

uMFOLOZI LOCAL MUNICIPALITY



DRAFT

CREDIT CONTROL AND DEBT COLLECTION POLICY

February 2018

Table of Contents

1. PREAMBLE	3
2. DEFINITIONS	4
3. OBJECTIVES	6
4. APPLICATION	6
5. PRINCIPLES OF THIS POLICY	7
6. ROLES AND RESPONSIBILITIES	8
7. PERFORMANCE MEASUREMENT	11
8. CUSTOMER CARE POLICY	12
9. CREDIT CONTROL POLICY	19
10. DEBT COLLECTION POLICY	22
11. REPORTING	24
ANNEXURE A: PERFORMANCE MEASUREMENT	25
ANNEXURE B: CUSTOMER CARE & DEBT COLLECTION	26
ANNEXURE C: ARRANGEMENTS FOR PAYMENT	28

1. 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 uMfolozi Local 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 uMfolozi Local 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 uMfolozi Local Municipality set out hereunder.

DRAFT

2. DEFINITIONS

For the purposes of this policy the wording or any expression will have the same meaning as contained in the Act, except where it is explicitly indicated otherwise and means:

Act the Local Government: Municipal Systems Act No. 32 of 2000, as amended from time to time.

Chief Financial Officer the person, appointed by the municipal council, in control of the finances regardless of the title attached to the post;

Client any occupant of a property where to the municipality agreed to deliver services or already delivers, or if the occupant is not responsible, the owner of the property;

Council the municipal council of uMfolozi Local Municipality

Defaulter a person owing money to the municipality after the due date has lapsed; and

Equipment a building or other structure, pipe, pump, wiring, cable, meter, machine or any fittings;

Engineer the person in charge of the civil and electrical sections of the municipality;

Interest a cost levied with the same legal preference as service tariffs and calculated against an interest rate determined by the council from time to time;

Municipal Manager the person appointed in terms of section 82 of the Local Government: Municipal Structures Act No. 117 of 1998, including any person acting in the position or to whom the authority have been delegated;

Municipal services the services provided by the municipality, such as the provision of water and electricity, refuse removal, and sewerage removal, where service charges are levied;

Municipal account an account reflecting the costs for services rendered by the municipality or any authorised or contracted services provider and/or property tax in the form of, but not limited to:-

Yearly account delivered yearly and in the levies indicate property tax and/or building clause, availability fees, sewerage removal and refuse removal; and

Monthly account delivered monthly and indicates electricity, water, sundry levies, housing rental fees and instalments, as well as the monthly instalment of yearly services paid on in monthly instalments;

Municipality the organisation responsible for the collection of funds and provision of services to clients of uMfolozi Local Municipality;

Occupant any person that occupies any property or portion thereof, without taking cognisance of the capacity in which he/she occupies the property;

Owner

- (a) the person in whose name the title of the property is rightfully vested;
- (b) in the case where the person in whose name the property is rightfully vested becomes insolvent or deceased, that person under who the administration or control of such a property is vested as curator, trustee, executor, rightful manager, liquidator, or any other legal representative;
- (c) in any event where the municipal council cannot determine the identity of such person, any person who may rightfully benefit from such stand or any building thereon;
- (d) in the case of a stand for which a rental agreement of 30 years or longer have been adopted, the hirer thereof;
- (e) with regard to:-
 - (i) a portion of land demarcated on a sectional title plan which is registered in terms of the Sectional Titles Act No. 95 of 1986, and without limiting the aforementioned stipulations, the developer or governing body with regard to the common property; or
 - (ii) a portion as defined in the Sectional Titles Act, the person in whose name that portion is registered in terms of a sectional title deed, including the legally appointed representative of such a person;
- (f) Any corporate body, including but not limited to:-
 - (i) A company registered in terms of the Companies Act No. 61 of 1973, a trust inter vivos, trust mortis causa, a close corporation registered in terms of the Close Corporations Act No. 69 of 1984, and a Voluntary Association;
 - (ii) Any local-, provincial-, or national authority;
 - (iii) any council or governing body instituted in terms of any legislation enforceable in the Republic of South Africa; and
 - (iv) any embassy or other international entity;

Property any portion of land, of which the boundary has been determined, within the jurisdiction of the municipality

Rightful representative the person or organisation legally appointed by the municipal council to act on behalf of the municipal council or to perform a duty on behalf of the municipal council;

;

3. OBJECTIVES

The objectives of this Policy are to –

- 3.1 ensure that all money due and payable to uMfolozi Local 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 foregoing and any collection charges are collected efficiently and promptly;
- 3.2 provide for credit control procedures and mechanisms and debt collection procedures and mechanisms;
- 3.3 provide for indigent debtors;
- 3.4 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 uMfolozi Local Municipality less an acceptable provision for bad debts;
- 3.5 provide for interest on overdue amounts;
- 3.6 provide for collection charges on the payment of any overdue amount;
- 3.7 provide for extension of time for the payment of overdue amounts;
- 3.8 provide for the termination of services or for restrictions on the provision of services when payments are overdue;
- 3.9 provide for matters relating to the unauthorised consumption of services, theft and damages.

4. APPLICATION

This Policy shall apply to:

- The Mayor.
- Deputy - Mayor
- The Speaker.
- Executive Committee Members.
- Councillors
- Municipal Manager.
- Directors
- Any other official and or representative

Specifically authorised to represent the Municipality and on official business of the Municipality.

