

Draft March 2023



MUNICIPALITY  
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## *Credit Control and Debt Collection Policy*

*Draft 2023/2024*

## INDEX

1.	PREAMBLE:	3
	Constitutional Obligation	3
	Definitions	3
	REGISTERED ACCOUNTS - OWNERS/TENANTS	3
	RESPONSIBILITY FOR AMOUNTS DUE	9
2.	CUSTOMER CARE SECTION	10
2.1.	Objectives	<b>Error! Bookmark not defined.</b>
2.2.	Communication and feedback	10
2.3.	Handling of Complaints	11
2.4.	Accounts and billing	<b>Error! Bookmark not defined.</b>
2.5.	Metering	<b>Error! Bookmark not defined.</b>
2.6.	Payment facilities and methods	12
2.7.	Enquiries, appeals and service complaints	14
2.8.	Customer Categories	15
2.9.	Priority Customer Management	16
2.10.	Customer assistance programmes	16
2.11.	Arrangements for settlements	<b>Error! Bookmark not defined.</b>
2.12.	Property Rates cycle and instalments	17
2.13.	Indigent subsidy	18
2.14.	Free basic services	<b>Error! Bookmark not defined.</b>
3.	CREDIT CONTROL SECTION	19
3.1.	Objectives	<b>Error! Bookmark not defined.</b>
3.2.	Service application and agreements	19
3.3.	Customer screening and securities	20
3.4.	Right of access to premises	20
3.5.	Personal contact	21
3.6.	Interruption of service	21
3.7.	Assessment Rates/Consolidated Account	22
3.8.	Building Plans	22
3.9.	The Pre-payment System	22
3.10.	Incentives for prompt payment	23
3.11.	Interest	23
3.12.	Tampering, theft and fraud	23
3.13.	Reconnection of Terminated Services	24
3.14.	Staff and Councillors in Arrears	25
3.15.	Time for Reconnections or Reinstatements	26
4.	DEBT COLLECTION SECTION	27
4.1.	Objective	<b>Error! Bookmark not defined.</b>
4.2.	Legal Process/Use of attorneys/ credit bureaus/ agents	27
4.3.	Cost of collection	<b>Error! Bookmark not defined.</b>
4.4.	Abandonment of Claims	28
4.5.	Provision for Irrecoverable Debt	29
	ANNEXURE A	33
	ARRANGEMENTS	33
	ANNEXURE B	38
	GUIDELINES FOR IMPLEMENTATION OF POLICY	38

## 1. PURPOSE

This policy has been compiled as required in terms of Section 97 of the Local Government: Municipal Systems Act 32 of 2000 (hereinafter referred to as the Act) and is designed

- a. to provide for credit control and debt collection procedures and mechanisms. It also aims to ensure that the Municipality's approach to debt recover is sensitive, transparent and is equitably applied throughout the Municipality's geographic area ;
- b. to ensure that the principles and procedures for the writing-off of irrecoverable debt are formalised to ensure that consumers (especially households) are relieved of their spiral of debt ; and
- c. to align the methodology for the calculation of the provision for doubtful debts with the provisions of GRAP 104

## PREAMBLE:

### Constitutional Obligation

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

### Definitions

For the purpose of understanding and executing this policy, any word or expression to which a meaning has been assigned in the Act shall bear the same meaning in this Policy and unless the context indicates otherwise, the following will be applicable: –

“account”                      any account rendered for municipal services provided

“Authorised Delegate” the Revenue Manager will investigate disputes in terms of section 22 hereof

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

“arrears” any amount due, owing and payable in respect of municipal services not paid by due date.

“CFO” the Chief Financial Officer a person employed by the Municipality in terms of the Municipal Systems Act as the Chief Financial Officer of the Municipality, and includes any person to whom the Chief Financial Officer has delegated or sub-delegated a power, function or duty in accordance with the system of delegation developed by the Municipal Manager in terms of Section 79 of the Municipal Finance Management Act and Section 59 of the Systems Act;

“consolidated account” a monthly account reflecting municipal service fees, charges, surcharges on fees, property rates and other municipal taxes, levies and duties and all consolidations in terms of Section 102 of the Act means a monthly account reflecting municipal service fees, charges, surcharges on fees, property rates, sundry charges and other municipal taxes, levies and duties and all consolidations in terms of Section 102 of the Systems Act

“credit authority”	any arrangement made by agreement between the municipality and a customer, for the payment of any arrears, in installments, whatever the form of such arrangement might be, whether in the form of an acknowledgement of debt, or in correspondence, provided that such arrangement is recorded in writing and signed on behalf of the municipality by an authorized official.
“customer”	Any person liable to the municipality for taxation or other charges means any person or their agent with whom the municipality or an authorized official has entered into an agreement for the provision of any municipal service to the premises
“defaulter”	any customer in arrears
“deemed owner”	means a person, who is not the registered owner of the property, in occupation of such property by virtue of the Administration of Black Estates Act
“due date”	the date on which all customer’s accounts become payable which, in respect of monthly accounts shall be the 10 <sup>th</sup> of the following month, and in the case of annual accounts shall be 30 August each year
“illegal connection”	any connection to any system through which the municipal services are provided, which is not authorised or approved by the municipality or its agent
“metering period”	the time interval between two successive billed meter readings
“MPRA”	the Local Government: Municipal Property Rates Act 6 of 2005
“nett salary”	means gross salary less pension and statutory deductions
“owner”	the person defined as such in the municipality Rates Policy. In addition to the persons defined in the MPRA, includes:

- a) In relation to a property referred to in paragraph (a) of the definition of “property” in the MPRA, a person in whose name ownership of the property is registered;
- b) An owner in a sectional title scheme who owns in addition to the residential unit, a garage, parking, granny flat, or storage room, under separate Title in the scheme, is deemed to be the owner of ONE property for the purposes of 7.2 and 7.3 of the Rates Policy of the Municipality;
- c) An owner of two or more property which are notarially tied to each other, is deemed to be the owner of ONE property for the purposes of 7.2 and 7.3 of the Rates Policy of the Municipality;
- d) The administrator of the body corporate of a sectional title scheme where the common property of a sectional title scheme is at issue and there are no elected trustees of the body corporate;
- e) The administrator, where the owner of a property is a mental health care user as defined in section 1 of the Mental Health Act, 2002 (Act No. 17 of 2002);
- f) The business rescue practitioner, where the owner of the a property has been placed under business rescue;
- g) The managing agent, where the owner of a property is absent from the Republic of South Africa or where the Municipality has, after reasonable attempts, not been able to determine his or her whereabouts;
- h) Every person who is entitled to occupy or use a building, or who does occupy or use a building, where-
  - (i) The owner of a property is absent from the Republic of South Africa;
  - (ii) The Municipality has, after reasonable attempts, not been able to determine the whereabouts of the owner of the building; and
  - (iii) There is not managing agent
- i) Trustees and beneficiaries jointly, in the case of property in a trust,;
- j) An executor or administrator, in the case of property in a deceased estate;
- k) A trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
- l) A judicial manager, in the case of a property in the estate of a person under judicial management;
- m) A curator, in the case of property in the estate of a person under curatorship;
- n) A person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude, as joint owner together with the registered owner,



## **PROVISION OF MUNICIPAL SERVICES**

### **1. REGISTRATION**

- 1.1.1 Residential – the Municipality will endeavour to register owners only for services on their properties.
- Tenant registrations currently in place will continue until the tenant vacates, the account is closed or the Municipality cancels the contract of the tenant in default in terms of clause
  - When an account is opened in the name of a tenant the registered owner of the property will notify in writing the Municipality of who the tenant is and that he takes full responsibility for the tenants outstanding service charges if the tenant vacates the property without settling the outstanding amount
- 1.1.2 Business – The Municipality will continue to register tenants for services on receiving a letter from the owner approving connection in business name.
- 1.1.3 Owners of rented properties shall ensure that all outstanding amounts are recovered from tenants
- 1.1.4 Government – The Municipality will continue to register tenants for services. The respective Government Departments shall be held liable for the debts on their property
- 1.1.5 Sundry Accounts – the customer must provide the Municipality with a municipal account number or rate account number. If the customer does not have an existing municipal account, then a new account must be created
- 1.1.6 The Municipality shall whenever possible, combine any separate accounts of persons who are liable for payment to the municipality, into one consolidated account

- 1.1.7 No registrations or additions to the customer database can be processed unless legal documentation acceptable to the Chief Financial Officer has been produced in each instance
- 1.1.8 If there is an outstanding debt on the property, this debt must be settled in full, or suitable payment arrangements must be made by the owner of the property, before any customer/owner is registered for services
- 1.1.9 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
- 1.1.10 Customers who fail to register and who illegally consume services will be subjected to such administrative, civil or criminal action as the Municipality deems appropriate.  
  
