; and
 - (c) The written agreement has to be signed on behalf of the Municipality by a duly authorised officer.
- In order to determine monthly installments 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.
- **B Arrangements to Pay Outstanding and Due Amounts in Consecutive Installments – Residential Households**
 - Implementation of the following principles **(as a once off initiative and only valid for a specified period as determined by Council)** could enhance the success of debt collection to a great extent: -
 - (a) Outstanding debt of 180 days and older

Where a debtor pays 50% capital on his/her arrear account the other 50% capital and all the interest accumulated will be written off immediately from the provision for bad debt.

Where arrangements are made to pay off the arrear amount in installments, such an arrangement should be honoured for at least a six-month consecutive period where after capital arrears will be written off on a monthly basis on a rand for rand basis (for every one-rand capital that is paid one rand capital will be written off from the provision for bad debt). Upon paying the total capital owed all the interest accumulated will be written off immediately from the provision for bad debt.
 - (b) Outstanding debt between 90 days and 180 days

Capital arrears will be written off on a 50% basis (for everyone rand that is paid fifty cents will be written off from the provision for bad debt). Upon paying the total capital owed all the interest accumulated will be written off immediately from the provision for bad debt.

Where arrangements are made to pay off the arrear amount in installments, such an arrangement should be honoured for at least a six-month consecutive period where after arrears will be written off.
 - (c) Outstanding debt between 30 days and 90 days

Where a debtor pays 100% on his/her capital arrear debt, all the interest accumulated will immediately be written off from the provision for bad debt.

Where arrangements are made to pay off the arrear amount in installments, such an arrangement should be honoured for at least a six-month consecutive period where after interest will be written off on a monthly basis on a rand for rand basis (for every one rand capital that is paid one rand interest will be written off until such time that all the interest has been written off from the provision for bad debt).

- A consumer who cannot pay their arrear debt may enter into an arrangement to pay the account over an extended period of time.
- During the time of the debt collection process, but before the debt is handed over to the attorneys a consumer may enter into an arrangement to pay off arrear debt.
- No arrangements will be entertained by attorneys on a debt that has been handed over for legal collection.
- The municipality will entertain only one arrangement with a consumer to pay off arrear debt.
- The consumer by signing the arrangement agreement to pay off arrear debt acknowledges the following: -
 - (a) The debt is owed to the municipality.
 - (b) That on default of the arrangement agreement, interest on arrears will be charged on the amount due, electricity supply will be disconnected to the property of the consumer or the consumer will be blocked from the purchase of electricity on the prepayment system, and legal proceedings will be instituted to collect the debt.
 - (c) That the consumer will be liable for all costs, which includes legal costs incurred to collect the debt.
- **C** **Arrangements by Businesses**
 - At the date of the arrangement a minimum of 50% of the capital arrear debt must be paid immediately.
 - After the payment of 50% of the capital arrear debt, 50% of the interest accumulated will be written off from the provision for bad debt.
 - The balance of the debt which includes the capital amount and interest must be paid over a 6 to 12-month period on an interest free basis provided payments are made monthly by the due date.
 - The total monthly installment must include the current monthly charges plus the amount to pay off arrear debt.
 - Arrangement by businesses to pay off arrear debt will only be entertained for debt on which debt collection actions have been taken and which actions are in an advanced stage. Failure to maintain the arrangement will result in interest being reversed and full debt collection being implemented, with no possibility of reprieve.
 - Any arrangement outside of the foregoing must be approved by the Municipal Manager. This function cannot be delegated.

17. Indigent Debtors

- An account holder (consumer) may apply, in the prescribed manner, to be regarded as an indigent debtor as defined in the Indigent Policy approved by the council.
- Any person who has been declared indigent shall be entitled to indigent subsidies for basic services on a basis determined by Council from time to time.
- The approved account holder shall remain responsible for any outstanding amount at the date of application as well as for future charges.
- The arrears on the accounts of households, approved as indigent, will be submitted to Council to be written off in full (including any interest charged) after the expiry of six months being registered as an indigent. This submission will only be valid as a once-off exercise after approval and will not be applicable for future consumption in excess of the approved subsidy accumulated.
- Indigent consumers must have their credit electricity meters converted to prepayment electricity meters.
- Indigent consumers with credit electricity meters are required to pay their current monthly account, which is the amount after the indigent subsidy has been deducted, every month by the due date, until the conversion to a prepaid meter has been made.

