

Chief Albert Luthuli Municipality

*The transparent, innovative and developmental municipality
that improves the quality of life of its people*



CREDIT CONTROL AND DEBT COLLECTION POLICY 2019/20

CONTROL SHEET	
<i>Policy Number</i>	
Policy Name	Credit Control & Debt Collection Policy
Policy Status	Review
Date of last Approval	May 2019
Policy review / Development	Policy to be reviewed
Date of next review	This policy shall remain effective until such time approved otherwise by Council and may be reviewed whenever it is necessary to align it with changes of relevant legislation or operations
Purpose	<ul style="list-style-type: none"> To ensure that all monies due and payable to the municipality are collected and used to deliver municipal services in the best interest of the community, residents and ratepayers and in a financially sustainable manner; To outline the procedures that will ensure that the members of the local community are afforded the opportunity to contribute in the decision-making processes of the municipality and that they are informed of the decisions and affairs of the municipality;
Aims and objectives	<ul style="list-style-type: none"> The policy objective is to provide a framework within which the municipal council can exercise its executive and legislative authority with regard to credit control and debt collection;
Policy custodian	Chief Financial Officer
Related Policies and Legislations	<ul style="list-style-type: none"> <i>National Treasury Regulations</i> <i>Municipal Financial Management Act</i> <i>Municipal Systems Acts</i>
Approving authority	Council
Applicability	This policy applies to all municipal accounts and the customers.
Amendments to the Policy	<ul style="list-style-type: none"> Restriction on electricity sales Coupon for : 70/30
Policy Benchmark and References	STLM / Thaba Chewu Local Municipality
Stakeholders Consulted	CALM Finance department
Accountability	The Municipal Manager is accountable for the proper implementation of this policy in terms of the Systems Act.

PREAMBLE

WHEREAS it is an object of Local Government under the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996), to ensure the provision of services to communities in a sustainable manner;

AND WHEREAS every municipal Council must, under section 98(1) of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000), adopt policies to give effect to the Municipality's credit control and debt collection, its implementation and enforcement;

Explanatory Note: This Policy is applicable to Chief Albert Luthuli Municipality (hereinafter referred to as "the Municipality") only. In terms of Section 80 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000); the Municipality may enter into service delivery agreements with service providers to provide municipal services to customers. In such instances the internal Credit Control and Debt Collection Policies of those entities may differ from this Policy, but shall be subject to the promulgated Credit Control and Debt Collection By-laws.)

NOW THEREFORE the following is adopted as the "Draft Credit Control and Debt Collection Policy":

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1. **Objectives**

The objectives of these policies are to:

- (i) Provide a framework within which the municipal council can exercise its executive and legislative authority with regard to credit control and debt collection;
- (ii) Ensure that all monies due and payable to the municipality are collected and used to deliver municipal services in the best interest of the community, residents and ratepayers and in a financially sustainable manner;
- (iii) Outline the procedures that will ensure that the members of the local community are afforded the opportunity to contribute in the decision-making processes of the municipality and that they are informed of the decisions and affairs of the municipality;
- (iv) Set realistic targets for debt collection;
- (v) Outline credit control and debt collection policy procedures and mechanisms;
- (vi) Recognize the municipality's constitutional obligations to develop the local economy and to provide affordable and acceptable services to all its residents, consumers of services and ratepayers;
- (vii) Acknowledges the fact that it cannot fulfil these constitutional obligations unless it exacts payment for the services which it provides and for the assessment rates which it legitimately levies complete and in full from those residents who can afford to pay, and in accordance with its indigence relief measures for those who qualify as indigents in terms of the council's approved and adopted indigence management policy; and
- (viii) Describe credit control measures and sequence of events.
- (ix) provide for matters relating to the unauthorised consumption of services, theft and damages

2. **Definitions**

In this Policy, unless the context indicates otherwise:

“Act” means the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000);

“Arrears” Amount due, owing and payable in respect of fees, charges, surcharges on fees, property rates and other municipal taxes and services, levies, penalties and duties and not paid by the due date.

“Charges” means surcharges on fees, penalties, property rates, taxes, levies and duties;

“Council” means –

- (a) *the Municipal Council of Chief Albert Luthuli Local Municipality established by Provincial Notice No 299 dated 1 October 2000, as amended, or its successor in title and any committee or person to which or to whom an instruction has been given or any power has been delegated in terms of, or as contemplated in, Section 59 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000), or*
- (b) *a service provider in respect of any power, function or duty of the Council as contemplated in paragraph (a), assigned by it for the purposes of this Policy to that service provider in terms of Section 81(2) of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) .*

“Customer” means the owner of any premises upon which charges are levied as well as a person to whom a service provider supplies services, and the occupier thereof, where applicable;

“Day” means a calendar day and a period of days are calculated by excluding the first day of the period and including the last day, unless the last day falls on a Saturday, Sunday or public holiday in which event the period is calculated with the exclusion of the first day and also of the Saturday, Sunday or public holiday;

“Debtor” means a person owing an amount of money to the Municipality for a reason other than through the provision of municipal services;

“Default” in relation to the Municipality means any person owing money to the Municipality regardless of the reason for the debt arising

“Defaulter” means any customer in arrears in his/her municipal rates and taxes account;

“Due Date” means the date on which something falls due, especially the payment of a bill or the municipal rates and taxes account;

“Employer” means an employer as defined in Paragraph 1 of the Seventh Schedule of the Income Tax Act, 1962 (Act No 58 of 1962);

“Habitual Defaulter” means a consumer who defaults on more than one occasion during any six month period on any payment owing to the Municipality;

“Implementing authority” means the Municipal Manager of the Municipality or any other Official delegated by the Municipal Manager to implement and enforce the Council’s Credit Control and Debt Collection Policy;

