

SOL PLAATJE MUNICIPALITY



CREDIT CONTROL AND DEBT COLLECTION POLICY

**REVIEWED IN TERMS OF SECTION 99 OF THE
LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT, 2000**

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1. OBJECTIVE: CONSTITUTIONAL OBLIGATIONS

- 1.1 The council of the municipality, in adopting this policy on credit control and debt collection, recognises its constitutional obligations to develop the local economy and to provide acceptable and affordable services to its residents.
- 1.2 It simultaneously acknowledges that it cannot fulfil these constitutional obligations unless it exacts payment for the services which it provides and for the taxes which it legitimately levies – in full from those residents who can afford to pay, and in accordance with its indigent relief measures for those who have registered as indigents in terms of the council's approved Indigent Management Policy.

2. DEFINITIONS

- “Municipality” means the Sol Plaatje Municipality.
- “Municipal Manager” means the Accounting Officer of the Municipality or his delegate may delegate the function to the person as contemplated in terms of Section 16 of this policy or in terms of the Delegated Authority Register as amended from time to time.
- “Service Contract” means when a consumer of services (water and /or conventional electricity), enters into a contract with the Municipality for the provision of municipal services.

3. EXPECTED FUTURE PAYMENT LEVELS

- 3.1 In terms of the budgets approved by the council, and in accordance with commonly accepted best practice, this municipality must strive to ensure that payment levels for each financial year, in respect of all amounts legitimately owed to the municipality – that is, inclusive of the balance of the monthly accounts payable by registered indigents – are maintained at an annual average of at least 90%.
- 3.2 This payment level to apply to all live or current accounts for both metered services (water and electricity) and unmetered services (rates, sewerage, refuse, housing rentals and miscellaneous).
- 3.3 Council will annually review and make provision where necessary on its expenses budget for a contribution to bad debts.

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- 3.4 Council may provide a discount as an incentive for timely payments of accounts (i.e. payments on current outstanding amounts by the due date). Such incentive shall be determined through the budgetary process and resolved by Council each financial year.
- 3.5 The Municipality is charged with making the community aware of their legal obligations to make regular payments on their municipal accounts and the consequences of non-payment of municipal accounts by having a publicity drive on debt collection at least bi-annually. The relevant officials must provide technical assistance to the ward committees through statistics and analysis of all the areas.

4. NOTICE OF DEFAULT AND INTENDED TERMINATION OR RESTRICTION OF SERVICES

- 4.1 When an accountholder does not pay his / her account, or make an acceptable arrangement with the municipal manager for late payment within 30 days of the date of the account, a warning notice will be issued.
- 4.2 Thereafter, if the account is not brought up to date or an accountholder has not made an acceptable arrangement with the municipal manager, the municipal electricity supply to the property to which the account in arrears relates shall be terminated and where necessary, the water supply restricted after a warning notice has been issued.
- 4.3 In the case of consumers using prepaid meters, but who have fallen into arrears with the remainder of their obligations to the municipality, no prepaid purchases shall be accepted until the outstanding arrears have been settled or an acceptable arrangement made for the payment of the arrear account, as contemplated above: such arrangement may entail the limitation of the amount of prepaid services which may be purchased until the arrears or a stated percentage of the arrears has been settled.
- 4.4 The Municipality shall charge a penalty fee, approved by council through a budgetary process and shall include the cost of delivering notices and/or disconnecting or suspending or restricting (except water services) any service in terms of this policy supplied by the Municipality.
- 4.5 The municipality may not terminate water services, in respect to domestic use, for non-payment of amounts owing to it.

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5. RECONNECTION OR REINSTATEMENT OF TERMINATED OR RESTRICTED SERVICES

Services to defaulting account holders terminated or restricted in terms of Section 4 above shall be reconnected or reinstated by the municipal manager only when all the following conditions have been met:

- 5.1 The arrear account which includes the interest raised has been paid in full, or an acceptable arrangement has been made with the municipal manager for the payment of the arrear account;
- 5.2 A service contract has been entered into with the municipality, as contemplated in Section 11 below;
- 5.3 A cash deposit has been lodged with the municipal manager in compliance with Section 12, such deposit to be determined on the basis of currently prevailing consumption and usage of services in respect of the property concerned or, if insufficient data is available in regard to such consumption, of the currently prevailing consumption and usage of services in respect of a comparable property;
- 5.4 The consumer must sign an acknowledgement of debt for the outstanding amount. This is peremptory only if there is no officially lodged dispute with the Municipality in terms of the substance of the account or consumption.
- 5.5 The Municipality reserves the right to consolidate any separate accounts of persons liable for payments to the Municipality, in accordance with section 102 of the Municipal Systems Act.

6. PERIODS FOR RECONNECTIONS OR REINSTATEMENTS

- 6.1 The municipal manager shall reconnect or reinstate terminated or restricted services within 2 (two) working days after the date on which the conditions set out in Section 5 have been met, unless the municipal manager is unable to do so because of circumstances beyond the control of the municipality. In the latter event the municipal manager shall promptly inform the mayor of such circumstances and of any actions required to overcome the circumstances concerned.