Where municipal services are used / consumed or made use of and the owner, tenant or occupants of a property, have not entered into nor completed an agreement for such services, the owner responsible for the payment of rates on the property shall be billed for the metered consumption and all municipal service charges applicable to the property.
- 1.1.11 Where the purpose for or extent to which any municipal service used is changed, the onus and obligation is on the customer / owner to advise the Municipality of such change.

## 1.2 RESPONSIBILITY FOR AMOUNTS DUE

- 1.2.1 In terms of Section 118 (3) of the Act an amount due for municipal service fees, surcharge on fees, property rates and other municipal taxes, levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property.
  - a) Accordingly, all such Municipal debts shall be payable by the owner of such property without prejudice to any claim which the Municipality may have against any other person.
  - b) The Municipality reserves the right to cancel a contract with the customer (tenant) in default and register the owner only for services on the property.
  - c) No new services will be permitted on a property until debts on the property are paid, or suitable arrangements made to pay such debts
- 1.2.2 Where the property is owned by more than one person, each such person shall be liable jointly and severally, the one paying the other to be absolved, for all Municipal debts charged on the property.
- 1.2.3 Except for property rates, owners shall be held jointly and severally liable, the one paying the other to be absolved, with their tenants who are registered as customers, for debts on their property.
- 1.2.4 Refuse removal shall form part of the property debt, payable by the owner of the property.
- 1.2.5 Directors of Companies, members of Close Corporations and Trustees of Trusts shall sign personal surety ships with the Municipality when opening service accounts.

- The Municipality may recover the amount in whole or in part despite any contractual obligation to the contrary on the tenant/occupier/agent
- The amount the municipality may recover from the tenant, occupier or agent is limited to the amount of the rent or other money due and payable, but not yet paid by the tenant, occupier or agent.
- For so long as a tenant or an occupier occupies a property in respect of which arrears are owing, or an agent acts for an owner in respect of whose property arrears are owing, then the Municipality may recover from such tenant, occupier or agent such monies as are owing by the tenant, occupier or agent to the owner, as payment of the arrears owing by such owner
- Should the tenant, occupier and/or agent refuse to pay as above, to the Municipality, the services of the tenant, occupier and /or agent may be disconnected.

1.2.6 Should any dispute arise as to the amount owing, the customer shall pay all amounts which are not subject to the dispute.

1.2.7 Pre-paid meters shall not be installed until all outstanding debt has been paid in full, subject to clause 20 hereto.

1.2.8 The owner of the property may be held liable for tampering with the electricity metering equipment on the property as well as charges that arise there from.

1.2.8.1 Where electricity has not been sold on a pre-paid meter for longer than four (4) months, and after reviewing the history of the transactions on the meter for bulk purchasing, the electricity supply may be disconnected to enable technical staff to investigate for possible tampering or faulty meters

## 2. CUSTOMER CARE SECTION

The objectives of the customer care section are to: -

- 2.1.1. Focus on the client's needs in a responsible and pro-active way to create a positive and cooperative relationship between customers responsible for the payment of services received, and the municipality, and where applicable, any service provider.
- 2.1.2. Facilitate financial assistance and basic services for the poorest of the poor in the community.

### 2.2 COMMUNICATION AND FEEDBACK

- 2.2.1 The municipality will, within its financial and administrative capacity, conduct an annual process of compiling and communicating its budget
- 2.2.2 The Customer Care, Credit Control and Debt Collection Policy or relevant extracts thereof, will be available at the municipal office, the official website and on special request.

- 2.2.3 Ward councillors will be required to hold regular ward meetings at which customer care and related issues will be given prominence.
- 2.2.4 The press will be encouraged to give prominence to customer care and related issues and will be invited to Council or Committee meetings where these matters are discussed.

### **2.3.1 HANDLING OF COMPLAINTS**

Within its financial and administrative capacity, the municipality will establish: -

- 2.3.1. A central complaints/feedback office;
- 2.3.2. A centralized complaints database to enhance co-ordination of complaints, their speedy resolution and effective communication with customers;
- 2.3.3. Appropriate training for officials dealing with the public to enhance communications and service delivery; and
- 2.3.4. A communication mechanism to give feedback on service, debt and customer care and related issues.

### **2.4 ACCOUNTS AND BILLING**

- 2.4.1. Customers will receive an understandable and accurate bill from the municipality, which will consolidate all service charges for that property.
- 2.4.2. Accounts will be rendered monthly in meter reading cycles of approximately 30 days at the address last recorded with the municipality or its authorised agent.
- 2.4.3. The Municipality shall bill the customers, property owners and property occupiers within its area for municipal services supplied or available to them by the Council and for property rates, at regular intervals or as prescribed by law.

The customer shall pay, in full, the account rendered, on or before the due date. Failure to comply with this section shall result in debt collection action being instituted against the customer, and interest at the rate determined from time to time by the Council or, in the absence of any determination, as prescribed by law, may be charged from the date upon which the amount of the account was due for payment.

- 2.4.4. It is the customer's responsibility to ensure that postal address and other contact details are correct.
- 2.4.5. It is the customer's responsibility to ensure timeous payment and in the event of accounts not received, to request a duplicate as non-receipt of an account will not serve as an excuse for non-payment.

2.4.6. Settlement or due dates will be as indicated on the statement.

2.4.7. Where an account is not settled in full, any lesser amount tendered and accepted shall not be deemed to be in full and final settlement of such an account. Customers are required to update their information details as soon as there is a change in their details. The onus is on the customers to provide their new details to the municipality, whenever there is such a change. This can be done by contacting the helpdesk and/or the front office and presenting the updated details for capturing. Contact may be made electronically or manually.

2.4.8. The payment of rates shall not be affected by reason of an objection, appeal or non-compliance with the rates policy.

## **2.5 METERING**

2.5.1. Within practical and financial limits, the municipality will endeavour to provide meters for every consumable service.

2.5.2. Customers will be informed of meter replacements.

2.5.3. All meters will be read monthly as close as possible to a 30-day cycle. In cases where access to a premises or circumstances beyond control do not allow for a monthly reading, an estimate based on the average consumption of the preceding 3 months will be used to levy a monthly consumption.

2.5.4. Customers are entitled to request verification of meter readings and accuracy within reason but may be held liable for the cost thereof.

## **2.6 PAYMENT FACILITIES AND METHODS**

2.6.1. The municipality will operate and maintain suitable and accessible payment facilities.

2.6.2. The municipality will, at its discretion allocate payments between service debts and debtors may not specify that payments are for specific portions of the account.

2.6.3. With the consent of a customer the municipality may in terms of section 103 of the Systems Act, approach an employer to secure a debit- or stop order arrangement.

