

# THEMBISILE HANI LOCAL MUNICIPALITY



## CREDIT CONTROL AND DEBT COLLECTION POLICY

**2025/2026**

# PRINCIPLES AND POLICY ON CREDIT CONTROL AND DEBT COLLECTION

## 1. BACKGROUND

### 1.1 Legislative Framework

This policy has been compiled in accordance with the Local Government

- ✓ **Municipal Systems Amendment Act (MSA), 2003, Act No 44 of 2003.** The Council of the municipality, in adopting this policy on Credit Control and Debt Collection, recognises its constitutional obligations as set out in Chapter 7 of the Constitution and Chapter 9 of the Municipal Systems Act, to develop the local economy and to provide acceptable services to its residents.
- ✓ 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 of those residents who can afford to pay, and in accordance with its indigent relief measures for those who have registered as indigents in terms of the Council approved indigent management policy.

### 1.2 Provision of Services

#### 1.2.1 In terms of section 152 (1) (b) and 153 (a) of the Constitution;

The Municipal Council must give priority to the basic needs of the community, promote the social and economic development of the community and ensure that all residents and communities in the municipality have access to at least the minimum level of basic municipal services.

#### 1.2.2 In terms of the Municipal Systems Act 44 of 2003 refers;

1.2.2.1 The municipal services provided to residents and communities in the Municipality should;

- ✓ be within the municipality's financial and administrative capacity
- ✓ be provided in a manner that is fair and equitable to all its residents and communities
- ✓ ensures the highest quality service at the lowest cost and the most economical use and allocation of available resources
- ✓ is financially and environmentally sustainable; and regularly reviewed with a view to upgrading, extension and improvement.

1.2.2.3 The Municipal Systems Act phrases "financial sustainable", in relation to the performance of a municipal service which means the performance of a municipal service in a matter that:-

- ✓ is likely to ensure that revenues from that service are sufficient to cover the cost of operating the service; and maintaining, repairing and replacing the physical assets used in the performance of service
- ✓ is likely to ensure a reasonable surplus in the case of a service performed by the Municipality itself, a reasonable profit, in the case of a service performed by a service provider, other than the Municipality itself
- ✓ is likely to enable the Municipality or other service provider to obtain sufficient capital requirements for the performance of the service and takes account of the current and anticipated future considering the level and quality of that service, demand for the service and ability and willingness of residents to pay for the service.

### **1.3 OBJECTIVES OF THIS POLICY:**

The objectives of this Policy are to –

- 1.3.1 ensure that all money is due and payable to municipality in respect of rates, fees for services, surcharges on such fees, charges, tariffs, interest which has accrued on any amounts due and payable in respect of the afore going and any collection charges are collected efficiently and promptly
- 1.3.2 provide for credit control procedures and mechanisms and debt collection procedures and mechanisms
- 1.3.3 provide for indigent debtors
- 1.3.4 provide for the setting of realistic targets consistent with generally recognized practices and collection ratios and also the estimates of income set in the annual budget of municipality less an acceptable provision for bad debts
- 1.3.5 provide for interest on overdue amounts
- 1.3.6 provide for collection charges on the payment of any overdue amount
- 1.3.7 provide for extension of time for the payment of overdue amounts
- 1.3.8 provide for the termination of services or for restrictions on the provision of services when payments are overdue
- 1.3.9 provide for matters relating to the unauthorized consumption of services, theft and damages.

## **1.4 Credit Control and Debt Collection**

1.4.1 The Municipal Council must ensure that all money that is due and payable to the Municipality is collected, subject to the provisions of the MSA.

1.4.2 For this purpose, the Municipal Council must adopt, maintain and implement a credit control and debt collection policy consistent with its rates and tariff policies and complying with the provisions of the MSA.

## **2 PURPOSE OF THE POLICY**

2.1 The purpose of this policy is to ensure that credit control forms part of the financial management system of the Thembisile Hani Local Municipality and to ensure that the same procedure is followed for each individual case.

2.2 The credit control and debt collection policy may differentiate between different categories of ratepayers, users of services, debtors, taxes, services, service standards and other matters if the differentiation does not amount to unfair discrimination.

