



CREDIT CONTROL AND DEBT COLLECTION POLICY

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1. OBJECTIVE:

- 1.1 The council of Sekhukhune District Municipality, in adopting this policy on credit control and debt collection, recognises its constitutional obligations to develop the local economy and to provide acceptable services to its residents.
- 1.2 It simultaneously acknowledges that it cannot fulfill 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.
- 1.3 Ensure that all money due and payable Sekhukhune District Municipality to in respect of fees for services, surcharges on such fees, charges, tariffs, interest which has accrued on any amounts due and payable in respect of the foregoing and any collection charges are collected efficiently and promptly;

2 EXPECTED FUTURE PAYMENT LEVELS

- 2.1 In terms of the budgets approved by the council, and in accordance with commonly accepted best practice, Sekhukhune District Municipality will have to strive to its utmost to ensure that payment levels for the present and future financial years, in respect of all amounts legitimately owing to the municipality – that is, inclusive of the balance of the monthly accounts payable by registered indigents – are maintained at an annual average of at least 75%.
- 2.2 It is generally accepted by this council that payment levels averaging below 95% per month are untenable, and are a certain forerunner of financial disaster for this municipality. Even with payment levels of 95% it means that the council will annually have to provide on its expenses budget a contribution to bad debts of 5% of the aggregate revenues legitimately owing

to this municipality – a contribution that is made at the direct cost of improved service delivery and developmental projects.

2.3 The only solution to the ongoing problem of non-payment by residents who can afford their monthly commitments to the municipality is to introduce a twofold approach: to promulgate credit control and debt collection by-laws which deal stringently with defaulters, but at the same time – through the formal political structures of the municipality, and in the administration’s general dealings with the public – to make the community aware of its legal obligations towards the municipality, and to emphasize the negative consequences for all if non-payment continues. The municipality’s ward committees are particularly charged with this responsibility.

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

Within 7 (seven) calendar days after each monthly due date for payment of municipal accounts for service charges, the municipal manager shall dispatch to every defaulting accountholder, that is, every accountholder who as at the date of the notice has not paid the monthly account in full or has not made an acceptable arrangement with the municipal manager for partial or late payment, a notice stating that unless full payment is received or an acceptable arrangement made with the municipal manager for partial or late payment, the municipal water supply or both such supplies to the property to which the account in arrears relates shall be terminated or restricted 14 (fourteen) calendar days after the date of the notice concerned.

4. RECONNEXION OR REINSTATEMENT OF TERMINATED OR RESTRICTED SERVICES

4.1. Services to defaulting accountholders terminated or restricted in terms of part 3 above shall be reconnected or reinstated by the municipal manager only when all the following conditions have been met:

- a. the arrear account has been paid in full, including the interest raised on such account; or an acceptable arrangement has been made with the municipal manager for the payment of the arrear account, including the interest raised on such account;
- b. the charge(s) for the notice sent in terms of part 3 and for the reconnexion or reinstatement of the terminated or restricted service(s), as determined by the council from time to time, have been paid in full;
- c. a service contract has been entered into with the municipality, as contemplated in part 10 below; and
- d. a cash deposit has been lodged with the municipal manager in compliance with part 11, such deposit to be newly determined on the basis of currently prevailing consumption and usage of services in respect of the property concerned or, if insufficient data is available in regard to such consumption, of the currently prevailing consumption and usage of services in respect of a comparable property.
- e. In the case of consumers using prepaid meters, but who have fallen into arrears with the remainder of their obligations to the municipality, no prepaid purchases shall be accepted until the outstanding arrears have been settled or an acceptable arrangement made for the payment of the arrear account, as contemplated above: such arrangement may entail the limitation of the amount of prepaid services which may be purchased until the arrears or a stated percentage of the arrears has been settled.

