

CREDIT CONTROL AND DEBTORS COLLECTION POLICY



dr.jsmlm

Dr JS Moroka Local Municipality

REVIEWED FOR 2015/2016 FINANCIAL YEAR

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1. PURPOSE

This policy has been compiled as required in terms of section 97 of the Local Government: Municipal Systems Act, 32 of 2000 (hereinafter referred to as the Act) and is designed to provide credit control and debt collection procedures and mechanisms. It also aims to ensure that the municipality's approach to debt recovery is sensitive, transparent and is equitably applied throughout the municipality's geographic area.

2. PROBLEM STATEMENT

The Act requires the municipality to review the credit control and debt collection policy annually. The municipality has taken cognisance of the high level of poverty which is prevalent in various areas of the municipality and has developed various initiatives to assist those customers who are economically unable to meet normal rates and service charges (see Council's indigent policy).

3. DEFINITIONS

For the purpose of this Policy, the following words or expressions as used in this policy shall have the following meaning:

"account" means a notification by means of a statement of account to a person liable for payment of any amount for which he or she is liable to pay the municipality in respect of municipal services provided or property rates.

"arrangement" means a written agreement entered into between the Council and a debtor where specific repayment parameters are agreed to.

"approved" means approved by the municipality in writing and signed by an authorized official.

"arrears" means any amount due, owing and payable in respect of municipal services not paid by due date.

"authorized official or agent" means any official or agent of the municipality who has been authorized by the municipal council to administer, implement or enforce the provisions of these by-laws or to grant any approval in terms of these bylaws.

"billing date" means the date upon which the monthly statement is generated and debited to the customers' 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 ground 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 Council, performs charitable work; and/or

(e) any property utilized for bona fide church or religious purposes.

"chief financial officer" means the official accountable and responsible to the municipal manager for the implementation, enforcement and administration of the customer care management and debt collection policies in this policy.

"credit control" means all the functions relating to the collection of monies owed by ratepayers and user is of municipal services.

"Council" means the Municipal Council of Dr JS Moroka Local Municipality or any duly authorized committee, political office bearer or official of the said Council.

"customer" means any person liable to the municipality for property tax or any other charges.

"defaulter" means any customer in arrears.

"domestic consumer" means a customer who uses municipal services primarily for domestic purposes.

"due date" means the date on which an amount payable in respect of an account becomes due, owing and payable by the customer, which date shall not be less than fourteen (14) calendar days from the date of the account.

"estimated consumption" means the consumption that a customer, whose consumption cannot be read or accurately measured during a specific period is deemed to have consumed during a specific period, based on an estimate by the municipality on rational grounds such as the average consumption of municipal services by a customer during a three (3) or twelve (12) month period during a prior or later period or the same period the previous year if info available.

"household" means a family unit that is determined by the municipality to be a household.

"immovable property" includes:

(a) an undivided share in immovable property; and

(b) any right in immovable property.

"indigent debtor" means:

(a) the head of an indigent household:

(i) who applied for and has been declared indigent in terms of the by-law for the provision of services from the municipality; and

(ii) who makes application for indigent support in terms of these by-laws on behalf of all members or his or her household.

(b) orphaned minor children duly represented by their legal and/ or *de facto* guardians.

"indigent support programme" means a structured programme for the provision of indigent support subsidies to qualifying indigent debtors in terms of the Council's indigent support policy.

"indigent support policy" means the indigent support policy adopted by the Council of the municipality.

"interest" means a charge levied on all arrear monies and calculated at a rate determined by Council from time to time.

"month" means a calendar month.

"meter" means any water meter, electricity meter or device that enables the quantity of services provided to be measured and includes a prepayment meter.

"municipal pay point" means any municipal office in the area of jurisdiction of the municipality.

"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, and shall include charges in respect of water and electricity consumption.

"municipality" means the Dr JS Moroka Local Municipality

"municipal manager" means the municipal manager of the Dr JS Moroka 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.

"occupier" means the person who controls and resides on or controls and otherwise uses immovable property; provided that -

(a) the husband or wife of the owner of immovable property which is at any time used by such owner and husband or wife as a dwelling, shall be deemed to be the occupier thereof; and

(b) where a husband and wife both reside on immovable property and one of them is an occupier thereof; the other shall also be deemed to be an occupier thereof.