“Insolvent Debtor” means any person declared to be insolvent in terms of the insolvency Act 43 of 1936 (as amended);

“Municipal account” means any municipal service charge, tax or other fees, interest and charges due in terms of a contract or approved tariff or rate, which is outstanding after the due date, normally appearing on the consolidated account, or overdue in terms of the contract or any other due date that has passed;

“Municipality” means the Albert Luthuli Local Municipality;

“Occupier” includes any person in actual occupation of premises without regard to the title under which they occupy, if any;

“Overdue” in respect of an amount, means an amount that remains unpaid after the due date;

“Owner” in relation to premises means:

- (a) a person who from time to time is registered as such in a deeds registry as defined in the Deeds Registries Act, 1937 (Act No 47 of 1937); or
- (b) where the person is insolvent or dead, or is under any form of legal disability whatsoever, the person in whom the administration of their property is vested as curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative; or
- (c) where a Sectional Title Register has been opened under Section 8 of the Titles Act, 1971 (Act No 66 of 1971), the body corporate as defined in that Act, and includes any person receiving rent for the premises whether for their own account or as agent for a person entitled to it.

“Person” means any natural person, local government body or similar 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 which is situated in the area of jurisdiction of the Council, the external surface boundaries of which are delineated on:

- (a) A General Plan or Diagram registered under the Land Survey Act, 1927 (Act No 9 of 1927), or under the Deeds Registries Act, 194(3)7 (Act No 47 of 1937); or
- (b) A Sectional Title Register opened under Section 8 of the Sectional Titles Act, 1971 (Act No 66 of 1971).

“Service” means any service rendered by or on behalf of the Council, in respect of which an account may be rendered, excluding any service rendered by the Council as an agent for another principal; and

“services” has a corresponding meaning;

***“Standard rate of interest”** means the interest rate as determined by the Minister of Finance from time to time under Section 89 of the Income Tax Act, 1962 (Act No 58 of 1962) and published in the Gazette; interest rate i.t.o. the budget is prime rate plus 1%.*

***“Supervisory authority”** means the Municipality’s Mayoral Committee*

3. Principles

- (a) The administrative integrity of the Municipality must be maintained at all costs. The democratically elected officials (councillors) are responsible for policy-making, while it is the responsibility of the Municipal Manager or any other Official delegated by the Municipal Manager to execute these policies.
- (1) Prospective consumers must complete an official municipal application form formally requesting the Municipality to provide them with electricity and water.
 - (2) Copy of the official municipal application form, conditions of services and applicable extracts from the adopted Council’s Credit Control and Debt Collection Policy and By-laws must be handed to every consumer on request.
 - (3) Monthly Billing of municipal accounts is to be accurate, timeous and understandable.
 - (5) The Consumer is entitled to have access to all municipal cashier or pay points and to a variety of reliable payment methods, including third party payments i.e. the South African Post Office (SAPO).
 - (6) The Consumer is entitled to an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of such a reasonable appeal.
 - (7) Enforcement of payment must be prompt, consistent and effective at all time and applicable to all ratepayers or consumers of services rendered by the municipality.
 - (8) Fraud and/or criminal offences can lead to the loss of rights and heavy penalties and/or public prosecution could be instituted by the municipality on the perpetrator if he or she should be found guilty.
 - (9) Payment Incentives and disincentives may be used in collection procedures and during the collection process.
 - (10) The collection process must at all times be cost-effective and within the approved budget of the Municipality/Council.
 - (11) Debt Collection “Best Practices” will be pursued at all time during the execution of the policy.

- (12) Depending on payment patterns, the Municipal Manager or delegated official may provide reduced levels of service to manage the debt growth.
- (13) Debt Collection and Credit Control Results will be regularly monitored and efficiently reported to the Municipal Manager or any other Official delegated by the Municipal Manager as well as the Municipal Council.
- (14) Although customer care and debt collection are inter-related issues, they should be performed by two separate divisions of the Income Section of the Department Finance.
- (15) There must be legal cause between the Municipality and its consumers/debtors and consumer/debtor debt must arise out of a legal framework and must be legally collectable.
- (16) Indigent households will be identified and supported as required by legislation. Welfare is to be separated from tariff and debt collection and credit control issues and will be supported by appropriate, affordable and adopted policies and practices.
- (17) Indigent support will be introduced within the Council's financial ability and in accordance with the applicable legislation.
- (18) Performance Targets for customer care, debt collection and credit control will be set and pursued at all times and remedies will be implemented for non-performance.

4. Indigent Subsidy

- (a) The source of funding of the indigent subsidy is that portion of the equitable share contribution to the Municipality made from the national government's fiscus and as provided for in the Annual approved Budget of the Municipality. In exceptional circumstances this can be supplemented from other revenues if Council approval to that effect is obtained.
- (b) The subsidy amount is to be crudely calculated by dividing the portion of the equitable share as budgeted by the estimated number of qualifying households per area and tariff type. These figures are the approximate average subsidy per household.
- (c) The Municipal Council shall annually, as part of its budgetary process, determine the municipal services and levels thereof that will be subsidised in respect of indigent customers in accordance with national policy, subject to the principles of sustainability and affordability.
- (d) The Municipal Council shall, in the determination of municipal services that will be subsidised for indigents, follow the Free Basic Services Policy of the Municipality.

