

JOE MOROLONG LOCAL MUNICIPALITY



DRAFT CREDIT CONTROL & DEBT COLLECTION POLICY

MUNICIPAL CREDIT CONTROL & DEBT COLLECTION POLICY
LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT, 2000

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1. DEFINITIONS

In this policy word or expression to which a meaning has been assigned in the Local Government: Municipal Systems Act has that meaning, unless the context indicates otherwise-

“account” means a notification by means of a statement of account to a ratepayer or customer who is liable for payments of any amount to the municipality and any authorized service provider in respect of the following: -

- a. Electricity that is consumed by a consumer based on a meter reading or an estimated consumption and any service fee;
- b. Water that is consumed by a consumer based on a meter reading or an estimated consumption or water availability fees,
- c. Refuse removal and disposal;
- d. Sewerage services and sewer availability fees;
- e. Rates
- f. Interest;
- g. Connection fees;
- h. Collection charges, miscellaneous and sundry fees; and
- i. Default administration charges.

“Act” means the local government: Municipal Systems Act, 2000(Act no. 32 of 2000) as amended from time to time;

“Actual consumption ” means the measured consumption by a customer of a municipal service;

“Agreement” means a contractual relationship between the municipality and a customer that arises, either as a result of the municipality’s approval of a written application for municipal services, including any subsequent variation that may be made to that agreement in conformity with this policy, or that is deemed to be an agreement;

“Applicable charges” means the rate (including assessment rates), charges, tariffs or subsidies determined by the council;

“area of supply” means any area within or partly within the area of jurisdiction of the municipality to which a service is provided;

“Arrears” means any amount that is due, owing and payable by a customer in respect of a

municipal service provided to such customer that has not been paid on or before the due date reflected on an account rendered in respect thereof;

“arrangement” means a written agreement or acknowledgement of debt in terms of which a municipality agrees to the payment over a period of time of a debt that is outstanding;

Authorised agent” means:

Any person authorized by the council to perform any act, function or duty in terms of or to exercise any power under this policy;

Any person to whom the council has delegated responsibilities, duties or obligations in respect of the provision of revenue collection services; or

Any person appointed by the council, in a written contract, as a service provider for the provision of revenue collection services or a municipal service to customers on its behalf, to the extent authorised by that contract;

“Average consumption” means the average consumption by a customer of a municipal service during a specific period, which consumption is calculated by dividing by three the total measured consumption of that service by that customer over the preceding three months;

“billing” refers to the process of charging for services provided by issuing a accounts:

“by law” means a legislation that is made by a decision taken by the council of the municipality binding in the municipality on the persons to whom it applies and is published in terms of section 13 of the municipal systems act;

“credit control” refers to the action/s required to safeguard revenue including disconnections, reconnections, normalising installations and follow-up procedures and data integrity.

“credit control and debt collection” is the function relating to the effective collection of any monies due and payable to a municipality;

“ municipal consumer debt” refers to the non-payment or late payment by consumers of property rates and municipal services (water, electricity, sanitation, refuse removal), traffic fines and rental housing payments, and includes any amounts considered as irrecoverable;

“Council” means the council of the local municipality of Joe Morolong

A structure or person exercising delegated authority and power or carrying out an instruction in terms of these by laws or a service provider fulfilling the responsibility under these by-laws;

“**Commercial customer**” means the point at which a customer gains access to municipal services;

“**Connection**” means the point at which a customer gains access to municipal services;

“**Customer**” means a person with whom the municipality has concluded or is deemed to have concluded an agreement for the provision of a municipal service;

“**Credit agreement**” means a credit agreement as defined in the national credit act in No.34 of 2005, including an accidental credit agreement;

“**Continuous service**” means the supply for consideration of a municipal service with the intent that as long as the agreement to supply the service remains, the municipality will make the service continuously available to be used by the consumer from time to time as determined by the consumer,

“**Chief Financial Officer**” means the official of the municipality responsible for the collection of moneys owed to the municipality and/ or any other staff member to whom he/she has delegated duties and responsibilities in terms of this policy;

“**Defaulter**” means a customer who owes arrears to the municipality;

“**Domestic customer**” means a customer who, primarily for residential purposes, occupies a dwelling, structure or premises;

“**Due date**” means the date on which an amount payable in respect of an account becomes due, owing and payable by a customer, which date shall not be more than 30 days after the date on which the account has been sent to the customer concerned;

“**Debt collection**” refers to the debt recovery process and includes sanctions (warning, disconnection, adverse credit rating, legal process and/or eviction, etc.) to be applied in the event of non-payment of accounts;

“**Disconnection**” means interrupting the supply of water or electricity to a debtor as a consequence of ignoring a notice for payment;

“**Effective disconnection**” includes, inter alia, the physical removal of connections and / or equipment as a consequence of unauthorised reconnection (tampering and/ or by –passing) of the disconnected service.