2.6.4. The municipality may provide for special incentives as contemplated in section 103 of the Systems Act.

2.6.5. The customer will acknowledge, in the customer agreement, if he/she uses agents to transmit payments to the municipality for which the customer will still be responsible for late and non-payments.

2.6.6. The Municipality will endeavour to establish a payment network to ensure that, wherever practically possible, customers in receipt of accounts have access to a payment site within a reasonable distance of their home.

2.6.7. The Municipality shall accept payment by the following methods:

- Cash
- Electronic Funds Transfer
- 3rd Party Collectors
- Speedpoint machines/Card payments
- Online payments

2.6.8 Where any payment made to the Municipality, or its authorised agent, or direct debit, is later dishonoured by the bank, the municipality or its authorised agent:

- Will recover the average bank charges incurred relating to a dishonoured negotiable instrument against the account of the customer;
- May regard such an event as default on payment and the account shall be dealt with as an arrear account.
- Reserves the right to take legal action on the negotiable instrument or for recovery of arrears.

2.6.9 The methods of payment shall be determined by the Chief Financial Officer from time to time

2.6.10 Where a customer signs a Credit Authority with the Municipality, payment shall, as far as possible, only be accepted via a direct debit procedure.

## **2.7 FULL AND FINAL SETTLEMENT**

2.7.1 Where the exact amount due and payable has not been paid in full, any lesser amount tendered and receipted, except when duly accepted in terms of delegation of power, shall not be in full and final settlement of such an account.

2.7.2 The provision above shall prevail notwithstanding the fact that such lesser payment was tendered and/or receipted in full settlement.

2.7.3 The CFO or his delegate must be consulted on any settlement, out of court or other-wise, that have a financial implication.

## **2.8 CASH ALLOCATION**

- 2.8.1 In accordance with section 102 of the Act, the Municipality may:
- a) Consolidate any separate accounts of persons liable for payments to the municipality;
  - b) Credit a payment by such a person against ANY account of that person; and
  - c) Implement any of the debt collection and credit control measures provided for in this Policy in relation to any arrears on any of the accounts of such a person.
- 2.8.2 Any amount paid by the customer in excess of an existing debt may be held in credit for the customer in anticipation of future rates and fees for municipal services, and no interest will be payable on that amount, subject to Section 55 of the Act .
- 2.8.3 The Municipality's allocation of payment is not negotiable, and the customer may not choose which account to pay.

## **2.9 ENQUIRIES, APPEALS AND SERVICES COMPLAINTS**

- 2.9.1 If a customer is convinced that his or her account is inaccurate, he or she can lodge a query with the municipality to investigate and adjust the account if found valid.
- 2.9.2 In the interim the debtor must pay an amount equal to the average of the preceding three month's consumption where such history of the account is available. Where no such history is available, the debtor must pay an estimated amount as calculated by the municipality until the matter is resolved.
- 2.9.3 The relevant department will investigate the query lodged in terms of paragraph 2.9.1 and inform the debtor within the period specified in the policy targets.
- 2.9.4 Failure to make interim payments will subject the customer to the normal credit control and debt collection procedures.
- 2.9.5 customer who disputes an account must submit each dispute in writing to the person appointed by the Municipality to deal with such disputes (hereinafter referred to as "the Authorized Delegate"), stating the reasons for such dispute and any relevant facts, information or representation which the Authorized Delegate should consider to resolve the dispute,

- 2.9.6 The dispute must be submitted within thirty (30) days of the account. If a dispute is raised after this period, it will be treated as an enquiry, the account will not be suspended, and normal credit control procedures will apply.
- 2.9.7 The dispute must relate to a specific amount on the account. Amounts not in dispute must be paid in full. If the amounts not in dispute remains unpaid, services may be disconnected.
- 2.9.8 Queries are not regarded as a dispute.
- 2.9.9 Proven tampering charges are not regarded as a dispute.
- 2.9.10 The Authorized Delegate or his nominee may hear representations from customers who dispute an account and he/his nominee may take a decision, based on the spirit of the Policy.
- 2.9.11 A dispute submitted above shall not stop or defer the continuation of any legal procedure already instituted for the recovery of arrear payment relating to such dispute.
- 2.9.12 The customer has the right to appeal to the CFO or his assign against the decision of the Authorized Delegate. The CFO or his assign may hear representations and make a decision that is binding.
- set out the reasons for the appeal; and
  - be accompanied by any security determined for the testing of a measuring device, if applicable.
- 2.9.13 A person whose rights are affected by the decision of the CFO may appeal against that decision within 21 days of the date of notification of the decision, to the municipal manager.
- 2.9.14 Objections and Appeals on property valuations do not stay Credit Control and Debt Collection Procedures.
- 2.9.15 Disputes regarding the General Valuation Roll must be submitted to the Real Estate section in the form of an objection or appeal as envisaged by Sections 50 and 54 of the MPRA. The account must be paid in full until an objection or appeal outcome is reached where after the account will be credited or debited accordingly

## **2.10 CUSTOMER CATEGORIES**

- 2.10.1 Customers will be categorised according to specific classifications based on *inter alia* the type of entity and applicable tariffs and risk levels.

2.10.2 Processes for credit control, debt collection and customer care may differ from category to category, as deemed appropriate from time to time by the Municipal Manager.

## **2.11 PRIORITY CUSTOMER MANAGEMENT**

2.11.1 Certain customers may be classified as priority customers based on criteria determined by the Municipal Manager.

2.11.2 A priority customer liaison officer may be appointed to take care of priority customers.

2.11.3 The envisaged priority customers will be administrated and managed by a dedicated official who will be responsible for the ongoing management of the customers so classified and will perform tasks such as the review of monthly accounts to ensure accuracy, the monitoring of prompt settlement of accounts and response to queries.

## **2.12 CUSTOMER ASSISTANCE PROGRAMMES**

### **2.12.1 WATER LEAKAGES**

2.12.1.1 If the leakage is on the customer's side of the meter, the customer will be responsible for the payment of all water supplied to the property.

2.12.1.2 The customer has the responsibility to control and monitor his/her water consumption.

2.12.1.3 The Council may consider measures to assist registered indigent households to repair leakages inside their premises subject to the availability of funding on the approved Operating Budget of the Council.

### **2.12.2 RATES REBATES**

2.12.2.1 Categories of properties or owners may qualify for exemptions, rebates and reductions of rates as determined in the Municipality's Property Rates Policy.

## 2.13 ARRANGEMENT FOR SETTLEMENT

~~2.13.1~~ If a customer cannot pay his/her account with the municipality then the municipality may enter into an extended term of payment with the customer according to the applicable category. This Arrangement must be done in terms of the guidelines indicated in **Annexure A** to this Policy.

~~2.13.2~~ Customers with consumption arrears must agree to the possible conversion to a prepayment meter if so requested by the Council.

~~2.13.3~~ When a prepayment meter is installed due to defaults on payments, the cost of the meter and all arrears can be paid off: -

- monthly over an agreed period; and
- at the discretion of the Municipal Manager, by adding the debt as a surcharge to the prepaid electricity cost and be repaid with each purchase of electricity until the debt is liquidated.

2.13.4 The municipality reserves the right to raise the deposit requirement of debtors who seek arrangements.

2.13.5 Where an arrangement is made outside of the conditions of payment as set out in **Annexure “A”**, such payments will be accepted, subject to the normal credit control and debt collection procedures.

## 2.14 PROPERTY RATES CYCLE INSTALMENT

2.14.1 A property rates cycle will be for the 12 months of a Municipal financial year which runs from 1 July to 30 June. Property rates will be determined for the financial year.

2.14.2 With the exception of Government Accounts, assessment rates shall be billed on a monthly basis, and may only be billed annually by prior written agreement, subject to the Rates Policy of the Municipality

2.14.3 Instalments not paid will be regarded as an amount in arrear and interest at a rate as determined by the Council will be levied on such arrear amounts.