## **3 RESPONSIBILITY FOR CREDIT CONTROL AND DEBT MANAGEMENT**

### **3.1. In terms of the Municipal Systems Act 44 of 2003;**

#### **3.1.1 The council is responsible for-**

- ✓ To provide a budget consistent with the needs of communities, ratepayers and residents in line with the financial capability of council
- ✓ To impose rates and taxes and to determine service charges, fees and penalties to finance the budget.
- ✓ To facilitate sufficient funds to give access to basic services for the poor.
- ✓ To provide for a bad debt provision , in line with the payment record of the community, rates payers and residents, as reflected in the financial statements of the municipality.
- ✓ Must without delay convene a meeting of the ward committee, if there is one, or convene a public meeting and report the matter to the committee or meeting for discussion and advice
- ✓ May make appropriate recommendations to the supervisory authority.

**The Mayor is responsible for-**

- ✓ Oversee and monitor the implementation and enforcement of the Municipality credit control and debt collection policy and any by-laws enacted
- ✓ When necessary evaluate, review or adapt the policy and any by-laws, or the implementation of the policy and any by-laws, in order to improve efficiency of its credit control and debt collection mechanisms, processes and procedures.
- ✓ Report to scheduled meeting of the Council.

**3.1.2 In terms of the MSA the Municipal Manager is responsible for;**

- ✓ Implement and enforce the Municipality's credit control and debt collection policy and any bylaws enacted in terms of the Municipal Systems Act
- ✓ In accordance with the credit control and debt collection policy and any such by-laws establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the Municipality
- ✓ Report the prescribed particulars monthly to a meeting of the supervising authority

**3.1.3 Responsibilities of all Councillors;**

- ✓ To always pay amounts that are owed in respect municipal rates, taxes and services as required by section 12A of schedule 1 of the municipal systems act and not to default on payments for a period longer than 3months
- ✓ The municipality may deduct any outstanding amounts from a councillor's allowance, if the councillor has not paid amounts that are due to the municipality for more than 3months
- ✓ The normal credit control procedures shall apply to any arrear account of a councillor.
- ✓ All agreements with councillors must not exceed the expiry date of the term of office.

**4. FINANCIAL MATTERS**

**4.1 CUSTOMER REGISTRATION (Service contract)**

The municipality must ensure that the registration of new and existing customers is efficiently performed regarding the following:

4.1.1 New customer registrations must be correctly administered with the fully completed service contracts being duly signed for any property which the municipality shall provide any of the following services:

- ✓ Electricity (direct from Eskom)
- ✓ Water
- ✓ Refuse Collection

✓ Sewerage

- 4.1.2 These service contracts must be retained and be readily accessible to authorized persons only.
- 4.1.3 Full and concise details must be provided on application for a consumer agreement. All staff with customer contact must endeavor to update personal records whenever customers liaise with our offices.
- 4.1.4 Certified copies of identity documents, company registration and resolutions are necessary for registration purposes and are used to determine, at the time of application, whether:
- 4.1.5 Other accounts are currently held and;
- 4.1.6 Debts are still outstanding on previous accounts.

## **4.2 Service Agreement**

Such registration shall set out the conditions on which services are provided and shall require the consumer to note the contents of the municipality's credit control and debt collection policy, (A copy of the policy will be provided to such a consumer upon request.) The consumer shall note the provision of the Municipal Systems Act regarding the municipality right of access to property.

- 4.2.1 When the consumer is not the owner of the property to which the services are to be provided, a properly executed letter from the owner, or authorized agent, indicating that the consumer is the lawful occupant of the property shall be attached to the service contract.
- 4.2.2 All applications for the provision of Municipal Services in respect of any immovable property shall be made by the registered owner of the said immovable property in writing and in accordance with the prescribed form.
- 4.2.3 Individuals and businesses with lease agreements to lease properties from the municipality and Government departments will be allowed to open an account in the name of the lessee of the property.
- 4.2.4 The registered owner of an immovable property in respect of which application for the provision of municipal services has been made shall, at least ten days prior to the date on which the services are required to be connected, enter into a written agreement with the Municipality in accordance with the prescribed form.
- 4.2.5 The municipality may, upon the written request of the registered owner of an immovable property, enter into a written agreement with both the registered owner and occupier of the immovable property

in respect of which application for the provision of municipal services has been made. The agreement shall be in accordance with the prescribed form.