“Emergency situation” means a situation that would, if allowed to continue, pose a substantial risk, threat, impediment or danger to the present or future financial viability or sustainability of the municipality or to a specific municipal service;

“Estimated consumption” means the consumption that a customer, whose consumption is not measured during a specific period, is deemed to have consumed and that is estimated by taking into account factors that are considered relevant by the municipality and which may include the consumption of municipal services by the totality of the users of a service within the areas where the service is rendered by the municipality, at the appropriate level of service, for a specific time;

“Financial year” means a year ending 30 June;

“Holistic” or consolidated” refers to the combining of all debt in order to establish the total obligation the debtor has to the municipality;

“house hold” means a family unit that is determined by the municipality to be traditional by taking into account the number of persons in the unit, the relationship between the members of a household, their ages and any other factor that the municipality considers to be relevant;

“Illegal connection” means a connection to any system through which a municipal service is provided and that is not authorised or approved by the municipality;

“Incidental credit agreement” as defined in the National Credit Act No. 34 of 2005 means an agreement, irrespective of its form, in terms of which an account was rendered for utility services that have been provided to a customer and a fee, charge or interest become payable when payment of the amount charged in terms of that account was not made on or before a date which is less than 30 days before such fee, charge or interest was first levied;

“Principal debt” means a debt that is owed to the municipality in respect of rates and services. It may include interest, collection charges, default administration charges and connection charges and any other charges;

“Collection Costs” means an amount that the municipality can charge with regard to the enforcement of a consumer’s monetary obligation, if the service agreement is a credit agreement in terms of the National Credit Act;

“Default Administration Charges” means a charge that may be imposed by the

Municipality to recover administration costs incurred as a result of a consumer's default, if the agreement is a credit agreement in terms of the National Credit Act; **"interest"** means a charge levied on all arrear monies and calculated at a rate determined by the Council from time to time as may be prescribed by the Minister of Justice in terms of paragraph 1 of the Prescribed Rate of Interest Act, 1975 (Act No. 55 of 1975) or in terms of the Municipal Property Rates Act or in terms of the National Credit Act No 34 of 2005 in the case of an incidental credit agreement, as may be applicable to any agreement concluded under this policy;

"Interest on overdue accounts" is based on a full month and part of a month shall be deemed to be a full month.

"Indigent customer" means a domestic customer who is qualified to be and who is registered with the municipality as an indigent in accordance with this policy and the Indigent Policy;

"Indigent amount" refers to the applicable value of the indigent subsidy as determined by the Council of the municipality from time to time;

"infrastructure" means the facilities, installations or devices required for the rendering of a municipal services or for the functioning of a community including but not limited to facilities, installation or devices relating to water, power, electricity, sewerage, gas and waste disposal;

"Legal process or procedures and/or legal action" refers to, inter alia, the process and/ or action described in the Magistrate Courts Act No. 32 of 1944; Supreme Court Act No. 59 of 1959 Adjustment of Fines Act No. 101 of 1991; Debt Collector Act No. 114 of 1998; Criminal Procedure Act No. 51 1977; Local Government: Structures: Cross-Boundary Municipalities Act No. 29 of 2000; Local Government: Structures Amendment Act No. 33 of 2000; Local Government: Municipal System Act 32 of 2000;

"Letter of Demand" means a notice sent prior to the legal process commencing and includes notices sent as part of the monthly statement;

"Municipality" means:

- a. the Municipality of Joe Morolong, a local municipality established in terms of paragraph 12 of the Local Government: Municipal Structure Act No. 117 of 1998 and its successors-in-title; or
- b. subject to the provisions of any other law and only if expressly or impliedly required or permitted by this policy, the Municipal Manager in respect of the

performance of any function, or the exercise of any duty, obligation, or right in terms thereof or any other law; or

c. an authorized agent of the municipality;

“Municipal Manager” means the person appointed by the Council as the Municipal Manager of the municipality in term of section 82 of Local Government: Municipal Structure Act No. 117 of 1998 and includes any person to whom the Municipal Manager has delegated a power, function or duty but only in respect of that delegated power, function or duty;

“Municipal Property Rates Act” means the Local Government: Municipal Property Rates Act No. 6 of 2004;

“Municipal Services” for purposes of this policy, means services provided by the municipality, including refuse removal, water supply, sanitation electricity services and rates either collectively or singularly;

“Occupier” means any person who resides on and/or occupies any premises to which municipal services are supplied, regardless of the title under which he/she or it occupies the premises;

“Owner” means:

- a. the person in whose name the ownership of the premises is registered from time to time or his agent;
- b. where the registered owner of the premises is insolvent or dead or, for any reason, lacks legal capacity or is under any form of legal disability that has the effect of preventing him/her from being able to perform a legal act on his own behalf, the person in whom the administration and control of such premises is vested as curator, trustee, executor, administrator, judicial manager, liquidator or legal representative, as the case may be;
- c. Where the municipality is unable to determine the identity of the owner, a person who has a legal right in or the benefit of the use of any premises, building. or any part of building;
- d. Where a lease has been entered into for a period of 30(thirty) years or longer or for the natural life of the lessee or any other person mentioned in the lease or is renewable from time to time at the will of the lessee indefinitely or for a period or periods which, together with the first period of the lease, amounts to 30 years, the lessee or any other person to whom he has ceded his right, title and interest under the lease or any gratuitous successor to the lessee;

e. In relation to:

I. A piece of land delineated on a sectional plan registered in terms of the Sectional

Titles Act, 1986 (Act no 95 of 1986), the developer or the body corporate in respect of the common property, or

II. A sectional as defined in the sectional titles act, 1986 (act no 95 of 1986), the person in whose name such section is registered under a sectional title deed and includes the lawfully appointed agent of such a person; or

III. A person occupying land under a register held by a tribal authority or in accordance with a sworn affidavit made by a tribal authority;

“Parked arrears” refers to those monies that were put on hold by some of the former councils which now constitute the municipality of Joe Morolong

“payment” refers to any form of redemption acceptable to the council Of Joe Morolong from time to time towards the balance on an account;