"owner" means:

(a) the person in whose name the ownership of the premises is registered or his agent;

(b) the person in whom the administration and control of such premises is vested as curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative;

(c) where the municipality is unable to determine the identity of the owner, a person who has a legal right in, or the benefit of the use of, any premises, building, or any part of a building situated on them;

(d) where a lease has been entered into for a period of thirty (30) years or longer, or for the natural life of the lessee or any other person mentioned in the lease, or is renewable from time to time at the will of the lessee, indefinitely or for a period of periods which, together with the first period of lease, amounts to thirty six (36) years, the lessee or any other person to whom he has ceded his right, title and interest under the lease, or any gratuitous successor or the lessee;

(e) in relation to -

(i) a piece of land delineated on a sectional plan registered in terms of the Sectional Titles Act 1986 the developer or the body corporate in respect of the common property; or

(ii) a section as defined in the Sectional Titles Act 1986 the person in whose name such section is registered under a sectional title and includes the lawfully appointed agent of such a person; or

(iii) a person occupying land under a register held by a tribal authority or in accordance with a sworn affidavit made by a tribal authority.

(f) a lessee in the case of a property that is registered in the name of the municipality and is leased by it;

(g) a buyer, in the case of a property that was sold by the municipality and of which possession was given to the buyer pending the registration of ownership in the name of the buyer.

"person" means natural and juristic persons, including any department of state, statutory bodies or foreign embassies.

"premises" means 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, 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; or

(c) a register held by a tribal authority or in accordance with a sworn affidavit made by a tribal authority.

"prescribed" means adopted by Council.

"prescribed form" means any form required by the chief financial officer from time to time.

"property" means –

(a) immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person.

(b) a right registered against immovable property in favour of a person, excluding a mortgage bond registered against the property;

(c) a land tenure right registered in favour of a person in terms of any law; or

(d) public service infrastructure.

"rates" means property tax levied on the valuation of a property. The rate is expressed as cents in the rand.

"registered owner" means that person, natural or juristic, in whose name the property is registered in terms of the Deeds Registry Act, 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.

"revenue clearance certificate" means a certificate of the kind referred to in section 118(1) of the Act.

"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 by-law.

"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.

"sundry debtor 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 which were raised in terms of Council's policies, by-laws and decisions.

"tariff" means any rate, tax, duty and levy or fee which may be imposed by the municipality for services provided either by itself or in terms of a service delivery agreement.

"tariff policy" means a tariff policy adopted by the Council in terms of section 74 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.

4. BACKGROUND

4.1 Legal Framework

4.1.1 This policy has been compiled in accordance with the Local Government-Municipal Systems Amendment Act (MSA), 2003, Act No 44 of 2003. Where this policy is contrary to other legislation, such legislation will override this policy. It is an explicit responsibility of the Municipal Manager to bring such conflicts immediately to the attention of the Council once he/ she becomes aware of such conflicts and to propose changes to this Policy to eliminate such conflicts.

4.2 Provision of Services

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

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

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

4.2.3 According to the MSA the phrase "financial sustainable", in relation to the performance of a municipal service, means the performance of a municipal service in a matter that:-

- is likely to ensure that revenues from that service are sufficient to cover the cost of –
 - operating the service; and
 - maintaining, repairing and replacing the physical assets used in the performance of the service;

- is likely to ensure –
 - a reasonable surplus in the case of a service performed by the Municipality itself;
 - a reasonable profit, in the case of a service performed by a service provider, other than the Municipality itself;
- is likely to enable the Municipality or other service provider to obtain sufficient capital requirements for the performance of the service; and
- takes account of the current and anticipated future –
 - level and quality of that service;
 - demand for the service; and
 - ability and willingness of residents to pay for the service.

4.3 Credit Control and Debt Collection

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

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

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

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

5. RESPONSIBILITY FOR CREDIT CONTROL

5.1 Supervisory Authority

5.1.1 In terms of the MSA the Municipality's Executive Mayor must:-

- Oversee and monitor-
 - the implementation and enforcement of the Municipality's credit control and debt collection policy and any by-laws enacted; and
 - the performance of the Municipal Manager in implementing the policy and any by-laws.

- When necessary evaluate, review or adapt the policy and any by-laws, or the implementation of the policy and any such by-laws, in order to improve efficiency of its credit control and debt collection mechanisms, processes and procedures.
- Report to every scheduled meeting of the Council.

5.2 Implementing Authority

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

- Implement and enforce the Municipality's credit control and debt collection policy and any by-laws enacted in terms of the Municipal Systems Act;
- In accordance with the credit control and debt collection policy and any such by-laws establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the Municipality, and
- Report the prescribed particulars monthly to a meeting of the supervising authority.