5. PRINCIPLES OF THE POLICY

- 5.1 The administrative integrity of the municipality must be maintained at all times. The democratically elected councillors are responsible for policy making, whilst it is the responsibility of the Municipal Manager to execute such policies;
- 5.2 Consumers must complete an official application form wherein they request the municipality to connect them to service connection points. Owners must in writing take responsibility for the debt as debtor of last resort and liable for payment of any outstanding balance due and owing to the municipality. Existing consumers may be requested from time to time, as determined by the Municipal Manager, to complete new application forms;
- 5.3 Copies of the application form, preconditions for service delivery and extracts from the credit control and debt collection policy and regulations of the council must on request by consumers be provided at costs determined by the council, if applicable;
- 5.4 Accounts must be distributed timeously and must be accurate and easily understandable;
- 5.5 The consumer is entitled to access to pay points and to a selection of reliable payment methods;
- 5.6 The consumer is entitled to a good, effective and reasonable answer to enquiries / appeals, and may suffer no disadvantage during the processing of a reasonable enquiry / appeal;
- 5.7 Measures to enforce payments must be applied consistently and effectively;
- 5.8 Unauthorised usage, connection and cut offs, fiddling with or theft of meters, service provision equipment and the reticular network, and any fraudulent / illegal conduct with regard to the provision of municipal services will lead to termination of service delivery, the imposition of heavy fines, forfeiting of rights and / or public prosecution;
- 5.9 Both incentives and discouragement can be used in collection procedures;
- 5.10 The collection procedures must be cost effective;
- 5.11 Results will be reported and monitored regularly and effectively;
- 5.12 Application forms will be used to, amongst others, categorise consumers on the basis of credit risk and to determine service levels and deposits for services;
- 5.13 Goals / objectives for performance in both customer care and debt collection must be established and pursued and corrective measures for underperformance must be instituted;

- 5.14 Where practically feasible, the customer care and debt collection policies will be handled separately and will the organisational structure reflect it as separate sections; and
- 5.15 The support of the principle to provide services in exchange for the payment of overdue debts.

6. ROLES AND RESPONSIBILITIES

6.1 Duties and functions of the Municipal Council

It is the duty of Municipal Council to oversee and monitor the process of credit control.

- (a) To approve a budget in line with the council's Integrated Development Plan;
- (b) To institute taxes and tariffs and to determine service costs, fees and fines in order to finance the budget;
- (c) To provide sufficient funds to provide access to basic services for the poor;
- (d) To make provision for bad debts, corresponding with the payment record of the community, ratepayers and residents as reflected in the financial statements of the municipality;
- (e) To establish a goal / objective for improving debt collection, corresponding with acceptable accounting relationships and the capacity of the Municipal Manager;
- (f) To approve a reporting framework with regard to customer care, credit control and debt collection;
- (g) To consider and approve regulations that will give effect to the execution of the council's policy;
- (h) To monitor the performance of the Municipal Manager in the areas of customer care, credit control and debt collection through the Executive Committee;
- (i) To adjust the budget if the council's goal / objective for customer care, credit control and debt collection is not attained;
- (j) To institute disciplinary steps and/or legal action against councillors, officials and agents who do not execute the council's policy and regulations or act improperly in terms thereof;
- (k) To approve a list of attorneys who will represent the council in all legal matters relating to debt collection
- (l) To delegate adequate powers to the Executive Committee, Municipal Manager and service providers to execute and monitor the customer care-, credit control- and debt collection policy;

- (m) To adequately capacitate the municipality's finance department to execute credit control and debt collection, or to alternatively appoint debt collection agents;
- (n) To support the Municipal Manager in the execution of his/her duties;
- (o) To provide funds for the training of personnel; and
- (p) To annually review the Credit Control and Debt Collection Policy.

6.2 Duties and functions of the Mayor:-

- (a) To ensure that the council's budget, cash flow and goals / objectives with regard to debt collection are executed in terms of official policy and regulations;
- (b) To monitor the performance of the Municipal Manager in the implementation of policy and regulations;
- (c) To revise and evaluate policy and regulations to improve the effectiveness of procedures, mechanisms and processes with regard to customer care, credit control and debt collection; and
- (d) To report to the council.

6.3 Duties and functions of the Municipal Manager:-

- (a) to implement good customer care;
- (b) to implement the council's policy with regard to customer care, credit control and debt collection;
- (c) to institute and maintain an appropriate accounting system;
- (d) to distribute accounts to clients;
- (e) to claim payments on due dates;
- (f) to impose fines with regard to non-payment; (g) to utilise payments received;
- (h) to collect outstanding debts;
- (i) to implement "Best Practices"; (j) to provide a variety of payment methods;
- (k) to determine customer care-, credit control- and debt collection measures;
- (l) to determine work procedures for the following: public relations, arrangements, disconnection of services, summonses, attachment of property, sales in execution, debt write-offs, sundry debtors and legal processes;
- (m) to appoint a firm of attorneys to execute legal proceedings (e.g. attachment of and sale in execution of property, attachment order in terms of compensation, etc.);

- (n) to determine performance targets for staff;
- (o) to appoint staff in terms of the council's recruitment and selection policy to execute the council's policy and regulations;
- (p) to delegate appropriate functions to Heads of Department;
- (q) to determine control procedures; and
- (r) To monitor contracts with service providers with regard to credit control and debt collection.

6.4 Duties and functions of communities, taxpayers and residents:-

- (a) to fulfil certain responsibilities based on privilege and/or the right to use and enjoy public amenities and municipal services;
- (b) to pay on due dates all service fees, property tax and other taxes, levies and tariffs as determined by the municipality;
- (c) to obtain a duplicate account at the municipal help desk in instances where the account is not delivered within the normal account cycle;
- (d) to inform the municipality when services are no longer needed at a specific service point, and of any change in address;
- (e) to respect the mechanisms and processes of the municipality when exercising their rights;
- (f) to provide reasonable access to their property to allow municipal officials to execute their functions;
- (g) to adhere to the regulations and other legislation of the municipality; and
- (h) to refrain from fiddling with municipal property and services.