“person” means any person, whether natural or juristic, and includes but is not limited to any local government body or like authority, a company or close corporation incorporated under any law, a body of persons whether incorporated or not a statutory body, public utility body, voluntary association or trust;

“premises” means any piece of land, the external surface boundaries of which are delineated on

a. A general plan or diagram registered in terms of the land survey act no. 9 of 1927 or in terms of the deed’s registries act no. 47 of 1937;

b. A sectional plan registered in terms of the sectional titles act No 95 of 1986; or

c. A registered held by a tribal authority or in accordance with a sworn affidavit made by a tribal authority; and where the text so requires, includes any building, structure or the like erected on such land;

“Public notice” means publication in the media including one or more of the following:

a. publication of a notice, in at least two of the official languages in general use within the province or area in question and, where possible, the notice shall be published in a newspaper appearing predominantly in the language utilised in the publication of the notice.

- I. In any local newspaper or newspapers circulating in the area of supply of the municipality
 - II. In the newspaper or newspapers circulating in the area of supply of the municipality determined by the council as a newspaper of record; or
 - III. On the official website of the municipality;
 - IV. By means of radio broadcasts covering the area of supply of the municipality;
- b. Displaying a notice in or at any premises, office, library or pay-point of either the municipality or of its authorized agent and to which the public has reasonable access; and
 - c. Communication with customers through public meetings and ward committee meetings;

“Prescribed tariff or charge” a charge prescribed by the municipality;

Residential debtors” are classified as those debtors who qualify for and receive free electricity and/ or water;

“Non-residential debtors” are classified as those debtors who do not qualify for or receive free electricity and / or water;

“Shared consumption” means the consumption by a customer of a municipal service during a specific period and that is calculated by dividing the total metered consumption of that municipal service in the supply zone where the customer’s premises are situated for the same period by the number of customers within the supply zone during that period;

“Subsidised service” means:

- a. A municipal service which is provided to a customer at an applicable rate which is less than the cost of actually providing the service and includes services provided to customers at no cost;
- b. An area, as determined by the council, within which all customers are provided with services from the same bulk supply connection; and
- c. The receipt, use or consumption of any municipal service which is not in terms of an agreement or authorised or approved by the municipality;

“Service” means a municipal service rendered by the municipality and includes the supply of electricity, water, sanitation and refuse removal;

“Sundry debt” refers to any debt other than rates, housing, metered services, sewerage and refuse removal.

“Supply” means any metered supply of water or electricity;

“Tampering” means the unauthorised reconnection of a supply that has been disconnected for non-payment, the interference with the supply mains or bypassing of the metering equipment to obtain an un-metered service;

“**Total household income or household income**” refers to the total formal and informal gross income of all people living permanently or temporarily on the property on which the account is based;

“**Unauthorised service**” means the receipt, use or consumption of any municipal service which is not in terms of an agreement with or approved by the municipality;

“**Utility**” as defined in the National Credit Act No 43 Of 2005, means the supply to the public of an essential

a. Commodity, such as electricity, water or gas; or

b. Service, such as waste removal or access to sewerage lines, telecommunication

networks or any transportation infrastructure. Unless the context clearly indicates a contrary intention, an expression which denotes gender shall include a reference to any other gender; the singular shall include a reference to the plural and vice

versa

PREAMBLE

1. In terms of Section 152 of the constitution of the Republic of South Africa. Act 108 of 1996 and Section 96 of the Municipal Systems Act no 32 of 2000 (herein after referred to as the “Systems Act”) Chapter 7, Section 152 of the Constitution states the following:
 - a. To provide democratic and accountable governance to local municipalities.
 - b. To ensure the provision of services to communities in a sustainable manner.
 - c. To promote social and economic development.
 - d. To promote a safe and healthy environment
 - e. To encourage the involvement of communities and community organizations in the matters of local government.

2. The municipality must strive within its financial and administrative capacity for the achievement of the above-mentioned objectives hence Section 96 (a) and (b) of the Systems Act must be observed.
 - i. Section (b) requires Joe Morolong 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.
 - ii. Section (a) prescribes for Joe Morolong to collect all monies that is due and payable to it, subject to the provisions of that Act and any other applicable legislation.

2. PURPOSE OF THE POLICY

- a. To ensure that all money due and payable to Joe Morolong in respect of rates, fees for services, surcharges on such fees, tariffs, charges, interest which has accrued on any amounts due and payable in respect of a foregoing and any collection charges are collected efficiently and promptly.

- b. 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 Joe Morolong less an acceptable provision for Bad Debts.
- c. Provide for the termination of services or for restrictions on the provision of services when payments are overdue.
- d. Provide for matters relating to the unauthorised consumption of services, theft and damages.
- e. Provide for credit control and debt collection procedures and mechanisms.
- f. Provide for any collection charges on the payment of overdue amounts.
- g. Provide for the extension of time for payment on overdue amounts.
- h. Provide for interest on overdue amounts.

3. BACKGROUND

- a) The Credit Control function is divided into Payment Demands, Cut-offs, Arrangements, Reconnections and Legal functions.
- b) The “Cut-offs” functions include services restrictions, follow-up on non-responses, no deposits and low consumption cases.
- c) Other component functions of credit control are indigent management and refunds of closed accounts.
- d) The Debt Collection function includes the issuing of reminder letters, arrangements, summonses, telephone collections and hand-overs.
- e) The Legal functions deals with Attorneys and Collection Agents on hand-over matters as well as administration of deceased and insolvent estates, administration orders and inactive accounts with the related arrears write off.