## **2.15 INDIGENT SUBSIDY**

- 2.15.1 Customers may apply for an indigent subsidy on the conditions as stipulated in the municipality's Indigent Policy.
- 2.15.2 In addition to the R15 000 reduction in value of residential property imposed by the Local Government: Municipal Property Rates Act 6 of 2004, the Municipality grants an additional reduction of R 85000. This further reduction is aimed primarily at persons owning low-cost properties and is an integral part of the municipality's indigent relief measures. The Municipality may raise a fixed charge on these properties. The charge may be recovered via the electricity pre-payment system.
- 2.15.3 Council may provide, free of charge to a customer, certain basic levels of services, as determined from time to time.

## **2.16. DEPOSITS**

- 2.16.1 At the time of registration as a customer, a deposit will be required based on the criteria set by the Chief Financial Officer from time to time
- 2.16.2 The CFO may exclude a category of owners from payment of deposits, from time to time
- 2.16.3 Deposits will be due and payable on registration of new customers and upon the movement of existing customers to a new address
- 2.16.4 The municipality may appropriate a customer's deposit on any account related to that customer
- 2.16.5 Notwithstanding receipts for different services, deposits payable to the Municipality shall be a consolidated deposit, paid in cash. Guarantees will no longer be accepted with the implementation of this policy.
- 2.16.6 If a customer is in arrears, the deposit may be increased.
- 2.16.7 The Municipality may utilize the consolidated deposit as security for any or all of the charges or amounts included in the statement of account.
- 2.16.8 Where a tenant has absconded leaving a debt on a property, an additional deposit, equal to the debt on the property, will be raised on the tenant's other account, should one exist.
- 2.16.9 Review of Deposits
- a) If a customer poses a credit risk, the value of the original deposit paid may be reviewed from time to time by the Chief Financial Officer
  - b) The deposit on an account shall be reviewed when:
    - (i) The account is paid after the due date
    - (ii) Payment by negotiable instrument or direct debit, is dishonored
    - (iii) There is increased consumption of services
    - (iv) The Municipality may increase the deposit up to three months average usage.

### **3 CREDIT CONTROL SECTION**

The objectives of the credit control section are to:

- 3.1.1. Implement procedures that will ensure the prevention of escalation in arrear debt.
- 3.1.2. Limited risk by employing effective management tools.

#### **3.1. SERVICES APPLICATION AND AGREEMENTS**

- 3.2.1. Provision of services to Municipal consumers will be subject to the signing of a Service Level Agreement between the parties.
- 3.2.2. Agreements will only be entered into with owners of properties. It is acknowledged that there are a large number of occupants currently holding Agreements and these will be phased out by “Owner only Agreements as from 1 July 2016. Agreements will govern the supply and cost of municipal services: -
  - Such agreements must inter alia provide for payment of consumer deposits which will be determined by the Council from time to time and taking into account the use of pre-paid systems for some services.
  - On existing Agreements whereby, a tenant defaults on payment, the owner will be the debtor of last resort.
- 3.2.3. Prior to signing these agreements, customers will be entitled to the content of this Policy.
- 3.2.4. On the signing of the agreement, customers will receive a copy of the agreement for their records.
- 3.2.5. Customers are responsible for costs of collection, interest and penalties in the event of delayed and/or non-payment.
- 3.2.6. Existing customers of services may be required to sign new agreements as determined by the Municipal Manager from time to time.

## **3.2. CUSTOMER SCREENING AND SECURITIES**

- 3.3.1. All applicants for municipal services may be checked for credit-worthiness including checking information from banks, credit bureaux, other local authorities, trade creditors and employers.
- 3.3.2. Consumer deposits, either in cash or if so approved by the Council, any other security acceptable to the municipality, will be charged for any new connection or any default on existing payment or payment arrangement. Consumer deposits serves as operating capital for purchasing of bulk services which are paid in advance to collection from consumers and no interest will be payable on consumer deposits.
- 3.3.3. Deposits can be increased at the discretion of the municipality and in case of defaulting on payments it can be increased to a maximum of three times the average of the total monthly account for all services.
- 3.3.4. Deposits can vary according to the credit-worthiness or category of the applicant.
- 3.3.5. On termination of the agreement the amount of the deposit, less any outstanding amount due to the municipality, will be refunded to the consumer.
- 3.3.6. Different accounts with outstanding balances on the same property in the name of the owner and or an occupant or any family member(s) are not allowed and may lead to immediate termination of services.
- 3.3.7. Consumers are not allowed to lodge a new application for services on property in the municipal area of Abaqulusi Local Municipality unless all accounts in their names with the Municipality are paid up to date.

## **3.3. RIGHT OF ACCESS TO PREMISES**

- 3.4.1. The owner and or occupier of property must allow an authorised representative of the municipality access at reasonable hours to the property in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict, or reconnect, the provision of any service.
- 3.4.2. The owner is responsible for the cost of relocating a meter if satisfactory access is not possible.
- 3.4.3. If a person fails to comply with paragraph 3.4.2, the municipality or its authorised representative may: -
  - 3.4.3.1. by written notice and with indicting the cost, relocate the said service within a specified period; and
  - 3.4.3.2. recover such cost from the owner of the property.

### **3.5 PERSONAL CONTACT**

- 3.5.1. Within the constraints of affordability Council will endeavour to notify customers of their arrears situation by telecommunication media or by delivering of final demand notices.
- 3.5.2. During the contact customers will be informed of their rights and obligations in terms of the customer care, credit control and debt collection policy including making arrangements and applying for indigent support.
- 3.5.3. Such contact is not a right and disconnection/restriction of services and other collection procedures may continue in the absence of such contact.

### **3.6 INTERRUPTION OF SERVICE**

- 3.6.1. Customers who are in arrears with their municipal account and who have not made official arrangements with the municipality will have their supply of electricity and or water, and other municipal services, suspended, restricted or disconnected. For purposes of interrupting the electricity supply, there will be no distinction between a conventional- and a pre-paid electricity meter.
- 3.6.2. The disconnection of services may be implemented from when the municipal account is 1(one) day overdue.
- 3.6.3. Council reserves the right to deny or restrict the sale of electricity or water to customers who are in arrears with their rates or other municipal charges.
- 3.6.4. Upon the liquidation of arrears, or the conclusion of acceptable arrangements, the service will be reconnected as soon as conveniently possible but within three working days.
- 3.6.5. All costs related to notices, the restrictions or dis- and reconnections, will be determined by tariffs approved by the municipal Council, and will be payable by the customer.
- 3.6.6. The deposit of any defaulter will be adjusted and brought into line with the policy and tariff structure of the municipality.

### **3.7 ASSESSMENT RATES/CONSOLIDATED ACCOUNT**

- 3.7.1. On the sale of any property in the municipal jurisdiction, the municipality will withhold the transfer until all rates, services and consumption charges are paid by withholding a rates clearance certificate as contemplated in section 118 of the Systems Act.
- 3.7.2. The Council reserves the right to recover any outstanding assessment rates and or other debt on municipal services from tenants or occupants paying rental or any agent receiving rental on behalf of the owner of a property (Refer Section 29 of the Local Government: Municipal Property Rates Act, 2004).
- 3.7.3. For the purpose of outstanding debt on a property, all debt may be consolidated in terms of section 102 of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

### **3.8 BUILDING PLANS**

- 3.8.1. Applications for approval of building plans will only be approved if:
  - 3.8.1.1. the consolidated consumer account on the property in question as well as any other debt in the name of the applicant with the Municipality are paid up to date; and
  - 3.8.1.2. Placement of the water and electricity meters is allocated on the sidewalk where it is accessible to the Municipality. In cases where building plans are submitted for improvements to dwellings where meter(s) are still inside the premises, it will be a requirement for approval that meters be relocated to the sidewalk on account of the owner/applicant.