- (e) Where electricity is to be subsidised under the Free Basic Services Policy of the Municipality, such households may be required to convert to prepaid electricity meters when implemented, the cost of which can be met either by:
 - (a) the equitable share fund, if sufficient;
 - (b) a surcharge on the electricity coupon cost; or
 - (c) cash payment by the indigent household.
- (f) If an indigent customer's consumption or use of a municipal service is less than the subsidised service, the unused portion may not be accrued by the indigent customer and will not entitle the customer to cash or a rebate in respect of the unused portion.
- (g) If an indigent customer's consumption or use of a municipal service is in excess of the subsidised service, the indigent customer will be obliged to pay for such excess consumption at the applicable rate.
- (h) The Council may cause inspectors to visit indigent households to audit the veracity of the data in the application form and to record any changes in circumstances and make recommendations on the continuation, variation or discontinuation of the subsidy.
- (i) Indigent households subsidised under the Free Basic Services Policy whose consumption has exceeded the limits set out in that policy, and who are in arrears on payment for these services, may be restricted in respect of electricity and/or water.
- (j) The disqualification process asset out in the Indigent policy should be followed if –
 - (a) the application was filled in dishonestly;
 - (b) audits indicate improvements in the financial circumstances of the indigent household above the qualifying income.
- (k) Arrears accumulated in respect of the municipal accounts of customers prior to their first registration as indigent customers, will be suspended and interest shall not accumulate on such arrears for the period that a customer remains registered as an indigent customer.

- (l) Arrears suspended in terms of Section 5(11) shall become due and payable by the customer on de-registration as an indigent customer.
- (m) In special individual cases, a report may be submitted to the Mayoral Committee to decide if Section 5(12) should be implemented or not.
- (n) Consumers found tampered with Electricity Pre-paid Meters will be disqualified from receiving free basic services

5. **Customer Care and Management**

[I] Communication and Feedback

- (a) The Municipality will communicate and give feedback to communities, ratepayers and residents in accordance with its Policy on Public Participation.
- (b) The Council will establish:
 - (i) *A separate, centrally controlled, telephone, with a logged call registers facility, available to receive all unresolved customer complaints and to receive feedback regarding the quality of services provided by the Council.*
 - (ii) *A system to monitor response times and time taken for corrective action shall be installed. Copies of all logged complaints and feedback received will be submitted to the Municipal Manager at the end of each day for the necessary action and attention.*
 - (iii) *Appropriate training for officials dealing with the public to enhance communications and effective service delivery; and*
 - (iv) *A communication mechanism to give the Council feedback on the implementation of this Policy and other issues of concern*

[II] Service Application and Agreements

- (a) All consumers of services will be required to sign an application and agreement form for new consumer services governing the supply, and cost of municipal services. Owners may allow a tenant to sign a separate agreement with the Municipality, which the Municipality may accept, provided that the written consent of the owner is provided. On

default by a tenant, the owner is the debtor of last resort, except in respect of the Council's own property.

- (b) Prior to signing these agreements, owners and/or tenants will, on request, be entitled to receive the Credit Control and Debt Collection Policy Document of the Council.
- (c) On the signing of the agreement, owners and/or tenants will receive a copy thereof.
- (d) Within a specified period (in the agreement) of change of ownership, meters will be read and the relevant municipal accounts will be rendered.
- (e) In the agreement, customers/consumers/ratepayers will acknowledge liability for costs of collection, interest and charges, in the event of a delayed payment or payments.
- (f) Financial and other special incentives for both employers and employees may be considered where employers enter into an agreement with the Council, with the consent of the employee, where the employee is the customer, for the deduction of any outstanding amounts due by the customer to the Council, or any regular monthly amounts as may be agreed, from the salary or wage of the customer.
- (g) "Good payer" status, for example, may be awarded to such customers with specific benefits attached thereto, such as special queues for faster service. Customers who are employed whether as an employee or Councillor are not permitted to arrange to pay off their debt, unless they sign a stop order that provides for deductions from salary of arrears as well as the current account over the agreed period.

[III] Customer Screening and Securities

- (a) All applicants for municipal services must produce a green bar-coded ID book or passport and the official will make a copy.
- (b) Security deposits either in cash or any other security acceptable to the Municipality will be taken and may vary according to the risk. A minimum deposit as per the Tariff Policy will be charged for new connections.
- (c) Deposits will be increased by the Municipality as per the Tariff Policy.
- (d) Deposits can vary according to the credit worthiness or legal category of the applicant subject to paragraph 4(3) (a).
- (e) The Municipality will not pay interest on *security* deposits held by the Municipality in terms of paragraph 4(3) (b).
- (f) On the termination of the agreement, the amount of the deposit less any outstanding amount due to the Municipality will be refunded to the customer/consumer/ratepayer.

6. Accounts and Billing

- (1) Customers will receive an understandable and accurate bill from the Municipality on a monthly basis. All accounts will contain at least the following particulars, where possible and applicable:
 - (a) The name of the Council/Municipality.
 - (b) The name of the customer/consumer/ratepayer.
 - (c) The account number.
 - (d) The service levies or assessment rates in question.
 - (e) The period allowed for the payment of services and assessment rates.
 - (f) The property or stand number in respect of which the payment is required.
 - (g) The date before which payment must be made (due date).
 - (h) Business hours of the Municipality.
 - (i) The method(s) and place(s) of possible payment
 - (j) Any discount for early or prompt payment.
 - (k) Interest on late payment.
 - (l) Consequences of non-payment.
 - (m) Amount brought forward.
 - (n) Consumption for the current month reflecting units consumed, cost per unit and cost per service.
 - (o) Total amount payable
- (2) Accounts will be produced in accordance with the meter reading cycle and due dates will be as determined by the Council from time to time.
- (3) Accounts will be rendered monthly in cycles of approximately 30 (thirty) days at the address last recorded with the Municipality or its authorised agent, through **Post Office, MMS, Emails etc.**
- (4) It is the customer's responsibility to ensure timeous payment in the event of accounts not received.
- (5) Where an account is not settled in full, any lesser amount tendered and accepted shall not be deemed to be in final settlement of such an account, even when a dispute exists.
- (6) Where any payment made to the Municipality or its authorised agent by negotiable instrument is later dishonoured by the bank, the Municipality or its authorised agent:
 - (a) May recover the average bank charges incurred relating to dishonoured negotiable instruments against the account of the customer;
 - (b) Shall regard such an event as default on payment.
 - (c) May refuse to accept cheques or may refer to the Credit Bureau.
- (7) Multiple accounts management