4. POLICY OBJECTIVES

4.1 The objectives of this policy are:

- a. To maximize revenue by timeously collecting all moneys owed to the municipality.

- b. To ensure that action is taken to recover arrear debt is warranted and fair.
- c. To enable **Joe Morolong Local Municipality** to develop and maintain a sustainable service delivery relationship with its customers.
- d. To deliver excellent service to the communities of **Joe Morolong Local Municipality** in return for payment of their rates and service accounts.
- e. To encourage and inculcate the culture of payment.

4.2 These objectives are achievable if the following outcomes are met:

- a) All current service accounts in **Joe Morolong** are fully paid-up.
- b) Suitable, sustainable agreements are reached with all account holders who have outstanding accounts with an age analysis of longer than 60 days.
- c) Relevant, accurate and complete details of account holders are collected during the opening of account phase.
- d) Account holders ensure that when their details change, **Joe Morolong Local Municipality** is notified in time.
- e) Persons liable for payment receive regular, accurate and timeous accounts that indicate the basis for calculating the amount due at their correct postal address.
- f) A good customer relationship and communication is established and maintained between the Council and each account holder
- g) Customer Care and revenue staff is skilled in the principles of Batho Pele, communication and effective negotiation techniques.
- h) Full enforcement of the Credit Control and Debt Collection Policy.
- i) The engagement of a reputable Debt Collection Agency with the backing of legally enforced Debt Collection processes.
- j) Creation and ongoing maintenance of an Indigent Database.

5. PRINCIPLES

- a) Non-payment of their accounts by debtors has a direct negative impact on the municipality's ability to provide high quality service delivery to its clients.

- b) Current levies not paid by the indicated due date are in arrears and all debtors with arrears are subject to Credit Control and Debt Collection measures. The right of access to services, and consumption thereof, can only be exercised by residents who are not in arrears on their municipal services accounts or who have arranged to pay their arrears in terms of this Policy.
- c) Various methods of payment by debtors as well as sufficiently convenient payment points are available.
- d) Credit control measures are applied with pro-active reminders or warnings. Account statements are regarded as notification of the arrears status of the account as well as stating the intention to take credit control measures.
- e) Metered services consumed by an unknown consumer are billed to the owner of the property to which the service connection is registered. Consumers who are to be billed separately must enter into a service agreement to have access to these services. No service agreement is valid without the written consent of the registered owner of the property.
- f) Refusal by banks to honour payments by cheque or debit order is regarded as non-payment, upon which the relevant debtors are subject to credit control measures. Clients who make no further use of any services but still owe an amount are considered inactive debtors who are handed over for collection to a debt collector appointed for this purpose. Limited collection actions (i.e., Final Letter of Demand) are applied for inactive accounts smaller than R3 000 due to the cost–benefit ratio of such cases and any further action required for these individual accounts is at the discretion of the Chief Financial Officer.
- g) Debtors who are large consumers of services are managed by telephonic and personal contact with them on a higher management level, e.g., corporate business and government departments.

- h) Residential household debtors form a distinct group for whom the following special measures and exceptions apply:
 - i. Water supply to defaulting residential household debtors will not be completely discontinued, but rather be restricted due to hygienic reasons. Other types of debtors who are in default and whose water supply is involved will be completely deprived of the service.
 - ii. Interest free arrangements for payment of arrears are intended to assist those debtors by making their current monthly accounts more affordable. A reconnection fee will be chargeable. Interest will be added back where the customers default on their arrangement
- i) All notifications served to the address of clients must state the reason/s for actions taken as well as information as to how they can take corrective action to normalize the situation.
- j) If it is necessary to disconnect any service in terms of this Policy, the free cross-subsidised portion of that service in terms of the municipality's tariffs for service delivery, will also not be available for as long as that service is to remain disconnected.

6. KEY CREDIT CONTROL AND DEBT COLLECTION PROCESSES

6.1 Application for new connection

- a) Application for new connections can only be made by property owners or with their written consent, accompanied by positive identification.
- b) Applicants must complete and sign the prescribed "Rendering of Consumer Agreement (Service Level Agreement)" forms in order to obtain a new connection.
- c) A new connection fee, determined in terms of the municipality's current Rates and Tariff Policy is payable. In certain cases, additional security from prospective consumers will be required.

- d) In cases where there is an existing connection, the following criteria will apply: the account holder of the services concerned at the time must first terminate his/ her service to allow for the new service connection.
- e) A consumer deposit is compulsory for every new account that is opened and will be charged in line with the Tariff policy

6.2 Billing

- a) Consumers will receive monthly statement/s with an indicated payment due date.
- b) The statement shall contain messages of events within the municipality from month to month.
- c) Consumers with disputes on their account/s must pay other services and an average of the disputed service/s.
- d) Ratepayers / consumers, who have not received an account for a specific month, are advised to pay an average of the previous two months' accounts and to notify the Head/ Manager: Revenue in order to ensure that correct postal details are on the system.
- e) It should be stressed that the non-receipt of an account does not exempt one from the liability of payment.
- f) A Water and Lights account cannot be opened without written consent of the owner of the property, accompanied by proper identification and consent letter signed in front of a Commissioner of Oaths, provided that no arrears are owed to the municipality for that property or unless there is a formal arrangement by the owner of the property to pay the arrears.
- g) Consumers with disputes on their accounts due to consumption will be recalculated with the most relevant readings to determine the past average. The municipality will also determine an average consumption and levy it for the period water was tampered (not exceeding 36 months from the date of dispute)