5.3 Unsatisfactory Levels of Indebtedness

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

5.3.1 If the level of indebtedness in a particular ward or part of the Municipality exceeds the level of the acceptable norm as determined in the Municipality's budget guidelines, the supervisory authority (Executive Mayor) must, without delay, advise the Councillor for that ward or part.

5.3.2 The Councillor concerned:-

- Must without delay convene a meeting of the ward committee, if there is one, or convene a public meeting and report the matter to the committee or meeting for discussion regarding payment of services.
- May make any appropriate recommendations to the supervisory authority.
- Ward councillor must visit a person owing the Municipality to advice and encourage them regarding payment of services and give feedback to the Executive Mayor.

6. FINANCIAL MATTERS

6.1 Service Agreement

- 6.1.1 Before supplying of a service, a consumer must enter into service or consumer agreement and such agreement shall provide for a deposit to be paid as security. A deposit which must be prescribed in a tariff structure.
- 6.1.2 The owner must, if also the occupier of the property or premises enter into the Service/ consumer Agreement with the Council.
- 6.1.3 The owner must inform the Council of the vacation of the property or premises by an occupier on or before the date of vacation or as soon thereafter as the owner may become aware of such vacation, by submitting to the Council a Notice of Vacation of Occupation.
- 6.1.4 The owner must inform the Council of any new occupier on or before the date of such new occupation or as soon thereafter as the owner becomes aware thereof that a person has taken occupation of the property or premises by submitting to the Council a Notice of New Occupier.
- 6.1.5 An occupier must on or before the date of occupation, enter into the Service Agreement with the Council, unless the owner will remain liable for the payment of the portion of the municipal account in par 4.5.3 (b) below (consumption charges), in terms of the Notice of New Occupier.
- 6.1.6 Should the owner fail to submit a Notice of Vacation of Occupation in terms of par 4.1.3 above or a Notice of New Occupier in terms of par 4.1.4 above, the owner will be liable for the payment of the portion of the municipal account in par 4.2.2 below.
- 6.1.7 Should the owner or occupier be represented by an agent or other representative, such agent or representative must submit a power of attorney authorising such agency or representation in a form and contents to the satisfaction of the Chief Financial Officer.

6.2 Liability for Payment

- 6.2.1 The owner will, subject to par 4.2.2 below, be liable for payment of the municipal account mentioned in par 4.5 below, to the Council.

- 6.2.2 The occupier, if a person other than the owner, will be liable for payment of the amounts in par 4.5 below (i.e. consumption charges, arrears, interest on arrears and deposits), excluding the amounts in par 4.5.3 (a) below (i.e. basic charges, refuse, sewer and property rates), unless the owner indicates otherwise on the Notice of New Occupier.
- 6.2.3 The occupier will remain liable for payment in terms of par 4.2.2 above, up to and including the date which the occupier terminates the Service Agreement as indicate in the Notice of Termination of Services, whether the occupier was in actual occupation of the property or premises during the currency of the Service Agreement or otherwise.
- 6.3.4 An occupier, who fails to enter into the Service Agreement, will despite such failure, be liable for the payment of the account in par 4.2.2 above.
- 6.3.5 Nothing contained in this policy will prohibit the Council to collect payment of any amount from the owner or any other person, in terms of applicable legislation.
- 6.3.6 The Chief Financial Officer may consolidate separate municipal accounts, or portions thereof, of persons liable for payment to the Council.
- 6.3.7 An increase in a consumer deposit in terms of par 4.4.3 and 4.4.6 below, becomes payable within twenty one (21) days from the date on which the consumer is notified thereof or should the consumer appeal against such increase, then within twenty one (21) days from the date on which the consumer is informed of the decision of the Municipal Manager, if the appeal is not upheld.
- 6.3.8 A copy of the identity document or drivers license and marriage certificate must be submitted with the Service or consumer Agreement.

6.3 Juristic Person

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

- (a) If the occupier is a Company registered in term of the Companies Act, 1973, Act no 61 of 1973, the Directors of such Company shall be jointly and severally liable for payment in terms of the Service Agreement, if the Company fails to make such payment.

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

6.3.2 Any Service Agreement signed by a person on behalf of a legal person in par 6.3.1 above must be accompanied by a resolution authorising such person to sign on behalf of the legal person.