6.5 Duties and functions of councillors:-

- (a) to hold regular ward meetings (Ward Councillors);
- (b) to adhere to municipal policy and regulations and to convey this information to residents and ratepayers;
- (c) to adhere to the council's Code of Conduct for Councillors;
- (d) to provide input with regard to applications for indigent households; and
- (e) to, as policy-makers, refrain from interfering with the administrative process

7. PERFORMANCE MEASUREMENT (ANNEXURE A)

The council must institute the necessary mechanisms to set and measure performance against targets with regard to debt collection, customer care and administrative performance, and take corrective steps in order to promote credit control and debt collection.

7.1 Income Collection Targets:

The council must set targets that include the following:

- (a) A decrease in the current escalation of debt in line with the performance agreements determined by the council from time to time.

7.2 Customer Care Targets:

The council must set targets that include the following:

- (a) response times with regard to enquiries by clients;
- (b) the date on which the first account must be rendered to customers;
- (c) the time frame for the reconnection of services; and
- (d) the meter reading cycle.

7.3 Administrative Performance:

The council must set targets that include the following:

- (a) cost effectiveness of debt collection;
- (b) enquiry and appeal procedures; and
- (c) implementation mechanism relationships.

8. CUSTOMER CARE POLICY

8.1 Aim

To focus on the needs of the consumer in an accountable and pro-active manner, to improve the payment of service fees and to establish a positive and cooperative relationship between the persons responsible for payment for services and the municipality and, where applicable, the service provider.

8.2 Communication and feedback

- 8.2.1 The municipality must, within its financial and administrative capacity, undertake a process to compile a budget, which include the targets for credit control and debt collection and communicate these targets to the broader community
- 8.2.2 The council's policy with regard to Customer Care, Credit Control and Debt Collection, or appropriate extracts thereof, must be available in English, Afrikaans and Zulu, must be available via general publication and on specific request, and must be kept at municipal offices for inspection.
- 8.2.3 The council must endeavour to release a regular newsletter focusing on customer care and debt collection matters.
- 8.2.4 The Ward Councillor must hold regular ward meetings during which emphasis must be placed on customer care and debt collection matters; and
- 8.2.5 The press must be motivated to provide prominent coverage of council matters with regard to customer care, credit control and debt collection, and must be invited to attend council and committee meetings where such matters are discussed.

8.3 Metering system

- 8.3.1 The municipality must endeavour to, within practical and financial limits provide meters for all measurable services to each paying consumer;
- 8.3.2 If possible, all meters must be read on a monthly basis. Should the meter not be read on a monthly basis, the council will estimate consumption in terms of the council's operational policy;
- 8.3.3 Consumers are entitled to submit enquiries with regard to the confirmation of meter readings and are entitled to meter readings which is as accurate as can reasonably be expected, but can be held liable for the costs thereof;
- 8.3.4 Consumers will be informed of the replacement of meters; and
- 8.3.5 Where a meter has been installed for a service, but cannot be read due to financial or manpower limitations, or due to circumstances outside the control of the municipality or its legal agent, and the consumer's account is calculated on average consumption, the account that follows on the reading of metered consumption must reflect the difference between actual consumption and average consumption, and the resulting credit-or debit adjustments.

8.4 Accounts and invoices

- 8.4.1 Consumers will receive from the municipality an understandable and accurate account that consolidates all service fees for the property;
- 8.4.2 Accounts will be drawn up in accordance with the meter reading cycle, and payment dates will be matched with the date of the invoice;
- 8.4.3 Accounts will be sent monthly in cycles of approximately 30 days to the most recent address recorded at the municipality or its legal agent;
- 8.4.4 It is the responsibility of the consumer to ensure that his/her postal address and other contact details are correct;
- 8.4.5 In cases where accounts are not received, the responsibility to pay the account timeously resides with the consumer;
- 8.4.6 The payment date is reflected on the account and under normal circumstances is as follows:
- (a) monthly accounts are payable before or on the 15th day, or the first subsequent work day should it fall on a weekend or public holiday, of the month that follows on the month in terms of which the account is rendered;
 - (b) yearly accounts are payable within a time frame of three (3) months from the date on which such fees became due and payable; and
 - (c) accounts of councillors and employees are deducted from their salaries / allowances.
- 8.4.7 Should an account not be paid in full, no smaller payment offered and accepted will be regarded as the final payment of the applicable account;
- 8.4.8 Where any payment to the municipality or its legal agent by means of transferable instrument is rejected by the bank:
- (a) the municipality or its legal agent may recuperate the average bank costs incurred with regard to the rejected transferable instrument from the account of the consumer;
 - (b) the municipality or its legal agent must regard it as non-payment and will services only be reconnected upon receipt of cash or a bank guaranteed cheque; and
 - (c) The municipality or its legal agent may insist on cash payment with regard to all future accounts.
- 8.4.9 The municipality or its legal agent must, where requested and administratively possible, issue the consumer with a duplicate account or any acceptable alternative at costs determined by the council from time to time.
- 8.4.10 If an account is not paid by the due date interest will be charged one month from billing date. Interest will be equivalent to a full month from this date for each month, or part thereof that the account is overdue.
- 8.4.11 The municipality supports the principle of a consolidated account and reserve the right to disconnect/restrict/block any service with regards to non-payment of the consolidated account.

