

CREDIT CONTROL AND DEBT COLLECTION POLICY



dr.jsmlm

Dr JS Moroka Local Municipality

REVIEWED FOR 2023/2024 FINANCIAL YEAR

CREDIT CONTROL AND DEBT COLLECTION POLICY

PREAMBLE

Whereas Section 96(a) of the Local Government: Municipal Systems Act, No 32 of 2000 (hereinafter referred to as the "Systems Act"), obliges the Dr JS Moroka Local Municipality (hereinafter referred to as "MUNICIPALITY") to collect all money that is due and payable to it, subject to the provisions of that Act and any other applicable legislation;

And whereas Section 96(b) of the Systems Act requires the municipality to 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 the Act;

And whereas Section 97(1) of the Systems Act stipulates what a credit control and debt collection policy must provide for;

Now therefore the following is adopted as the Credit Control and Debt Collection Policy of DRJSM (hereinafter referred to as "this Policy") as set out hereunder.

1. INTERPRETATION AND APPLICATION:

- 1.1 Except to the extent to which the context may otherwise require, this Policy shall be construed in accordance with the following provisions of this sub-paragraph:
 - 1.1.1 Any word or expression importing any gender or the neuter shall include both genders and the neuter;
 - 1.1.2 Words importing the singular only also include the plural, and vice versa, where the context requires;
 - 1.1.3 The following words shall have the meanings hereby assigned to them-
 - (i) "collection charges" means collection charges which may be recovered by municipality in terms of the Local Government Laws Amendment Act, 2002;
 - (ii) "law" includes a by-law;
 - (iii) "rateable property" means property on which municipality is empowered to impose rates.
 - (iv) "special cases" means indigent as refer to in the Systems Act and annexure B
 - (v) "municipality" means Dr JS Moroka Local Municipality
- 1.2 This policy shall apply only in respect of money due and payable to municipality for
 - 1.2.1 rates
 - 1.2.2 fees, surcharges on fees, charges and tariffs in respect of the provision of water, refuse removal, sewerage and the removal and purification of sewerage, electricity (hereinafter referred to collectively as "services") in cases where municipality is responsible for the rendering of accounts in relation to any one or more of the services and for the recovery of amounts due and payable in respect thereof, irrespective of whether the services, or any of them, are provided by municipality itself or by a service provider with which it has contracted to provide a service on its behalf;

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1.2.3 interest which has or will accrue in respect of any money due and payable or which will become due and payable to municipality in regard to rates or services;

1.2.4 collection charges.

1.3 This Policy shall also apply in respect of services provided through pre-paid meters.

2. OBJECTIVES OF THIS POLICY:

The objectives of this Policy are to –

2.1 ensure that all money due and payable to municipality in respect of rates, fees for services, surcharges on such fees, charges, tariffs, interest which has accrued on any amounts due and payable in respect of the afore going and any collection charges are collected efficiently and promptly;

2.2 provide for credit control procedures and mechanisms and debt collection procedures and mechanisms;

2.3 provide for indigent debtors;

2.4 provide for the setting of realistic targets consistent with generally recognised practices and collection ratios and also the estimates of income set in the annual budget of municipality less an acceptable provision for bad debts;

2.5 provide for interest on overdue amounts;

2.6 provide for collection charges on the payment of any overdue amount;

2.7 provide for extension of time for the payment of overdue amounts;

2.8 provide for the termination of services or for restrictions on the provision of services when payments are overdue;

2.9 provide for matters relating to the unauthorised consumption of services, theft and damages.

3. IMPLEMENTATION

This policy shall be implemented by those officials whose duties relate to the rendering of accounts and the collection of money due and payable to municipality on respect of rates and services, and who have contact with members of the public in relation to payments to the MUNICIPALITY for rates and services (hereinafter referred to as Designated Officials).

4. RESPONSIBILITY FOR CREDIT CONTROL

4.1 The municipality's Executive Mayor shall as supervisory authority:

4.1.1 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.

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- 4.1.2 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 procedure, and
- 4.1.3 Report monthly to a meeting of the Council.
- 4.2 The Municipal Manager shall as implementing authority:
 - 4.2.1 Implement and enforce the municipality's credit control and debt collection policy and any by-laws enacted in terms of the Municipal Systems Act:
 - 4.2.2 In accordance with the credit control and debt collection policy and any such by-laws establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the municipality, and;
 - 4.2.3 Report the prescribed particulars monthly to a meeting of the supervising authority.

5. CODE OF ETHICS

All municipality officials shall embrace the spirit of **Batho Pele** and treat all debtors with dignity and respect at all times. Employees shall execute their duties in an honest and transparent manner whilst protecting the confidentiality of information in accordance with the Access to Information Act.