- (a) The Municipality or its authorised agent must, if administratively possible, issue a duplicate account to a customer on request.
- (b) The municipality may Consolidate any separate accounts of any account holder liable for payments to the municipality, and/or separate an account of any account holder liable for payments to the municipality; provided that the accounts involved relate to the same account holder

(7.) Correction of Account

A customer's municipal rate and taxes account shall be corrected in the following events:

- When a customer's personal details are incorrect, needs update and/or have changed.
- When a customer's address and/ or contact details are incorrect or have changed.
- If billing in the account is incorrect.

In applicable events a journal shall be used to correct or make alterations in a customer's account.

(7.2) Reversal of Interest

- Interest shall be reversed on a customer's account if a customer was billed incorrectly and interest was levied as a result.
- Interest shall be reversed if a special approval or request by council was made.
- Interest shall be reversed only in a form of a journal on a customer's account.

8. Metering

- (1) The Municipality will endeavour, within practical and financial limits, to provide meters to every paying customer for all meterable services.
- (2) All meters will be read monthly, if at all possible. If the meter is not read monthly, the Council will average the consumption for preceding periods of 3 (three) months.
- (3) Customers are entitled to request verification of meter readings and accuracy within reason, but may be held liable for the cost thereof.
- (4) Customers will be informed of meter replacement, in writing.
- (5) If a service is metered but it cannot be read due to financial and human resource constraints or circumstances out of the control of the Municipality or its authorised agent, the customer is charged for an average consumption.

9. Right of Access to Premises

- (1) The owner and/or occupier of premises is obliged to give an authorised representative of the Municipality access at all reasonable hours to the premises in order to read, inspect, install, repair or replace any meter or service connection for reticulation or to disconnect, stop or restrict, or reconnect the provision of any service.
- (2) The owner accepts the cost of relocating a meter if satisfactory access is not possible.
- (3) If a person contravenes 4(6) (a), the Municipality or its authorised agent may:
 - (a) by written notice require such person to restore access at his/her own expense within a specified period;
 - (c) if it is the opinion that the situation is a matter of urgency, without prior notice restore access and recover the cost from such a person

10. Payment Facilities and Methods

- (1) The Municipality will operate and maintain suitable banking and cash facilities and facilities will be accessible to all consumers and ratepayers.
- (2) The Municipality will, at its discretion, allocate a payment between service debts - a debtor who has overdue debt may not specify that the payment is for a specific portion of the account.
- (3) The Municipality may, with the consent of a customer, approach an employer to secure a debt or stop order arrangement on his or her salary.
- (4) The customer will acknowledge in the customer agreements that the use of customer agents in the transmission of payments to the Municipality is at the risk of the customer - also for the transfer time of the payment in respect of the due date of the municipal account.

11. Enquiries, Appeals and Service Complaints

- (1) If a customer is convinced that his/her account is inaccurate, he/she can lodge a written appeal with the Municipality addressed to the Municipal Manager for the recalculation of the said account.
- (2) In the interim period the customer must pay an average based on previous consumption where history of the account is available. Where no such history is available, the customer is to pay, without prejudice of rights, an estimate provided by the Municipality before the payment due date until the matter is resolved.

- (3) The relevant Department will investigate and inform the customer within a reasonable period of time.
- (4) Failure to make such agreed interim payment or payments would make the customer liable for disconnection of services.
- (5) A customer has the right to appeal against the finding of the Municipality or its authorised agent in terms of 4(8)(a).
- (6) An appeal and request in terms of 4(8)(e) must be made and lodged with the Municipality and addressed to the Municipal Manager within 21 (twenty-one) days after the customer became aware of the finding referred to in 4(8)(c) and must:
 - (a) Set out the reasons for the appeal;
 - (b) Be accompanied by any security determined for the testing of a measuring device if applicable.

12. Businesses who Tender with the Municipality

- (1) When inviting tenders and quotations for the provision of services or delivery of goods, potential contractors may submit tenders or quotations subject to a condition that consideration and evaluation thereof will necessitate that the tenderer obtain from the Municipality a certificate stating that all relevant municipal accounts owing by the tenderer or its members, directors, owners or partners have been paid in full 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.
- (2) Tender conditions must contain a condition allowing the Municipality to deduct monies owing for not more than three months to the Municipality from contract payments in terms of a reasonable arrangement with the tenderer.

13. Customer Assistance Programmes

(1) Water Leakages

- (a) If the leakage is on the side of the meter of the customer, the customer is responsible for the payment of the full account.
- (b) The customer has the responsibility to control and monitor his/her consumption.

(2) Investment Principles

- (a) Properties may qualify for a rate rebate determined annually as per the Rates Policy approved by Council.

- (b) A rate rebate may be granted to social pensioners or the receiver of a state disability grant as determined by the Council from time to time. To qualify for the concession, the following criteria will apply:
 - (i) The application must be made each year and reach the chief financial officer on or before 30 June.
 - (ii) The applicant must be the registered owner of the property and should not sublet any portion of the property.
 - (iii) The applicant should not own any other property.
 - (iv) The property must be readily accessible to Municipal Officials for the purpose of carrying out of inspections and reading of meters.