### **4.3 Liability for Payment**

4.3.1 The owner will, subject to par 4.2.2 below, be liable for payment of the municipal account for the provision of municipal services entered into in terms of the written agreement mentioned in par 4.1.4 above.

4.3.2 The occupier, if a person other than the owner, will be liable for payment of the municipal account for the provision of municipal services entered into in terms of the written agreement mentioned in par 4.1.5 above.

4.3.3 The occupier will remain liable for payment in terms of par 4.2.2 above, up to and including the date which the occupier terminates the Service Agreement as indicate in the Notice of Termination of Services, whether the occupier was in actual occupation of the property or premises during the currency of the Service Agreement or otherwise.

4.3.4 Nothing contained in this policy will prohibit the Council from collecting payment of any amount from the owner or any other person, in terms of applicable legislation.

4.3.5 The Chief Financial Officer may consolidate separate municipal accounts, or portions thereof, of persons liable for payment to the Council.

4.3.6 An increase in a consumer deposit in terms of par 4.4.3 and 4.4.6 below, becomes payable within twenty one (21) days from the date on which the consumer is notified thereof or should the consumer appeal against such increase, then within twenty one (21) days from the date on which the consumer is informed of the decision of the Municipal Manager, if the appeal is not upheld.

4.3.7 A copy of the marriage certificate and identity document or driver's license must be submitted with the Service Agreement.

#### **4.4 Juristic Person**

4.4.1 Should the occupier be a juristic person, the following will apply: -

- ✓ If the occupier is a Company registered in term of the Companies Act, 1973, Act no 61 of 1973, the Directors of such Company shall agree to be jointly and severally liable for payment in terms of the Service Agreement, if the Company fails to make such payment.
- ✓ If the occupier is a Closed Corporation registered in terms of the Closed Corporation Act, 1984, Act no 69 of 1984, the Members shall agree to be jointly and severally liable for payment in terms of the Service Agreement, if the Closed Corporation fails to make such payment.
- ✓ If the occupier is an Association with legal persona, the Members of the Association shall agree to be jointly and severally liable for payment in terms of the Service Agreement, if the Association fails to make such payment.

4.4.2 Any Service Agreement signed by a person on behalf of a legal person in par 4.3.1 above must be accompanied by a resolution authorizing such person to sign on behalf of the legal person.

#### **4.5 Rendering of Accounts**

4.5.1 Although the Municipality must render an account for the amount due by a debtor, failure thereof shall not relieve a debtor of the obligation to pay the amount.

4.5.2 Account to be delivered to the rate payer before the 3<sup>rd</sup> day of the following month.

4.5.3 Payment is due per the statement date, before the 25<sup>th</sup> of the following month.

4.5.4 Reminders may be sent on the 2<sup>nd</sup> week after the account deliveries.

Accounts to ratepayers and users of municipal services must contain at least the following particulars: -

- ✓ The name of the Municipality.
- ✓ The name of the ratepayer/ user of the service.
- ✓ The service levies or rates in question.
- ✓ The period allowed for the payment of services and rates.
- ✓ The land and address in respect of which the payment is required.
- ✓ Any discount for early or prompt payment (if applicable).

4.1.2 The Municipal Account shall reflect amounts due to the following:-

- ✓ Basic Water Levy or Availability Charge.
- ✓ Site Rental (if applicable).
- ✓ Refuse Removal.
- ✓ Sewerage Service or Availability Charge.
- ✓ Property Rates.
- ✓ Other charges, levies and taxes.
- ✓ Collection Charges or Legal Costs.
- ✓ The Amount of any Increase in a Consumer Deposit.
- ✓ The unit price and number of units consumed in relation to water consumption.

#### **4.5.5 Water Meter Consumption**

The municipality shall take water consumption reading to ensure that charges are made accordingly. Where there are challenges with taking the readings, reasonable assumption shall be used in view of the averaged readings.

#### **4.6 Actions to Secure Payment**

The Municipality and service providers may, in addition to the normal civil legal procedures to secure payment of accounts that are in arrears, take the following action to secure payment for municipal rates and services is restriction of the provisions of water services in accordance with the relevant legislation.