6. CUSTOMER REGISTRATION (Service contract)

The municipality must ensure that the registration of new and existing customers is efficiently performed in regard to the following:

- 6.1 New customer registrations must be correctly administered with the fully completed legal contracts being duly signed. These contracts must be retained and be readily accessible to authorised persons only.
- 6.2 Full and concise details must be provided on application for a consumer agreement. All staff with customer contact must endeavour to update personal records whenever customers liaise with our offices.
- 6.3 Certified copies of identity documents, company registration and resolutions are necessary for registration purposes and are used to determine, at the time of application, whether:
 - 6.3.1 Other accounts are currently held and;
 - 6.3.2 Debts are still outstanding on previous accounts.
- 6.4 Upon registration, new debtors must pay a cash deposit and lodge additional security, commensurate with risk as determined.
- 6.5 The municipality will verify through its billing system that the prospective account holder/owner/spouse does not have an outstanding account in respect of another property. Should there already be an arrear account, this account will have to be paid before a new account can be opened

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7. ACCOUNTS

The municipality may:

- 7.1 Consolidate any separate accounts of debtors liable for payments to the municipality,
- 7.2 Credit any payment by such a debtor against any account of that debtor, and
- 7.3 Implement any of the debt collection and credit control measures provided for in these regulations in relation to any arrears on any of the accounts of such a debtor.

8. ACCOUNT ADMINISTRATION

- 8.1 MUNICIPALITY will endeavour to ensure:
 - 8.1.1 Accurate metering of consumption at fixed intervals with the minimum delay between service connection and first and subsequent billing.
 - 8.1.2 Where no reading can be obtained, interim readings (average) will be charged.
 - 8.1.3 Accurate up-to-date customer information.
 - 8.1.4 Accurate monthly billing with the application of appropriate correct tariffs and service charges.
 - 8.1.5 Ensuring the timely despatch of accounts.
 - 8.1.6 Adequate provision and the efficient operation of pay facilities throughout the municipality.
 - 8.1.7 Arrangements with third party institutions to accept payments on behalf of the municipality. Responsibility to ensure that payments are reflected on the account is vested with the debtor.
 - 8.1.8 Appropriate hours of business to facilitate account payments.
- 8.2 Although the municipality must render an account for the amount due by a debtor, failure thereof shall not relieve a debtor of the obligation to pay this amount.

9. ACTIONS TO SECURE PAYMENT

- 9.1 The municipality or its duly appointed agents 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:
 - 9.1.1 Termination and/or restriction of the provisions of services: and
 - 9.1.2 Allocating a portion of payments or pre-payments to service charges arrears or future charges Credit control will commence from the conclusion of the consumer agreement.
- 9.2 Credit control methods will include, inter alia, the following:
 - 9.2.1 Evaluation of Application
 - 9.2.2 Reference Checking
 - 9.2.3 Credit bureau, Deeds Office, Registrar Stands
 - 9.2.4 Securities
 - 9.2.5 Deposits
 - 9.2.6 Binding Consumer Agreements
 - 9.2.7 Monthly Statements

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- 9.2.8 Statement Messages
- 9.2.9 Telephone Calls
- 9.2.10 Final Notices
- 9.2.11 Termination or Restriction of Services
- 9.2.12 Letter of Demand
- 9.2.13 Legal Action

10. INTEREST CHARGES

Interest will be charged on all overdue accounts by due date at the ~~prevailing prime~~ rate determined by the municipality which effective at the 1st July of each financial year.

11. COST FOR TERMINATION OF SERVICES

Where any service is terminated as a result of non-compliance with these regulations by the debtor, the municipality shall be entitled to levy and recover the standard credit control fees as determined by the municipality, from time to time, from the occupier/owner of the premises where the services were levied.

12. POWER TO RESTRICT OR TERMINATE SUPPLY OF SERVICES

13.1 The municipality may restrict or terminate the supply of water and **electricity** or discontinue any other service to any premises whenever a user of any service:

- 13.1.1 Fails to make full payment on the due date or fails to make acceptable arrangements for the repayment of any amount for services, rates or taxes or other amounts due;
- 13.1.2 Fails to comply with a condition of supply determined by the municipality;
- 13.1.3 Obstructs the efficient supply of **electricity**, water or any other municipal services to another customer;
- 13.1.4 Supplies such municipal service to a customer who is not entitled thereto or permits such service to continue;
- 13.1.5 Causes a situation which in the opinion of the municipality is dangerous or a contravention of relevant legislation;
- 13.1.6 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
- 13.1.7 If an administration order is granted in terms of section 74 of the Magistrate court Act, 1944 (Act 32 of 1944) in respect of such user.

13.2 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 acceptable arrangements have been made for payment of such outstanding amounts in terms of paragraph 16 below, or any other condition or conditions of this credit Policy have been complied with.

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- 13.3 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 parties, as the case may be.