6.4 Control over Deposits of Security

6.4.1 All tenants must pay deposits as shall be determined.

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

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

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

6.4.5 Should the customer wish to appeal against a decision of the Chief Financial Officer in terms of par 4.4.3 above, the customer may submit an appeal and reasons in writing to the Municipal Manager, within twenty one (21) days from the date on which the customer is notified of the determination of the Chief Financial Officer meant in par 4.4.3 above.

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

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

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

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

6.5 Rendering of Accounts

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

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

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

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

- (a)(i) Basic Water Levy or Availability Charge.
- (ii) Site Rental (if applicable).
- (iii) Refuse Removal.
- (iv) Sewerage Service or Availability Charge.
- (v) Property Rates.
- (vi) Other charges, levies and taxes.
- (b)(i) Water Consumption Charge.
- (c)(i) Any Arrear Amount Due.
- (ii) Interest on Arrear Amounts.
- (iii) Collection Charges or Legal Costs.
- (d) The Amount of any Increase in a Consumer Deposit.

- (e) The unit price and number of units consumed in relation to water consumption.
- (f) (i) The total amount payable.
 - (ii) The date on or before which payment must be made.

6.6 Actions to Secure Payment

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

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

6.7 Dishonoured Payments

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

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

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

6.8 Cost to Remind Debtors of Arrears

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

6.9 Disconnection Fees

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

6.10 Legal Fees

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

6.10.2 The Council may levy and recover such collection charges not included in par 6.8.1 above.

6.11 Interest Charges

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

6.12 Payment of Accounts

6.12.1 The Municipality may:-

- ❑ Consolidate any separate accounts of persons liable for payments to the Municipality,
- ❑ Credit any payment by such a person against any account of that person, and
- ❑ Implement any of the debt collection and credit control measures provided for in these regulations in relation to any arrears on any of the accounts of such a person.

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

- ❑ Interest.
- ❑ Arrears.
- ❑ Property Rates (current account).
- ❑ Refuse (current account).
- ❑ Sewer (current account).
- ❑ Sundry (VAT) (current account).
- ❑ Water (current account).

6.13 Power to Restrict or Disconnect Supply of Services

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

- ❑ Fails to make full payment on the due date or fails to make acceptable arrangements for the repayment of any amount for services, rates or taxes;
- ❑ Fails to comply with a condition of supply imposed by the municipality;
- ❑ Obstructs the efficient supply of water or any other municipal services to another customer;
- ❑ Bypasses or tampers with or attempts to bypass or tamper with any metering equipment of the municipality;
- ❑ Supplies such municipal service to a customer who is not entitled thereto or permits such service to continue;
- ❑ Causes a situation which in the opinion of the municipality is dangerous or a contravention of relevant legislation;
- ❑ Is placed under provisional sequestration, liquidation or judicial management, or commits an act of insolvency in terms of the Insolvency Act no 24 of 1936; and
- ❑ If an administration order is granted in terms of section 74 of the Magistrates Court Act, 1944 (Act 32 of 1944) in respect of such user.

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

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

6.13.4 Notices will be distributed to Organs of state, who will be given twenty one (21) days to settle accounts in arrear, failing which services will be discontinued without any further notice.

6.13.5 The Municipality shall reconnect and or restore full levels of supply of any of the restricted or discontinued services only after the full amount outstanding and due, including the costs of such disconnection and reconnection, if any, have been paid in full or any other condition or conditions of this Credit Control Policy as it may deem fit have been complied with.

6.13.6 50% of the outstanding amount plus the current amount must be paid and acceptable arrangement signed by a debtor and the Municipality.

6.13.7 The right to restrict, disconnect or terminate service due to non-payment shall be in respect of any service rendered by the Municipality and shall prevail notwithstanding the fact that payment has been made in respect of any specific service and shall prevail notwithstanding the fact that the person who entered into agreement for supply of services with the municipality and the owner are different entities or persons, as the case may be.

6.14 Disputes and Payments during Disputes

6.14.1 A dispute must be submitted in writing to the Municipal Manager prior to the final due date for payment of the contested amount. Such dispute must contain details of the specific item(s) on the account, which are subject to dispute with full reasons.

6.14.2 Should any dispute arise as to the amount owing by an owner in respect of municipal services the owner shall, notwithstanding such dispute, proceed to make regular minimum payments based on the calculation of the average municipal debits for the preceding three months prior to the arising of the dispute and taking into account interest as well as the annual amendments of tariffs of the Municipality.

6.15 Full and Final Settlement of an Amount

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

6.15.2 Where the exact amount due and payable to the Municipality has not been paid in full, any lesser amount tendered to and accepted by a municipal employee, except the Chief Financial Officer and/or his/her fully authorised delegate, shall not be deemed to be in final settlement of such an amount.

