

## CREDIT CONTROL AND DEBT COLLECTION POLICY

<i>Policy Number</i>	
Policy Name	CREDIT CONTROL AND DEBT COLLECTION POLICY
Policy Status	Approved
Date of last Approval \ Reviewable	May 2022
Policy review / Development	Policy to at least be reviewed with the Budget approval process every year
Date of next review	With the Budget approval process in May 2022
Purpose	To allow the Local Municipality to do credit control and debt collection in order to comply with applicable legislation.
Aims and objectives	To ensure that credit control and debt collection is done in a prescribed manner to comply with legislation.
Policy custodian	Chief Financial Officer
Related Policies and Legislations	<ul style="list-style-type: none"> <li>• <i>The Constitution of the Republic of South Africa 1996</i></li> <li>• <i>Municipal Finance Act 2003 (Act. 56 of 2003)</i></li> <li>• <i>Municipal Property rates (Act 6 of 2004)</i></li> <li>• <i>National Treasury Circulars</i></li> </ul>
Approving authority	Council
Applicability	To the Accounting officer and Chief Financial Officer when evaluating payment by debtors on a regular basis.
Amendments to the Policy	<p>Page 8: = 2.1 Effective Date</p> <p>This policy will come into effect from <b>01 July 2022</b> as per Council resolution</p> <p>Page 14 : = 4.2.6</p> <p style="padding-left: 40px;">Debts and arrangements to repay debts shall be treated holistically, but different repayment periods or methods may be determined for different types of service,</p> <ol style="list-style-type: none"> <li>a) Initial payment of <u>25%</u> for household consumers of the arrears interest included, repayment up to <b><u>12 months</u></b> and;</li> <li>b) Initial payment of 25% for business of the arrears interest included, repayments for up to <b><u>12 months.</u></b></li> <li>c) If a consumer makes full settlement payment on his/her debt excluding interest, the interest charged will be written-off after the payment have been made with the Municipality.</li> </ol>

Page 24: 6.8 **The pre-payment meter system**

6.8.1 The following conditions are applicable where a prepayment has been installed at premises:

- (i) The total outstanding account must be paid on or before the end of the month for which the account has been issued.
- (ii) No prepaid electricity may be sold before the total outstanding account including the property tax account irrespective of the name of the account holder, has been paid. (An account which is 90 days arrears shall be blocked for pre-paid electricity purchase.)
- (iii) In exceptional cases, where an account has not been handed over for collection, an authorised official can authorize the selling of electricity when;
  - The previous month must be paid in full unless a formal acknowledgement of debt is made.
  - An agreement can be made for the client to pay based on a 75/25 principle where 75% must be allocated to the combined arrear accounts and 25% towards prepaid electricity. Such an agreement is subjected to the individual status.

6.8.2 A customer with arrears incurred since the **July 2021** billing run who opts for the pre-payment system, will be required to repay all arrears in full before pre-paid meter can be installed, or, if the amount outstanding is large and/or the customer's ability to pay is limited (because of low income, cash flow problems etc), the customer will pay **25%** of the total debt and make payment arrangement not exceeding **12 months**.

Page 28 & 29: 6.15 **Rates Clearance Certificate**

6.15.1 Subject to sections 118(1) and (1a) of the Act, the following shall apply to the issue of a rates clearance certificate for the purpose of effecting transfer of a property to a new owner:

6.15.1.1 Assessments:

- (i) Application shall be made by the conveyancer via online on LexusNexus or in the prescribed format. Each application must be accompanied by the relevant

application fee. The application will not be processed until the fee is paid. The new owner may be held liable post transfer should the application not record the correct meter numbers on the property. Assessed figures are calculated ninety (90) days in advance. Service charges are estimated for ninety (90) days based on previous consumption. An "Attorneys report" in respect of all amounts owing and the assessed figures, shall be issued within ten (10) days of the receipt of the request for the report. The assessment shall remain valid for a period of thirty (30) days. If payment has not been received within this period, a re-assessment may be required and payment of a further application fee will apply. Penalties. Interest or other charges that accrue during the assessed period, and which are not included in the revenue clearance certificate, shall be billed to the purchaser. The accounts will be adjusted once proper readings are taken on service or consumption charges and billed to the purchaser accordingly.

(ii) An assessment in terms of section 118(1) of the Act will only be issued on request by the conveyance

(iii) The balance of the debt, prior to the two years preceding the date of application of a certificate, shall remain as a charge against the property and it is payable on the due date of the registration of the property. The municipality may institute legal proceedings against the seller or purchaser of the property to recover the balance of the debt, including, lodging an urgent application to interdict the sale of the property until the debt is paid in full or an irrevocable bank guarantee for the full outstanding debt, on date of registration of transfer has been furnished by the conveyancer. The new owner will not receive services on the property until the debt is paid or suitable arrangements are made to the debt. (Section 89 of the insolvency Act).

(iv) The onus is on the conveyor to advise the purchaser accordingly.

(v) Where the municipal account is in respect of a debt consolidated under Section 102 of the Act, the said consolidated account will be deconsolidated on application for a revenue clearance certificate. An account for the property subject to the Revenue Clearance application will be rendered together with the full interest that accrued on the consolidated account. A revenue clearance certificate shall be issued within ten (10) days of the date of payment of the amount requested in the "Attorneys Report".

(vi) The certificate shall be valid for a period of sixty (60) calendar days from date of issue.

Page 33 & 34: = 2.1 The Municipal Council shall approve Writing Off of Irrecoverable Debts and Impairment of Debtors Policy with the following two incentives to their customer base to assist them to get out of their spiral of debt provided that all levies since the **July 2021** billing run will be paid up to date:

- (a) Council will write-off 50% of outstanding debt before the **July 2021** billing run that a household customer accrued. The household account holder will pay off the other 50% of the outstanding debt.
- (b) Council will write off 30% of the outstanding debt before **July 2021** billing run for Business debtors. The business account holder will pay the other 70% of the outstanding debt.

2.2.1. The household customer and Business consumers who cannot afford to pay as per above incentive, the customer will make arrangements to pay back the arrears incentive over the period of one year.

2.2.2. Should the customer default to the above arrangement, the council will cancel the incentive and the original outstanding amount will become due and payable and Council may institute legal action for the recovery thereof.

2.2.3 The incentive will not be applicable to Government or school debtors

2.2 To collect with the assistance of a computerised credit control and debt collection management system or an appointed service provider, all recoverable arrears over a maximum period of three years by using the incentives in the Writing-Off of Irrecoverable Debt Policy. Irrecoverable arrears (estimated between 40% and 60% of the arrear debtors' book) will have to be written-off.

2.3 To achieve this goal the level of recovery of recoverable arrears (writing-off incentives included) should be:

- |     |                 |   |     |
|-----|-----------------|---|-----|
| (a) | Within 6 months | = | 50% |
| (b) | 7 – 12 months   | = | 50% |

2.4 The Senior Manager: Revenue and Expenditure or delegated person can in extreme cases accept a longer period of repayment based on the financial position of the customer and other circumstances if the incentives in the Writing-Off of Irrecoverable Debt Policy do not assist the customer to get out of their spiral of debt within three years.

