

CITY OF MBOMBELA



CREDIT CONTROL AND DEBT COLLECTION POLICY

Approval date: 31 May 2022

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(Explanatory Note: This policy is applicable to the City of Mbombela 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.)

1. Objectives

The objectives of the policy are to:

- a) Provide a framework within which the municipal council can exercise its executive and legislative authority with regard to credit control and debt collection;
- b) 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 manner¹;
- c) 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;
- d) Set realistic targets for debt collection;
- e) Outline credit control and debt collection policy procedures and mechanisms; and
- f) Provide a framework to link the municipal budget to
 - ▶ Indigent support; and
 - ▶ Tariff policies.

¹ Section 96(a) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) provides that a municipality must collect all money that is due and payable to it subject to this Act and any other applicable legislation.

2. Principles

- a) 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.
- b) All customers must complete an official application form formally requesting the municipality to connect them to service supply lines.
- c) A copy of the application form, conditions of services and extracts of the relevant council's credit control and debt collection policy and by-laws must be handed to every customer upon request.
- d) Billing is to be accurate, timeous, and understandable and subject to the provisions of the National Credit Act, 2005.
- e) The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.
- f) The customer 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.
- g) Enforcement of payment must be prompt, consistent and effective.
- h) Fraud/criminality will lead to loss of rights and heavy penalties and/or public prosecution.
- i) Incentives and disincentives may be used in collection procedures.
- j) 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 customer.
- k) Results will be regularly and efficiently reported.
- l) Application forms will be used to categorise customers, to determine the amount of the deposit payable by the customer and whether the customer qualifies for indigent support, pre-payment or credit meters. Council may not unfairly discriminate amongst customers, and must at all times act fairly and objectively.
- m) New applications for services will be subject to prescribed credit information and outstanding amounts may be transferred to a 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.

- n) Where alternatives are available Council may provide reduced levels of service to manage the debt growth.
- o) Customers may be referred to 3rd party debt collection agencies and may be placed on a national credit rating listing.
- p) Interest charges will be levied on overdue accounts at the rate determined by Council from time to time, 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.
- q) As part of the arrangements made to repay debt the customer 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.
- r) Although customer care and debt collection are inter-related issues, they should be performed by two separate divisions.
- s) 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.
- t) Targets for performance in both customer service and debt collection will be set and pursued and remedies implemented for non-performance.
- u) Human dignity must be upheld at all times.
- v) The policy must be implemented with equity, fairness and consistency.
- w) Debts and arrangements to repay debts shall be treated holistically, but different repayment periods or methods may be determined for different types of service, customers or areas within the general rule that the repayment period should be in sympathy with the instalments that the customer can afford.

3. Duties and Functions and responsibilities of role - players

3.1 Duties and functions of the Executive Mayor

- a) To oversee and monitor the implementation and enforcement of this policy and by-laws enacted to give effect to the policy;¹
- b) To, when necessary, review and evaluate the policy and by-laws in order to improve the efficiency of Council's credit control and debt collection procedures, mechanisms and processes².
- c) To report to Council³.

3.2 Duties and functions of the Municipal Manager (delegated to Revenue Management)

- a) To implement good customer care management.
- b) To implement council's credit control and debt collection policy.
- c) To install and maintain an appropriate accounting system.
- d) To bill customers.
- e) To demand payment on due dates.
- f) To raise penalties for defaults.
- g) To appropriate payments received.
- h) To collect outstanding debt.
- i) To provide different payment methods.
- j) To determine credit control measures.

Section 99 of the Local Government: Municipal Systems Act, 2000 provides that the executive mayor must –

(a) Oversee and monitor -

¹ (i) The implementation and enforcement of the municipality's credit control and debt collection policy and any by-laws enacted in terms of section 98; and

² (b) When necessary, evaluate or review the policy and any by-law, or the implementation of the policy or such by-laws, in order to improve efficiency of its credit control and debt collection mechanisms, processes and procedures; and

³ (c) At such intervals as may be determined by the Council report to a meeting of the Council, except when the Council itself performs the duties mentioned in paragraph (a) and (b).