6.3 Estimated Consumption:

- a) The municipality may levy an estimate of the consumption of water or electricity for any relevant period if:
 - a. No meter reading could be obtained in respect of the period concerned; or
 - b. No meter has been installed to measure the consumption on the premises concerned.
 - c. No mobility to property due to National Disaster Regulations

- b) The municipality may, in accordance with the provision of section 102 of Municipal Systems Act–,
 - i. Consolidate any separate accounts of a customer liable for payments in terms of the Policies of the municipality;
 - ii. Hold any amount paid by a customer, which is in excess of an existing debt, in credit for the customer in anticipation of future rates and fees for municipal services owing.
 - iii. Submit only one account for all municipal levies and services to the owner of such a property and to distinguish between various individual debtors or debtor types in this regard.

- c) Interest is levied on overdue accounts at prime plus 1% per annum. The interest rate is the prevailing prime rate on the 1st of July of every financial year.

No interest will be payable on any deposit held or any credit amount including that contemplated in paragraph (b) above.

6.4 Credit Control Measures

6.4.1 Reminder/Demand for payment

A reminder that the previous account has not been paid on the due date is generated after the due date and hand-delivered to the debtor's physical address. Email can be used where applicable.

This reminder clearly states that a period of 7 days is allowed for payment or arrangement for payment, in the absence of which, services

to the client will be restricted. The account of the debtor is debited with the cost of such a reminder at the approved tariff of the municipality.

In those instances where prepayment meters for service vending are installed, the municipality may block the vending of services to consumers of services on properties where arrears are owed for other municipal services or levies without a reminder.

6.4.2 Termination of Services

Joe Morolong municipality reserves the right to restrict or terminate supply of services whenever the consumer:

- a) Fails to make full payment on the due date or make an acceptable arrangement for the payment of any amount for services, rates or other monies.
- b) Fails to comply with a condition of supply determined by Joe Morolong Municipality.
- c) Obstructs the efficient supply of water, electricity or any other municipal services to another customer.
- d) Supplies such municipal services to a customer who is not entitled thereto or permits such services to continue
- e) Is placed under provisional sequestration, liquidation or judicial management or commits an act of insolvency in terms of the Insolvency Act No 24 of 1936
- f) If an administration order is granted in terms of section 74 of the Magistrate Court Act 32 of 1944.

6.4.4 Illegal reconnection/tampering of electricity

- a) If consecutive follow-up actions due to no reaction by the debtor reveal that illegal consumption of the service occurred or a disconnection has been tampered with, the service

connection is removed and evidence against offenders is filed on an investigation document.

- b) Any first-time discovery of tampering with a restriction device or service connection at the address of a residential consumer leads to a fine against that residential consumer to the amount of **R100 000.00** and industrial/business to the amount of **R1000 000.00** or any amount as determined by the council from time to time.
- c) The municipality will also determine an average consumption and levy it for the period electricity was tampered (not exceeding 36 months)
- d) Electricity theft is a criminal offence and the municipality reserves the right to institute further legal actions against anyone who have been found tampering with electricity.
- e) The owner/consumer will be held liable for the replacement cost of the tampered meter with a new meter
- f) All costs related to the penalty must be paid in full before the electricity can be re-connected.
- g) Failing to report an electrical faulty meter that allows electricity through, will be seen as tampering.

6.4.5 Illegal reconnection/tampering of water

- h) The water disconnection/restriction is monitored and followed up in cases of absence of reaction by the debtor to ensure that an illegal reconnection has not occurred.
- i) Interference with disconnections at water service points of non-residential consumers will lead to the removal of such a service connection.
- j) Any first-time discovery of tampering with a restriction device or service connection at the address of a residential consumer leads to a fine against that residential consumer

to the amount of **R100 000** and industrial/business to the amount of **R1000 000** or any amount as determined by the council from time to time.

- k) Any further tampering after such a restriction will lead to the prosecution of the offending debtor.
- l) The municipality will also determine an average consumption and levy it for the period water was tampered (not exceeding 36 months)
- m) Water theft is a criminal offence and the municipality reserves the right to institute further legal actions against anyone who have been found tampering with water.
- n) The owner/consumer will be held liable for the replacement cost of the tampered meter with a new meter
- o) All costs related to the penalty must be paid in full before water can be connected.
- p) Failing to report a water faulty meter that allows water through, will be seen as tampering.

6.5 Reinstatement of Municipality Services

- a) The municipality must reinstate full levels of provision of any electricity or water service terminated or restricted after:
 - i. The full amount of arrears has been paid, or
 - ii. An agreement for payment of the arrears contemplated has been entered into in terms of this Policy, or
 - iii. The full amount of arrears in respect of any agreement entered into, and any increased deposit, have been paid, or any additional security required has been provided, and
 - iv. Any other condition of the Policy that the municipality may consider appropriate has been complied with.

b) Reconnection of services

Where services are disconnected as a result of the application of this Policy, these services can only be reconnected under the following circumstances:

- i. Water supply restricted for non-payment by clients, can only be normalised after either receipt of the amount in arrears or conclusion of a settlement arrangement for payment of the arrears in terms of this Policy.
- ii. Water supply which has been restricted due to non-payment will only be normalised after either full payment of the arrears, or upon receipt of an appeal for normalisation due to a good payment record of three (3) months on the repayment contract and the current monthly levies.
- iii. The Chief Financial Officer will receive and evaluate each appeal before normalisation.
- iv. Electricity supply discontinued due to non-payment can only be reconnected after receipt of the amount in arrears or the conclusion of a settlement arrangement for payment of the arrears in terms of this Policy.
- v. Any services which are discontinued as a result of tampering with the Municipality's distribution networks and/or mechanisms can only be legally reconnected if a Court orders so.