	<p>3. Recovery of arrears (Accumulated after the July 2021 billing run).</p> <p>3.1 It is acknowledged that not all customers might have been in arrears before the July 2022 billing run. Customers who accumulated arrears as from the July 2021 billing run will be recovered over a maximum period of one year.</p>
Policy Benchmark and References	<i>In Terms of National Treasury Circulars and Guidelines, eThekweni Municipality and Steve Tshwete Local Municipality.</i>
Stakeholders Consulted	Not applicable.
Accountability	<ul style="list-style-type: none"> <li>The Municipal Manager is accountable for the proper implementation of this policy in terms of the <i>Municipal Finance Act 2003 (Act. 56 of 2003)</i></li> </ul>

**MSUKALIGWA  
LOCAL MUNICIPALITY  
(MP 302)**



**CREDIT CONTROL AND DEBT COLLECTION  
POLICY**

**1 JULY 2022 – 30 JUNE 2023**

**Final**

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1. **INTRODUCTION**

This Policy is applicable to Msukaligwa Local Municipality only. In terms of Section 80 of the Local Government: Municipal Systems Act, 32 of 2000, the Municipality may enter into service delivery agreements with service providers to provide municipal services to customers. In such instances the internal credit control and debt collection policies of those entities may differ from this policy, but shall always be subject to the promulgated Credit Control and Debt Collection By-Laws in terms of Article 9. Section 96 of the Local Government: Municipal Systems Act, 32 of 2000 further stipulates that “A municipality – (a) must collect all money that is due and payable to it, subject to this Act and any other applicable legislation; and (b) for this purpose, must adopt, maintain and implement a credit control and debt collection policy which is consistent with its rates and tariff policies and complies with the provisions of this Act”, Thus the existence of this policy which is reviewed annually.

2. **OBJECTIVES**

The objectives of this policy are to:

- Provide a framework within which the municipal council can exercise its executive and legislative authority with regard to credit control and debt collection;
- Ensure that all monies due and payable to the municipality are collected and used to deliver municipal services in the best interests of the community, residents and ratepayers and in a financially sustainable manner;
- Outline the procedures that will ensure that the members of the local community is afforded the opportunity to contribute in the decision-making processes of the municipality and that they are informed of the decisions and affairs of the municipality;
- Set realistic targets for debt collection;
- Outline credit control and debt collection policy procedures and mechanisms; and
- Provide a framework to link the municipal budget to:-
  - ≠ Indigent Support; and
  - ≠ Tariff Policies
- All debtors should be treated equally when it comes to collection.

2.1 Effective Date

This policy will come into effect from **01 July 2022** as per Council resolution \_\_\_\_\_.



2.2 Amendment History

No.	Amendment reference	Effective date	Section	Page Number	Paragraph	Short description

3. **DEFINITIONS**

In this policy any word or expression to which a meaning has been assigned in the Local Government: Municipal Systems Act has that meaning, unless the context indicates otherwise-

**“Account”** means an account rendered specifying charges for municipal services provided by the municipality, or any authorized and contracted service provider, and which account may include assessment rates levies. Written notification in the form of a statement of account in respect of municipal services, rates, sundry charges and other charges, addressed to a person liable for payment thereof.

**“Arrangement”** means a written agreement entered into between the municipality and the customer where specific repayment parameters are agreed to. Such arrangement does not constitute a credit facility envisaged in terms of section i(3) of the National Credit Act but is deemed to be Incidental Credit as envisaged in terms of section 4(6)(b) read with section 5(2) and (3) of the National Credit Act.

**“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”** means a person or instance legally appointed by the municipality to act or to fulfil a duty on its behalf.

**“Billing date”** means the date upon which the monthly statement is generated and debited to the customer’s account.

**“Business premises”** means premises utilized for purposes other than residential and excludes the following:-

- (a) Hospitals, clinics and institutions for mentally ill persons which are not operated for gain;
- (b) Museums, art galleries, libraries and botanical gardens which are registered in the names of private persons and are open to the public, whether admission fees are charged or not;
- (c) Sports grounds used for the purpose of amateur sports and any social activities which are connected with such sports;

- (d) Any property registered in the name of an institution or organization which, in the opinion of the municipality performs charitable work;
- (e) any property utilized for bona fide church or religious purposes.

**“Chief Financial Officer”** means the person appointed as the Chief Financial Officer of the municipality, or his or her nominee. A person employed by the Municipality in terms of section 57 of the Act directly accountable to the municipal manager.

**“Credit Control”** means all the functions relating to the collection of monies owed by ratepayers and the users of municipal services.

**“Consolidated account”** means an account which is a consolidation of any separate accounts of a person who is liable for payment to the municipality, a monthly account reflecting municipal service fees, charges, surcharges on fees, property rates, sundry charges and other municipal taxes, levies and duties and all consolidations in terms of section 102 of the Act.

**“Council”** means the Council of the Msukaligwa Local Municipality.

**“Customer”** means the occupier of any premises to which the municipality has agreed to supply or is actually supplying municipal services, or if no occupier can be identified or located, then the owner of the premises and includes any customer of the municipality.

**“Credit Authority”** means any arrangement made by agreement between the Municipality and a customer for the payment of any arrears in instalments. Such arrangement may take the form of an agreement, an acknowledgement of debt, or correspondence provided that it is.

**“Day/Days”** means calendar days and are inclusive of Saturdays, Sundays as well as public holidays.

**“Debt Collectors”** means an external person or entity appointed by the Municipality to collect monies due and payable to the Municipality, subject to the conditions contained herein.

**“Defaulter”** means any person who owes arrears to the municipality. Any customer whose account is in arrears”

**“Disconnection of electricity supply”** means the physical disconnection of conventional or pre-paid electricity supply or the 100% blocking of pre-paid electricity supply.

**“Due date”** in relation to –

The date on which a customer’s account becomes payable, which in the case of monthly accounts is 15 days from the date of the account, and in the case of annual accounts is the 31 October each year.

**“Electricity charges”** means service charges in respect of the provision of electricity.

**“Immovable property”** includes –

- (a) An undivided share in immovable property, and

(b) Any right in immovable property

**“Implementing authority”** means the Municipal Manager or his or her nominee, acting in terms of section 100 of the Local Government: Municipal Systems Act No. 32 of 2000.

**“Revenue Clearance Certificate”** means a certificate of the kind referred to in Section 118(1) of the Act;

**“75/25 pre-payment debt recovery”** means a pre-payment system whereby 75% of payment is allocated to arrears and 25% is allocated to the purchase of electricity.

**“Indigent customer”** means the head of an indigent household:-

- (a) Who applied for and has been declared indigent in terms of Council's Indigent Support Policy for the provision of services from the municipality; and
- (b) Who makes application for indigent support in terms of Council's Indigent Support Policy on behalf of all members of his or her household;

**“Indigent Support Programme”** means a structured program for the provision of indigent support subsidies to qualifying indigent customers in terms of the Council's Indigent Policy.

**“Indigent Policy”** means the Indigent Policy adopted by the Council of the municipality.

**“Interest”** means the charge levied on arrears, calculated as the prime rate in the absence of an overdraft made by the municipality, charged by the bank which holds the municipality's primary bank account. A charge levied with the same legal priority fees and calculated at a rate determined by Council from time to time on arrear monies.

**“Manager Income”** Means the Senior Official in a division of the Municipality's Finance Department, overall responsible for the collection of monies owed to the municipality and/or any other official to whom he/she has delegated duties and responsibilities in terms of this policy.

**“Monthly average consumption”** means the monthly average consumption in respect of that property calculated on the basis of consumption over the preceding or succeeding twelve months.

**“Municipality”** means the Municipal Council of the Msukaligwa Local Municipality or any duly authorized Committee, political office bearer or official.

**“Municipal pay point”** means any municipal office in the area of jurisdiction of the municipality designated by Council for such purposes, or any such other places as the Chief Financial Officer may from time to time designate.

**“Municipal Manager”** means the Municipal Manager of the Msukaligwa Local Municipality or his or her nominee acting in terms of power delegated to him or her by the said Municipal Manager with the concurrence of the Council. The person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act, 1998, No 117 of 1998, and include any person acting in that position or to whom authority was delegated.

**“Municipal Services”** means services provided either by the municipality, or by an external agent on behalf of the municipality in terms of a service delivery agreement.