(3) Unauthorised consumption of services

- (a) Unauthorised consumption, connection and reconnection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to disconnections, penalties, loss of rights and criminal prosecutions.
- (b) The Municipal Manager will immediately terminate the supply of services to a Consumer should such conduct as outlined above, be detected

(4) STAFF AND COUNCILLORS IN ARREARS

- (a) Item10 of Schedule 2 to the Act states that: - "A staff member of the Municipality may not be in arrears to the municipality for rates and service charges for a period longer than three (3) months and a municipality may deduct any outstanding amounts from a staff member's salary after this period."
- (b) The Municipality shall liaise with the relevant staff on repayment of their arrears.
- (c) The staff member must sign a credit authority in accordance with this Policy.
- (d) No special treatment shall be afforded to staff in arrears.

- (e) Item 12A of Schedule 1 to the Act states that: - “A Councillor may not be in arrears to the municipality for rates and service charges for a period longer than three months.”
- (f) The Municipal Manager shall liaise with the Mayor and issue the necessary salary deduction instruction where appropriate.
- (g) Where the staff or Councillors arrears have arisen due to any other reason, such arrear must be paid within 3 months with interest.

(5) Arrangements for Settlements

- (a) If a customer cannot pay his or her account with the Municipality, then the Municipality may enter into an extended term of payment with the customer. The customer must:
 - (i) sign an acknowledgement of debt;
 - (ii) sign consent to judgement;
 - (iii) provide a garnishee order / emolument order / stop order (if he/she is employed);
 - (iv) acknowledge that interest will be charged at the prescribed rate, being the prime lending rate of the Municipality’s banker plus 1% as amended by the South African Reserve Bank from time to time; pay the current portion of the account in cash; and
 - (v) sign an acknowledgement that if the arrangements being negotiated are later defaulted on, no further arrangements will be possible and that disconnection of services and blockage of pre-payment meters will immediately follow, as will legal proceedings
- (b) Customers with electricity arrears may be requested to agree to the conversion to a prepaid meter after all arrears and the cost of the pre-payment meter has been paid in full and a written agreement to this effect has been entered into.
- (c) The Council reserves the right to raise the deposit / security requirement in accordance with Paragraph 4(3) of debtors who seek arrangements
- (d) In the event that a consumer’s account is in arrears, the amount tendered will be split according to the ratio of 70% towards coupon sales and 30% paid towards outstanding debt. The consumer will receive electricity tokens to the value of 70% of the payment received while the remainder will be allocated towards the arrears.

14. Indigent Subsidy

- (1) Qualifying households. A household with no income and/or a total income equal to the social state pension grant qualifies as an indigent household and for a Council subsidy. The applicant must occupy the premises, receive a municipal account, may not own any other property, either inside or outside the Municipality's area of jurisdiction and must comply with any other terms or conditions determined and adopted by the Council from time to time.
- (2) Funding of subsidy. The source of funding of the indigent subsidy is that portion of the equitable share contribution to the Municipality made from the national government's fiscus and as provided for in the Annual approved Budget of the Municipality. In exceptional circumstances this can be supplemented from other revenues if Council approval to that effect is obtained.
- (3) The subsidy amount is to be crudely calculated by dividing the portion of the equitable share as budgeted by the estimated number of qualifying households per area and tariff type. These figures are the approximate average subsidy per household.
- (4) Subsidised services are to be sewerage, water and refuse removal.
- (5) Electricity will be subsidised and households for indigent support may be required to convert to pre-payment electricity meters when implemented, the cost of which can be met either by:
 - (a) The equitable share fund, if sufficient;
 - (b) A surcharge on the electricity coupon cost; or
 - (c) Cash payment by the household
- (6) Indigent households which exceed free basic services and are in arrears may be restricted in respect of electricity and/or water.
- (7) Households become eligible by application on a specific application form of the Council, after which screening and ongoing auditing are possible. This form will require data on the inhabitants of the household, their occupations, income and property ownership and business ownership.
- (8) A qualifying household must be in possession of a letter of approval from the Municipality.
- (9) The Council may cause inspectors to visit indigent households to audit the veracity of the data in the application form and to record any changes in circumstances and make recommendations on the continuation or discontinuation of the subsidy.
- (10) Indigent households may apply or reapply for indigent support at any time during the financial year on the prescribed application form of the Council.
- (11) Households will be excluded from the scheme if:
 - (a) The application was filled in dishonestly;

- (b) Audits indicate improvements in the financial circumstances of the household beyond the qualifying income.
- (12) If a customer's consumption or use of a municipal service is less than the subsidised service, the unused portion may not be accrued by the customer and will not entitle the customer to cash or a rebate in respect of the unused portion.
- (13) If a customer's consumption or use of a municipal service is in excess of the subsidised service, the customer will be obliged to pay for such excess consumption at the applicable rate.
- (14) An indigent customer must immediately requests de-registration by the Municipality or its authorised agent if his/her circumstances have changed to the extent that he/she no longer meets the qualification set out in 5(1).
- (15) An indigent customer may at any time request de-registration.
- (16) Subsidies that have been received unrightfully will be reversed and recovered from the customer by the Municipality.

15. Debt Collection

(1) Enforcement Mechanisms

- (a) Interruption of Service
 - (i) Customers who are in arrears with their municipal account and who have made no arrangements with the Municipality will have their supply of electricity and water and other municipal services suspended or disconnected and/or restricted.
 - (ii) The disconnection of services will be implemented when the municipal account is 1 (one) day overdue, municipality will issue final notice to consumer which is payable within seven days.
 - (iii) The right to deny or restrict the sale of electricity or water to customers, who are in arrears with their rates or other municipal charges, is reserved.
 - (iv) Upon the liquidation or arrears, or the conclusion of arrangements for term payment, services will be reconnected as soon as conveniently possible.
 - (v) The cost of the restriction or disconnection and the reconnection will be determined by tariff agreed by the Council and will be payable by the customer.