13.RECONNECTION OF SERVICES

The Designated Official shall authorise the reconnection of services or reinstatement of service delivery after satisfactory payment and/or arrangement for payment has been made according to paragraph 16 of the Policy.

14.FULL AND FINAL SETTLEMENT OF AN ACCOUNT

- 15.1 The municipality shall be at liberty to appropriate monies received in respect of any of its debt at its sole discretion.
- 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 municipality employee, except when duly accepted in terms of a delegation of power, shall not be in final settlement of such an account.
- 15.3 The provision above shall prevail notwithstanding the fact that such lesser payment was tendered and/or accepted in full settlement.
- 15.4 Only once the Designated Official has, in terms of the powers delegated to him, accepted in writing payment of such lesser amount, shall such payment be regarded as a payment in full and final settlement.

15.ARRANGEMENTS TO PAY ARREARS

- 16.1 A debtor may enter into a written agreement with the municipality to repay any overdue amount to the municipality under the following conditions:
- 16.1.1 The outstanding balance, costs and any interest thereon shall be paid in monthly instalment/s and;
 - 16.1.2 The current monthly amount must be paid in full on or before due date and;
 - 16.1.3 The written agreement has to be signed on behalf of the municipality by a duly authorised official.
- 16.2 In order to determine monthly instalments, a comprehensive certified statement of assets and liabilities of the debtor needs to be compiled by the debtor. To ensure the continuous payment of such arrangement the amount determined must be affordable to the debtor, taking into account that payment of the monthly current account is a prerequisite for concluding an arrangement. 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.

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- 16.3 Should any dispute arise as to the amount owing, the debtor will continue to make regular payments, based on the average charges for the preceding three months prior to the dispute, plus interest.'
- 16.4 As a once off initiative, a debtor (residential) may pay 50% on his/her arrear account that is more than 90 days and the other 50% will be written off subject to such account being in areas more than R5 000.00 inclusive of interest. The Accounting Officer should recommend such writes-off to Council for consideration and condonation. This transaction will only be valid as a once-off exercise and such consumer will not be granted writes-off again in future.

16. INTEREST ON ARRANGEMENTS

- 17.1 Once an agreement has been concluded the amount in arrears will be reflected as current and no further interest will be added. In the event of default, interest will again be levied from date of default.
- 17.2 Where a debtor willing to settle his/her account through once off payment for outstanding balance between R2 500 to R5 000 including interest, all interest amount should be written off.

The Chief Financial Officer should recommend such writes-off to Council for consideration and condonation. This transaction will only be valid as a once-off exercise and such consumer will not be granted writes-off again in future.

18 AGENTS, ATTORNEYS AND OTHER COLLECTION AGENTS

- 18.1 The municipality shall compile a list of all external agents acting on behalf of the municipality which list shall inter alia contain their names, details and contact information. All such agents shall be supplied with a copy of the credit control measures.
- 18.2 Clear instructions to agents and other arrangements must be given for the customer's benefit. Under no circumstances may agents negotiate terms, extend payment periods or accept cash on behalf of the municipality, unless specifically instructed in writing to do so. The agent, on request of the debtor, must produce this instruction.
- 18.3 The cost 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 will be for the account of the debtor where appropriate.
- 18.1 Accounts outstanding more than 60 days will be handed over to the Debt Collector.

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- 18.2 Should the debt collector not recover/receive cooperation from the debtor within 30 days, the account will have to be brought back to the municipality for it to be handed over to attorneys for collection.
- 18.3 Attorneys are expected to work on the outstanding amount until the attachment of the moveable assets of the defaulters and the sale in execution is performed.
- 18.4 Once the outstanding amount is with attorneys, they should enlist the defaulters with ITC or credit Bureau.
- 18.5 Defaulters, who made payments arrangements in terms of the magistrate court act, their defaulting arrangements will be handed over to attorneys or direct magistrate court for them to be summoned with regard to their outstanding amounts.

19 LEGAL FEES

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 and/or recovered directly by the duly appointed agent.

20 FRAUD, TAMPERING AND OTHER CRIMINAL ACTIVITY

The municipality shall at its discretion be entitled to withhold the supply of water to a debtor who is found guilty of fraud, theft or any other criminal action relating to the supply of water, or if it is evident that fraud, theft or any other criminal action has occurred relating to such supply, until the total costs, penalties, other fees, tariffs and rates due to the municipality have been paid in full.

21 CREDIT CONTROL AND DEBT COLLECTION PROCEDURES FOR RATES AND SERVICES

Where debtors fail to pay their rates and services charges account on/or before the due date as indicated on the statement.