#### **4.7 Dishonored Payments**

4.7.1 Where the bank later dishonors any payments made to the Municipality, the Municipality may levy such costs and administration fees against an account of the defaulting debtor in terms of the Municipality's tariff provisions.

4.7.2 Any dishonored payment in par 6.1 below due to insufficient funds with the financial institution on which it is drawn, will be sufficient grounds for a review of the credit rating of the customer in terms of par 6.1.2 and 6.1.3 above.

4.7.3 The Chief Financial Officer may determine not to accept a cheque or other negotiable instrument as payment from a customer, other than a cheque or negotiable instrument on which payment is guaranteed by the financial institution on which it is drawn, should a payment or previous payment by the customer has been dishonored as meant in par 6.1 below.

#### **4.8 Disconnection Fees Cost to Remind Debtors of Arrears**

4.8.1 For any action taken in demanding payment from the debtor or reminding the debtor, by means of telephone, sms, email, letter or otherwise, that his/her payments are due, a penalty fee may be levied against the account of the debtor in terms of the municipality's tariff provisions.

4.8.2 Where any service is disconnected because of non-compliance with these regulations by the customer, the Municipality shall be entitled to levy and recover the disconnection fee as determined by the Municipality from time to time from the user of the services.

#### **4.9 Legal Fees**

4.9.1 All legal costs, including attorney-and-own-client costs incurred in the recovery of amounts in arrears shall be levied against the arrears account of the debtor.

4.9.2 The Council may levy and recover such collection charges not included in par 4.8.1 above.

#### **4.10 Interest Charges**

4.10.1 Interest will be charged on any amount due and in arrears in accordance with the relevant legislation at 1% per month.

4.10.2 Interest charge on Rates and Taxes shall be exempted.

#### **4.11 Payment of Accounts**

4.11.1 The Municipality may: -

- ✓ Consolidate any separate accounts of persons liable for payments to the Municipality.
- ✓ Credit any payment by such a person against any account of that person; and
- ✓ Implement any of the debt collection and credit control measures provided for in these regulations in relation to any arrears on any of the accounts of such a person.

4.11.2 When payment is received from a debtor, the principle of current accounts first will be followed and consumer accounts credited as such. Credits will be allocated as follow: -u Property Rates (current account).

- ✓ Refuse (current account).
- ✓ Electricity (current account).
- ✓ Sewer (current account).
- ✓ Sundry (VAT) (current account).
- ✓ Water (current account).
- ✓ Interest.
- ✓ Arrears (Historic debt)

#### **4.12 Power to Restrict or Disconnect Supply of Services.**

4.12.1 The Municipality may restrict the supply of water or discontinue any other service to any premises whenever a user of any service: -

- ✓ Fails to make full payment on the due date or fails to make acceptable arrangements for the repayment of any amount for services, rates or taxes.
- ✓ Fails to comply with the condition of supply imposed by the municipality;
- ✓ Obstructs the efficient supply of water or any other municipal services to another customer.
- ✓ Bypasses or tampers with or attempts to bypass or tamper with any metering equipment of the municipality.
- ✓ Supplies such municipal service to a customer who is not entitled thereto or permits such service to continue.
- ✓ Causes a situation which in the opinion of the municipality is dangerous or a contravention of relevant legislation;
- ✓ Is placed under provisional sequestration, liquidation or judicial management, or commits an act of insolvency in terms of the Insolvency Act no 24 of 1936; and
- ✓ If an administration order is granted in terms of section 74 of the Magistrates Court Act, 1944 (Act 32 of 1944) in respect of such user.

4.12.2 Notices will only be distributed with the discontinuation of services.

4.12.3 Notices will be distributed to National and Provincial Departments, who will be given twenty-one (21) days to settle accounts in arrear, failing which services will be discontinued without any further notice.

4.12.3 The Municipality shall reconnect and or restore full levels of supply of any of the restricted or

discontinued services only after the full amount outstanding and due, including the costs of such disconnection and reconnection, if any, have been paid in full or any other condition or conditions of this Credit Control Policy as it may deem fit have been complied with.