- (b) The municipality shall reconnect and/or restore full levels of supply of any of the restricted or discontinued services only after the full amount outstanding is paid, including the costs of such disconnection and reconnection or acceptable arrangements having been made for payment of such outstanding amounts in terms of this Policy, or any other condition(s) of this Policy have been complied with.

Only an authorised official shall authorise the reconnection of services or reinstatement of service delivery after satisfactory payment and/or arrangement for payment has been made according to this Policy. Should an unauthorised official be found reconnecting or reinstalling the services a breach of the code of ethics shall be dealt with as follows -

- (c) in the case of an employee, in terms of the disciplinary procedures of the municipality envisaged in section 67(1)(h) of the Municipal Systems Act;
- (d) In the case of a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
- (e) In all cases, financial misconduct shall be dealt with in terms of chapter 15 of the Act.
- (f) Interest and Charges

- i. Interest and penalties will be raised as a charge on all accounts not paid by the due date in accordance with applicable legislation.

- (g) Personal / Telephonic / Agent Contact

- (i) The Municipal Manager will endeavour, within the constraints of affordability, to correspond personally, by telephone or by letter contact with all arrear debtors to encourage their payment and to inform them of their arrears state and their rights (if any) to conclude arrangements or to apply for indigent subsidies and other related matters, and will provide information on how and where to access such arrangements or subsidies.
 - (ii) The Municipality shall maintain a schedule of debtors with large amounts outstanding (the cut-off amount will be agreed by the Municipal Manager) and will maintain intensive contact with these debtors as in 6 (1) (c) (i).
 - (iii) Such contact is not a right for debtors that debtors enjoy - disconnection of services and other collection proceedings will continue in the absence of such contact for whatever reason.

- (h) Legal Process / Use of Attorneys / Use of Credit Bureaus

- (i) The Municipal Manager will, when a debtor is above 90 days in arrears, commence legal process against that debtor, which process could involve summonses, court trials, judgements, emolument attachment orders and, as a measure of last resort, sales in execution of property. Indigent households are exempted from this action for as long as;

- the household is classified as an indigent case
 - the repayment agreement with the Council is adhered to.
- (ii) The Municipal Manager will exercise strict control over this process to ensure consistent accuracy and legality within it and will require regular reports on progress from staff charged with the responsibility or outside parties, be they attorneys of any other collection agents appointed by the Council.
 - (iii) The Municipal Manager will establish procedures and codes of conduct with these outside parties.
 - (iv) Emolument attachment orders in the case of employed customers are preferred to sales in execution, but both are part of the Municipality's system of debt collection procedures.
 - (v) All steps in the credit control procedure will be recorded for municipal records and for the information of the debtor.
 - (vi) All costs of this process are for the account of the debtor.
 - (vii) Individual debtor accounts are protected and are not the subject of public information, except for officials and councillors. However, the Municipality may release debtor information to credit bureaus. This release will be in writing and this situation will be included in the Municipality's agreement with its customers.
 - (viii) The Municipal Manager may consider the cost effectiveness of this process and will receive reports on all relevant matters and report to the Mayoral Committee.
 - (ix) On a recommendation by the Municipal Manager, the Council may consider the use of agents and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct and the success of such agents and products will be part of the agreement the Council might conclude with such agents or product vendors.
 - (x) Customers will be informed of the powers and duties of such agents and their responsibilities, including their responsibility to observe agreed codes of conduct.
 - (xi) Any agreement concluded with an agent or product vendor shall include a clause whereby breaches of the code of conduct by the agent or vendor will see the contract terminated. The Municipal Manager will determine appropriate measures to be installed within the broad parameters described in Paragraph 6 and consult with the Mayoral Committee on these measures.

(2) Arrangements

(2.1) Principles for Residential Debtors

- Notwithstanding that all debts should be treated holistically, certain categories of debt may be subject to category specific repayment parameters.
- Current charges must be paid in full and cannot be negotiated.

- The debtor may be required to proof levels of income and must agree to a monthly payment towards arrears based on his ability to pay or based on his total liquidity if Council so requires.
- All negotiations with the debtor should strive to result in an agreement that is sustainable and is most beneficial to Council.
- Interest will be charged on arrears at prime rate plus 1%
- Interest on arrears in respect of all services and rates may, at the option of the Council, be frozen whilst the debtor adheres to the conditions of an arrangement.
- Debtors, excluding housing debtors, who default on three occasions in respect of arrangements made, will be denied the privilege of making further arrangements and the full amount becomes due and payable.
- All arrangements should be subject to periodic review.
- All services may be disconnected and legal action will be taken against debtors as provided for in this Policy and/or such debt may be referred to third party debt collectors, for recovery.

(2.2) ARRANGEMENT CRITERIA FOR RESIDENTIAL DEBTORS

All debtors who are in arrears and apply to make arrangements to reschedule their debt repayment, will be obliged to make the following minimum payment requirements at the time of entering into such arrangement:

- Current account plus 20% of the total outstanding debt, of which the balance will be payable over a period not exceeding 24 months.
- Each following month the debtor will be required to pay plus Current account plus an instalment as determined.

(2.3) ARRANGEMENT CRITERIA FOR NON RESIDENTIAL DEBTORS

All debtors who are in arrears and apply to make arrangements to reschedule their debt repayment will be obliged to make the following minimum payment requirements at the time of entering into such arrangement:

Current account plus 50% of the total outstanding debt, of which the balance will be payable over a period not exceeding 12 months

Each following month the debtor will be required to pay plus Current account plus an instalment as determined.