8.5 Payment facilities and methods

- 8.5.1 The municipality must administer and maintain appropriate bank-and cash facilities that must be accessible to clients;
- 8.5.2 The municipality must at its discretion allocate a payment between service debts – a debtor in arrears may not specify that the payment must be used for a specific part of his/her account;
- 8.5.3 The municipality may, in terms of Section 103 of the Act, with the permission of the consumer, approach an employer to implement a debit- or stop order arrangement; and
- 8.5.4 The consumer must acknowledge in all consumer agreements that the use of consumer agents in the transfer of payments to the municipality will occur at the risk of the consumer. This is applicable also to the time of transfer of payment.
- 8.5.5 Debtors who pay the account by means of a credit card transaction, and where the value of the payment is R 5000 or more, or an amount as determined by council when determining tariffs may be liable for the cost of the transaction as passed on to the Municipality by the Financial Institution.

8.6 Incentives for regular payment

- 8.6.1 The council may, in order to encourage early payments and to reward regular payers, from time to time consider incentives as compensation for regular payers and payments received via debit-or stop order; and
- 8.6.2 Should incentives be implemented, the expenses attached to the incentive scheme must be reflected in the operating budget as an additional expense.

8.7 Enquiries, appeals and service complaints

- 8.7.1 The council will provide the following within its financial and administrative capacity:
 - (a) a centralised complaints-/feedback office;
 - (b) a centralised database for complaints, that will make it easier to coordinate and solve complaints, and to communicate more effectively with clients;
 - (c) appropriate training for officials that deals directly with the public in order to improve communication and service delivery; and
 - (d) a communication mechanism to inform the council with regard to the implementation of the Policy with regard to Customer Care, Credit Control and Debt Collection, as well as other matters.
- 8.7.2 If a consumer is convinced that his/her account is not accurate, he/she can request that the applicable account be investigated (dispute as per 7.7.4) and, where applicable, the necessary corrections be made;

- 8.7.3 The debtor must in the meantime pay an average based on previous consumption if the history of the account is available. Should this history not be available, the debtor must pay, without infringing his/her rights, an estimated amount provided by the municipality before the payment date until the case is resolved;
- 8.7.4 Customers can dispute the municipal account. In order for a dispute to be registered with the Municipality, the following procedures must be followed – by the debtor:
- (a) The dispute must be submitted in writing or dictated to the official who will record it in writing and have it signed as correct. The document must then immediately be lodged with the relevant authorised official;
 - (b) No dispute will be registered verbally whether in person or over the telephone;
 - (c) The debtor must furnish full personal particulars including all their account numbers held with the Municipality, direct contact telephone numbers, fax numbers, postal and e-mail addresses and any other relevant particulars required by the Municipality;
 - (d) The full nature of the dispute must be described in the correspondence referred to the above; and
 - (e) The onus will be on the debtor to ensure that he receives a written acknowledgement of the dispute.
 - (f) In order for a dispute to be registered with the Municipality, the municipality must follow the following procedures –:
 - (i) All disputes received are to be recorded in a register kept for that purpose. The following information should be entered into this register, namely debtors account number; debtors name; debtors address; full particulars of the dispute; name of the official to whom the dispute is given to investigate and resolve; actions that have, or were, taken to resolve the dispute; signature of the controlling official;
 - (ii) An authorised controlling official will keep custody of the register and conduct a daily or weekly check or follow-up on all disputes as yet unresolved; and
 - (ii) A written acknowledgement of receipt of the dispute must be provided to the debtor.
 - (g) The following provisions apply to the consideration of disputes:
 - (i) All disputes must be concluded by the Chief Finance Officer;
 - (ii) The Chief Finance Officer's decision is final and will result in the immediate implementation of any debt collection and credit control measures provided after the debtor is provided with the outcome of the dispute; and
 - (ii) The same debt will not again be defined as a dispute and will not be reconsidered as the subject of a dispute.
- 8.7.5 Lessors that fail to pay such agreed upon interim payments will be subject and part of the normal credit control and debt collection procedures;

- 8.7.6 A consumer may appeal against the finding of the municipality or its legal agent in terms of sub-paragraph 11.6.4; and
- 8.7.7 An appeal and request in terms of sub-paragraph 11.6.6 must within twenty one (21) days after notification of the findings mentioned in sub-paragraph 11.6.4 be addressed to and submitted at the municipality and must:
- (a) set out the grounds for the appeal; and
 - (b) be accompanied of any security determined for the testing of the metering device, if applicable.

8.8 Customer support programmes

8.8.1 Water leakages:

- (a) If the leakage is at the consumer's side of the meter, the consumer will be responsible for payment of the full account;
- (b) If sufficient proof of repair costs are furnished the municipality may, at its own discretion, provide relief; and
- (c) It is the responsibility of the client to control and monitor his/her consumption.

8.8.2 Tax rebates:

- (a) The municipal council may grant on an annual basis rebates to categories of rate payers in accordance with the tax policy and regulations of the municipality; and
- (b) Tax rebates will be subject to criteria as determined by the council from time to time.

8.8.3 Arrangements for payment

- (a) If required, consumers in arrears must agree to change to pre-paid meters. Subsequent to installation, the amount in arrears and the cost of the pre-paid meter will be payable on one of the following methods:
 - (i) the total in arrears are added to the account and an agreement is arranged; or
 - (ii) the total in arrears can be placed on the pre-paid meter and paid back at a rate of 50% of purchases as electricity is purchased until the account is paid in full; and
- (b) The council reserves the right to increase the required deposit / security of debtors that opt to make arrangements with the municipality.