7. ILLEGAL USAGE (TAMPERING)

- 7.1 The municipal manager shall, as soon as it comes to the notice of the municipal manager that any service has been irregularly used, may report such action to the South African Police Service, and shall disconnect or restrict such service(s),

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and not reconnect or reinstate such service(s) until the arrear account, including the interest raised on such account, the charges for the notice sent in terms of Section 4 and the charges for both the original and subsequent reconnection or reinstatement of the service(s) and the revised deposit have been paid in full, together with such penalty as may be determined by the council from time to time.

- 7.2 In addition, all metered consumption since the date of the illegal reconnection or the estimated consumption if a reliable meter reading is not possible, shall also be paid in full before any reconnection or reinstatement is considered.
- 7.3 The Credit Control Section, shall when detecting illegal reconnections, report such to the Municipal Manager and the Finance Committee, which shall further report the matter to council.

8. RESTRICTION OF SERVICES

- 8.1 If the municipal manager is of the opinion that the termination of services, may result in endangerment of the life of any person, whether resident in or outside the property concerned – the municipal manager may appropriately restrict rather than terminate the services in question.

9. SERVICES NOT RECONNECTED OR REINSTATED AFTER FOUR WEEKS

- 9.1 If services have been terminated or restricted in the case of a property in respect of which the account is in arrear, and the accountholder has not paid such arrears, including:
- (i) the interest raised on such account, or made an acceptable arrangement with the municipal manager for the payment of the arrear account; and
 - (ii) the interest raised on such account, within a period of 28 (twenty eight) calendar days after the date of termination or restriction of the service(s) concerned, the municipal manager shall forthwith hand over such account for collection and such further action as is deemed necessary to Attorneys or any debt collecting agency appointed by the council.

10. ARRANGEMENTS FOR PAYMENT OF ARREAR ACCOUNTS

- 10.1 Accountholders who are in arrears may make an acceptable arrangement for the payment of such accounts.

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- 10.2 Each defaulting accountholder shall be allowed a maximum period as determined by Council from time to time within which to pay an arrear account, together with the interest raised on such account, and it shall be a condition for the conclusion of any arrangement that the accountholder is bound to pay every current municipal account in full and on time during the period over which such arrangement extends.
- 10.3 If an accountholder breaches any material term of an arrangement, the balance of the arrear account, together with the balance of interest raised on such account, shall immediately become due and payable to the municipality. If the accountholder defaults on such payment, the municipal manager shall terminate or restrict services to the property in question and must hand such account over for collection as envisaged in Section 9.
- 10.4 The Municipality will only enter into an arrangement to rehabilitate the consumer's account with said consumer twice in each financial year.

11. SERVICE CONTRACT

- 11.1 A service contract shall be entered into with the municipality for each property to which the municipality is required to provide all or any of the following services:
- Electricity
 - Water
- 11.2 Such contract shall set out the conditions on which services are provided and shall require the signatory to note the contents of the municipality's credit control and debt collection policy, a copy of which shall be available to such signatory, as well as the provision of the Municipal Systems Act in regard to the municipality's right of access to property.
- 11.3 A guarantee needs to be made in a service contract to pay rates and services, if the owner owns more than one property. If the owner rents out his/her property, the owner is responsible for the debt of the tenant.

12. PAYMENTS OF DEPOSITS

- 12.1 Whenever a service contract is entered into in terms of Section 11, the signatory shall lodge a deposit or bank guarantee with the municipality, such deposit to be determined by Council from time to time.

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13. QUERIES BY ACCOUNTHOLDERS

- 13.1 In the event of an accountholder disputing any item or items on the monthly municipal account, the dispute must be cleared within three months as contemplated in Section 5 provided the accountholder has paid by due date an amount equal to the monthly average monetary value of the three most recent undisputed accounts in respect of the service under dispute, as well as all undisputed balances on such account;
- 13.2 This is conditional on the dispute being made in writing by the accountholder or is recorded in writing by the municipal manager on behalf of the accountholder on or before the due date for the payment of the relevant account.
- 13.3 Any query raised by an accountholder in the circumstances contemplated in Section 14 below shall not constitute a dispute for the purpose of this policy.

14. INABILITY TO READ METERS

- 14.1 If the municipality is unable to read any meter on any property because the meter has been rendered inaccessible through any act or omission of the accountholder or owner of the property concerned (see also section 101 “Municipality’s right of access to premises” of the Local Government: Municipal Systems Act 32 of 2000), the municipal manager shall estimate the consumption of the service concerned by determining the monthly average of the metered consumption recorded on the three most recent accounts in respect of which meter readings were obtained, and thereafter bill the accountholder for the monetary value of such estimated consumption plus a monthly fixed amount non-access penalty which is determined by council from time to time.
- 14.2 Penalties shall be charged for deliberate obstruction to access premises to determine actual service consumption.
- 14.3 The accountholder shall be liable for the initial payment of such penalty as though the penalty were a part of the service charge concerned.
- 14.4 The Municipality shall strive to achieve 80% of actual readings of the total meter readings.
- 14.5 Estimated or interim readings shall be reported monthly to the Finance Committee.