### **3.9 THE PRE-PAYMENT SYSTEM**

- 3.9.1. The municipality may use its pre-payment system to recover arrears in respect of accrued municipal taxes and other municipal levies, tariffs and duties in respect of services such as water, refuse removal, sanitation and sewerage.
- 3.9.2. A customer with arrears who applies for a pre-payment system, will be required to repay all arrears in full before a pre-payment electricity meter is installed or, if the amount outstanding is large and/or the customer's ability to pay is limited, the arrears can be repaid by allocating 50% of all purchases before any electricity credits is given.

### **3.10 INCENTIVES FOR PROMPT PAYMENT**

- 3.10.1. To encourage prompt payment and/or to reward regular payers, the municipality may consider incentives for the prompt payment of accounts.
- 3.10.2. If introduced such an incentive scheme will be reflected in the operating budgets as an additional expenditure.

### **3.11 INTEREST**

- 3.11.1. Interest will be raised as a charge on all accounts not paid by the due date in accordance with applicable legislation.
- 3.11.2. The interest rate is determined by the Chief Financial Officer and is reviewed from time to time. The legal rate of interest raised on arrears is equivalent to the rate of interest as determined in Regulation 9 of the Rates Regulations unless other applicable legislation stipulates the contrary.
- 3.11.3. Interest shall accrue 60 days from date of account on unpaid accounts. Interest shall accrue for each completed month in respect of any arrears remaining unpaid after 60 days of the account. A part of a month shall be deemed to be a completed month.
- 3.11.4. Payments on assessed/estimated charges, where the final amount has not been determined but which would have been due and payable had the amount been determined, shall attract interest from the date when it would have been so due and payable, i.e. 60 days from date of account.
- 3.11.5. Interest may only be reversed under the following circumstances:
- Exemptions as determined by this Policy from time to time;
  - If the Municipality has made an administrative error on the account; and
  - Where the Municipality approves such reversal from time to time.
- 3.11.6. An administrative charge as determined by a Resolution of the Municipal Council shall be levied on arrear rates where the Municipality has instituted legal action by service of summons, to recover same

### **3.12 TAMPERING, THEFT AND FRAUD**

- 3.12.1. Any natural or juristic person found to: -
- be illegally connected to municipal services;
  - has tampered with meters, the reticulation network or any other supply equipment;
  - has committed any unauthorised act associated with the supply of municipal services, and;

- be involved in theft of and fraudulent activity; will be prosecuted and/or held liable for penalties as determined from time to time as indicated in Annexure A to this Policy. A notice will be served on such consumer and Council will immediately terminate the supply of services should such conduct as outlined in paragraph 3.12.1 be detected.

3.12.2. The total bill owing, including penalties, assessment of unauthorised consumption and discontinuation and reconnection fees, and increased deposits as determined by Council if applicable, will be due and payable before any reconnection can be sanctioned.

3.12.3. The municipality will maintain monitoring systems in order to identify customers who are undertaking illegal actions.

3.12.4. Any person failing to provide information or providing false information to the municipality may face immediate disconnection and/or legal action.

3.12.5. In case of continued tampering and or illegal connection, the installation will be removed and the consumer will have to apply for a new installation/connection after all penalties, interest and new connection fees were paid.

3.12.6. All new residential installations emanating from meter tampering shall consist of a pre-paid meter.

3.12.7. The Municipality may consider payment of tamper fines on terms and signing of an official arrangement agreement. This will only apply to the following:

- The consumer must satisfy the municipality that he/she cannot afford to pay the tamper fine in full and that he/she meets all the requirements of the Council's Indigent Management Policy.
- The monthly instalment for monies outstanding will not be negotiable unless the tamper fee has been paid in full. Then only can there be a negotiation to negotiate the monthly payment of outstanding accounts

3.12.8 The owner of the property may be held liable for tampering with the electricity metering equipment on the property as well as charges that arise there from.

3.12.9 Where electricity has not been sold on a pre-paid meter for longer than four (4) months, and after reviewing the history of the transactions on the meter for bulk purchasing, the electricity supply may be disconnected to enable technical staff to investigate for possible tampering or faulty meters

### **3.13 RECONNECTION OF TERMINATED SERVICES**

Disconnected services to defaulting consumers in terms of item 3.6 above shall be reconnected only when all the following conditions have been met:

- 3.13.1. the arrear account has been paid in full, including the interest raised on such account; or an arrangement has been made with the municipality for the payment of the arrear account, including the interest raised on such account;
- 3.13.2. the charge(s) for the notice sent in terms of item 3.6.5 and for the reconnection of the terminated service(s), as determined by the council from time to time, have been paid in full;
- 3.13.3. arrears have been paid as per arrangement agreed upon as contemplated in item **Error! Reference source not found.** above.

### 3.14 STAFF AND COUNCILLORS IN ARREARS

3.14.1 Schedule 2 to the Municipal Systems Act, 2000 (Act No 32 of 2000) determines in paragraph 10 as follows: -

“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 aMunicipality may deduct any outstanding amounts from a staff member’s salary after this period.”

- a) The Municipality shall liaise with the relevant staff on repayment of their arrears
- b) The staff member must sign a payment arrangement and a stop order for therepayment of arrears in accordance with this Policy
- c) No special treatment shall be afforded to staff in arrears

3.14.2 Item 10 of Schedule 2 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”

3.14.2 The Municipal Manager shall liaise with the Mayor and issue the necessary salary deduction instruction where appropriate.

3.14.3 Where the staff or Councillors arrears have arisen due to any other reason, such arrear must be paid within 3 months with interest.

3.14.4 Bonus payments and thirteenth cheques may be appropriated to the whole debt where suitable arrangements have not been made to pay off the debt.

- 3.14.5 Where staff are occupying premises under someone else's name and nobody is paying the debt, the abovementioned rules will apply to them
- 3.14.6 The Municipal Manager shall issue a salary deduction instruction where appropriate or take other action as provided for in the Act.

**3.15 ARREAR ACCOUNTS: NOTICE, DEMEND, DISCONNECTION AND RECONNECTION OF SERVICES**

The municipality shall reconnect or reinstate terminated or restricted services within 3 (three) working days after the date on which the conditions set out in item 3.13 have been met, unless the municipality is unable to do so because of circumstances beyond its control. In the latter event the municipality shall promptly inform the Municipal Manager of such circumstances and of any actions required to overcome the circumstances concerned.

- 3.15.1 Arrears on rates or services or any other consolidated debt may result in disconnection of ANY services or with holding use of Municipal Facilities.
- 3.15.2 Should the debtor's account remain unpaid after the final due date, the customer will be contacted and requested to pay his account in full within seven (7) days of the due date; failing which services shall be disconnected without further notice. Or alternatively, the debtor must have made an arrangement with municipality for the payment of the arrears.
- 3.15.3 A disconnection penalty fee will be raised on all accounts printed for disconnection.
- 3.15.4 A reconnection fee will be raised on reconnection of services.
- 3.15.5 Disconnection and Reconnection fee have to be paid within 30 days of their levy or be included as part of the arrangement.
- 3.15.6 Any official or contractor appointed by the Municipality for the purposes set out herein, may, at all reasonable times enter any premises to which services are supplied by the Municipality, in order to inspect pipes, wires or any apparatus used for the supply of services and belonging to the Municipality, for the purpose of ascertaining the quantity of services supplied or consumed, or to disconnect or terminate such supply or remove any apparatus belonging to the Municipality. Should access be unreasonably denied or prevented, a disconnection penalty fee may be raised

## **4 DEBT COLLECTION SECTION**

The objective of the debt collection section is to: -

4.1.1. Provide procedures and mechanisms to collect all the monies due and payable to the municipality arising out of the supply of services and annual levies, in order to ensure financial sustainability and delivery of municipal services in the interest of the community.