ALTERNATIVELY: if the affected client admits in writing that he/she permitted or committed the tampering and undertakes to not repeat the action and concludes a settlement arrangement for payment of the reconnection charges and arrears in terms of this Policy, service reconnection can also be made. Such written admission will be kept on the case document for future use in case of repeated tampering.

- c) Reconnection or reinstatement of services will be done within 24 working hours and not later than 48 working hours where there was a restriction.

6.6 Termination of Service Agreements

- a. A customer must terminate an agreement with the municipality for the provision of any municipal service by notice in writing (completing the relevant service discontinuation and account closure forms of the municipality) not less than seven working days before the time.
- b. The municipality may, subject to compliance with the provisions of the relevant By-laws and any other applicable law, terminate the agreement for the provision of a municipal service to a customer, by notice in writing of not less than 14 working days, if the customer-
- c. Has not used the municipal service during the preceding six months and has not made arrangement to the satisfaction of the municipality for the continuation of the relevant agreement; or
- d. Has made an arrangement with another service provider to provide the municipal service concerned to the customer; or
- e. Has vacated the premises to which the agreement concerned relates.

6.7 Illegal Connections and Meter Tampering

When it is ascertained that a meter had been tampered with, the cost of repairing or replacing an existing meter with another one will be charged to the account of the respective customer.

The municipality can also opt to close the consumer's account in such instances and levy all municipal charges related to the property on the owner's account. The full outstanding balance is immediately payable before services will be restored.

In addition, where a meter has been tampered with or where there has been unauthorized consumption of water or electricity, the municipality shall remove the connection and the cost of this action will be charged to the account of the customer, and a criminal case will be opened with the Competent Court of law.

In a case where the meter is inside the house or the yard, it shall be moved outside and the costs will be borne by the customer/s or a pre-paid meter must be installed at the owner's expense.

6.8 Free Basic Services

The municipality will provide free basic services to domestic debtors, on a monthly basis in quantities as determined from time to time in line with the Indigent Policy.

6.9 Indigent Assistance Scheme

An account holder may apply to the municipality, in the prescribed manner, to be declared indigent. Indigent customers are not excluded from this Policy.

6.10 Estates Accounts Collection

a) Estates with legal status

The accounts of debtors who are declared as insolvent, under administration or deceased are dealt with according to normal legal practices by the collection staff of the municipality.

Unsuccessful claims will be considered for write-off and submitted to the Council for cognizance.

b) Estates without formalized legal status

In many cases the head of a household has died without leaving a will/final testament indicating to whom ownership of the family residence is to be transferred upon the event of his/her death OR the owner of the property has abandoned his/her family to fend for themselves.

These scenarios are not provided for in the normal legal practice, which necessitates the following process.

The remaining family must report the situation to the municipality's collection office, who will require the relevant documentation to be obtained by the family, i.e., a death certificate and an order of the local Magistrate allocating right of ownership to someone of the surviving family in the case of a deceased estate OR an order of the local Magistrate allocating right of ownership to someone in the abandoned family.

In all of these cases, extension for the payment of the accumulated arrears as at the date of notification will be granted by the debt collectors in the collection office, disconnected electricity will be reconnected and the remaining family must then pay all amounts levied on monthly current accounts in excess of the amount of the payment extension until such time as the matter has been finalised.

This will prevent any further service restrictions/cut offs or collection actions at the residence whilst the family is in process of legalizing ownership of the property.

As soon as ownership has been officially allocated by the Magistrate, the documentation must be presented to the municipality's collection office, which will then change the name of the account to that of the new owner.

They will also encourage the new owner to make an arrangement for the payment of the arrears to prevent credit control and collection actions from being taken by the Municipality.

ALTERNATIVELY, if the family qualifies to be registered for assistance in terms of the municipality's Indigent Policy, they can apply to be registered and after registration to enjoy the benefits offered in terms of that Policy regarding the arrears.

Amounts claimed and not successfully collected are submitted to the Council for approval to be written off against the reserve for bad debt.

6.11 Revenue Recovery Methods

- a) Where the letter of final demand and the termination of services yield no response and the account is outstanding for ninety (90) days and over, the account may be handed over to external debt collectors and/or attorneys.

- b) Liability for Rates and Municipal charges: If an amount due for rates and other municipal charges is unpaid by the owner of the property, the municipality may recover the amount from the tenant or occupier of the property. This amount due may also be recovered from the agent of the owner.

- c) Liability for Rates and municipal charges of over **R250 000** not paid can be attached, the municipality may recover the amount by filing a Court application against the property to recover the rates overdue. Section 118 of MSA

d) In-house Collections

- i. This unit will deal with outstanding debts 90 days outstanding for households and businesses. This unit will also deal with all government accounts.
- ii. Summons for each outstanding account will be issued and submitted to the Sheriff for further action to be taken, where required.
- iii. A tariff in terms of the municipality's current Rates and Tariff Policy will be payable where such an action is taken.
- iv. In-house Debt Collection may include the listing of the debtor with the Credit Bureau whenever applicable.
- v. Where there is no response, the accounts will be handed over to external debt collectors and/or attorneys. It should be noted that the issuing of summons internally will depend on the capacity of the municipality personnel.

e) External Debt Collection with the assistance of an Attorney

Debts over 90 days outstanding may be handed over to Joe Morolong Local Municipality's official Attorneys for collection and to attend to matters that are defended when deemed necessary.