5. PERIODS FOR RECONNECTIONS OR REINSTATEMENTS

5.1. The municipal manager shall reconnect or reinstate terminated or restricted services within 3 (three) working days after the date on which the conditions set out in part 4 have been met, unless the municipal manager is unable to do so because of circumstances beyond the control of the municipality. In the latter event the municipal manager shall promptly inform the mayor of such circumstances and of any actions required to overcome the circumstances concerned.

6. ILLEGAL RECONNECTIONS

6.1. The municipal manager shall, as soon as it comes to the notice of the municipal manager that any terminated or restricted service has been irregularly reconnected or reinstated, report such action to the South African Police Service, disconnect or restrict such service(s), and not reconnect or reinstate such service(s) until the arrear account, including the interest raised on such account, the charges for the notice sent in terms of part 3 and the charges for both the original and subsequent reconnection or reinstatement of the service(s) and the revised deposit have been paid in full, together with such penalty as may be determined by the council from time to time.

6.2. In addition, all metered consumption since the date of the illegal reconnection, or the estimated consumption if a reliable meter reading is not possible, shall also be paid full before any reconnection or reinstatement is considered.

7 RESTRICTIONS OF SERVICES

7.1. If the municipal manager is of the opinion that the termination of services, in the case of a particular property in respect of which the account is in arrear, is not in the best interests of the community – specifically because of the potential endangerment of the life of any person, whether resident in or outside the property concerned – the municipal manager may appropriately restrict rather than terminate the services in question.

8. SERVICES NOT RECONNECTED OR REINSTATED AFTER FOUR WEEKS

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

8.2. Such further action shall include if necessary the sale in execution of such property to recover arrear property rates and service charges (if the accountholder is also the owner of the property). All legal expenses incurred by the municipality shall be for the account of the defaulting accountholder.

9. ARRANGEMENTS FOR PAYMENT OF ARREAR ACCOUNTS

- 9.1. Allowing defaulting accountholders to make arrangements for the payment of arrear accounts shall be at the discretion of the municipal manager.
- 9.2. Each defaulting accountholder shall be allowed to enter into a debt arrangement as per annexure A, together with the interest raised on such account, and it shall be a condition for the conclusion of any arrangement that the accountholder is bound to pay every current municipal account in full and on time during the period over which such arrangement extends.
- 9.3. If an accountholder breaches any material term of an arrangement, the balance of the arrear account, together with the balance of interest raised on such account, shall immediately become due and payable to the municipality,
- 9.4. and if the accountholder defaults on such payment, the municipal manager shall terminate or restrict services to the property in question and shall forthwith hand such account over for collection as envisaged in part 8.
- 9.5. An accountholder who has breached an arrangement as set out above shall not be allowed to make any further arrangements for the payment of arrear accounts, but shall be proceeded against, after the dispatch of the initial notice of default as envisaged in part 3 and failure by the accountholder to pay the arrear account, together with interest raised on such arrears as required in terms of such notice, as though such accountholder had breached a material term of an arrangement.

10. SERVICE CONTRACT

- 10.1. A service contract shall henceforth be entered into with the municipality for each property to which the municipality is expected to provide all or any of the following services:
- a. water
 - b. sewerage.

- 10.2. Such contract shall set out the conditions on which services are provided and shall require the signatory to note the contents of the municipality's credit control and debt collection policy, a copy of which shall be provided to such signatory, as well as the provision of the Municipal Systems Act in regard to the municipality's right of access to property.
- 10.3. Where the signatory is not the owner of the property to which the services are to be provided, a properly executed letter from such owner indicating that the signatory is the lawful occupant of the property shall be attached to the service contract.
- 10.4. Current consumers and users of the municipality's services who have not entered in a service contract as envisaged above, must do so within 2 years from the date on which the by-laws to implement the present policy are published, and failure to do so shall be considered as a default equivalent to non-payment in terms of part 3 above.