4.12.4 The right to restrict, disconnect or terminate service due to non-payment shall be in respect of any service rendered by the Municipality and shall prevail notwithstanding the fact that payment has been made in respect of any specific service and shall prevail notwithstanding the fact that the person who entered into agreement for supply of services with the municipality and the owner are different entities or persons, as the case may be.

## **5. Disputes and Payments**

5.1 A dispute must be submitted in writing prior to the final due date for payment of the contested amount. Such dispute must contain details of the specific item(s) on the account, which are subject to dispute with full reasons.

5.2 Should any dispute arise as to the amount owing by an owner in respect of municipal services the owner shall, notwithstanding such dispute, proceed to make regular minimum payments based on the calculation of the average municipal debits for the preceding three months prior to the arising of the dispute and taking into account interest as well as the annual amendments of tariffs of the Municipality.

## **6. Full and Final Settlement of an Amount**

6.1 Where the exact amount due and payable to the Municipality has not been paid in full, any lesser amount tendered to and accepted by a municipal employee, except the Chief Financial Officer and/or his/her fully authorized delegate, shall not be deemed to be in the final settlement of such an amount.

6.2 The Chief Financial Officer shall be at liberty of appropriate monies received in respect of any of its municipal services it deems fit.

6.3 The provisions above shall prevail notwithstanding the fact that such lesser payment was tendered and/or accepted in full settlement.

6.4 The Chief Financial Officer and/or his/her delegate shall consent to the acceptance of such a lesser amount in writing.

## **6.5 Arrangements to Pay Outstanding and Due Amount in Consecutive Installments**

6.5.1 One of the key objectives of debt collection is to encourage debtors to start paying their monthly accounts in full. In addition, it is also necessary to ensure that arrear debt is addressed. The current average balances on consumer accounts necessitate those innovative ideas be implemented to encourage consumers to pay off their arrears. At the same time, it is also of utmost importance that regular payers are not discouraged through the implementation of any possible incentives.

6.5.2 The main aim of the agreement will be to promote full payment of the current account and to address the arrears on a consistent basis. A debtor may enter into a written agreement with the Municipality to repay any outstanding and due amount to the Municipality under the following conditions:

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- ✓ The outstanding balance, costs and any interest thereon shall be paid in regular and consecutive monthly instalments
- ✓ The current monthly amount must be paid in full; and
- ✓ The written agreement has to be signed on behalf of the Municipality by a duly authorized officer.

6.5.3 To determine monthly instalments, a comprehensive statement of assets and liabilities of the debtor must be compiled by a treasury official. To ensure the continuous payment of such an arrangement the amount determined must be affordable to the consumer, taking into account that payment of the monthly current account is a prerequisite for concluding an arrangement.

## **7. Amnesty and/or Incentive Scheme**

A debtor owing Thembisile Hani Local Municipality for water, sanitation services, refuse removal, and rates and taxes (i.e., property rates) who pays half of the amount owing, including the current bill, anytime between 01 July 2025 and 30 June 2026, may be eligible for consideration for the write-off of the remaining half of the debt. The 90% amnesty will be applicable to debt aged 90 days and older as reflected in the account statement. This amnesty is only valid for this period **and can be** done as a once-off initiative.

Debtors who are unable to make an immediate lump-sum payment may enter a flexible payment arrangement with the Municipality. The terms of the arrangement will be determined based on the debtor's financial circumstances, ensuring affordability while committing to regular payments. The Municipality reserves the right to review and assess each arrangement individually.

The SMME's shall benefit 50% of the write-off in terms of the Amnesty Incentive. The amnesty is applicable to all but exclude the following:

- ✓ Government Departments (National and Provincial)
- ✓ The three shopping complexes (Kwagga Plaza, Phola Mall and Kwamhlanga Plaza)
- ✓ Mines
- ✓ Farm Properties

## **8 Interest on Arrears**

8.1.1 Implementation of the following principles **(as a once off initiative)** could also enhance the success of debt collection to a great extent: -

- ✓ Levying of interest on arrear accounts for services should be immediately suspended upon completion of a debt agreement. This will allow debtors to see progress on their accounts, as continued payments will reflect a decrease in the balance.
- ✓ As long as the agreement is honored no further interest will be added. However, in case of defaulting the suspended amount will be reversed and interest will again be levied from the date of default.
- ✓ Where debtors fail to honour their arrangements without prior consultation interest will be reinstated and added to the original debt amount.