8.8.4 Property Rates and Services in instalments:-

- (a) Property Rates and annual services must be paid in twelve (12) even instalments, with no interest charges thereon, with the understanding that no tax pertaining to the previous period is outstanding and that all payments be fully paid at the date that precedes the following tax cycle; and
- (b) The full amount for taxes and services will become payable immediately if the taxpayer is in arrears for three (3) months.

8.9 Subsidies for indigent consumers

- 8.9.1 A basic level of services will be provided to qualifying households with a total bruto income which is less than a predetermined amount and meet specific criteria determined by the council from time to time;
- 8.9.2 Subsidies to indigent consumers will be financed from the equitable share contribution from National Government and for which provision is made in the municipal budget;
- 8.9.3 The subsidised services are sewerage removal, refuse removal and water;
- 8.9.4 If a consumer's consumption or use of a municipal service is less than the subsidised service, may the unused portion not be accrued to the consumer and will it not entitle the consumer to cash or a rebate with regard to the unused portion;
- 8.9.5 If a consumer's consumption or use of a municipal service exceeds the subsidised service, the consumer will be liable to pay for the amount in excess at an appropriate rate;
- 8.9.6 The consumption of all consumers who qualify for an indigent subsidy will be limited to prevent further escalation of debt;
- 8.9.7 If applicable, indigent households will be exempted of a portion of their debts;
- 8.9.8 Where the account of a consumer that qualifies for an indigent subsidy is paid in full or pays the account in full on a regular basis at the time of application, the limitation on consumption may be lifted;
- 8.9.9 A consumer that qualifies for an indigent subsidy must apply for de-registration if his/her circumstances improves to such an extent that he/she no longer meet the requirements for the subsidy;
- 8.9.10 An indigent consumer can apply for de-registration at any time; and
- 8.9.11 A list of indigent consumers will be kept and made available to the general public.

8.10 Additional subsidy categories

- 8.10.1 The council may provide certain portions of basic consumption of electricity and water free of charge to a consumer, as determined from time to time;
- 8.10.2 The council may grant donations to alleviate the tax burden on specific categories of consumers, as determined from time to time;
- 8.10.3 Rebates may be granted to sports organisations, but services fees must at least cover the cost of the service; and
- 8.10.4 Rebates may be granted to large scale consumers to encourage them to reside in KwaMbonambi, where it will be to the benefit of the community.

8.11 Consumer categories

- 8.11.1 Consumers will be categorised in terms of special classifications that provides for, amongst others, the type of business, appropriate tariffs and the risk

attached to service delivery. Credit control procedures , debt collection and customer care may differ from category to category determined by the Municipal Manager from time to time.

8.12 Preferential customer management

8.12.1 Certain consumers can be classified as preferential consumers by the Municipal Manager according to certain criteria, such as the number of properties and volume of consumption; and

8.12.2 A specific municipal official will be tasked to deal with the interests of preferential consumers, and will execute such tasks as the check accounts for accuracy, monitoring timeous payments, and answering enquiries.

8.13 Deviation from policy

8.13.1 Deviation from this policy can only be approved in terms of council's system of delegations, and

8.13.2 Deviations to be reported to council.

DRAFT

9. CREDIT CONTROL POLICY

9.1 AIM

- 9.1.1 To establish procedures that will ensure the collection of debt and attainment of service delivery targets, as well as to prevent the escalation of bad debts;
- 9.1.2 To facilitate the financial support and provision of basic services for the indigent consumers in the community;
- 9.1.3 To establish measures to encourage timeous payments; and
- 9.1.4 To limit risks by means of effective management resources.

9.2 Service application and agreements

- 9.2.1 The municipality will only contract with the owner of the property;
- 9.2.2 Prior to signing the agreement, the owner and /or lessee are entitled upon request to receive the policy document of the council;
- 9.2.3 The owner and /or lessee shall receive a copy of the agreement upon the signing thereof;
- 9.2.4 Clients must acknowledge in the agreement that they accept liability, in the case of non-payment, for debt collection costs, interest and fines;
- 9.2.5 Existing customers will be requested to sign new agreements as determined by the Municipal Manager from time to time; and
- 9.2.6 Should a consumer fail to enter into such an agreement with the municipality, or to provide security, as defined in sub-paragraph 9.6 the council may:
 - (a) hold the particular consumer liable for all outstanding service debts against the property and/ or
 - (b) limit or cut off services

9.3 Right of access to property

- 9.3.1 The owner and /or lessee of the property must allow an assigned municipal representative access to the property at all reasonable times read, inspect, install or repair any meter or service connection, and / or disconnect, stop, limit or reconnect any service
- 9.3.2 The owner is responsible is responsible for the costs of moving a meter should reasonable access not be possible; and
- 9.3.3 Should a person fail to adhere to any requirement, the municipality or its legal agent may:
 - (a) request such a person by means of written notification to, at his/her cost, repair access within a specific time frame; and
 - (b) repair access without prior notification and recover the costs incurred from the person, if deemed an urgent case

9.4 Enforcing mechanism

- 9.4.1 Interest can be levied in terms of applicable legislation as a cost on all accounts not paid on the due date; and
- 9.4.2 The municipality shall have the right to limit or stop services or to implement any other debt collection actions due to late or non-payment of accounts with reference to any consumer, owner or property.