- k) 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.
- l) To appoint firm/s of attorneys or collection agents to assist with the execution of his/her duties, where necessary.
- m) To set performance targets for staff.
- n) To appoint staff to execute council's policy and by-laws in accordance with council's staff policy.
- o) To delegate certain functions to senior managers.
- p) To determine control procedures.
- q) To report to the Finance Committee, who in return will report to the Executive Mayor.

3.3 Duties and functions of communities, ratepayers and residents

- a) To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.
- b) To pay service fees, rates on property and other taxes, levies and duties imposed by the municipality
- c) To observe the mechanisms and processes of the municipality in exercising their rights.
- d) To allow municipal officials reasonable access to their property to execute municipal functions.
- e) To comply with the by-laws and other legislation of the municipality.
- f) To refrain from tampering with municipal services and property

POLICY PRINCIPLES

4. Customer Care and Management ¹

4.1 Communication and feedback

- 4.1.1 The municipality will, within its financial and administrative capacity, conduct an annual process of compiling its budget as per the Integrated Development Planning process.
- 4.1.2 Council's Credit Control and Debt Collection Policy and By-Laws will be available in English and any other official language, and will be made available upon specific request, and will also be available at Council's cash collection points.
- 4.1.3 Council will endeavour to distribute a regular newsletter, which will give prominence to customer care and debt issues.
- 4.1.4 Ward councillors will be required to hold regular ward meetings, at which customer care and debt issues will be given prominence.
- 4.1.5 The press will be encouraged to give prominence to Council's Customer Care and Debt issues, and will be invited to Council meetings where these are discussed.
- 4.1.6 Council aims to establish:
 - a) A central complaints/feedback office;
 - b) A centralized complaints database to enhance co-ordination of complaints, their speedy resolution and effective communication with customers;
 - c) Appropriate training for officials dealing with the public to enhance communications and service delivery; and
 - d) A communication mechanism to give council feedback on service, debt and other issues of concern.

1. Section 95(a) of the Local Government: Municipal Systems Act, 2000 provides that a municipality must, within its financial and administrative capacity, establish a sound customer management system that aims to create a positive and reciprocal relationship between persons liable for payments and the municipality.

4.2 Opening of Service Agreements for Owners and Tenants

No tenant accounts will be opened for residential and business properties

a) Residential

- 4.2.1 All new Service Agreements will be entered into with the owners of the properties.
- 4.2.2 All existing tenant accounts will be subjected to the following conditions;
 - 4.2.3.1 Owners may allow a tenant to sign a separate agreement with the municipality
 - 4.2.3.2 On default by a tenant, the owner is jointly and severally liable for payment
 - 4.2.3.3 Owners must co-sign all service agreements with their tenants wherein owners shall bind themselves as sureties and co – principal debtors for the due fulfilment of the obligations of their tenants
 - 4.2.3.4 It is the duty of owners to ensure that tenants are not in arrears with payment of their accounts.
 - 4.2.3.5 Council will, within financial and human resources constraints ,endeavour to inform property owners regarding the performance of their tenants in terms of the service agreement
 - 4.2.3.6 In the agreement, customers will acknowledge that the information supplied is correct and that they accept liability for all costs of collection, and interest and penalties, in the event of delayed payment. Owners must however give written consent before any extension of payment shall be granted to tenants.

b) Business

- i) Council may require that applications for services for business, including but not limited to, trusts, body corporate, companies, close corporations, partnership and sole proprietors or any other juristic person must include the submission of a resolution delegating authority to the applicant and furnishing , if applicable, the business entity's registration numbers or it number.
- ii) It may also require that the names, addresses and all relevant contact particulars of all the business Directors or members or trustees or proprietors or partners be submitted with the

resolution and, at the discretion of the Chief Financial Officer, at least one partner/member/director/trustee to bind him/herself in his personal capacity as surety and co-principle debtor for the due fulfilment of all the business'/legal entity's obligation.