- 21.1 Final demands/statements may be delivered or posted after the due date. The final notice/statement will advise that the client may arrange to pay the outstanding balance in terms of paragraph 16. The final notice/statement shall constitute a final notice and failure to settle the account on the due date will lead to disconnection of services at any date thereafter, without further notice.
- 21.2 An acknowledgement of debt must be completed and all arrangements for paying off arrear accounts must comply with the format set out on Annexure A to this policy. Copies must be handed to the debtor.
- 21.3 Debit orders/stop orders shall be completed for the monthly repayment of the agreed amount. If the arrangement is dishonoured, the full balance will immediately become payable.
- 21.4 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.
- 21.5 Where cheques are dishonoured after an arrangement has been made the full balance will immediately become payable. Electricity and/or water supply to such

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- clients will immediately be disconnected without notice until the full amount is paid in cash, per bank cheque, credit card or debit card at Council offices.
- 21.6 No person will be allowed to enter into a second agreement if the first agreement was dishonoured, except in merit cases.
- 21.7 Merit cases, where special circumstances prevail, must be treated individually and could amongst others include the following categories:
- 21.7.1 Deceased estates
 - 21.7.2 Liquidated companies
 - 21.7.3 Private persons under administration
 - 21.7.4 Outstanding enquiries on accounts, for example, misallocated payments, water leaks, journals, incorrect levies, etc.
 - 21.7.5 Pensioners
 - 21.7.6 Any other case not mentioned which can be regarded as merit cases due to the circumstances pertaining to such case.
- 21.8 Payment of arrears in respect of merit cases shall not exceed 60 months (5 years).
- 21.9 When disconnection of electricity and/or water supply takes place due to non-payment, the debtor will be required to provide additional security to the satisfaction of the designated official.
- 21.10 Where the consumer has not entered into a service agreement with the municipality, water and/or electricity may be disconnected until such time as a service agreement has been signed, the applicable deposits paid, the account billed to date of occupation and arrears paid in full.
- 21.11 Where services are illegally restored criminal action will be taken.
- 21.12 Where water amounts are not paid on or before the due date, without response, services will be terminated, deposits will be appropriated, securities will be applied and accounts will be handed over for legal action. In such an event, the relevant debtors will have to make further arrangements at the attorneys for payment of the arrear amounts. The current monthly accounts must be paid directly to the municipality
- 21.13 An account handed over for collection may be withdrawn at the municipality's discretion.
- 21.14 After installation of a prepaid water meter will not be sold to debtors, unless an agreement for the arrears has been concluded.
- 21.15 Where applicable, the provisions of paragraph 16 above shall apply mutatis mutandis to this paragraph 21.

22 CREDIT CONTROL AND DEBT COLLECTION PROCEDURES FOR ASSESSMENT RATES, REFUSE, SEWERAGE AND SUNDRY DEBTORS AND UNMETERED PROPERTIES

Where consumers fail to pay their accounts by the due date of every month as indicated on the statement, the following actions will be taken:

- 22.1 Final notices/statements may be posted or delivered where accounts are in arrears. The final demand/statement will advise that the client may arrange to pay the outstanding balance in terms of paragraph 16. The final notice/statement shall

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constitute a final notice and failure to settle the account on the due date will lead to disconnection of services at any date thereafter, without further notice.

- 22.2 Where applicable, the provisions of paragraphs 16 and 21 above shall apply mutatis mutandis to this paragraph 22.
- 22.3 If no response has been received in response to the final demand those accounts still outstanding will be handed over for collection and/or legal action to the attorneys and may be listed at a credit bureau.
- 22.4 Where an account remains unpaid on a property that is unmetered, the procedures contained in paragraph 21 above, will apply mutatis mutandis.

23 CREDIT CONTROL POLICY TO BE APPLIED FOR INDIGENT HOUSEHOLD

The Indigent Subsidy Policy adopted by the municipality shall apply when implementing credit control and debt procedures.

24 PAYMENT OF DEPOSITS

- 24.1 All consumers shall pay a deposit for the supply of water by the municipality calculated at the rate of the deemed consumption for a period of 3 (Three) months in respect of the property in question.
- 24.2 Any sum deposited by or on behalf of a consumer shall, on being claimed, be refunded within 30 (Thirty) days after the termination of the consumer's agreement, after deducting any amount due by the consumer to the municipality.
- 24.3 Where there is only one service supplied, a deposit shall only be payable in respect of the service to be supplied.
- 24.4 Where a service agreement with the municipality has not been entered into by the consumer for whatever reason, water may be disconnected until such time as a consumer agreement has been signed and the applicable deposit has been paid.

25 IMPLEMENTATION AND REVIEW OF THIS POLICY

- 25.1 This policy shall be implemented once approved by council and all future credit control and debt collection measures will be taken in accordance with this policy.
- 25.2 In terms of section 17(1) (e) of the MFMA this policy must be reviewed on annual basis and the reviewed policy will be tabled to council for approval as part of the budget processes.