11. PAYMENT OF DEPOSITS

- 11.1. Whenever a service contract is entered into in terms of paragraph 10, the signatory shall lodge a cash deposit with the municipality, such deposit to be determined as follows:
- a. In the case of the signatory's being the registered owner or spouse of the registered owner of the property concerned, an amount equal to one quarter of the aggregate monetary value of the relevant service(s) provided to the property over the immediately preceding 12 (twelve) month period, or – where no such information is available – one quarter of the aggregate monetary value of the relevant service(s) provided to a comparable property over the immediately preceding 12 (twelve) month period;

- b. In the case of the signatory's not being the registered owner or spouse of the registered owner of the property concerned, an amount equal to one third of the aggregate monetary value of the relevant service(s) as determined above.

12. ALLOCATIONS OF PART-PAYMENTS AND APPROPRIATION OF DEPOSITS

12.1. If an accountholder pays only part of any municipal account due, the municipal manager shall allocate such payment as follows:

- a. firstly, to any unpaid charges levied by the municipality in respect of unacceptable cheques, notices, legal expenses and reconnections or reinstatements of services in respect of the account or property concerned;
- b. secondly, to any unpaid interest raised on the account;
- c. thirdly, to any unpaid sewerage charge
- d. lastly, to any unpaid water charges; and

12.2. This sequence of allocation shall be followed notwithstanding any instructions to the contrary given by the accountholder.

12.3. In the event of an accountholder's defaulting on the payment of an arrear account, as contemplated in parts 6, 8 and 9, the municipal manager shall forthwith appropriate as much of such deposit as is necessary to defray any costs incurred by the municipality and the arrear amount owing to the municipality in the same sequence that is applicable to the allocation of part payments, as contemplated above.

13. QUERIES BY ACCOUNTHOLDERS

- 13.1. In the event of an accountholder reasonably querying any item or items on the monthly municipal account, no action shall be taken against the accountholder as contemplated in part 3 provided the accountholder has paid by due date an amount equal to the monthly average monetary value of the three most recent unqueried accounts in respect of the service under query, as well as all unqueried balances on such account, and provided further such query is made in writing by the accountholder or is recorded in writing by the municipal manager on behalf of the accountholder on or before the due date for the payment of the relevant account.
- 13.2. Any query raised by an accountholder in the circumstances contemplated in part 14 below shall not constitute a reasonable query for the purposes of the present paragraph.

14. INABILITIES TO READ METERS

- 14.1. If the municipality is unable to read any meter on any property because the meter has been rendered inaccessible through any act or omission of the accountholder or owner of the property concerned, the municipal manager shall:
- a. estimate the consumption of the service concerned by determining the monthly average of the metered consumption recorded on the three most recent accounts in respect of which meter readings were obtained,
 - b. and thereafter bill the accountholder for the monetary value of such estimated consumption plus a provisional surcharge of 10% of such value for the first month in which the metered reading could not be obtained, escalating to 20% in the second month, 30% in the third month, and so on by 10 percentage points for each subsequent month, until the meter is again rendered accessible.

- c. The accountholder shall be liable for the initial payment of such surcharge(s) as though the surcharge were part of the service charge concerned, but the municipal manager shall reverse such surcharge(s) against the first account for which a meter reading is again obtained.

15. DISHONOURED AND OTHER UNACCEPTABLE CHEQUES

- 15.1. If an accountholder tenders a cheque which is subsequently dishonoured by or is found to be unacceptable to the accountholder's bankers, the municipal manager shall –
 - a. in addition to taking the steps contemplated in this policy against defaulting accountholders – charge such accountholder the penalty charge for unacceptable cheques, as determined by the council from time to time,
 - b. and such charge shall rank equally with the costs and expenses incurred by the municipality for purposes of determining the sequence of allocations and appropriations contemplated in part 12.