- iii) The person, who signs the agreement on behalf of the business, shall warrant that he/she is duly authorised to do so, that the information supplied is true and correct and that the business is trading in solvent circumstances.

4.3 Customer deposits and securities

The customers' deposits and securities will be administered as per the City of Mbombela Deposits and Refunds Policy.

4.4 Accounts and billing¹

Customers will receive an understandable and accurate bill from the municipality, which bill will consolidate all service costs for that property.

- 4.4.1 Accounts will be produced in accordance with the meter reading cycle and due dates are linked to the statement date.
- 4.4.2 Accounts will be rendered monthly in cycles of approximately 30 days at the address last recorded with the municipality.
- 4.4.3 It is the customer's responsibility to ensure timeous payment in the event of accounts not received or received late.
- 4.4.4 It is the customer's responsibility to ensure that Council is immediately informed in writing of any change of address.
- 4.4.5 Settlement or due date is within 7 days of the beginning of each month.
- 4.4.6 The issuing of final demand by way of email or cell phone text message will also be accepted as a proper demand sent in terms of this policy
- 4.4.7 Where an account is not settled in full, any lesser amount tendered and accepted shall not be deemed to be in full and final settlement of such an account, even where a dispute exists.

¹ Section 95 (d) of the Local Government: Municipal Systems Act, 2000 provides that a municipality must, within its financial and administrative capacity take reasonable steps to ensure that the consumption of services has to be measured through accurate and verifiable metering systems.

- 4.4.8 Discretion in terms of negotiable amounts as per this policy is delegated to the Chief Financial Officer with the right to sub-delegate.
- 4.4.9 At all times the most financially beneficial arrangement to Council must be entered into whilst still retaining the principles of this policy.
- 4.4.10 The municipality must, if administratively possible, issue a duplicate account to a customer on request, against payment of the prescribed fee.
- 4.4.11 When services are discontinued and the customer applies for services at a different address, Council reserves the right to transfer any outstanding amounts to a customer's new account.

Where any payment made to the municipality by negotiable instrument is later dishonoured by the bank, the municipality:

- (a) May recover the average bank charges incurred relating to dishonoured negotiable instruments against the account of the customer;
- (b) Shall regard such an event as default on payment;
- (c) May refuse to accept further cheques from the drawer or beneficiary if there has been two (2) dishonoured payments;
- (d) May place the matter on the national adverse credit listing;
- (e) May institute legal action which may include criminal charges against the offender.

4.5 Metering¹

- 4.5.1 The municipality will endeavor, within practical and financial limits, to provide meters to every paying client for all meter able services.
- 4.5.2 All meters will be read monthly, if at all possible. If the meter is not read monthly the council will average the consumption for the preceding three months.
- 4.5.3 Customers are entitled to request verification of meter readings and accuracy within reason, but may be held liable for the cost thereof.
- 4.5.4 Customers will be informed of meter replacements in writing.
- 4.5.5 If a service is metered but it cannot be read due to financial and human resource constraints or circumstances out of the control of the municipality or its authorised agent, and the

¹ Section 95 (e) provides that a municipality must ensure that persons liable for payments receive regular and accurate accounts that indicate the basis for calculating the amount due.

customer is charged for an average consumption the account following the reading of the metered consumption must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustments.

4.6 *Right of access to premises*

- 4.6.1 The owner and or occupier of premises must give an authorised representative of the municipality access at all reasonable hours to the premises in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict, or reconnect, the provision of any service¹.
- 4.6.2 The owner accepts the cost of relocating a meter if satisfactory access is not possible.
- 4.6.3 If a person contravenes 4.6.1 the municipality may:
 - (a) By written notice require such person to restore access at his/her own expense within a specified period.
 - (b) If it is the opinion that the situation is a matter of urgency, without prior notice restore access and recover the cost from such person.