**“Occupier”** means any person who occupies controls or resides on any premises, or any part of any premises without regard to the title under which he or she occupies it.

**“Owner”** in relation to immovable property means –

- (a) The person in whom is vested the legal title thereto provided that:-
  - (i) The lessee of immovable property which is leased for a period of not less than thirty years, whether the lease is registered or not, shall be deemed to be the owner thereof;
  - (ii) The occupier of immovable property occupied under service servitude or right analogous thereto, shall be deemed to be the owner thereof;
- (b) If the owner is dead or insolvent or has assigned his or her estate for the benefit of his creditors, has been placed under curatorship by order of court or is a company being wound up or under judicial management, the person in whom the administration of such property is vested as executor, administrator, trustee, assignee, curator, liquidator or judicial manager, as the case may be, shall be deemed to be the owner thereof.
- (c) If the owner is absent from the Republic or if his address is unknown to the municipality, any person who as agent or otherwise receives or is entitled to receive the rent in respect of such property, or if the municipality is unable to determine who such person is, the person who is entitled to the beneficial use of such property.

**“Premises”** includes any piece of land, the external surface boundaries of which are delineated on:

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

**“Prescribed”** means approved by this policy and where applicable by Council or the Municipal Manager.

**“Prescribed debt”** means debt that becomes extinguished by prescription in terms of the Prescription Act 68 of 1969.

**“Person”** means a natural and juristic person, including any department of state, statutory bodies or foreign embassies.

**“Rates”** means a municipal rate on property envisaged in section 229 (1) of the Constitution read with the Local Government: Municipal Property Rates Act 6 of 2004 and the Local Government: Municipal Finance Act 56 of 2003.

**“Refuse charges”** means service charges in respect of the collection and disposal of refuse.

**“Registered owner”** means that person, natural or juristic, in whose name the property is registered in terms of the Deeds Registry Act, no 47 of 1937.

**“Responsible person”** means any person other than the registered owner of an immovable property who is legally responsible for the payment of municipal service charges.

**“Service charges”** means the fees levied by the municipality in terms of its tariff policy for any municipal services rendered in respect of an immovable property and includes any penalties, interest or surcharges levied or imposed in terms of this policy.

**“Service delivery agreement”** means an agreement between the municipality and an institution or persons mentioned in section 76(b) of the Local Government: Municipal Systems Act 32 of 2000.

**“Sewerage charges”** means service charges in respect of the provision of sewerage services.

**“Sundry customer accounts”** means accounts raised for miscellaneous charges for services provided by the municipality or charges that were raised against a person as a result of an action by a person, and were raised in terms of Council's policies, bylaws and decisions.

**“Supervisory authority”** means the Executive Mayor of the municipality or his or her nominee, acting in terms of Section 99 of the Municipal Systems Act 32 of 2000.

**“Tariff”** means the scale of rates, taxes, duties, levies or other fees which may be imposed by the municipality in respect of immovable property or for municipal services provided.

**“Tariff Policy”** means a Tariff Policy adopted by the Council in terms of Section 64 of the Local Government: Municipal Systems Act 32 of 2000.

**“User”** means the owner or occupier of a property in respect of which municipal services are being rendered.

**“Water charges”** means service charges in respect of the provision of water.

#### 4. **CREDIT CONTROL AND REVENUE COLLECTION PRINCIPLES**

##### 4.1 **PRINCIPLES**

- 4.1.1 The administrative integrity of the Municipality must be maintained at all costs. The democratically elected officials (Councillors) are responsible for policy-making, while it is the responsibility of the Municipal Manager to execute these policies.
- 4.1.2 Billing is to be accurate, timeous and understandable.
- 4.1.3 Enforcement of payment must be prompt, consistent and effective.
- 4.1.4 The consumer is entitled to reasonable access to pay points and to a variety of reliable payment methods
- 4.1.5 The consumer is entitled to an efficient, effective and reasonable response to complaints and appeals, and should suffer no disadvantage during the processing of a reasonable request or appeal.

- 4.1.6 The collection process will be efficient and cost-effective and all costs incurred by Council relating to the credit control and debt collection process shall be recovered from the consumer.
- 4.1.7 Although consumer care and debt collection are inter-related issues, they should be performed by two separate divisions
- 4.1.8 Indigent households will be identified and supported. Welfare is to be separated from tariff and credit control issues and will be supported by appropriate and affordable policies and practices. Indigent support will be introduced within council's financial ability
- 4.1.9 Targets for performance in both consumer service and debt collection will be set and pursued and remedies implemented for non-performance.
- 4.1.10 Human dignity must be upheld at all times.
- 4.1.11 The level of services provided to consumers who regularly default will be reduced.
- 4.1.12 The policy must be implemented with equity, fairness and consistency

#### 4.2 PAYMENT AND NON-PAYMENT

- 4.2.1 Consumers may be referred to 3<sup>rd</sup> party debt collection agencies and may be placed on a national credit rating listing.
- 4.2.2 Fraud/criminality will lead to loss of rights and heavy penalties and/or public prosecution
- 4.2.3 Incentives and disincentives may be used in collection procedures
- 4.2.4 Interest charges will be levied on overdue accounts at the rate determined by Council from time to time. Interest will be levied from the due date if not paid by the following due date and will be calculated for a full month(s) irrespective of when payment is made. The interest charged will appear in the following month's account.
- 4.2.5 As part of the arrangements made to repay debt the consumer may be required to co-operate with any reasonable measures that might be required to reduce the level of use of consumptive services to affordable levels.
- 4.2.6 Debts and arrangements to repay debts shall be treated holistically, but different repayment periods or methods may be determined for different types of service,
  - d) Initial payment of 25% for household consumers of the arrears interest included, repayment up to 12 months and;
  - e) Initial payment of 25% for business of the arrears interest included, repayments for up to 12 months.
  - f) If a consumer makes full settlement payment on his/her debt excluding interest, the interest charged will be written-off after the payment have been made with the Municipality.
- 4.2.7 The arrangement to be effective, the consumer shall service his/her current debt.

#### 4.3 NEW ACCOUNT

- 4.3.1 All consumers must complete an official application form formally requesting the municipality to connect them to service supply lines.

- 4.3.2 By completing the prescribed application form for the provision of municipal services the customer of services enters an agreement with the municipality. Such agreement does not constitute a credit facility envisaged in terms of section 8(3) of the National Credit Act (NCA) but shall be incidental credit as envisaged in terms of section 4(6)(b) of the NCA, to which the NCA will only apply to the extent as stipulated in section 5 of the NCA.
- 4.3.3 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 consumer on request at such fees as may be determined by Council from time to time.
- 4.3.4 Application forms will be used to categorise consumers, to determine the amount of the deposit payable by the consumer and whether the customer qualifies for indigent support, pre-payment or credit meters. (Annexure A)
- 4.3.5 New applications for services will be subject to prescribed credit information and outstanding amounts will be transferred to the new account. All information furnished on the application form may be verified by Council with any or all data information institutions, credit information bureau and/or any financial institutions as may be deemed necessary by Council in determining the applicant's credit worthiness. (Annexure A).
- 4.3.6 Depending on Credit Rating Council may provide reduced levels of service to manage the debt growth.
- 4.3.7 The owner and the occupier shall be jointly and severally liable for the payment of the all municipal services and charges. It is the duty of the owner to ensure that all the times that the occupier of the premises is not in arrears with the payments.**
- 4.3.8 The municipality will not render any municipal services to new customer in the event that the previous account is not fully paid up or payment arrangement has been made.**
- 4.3.9 The outstanding amount/s must be paid before continuation of the new agreement.**