16. DELEGATION OF RESPONSIBILITIES BY MUNICIPAL MANAGER

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

17.ROLE OF MUNICIPAL MANAGER

- 17.1. Section 100 of the Municipal Systems Act 2000 (see part 24 below) clearly assigns the legal responsibility for implementing the credit control and debt collection policies and by-laws to the municipal manager.
- 17.2. The municipal manager may delegate some or many of the responsibilities specifically assigned to this office in the by-laws. However, such delegation does not absolve the municipal manager from final accountability in this regard, and the municipal manager will therefore have to ensure that a proper internal reporting structure is established and consistently implemented so that the day-to-day actions of and results from the credit control and debt collection programme are properly monitored and supervised.
- 17.3. The municipal manager shall report monthly to the executive mayor or the mayoral committee, as the case may be, and quarterly to the council on the actions taken in terms of the by-laws, and on the payment levels for the periods concerned. Such reports shall, as soon as practicably possible, provide the required information both in aggregate and by municipal ward.
- 17.4. In addition, such monthly report shall indicate any administrative shortcomings, the measures taken or recommended to address such shortcomings, and any actions by councillors which could reasonably be interpreted as constituting interference in the application of the by-laws.

18.ROLE OF COUNCILLORS

- 18.1. Section 99 of the Systems Act 2000 places the important legal responsibility on the executive mayor or mayoral committee, as the case may be, of monitoring and supervising the application of the present policy and the attendant by-laws, and of reporting to the council on the extent and success of credit control actions.
- 18.2. The present policy further recommends that the municipality's ward committees be actively involved in implementing the credit control and debt collection programme, and should therefore receive monthly reports on the status of the municipal manager's credit control actions. The ward committees must also actively promote the present policy, and ensure at the same time that the municipality's customer relations are of a standard acceptable to the community.
- 18.3. In order to maintain the credibility of the municipality in the implementation of the present policy and the attendant by-laws, it is essential that councillors should lead by example. Councillors, by adopting this policy, therefore pledge, not only their unqualified support for the policy, but their commitment to ensuring that their own accounts will at no stage fall into arrears.

19.INTEREST ON ARREARS AND OTHER PENALTY CHARGES

- 19.1. Interest shall be charged and calculated on a monthly basis at a Prime rate PLUS 1.
- 19.2. For purposes of determining arrear amounts, all amounts unpaid including interest previously raised and penalty charges, but excluding value added tax, shall be taken into account.
- 19.3. **Interest will be levied on suspended/ disconnected accounts.**
- 19.4. In considering each annual budget the council shall review the adequacy of its interest charges, and shall determine the following for the financial year concerned:

- a. charges for disconnection or restriction of services (paragraph 3)
- b. charges for reconnection or reinstatement of services (paragraph 4)
- c. charges for notices of default (paragraph 3)
- d. penalty charges for illegal reconnections (paragraph 6)
- e. penalty charges for dishonoured cheques (paragraph 15).

20. INDIGENCY MANAGEMENT

20.1. In regard to the payments expected from registered indigents, and the credit control and debt collection actions contemplated in respect of such residents, this policy must be read in conjunction with the municipality's approved policy on indigency management.

21. UNCOLLECTABLE ARREARS

21.1. The effective implementation of the present policy also implies a realistic review of the municipality's debtors book at the conclusion of each financial year.

21.2. The municipal manager shall as soon as possible after 30 June each year present to the council a report indicating the amount of the arrears which it is believed is uncollectable, together with the reasons for this conclusion.

21.3. The council shall then approve the write off of such arrears, if it is satisfied with the reasons provided.

21.4. An incentive on arrear accounts for interest write-off may be given to encourage the customer to settle his/ her account; only when the said customer has entered into a debt arrangement.

21.5. The council shall further consider an incentive scheme which will appropriately encourage accountholders to settle all or a stated percentage of these arrears

22. ARREARS WHICH HAVE ARISEN PRIOR TO THE ADOPTION OF THE PRESENT POLICY

- 22.1. The council shall separately consider arrears which arose prior to the adoption of the present policy, and shall advise accountholders of their respective obligations in regard to such arrears.
- 22.2. In determining such obligations, the council shall have regard to the quantum of such arrears, to the period over which the default occurred, and to whether the accountholder concerned has registered as an indigent in terms of the municipality's policy on indigency management.