Collection charges will be levied against a customer in respect of any relevant action taken in terms of, or for the purpose of, the full implementation of this Policy and the associated Bylaw.

f) Dishonoured Cheques

If any payment is made to the municipality by a negotiable instrument, and such negotiable instrument is dishonoured, the municipality may levy costs and administration fees against the account of the defaulting customer at the prescribed rate. Council reserves the right to refuse any further negotiable instruments in such a case and only cash will be accepted.

g) Arrangement and payment extension

- i. No proposals for arrangement to pay arrear account balances will be considered, under normal conditions for Industrial, Business, Tenants and School accounts. This also applies to churches and non-profit organizations, as churches are exempt from paying rates and taxes, with only actual service charges being billed. Payment extension for the current account may not be allowed.
 - ii. Proposals for arrangement to pay arrear account balances on domestic accounts and sundry loans will be considered, provided the following conditions are met:
 - iii. An appropriate initial down payment of the arrear amount is payable on conclusion of the arrangement and is based on the following:
- Exceptional cases may be referred to the Chief Financial Officer: for consideration.
- i. The salary advice as well as proof of the initial down payment must be attached to all arrangement, which have been concluded, in order for the agreed arrangement to be implemented.
 - ii. The debtor agrees to honour in full the current account while simultaneously reducing the arrears.
 - iii. The municipality may allow a period of payment in excess of 06 months for the payment of arrears, but not exceeding a period of 12

- months, if special circumstances, which the customer could not reasonably have prevented, warrant a longer period of payment.
- iv. Documentary proof of any special circumstances, as contemplated in (iii) must be furnished by a customer on request by the Council.
 - v. Acknowledgement of debt and arrangement agreement forms must be completed fully and signed by the customer himself/herself and all documents required must be submitted before the arrangement can be approved.
 - vi. The total arrear amount which is subject to the agreed arrangement shall bear no interest if the arrangement is honoured in full. If, however, the arrangement is dishonoured, the whole outstanding amount becomes due and payable with interest charges.
 - vii. Special arrangements on arrears are treated as a once-off opportunity to account holders who have fallen into arrears. Individuals who did not honour a previous agreement must furnish the Municipality with valid reasons in order to be considered for a new agreement, unless exceptional circumstances are found to have existed, no arrangement will be entered into with customer.
 - viii. Agreements may be concluded with customers who respond only after being handed over to attorneys for collection. The costs resulting from the legal process are added to the existing arrears on the account and an initial payment of at least one quarter to one third of the total outstanding amount is required to be paid immediately.
 - ix. An acknowledgement of debt and arrangement agreement must be concluded per property.
 - x. Pay connection fees applicable for prepaid meters in terms of the tariff schedule of the municipality approved by council for the year under consideration.
- a) Businesses placed under provisional or actual liquidation, will only be allowed to purchase services on a pre-payment basis. Prepaid meters will not be installed if there is an outstanding balance on the account/s, unless an arrangement is made to settle the arrears. Payment for the

prepaid meter must be carried by the business and the municipality will notify the owner of the property that a prepayment meter has been installed on his property and why it has been done. Evidence for provisional or actual liquidation shall be submitted to the municipality.

- b) Customers who are indebted to the municipality for rates and services and wish to submit building plans for approval will first have to make an arrangement to pay off their arrears before such plans can be approved. Only bank guaranteed cheques or cash payments for such rates and services will be accepted.

Council reserves the right to raise the deposit of latest three-month consumption requirement of debtors who seek arrangements (in accordance with the deposit policy).

h) Payments unallocated

All payments received by the municipality (in the bank account) should be referenced with the account number of the property owner. It is important that all customers who make payments to the municipal account uses the correct account number.

All payments that have been paid to the municipal bank account without a reference will be kept in a suspense account. This account should be cleared by each year end

All payments that have not been cleared at year end shall be disclosed as creditors in the annual financial statements.

i) Unclaimed deposits

All unclaimed deposits which are over three (3) years not allocated to an account number, will be published on the local newspapers and municipal offices notice boards, library notice boards for a period of 21 days.

Proof of payment and sufficient identification of the customer who paid the money into the municipal bank account must be submitted before the payment is allocated to the account.

All the payments not claimed after 21 days will be removed from suspense account and recognise as other income.

7 PERSONS AND BUSINESS WHO TENDER TO THE MUNICIPALITY

The Procurement Policy and Tender Conditions of the Municipalities will include the following: -

- 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 and/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.
- **No tender will be allocated to a person/contractor whose municipal services are in arrears.**

The municipality reserves the right not to consider and or disapprove any applications for subdivisions, consolidations and development of land if the owner, partner or director (s) of such an application owes the municipality for rates and / or services.

8 CREDIT CONTROL AND DEBT COLLECTION OF EMPLOYEE ACCOUNTS

S10 states that *“A staff member of a municipality may not be in arrears to the municipality for rates and service charges for a period longer than 3 months, and a municipality may deduct any outstanding amounts from the staff member’s salary after this period.”*

Employees of the Municipality shall be subject to disciplinary hearings, as per the Municipal Systems Act (No 32 of 2 000), Schedule 2 S10, if they are found to be in arrears.