## 5.1 DUTIES AND FUNCTIONS OF COUNCIL

- 5.1.1 To approve a budget consistent with the needs of communities, ratepayers and residents
- 5.1.2 To impose rates and taxes and to determine service charges, fees and penalties to finance the budget within the affordability of the consumers.
- 5.1.3 To provide sufficient funds to give access to basic services for the poor.
- 5.1.4 To provide for a bad debt provision, in line with the affordability payment record of the community, ratepayers and residents, as reflected in the financial statements of the municipality.
- 5.1.5 To set an improvement target for debt collection, in line with acceptable accounting ratios
- 5.1.6 To set performance targets and monitor the performance of the Municipal Manager regarding credit control and debt collection.
- 5.1.7 To improve a reporting framework for credit control and debt collection.
- 5.1.8 To consider and approve by-laws to give effect to the Council's policy.
- 5.1.9 To revise the budget should Council's targets for credit control and debt collection not be met.
- 5.1.10 To take disciplinary action against councillors, officials and agents who do not execute council policies and by-laws

- 5.1.11 To delegate the required authorities to monitor and execute the credit control and debt collection policy to the Municipal Manager and Chief Financial Officer respectively
- 5.1.12 To provide sufficient capacity in the Directorate: Finance for effective and efficient credit control and debt collection
- 5.1.12 To review and evaluate the policy to improve the efficiency of council credit control and debt collection mechanism, at least once a year.

## **5.2 Duties and functions of the Executive Mayor**

- 5.2.1 To oversee and monitor the implementation and enforcement of this policy and by-laws enacted to give effect
- 5.2.2 To monitor the performance of the Municipal Manager in implementing the policy and by-laws.
- 5.2.3 To report to Council

## **5.3 Duties and functions of the Municipal Manager**

- 5.3.1 To implement good customer care management.
- 5.3.2 To implement Council's credit control and debt collection policy.
- 5.3.3 To install and maintain an appropriate accounting system.
- 5.3.4 To bill consumers on a monthly basis
- 5.3.5 To demand payment on due dates.
- 5.3.6 To raise penalties for defaults.
- 5.3.7 To appropriate payments received.
- 5.3.8 To collect outstanding debt after the due date.
- 5.3.9 To provide different payment methods
- 5.3.10 To determine credit control measures
- 5.3.11 To determine work procedures for public relations, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
- 5.3.12 To delegate certain functions to senior managers.
- 5.3.13 To appoint firm/s of attorneys or collection agents to assist with the execution of his/her duties, where necessary.
- 5.3.14 To set performance targets for staff.
- 5.3.15 To appoint staff to execute Council's policy and by-laws in accordance with Council's staff policy.
- 5.3.16 To determine control procedures.
- 5.3.17 To report to the Finance Committee, who in return will report to the Executive Mayor.

## **5.4 Duties and functions of communities, ratepayers and residents**

- 5.4.1 To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services
- 5.4.2 To pay service fees, rates on property and other taxes, levies and duties imposed by the municipality.
- 5.4.3 To observe the mechanisms and processes of the municipality in exercising their rights.



- 5.4.4 To allow municipal officials reasonable access to their property to execute municipal functions.
- 5.4.5 To comply with the by-laws and other legislation of the municipality.
- 5.4.6 To refrain from tampering with municipal services and property.
- 5.4.7 To notify the Municipality of any default meters, abuse of Municipal property and tampering.

## 5.5 Duties and functions of Ward Councillors and Political parties

- 5.5.1 To hold regular ward meetings, at least quarterly, to inform the local community of at least the costs of service provision, the reason for payment of services charges and taxes and the manner in which the money received by the municipality is utilized
- 5.5.2 To adhere to and convey council policies to residents and ratepayers.
- 5.5.3 To adhere to council's code of conduct for councillors.
- 5.5.4 To confirm the status of indigents consumers.

## 6. CREDIT CONTROL AND DEBT COLLECTION

### ENFORCEMENT MECHANISMS

- 6.1 Water, electricity and other services.
  - 6.1.1 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 **by postage or email or short message system depending on the contact details available to the Municipality. It is the responsibility of the customer to obtain the copy of the account in the event that the customer does not receive the account prior to the due date. In terms of section 27(2) of MPRA - A person or customer is liable for payment of rates whether or not that person has received a written account of not.**
  - 6.1.2 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.
  - 6.1.3 Accounts must be paid by the due date shown on the account; however the account must be paid on the last day of month. Consumers who are in arrears with their municipal account will have their supply of electricity and water, and other municipal services, suspended, restricted or disconnected.
  - 6.1.4 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. **The non-payment will institute automatic disconnection of services.**
  - 6.1.5 Payments received in respect of rates and service charges will be allocated by the municipality entirely within its discretion, on the account of the customer.
  - 6.1.6 Part payment received on an account shall be allocated firstly to reduce any penalty charges that may have accrued on the account.

- 6.1.7 An account rendered to a customer by the municipality in respect of rates or municipal services, including the collection and disposal of refuse, electricity, water and sewerage services shall be paid by the due date.
- 6.1.8 EFT payments or payments made through agents must reflect in the municipal bank account on the due date appearing in the customers' municipal account statement, otherwise shall be deemed to be late.
- 6.1.9 Payments must be received on or before the due date at a municipal pay point by the close of business. Payment received after such, shall be deemed to be late.
- 6.1.10 If the customer pays using a debit card or credit card etc. From third parties, the customer will be responsible for all of the costs.
- 6.1.11 If the customer fails to pay any account within a period of seven (7) days after the expiry of the due date, then: -
- (a) The municipality may limit, disconnect or discontinue the supply of electricity or water to the immovable property in question; and
  - (b) The Chief Financial Officer or any duly authorized person may instruct attorneys to recover the outstanding amounts owed.
- 6.1.12 The limitation, disconnection or discontinuation of the supply of electricity or water shall be effected in the manner that is customarily used or by taking such reasonable and lawful steps as may be necessary.
- 6.1.13 Any disbursements or charges incurred or raised in respect of the limitation, disconnection or discontinuation of the supply of electricity or water shall be paid by the customer.
- 6.1.14 Prior to the limitation, disconnection or discontinuation of the supply of electricity or water, the municipality shall: -
- (a) provide the customer with adequate notice, including: -
    - (i) the date of the proposed limitation, disconnection or discontinuation;
    - (ii) the reason for the proposed limitation, disconnection or discontinuation;
    - (iii) the place at which the customer can challenge the basis of the proposed limitation, disconnection or discontinuation; and
- 6.1.15 If a customer unlawfully reconnects or attempts to reconnect a supply of electricity or water that has been limited, disconnected or discontinued, then-
- (a) The municipality may disconnect or discontinue the supply entirely by removing the service connection from the premises; and

- (b) Any disbursements, penalties or reconnection charges, together with any outstanding amounts owed in respect of rates or municipal services, must be paid in full or approved arrangement before a reconnection can be made.
- 6.1.16 A notice shall be left at the property advising that the supply has been disconnected, warning that all electric points should be considered live and that all water outlets should be limited. The notice must also advise that the supply will only be reconnected after the total balance of the amount specified in the notice, as well as the prescribed reconnection fee has been paid. The notice must also warn of the consequences of unauthorized reconnection.
- 6.1.17 The Chief Financial Officer or delegated person shall have the authority to approve arrangements for delayed payment in terms of this policy.
- 6.1.18 Subject to Council's capacity at the time to restore such service, disconnected services will be restored within a 24hrs (48hr for illegal connection) of time after the consumer produces proof of payment of the required amount. Services will only be restored during the official business hours of Council, except in the case of an emergency (in the discretion of Council), when an additional after hours' fee will be charged as prescribed by Council.
- 6.1.19 the onus is always on the consumer to request reconnection and prove payment.
- 6.1.20 Council reserves the right to deny or restrict the sale of electricity or restrict the sale of water to consumer who are in arrears with their rate or other municipal charges. The cost of the restriction or disconnection, and the reconnection, will be determined by tariffs agreed by Council, and will be payable by the consumer.
- 6.1.21 Should a consumer default in terms of an arrangement, Council may refuse further extension of payment and the full outstanding amount due to Council will be payable. The full outstanding amount will be payable before services are reconnected.
- 6.1.22 Consumers who make no further use of any services but still owe an amount are classified as inactive and who, after the rendering of a second inactive account to their latest known postal addresses, shall be handed over to the internal collections division. Should no payment be received in response to a letter of demand addressed to the above-mentioned address, the particulars of the consumer and the fact of non-payment shall be listed with ITC (Information Trust Corporation). If the outstanding amount warrants it, further legal action may be instituted for recovery of the outstanding balance.
- 6.1.23 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.
- 6.1.24 The municipality must provide an owner of a property in its jurisdiction with copies of any agreement entered into with the occupier of the property for the payment of an outstanding account if the owner requests such agreement in writing from the municipality.