23. BY-LAWS

- 23.1. By-laws shall be adopted to give effect to the council's credit control and debt collection policy.
- 23.2. These by-laws deal severely with defaulters, and their application requires a considerable degree of commitment from the municipal manager and his or her administration, as well as from the municipality's political structures.
- 23.3. The monthly billing for sewerage charges fees will continue in respect of defaulting accountholders, even though their consumption of water may have been terminated or restricted.
- 23.4. The termination or restriction of services must therefore be seen merely as a vital first step in the credit control programme, and the commitment by the municipality to follow up such actions with the full force of the law at the municipality's disposal is an essential further step if the accumulation of debts is to be meaningfully curtailed.
- 23.5. The by-laws comply with the requirements of the Municipal Systems Act 2000, the Water Services Act 1997 and the Municipal Finance Management Act 2003.
- 23.6. The by-laws also deal with the determination and payment of consumer deposits, and in accordance with part 11 of the present policy effectively

differentiate in this respect between accountholders who are both the owners and occupiers of the fixed property concerned, on the one hand, and accountholders who are tenants of such properties, on the other. This differentiation is essential if the municipality wishes to protect its interests in so far as tenants are concerned, but – in any event – it is not believed that a degree of differentiation imposes an unreasonable financial burden on such tenants (effectively the deposit required from owners/occupiers represents three months average consumption whereas the deposit in the case of tenants represents four months consumption).

23.7. It is not proposed that accountholders who have currently not lodged deposits should be required to do so forthwith, but only within a two-year period, but that accountholders who default at any future date should be immediately obliged both to sign proper service contracts and to lodge the deposits required in terms of both such contract and the by-laws.

24. DEBT MANAGEMENT

24.1. It will be performed in accordance with chapter 4 & 5 of SDM Water and Sanitation By-Law, 2010

24.2. The municipality collection process will follow the under-mentioned steps:

- a. Telephone Collection.
- b. Written reminder.
- c. Final Notice.
- d. Communication with Water Service department for service termination or restriction
- e. Legal action/ hand-over to the municipal attorneys (Legal Department) or debt collectors.
- f. Listing of debtors with Credit Bureau.
- g. Recommendation for write off as bad debt.
- h. Telephone Collection.

24.3. The telephone collection process will start at least seven (7) days after the due date as reflected on the customer monthly statement.

24.4. The written reminder must be sent out within 30 days from the due date on the monthly statement (23 days from the telephone collection stage) and must give the debtor 14 days to settle his/ her account.

24.5. If the debtor still fails to settle his/ her account within the above stipulated 14 days, a final notice must be issued giving the debtor a further 28 days to settle his/her account, failing which legal action will be taken against him/her.

24.6. Communication with Water Service Department and service termination.

- 24.7. Issue final notices to water service department for termination or restriction of services.
- 24.8. Legal action/ Hand over to the Municipal attorneys or debt collectors.
- 24.9. If, after all the above stated processes have been followed, the debtor still fails to settle his/ her account, the file must be handed over to an attorney/ debt collector to institute legal action for the recovery of the outstanding amount.
- 24.10. In terms of section 3 (2) (c) (ii) of the Prescription Act No. 18 of 1943 an amount due in respect of a service rendered prescribes after three years from the date when such amount falls due. Therefore, an attorney will be given at most three years to finalize the matter
- 24.11. Unless there are other good grounds for stopping the process earlier or later than the stipulated period.
- 24.12. Once the file has been handed over to municipal attorneys, all correspondence must be routed through Legal Department in-order to avoid conflict of instructions.
- 24.13. The listing of debtors with Credit Bureau will take place immediately after a judgment has been obtained against the debtor and will be done by SDM.
- 24.14. Unless a judgment has been obtained against the debtor or, at least summons have been served, within a period of three (3) years, a recommendation for write off can be made by the municipal attorneys (Legal Department) to the Financial Director (CFO), who will in-turn advise whether or not such recommendation is acceptable.
- 24.15. Where prescription has been interrupted through either a judgment being obtained or a summons being served, a recommendation for write off can only be made once all collection avenues have been exhausted.