4.7 *Payment facilities and methods and stop orders and debit orders*

- 4.7.1 The municipality will operate and maintain suitable banking and cash facilities which facilities will be accessible to all users.
- 4.7.2 The municipality will, at its discretion, allocate all payments received and a customer who has overdue debt may not specify that the payment is for a specific portion of the account.
- 4.7.3 The municipality may, with the consent of a customer, approach an employer to deduct an agreed amount from the employee's weekly or monthly wages/salary to pay towards arrear municipal accounts.
- 4.7.4 The customer will acknowledge, in the customer agreement, that the use of customer agents in the transmission of payments to the municipality is at the risk of the customer – also for

¹ Section 101 provides that the occupier of premises in a municipality must give an authorised representative of the municipality access at all reasonable hours to the premises in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect stop or restrict the provision of any service.

the transfer time of the payment – and the customer shall be liable for any additional bank costs which is levied, apart from the normal service charges connected to such a payment.

4.8 Enquiries, appeals and service complaints

- 4.8.1 If a customer is convinced that his or her account is inaccurate, he or she can lodge a written request with the municipality for recalculation of this account¹.
- 4.8.2 The customer must furnish full personal and/or business particulars, the relevant account number, direct contact number, addresses and any other relevant particulars required by Council.
- 4.8.3 In the interim the customer must pay the average of the last three months account where history of the account is available. Where no such history is available the customer is to pay an estimate provided by the municipality before payment due date until the matter is resolved.
- 4.8.4 The relevant department will give a written acknowledgement of receipt of the request, investigate the matter and inform the customer in writing of the outcome of the investigation and supply details thereof.
- 4.8.5 Any adjustments to the customer's account will be done within one month.
- 4.8.6 Failure to make interim payment or payments will make the customer liable for disconnection.
- 4.8.7 After having been informed of Council's authorised official's decision, a customer may lodge an appeal against that decision by giving written notice of the appeal and reasons to the municipal manager within 21 days of the date of notification of the decision.
- 4.8.8 The municipal manager shall commence with the appeal within six weeks and shall decide the appeal within a reasonable period. His/her decision shall be final and will result in the immediate implementation of any credit control and debt collection measures provided for in this policy after the customer is provided with the outcome of the appeal.
- 4.8.9 The same dispute/enquiry/complaint will not be reconsidered.

¹ Section 95 (f) of the Local Government: Municipal Systems Act, 2000 provides that a municipality must provide accessible mechanisms for those persons to query or verify accounts and metered consumption, and appeal procedures which allow such persons to receive prompt redress for inaccurate accounts.

4.8.10 If the customer is not satisfied with the outcome of his/her appeal, he/she must first under protest pay the amount in dispute before redressing his/her action in a court of law. Notwithstanding anything to the contrary contained herein, the authorised official and/or municipal manager may not allow or cause to allow the debt referred to in the dispute to prescribe.

4.8.11 The payment of an amount may not be withheld as a result of a dispute and the Municipality may in such an event proceed with debt collection subject to the provisions of the National Credit Act, 2005.

4.9 *Business who tender to the Municipality*

4.9.1 The Procurement Policy and Tender Conditions are to include the following:

- i. When inviting tenders for the provision of services or delivery of goods, potential contractors may submit tenders subject to a condition that consideration and evaluation thereof will necessitate that the tenderer obtain from the municipality a certificate stating that all relevant municipal accounts owing by the tenderer or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of non-compliance) have been made for payment of any arrears.
- ii. A municipal account to mean any municipal service charge, tax or other fees, fines and penalties, due in terms of a contract or approved tariff or rate, which is outstanding after the due date normally appearing on the consolidated account or overdue in terms of the contract or any other due date that has passed.
- iii. Tender conditions contain a condition allowing the municipality to deduct moneys owing to the municipality from contract payments in terms of a reasonable arrangement with the tenderer.