- 6.1.25 Alternatively to sub-section 6.1.12 above, the municipality may recover tenants arrears in whole or in part from owner of the Immovable property, despite any contractual obligation to the contrary on the tenant or occupier.

## 6.2 Deposits

### 6.2.1 Domestic Consumers

- 6.2.1.1 A non-interest bearing deposits are payable for all services rendered.
- 6.2.1.2 All deposits will be adjusted annually with a rate to be determined by Council.
- 6.2.1.3 When a consumer default payment, the deposit will be adjusted/recalculated as follows:
- 6.2.1.3.1 Default payment by a consumer on services rendered will be adjusted during July equal to the average consumer account of the last 12 months.
- 6.2.1.4 The increased deposits may be payable in 4 months where the increase in deposit is more than R1000.00.
- 6.2.1.5 Deposits will not be adjusted downwards.
- 6.2.1.6 No arrangement can be made on deposits for new consumer agreement.
- 6.2.1.7 Consumer deposits for consumers who pay their consumers account in time and does not become in default will maintain the status quo of the initial deposit.
- 6.2.1.8 Should the consumer appear in the cut-off list more than 3 months the consumer will be move from conventional to pre-paid meter.
- 6.2.1.9 When a new consumer occupies a property after official work hours the electricity supply will be connected and the occupant has until 10:00 on the following work day to enter into the necessary consumer agreement with the municipality.**
- 6.2.1.10 Should the consumer not pay the deposit and the normal connection fee before 10:00 on the following work day such consumer would be disconnected and held liable for a further reconnection fee.**

### 6.2.2 Non-Domestic Consumers

- 6.2.2.1 Deposits are payable for all services rendered in respect of water and electricity except in areas where such deposits were not payable at the date of introduction of this policy.
- 6.2.2.2 All deposits will be adjusted annually with a rate to be determined by council.
- 6.2.2.3 When a consumer default payment, the deposit will be adjusted/recalculated as follows:

- 6.2.2.3.1 Default payment by a consumer with electricity services rendered: Two times the amount of the highest consumption over the previous 4 months, for electricity and water, x 100%.
- 6.2.2.3.2 Default payment by a consumer for water services rendered: Two times the amount of the highest consumption over the previous 4 months for water, x 100%.
- 6.2.2.4 Deposits will not be adjusted downwards.
- 6.2.2.5 Consumer deposits for consumers who pay their consumers account in time and does not become in default will maintain the status quo of the initial deposit.
- 6.2.2.6 Demand and KVA meters deposit's to be recalculated after 3 months according average use.
- 6.2.2.7 A phase in process will be undertaken over a period of 3 years from the date of implementation of this policy with regards to accounts that were opened previously without or lesser deposit as compared to the current deposits to ensure that all deposits are valued in the present value.
- 6.2.2.8 That all consumer deposits appearing on the cutting lists be dealt with according to Council policies and by-laws.
- 6.2.2.9 The System should prompt the user to fill in all mandatory fields completely and accurately, i.e. Identity Number, Postal and Physical addresses, etc.

**6.2.3 No deposit is required if agreement is in the name of a government department.**

**6.2.4 Unknown Deposits**

- 6.2.4.1 Any deposits uncleared or not claimed by the customer for the period longer than 12 months will be written off to the municipal revenue.**
- 6.2.4.2 The advert to be made on local newspaper inviting the public to claim from unknown deposits.**
- 6.2.4.3 Any valid claim from deposits already written off to municipal revenue will be reversed against accumulated surplus and customer account credited accordingly.**

**6.3 Property Rates**

Annual Rates (and other annual levies)

- 6.3.1 Payments received in respect of rates and service charges will be allocated by the municipality entirely within its discretion, on the account of the customer.
- 6.3.2 Part payment received on an account shall be allocated firstly to reduce any penalty charges that may have accrued on the account.

- 6.3.3 The municipality may utilize the procedures prescribed in terms of section 6.1 of this policy to recover rates arrears from the owner of immovable property.
- 6.3.4 Any limitation, disconnection or discontinuation of the electricity or water supply, for the purposes of sub-section 6.1.2 shall be effected subject to the requirements contained in section 6.1 of this policy.
- 6.3.5 If the account is not paid by the due date as displayed on the account a notice shall be issued showing the total amount owed to Council-
- 6.3.6 If the account is not settled or there is no response from the consumer to make acceptable arrangements to repay the debt, summons may be issued and the legal process followed. In instances where the rates debt is in respect of Municipal property sold by suspensive sale agreement or in terms of a lease agreement, the collection thereof will be done in terms of the Deed of Sale or lease agreement or any subsequent applicable written agreement between Council and the customer.
- 6.3.7 During the process of debt collection, Council shall within reason give consumer an opportunity to make arrangements for payment of arrear accounts without having to resort to sales in execution, which shall be utilized as a last resort.
- 6.3.8 Council shall however not hesitate to proceed with sales in execution where no arrangements have been or where alternatives provided by Council from time to time are not used.
- 6.3.9 Alternatively to sub-section 6.1.12 above, 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.
- 6.3.10 The municipality may recover an amount only after the municipality has served a written notice on the tenant or occupier.
- 6.3.11 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.
- 6.3.12 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.
- 6.3.13 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.
- 6.3.14 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.

- 6.3.15 Interest will be charged on all overdue accounts as annually determined on 1 July of the new financial year.
- 6.3.16 If a consumer's account is in arrears for 30 days, a notice shall be delivered to the consumer demanding payment of the arrear amount. The consumer will be deemed to have received the notice on the same day if delivered by hand, e-mail or fax, on the third day after date of posting if posted by ordinary mail and on the fourth day after date of posting if posted by registered mail.
- Should the consumer fail to pay the arrears by the due date stipulated in the notice, the full outstanding balance of the annual rates shall become due and payable and Council may institute legal action for the recovery thereof.

#### **6.4 Sundry and housing accounts**

- 6.4.1 A letter of demand shall be forwarded in respect of all accounts 30 days in arrears and should payment not be received by the due date, legal action may be instituted forthwith. The debtor will be deemed to have received the notice on the same day if delivered by hand, e-mail or fax, on the third day after date of posting if posted by registered mail.
- 6.4.2 Property purchased from Council by way of suspensive sale agreement shall be repossessed in terms of the written agreement.
- 6.4.3 Once a property has been repossessed, the debtor will not be eligible for reinstatement of the interest on overdue accounts agreement or to purchase another property from Council by way of suspensive sale agreements.

#### **6.5 Interest on overdue accounts**

- 6.5.1 Interest will be raised as a charge on an account not paid by the due date in accordance with applicable legislation and as determined by Council from time to time. Interest will be levied and capitalized monthly in arrears, on the monthly outstanding balance, from the due date, if not paid by the due date, and will be calculated for a full month(s). Irrespective of when payment is made. The interest charged will appear on the following month's account.