### **4.2. LEGAL PROCESS/USE OF ATTORNEY/CREDIT BUREAUS/AGENTS**

4.2.1. The municipality may, when all other credit control actions have been exhausted, commence legal processes against debtors which processes could involve summonses, judgements and sales in execution. In the case of registered indigents, the Municipality will conduct a social assessment before any legal actions are taken.

4.2.2. The municipality will exercise strict control over this process and will require regular reports on progress from service providers.

4.2.3. The municipality will establish procedures and codes of conduct with these outside parties.

4.2.4. Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of the municipality's system of debt collection.

4.2.5. All steps in credit control and debt collection procedures will be recorded for the municipality's records and for the information of the debtor.

4.2.6. Individual debtor account information is protected and not the subject of public information.

4.2.7. The municipality may release debtor information to credit bureaus and reserves the right to register consumers with a Credit Bureau in case of continued outstanding debt and defaults on payment.

4.2.8. The municipality may consider the cost effectiveness of the legal process, and will receive reports on relevant matters, including cost effectiveness.

4.2.9. The municipality may consider the use of agents as service providers and innovative debt collection methods and products.

4.2.10. Customers will be informed of the powers and duties of such agents or service providers and their responsibilities including their responsibility to observe agreed codes of conduct.

### **4.3. COST OF COLLECTION**

4.3.1. All costs associated with credit control and debt collection including interest, penalties, service discontinuation costs and legal costs are for the account of the debtor and should reflect at least the cost of the particular action.

### **4.4. ABANDONMENT OF CLAIMS**

4.4.1. The Municipal Manager must ensure that all avenues are utilised to collect the municipality's debt.

4.4.2. The valid termination of debt collection procedures as contemplated in section 109(2) of the Systems Act, may be considered under the following circumstances: -

4.4.2.1. the insolvency of the debtor, whose estate has insufficient funds;

4.4.2.2. a balance being too small to recover, for economic reasons, considering the cost of recovery; and

4.4.2.3. where the municipality deems that a customer or group of customers are unable to pay for services rendered.

4.4.3. The municipality must maintain audit trails in such instances and document the reasons for the abandonment of the actions or claims in respect of the debt.

### **4.5. REFUNDS**

Provided all the customers' accounts are paid, credits on accounts shall be refunded, on application, as follows:

4.5.1 on a refuse services, water, sanitation and electricity account: to the account holder;

4.5.2 where the owner pays the tenants account in terms of Section 118(3) of the Act : to the owner;

4.5.3 on transfer of a property, to the conveyancing attorney

4.5.4 proof by receipt to claimant

4.5.5 credit on an owner's account will not be refunded where there is outstanding debt on the property.

### **4.6. DECEASED ESTATES**

4.6.1 The Executor of a Deceased Estate shall be liable for payment of all debts on the property.

4.6.2 Where the property was previously governed by the Black Estates Act, and the estate has not yet been finalized, the occupants of the property shall be regarded as "Deemed Owners" for the purposes of the account only, and shall be responsible for the consolidated account, including rates.

4.6.3 “Deemed Ownership” does not confer any rights to the occupants other than the liability to pay the accounts.

## 4.7 IRRECOVERABLE DEBT

4.7.1 Debt will only be considered as irrecoverable if it complies with one or more of the following criteria:

- a) On an annual basis the list of outstanding indigent balances will be submitted to Council for consideration for write off.
- b) all reasonable notifications and cost-effective legal avenues have been exhausted to recover a specific outstanding amount; or
- c) any amount equal to or less than R500.00, or as determined by Council from time to time, will be considered too small, after having followed basic checks, to warrant further endeavours to collect it; or
- d) the cost to recover the debt does not warrant further action; or
- e) it has been proven that the debt has prescribed; or
- f) the debtor is untraceable or cannot be identified so as to proceed with further action; or
- g) the debtor has emigrated leaving no assets of value to cost-effectively recover Council's claim; or
- h) it is not possible to prove the debt outstanding; or
  - a court has ruled that the claim is not recoverable;
  - the claim is subject to any order of court;
  - the claim is subject to an out of court settlement agreement;
  - the debt is subject to a settlement in terms of Section 109 of the Systems Act;
  - Council has resolved that the debt is irrecoverable; or
  - If an offer of Full and Final Settlement is accepted and confirmed in writing by the Head: Legal and CFO if it has financial implications; or
- i) The outstanding amount is:
  - Due to an irreconcilable administrative error by the Municipality;
  - As a result of an administration error; or
- j) Expenditure incurred, in respect of internal accounts raised in the name of the Municipality, in any previous financial year; or
- k) Conversion of old dormant balances of debtors, inherited from the previous municipalities which now form part of the Municipality, and where reasonable steps have been taken to recover these debts; or
- l) Where Council –
  - Expropriates any property; or
  - Purchases any property in terms of its Sales in Execution

4.7.2 Provided there is sufficient provision for bad debt, the CFO shall write off any revenue which is irrecoverable or the recovery of which is considered not to be reasonably practicable; .

4.7.3 The CFO must report to Council all amounts that will be written off as irrecoverable with the Section 71 MFMA report.

#### **4.8. PROVISION FOR IRRECOVERABLE DEBT**

Provision for irrecoverable debt should be based on GRAP 104 the municipality will assess at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired. The last day of each financial year is the reporting date for the municipality, being 30 June. provides the following guidance on working out the provision for doubtful debts at reporting date in accordance with GRAP 104.46

“all financial assets measured at amortised cost, or cost, are subject to an impairment review”.

GRAP 104.57 further indicates that “an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the entity shall apply paragraphs .61 to .63 (for financial assets carried at amortised cost) and paragraph .64 (for financial assets carried at cost) to determine the amount of any impairment loss“.

GRAP 104.58 requires that “a financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event‘) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated”.

GRAP 104.61 further indicates “if there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit”.

GRAP 104.62 states that “an entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see paragraph .58). If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment”.

GRAP 104.63 indicates “If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognized in surplus or deficit”.

#### **4.8.1 IMPAIRMENT EXCLUSION**

4.8.1.1 The following accounts are specifically excluded from the assessment for impairment:

- Receivable accounts with a total credit balance at reporting date;
- Receivable account balances that have not been outstanding for more than 90 days at reporting date as these account balances are considered not to be past due.
- The municipality will assess all receivables from exchange and non-exchange transactions, with the exception of traffic fine receivables, for both individual receivable impairment as well as collective group impairment.
- Calculation and recognition of impairment loss on **Annexure C** attached the Credit Control and Debt policy

## ANNEXURE A

### ARRANGEMENTS

If a customer cannot pay his/her account with the municipality then the municipality may enter into an extended term of payment with the customer according to the applicable category of the customer. The customer must:

- i. Sign an acknowledgement of debt;
- ii. Sign a consent to judgement;
- iii. Provide a garnishee order/emolument order/stop order (if he or she is in employment);
- iv. Acknowledge that interest could be charged at the prescribed rate;
- v. Pay the current portion of the account;
- vi. Sign an acknowledgement that, if the arrangements being negotiated are later defaulted on, that no further arrangements will be possible and that disconnection/restriction of water and electricity will follow immediately, as will legal proceedings.
- vii. Acknowledge liability of all costs incurred.
- viii. Acknowledge and accept the following conditions to be applicable:

### CATEGORIES OF DEBTORS

#### DOMESTIC CUSTOMERS

DEBT	PAYMENT OF ARREARS
R1,00 to R3 000,00	<b>20%</b> of outstanding debt plus the cost of the credit control actions as down payment. The balance over maximum 8 months subject thereto that the instalment on the amount of debt not older than 60 days, will not be less than 50% of the average account on the applicable property.
R3 000,00 to R6 000,00	<b>20%</b> of the first R3 000.00 outstanding <b>10%</b> on R3 001.00 – R6 000.00 outstanding plus the cost of the credit control actions as down payment. The balance of the outstanding amount over maximum 16 months subject thereto that the instalment on the amount of debt not older than 60 days, will not be less than 50% of the average account on the applicable property.
R6 000,00 and more	<b>20%</b> of the first R3 000.00 outstanding <b>10%</b> on R3 0010.00 – R6 000.00 outstanding <b>2.5%</b> above R6 000.00 outstanding plus the cost of the credit control actions as down payment. The balance of the

	outstanding amount over maximum 24 months subject thereto that the instalment on the amount of debt not older than 60 days, will not be less than 50% of the average account on the applicable property.
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In all cases the consumer deposit to be increased to 3 times the average monthly consumption or a minimum as determined annually and published in the tariff list.