4.10 A. Incentives for prompt payment

- 4.10.1 The municipality may, to encourage payment, and to reward good payers consider from time to time incentives for the payment of accounts.
- 4.10.2 Such incentive schemes, if introduced, will be reflected in annual budgets as additional expenditure.
- 4.10.3 A 1% (one percent) rebate will be effected as per 4.10.1 above
- 4.10.4 The percentage rebate will be effected for all accounts paid by the 1st (first) of every month.
- 4.10.5 The account must not be in arrears in order to qualify for the percentage rebate.
- 4.10.6 Government accounts shall not qualify for the percentage rebate.

4.10 B. Incentive for interest waiver on overdue accounts paid in full within six months

- 4.10.7 Customers will be required to enter into a written agreement with the municipality.
- 4.10.8 The overdue amount including current charges must be paid within a period of six months.
- 4.10.9 The accumulated interest before the payment arrangement must be identified and indicated to be the agreed amount for waiver purposes.
- 4.10.10 Interest waiver will only be effected after the final payment has been made in line with the agreed period which is not more than six months.
- 4.10.11 Any default on the interest waiver agreement will automatically lead to the nullification of the agreement and other relevant provisions of the policy will take effect.

4.11 Customer assistance programmes

4.11.1 Water leakages

- 4.11.1.1 If the leakage is on the side of the customer the customer is responsible for the payment of the full account, subject to the municipality's water services by-laws.
- 4.11.1.2 The customer has the responsibility to control and monitor his/her consumption.

4.11.2 Rate rebates

Customers will be given rates rebates as per Section 8.4 of the City of Mbombela Rates By-Laws

4.11.3 Arrangements for settlements

- 4.11.3.1 (a) Notwithstanding an arrangement between the municipality and a customer whereby the customer is allowed to pay arrear amounts in instalments, the municipality may restrict and/or discontinue services until such time as the arrear payments are paid in full.
- (b) An upfront payment of 50% of the total owed is required and payable when a payment arrangement is made for all accounts older than 90 days.
- (c) The remaining portion as per (b) above must be paid in line with a payment arrangement entered into between the municipality and the client.
- (d) The payment arrangement period may not exceed a period of twelve months, unless authorised by the Chief Financial Officer.
- 4.11.3.2 If a customer cannot pay his/her account with the municipality then the municipality may enter into an extended term of payment with the customer. He/she must:
- i. Sign an acknowledgement of debt;
 - ii. Sign a consent to judgement in terms of Section 57 of the Magistrate's court Act 32 of 1944;
 - iii. Consent to a garnishee order/emolument order/stop order (if he or she is in employment);
 - iv. Acknowledge that interest will be charged at the prescribed rate and in the manner determined by Council from time to time and that the particulars of the customer will be listed with credit bureau;
 - v. Pay the current portion of the account in cash every month; and
 - vi. Sign an acknowledgement that, if the arrangements are being negotiated later defaulted on, the full outstanding balance will become due and payable, that no further arrangements will be possible and that the restriction and/or disconnection of water and/or electricity will continue as will legal proceedings.
- 4.11.3.2 Customers with electricity arrears must agree to the conversion to a prepayment meter upon request of Council, and when implemented the cost of which, together with the arrears total, will be paid off either by
- i. adding it to the arrears bill and repaying it over the agreed period; or

- ii. adding it as a surcharge to the prepaid electricity cost, and repaying it with each purchase of electricity until the debt is liquidated.
- 4.11.3.3 Council reserves the right to raise the deposit/security requirement in accordance with paragraph 4.3 of customers who seek arrangements or who default in terms thereof.
- 4.11.3.4 The customer may be required to prove levels of income and must agree to a monthly payment towards arrears on his/her ability to pay or based on his total liquidity if Council so requires.
- 4.11.3.5 All negotiations with the customer should strive to result in an agreement that is sustainable and is most beneficial to Council.
- 4.11.3.6 Council may, in the sole discretion of the Chief Financial Officer or any other person authorised by him/her, refuse to allow any further arrangements should a customer default on any arrangement.
- 4.11.3.7 All arrangements shall be subject to periodic review.
- 4.11.3.8 Any arrangement for extension of payment shall be subject to the prior written consent by the owner.
- 4.11.4 Rates by instalments
Customers will be given the opportunity to pay the property rates as per City of Mbombela Rates By-Laws.