Interest may only be reversed under the following circumstances –

- a. exemptions as determined by this Policy from time to time;
  - b. if the Municipality has made an administrative error on the account;
  - c. where an owner takes over the debts of the tenant; and
  - d. where the Municipality approves such reversal from time to time
- 6.5.2 Accounts with outstanding amounts of less than R500.00 will not be disconnected unless otherwise.

#### **6.6 Personal contact**

- 6.6.1 Telephonic contact

- 6.6.2 Officials/agents calling on clients
- 6.6.3 Council will endeavour, within the constraints of affordability, to make personal, or telephonic contact with arrear consumers to encourage their payment and to inform them of their arrears state, and their rights (if any) to conclude arrangements or to indigence subsidies, and other related matters, and will provide information on how and where to access such arrangements or subsidies.
- 6.6.4 The municipality shall maintain a schedule of consumers with large amounts outstanding; these consumers will be monitored on a daily basis to establish if they conform to arrangements made.
- 6.6.5 Should the municipality incur costs contacting, the client will be responsible for the cost incurred,

#### 6.7 Arrangement for default settlements (Annexure "A")

- 6.7.1 Customers with electricity and water arrears would be converted to a prepayment meter, if and when implemented the cost of which, and the arrears total, will be paid off either by:
- (i) Adding the debt to the arrears bill and repaying it over the agreed period; or
  - (ii) Adding the debt as a surcharge to the prepaid electricity or water cost, and repaying it with each purchase of electricity and water until the debt is liquidated.
- 6.7.2 Council reserves the right to raise the deposit requirement of debtors who seek arrangement.

#### 6.8 The pre-payment meter system

- 6.8.1 The following conditions are applicable where a prepayment has been installed at premises:
- (vi) The total outstanding account must be paid on or before the end of the month for which the account has been issued.
  - (vii) No prepaid electricity may be sold before the total outstanding account including the property tax account irrespective of the name of the account holder, has been paid. (An account which is 90 days arrears shall be blocked for pre-paid electricity purchase.)
  - (viii) In exceptional cases, where an account has not been handed over for collection, an authorised official can authorize the selling of electricity when;
    - The previous month must be paid in full unless a formal acknowledgement of debt is made.
    - An agreement can be made for the client to pay based on a 75/25 principle where 75% must be allocated to the combined arrear accounts and 25% towards prepaid electricity. Such an agreement is subjected to the individual status.
- 6.8.2 A customer with arrears incurred since the July 2021 billing run who opts for the pre-payment system, will be required to repay all arrears in full before pre paid meter can be installed, or, if the amount



outstanding is large and/or the customer's ability to pay is limited (because of low income, cash flow problems etc), the customer will pay **25%** of the total debt and make payment arrangement not exceeding **12 months**.

- 6.8.3 In case where the customer is unable to pay or make arrangements due to Indigent status, the pre-paid meter shall be installed and the customer will be advised to apply for the indigent subsidy

## 6.9 **DECEASED ESTATES**

- 6.9.1 The Executor of a Deceased Estate shall be liable for payment of all debts on the property.
- 6.9.2 Where the property was previously governed by the Black Administrations Act, and the estate has not yet been finalised, the occupants of the property shall be regarded as "Deemed Owners" for the purposes of the accounts only, and shall be responsible for the consolidated account, including rates.
- 6.9.4 "Deemed Ownership" does not confer any rights on the occupants other than the liability to pay the accounts.
- 6.9.5 Failure to inform the Municipality that the property forms part of a deceased estate may result in the disconnection of services, until an executor has been appointed.

## 6.10 **Legal Process / Use of attorneys / Use of credit bureaus**

- 6.10.1 Council, will, when any debtor is 90 days in arrears, commence legal process against that debtor provided the Collection Process is complied to, which process could involve final demands, summonses, judgments, garnishee and emolument attachment orders, financial enquiries and/or sales in execution of movable and immovable property.
- 6.10.2 Council will exercise strict control over this process, to ensure accuracy and legality within it, and will require monthly reports on progress from outside parties, be they attorneys or any other collection agents appointed by Council.
- 6.10.3 Council will establish procedures and codes of conduct with these outside parties.
- 6.10.4 All steps in the credit control procedure will be recorded for Council's records and for the information of the debtor.
- 6.10.5 All costs of this process are for the account of the consumers.
- 6.10.6 Individual consumer accounts are protected and are not the subject of public information. However Council may release debtor information to credit bureaus and other institutions lawfully entitled to such information. This release will be in writing and this situation will be included in Council's agreement with its consumers.
- 6.10.7 Council may consider the cost effectiveness of this process, and will receive reports on relevant matters, including cost effectiveness.

- 6.10.8 Council may consider the use of agents, and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct and the success of such agents and products will be part of the agreement Council might conclude with such agents or product vendors; and will be closely monitored by Council.
- 6.10.9 Consumers will be informed of the powers and duties of such agents and their responsibilities including their responsibility to observe agreed codes of conduct.
- 6.10.10 Any agreement concluded with an agent or product vendor shall include a clause whereby breaches of the code of conduct by the agent or vendor will see the contract terminated.
- 6.10.11 Only payment in full of the outstanding balance reflected on the account shall be deemed acceptable payment before a consumer's particulars are removed from any adverse credit listing. In the case of default judgments entered into against consumers, the consumer shall at its own cost appoint an attorney to set aside the judgment, after payment of the full outstanding balance has been made to Council.

#### 6.11 **Staff and Councillors in arrears**

- 6.11.1 (i) Item 10 of Schedule 2 to the Act States that – “A staff member of a municipality may not be in arrears to the municipality for rates and service charges for a period longer than three (3) months, and a municipality will deduct any outstanding amounts from a staff member's salary after this period.”
- (ii) In the case where an official is in arrears for a period of sixty (60) days a written notice will be issued to that official and given a period of fourteen (14) calendar days to pay the outstanding amount or make arrangements.
- (iii) The staff member and councillors must sign an acknowledgement of debt in accordance with this policy subjected to the deduction of all future accounts from his/her salary. These arrangements may not exceed three (3) months.
- (iv) No special treatment shall be afforded to staff and councillors in arrears.
- (v) Failure to pay the outstanding amount or to make acceptable arrangements for repayment will result in the deduction of the outstanding amount, the terms will be determined by the Accounting Officer / CFO.
- 6.11.2 (i) Item 12A of Schedule 1 of the Act states – “A councillor may not be in arrears to the municipality for rates and service charges for a period longer than (3) months.”
- (ii) The municipal manager shall liaise with the Executive Mayor and issue the necessary salary deduction instruction where appropriate.

#### 6.12 **Theft, tampering & Fraud**

- 6.12.1 Any person (natural or juristic) found to be illegally connected or reconnected to municipal services, interfering or tampering with meters, reticulation network or any other supply equipment or committing any unauthorized service associated with the supply of municipal services, as well as theft and damage to Council property, will be prosecuted and/or liable for penalties as determined from time to time.
- 6.12.2 Council will immediately terminate the supply of services to a consumer should such conduct as outlined above be detected.
- 6.12.3 Council will maintain monitoring systems and teams to detect and survey consumers who are undertaking such illegal actions.
- 6.12.4 The total bill owing, including penalties, assessment of unauthorized consumption, damages and discontinuation and reconnection fees, and increased deposits as determined by Council if applicable, becomes due and payable before any reconnection can be sanctioned.
- 6.12.5 Council may distinguish in its penalties between cases of vandalism and cases of tampering.
- 6.12.6 Subsequent acts of tampering will lead to penalties and deposits increasing in quantum.
- 6.12.7 Council reserves the right to lay criminal charges and to take any other legal action against both vandals and thieves and any person that contravenes any of Council's By-Laws or any other applicable legislation.
- 6.12.8 Any person failing to provide information or providing false information to the municipality may face immediate disconnection/restriction of services.
- 6.12.9 Any member of the local community that supply information with regard to any of the illegal actions as set out in subparagraph a above, and the information when verified found to be true, will upon authorisation by the Municipal Manager be rewarded as determined by Council from time to time. The name of the informant and the information supplied will at all times be kept confidentially so as to protect the informant against any retaliatory action.