25. APPROACH IN CALCULATING PROVISION FOR DOUBTFUL DEBTS:

25.1. A report from the system should supply suitable information regarding the following:

- a. Ageing of each debtor
- b. Active / inactive account
- c. -Tenants' / owners' account
- d. Debtor type: Residential, Business, Indigent, Government, etc.

25.2. Align all the debt collection indicators so that the history of an account can be used as basis for recommendations for writing off bad debts in future.

25.3. A scoring system would be used by adding additional fields in the database for each debtor / group of debtors indicating the following:

- a. Number of times account appeared on the cut-off list: Final cut-off only applicable to businesses.
- b. Attorneys' total cost on account: no available
- c. Number of final notices on account: Final notices only issued to business
- d. Number of summonses on account: No summons issued
- e. Judgements on account: No judgements
- f. Tracing costs: no

25.4. The subsequent measurement is essential and should be done monthly.

However, regardless of whether or not this was done correctly throughout the year, it is of paramount importance that all the debtors outstanding at year-end be screened in some way for impairment.

Indicators	Debtor type			
	Residential	Business	Indigent	Government
Aging between 0 – 30 days outstanding	4	4	0	4
Aging between 30 – 90 days outstanding	3	4	0	4
Aging between 90 – 120 days outstanding	2	3	0	4
Aging between 120 – 180 days outstanding	1	2	0	4
Aging more that 180 days outstanding	0	1	0	4
Active account	2	2	0	2
Inactive account	0	0	0	1
Owners' account	2	2	0	2
Tenants' account	1	1	0	2
List of other examples				
Extended terms for a debtor agreed upon	As per agreement discount			
Council approved write-off	0	0	0	0
MAX points that can be earned	8	8	6	8

Scoring	Residential	Business	Indigent	Government
0 – 4	Most probably impaired	Most probably impaired	Most probably impaired	Most probably impaired
0	100% of debtor amount	100% of debtor amount	100% of debtor amount	100 % of debtor amount
1	Increase expected number of days outstanding with 80%	Increase expected number of days outstanding with 80%	Increase expected number of days outstanding with 80%	Increase expected number of days outstanding with 80%
2	Increase expected number of days outstanding with 60%	Increase expected number of days outstanding with 60%	Increase expected number of days outstanding with 60%	Increase expected number of days outstanding with 60%
3	Increase expected number of days outstanding with 40%	Increase expected number of days outstanding with 40%	Increase expected number of days outstanding with 40%	Increase expected number of days outstanding with 40%

4	Increase expected number of days outstanding with 20%	Increase expected number of days outstanding with 20%	Increase expected number of days outstanding with 20%	Increase expected number of days outstanding with 20%
5 – 8	Probably not impaired	Probably not impaired	Probably not impaired	Probably not impaired

25.5. The report indicating the debtors in 0 – 4 scoring must be examined by a senior official and the specific debtors must be flagged for impairment and the amount of impairment must be double-checked and agreed to be consistent with any agreements to repay or acknowledge that no repayments will take place.

25.6. In certain cases there may be other criteria that should be considered over and above the general matrix above. Therefore it is necessary to include an exception matrix that override the above general matrix when a specific condition as listed below applies:

Indicator	Impair
More than 2 entries on cut-off list	Increase days outstanding with 50%
Attorneys total cost on the account exceed 10% of total outstanding balance	Increase days outstanding with 80%
More than 2 final	Increase days

notices issued	outstanding with 60%
More than 2 summons on account issued	Increase days outstanding with 80%
Judgement on account that x % of outstanding balance will be received	Impair by the % of balance that will not be received
Tracing costs is more than 20% of outstanding balance	Increase days outstanding with 80%
An agreement with the debtor to determine an amount payable and a certain period to pay the amount	Impair using the agreed upon payment amount and period.