Payment of arrear amounts by staff may be extended to a maximum of 12 months in exceptional circumstances in order to deal with previous accumulated arrears and within the prescripts of the Basic Conditions of Employment Act. Thereafter no further arrears may be accumulated.

In order to ensure timeous, assured payment of employee accounts, all employees residing within the Joe Morolong Local Municipality shall be subject to an automatic deduction instituted against their salaries.

9 CREDIT CONTROL AND DEBT COLLECTION OF COUNCILOR ACCOUNTS

The Local Government Laws Amendment Act (No 51 of 2002) states that: Municipal Councillors may not be in arrears to the municipality for rates and services for a period longer than 3 months. In addition, in terms of the Municipal Finance Management Act (No 56 of 2003), S124 (b).

“The notes to the annual financial statements of a municipality must include particulars of any arrears owed by individual councillors to the municipality for rates or services and which at any time during the relevant financial year were outstanding for more than 90 days, including the names of those councillors....”

In order to ensure timeous, assured payment of councillor accounts, all councillors shall be subject to an automatic deduction instituted against their councillor allowance payments on a monthly basis.

10 COMMUNICATION WITH COMMUNITIES AND OTHER STAKEHOLDERS

On approval of the new policy, a comprehensive communication plan will be implemented through the Marketing and Communication Department, in conjunction with the relevant Departments, in order to advise ratepayers and consumers regarding incentives, payment terms and arrangements. This will be done in conjunction with the ward committees.

11 CLEARANCE CERTIFICATES

Before any property can be transferred from one owner to another, all arrears are payable, where after the Chief Financial Officer issues a certificate to that effect. No transfer can take place without such a certificate. The policy must comply with section 118 of MSA

12 WRITING OFF BAD DEBT/ EXTENSION FOR PAYMENTS

12.5.1 Council must appoint a committee in terms of its delegations to review and recommend to Council to approve all bad debt write off cases.

12.5.2 Council may appoint the credit extension committee that approve/disapprove debtor's application for extension to pay arrears, and such committee may include one person from electrical, one water services and delegates from CFO office.

13 REPORTING AND PERFORMANCE MANAGEMENT

- i. The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Executive Mayor as supervisory authority in terms of section 99 of the Systems Act, read with section 100(c).
- ii. This report shall contain particulars on cash collection statistics showing high-level debt recovery information (numbers of customers; enquiries; arrangements; default arrangements; growth or reduction of arrear debt). Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, state, institutional and other such divisions.
- iii. 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/she agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realisable income levels.
- iv. The Executive Mayor as Supervisory Authority shall, at intervals of 3 months, report to Council as Contemplated in section 99(c) of the Systems Act.

14 APPLICATION OF THE POLICY

The Council reserves the right to differentiate between different categories of consumers, debtors, services or service standards when applying the Policy. The Council will, on application of the credit control policy, avoid discrimination as forbidden by the Constitution unless it is established that the discrimination is fair as allowed by the Constitution.

15 DELEGATION OF RESPONSIBILITIES BY MUNICIPAL MANAGER

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).

16 ROLE OF MUNICIPAL MANAGER

Section 100 of the Municipal Systems Act 2000 clearly assigns the legal responsibility for implementing the credit control and debt collection policies and by-laws to the municipal manager.

In practice, however, the municipal manager will inevitably delegate some or many of the responsibilities specifically assigned to this office in the by-laws, as it will be administratively impossible for the municipal manager to perform the numerous other functions of this office as well as attend to frequently recurring administrative responsibilities. However, such delegation does not absolve the municipal manager from final accountability in this regard, and the municipal manager will therefore have to ensure that a proper internal reporting structure is established and consistently implemented so that the day-to-day actions of and results from the credit control and debt collection programme are properly monitored and supervised.

It is also an integral feature of the present policy that the municipal manager shall report monthly to the executive mayor or the executive committee, as the case may be, and quarterly to the council on the actions taken in terms of the by-laws, and on the payment levels for the periods concerned. Such reports shall, as soon as practicably possible, provide the required information both in aggregate and by municipal ward.

In addition, such monthly report shall indicate any administrative shortcomings, the measures taken or recommended to address such shortcomings, and any actions by councillors who could reasonably be interpreted as constituting interference in the application of the by-laws.

Notwithstanding all the foregoing references to the accountability of the municipal manager in regard to these by-laws, it is incumbent on all the officials of the

municipality, certainly all those who are at management level, as well as more junior officials who are directly or indirectly involved with the community and the municipality's general customer relations, to promote and support both this credit control and debt collection policy and the application of the attendant by-laws. The responsibilities of all officials include reporting to the municipal manager any evident breaches of these by-laws, whether by members of the community, other officials or councillors of the municipality.

17 ROLE OF COUNCILLORS

Section 99 of the Municipal Systems Act 2000 places the important legal responsibility on the executive committee of monitoring and supervising the application of the present policy and the attendant by-laws, and of reporting to the council on the extent and success of credit control actions.

The present policy further recommends that the municipality's ward committees be actively involved in implementing the credit control and debt collection programme, and should therefore receive monthly reports on the status of the municipal manager's credit control actions. The ward committees must also actively promote the present policy, and ensure at the same time that the municipality's customer relations are of a standard acceptable to the community.

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.

Councillors, by adopting this policy, therefore pledge, not only their unqualified support for the policy, but their commitment to ensuring that their own accounts will at no stage fall into arrears.