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

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

6.16 Arrangements to Pay Outstanding and Due Amount in Consecutive Instalments

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

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

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

6.16.3 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.

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

- ❑ Where a debtor (**Residentials**) pays 50% on his/her arrear account that is more than 90 days the other 50% will be written off. Subject to the account being more than R10 000 inclusive of interest.
- ❑ Where arrangements are made to pay off the arrear amount in instalments, such an arrangement should be honoured for at least a six month consecutive period where after arrears will be written off on a monthly basis on a rand for rand basis (for every one rand that is paid one rand will be written off from the provision for bad debt).

6.16.5 In addition to clause 6.16.5 Council must approve an annually once off initiative for outstanding debt by households.

- ❑ Where a percentage of the debt will be written off if the debtor pays off all the outstanding debt plus current amount.

- A percentage will be proposed to council by the CFO before such initiative is implemented.

6.17 Interest on Arrears

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

- Levying of interest on arrear accounts should be immediately suspended upon completion of a debt agreement. This will allow debtors to see progress on their accounts, as continued payments will reflect a decrease on the balance.
- As long as the agreement is honoured no further interest will be added. However, in case of defaulting the suspended amount will be reversed and interest will again be levied from date of default.
- Where a debtor pays 50% or more on his arrear account or settles the arrear account in full through a once off payment, all interest on arrear amounts will be written off immediately.
- Where arrangements are made to pay off the arrear amount in instalments, such instalments should be determined on the outstanding amount excluding arrear interest. Such an arrangement should be honoured for at least a six-month consecutive period where after interest on arrear amounts will be written off on a monthly basis. This arrangement will imply that upon payment of the final instalment all interest on arrear amounts will have been written off.
- Where debtors fail to honour their arrangements without prior consultation interest will be reinstated and added to the original debt amount.

6.18 Reconnection of Services

6.18.1 The Chief Financial Officer shall authorise the reconnection of services or reinstatement of service delivery only after satisfactory payment or arrangement for payment has been made and a reconnection fee has also been paid in accordance with the Municipality's Credit Control Policy

6.19 Deductions of Salaries and Allowances

6.19.1 It is the policy of Council that Councillors and officials will set an example to the community. In this regard, Councillors must sign a stop order against their allowances and officials against their salaries for the monthly payment of consumer accounts.

7. PERSONNEL AND FINANCIAL IMPLICATIONS

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

8. FRAUD, TAMPERING AND OTHER CRIMINAL ACTIVITY

- 8.1 Any person, who undertakes or allow or causes any other person to undertake an illegal connection, will be guilty of an offence.
- 8.2 A customer who becomes aware of an illegal connection of the water supply to a property or premises owned by or occupied by such customer, must immediately notify the Council thereof in writing.
- 8.3 The Council will immediately disconnect any illegal connection and remove any wiring, piping or other equipment or installation relating to an illegal connection.
- 8.4 The Municipality may not interfere where criminal activity is evident. The legal penalties and criminal justice system may not be subject to conflicting resolutions by the municipality. All such cases must be prosecuted to the fullest extent of the law.
- 8.5 The Municipality may not supply water to a customer who is found guilty of/or if it is admitted that fraud, theft or any other criminal action involving the use of these services existed, until the total costs, penalties, other fees and tariffs and rates due to the municipality have been paid in full.

9. AGENTS, ATTORNEYS AND OTHER COLLECTION AGENTS

- 9.1 All external agents acting on behalf of the Municipality are to be named, together with their details and contact information. Likewise, all agents are to be supplied with a copy of the credit control measures.
- 9.2 Clear instructions to agents and other arrangements must be explained for the customers' benefit. Under no circumstances may agents negotiate terms, extend payment periods or accept cash on behalf of municipality, unless specifically instructed in writing to do so. The agent, on request by consumers, must produce this instruction.
- 9.3 The costs to the Municipality and to the debtor must be detailed for each stage of the credit control measures and for all possible actions. The liability for the costs of legal action and other credit control actions must as far as is legally possible be for the account of the debtor.

10. CREDIT CONTROL POLICY TO BE APPLIED FOR INDIGENT HOUSEHOLDS

10.1 Introduction

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

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

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

10.2 Aims of the Policy

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

- To distinguish between those who can and cannot genuinely pay for services;
- To get those who cannot pay to register with the municipality so that they could be given subsidies;

- To enable the municipality to determine and identify defaulters to ensure appropriate credit control procedures;
- To establish an indigency directory of all persons who comply with the policy.