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15. DISHONoured AND OTHER UNACCEPTABLE CHEQUES

15.1 If an accountholder tenders a cheque which is subsequently dishonoured by or is found to be unacceptable to the accountholder's bankers, the municipal manager shall – in addition to taking the steps contemplated in this policy against defaulting accountholders – charge such accountholder the penalty charge for unacceptable cheques, as determined by the council from time to time, and such charge shall rank equally with the costs and expenses incurred by the municipality for purposes of determining the sequence of allocations and appropriations.

16. DELEGATION OF RESPONSIBILITIES BY THE MUNICIPAL MANAGER

16.1 The municipal manager, including any person acting in such capacity, shall be responsible to the council for the implementation of this policy and its attendant by-laws but – without in so doing being divested of such responsibility – may delegate in writing all or any of the duties and responsibilities referred to in these by-laws to any other official or officials of the municipality, and may from time to time in writing amend or withdraw such delegation(s).

17. ROLE OF MUNICIPAL MANAGER

17.1 The legal responsibility for implementing the credit control and debt collection policy, procedures and by-laws are assigned to the Municipal Manager under Section 100 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000).

17.2 Accordingly, the Municipal Manager shall also ensure that all municipal employees pay their accounts in full or that acceptable arrangements are made with the Municipality for the payment thereof.

18. ROLE OF COUNCILLORS

18.1 Section 99 of the Systems Act 2000 places the important legal responsibility on the executive mayor of monitoring and supervising the application of the present policy and procedures, and the attendant by-laws, and of reporting to the council on the extent and success of credit control and debt collection measures. The municipality's Councillors must be actively involved in promoting the credit control and debt collection programme.

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- 18.2 In order to maintain the credibility of the municipality in the implementation of the present policy and the attendant by-laws, it is essential that councillors should lead by example.
- 18.3 Further thereto, each councillor must ensure that his/her account with the Municipality is paid in full or that an arrangement has been entered into with the Municipality in accordance with sections 8, 9 and 10 of this policy.
- 18.4 Furthermore, the arrear accounts of councillors and officials shall be submitted to the finance committee and further disclosed in the financial statements.

19. INTEREST ON ARREARS

- 19.1 Interest shall be charged on all arrear accounts at the prevailing overdraft rate offered by the municipality's bankers plus a percentage point as determined by council from time to time.
- 19.2 Interest charges not exceeding 75% of the total said charges may be removed from the accountholder's account as an incentive for full settlement of the arrears amount. This applies only to interest charges which have not yet been paid and such settlement incentive is only available to an accountholder once in a financial year.

20. INDIGENTS MANAGEMENT

- 20.1 This policy must be read in conjunction with the municipality's approved Indigent Management Policy with regard to the payments expected from registered indigents, and the credit control and debt collection actions contemplated in respect of such indigent residents.

21. IRRECOVERABLE ARREARS

- 21.1 The effective implementation of the policy also implies a realistic review of the municipality's debtor's book at the conclusion of each financial year. The municipal manager shall at the time of the budget process present to council a report indicating the amount of the arrears which is believed to be irrecoverable, together with the reasons for this conclusion. The municipal council may then approve the write off of such arrears annually.

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21.2 In an attempt to recover debt and trace the debtors, the Municipality reserves the right to access information of the debtor from the credit bureau without the debtor's permission. Such information shall not be used for other purposes other than to recover debt and shall be for the exclusive use of the Municipality only.

22. TRANSITIONAL ARRANGEMENTS

22.1 In recognition of the large accumulated debt currently on the financial statements of the Municipality and the immense burden it places on its current resources it necessitates an investigation into the application of the Prescription Act (Act No. 68 of 1969) and a quantification of such application.

23. MAINTANANCE OF DEBTOR'S BOOK

23.1 It is peremptory that no arrear debt may exist for more that 240 days unless it is the subject of legal process or action or otherwise an arrangement has been made.

23.2 Arrear debt which has not been collected within 240 days, subject to paragraph 23.1, must either qualify for writing off in terms of the Debt Write-off Policy or a full report on said account, including those which form part of a legal process or action, with an explanation must be submitted to Council for consideration with a recommendation for appropriate action.

24. BY-LAWS TO BE ADOPTED

24.1 By-laws shall be adopted to give effect to the council's credit control and debt collection policy.

ANNEXURE: LEGAL REQUIREMENTS

It is essential for the protection of the municipality's interests that the provisions of particularly the Municipal Systems Act 2000, Municipal Finance Management Act 2003, and the Property Rates Act 2004, in so far as they provide additional debt collection mechanisms for municipalities, be diligently enforced. At the same time, both the council and the administration must note the obligations, which the municipality has towards the community in respect of customer care and relations.