9.5 Theft and fraud

- 9.5.1 If found that any person (natural or juristic) are illegally connected or reconnected to municipal services, or that he/she fiddled with any meter, reticulation network or any other supply equipment, or delivered any unlawful service associated with the provision of municipal services, or stole or damaged any municipal property, he/she shall be prosecuted and/or held liable for fines, as determined from time to time;
- 9.5.2 The council shall immediately stop the provision of services and/or remove services should the abovementioned action be detected;
- 9.5.3 The total account due, including fines, estimates of unlawful consumption and disconnection-and reconnection fees, as well as increased deposits as determined by the council, if applicable, is due and payable immediately and reconnection cannot be approved before these amounts are not paid in full;
- 9.5.4 The council shall maintain monitoring systems and teams to locate and monitor consumers who make themselves guilty of such unlawful action;
- 9.5.5 An official case shall be laid at the South African Police Service against both vandals and thieves and the council reserves the right to take any other legal action against them; and
- 9.5.6 Services can be stopped immediately if any person fails to disclose or disclose unjust information to the municipality.

9.6 Selection of clients and security

- 9.6.1 The credit worthiness of all applications for municipal services may be checked which may include verification of information of banks, credit bureau's, local authorities, trade accounts payable, and employers;
- 9.6.2 Security deposits, whether in cash or any other security acceptable to the municipality, will be taken and may differ according to risk. A minimum deposit will be taken in accordance with amounts determined by the council from time to time;
- 9.6.3 The municipality may increase deposits at any time at its own discretion;
- 9.6.4 Deposits may vary based on the credit worthiness or legal category of the applicant, subject to the minimum requirements of paragraph 8.6.2;
- 9.6.5 The municipality will pay no interest on deposits;
- 9.6.6 The deposit amount, less any amount owed to the municipality, shall be paid back to the consumer at the termination of the agreement; and

9.6.7 With effect 1 July 2013, the municipality will only enter into a municipal service contract with the owner.

9.7 Businesses submitting tenders to the municipality

9.7.1 The Supply Chain Policy and Tender conditions of the municipality shall include the following:

- (a) When tenders are called for the provisioning of services or goods, potential contractors can submit tenders subject to a condition that the consideration and evaluation thereof shall require of the tenderer to obtain a certificate from the municipality that confirms that all applicable municipal accounts of the tenderer or his/her directors, owners or partners, are paid in full or that appropriate arrangements (which includes the right of settlement in the case of non-performance) are made for the payment of any amounts due;
- (b) No tender shall be awarded to a person unless an appropriate arrangement has been made for the payment of amounts due. No further debt may accrue during the contract period; and
- (c) Tender conditions include a condition that allows the municipality to, in terms of a reasonable arrangement with the consumer; subtract amounts due to the municipality from cash payments.

9.8 Collection costs

9.8.1 All costs with regard to legal processes, including interest, fines, termination of services, costs and legal costs applicable to customer care and credit control, where applicable, shall be levied against the account of the consumer and must at least reflect the actual cost.

9.9 Pre-paid meter system

9.9.1 The municipality shall use the pre-paid meter system:

- (a) To tie the provision of electricity to a pre-paid system as pre- payment for electrical units; and
- (b) As a payment with regard to bad debts consisting of accumulated municipal taxes and other levies, tariffs and fees with regard to services such as water, refuse removal, sanitation and sewerage removal, at a 50:50 ratio.

10. DEBT COLLECTION POLICY

10.1 AIM

10.1 To provide procedures and mechanisms to collect all outstanding amounts payable to the municipality flowing from the provision of services and annual levies to ensure the financial sustainability and provision of municipal services in the interest of the community.

10.2 Personal contact

10.2.1 Personal / telephonic / agent contact

- (a) The council or its legal agent shall endeavour to, within financial limitations, personally, electronically or telephonically contact all debtors in arrears to encourage payment and to inform them of their arrears status and rights, if applicable, to make arrangements, or to apply for an indigent subsidy, as well as other related matters, and will provide information as to how and where access to such arrangements or subsidies can be obtained; and
- (b) Such contact is not a right to be claimed by debtors – disconnection of services and other debt collection measures shall continue in the absence of such contact for whichever reason.

10.3 Service interruption

- 10.3.1 The electricity-and water supply and other municipal services of consumers with overdue accounts and who did not make arrangements with the municipality in respect thereof shall be terminated, limited or disconnected;
- 10.3.2 The limitation or disconnection of service can be implemented when the municipal account is one (1) day overdue;
- 10.3.3 The right is reserved to limit or refuse the sale of electricity or water to consumers with overdue taxes or other municipal levies;
- 10.3.4 Services shall be reconnected as soon as it is reasonably possible after payment of amounts in arrears, including the additional levies in terms of paragraphs 14.3.4 and 14.3.5, or the finalisation of agreements for instalment payments;
- 10.3.5 The costs of limitation and disconnection, as well as reconnection, shall be determined by the tariffs approved by the council and shall be payable by the consumer; and
- 10.3.6 The deposit of the defaulter shall be adjusted in accordance with the applicable council policy (refer to Annexure C).