### 6.13 **Cost of collection**

- 6.13.1 All costs and charges pertaining to the Credit control processes as set out herein, interest, administration costs, all penalties, surcharges, damages, service discontinuation and reconnection costs and all legal costs, fees and disbursements associated with credit control and debt collection are for the account of the consumer and should reflect at least the actual cost of the particular action.

### 6.14 **Irrecoverable debt**

- 6.14.1 The Municipal Manager must ensure that all avenues are utilized to collect the municipality's debt.
- 6.14.2 There are some circumstances that allow for the valid termination of debt collection procedures (accounts to be written off – Municipal Manager approval required).
  - (i) The insolvency or demise of the debtor, whose estate has insufficient funds;
  - (ii) A balance being too small to recover, for economic reasons considering the cost of recovery, should be below the debt

- (iii) Prescription
- (iv) When the debtor relocates and two tracing agents are unable to trace the current whereabouts of the debtor;
- (v) All reasonable notifications and cost effective legal avenues to recover the outstanding amount have been exhausted;
- (vi) The amount outstanding is the residue after payment of a dividend in the Rand from an insolvent estate;
- (vii) It is impossible to prove the debt outstanding;
- (viii) The outstanding amount is due to an administrative error by Council or by Council Resolution, on good cause shown.
- (ix) The debt has matured.

6.14.3 The municipality will maintain audit trails in such an instance, and document the reasons for the abandonment of the debt.

6.14.4 Procedures for the irrecoverable debt are determined in the Writing-Off of Irrecoverable Debt Policy.

## 6.15 Rates Clearance Certificate

6.15.1 Subject to sections 118(1) and (1a) of the Act, the following shall apply to the issue of a rates clearance certificate for the purpose of effecting transfer of a property to a new owner:

### 6.15.1.1 Assessments:

- (i) Application shall be made by the conveyancer **via online on LexusNexus** or in the prescribed format. Each application must be accompanied by the relevant application fee. The application will not be processed until the fee is paid. The new owner may be held liable post transfer should the application not record the correct meter numbers on the property. Assessed figures are calculated **ninety (90)** days in advance. Service charges are estimated for **ninety (90)** days based on previous consumption. An "Attorneys report" in respect of all amounts owing and the assessed figures, shall be issued within ten (10) days of the receipt of the request for the report. The assessment shall remain valid for a period of thirty (30) days. If payment has not been received within this period, a re-assessment may be required and payment of a further application fee will apply. Penalties. Interest or other charges that accrue during the assessed period, and which are not included in the revenue clearance certificate, shall be billed to the purchaser. The accounts will be adjusted once proper readings are taken on service or consumption charges and billed to the purchaser accordingly.
- (ii) An assessment in terms of section 118(1) of the Act will only be issued on request by the conveyance.
- (iii) The balance of the debt, prior to the two years preceding the date of application of a certificate, shall remain as a charge against the property and it is payable on the due date of the registration of the property.  
The municipality may institute legal proceedings against the seller or purchaser of the property to recover the balance of the debt, including, lodging an urgent application to

interdict the sale of the property until the debt is paid in full or an irrevocable bank guarantee for the full outstanding debt, on date of registration of transfer has been furnished by the conveyancer.

- (iv) The new owner will not receive services on the property until the debt is paid or suitable arrangements are made to the debt. (Section 89 of the insolvency Act).
- (v) The onus is on the conveyer to advise the purchaser accordingly.  
Where the municipal account is in respect of a debt consolidated under Section 102 of the Act, the said consolidated account will be deconsolidated on application for a revenue clearance certificate. An account for the property subject to the Revenue Clearance application will be rendered together with the full interest that accrued on the consolidated account. A revenue clearance certificate shall be issued within ten (10) days of the date of payment of the amount requested in the "Attorneys Report".
- (vi) The certificate shall be valid for a period of **sixty (60)** calendar days from date of issue.
- (vii) Information and addresses of the purchaser provided on the rates clearance certificate shall be used as details of the new owner/purchaser for the purposes of billing for rates, services and consolidated accounts, until same is changed by the purchaser.

## 6.16 Disputes

- 6.16.1 A customer who wishes to lodge a dispute in respect of an account must submit the dispute in writing to the person appointed by the Municipality to deal with such disputes (hereinafter referred to as "the Authorised Delegate"), stating the reasons for such dispute and any relevant facts, information or representation which the Authorised Delegate should consider to resolve the dispute.
- 6.16.2 The dispute must be submitted within thirty (30) days of the account. If a dispute is raised after this period, it will be treated as an enquiry, the account will not be suspended and normal credit control procedures will apply.
- 6.16.3 The dispute must relate to a specific amount on the account. Amounts not in dispute must be paid in full. If the amounts not in dispute remains unpaid, services may be disconnected.
- 6.16.4 A query is not regarded as a dispute. A query is a verbal inquiry whereas a dispute must be in writing and lodged with the relevant municipal department or section.
- 6.16.5 Proven tampering charges are not regarded as a dispute.
- 6.16.6 The Authorised Delegate or his nominee may hear representations from customers who dispute an account and his or her nominee may take a decision, based on the spirit of the Policy.
- 6.16.7 A dispute submitted above shall not stop or defer the continuation of any legal procedure already instituted for the recovery of arrear payments relating to such dispute.

6.16.8 The customer has the right to appeal to the CFO against the decision of the Authorised Delegate. The CFO may hear representations and make a decision that is binding.

6.16.9 A person whose rights are affected by the decision of the CFO may appeal against that decision within 21 days of the date of notification of the decision, to the municipal manager in terms of section 62 of the Municipal Systems Act of 2000.

## **7. PERFORMANCE EVALUATION (ANNEXURE B)**

7.1 The Municipality must establish a mechanism to set targets for debt collection, customer care and administrative performance, evaluate and take corrective actions on a regular basis to enhance credit control and debt collection

### **7.2 Revenue Collection Targets**

7.2.1 Council shall create targets that include:

- (i) Reduction in present monthly increase in debtors in line with performance agreements determined by Council stated in the revenue enhancement strategy

### **7.3 Consumer Service Targets**

7.3.1 Council shall create targets that will include:

- (i) Response time to consumer queries
- (ii) Date of first account delivery to new consumers
- (iii) Reconnection time lapses
- (iv) Meter reading cycles

### **8.4 Administrative Performance**

8.4.1 Council shall create targets that will include:

- (i) Cost efficiency of debt collection
- (ii) Query rates
- (iii) Enforcement mechanism ratios

Council will create a mechanism wherein these targets are assessed; Council's performance is evaluated and remedial steps taken.

## **9. REPORTING TO COUNCIL**

9.1 The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Executive Mayor, who will report to the Council. This report shall report on:

- (i) Cash collection statistics, showing high-level debt recovery information (numbers of customers, enquiries, default arrangements, growth or reduction of arrear debtors; ideally divided into areas, business (commerce and industry) domestic, state, institutional and other such divisions.

- (ii) Performance of all areas against targets agreed to in item 6 of this policy document.
- (iii) Council's ongoing income and expenditure statements, comparing both billed income and cash receipt income, against ongoing expenditure in both.