25.7. For each of the items impaired at year-end the following must be determined:

- a. Amount to be received (determined by report or direct input from senior official of agreed upon amount)
- b. Estimated / actual date of amount to be received (total days after year-end until payment is received)
- c. Discount rate applicable to the group of debtors.
- d. Calculation of present value using above inputs

26. ANNEXURE: LEGAL REQUIREMENT

26.1. 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 must note the obligations, which the municipality has towards the community in respect of customer care and relations.

26.2. 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.

ANNEXURE: A

Debt Arrangement

A down payment of 20% Domestic and 50% non Domestic of the debt should be payable before entering into an arrangement or whatever percentage the municipality manager deems reasonable.

Item	Consumer type	Level of debt			
		(A) 0-800	(B) -2500	(C) -4000	(D) ->5000
		Maximum allowable payment period			
1	Domestic	3	5	8	12
2	Indigent	5	7	9	12
3	Businesses	1	2	3	6
4	Schools	1	3	5	6
5	Departments	1	3	5	6
6	Bulk consumers	1	2	3	6

The above table will only be applicable to the arrear amount whilst the consumer will be expected to continue paying the current charges. The table denotes an allowable period that can be given to a consumer per type and level of debt, however lesser period or higher installments are acceptable. The table sets maximum allowable and any extension of the period can be negotiated with the municipal manager.

ANNEXURE B

SECTION I: WATER SERVICES ACT NO. 108 OF 1997

WSA 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):

- the standard of the services;
- 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;
- the determination and structure of tariffs;
- the payment and collection of moneys due for the water services consumed;
- the circumstances under which water services may be limited or discontinued and the procedure for such limitation or discontinuation; and
- the prevention of unlawful connections to water services works and the unlawful or wasteful use of water.

**SECTION II: LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT NO. 32
OF 2000**

MSA 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:

- 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;
- 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;
- 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;
- 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;
- ensure that persons liable for payments receive regular and accurate accounts which indicate the basis for calculating the amounts due;
- 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;
- provide accessible mechanisms for dealing with complaints from such persons, together with prompt replies and corrective action by the municipality;

- provide mechanisms to monitor the response time and efficiency in complying with the aforementioned requirements; and
- provide accessible pay points and other mechanisms for settling accounts or for making prepayments for services.

SECTION 96: DEBT COLLECTION RESPONSIBILITY OF MUNICIPALITIES

A municipality must collect all moneys that are due and payable to it, subject to the requirements of the present Act and any other applicable legislation. For this purpose, the municipality must adopt, maintain and implement a credit control and debt collection policy which is consistent with its rates and tariff policies and which complies with the provisions of the present Act.

SECTION 97: CONTENTS OF POLICY

The municipality's credit control and debt collection policy must provide for all of the following:

- credit control procedures and mechanisms;
- debt collection procedures and mechanisms;
- provision for indigent debtors in a manner consistent with its rates and tariff policies and any national policy on indigents;
- realistic targets consistent with generally recognised accounting practices and collection ratios, and the estimates of income set in the budget less an acceptable provision for bad debts;
- interest on arrears (where appropriate);
- extensions of time for payment of accounts;
- termination of services or the restriction of the provision of services when payments are in arrears;

- matters relating to unauthorised consumption of services, theft and damages; and
- any other matters that may be prescribed by regulation in terms of the present Act.

The municipality, within its discretionary powers, may differentiate in its credit control and debt collection policy between different categories of ratepayers, users of services, debtors, taxes, services, service standards and other matters, and, if so, must ensure that such differentiation does not amount to unfair discrimination.

SECTION 98: BY-LAWS TO GIVE EFFECT TO POLICY

The council of the municipality must adopt by-laws to give effect to the municipality's credit control and debt collection policy, its implementation and enforcement.

Such by-laws may differentiate between different categories of ratepayers, users of services, debtors, taxes, services, service standards and other matters, and, if so, must ensure that such differentiation does not amount to unfair discrimination.