10.4 Legal process (Annexure B)

(Use of attorneys / Use of credit bureaus)

10.4.1 The municipality can, when a debtor falls into arrears, start legal proceedings against such debtor, which process can include summonses, court hearings,

judgments, attachment orders, and, as a last resort, sale of property in execution;

- 10.4.2 The municipality shall exercise strict control over this process to ensure the accuracy and legality thereof and shall expect regular reports from the staff responsible for the process or from outside parties, whether attorneys or collection agents appointed by the council;
- 10.4.3 The municipality shall agree upon procedures and codes of conduct with such outside parties;
- 10.4.4 Attachment orders, in the case of employed consumers, are preferred above sales in execution, although both form part of the municipality's debt collection procedures;
- 10.4.5 All steps in the credit control procedure shall be recorded for municipal record purposes and for information to the consumer;
- 10.4.6 All legal costs pertaining to this procedure is for the account of the consumer;
- 10.4.7 Individual debtor accounts is protected and not the subject of public information. The municipality may however furnish information of debtors to credit bureaus by means of credit listing. This disclosure shall occur in writing and the situation shall be encapsulated in the municipality's agreements with its clients;
- 10.4.8 The municipality may consider the cost effectiveness of this process and shall receive reports regarding applicable matters and in turn report to the Executive Committee;
- 10.4.9 The council can, on recommendation by the Municipal Manager, consider the use of agents and innovating debt collection measures. Cost effectiveness, the willingness of agents to work according to applicable codes of conduct and the success rate of such agents and products shall form part of the agreement the council will enter into with such agents or product salespersons;
- 10.4.10 Consumers shall be informed about the powers, functions, duties and responsibilities of such agents, with due cognisance of their legitimate responsibility to adhere to agreed codes of conduct; and
- 10.4.11 Any agreement entered into with an agent or product sales person must include a clause that stipulates that violation of the code of conduct by the agent or product sales person shall cause the agreement to be terminated.

10.5 Rates clearance

- 10.5.1 With the sale of any property within the municipal jurisdiction the council shall withhold the rates clearance certificate until all rates, services and sundry costs attached to the property, is paid; and
- 10.5.2 An amount equal to 4 (four) months service- and basic charges will be collected in advance as part of the Rates Clearance process.

10.6 Withdrawal of claims

- 10.6.1 The Municipal Manager must ensure that all avenues are exhausted to collect the municipality's outstanding debts;
- 10.6.2 There are circumstances, as provided for in section 109 (2) of the Act, under which debt collection procedures can be withdrawn, such as:
- (a) the insolvency of the debtor, where the estate does not have sufficient funds;
 - (b) a balance that is, in comparison with collection cost, too small to collect; and
 - (c) where the council is of the opinion that a debtor or group of debtors are not in a position to pay for the services; and
- 10.6.3 The municipality shall in such cases keep an audit trail of the reasons why the outstanding debts are written off.

11. REPORTING

- 11.1 The Chief Financial Officer must report on a monthly basis and appropriate format to the Municipal Manager in order to allow the latter to report to the Mayor in terms of section 99 of the Act, read with section 100 (c). This report must include:
- (a) Statistics with regard to high-level debt collection (number of clients, enquiries, default arrangements, increase or decline in outstanding debtors). Where possible the statistics must be divided according to wards, businesses (trade and industry), household, government, institutional and any other divisions; and
 - (b) Performance in all areas against the targets / goals agreed upon in terms of paragraph 5 of this document.
- 11.2 Should the council in the opinion of the Chief Financial Officer did not receive income equivalent to the income projected in the annual budget as approved by the council, the Chief Financial Officer will report this with motivation to the Municipal Manager in terms of section 28(2)(a) of the Municipal Finance Management Act as amended. The Municipal Manager will concur with the Chief Financial Officer and immediately request that the budget be adjusted to realistically attainable income levels (realistic anticipated revenue).
- 11.3 The Mayor must report to the council on a quarterly basis as stipulated in section 99(c) of the Act.

DRAFT

ANNEXURE A

PERFORMANCE MEASUREMENT

1. Revenue collection target

- 1.1 Payment levels of current accounts: Increase the payment level with 3% every 12 months up to 95% of all consumers that can afford payment.

2. Customer care targets

- 2.1 Response time on customer enquiries:

First response must occur within ten (10) working days

- 2.2 Date on which first account will be delivered to new consumers:

At the second account cycle following the date of application or occupation, whichever occurred last.

- 2.3 Reconnection time frame:

Within twenty four (24) hours after an appropriate payment agreement is made.

- 2.4 Meter reading cycle:

95% of all meters must be read on a monthly basis with a maximum of two (2) successive months' estimates.

- 2.5 Repair of meters:

Within one (1) month after notification of the faulty meter is received.

3. Administrative targets

- 3.1 Cost effectiveness of debt collection:

- (a) Costs of debt collection may not exceed the total capital debt (in duplum rule);
- (b) Collection costs must be recovered from consumers in arrears; and
- (c) The total cost of debt collection must be recovered by means of appropriate credit control tariffs.

- 3.2 Enquiries and complaint periods: Enquiries and complaints must be dealt with within forty five (45) days, subject to the implementation of a help desk and an electronic system to record enquiries and complaints.

- 3.3 Enforceability relationships: 95% of the total consumers in arrears must be successfully contacted or disconnected within a period of 12 months.

ANNEXURE B**CUSTOMER CARE AND DEBT COLLECTION****1. Encouragement measures**

As determined by Council from time to time.

2. Indigent subsidy

The State's annual contribution towards relief of service accounts of persons who qualify are handled as follows:

- (a) Applications will remain indigent until such time that the applicant informs the municipality of a change in status, provided that the municipality may verify the Indigent status at any time.
- (b) Application forms not completed in full or missing documentation shall be rejected;
- (c) Subject to the maximum income threshold prescribed by the State, the quarterly portion of the State's grant and for which the council have made provision in its budget, shall be divided pro rata between qualifying applicants for as long as such grants will be made;
- (d) A committee composed of councillors, the Municipal Manager and Chief Financial Officer, in their capacity as accountable and accounting officials of the council, shall calculate the division in 1.3 above for approval by the council;
- (e) Tariffs of qualifying applicants are reduced monthly with the subsidies calculated in 1.4 above; and
- (f) Councillors must encourage rate payers/consumers in their respective wards to apply for participation in the indigent subsidy scheme.