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

## 10. STRUCTURES OF THE FINANCIAL SERVICES DIRECTORATE

10.1 Council shall regularly receive a report from the Chief Financial Officer, if necessary after consultation with suitable consultants, on the manpower and systems requirements of the financial directorate which requirements take into account Council's agreed targets of customer care and management, and debt collection, and, after considering this report, Council will within reason vote such resources as are necessary to ensure that the financial directorate has the staffing and structures to meet Council's targets in this regard or to outsource the service.

## 11. INDIGENT

Please refer to the Msukaligwa Local Municipality's Indigent Policy.

Council shall,

- 11.1 In accordance with Section 74.2 (c) of the Local Government: Municipal Systems Act, 2000 which stipulates that poor households must have access to at least basic services through-
- tariffs that cover only operating and maintenance costs;
  - Special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels of service; and
  - Any other direct or indirect method of subsidization of tariffs for poor households.
- 11.2 In accordance with Section 97 (c) of the Local Government: Municipal Systems Act, 2000 which states that a municipality must make provision for indigent debtors that is consistent with its rates and tariff policies and any national policy on indigents, and subject to the terms and conditions as set out in the Indigent Policy assist households who cannot afford to pay in full for services in proportion to their use or consumption.
- 11.3 An indigent policy is a revenue protection mechanism and for Msukaligwa Local Municipality to protect its revenue, it shall apply the indigent support policy consistently.

## 12. UNALLOCATED CONSUMPTION

When electricity and water consumption is recorded on a property during a period for which there is no registered customer against whom a bill can be raised, the relevant charges for electricity and water services shall be raised against the registered owner on his or her consolidated bill.

# ANNEXURE “A”

## 1. ARRANGEMENTS

- 1.1 If a customer cannot pay his/her account with the Municipality then the Municipality may enter into an extended term of payment not exceeding **12 months** with the customer. The customer must
- (a) Sign an acknowledgement of debt;
  - (b) Sign consent to judgement;
  - (c) Provide a garnishee order / emolument order / stop order (if he or she is in employment);
  - (d) Acknowledge that interest will be charged at the prescribed rate;
  - (e) Pay the current portion of the account in cash;
  - (f) Sign an acknowledgement that, if the arrangements being negotiated are later defaulted on, that no further arrangements will be possible and that disconnection of water and electricity will follow immediately, as will legal proceedings; and
  - (g) Acknowledge liability of all costs incurred.
- 1.2 Consumer to agree to sign an electronic Acknowledgement of Debt form which stipulates all of the above and acknowledges the arrangements made.

## 2. THE FOLLOWING ACCEPTABLE ARRANGEMENTS CAN BE ENTERED INTO WITH:

### 2.1 Domestic consumers

- (a) A down payment of twenty five per cent (**25%**) of outstanding debt plus the cost of the credit control actions. The balance of the outstanding debt will be repayable over a period of **12 months**.
- (b) The consumer deposit to be increased up to the minimum as determined annually and published in the tariff list. For consumers that persist to default the consumer deposit will be increased up to the limit as determined and published in the tariff list.

### 2.2 Churches, welfare organisations, sporting bodies, emerging farmers, etcetera

- (a) A down payment of twenty five per cent (**25%**) of outstanding debt plus the cost of the credit control actions. The balance of the outstanding debt will be repayable over a maximum period of **12 months**.
- (b) The consumer deposit to be increased up to the minimum as determined annually and published in the tariff list. For consumers that persist to default the consumer deposit will be increased up to the limit as determined and published in the tariff list.

### 2.3 Business, industrial and agriculture customers



- (a) A down payment of twenty five per cent (25%) of outstanding debt plus the cost of the credit control actions. The balance of the outstanding debt will be repayable over a maximum period of **12 months**.
- (b) The consumer deposit to be increased up to the minimum as determined annually and published in the tariff list. For consumers that persist to default the consumer deposit will be increased up to the limit as determined and published in the tariff list.

## ANNEXURE “B”

### REVENUE COLLECTION TARGETS

- 1. Computerised credit control and debt collection management system
  - 1.1 It is Council's intention to collect all revenue due to Council from customers who can afford to pay.
  - 1.2 For this purpose it is acknowledged that the Municipality is in need of a computerised credit control and debt collection management system.
  - 1.3 This system will be procured through the supply chain management process or alternatively the Municipal Manager may obtain the services of an external service provider to perform this function.
  - 2.1 The Municipal Council shall approve Writing Off of Irrecoverable Debts and Impairment of Debtors Policy with the following two incentives to their customer base to assist them to get out of their spiral of debt provided that all levies since the **July 2021** billing run will be paid up to date:
    - (c) Council will write-off 50% of outstanding debt before the **July 2021** billing run that a household customer accrued. The household account holder will pay off the other 50% of the outstanding debt.
    - (d) Council will write off 30% of the outstanding debt before **July 2021** billing run for Business debtors. The business account holder will pay the other 70% of the outstanding debt.
  - 2.2.1. The household customer and Business consumers who cannot afford to pay as per above incentive, the customer will make arrangements to pay back the arrears incentive over the period of one year.
  - 2.2.2. Should the customer default to the above arrangement, the council will cancel the incentive and the original outstanding amount will become due and payable and Council may institute legal action for the recovery thereof.
  - 2.2.3 The incentive will not be applicable to Government or school debtors

2.2 To collect with the assistance of a computerised credit control and debt collection management system or an appointed service provider, all recoverable arrears over a maximum period of three years by using the incentives in the Writing-Off of Irrecoverable Debt Policy. Irrecoverable arrears (estimated between 40% and 60% of the arrear debtors' book) will have to be written-off.

2.3 To achieve this goal the level of recovery of recoverable arrears (writing-off incentives included) should be:

- |     |                 |   |     |
|-----|-----------------|---|-----|
| (a) | Within 6 months | = | 50% |
| (b) | 7 – 12 months   | = | 50% |

2.4 The Senior Manager: Revenue and Expenditure or delegated person can in extreme cases accept a longer period of repayment based on the financial position of the customer and other circumstances if the incentives in the Writing-Off of Irrecoverable Debt Policy do not assist the customer to get out of their spiral of debt within three years.

3. Recovery of arrears (Accumulated after the July 2021 billing run).

3.1 It is acknowledged that not all customers might have been in arrears before the July 2022 billing run. Customers who accumulated arrears as from the July 2021 billing run will be recovered over a maximum period of one year.

3.2 To achieve this goal the level of recovery should be:

- |     |                 |   |          |
|-----|-----------------|---|----------|
| (a) | Within 6 months | = | 50%      |
| (b) | 7 to 9 months   | = | 30%; and |
| (c) | 10 to 12 months | = | 20%      |

4. Customer service targets

- |     |  |   |
|-----|--|---|
| (a) | Response time to customer queries              | Initial response within 5 working days  |
| (b) | Date of fist account delivery to new customers | By second billing cycle after date of application of customers occupation whichever is the latest |
| (c) | Reconnection time                              | Within 24 hours after appropriate payment arrangement   |
| (d) | Electricity meter reading cycle:               | 90% of meters being read on a monthly basis with a maximum of 3 consecutive months estimated      |
| (e) | Water meter reading cycle:                     | 80% of meters being read on a monthly basis with a Maximum of 3 consecutive months estimated      |

**5. Administrative performance targets**

5.1 Cost Efficiency of Debt Collection:

- (a) Cost efficiency of debt collection:
  - (i) Cost of collection not to exceed the capital debt amount
  - (ii) All reasonable steps to be taken to limit cost to Council or the customer
  - (iii) Cost of collection is to be recovered from the defaulting customers; and
  - (iv) Total cost of collection to be recovered by means of applicable credit control tariffs

5.2 Query and appeal periods:

- (a) Forty five (45) working days to resolve queries and appeals through Council committees, the Executive Mayor and Mayoral Committee and Council.