18. Debt of Absconded Owners

- The occupant of the property must sign an agreement in which the occupant agrees to pay all property rates and service charges that are to be raised on the property of the absconded registered owner's property.

19. Staff and Councillors – Payment of Arrears

- In terms of section 12A of Schedule 1 of the Local Government: Municipal Systems Act, Act no 32 of 200 as amended, a councillor may not be in arrears to the municipality for rates and service charges for a period longer than 3 (three) months.
- In terms of section 10 of Schedule 2 of the Local Government: Municipal Systems Act, Act no 32 of 200 as amended, a staff member of a municipality may not be in arrears to the municipality for rates and service charges for a period longer than 3 (three) months, and a municipality may deduct any outstanding amounts from a staff member's salary after this period.
- Councillors and officials will also be subject to credit control actions as per this policy.
- All new staff joining the municipality must within thirty (30) days sign an agreement to pay arrears.

20. Provision for bad debts

The municipality is required to provide for doubtful debts if there is a reason to believe that the debts might not be recovered.

Basis for determination of debt impairment should be as follows:

- The impairment of consumer debtors and other trade receivables exists predominantly due to the possibility that these debts will not be recovered. Receivables are assessed individually and grouped together where applicable at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

- In determining this allowance estimates are made about the probability of recovery of the debtors based on their past payment history. The impairment is calculated by calculating the historical payment ratios for individual debtors and by assuming that the future payment ratios would be similar to the historical payment ratios.

22. Payment Facilities and Methods

- Municipal payment and enquiry facilities will be maintained subject to acceptable levels of activity when compared to the operational costs. The Accounting Officer or his or her designate has the discretion to open and close offices as required.
- 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.
- Account payments may be made to municipal cashier office, pay point/s, by stop/debit order. The municipality shall actively monitor the effectiveness of pay facilities, methods and convenience for consumers.
- Payments received in respect of rates and service charges will be allocated by the municipality entirely within its discretion, on the account of the debtor.

23. Enquiries and Appeals

- The enquiries office at the municipality's service center may be contacted for all account enquiries
- Any resident or consumer who may feel aggrieved concerning his or her account may address a grievance to the Chief Financial Officer or the Accounting Officer.
- 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 for the preceding three (3) months must be paid by the due date pending finalisation of the enquiry. Failure to make a payment will result in debt collection action being instituted against the customer.
- Depending on the nature of the enquiry and the resources available, the enquiry must receive a response within seven (7) days.
- If a customer has received a response and is still not convinced that the account is correct, the customer may lodge an appeal to the Accounting Officer for the resolving of the dispute.
- Such an appeal should receive response within fourteen (14) working days failing which the customer should be notified in writing of the reasons for the delay.

24. Tendering for Business

The Supply Chain Management Policy and tendering conditions of the municipality will include the following:

- When issuing an invitation to tender 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 bidder obtain from the municipality a certificate stating that all relevant municipal accounts owing by the bidder 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.
- 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.

- A condition allowing the municipality to deduct any moneys owing to the municipality from contract payments.

25. Communication

- The Credit Control and Debt Collection policy will be available and will be communicated in workshop with the community during IDP roadshows.
- Councillors must from time to time, address ward committees and community meetings on the contents of the policy and any amendments thereto.

26. Reporting and Performance Management

- The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format in terms of s71 of the Municipal Financial Management Act 56 of 2003, to enable the Accounting Officer to report to the Mayor as supervisory authority in terms of s99 of the Systems Act, read with s100(c). This report shall contain particulars on:
- Cash collection statistics, showing high-level debt recovery information (numbers of customers; enquires; arrangements; default arrangements; increase or decrease of arrear debtors' balances). Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, state, institutional and other relevant categories.
- If in the opinion of the Chief Financial Officer, the municipality 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 Accounting Officer who will, if he agrees with the Chief Financial Officer, immediately move for an adjustment of the budget according to realistically realisable income levels.
- The Mayor as supervisory authority shall, at intervals of three (3) months, report to Council as contemplated in s99(c) of the Systems Act.

27. Income Collection Target

- The long-term target is a debtor turnover ratio of 45 days, that is, debtors are expected to pay for services on average in a month and a half.

28. Application of the Policy

- The Council reserves the right to differentiate between different categories of consumers, debtors, services or service standards when applying this policy. The Council will on application of the credit control and debt collection policy avoid discrimination as forbidden by the Constitution unless it is established that the discrimination is fair as allowed by the Constitution..

29. Implementation and Review of this Policy

- This policy shall be implemented once approved by Council. All future credit control actions must be made 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.