## BUSINESS

	<b>PAYMENT OF ARREARS</b>
1 <sup>st</sup> default in any twelve month cycle:	<b>30%</b> of arrear amount plus current account as down payment. Balance over maximum of 6 months subject thereto that the instalment on the amount of debt not older than 60 days, will not be less than 50% of the average account on the applicable property. Deposit adjusted to 3 months consumption.
2 <sup>nd</sup> default in any twelve month cycle:	<b>50%</b> of arrear amount plus current account as down payment. Balance over maximum of 6 months subject thereto that the instalment on the amount of debt not older than 60 days, will not be less than 50% of the average account on the applicable property. Deposit adjusted to 3 times average of total monthly account.

## SCHOOLS / HOSPITALS ETC.

	<b>PAYMENT OF ARREARS</b>
1 <sup>st</sup> default in any twelve month cycle:	3 weeks' notice – no arrangements. Deposit adjusted to 3 months consumption.
2 <sup>nd</sup> default in any twelve month cycle:	2 weeks' notice – no arrangements. Deposit adjusted to 3 times average of total monthly account.
3 <sup>rd</sup> default in any twelve month cycle:	48 hour notice. Deposit adjusted to 3 times average of total monthly account.

<b><u>SPORT- and SOCIAL CLUBS</u></b>	<b>50%</b> of arrear amount plus current account as down payment. Balance over maximum of 3 months.
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	Deposit adjusted to 3 times average of total monthly account.
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### OLD AGE & DISABILITY PENSIONERS

DEBT	PAYMENT OF ARREARS
R1,00 to R3 000,00	<b>5%</b> of outstanding debt plus the cost of the credit control actions as down payment. The balance over maximum of 18 months.
R3 001,00 to R6 000,00	<b>5%</b> of outstanding R3 000.00 <b>3%</b> on R3 001.00 – R6 000.00 plus the cost of the credit control actions. The balance of the outstanding amount over maximum 24 months.
R6 001,00 and more	<b>5%</b> of the first R3 000.00 outstanding <b>3%</b> on R3 001.00 – R6 000.00 <b>1.5%</b> over R6 000.00 outstanding plus the cost of the credit control actions. The balance of the outstanding amount over maximum 36 months.

Arrangements for this category of debtor will be free of interest, should the payment arrangement be maintained regularly.

### ACCOUNT HOLDERS UNDER ADMINISTRATION

Where a person has been placed under administration the following procedures will be followed:

- i. The debt as at the date of the administration court order will be placed on hold, and collected in terms of the court order by the administrator's dividend.
- ii. The administrator is to open a new account on behalf of the debtor, with a new deposit – No account is to be opened/operated in the debtor's name as the debtor is not entitled to accumulate debt (refer section 74S of the Magistrates Courts Act 32 of 1944).
- iii. Until such time as this new account is opened, the debtor is to be placed on limited services levels. The consumer will be compelled to install a prepaid electricity meter, should one not already be in place. The Municipality will be entitled to recover the cost of the basic services by means of purchases made on the prepaid meter.
- iv. Should there be any default on the current account – the supply of services is to be limited or terminated, and the administrator handed over for the collection of this debt.

## INDIGENT

All customers qualifying as indigent and having remaining arrear debt after any relief has been granted, will repay that debt as follows:

- i. Over 36 months, in addition to monthly service charges, with immediate payment of the cost of the credit control action taken. Such arrangements for this category of debtor will be free of interest should the payments be regularly maintained.
- ii. In case it is found that payment at present and in future will be impossible, the arrear amount shall be recommended to be written off.

## PENALTIES

Penalties to be applied in terms of section 3.12 of the policy is set at **R30 000 (Thirty thousand Rand)** for residential users and **R200 000 (Two hundred thousand Rand)** for business and large consumers. These amounts are subject to review by the Council from time to time.

## CRIMINAL MATTERS AMENDMENT ACT

The municipality reserves the right to lay criminal charges and/or to take any other legal action against both vandals and thieves in terms of the Criminal Matters Amendment Act. Offence relating to essential infrastructure

3. (1) Any person who unlawfully and intentionally—

(a) tampers with, damages or destroys essential infrastructure; or

(b) colludes with or assists another person in the commission, performance or carrying out of an activity referred to in paragraph (a), and who knows or ought reasonably to have known or suspected that it is essential infrastructure, is guilty of an offence and liable on conviction to a period of imprisonment not exceeding 30 years or, in the case of a corporate body as contemplated in section 332(2) of the Criminal Procedure Act, 1977, a fine not exceeding R100 million.

(2) For the purposes of subsection (1), a person ought reasonably to have known or suspected a fact if the conclusions that he or she ought to have reached are those which would have been reached by a reasonably diligent and vigilant person having both—

(a) the general knowledge, skill, training and experience that may reasonably be expected of a person in his or her position; and

(b) the general knowledge, skill, training and experience that he or she in fact has

Offence relating to essential infrastructure

3. (1) Any person who unlawfully and intentionally—

(a) tampers with, damages or destroys essential infrastructure; or

(b) colludes with or assists another person in the commission, performance or carrying out of an activity referred to in paragraph (a), and who knows or ought reasonably to have known or suspected that it is essential infrastructure, is guilty of an offence and liable on conviction to a period of imprisonment not exceeding 30 years or, in the case of a corporate body as contemplated in section 332(2) of the Criminal Procedure Act, 1977, a fine not exceeding R100 million. (2) For the purposes of subsection (1), a person ought reasonably to have known or suspected a fact if the conclusions that he or she ought to have reached are those which would have been reached by a reasonably diligent and vigilant person having both—

(a) the general knowledge, skill, training and experience that may reasonably be expected of a person in his or her position; and

(b) the general knowledge, skill, training and experience that he or she in fact has

**ANNEXURE B:**

**GUIDELINES FOR IMPLEMENTATION OF POLICY**

This Annexure serves as a guide and assistance in executing the Policy.

**1. PREPARATION OF THE LIST OF DEFAULT AND INTENDED TERMINATION OR RESTRICTION OF SERVICES.**

- 1.1. The due date for the Abaqulusi Municipality for the payment of services is the 9<sup>th</sup> of each month and /or if the 9<sup>th</sup> falls on a weekend or a public holiday the next working day shall be deemed the due date of payment.
- 1.2. Within two to three (2 - 3) days after this date the finance department or the official(s) dealing with the disconnection or termination of services shall commence the preparations to cut all those consumers who as at the due date has not paid the monthly account in full, has not made any acceptable arrangement or extension and /or has not kept the agreement for the payment of arrears as per Council Policy.
- 1.3. The rule is that both services should be disconnected and the notice stating the reason and the amount be given to the consumer until such amount as stated thereon or as per arrear agreement has been settled in full.
- 1.4. A list is prepared which has the consumers to be disconnected and is kept in the office in order to make a follow up or whether the services are still terminated.
- 1.5. No extension shall be given to consumers who are unable to pay on due date unless if it was a deposit increase, water leakage and/or if the family member of the accountholder passes away (*death certificate be attached*). No businesses and consumers who have arrear agreements shall be allowed an extension.
- 1.6. In practice it has been noticed that most consumers claim that they get salaries on the 15<sup>th</sup> of each month which is after the due date. In this case the consumer shall be advised to make, on the 15<sup>th</sup>, the payment for monthly account plus pay additional amount which might be more of the average of three months account so that by the time the next billing is done such a consumer will be in line with the due dates.