3. Debt collection

- 3.1 Annual accounts: If accounts remain unpaid after becoming due and payable, owner/consumer will be credit listed and notice will be served that if the owner/consumer does not settle the amount due within fourteen (14) days, such account will be handed over to the municipality's attorneys for collection. Total account annually payable for current and next financial year debtor can apply for monthly status after the lapse of 2 (two) financial years.
- 3.2 The Municipality supports the principle of a consolidated account and reserve the right to disconnect/restrict/block any service with regards to non-payment of the consolidated account.
- 3.3 Accounts of which the instalments for annual services are paid on a monthly basis, and which became due and payable in terms of paragraph 7.8.4 (b) of the council's Policy, must receive notice that if the owner/consumer do not settle the amount due within fourteen (14) days, such account will be handed over to the municipality's attorneys for collection;

- 3.4 Should no response be received on the notices such accounts will immediately be handed over to the attorneys for collection;
- 3.5 All debtors with regard to rental houses, sale schemes and self-build schemes where the houses are still registered in the name of the municipality, must be notified in writing that, should satisfactory arrangements for the transfer of the applicable property into his/her name or arrangements for the outstanding debt not be made within one (1) month, such property will be sold by means of public auction;
- 3.6 When accounts are handed over for collection, particulars of debtors' employers and addresses must as far as possible be furnished to the attorneys with due regard for attachment orders;
- 3.7 Attorneys must report to the council on a monthly basis with regard to progress made and the cost factor of each debtor;
- 3.8 Attorneys must pay money collected to the council on a monthly basis; and
- 3.9 The fixed assets of debtors in arrears exceeding R 5 000, 00 and who do not adhere to their arrangements with the attorneys must, as a last resort, if all efforts to collect debts have failed, be sold in execution subject to the following procedure:
 - (a) Prior to the sale in execution of the fixed property, such debtors must be identified in consultation with the Finance Committee; and
 - (b) Councillors must at notification of attachments contact the person/s within fourteen (14) days and report to the Municipal Manager and its attorneys in writing.

ANNEXURE C

ARRANGEMENTS FOR PAYMENT**1. Entering into agreement**

If a consumer cannot pay his/her municipal account, the municipality can enter into an extended payment term - the consumer must:

- (a) sign an admission of guilt;
- (b) sign permission to take judgment;
- (c) sign a stop-or debit order if he/she is in the employment of a company;
- (d) deliver proof of income on the prescribed form;
- (e) acknowledge that interest will be levied at the prescribed rate against the account;
- (f) pay the current portion of the account in cash;
- (g) sign an admission that should the agreement not be adhered to, no further arrangements will be possible and that the disconnection of water and electricity, as well as legal proceedings, will immediately be implemented;
- (h) accept liability for all costs; and
- (i) provide annually on 31 May new proof of income, which return, shall serve at the same time for purposes of indigent assistance.

2. Arrangements that can be made**2.1 Household consumers according to monthly income:**

- (a) R 3 501 - R 5 000 = 1% of monthly income as arrear instalment plus the costs of credit control actions plus monthly account;
- (b) R 5 001 – R 7 500 = 2% of monthly income as arrear instalment plus the costs of credit control actions plus monthly account;
- (c) R 7 501 – R 10 000 = 3% of monthly income as arrear instalment plus costs of credit control actions plus monthly account;
- (d) R 10 000 and more = 5% of monthly income as arrear instalment plus the costs of credit control actions plus monthly account; and
- (e) Deposit to be increased to latest approved amount.

2.2 Businesses and Commercial:

6 Months to pay off arrears plus cost of credit control plus current account – deposit to be increased to the equivalent of 4 (four) months consumption.

2.3 State departments

No arrangement

2.4 Central and Provincial government

- (a) 1st transgression in financial year:
 - (i) Final notice and legal action shall commence in terms of the Institution of Legal Proceedings against certain Organs of State Act No. 40 of 2002.

2.5 Administration

Where a person is placed under administration the following procedure will be followed:

- (a) The debt as on the date of the administration court order shall be placed in a suspense account and, in terms of the administration order, be recovered by means of dividends from the administrator;
- (b) The administrator shall open a new account on behalf of the debtor and pay a new deposit. No account can be opened and administered in the name of the debtor since the latter is not allowed to accumulate debt;
- (c) Until the new account of the debtor is opened he/she shall be placed on limited consumption levels. The consumer shall be compelled to install a pre-paid meter if one is not already in use. The municipality shall be entitled to recover the costs for basic services by means of electricity purchases on the pre-paid meter; and
- (d) Should the current account fall into arrears, the provision of services shall be limited or disconnected and the administrator handed over for debt collection.

2.6 Indigents

All consumers classified as indigent and who still have outstanding debts subsequent to relief arrangements, shall pay such debts as follows:

- (a) In instalments over 36 months, except the monthly services fees after the credit control actions are paid in full.

2.7 Crèches & Churches

All consumers classified as crèches and churches and who still have outstanding debts subsequent to relief arrangements, shall pay such debts as follows:

- (a) In instalments over 12 months, except the monthly services fees after the credit control actions are paid in full.

Debtors can at any time pay a higher instalment than those described above.

3. Pre-paid electricity

- 3.1 The installation of an electricity pre-paid meter can be considered on request by the municipality as debt collection mechanism and

- 3.2 The cost of the meter. Installation and arrear municipal account to be recovered via auxiliary functionality of the Electricity Pre-paid system at a rate of 50% of purchase.

DRAFT