SECTION 99: SUPERVISORY AUTHORITY

A municipality's executive mayor or executive committee, as the case may be, or – if the municipality does not have an executive committee or executive mayor – the council of the municipality itself, or a committee appointed by the council as the supervisory authority, must do all of the following:

- oversee and monitor the implementation and enforcement of the municipality's credit control and debt collection policies and any by-laws enacted in terms of the foregoing requirements, and the performance of the municipal manager in implementing the policies and by-laws;
- where necessary, evaluate or review the policies and by-laws, and the implementation of such policies and by-laws, in order to improve the efficiency of its credit control and debt collection mechanisms, processes and procedures; and
- at such intervals as may be determined by the council, report to a meeting of the council, except when the council itself performs the duties of the supervisory authority.

SECTION 100: IMPLEMENTING AUTHORITY

The municipal manager, or – where applicable – the service provider must:

- implement and enforce the municipality's credit control and debt collection policies and by-laws enacted in terms of the foregoing requirements;
- in accordance with the credit control and debt policies and any by-laws, establish effective administrative mechanisms, processes and procedures to collect moneys due and payable to the municipality; and
- at such intervals as may be determined by the council, report the prescribed particulars to a meeting of the supervisory authority referred to previously.

SECTION 101: MUNICIPALITY'S RIGHT OF ACCESS TO PREMISES

The occupier of premises in a municipality must give an authorised representative of the municipality or of a service provider access at all

reasonable times to the premises in order to read, inspect, install or repair any meter or service connexion for reticulation, or to disconnect, stop or restrict the provision of any service.

SECTION 102: ACCOUNTS

Except where there is a dispute between the municipality and the person from whom the municipality has claimed any specific amount, a municipality may:

- consolidate any separate account of such person;
- credit a payment by such person against any account of that person; and
- implement any of the debt collection and credit control measures provided for in the present Act in relation to any arrears on any of the accounts of such person.

SECTION 103: AGREEMENTS WITH EMPLOYEES

A municipality may, within its discretionary powers, but with the consent of any person liable to the municipality for the payment of rates or other taxes or fees for municipal services, enter into an agreement with such person's employer to deduct from the salary or wages of such person any outstanding amounts due by such person to the municipality or such regular monthly amounts as may be agreed to.

The municipality may further, within its discretionary powers, provide special incentives for employers to enter into such agreements and for employees to consent to such agreements.

SECTION 118: RESTRAINT ON TRANSFER OF PROPERTY

The registrar of deeds or any other registration officer of immovable property may not register the transfer of any property other than on the production to such registration officer of a prescribed certificate issued by the municipality in which such property is situated, and which certificate certifies that all amounts due in connexion with such property for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties during the two years preceding the date of application for the certificate have been fully paid.

A municipality may recover, as far as is practicable, all amounts due to it for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties, in preference to any mortgage bonds registered against any property which is to be transferred.

CODE OF CONDUCT FOR MUNICIPAL STAFF MEMBERS

Paragraph 10 of this Code of Conduct stipulates that if any staff member of a municipality is in arrears to the municipality for rates and service charges for a period longer than 3 months, the municipality may deduct any outstanding amounts from such staff member's salary after this period.

CODE OF CONDUCT FOR COUNCILLORS

Section 6A of this code requires councillors to pay all rates, tariffs, rents and other moneys due to the municipality promptly and diligently.

The municipal manager is further required to notify the speaker of the council and the MEC for Local Government, in writing, whenever a councillor has been in arrears with any of these payments for a period exceeding 30 days.

**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:

- 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;
- that revenues due to the municipality are calculated on a monthly basis;
- 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;
- 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;
- 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;
- that the municipality has and maintains a system of internal control in respect of debtors and revenues, as may be prescribed;

- 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
- 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.

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.)

**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.

CERTIFICATE OF ENDORSEMENT:

This Policy shall come into effect on the date of endorsement and shall cease only in the event where such changes/variations has been reduced to writing, approved by council and been signed by the Speaker. Unless in the event where any changes in any applicable Act, Legislation has jurisdiction to supersede.

For and on behalf of Municipality

Date