10.3 Obligation to Pay

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

11. IMPLEMENTATION AND REVIEW OF THIS POLICY

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

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

12 APPROVAL

This reviewed policy has been approved by the Municipality in terms of Council Resolution No: _____ dated _____. And it shall be implemented as from 1st July 2015.

ANNEXURE A: CREDIT CONTROL AND DEBT COLLECTION REGULATIONS FOR ANY OUTSTANDING AMOUNTS

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

1. Final notices/ accounts may be delivered or posted after the final date of payment. The final notice/ account will contain that the client may arrange to pay the outstanding balance in terms of the Credit Control Policy. Information that the account constitutes as a final notice and failure to settle the account on the due date may lead to disconnection of services at any date thereafter, without further notice, must however form an integral part of the account.
2. An Acknowledgement of Debt must be completed with all arrangements for paying off arrear accounts. Copies of this document must be handed to the client. An affidavit of financial affairs must also be submitted to determine an affordable monthly installment.
3. Only account holders with positive proof of identity or an authorised agent with a Power of Attorney will be allowed to complete an Acknowledgement of Debt.
4. Debit orders may be completed for the monthly payment of the agreed amount or at least the current amount, as far as possible. If the arrangement is dishonoured, the full balances will immediately become payable.
5. Where cheques are returned, "Refer to Drawer" after an arrangement has been made the full balance will immediately become payable.
6. No person will be allowed to enter into a second agreement if the first agreement was dishonoured, except in special merit cases. Such applications will be approved by the Chief Financial Officer only and must be submitted before the arranged due date.
7. Where arrangements were not made and water supply is restricted due to non-payment, it will only be restored upon payment of the full outstanding balance or signing of an Acknowledgment of Debt on merits.
8. Merit cases, where special circumstances prevail, must be treated individually and could amongst others include the following categories:-
 - a) Deceased estates;
 - b) Liquidated companies;
 - c) Private persons under administration;

- d) Outstanding enquiries on accounts, for example, misallocated payments, water leaks, journals, incorrect levies, etc;
- e) Certain categories of Pensioners; and
- f) Any other cases not mentioned which can be regarded as merit cases due to circumstances.

Extension for payment of arrears in respect of merit cases should preferably not exceed 60 months (5 years) or any other period in the discretion of the Chief Financial Officer or his/ her delegate.

- 9. Only the Chief Financial Officer or his delegate may agree to such extensions and these must be supported by documentary proof. Previous payment record will be taken into consideration.
- 10. When restriction of water supply takes place due to non-payment, or an agreement is dishonored the consumer's deposit will be adjusted.
- 11. New consumer deposits for business and industrial customers must be re-assessed three months after the initial deposit date.
- 12. All other business and industrial deposits will be reviewed annually.
- 13. Where the consumer has not entered into a service agreement with the Municipality, water may be restricted until such time as a service agreement has been signed and the applicable deposits paid.
- 14. Where services are illegally restored criminal action will be taken if possible.
- 15. Where municipal accounts remain outstanding or unpaid for more than 2 months, without response, the account will be handed over to debt collectors for the collection and/ or legal action to the Attorneys and can be listed at the Information Trust Corporation. These clients will have to make further arrangements at the attorneys and/or the debt collectors for payment of the arrear amounts. The current monthly accounts must be paid to the Municipality directly.
- 16. Once an account has been handed over for collection, the case will not be withdrawn unless there was a mistake or oversight on the part of the Municipality.

SUMMARY OF FLOW CHART

Should an account be outstanding for more than 60 days, it will be handed over to the credit control and Credit control will hand it over to the Debt collector.

Should a Debt collector not retake an expected co-operation from the debtor within 30 days then the amount will have to be brought back to the Municipality for it to be handed over to attorneys for collection.

On monthly basis the attorney is expected to provide council with the progress report on the handed over accounts.

Attorney is expected to work on the outstanding amount until the attachment of the moveable assets of the defaulters and the sale in execution is performed.

Once the outstanding amount is with attorneys, they should enlist the defaulters with ITC or credit Bureau.

Defaulters, who made payments arrangements in terms of the magistrate court Act, should they Deffand in their arrangement then arrangements must be handed over to attorneys or direct to Magistrate court for them to be summoned with regard to their outstanding amounts.

FLOW CHART : CREDIT CONTROL POLICY