5. Credit Control and Debt Collection

5.1 Enforcement Mechanisms

5.1.1 Water, electricity and other services¹

- 5.1.1.1 Accounts must be paid by the due date shown on the account. Customers who are in arrears with their municipal account will have their supply of electricity and water, and other municipal services, suspended, restricted or disconnected.
- 5.1.1.2 When the municipal account is not paid on the due date shown on the account and unless permission for a deferred payment has been granted, a written warning of possible disconnection if the account is not paid will be forwarded to the customer as soon as practically possible.

- 5.1.1.3 The customer 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.
- 5.1.1.4 If payment is not received by the due date as reflected in the notice, the supply will be disconnected without further notice.
- 5.1.1.5 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 closed. 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 unauthorised reconnection.
- 5.1.1.6 The delegated officials(s) shall have authority to approve arrangements for delayed payment in terms of this policy.
- 5.1.1.7 Businesses shall be required to pay all arrears and prescribed fees before services are restored.
- 5.1.1.8 Subject to Council's capacity at the time to restore such service, disconnected services will be restored within a reasonable period of time after the customer produces proof of payment of the required amount.
- 5.1.1.9 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.
- 5.1.1.10 The onus is always on the customer to request reconnection and prove that payment was made.
- 5.1.1.11 Council reserves the right to deny or restrict the sale of electricity or water to customers who are in arrears with their rates or other municipal charges.
- 5.1.1.12 Council reserves the right to disconnect the service of a tenant if the owners account is in arrears.
- 5.1.1.13 The cost of the restriction or disconnection, and the reconnection, will be determined by tariffs agreed by Council, and will be payable by the customer.
- 5.1.1.14 Should a customer 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.

- 5.1.1.15 Customers 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 customer and the fact of non-payment shall be listed with ITC, subject to the provisions of the National Credit Act, 2005. If the outstanding amount warrants it, further legal action may be instituted for recovery of the outstanding balance.
- 5.1.1.16 Credit control measures of employee accounts will be subjected to the Municipal Systems Act, Act 32 of 2000 Schedule 2;s10
- 5.1.1.17 Credit control measures of councillors' will be subjected to the Municipal Systems Act, Act 32 of 2000 Schedule 1;S12A

5.1.2 Rates

Annual Rates (and other annual levies)

- 5.1.2.1 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.
- 5.1.2.2 If the account is not settled or there is no response from the customer to make acceptable arrangements to repay the debt, summons shall be issued and the legal process followed.
- 5.1.2.3 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.
- 5.1.2.4 During the process of debt collection, Council shall within reason give customers 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. Council shall however not hesitate to proceed with sales in execution where no arrangements have been made or where alternatives provided by Council from time to time are not used.

- 5.1.2.5 Any debtor may be granted the opportunity of converting to paying rates monthly for the following financial year.

Monthly Rates

- 5.1.2.6 Interest will be charged on all overdue accounts at an interest rate that shall be determined by Council from time to time.
- 5.1.2.7 Customers can make application to the Council to pay current and future rates monthly, the approval of which is at the sole discretion of the Chief Financial Officer with the right to sub-delegate.
- 5.1.2.8 The monthly amount payable for current annual rates will be calculated to allow the total balance of such amount to be paid in equal instalments within the period determined by Council from time to time, but at least by the end of that financial year.
- 5.1.2.9 If a customer's account is in arrears for 30 days, a notice shall be delivered to the customer demanding payment of the arrear amount. The customer 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 customer 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.
- 5.1.2.10 If the amount due for rates levied in respect of a property is unpaid by the owner of the property after the date determine by Council from time to time, the municipality may recover the amount in whole or in part from a tenant or occupier of the property in terms of the provision of s28 and s29 of the Municipal Property Rates Act No.6 of 2004.
- 5.1.2.11 For amounts owing for property rates where a prepaid electricity meter is connected on the property; such amounts will be recovered from the purchase of prepaid electricity.
- 5.1.2.12 50% (fifty percent) of the tendered amount for purchasing of prepaid electricity will be recovered for payment of property rates as per 5.1.2.11 above.
- 5.1.1.13 The other 50 % will then be allocated for the purchase of prepaid electricity.