## **9. Reconnection of Services**

9.1.1 The Chief Financial Officer shall authorize the reconnection of services or reinstatement of service delivery only after satisfactory payment or arrangement for payment has been made according to the Municipality's Credit Control Policy.

## **10. Deductions from Salaries and Allowances**

It is the policy of Council that Councillors and officials will set an example to the community. In this regard, Councillors must sign a debit order against their allowances and officials against their salaries for the monthly payment of consumer accounts. The arrangement shall state automatic change in the money to be deducted in view of the changes in municipal tariffs.

## **11. PERSONNEL AND FINANCIAL IMPLICATIONS**

The establishment of a credit control and debt collection division will have to be financed from the operating budget, which will have an incremental impact on the budget. However, this will be offset by improved cash inflow as a result of an efficient collection system.

## **12. FRAUD, TAMPERING AND OTHER CRIMINAL ACTIVITY**

12.1 Any person who undertakes or allow or causes any other person to undertake an illegal connection, will be guilty of an offence.

12.2 A customer who becomes aware of an illegal connection of the water supply to a property or premises owned by or occupied by such customer, must immediately notify the Council thereof structure be established with a credit control officer in charge.

12.3 In view of the fact that credit control and debt collection must always be able to operate in isolation to any customer management service, it is imperative that staff establishment for this function be implemented. His/her identity will be protected, compensation of R250 will be offered upon verification of the claim by the Technical Service Manager.

12.4 The Council will immediately disconnect any illegal connection and remove any wiring, piping or other equipment or installation relating to an illegal connection. A penalty fee consistent with the adopted tariff structure will be imposed on offenders.

12.5 The Municipality may not interfere where criminal activity is evident. The legal penalties and criminal justice system may not be subject to conflicting resolutions by the municipality. All such cases must be fully prosecuted of the law.

12.6 The Municipality may not supply services to a customer who is found guilty of/or if it is admitted that fraud, theft or any other criminal action involving the use of these services existed, until the total costs, penalties, other fees and tariffs and rates due to the municipality have been paid in full.

### **13. AGENTS, ATTORNEYS AND OTHER COLLECTION AGENTS**

- a. All external agents acting on behalf of the Municipality are to be identified, together with their details and contact information. Likewise, all agents are to be supplied with a copy of the credit control measures.
- b. Clear instructions for agents and other arrangements must be explained for the customers' benefit. Under no circumstances may agents negotiate terms, extend payment periods or accept cash on behalf of municipality, unless specifically instructed in writing to do so. The agent, on request by consumers, must produce this instruction.
- c. The costs to the Municipality and to the debtor must be detailed for each stage of the credit control measures and for all possible actions. The liability for the costs of legal action and other credit control actions must as far as is legally possible be for the account of the debtor.

#### **d. Unclaimed deposits**

This is related to deposits which were received from municipal customers in respect of service charges and/or any other purpose where the municipality is unable to trace the depositor. The customers must immediately walk into the headquarters once they discover that the deposits they made were not allocated according to their municipal statements. Failure to do so after three years when no claims are made or the origin

If the payment is still unknown / unidentified, the unknown receipt as posted in the Unallocated Revenue account will be disclosed as other revenue.

### **14. CREDIT CONTROL POLICY TO BE APPLIED FOR INDIGENT HOUSEHOLDS**

#### **14.1 Introduction**

- ✓ The key purpose of an indigent subsidy policy is to ensure that households with no or lower income are not denied a reasonable service, and on the contrary the local authority is not financially burdened with payment of services.
- ✓ Provided that grants are received, and funds are available, the indigent subsidy policy should remain intact.

- ✓ To achieve the purpose it is important to set a fair threshold level, and then to provide a fair subsidy of tariffs. The consumer, to qualify for indigency, needs to complete the necessary documentation as required.

#### **14.2 Aims of the Policy**

The credit control policy aims to achieve the following:-

- ✓ To distinguish between those who can and cannot genuinely pay for services.
- ✓ To get those who cannot pay to register with the municipality so that they could be given subsidies.
- ✓ To enable the municipality to determine and identify defaulters to ensure appropriate credit control procedures.
- ✓ To establish an indigent directory of all persons who comply with the policy.
- ✓ Payment of services in terms of indigents household shall be determined by the recommendation from the Indigent Committee.