(3) Full and Final Settlement of Account

A customer shall be given a percentage discount, as determined by the formula below, when settling an account.

Full settlement of customer's account shall occur under the following conditions:

- If the age analysis on the account is correct and not in error;
- If the customer is in arrears for a period longer than 120 days;
- If the customer never settled his/her account within a period of three years;

The following formula shall be used to calculate a discount and payable amount in the event of full settlement of account:

$$\text{Discount} = \frac{(120 \text{ Plus}) + (120)}{2}$$

$$\text{Payable} = (\text{Discount}) + (90 \text{ days}) + (60 \text{ days}) + (30 \text{ days}) + (\text{Current Charge})$$

Condition: *Discount Amount + Payable Amount = Total Amount Due*

(4) Cost of Collection

All costs of legal processes, charges, service discontinuation costs as associated with credit control and debt collection, are for the account of the customer and should reflect at least the cost of the particular action

(5) Abandonment

- (a) The Municipal Manager must ensure that all avenues are utilised to collect the Municipality's outstanding debts.
- (b) There are some circumstances that allow for the valid termination of debt collection procedures:
 - (i) The insolvency of the debtor whose estate has insufficient funds:
 - (ii) A balance owing too small to recover for economic reasons considering the cost of recovery.
- (c) The Municipality will maintain audit trails in such an instance and document the reasons for the abandonment of the outstanding debt.

(6) Rates Clearance

On the sale of any property in the municipal jurisdiction, the Council will withhold the transfer until all rates, services and sundry charges related to the property are paid by withholding a rates clearance certificate, except where otherwise provided in legislation.

Monies including any estimated amounts for the duration of the validation period of a certificate in terms of section 118, of the Systems Act, or section 89 of the Insolvency Act, 24 of 1936, are for the purpose of section 118, deemed to be due and must be paid in order to facilitate the transfer of immovable property:

- All amounts that are due in connection with the property must be paid in full prior to the issuing of any clearance certificate in terms of section 118, of the Systems Act;

No certificate, in terms of section 118 of the Systems Act, will be issued where the property owner has not complied with any relevant legislation, policy or agreement relating to the property in question.

(7) Proof of Residence

Conditions on issuing Proof of Residence

- (i) A customer must produce a green bar coded ID, ID Card or Drivers Licence of owner's property.
- (ii) A customer must produce a municipal rates and taxes account.
- (iii) Proof of residence will only be issued on accounts that are up to date in respect of municipal services.
- (iv) If your municipal account is in arrears the current charge must be paid in full before issuance of proof of residence. You will then be requested to sign an acknowledgement of debt and a repayment plan with the Municipality.
- (v) No proof of residence will be issued if your account is in arrears and you have both acknowledgement of debt and repayment plan.
- (vi) If you default and/or fail to honour your repayment plan, it will automatically lapse and you will not be able to obtain your proof of residence.

(8) Conditions On Provision of Other Services

The municipality must verify the customer's rates and taxes account –

If a customer's account is more than 90 days in arrears the customer shall be liable to pay the current amount plus the fee for the service applied for (e.g. Municipal Halls, Stadiums, Approval of Building Plans, Subdivision & Rezoning, Sale Graves, Special Refuse Removal, any other special requests, etc.).

The customer must therefore enter into an arrangement with the Credit Control Section to pay the outstanding amount.

(9) Tampering and Fine

(i) A fine issued for any tampering of electricity pre-paid must be paid in full before reconnection.

(a) R10, 000 for households

(b) R15, 000 for Businesses

16. Performance Evaluation

(1) Income Collection Targets

Council shall create targets that include:

- Reduction in present monthly increase in debtors in line with performance agreements determined by the Council

(2) Customer Service Targets

Council shall create targets that will include:

- (a) Response time to customer queries.
- (b) Date of first account delivery to new customers.
- (c) Reconnection time lapse.
- (d) Meter reading cycle.
- (e) Reduction in customer complaints.

(3) Administrative Performance.

Council shall create targets that will include:

- (a) Cost efficiency of debt collection.
 - (b) Query rates.
 - (c) Enforcement mechanism ratios.
- (4) The Council will create a mechanism wherein these targets are assessed; the Council performance is evaluated and remedial steps taken.

17. Reporting to Council

- (1) The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Mayoral Committee. This report shall report on:
- (a) Cash flow information for the capital and operating accounts and combined situation, showing the Council's actual performance against its cash flow budgets.
 - (b) Cash collection statistics, showing high-level debt recovery information (numbers of customers; enquiries; default arrangements; growth or reduction of arrear debtors ideally divided into wards, business [commerce and industry], and domestic, state, institutional and other divisions).
 - (c) Performance of all areas against targets agreed to in Paragraph 6 of this Policy.
 - (d) The Council's on going income and expenditure statements, comparing both billed income and cash receipt income, against on-going expenditure in both the capital and operating accounts.
- (2) The Mayoral Committee shall quarterly report to the Council as contemplated in Section 99(c) of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000).
- (3) If in the opinion of the Chief Financial Officer the Council will not achieve cash receipt 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, 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.

18. Structures of Department of Finance

The Council shall regularly receive a report from the Chief Financial Officer, if necessary after consultation with suitable consultants, on the manpower and systems requirements of Finance, which requirements take into account the Council's agreed targets of customer care and management, and debt collection, and, after considering this report, the Council will, within reason, vote such resources as are necessary to ensure that Finance has the staffing and structures to meet the Council's targets in this regard or to outsource the service.

19. Short Title

This policy is called the Credit Control and Debt Collection Policy of Albert Luthuli Municipality.