5.1.3 Sundry and housing accounts

5.1.3.1 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 ordinary mail and on the fourth day after date of posting if posted by registered mail.

5.1.3.3 Property purchased from Council by way of suspensive sale agreement shall be repossessed in terms of the written agreement, subject to the provisions of the National Credit Act, 2005.

5.1.3.4 Once a property has been repossessed, the debtor will not be eligible for reinstatement of the agreement or to purchase any other property from Council by way of suspensive sale agreement.

5.1.2 Interest on overdue accounts

5.1.2.1 Interest will be raised as a charge on all accounts not paid by the due date in accordance with applicable legislation and as determined by Council from time to time.¹ Interest will be levied and capitalised 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.

5.1.3 Personal contact

5.1.3.1 Telephonic contact

5.1.3.2 Officials/agents calling on clients

5.1.3.2.1 Council will endeavour, within the constraints of affordability, to make personal or telephonic contact with arrear customers to encourage their payment, and to inform them of their arrears state, and their rights (if any) to conclude arrangements or to indigence

¹ Section 97 (e) of the Local Government: Municipal Systems Act, 2000 provides that a credit control and debt collection policy must provide for interest on arrears, where appropriate.

subsidies, and other related matters, and will provide information on how and where to access such arrangements or subsidies.

5.1.3.2.2 The municipality shall maintain a schedule of customers with large amounts outstanding, the cut-off amount to be agreed by Council from time to time, and will maintain intensive contact with these customers.

5.1.3.2.3 Such contact is not a right for customers that customers enjoy – disconnection of services and other collection proceedings will continue in the absence of such contact for whatever reason.

5.1.4 Legal Process/Use of attorneys/Use of credit bureaus

5.1.4.1 Council may, when any debtor is 60 days in arrears, commence legal process against that debtor, 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, subject to the provisions of the National Credit Act, 2005.

5.1.4.2 Council will exercise strict control over this process, to ensure accuracy and legality within it, and will require regular reports on progress from outside parties, be they attorneys or any other collection agents appointed by council.

5.1.4.3 Council will establish procedures and codes of conduct with these outside parties.

5.1.4.4 All steps in the credit control procedure will be recorded for Council's records and for the information of the debtor.

5.1.4.5 All costs of this process are for the account of the customer.

5.1.4.6 Individual customer 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 customers.

5.1.4.7 Council may consider the cost effectiveness of this process, and will receive reports on relevant matters, including cost effectiveness.

- 5.1.4.8 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.
- 5.1.4.9 Customers will be informed of the powers and duties of such agents and their responsibilities including their responsibility to observe agreed codes of conduct.
- 5.1.4.10 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.
- 5.1.4.11 only payment in full of the outstanding balance reflected on the account shall be deemed acceptable payment before a customer's particulars are removed from any adverse credit listing. In the case of default judgments entered into against customers, the customer 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.

5.2 *Theft, tampering & fraud*

- 5.2.1 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 unauthorised 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. ¹
- 5.2.2 Council will immediately terminate the supply of services to a customer should such conduct as outlined above be detected.
- 5.2.3 The total bill owing, including penalties, assessment of unauthorised 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.
- 5.2.4 Council will maintain monitoring systems and teams to detect and survey customers who are undertaking such illegal actions.

¹ Section 97 (h) of the Local Government: Municipal Systems Act, 2000 provides that a credit control and debt collection policy must provide for matters relating to unauthorised consumption of services theft and damages.