**2. RECONNECTION OF TERMINATED SERVICES:**

Disconnected services shall be reconnected only when the following conditions have been met: -

- 2.1. Full payment of the account, including late or non-payment penalties levied on the account
- 2.2. Payment of agreed upon instalment on arrears in terms of an officially signed arrangement/ agreement.

**3. TIME FOR RECONNECTIONS OR REINSTATEMENTS:**

The reconnection within three working days under this item mean in case there is a problem in conducting the normal disconnection for a particular household.

If there is a problem that is beyond the control of the municipality, such incident shall be promptly reported to the mayor as well as the circumstances thereon and any actions required to overcome the circumstances.

4. **ILLEGAL RECONNECTIONS (METER TAMPERING):**

It was found that a large number of consumers illegally tamper or by-pass the system in order to have access to services.

If during normal inspection by the Engineering Department or a Service Provider, it was found that terminated service(s) has been irregularly reconnected or reinstated, and /or tampered with, the municipality shall disconnect such service(s) immediately.

The consumer shall then be fined a fee for tampering with the supply which, in this case, shall be treated as a first offence and based on the tariff for the financial year. This fee shall be debited against the consumer account and must be payable before any reconnection(s) is done.

When the consumer is found to have tampered with the supply for the second time, the second tamper fine shall be levied and services be disconnected until all the required fees for tampering are paid. This tamper fee shall also be levied against the debtor account at an applicable tariff. The consumer must pay the latest penalty applicable before any re-instatement of services can be done.

In case of a third transgression, the supply shall be removed. A new application can be lodged after rehabilitation (payment of all penalties and fees). A new Service Level Agreement must be signed and all fees for a **new connection** will be applicable.

The Municipality will have the right to determine if a pre-paid or conventional meter will be installed.

Tamper fines cannot be paid in instalments unless the consumer is registered as indigent in which case arrangements may be considered.

5. **PAYMENT OF TAMPER FINES ON TERMS:**

This item once was part of the Indigent Management Policy but became part of the Credit Control Policy after it was decided that the administration must process the indigent applications.

This item of the Policy is intended to alleviate the difficulties faced by many poor households who cannot afford to settle tamper fines in full.

The municipality has decided to allow them to pay such fines on terms but based on certain stipulated conditions.

Consumers shall be expected to make formal application with the municipality whereby their applications shall be screened to determine if they qualify as there are qualification criteria.

Some of the underlying conditions are as follows:

- (a) the consumer must apply for an indigent relief support on application to settle fines on terms.

- (b) The consumer must again be in a position of being an indigent, that may not be earning more than R1200.00 gross or combined income a month, (Proof of income provided)
- (c) And /or if unemployed, there must be a surety, that is any member of the family or relative who is working and willing to assist with the payment can also furnish his/her details on the application forms (***Proof of income provided by the surety***)
- (d) An affidavit attached confirming that the person cannot afford to pay tamper fines in full and is willing to be an indigent customer.
- (e) The consumer must agree that he/she will pay the R200.00 a month without skipping until such fines are paid up.
- (f) The consumer must agree that should he/she default, services shall be terminated until the tamper fines are paid in full either a once-off payment or with the continuance of the R200.00 until they add up to a fine.

6. **SERVICES NOT RECONNECTED OR REINSTATED AFTER FOUR WEEKS:**

Services are disconnected, on a monthly basis, for all consumers who have not made the payment by the due date and it is expected that the consumer shall pay within four weeks of the disconnection.

After four weeks the municipality shall commence the process of taking legal actions against such debtor which shall include letters of demand informing the consumer that unless a payment is received legal actions shall be instituted.

Accounts not paid are handed over to our Attorneys or collecting agency for collection and other legal steps.

7. **HAND-OVER FOR COLLECTION:**

The finance office should follow all the processes before the account is handed –over for collection.

If the consumer was disconnected and after a long period of four weeks there is still no payment on the account preliminary steps of the hand-over process should ensue.

It must also be noted that there those accounts which comprise rates only excluding services, in this case disconnection is not necessary but the strict monitoring of these accounts from month to month is a prerequisite.

Before the account is handed over for collection a letter of demand must have been forwarded and if there is no response within the specified date a second and a final letter must be sent.

If there is no response after the due date as per letter of demand, the analysis of how the account accumulated shall be prepared in a spreadsheet format and other document giving rise to the account such as the copy of agreement form, copy of identity document or business documents in case of business.

Once the account is handed over, a note shall be made on our system on the consumer account reflecting that the account was handed over, giving the date and the amount.

All handed over amounts are payable at the Attorneys who shall thereafter forward such a payment to the municipality for the crediting of the account. Enquiries regarding these accounts are handled by the Attorneys. The Attorneys determine the legal fees at their rate and debit the municipality with legal costs.

The legal costs paid by the municipality to the Attorneys are collected from the consumer by debiting such amount of legal fee against the consumer account.

**8. ARRANGEMENTS FOR PAYMENT OF ARREAR ACCOUNTS:**

Most accounts are in arrears with huge amounts and with this drive consumers are encouraged to pay by allowing them to make arrangements to pay –off their arrear accounts over a certain period and to allow them, in the meantime, to gain access to municipal services.

The conditions:

- (a) A consumer must be willing to enter and sign a written agreement with the municipality to pay for such arrear account over an agreed and a certain period. The period in this case is determined by the amount in arrears as well the category of the consumer
- (b) The agreement amount per month must not be less than R100.00 for a normal consumer and not less than R50.00 for an indigent consumer.
- (c) The deposit payable on entering into an agreement must be determined by taking the current account plus the R100.00 or R50.00 or any amount above R100.00 or R50.00.
- (d) The consumer must understand that should he/she default on his/her agreement services shall be terminated until the payments are updated as per arrear agreement.

**9. THE WRITING-OFF OF BAD DEBTS:**

The clarity given on the policy is adequate in explaining the whole process.

**10. SERVICE CONTRACT:**

This is the agreement entered into between the municipality and the consumer which is the proof that the municipality shall provide services to the consumer and the consumer shall pay for services rendered.

Currently the Abaqulusi Municipality renders the following services:

- Electricity
- Water
- Refuse collection
- Sewerage

The deposits payable is determined by the Council from year to year and are also based on the class of services provided. For example, the deposit for a house with conventional electricity shall differ from pre-payment electricity as well as businesses does not pay the same deposits as domestic houses.

The consumer must sign the contract form, which is obtainable at the enquiries counter, and note the conditions as set out at the back page of the form.

**11. QUERIES BY CONSUMERS:**

In most cases consumers query some things in the municipal account and the consumer must be advised to lodge that in writing so that no action should be taken against the consumer while his/her matter is still being investigated.

The consumer shall be required to pay by due date an amount which is equal to the value of the three latest normal accounts. The consumer shall be expected to settle the account in full if after investigations it is found that the consumer is at fault or the consumption was a normal usage by the same consumer.

Dishonored Cheques do not form part of this query.

**ABAQULUSI MUNICIPAL POLICY FRAMEWORK**

Policy number		Policy owner	Council :(Revenue Section)
Oversight structures	Not applicable		
Approval date		Revision date	

REVIEW HISTORY	
COUNCIL RESOLUTION	REVIEW DATE