20. Procedures

Within 30 days after the approval of this policy, the Municipal Manager shall approve procedures related to this policy.

21. Legal Requirements

It is essential for the protection of the municipality's interests that the provisions of particularly the Municipal Systems Act 2000 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 of the Municipality must note the obligations which the municipality has towards the community in respect of customer care and relations.

For ease of reference a paraphrase of the relevant extracts from the Municipal Systems Act, specifically Sections 95 to 103 and Section 118 are therefore appended to this policy, as are Sections 28 and 29 of the Property Rates Act. The immediately relevant extracts from the Water Services Act 1997 and the Municipal Finance Management Act are also included in the annexure.

21.1 Section I: Water Services Act No. 108 Of 1997

Section 21: By-Laws

The Act requires a municipality, in its capacity as water services authority, to make by-laws which contain conditions for the provision of water services and which provide for the following (inter-alia):

- a) the standard of the services;*
- b) the technical conditions of supply, including quality standards, units or standards of measurement, the verification of meters, acceptable limits of error and procedures for the arbitration of disputes relating to the measurement of water services provided;*
- c) the determination and structure of tariffs;*
- d) the payment and collection of moneys due for the water services consumed;*
- e) the circumstances under which water services may be limited or discontinued and the procedure for such limitation or discontinuation; and*
- f) the prevention of unlawful connexions to water services works and the unlawful or wasteful use of water.*

21.2 Section II: Local Government: Municipal System Act No. 32 of 2000

Section 95: Customer Care and Management

A municipality must, in relation to the levying of rates and other taxes, and the charging of fees for municipal services, within its financial and administrative capacity, do the following:

- a) establish a sound customer management system which aims to create a positive and reciprocal relationship between persons liable for these payments and the municipality itself or (where applicable) a service provider;
- b) establish mechanisms for users of services and ratepayers to give feedback to the municipality or other service provider with regard to the quality of the services and the performance of the service provider;
- c) take reasonable steps to ensure that users of services are informed of the costs involved in service provision, the reasons for the payment of service fees, and the manner in which moneys raised from the service are utilised;
- d) where the consumption of services is measured, take reasonable steps to ensure that the consumption by individual consumers of services is measured through accurate and verifiable metering services;
- e) ensure that persons liable for payments receive regular and accurate accounts which indicate the basis for calculating the amounts due;
- f) provide accessible mechanisms for those persons to query or verify accounts and metered consumption, as well as appeal procedures which allow such persons to receive prompt redress for inaccurate accounts;
- g) provide accessible mechanisms for dealing with complaints from such persons, together with prompt replies and corrective action by the municipality;
- h) provide mechanisms to monitor the response time and efficiency in complying with the aforementioned requirements; and
- i) provide accessible pay points and other mechanisms for settling accounts or for making prepayments for services.

21.3 Section III: Local Government: Municipal Finance Management Act No. 56 of 2003

Section 64: Revenue Management

The accounting officer of the municipality is responsible for the management of the municipality's revenues, and must, for this purpose, take all reasonable steps to ensure:

- a) that the municipality has effective revenue collection systems consistent with Section 95 of the Municipal Systems Act 2000 and the municipality's credit control and debt collection policies;
- b) that revenues due to the municipality are calculated on a monthly basis;
- c) that accounts for municipal taxes and charges for municipal services are prepared on a monthly basis, or less often as may be prescribed where monthly accounts are uneconomical;
- d) that all moneys received are promptly deposited in accordance with the requirements of the present Act, into the municipality's primary and other bank accounts;
- e) that the municipality has and maintains a management, accounting and information system which recognises revenues when they are due, accounts for debtors, and accounts for receipts of revenues;
- f) that the municipality has and maintains a system of internal control in respect of debtors and revenues, as may be prescribed;

- g) that the municipality charges interest on arrears, except where the council has granted exemptions in accordance with its budget related policies and within a prescribed framework; and
- h) that all revenues received by the municipality, including revenues received by any collecting agent on its behalf, is reconciled at least on a weekly basis.

The accounting officer must immediately inform the national treasury of any payments due by an organ of state to the municipality in respect of municipal taxes or for municipal services, if such payments are regularly in arrears for periods of more than 30 days.

21.4 Note: Section 164: Forbidden Activities

Section 164(1)(c) lists as a forbidden activity the making by a municipality of loans to councillors or officials of a municipality, directors or officials of any municipal entity, and members of the public. It has been assumed for purposes of compiling the credit control and debt collection policy that allowing any party to pay off arrears of rates and municipal service charges is not tantamount to the making of a loan in terms of Section 164.)

21.5 Section IV: Local Government: Municipal Property Rates Act NO. 6 of 2004

Section 28: Recovery of Rates in Arrears from Tenants and Occupiers

If the rates owed by a property owner are unpaid by due date, the municipality may recover such rates, either in whole or in part, from any tenant or occupier of the property concerned.

However, the tenant or occupier of the property must first be given written notice of the municipality's intentions, and the amount which the municipality may recover is limited to the amount of rent and other moneys due and unpaid by the tenant or occupier to the property owner concerned.

Section 29: Recovery of Rates from Agents

If it is more convenient for the municipality to do so, it may recover the rates due on a property, either in whole or in part, from the agent of the property owner concerned.

However, the agent must first be given written notice of the municipality's intention, and the amount the municipality may recover is limited to the amount of any rent and other moneys received by the agent on behalf of such property owner, less any commission due to the agent.

The following examples of Administrative Forms are also attached for discussion and consideration for amendment of the current forms and eventual inclusion in the revised policy.

22. Enforcement/Implementation

This policy has been approved by the Municipal Council in terms of resolution no.
dated.....20..... and takes effect on 1 July 2019.