- 5.2.5 Council may distinguish in its penalties between cases of vandalism and cases of tampering.
- 5.2.6 Subsequent acts of tampering will lead to penalties and deposits increasing in quantum.
- 5.2.7 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.
- 5.2.8 Any person failing to provide information or providing false information to the municipality may face immediate disconnection/restriction of services.

5.3 Cost of collection

- 5.3.1 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 customer and should reflect at least the actual cost of the particular action.

5.4 Irrecoverable debt

- 5.4.1 The Municipal Manager must ensure that all avenues are utilized to collect the municipality's debt.
- 5.4.2 There are some circumstances that allow for the valid termination of debt collection procedures:
 - 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;
 - iii. Debt prescribed in accordance to the Prescription Act;
 - iv. When the debtor relocates and three 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.
- 5.4.3 The municipality will maintain audit trails in such an instance, and document the reasons for the abandonment of the debt.
- 5.4.4 The schedules setting out particulars of the debt and the reasons for abandonment, together with a written request authorising the writing off of the indicated debt must be presented to:
- The manager in charge of credit control and debt collection for debts at R1, 00 – R25 000, 00 per customer;
 - The senior manager in charge of credit control and debt collection for debts at R25 000, 00 – R 50 000, 00 per customer;
 - The chief financial officer for debts at R50 000,00 - R75 000,00 per customer ;
 - The municipal manager for debts at R75 000,00 – R150 000,00 per customer ;
 - The executive mayor for debts above R150 000,00 per customer;
- 5.4.5 Notwithstanding the above, Council or its authorised officials will be under no obligation to write off any particular debt and will always have the sole discretion to do so.
- 5.4.6 Except in the case of the executive mayor who will do independent reports to Council, all officials as set out in paragraph 5.4.4 above shall submit a quarterly report to the Finance Committee regarding the exercise of their delegated powers and the Finance Committee shall report any irregularities to Council.

5.5 Rates clearance

- 5.5.1 On the sale of any property in the municipal jurisdiction, Council will withhold the transfer until all amounts due in connection with that property for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties during the two years preceding the date of application for a clearance certificate have been fully paid, by withholding a rates clearance certificate.
- 5.5.2 In terms of Section 118(3) of the Act an amount due for municipal service fees, surcharge of fees, property rates and other municipal taxes, levies and duties is a charge upon the property in connection with the amount is owing and enjoys preference over any bond registered against the property.
- 5.5.3 Accordingly, all such municipal debts shall be a charge upon the property, the subject thereof, and shall be payable by the owner of such property.
- 5.5.4 Transfer of outstanding debt on a closed account to the owners account(refer to section 118(3) of the Act

6. Performance Evaluation

6.1 Income Collection Targets

Council shall create targets that include:

- i. Reduction in present monthly increase in debtors in line with performance agreements determined by council.

6.2 Customer Service Targets

Council shall create targets that will include:

- i. Response time to customer queries.
- ii. Date of first account delivery to new customers.
- iii. Reconnection time lapses.
- iv. Meter reading cycles.

6.3 Administrative Performance

Council shall create targets that will include:

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

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

7. Reporting to Council

7.1. The Chief Financial Officer shall report quarterly to the Municipal Manager in a suitable format to enable the municipal Manager to report to the Finance Committee, who will report to the Executive Mayor, who will report to Council. This report shall report on:

- i. Cash flow information for the capital and operating accounts, and combined situation, showing Council's actual performance against its cash flow budgets.
- ii. Cash collection statistics, showing high-level debt recovery information (numbers of customers; enquires; default arrangements; growth or reduction of arrear debtors; ideally divided into areas, business (commerce and industry) domestic, state, institutional and other such divisions.
- iii. Performance of all areas against targets agreed to in item 6 of this policy document.
- iv. Council's ongoing income and expenditure statements, comparing both billed income and cash receipt income, against ongoing expenditure in both the capital and operating accounts.

7.2. 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 agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realizable income levels.

8. Indigent support policy

All indigent related matters must be referred to the Council approved Indigent policy.