#### **14.3 Obligation to renew the indigency benefit**

14.3.1 It is important to note that the subsidy recipients renew their status on an annual basis. In contravention to this clause the consumer will be responsible for full payments of the services.

#### **14.4 Benefits of Indigents**

The Indigents shall be entitled to be exempted from the following charges as per the Indigents Subsidy Policy:

- ✓ Rates and Taxes
- ✓ Water Service Charge
- ✓ Refuse Removal
- ✓ Sewer Charges
- ✓ Electricity (Eskom)

### **15 DEBT COLLECTION**

15.1 Where consumers fail to pay their municipal accounts by the due date stipulated on the account, the following actions will be taken.

15.1.1 Final notices/ accounts may be delivered or posted after the final date of payment. The final

notice/ account will contain that the client may arrange to pay the outstanding balance in terms of the Credit Control Policy. Information that the account constitutes as a final notice and failure to settle the account on the due date may lead to disconnection of services at any date thereafter, without further notice, must however form an integral part of the account.

15.1.2 An Acknowledgement of Debt must be completed with all arrangements for paying off arrear accounts. Copies of this document must be handed to the client. An affidavit of financial affairs must also be submitted to determine an affordable monthly installment.

15.1.3 Only account holders with positive proof of identity or an authorized agent with a Power of Attorney will be allowed to complete an Acknowledgement of Debt.

15.1.3 Debit orders may be completed for the monthly payment of the agreed amount or at least the current amount, as far as possible. If the arrangement is dishonored, the full balances will immediately become payable.

15.1.4 No person will be allowed to enter into a second agreement if the first agreement was dishonored, except in special merit cases. Such applications will be approved by the Chief Financial Officer only and must be submitted before the arranged due date.

15.1.5 Where arrangements were not made and water supply is restricted due to non- payment, it will only be restored upon payment of the full outstanding balance or signing of an Acknowledgment of Debt on merits.

15.1.6 Merit cases, where special circumstances prevail, must be treated individually and could amongst others include the following categories:-

- ✓ Deceased estates;
- ✓ Liquidated companies;
- ✓ Private persons under administration;
- ✓ Outstanding enquiries on accounts, for example, misallocated payments, water leaks, journals, incorrect levies, etc;
- ✓ Certain categories of Pensioners; and
- ✓ Any other cases not mentioned which can be regarded as merit cases due to circumstances.

15.1.7 Extension for payment of arrears in respect of merit cases should preferably not exceed 60 months (5 years) or any other period in the discretion of the Chief Financial Officer or her delegate.

15.1.8 Only the Chief Financial Officer or his delegate may agree to such extensions and these must be supported by documentary proof. Previous payment records will be taken into consideration.

15.1.9 When restriction of water supply takes place due to non-payment, or an agreement is dishonored the consumer's deposit will be adjusted.

15.1.10 New consumer deposits for business and industrial customers must be re-assessed three months after the initial deposit date.

15.1.11 All other business and industrial deposits will be reviewed annually.

15.1.12 Where the consumer has not entered into a service agreement with the Municipality, water may be restricted until such time as a service agreement has been signed and the applicable deposits paid.

15.1.13 Where services are illegally restored criminal action will be taken if possible.

15.1.14 Where municipal accounts remain outstanding or unpaid for more than 2 months, without response, the account may be handed over to debt collectors for the collection and legal action to the Attorneys and can be listed at the Information Trust Corporation. These clients will have to make further arrangements at the attorneys and/or the debt collectors for payment of the arrear amounts. The current monthly accounts must be paid to the Municipality directly.

15.1.15 Once an account has been handed over for collection, the case will not be withdrawn unless there was a mistake or oversight on the part of the Municipality.

## **15.2 Abandonment of Claims**

15.2.1 The Municipal Manager must ensure that all avenues are utilised to collect the municipality's debt. There are certain circumstances that allow for the valid termination of debt collection procedures as contemplated in section 109(2) of the Systems Act, such as:

- The insolvency of the debtor, whose estate has insufficient funds.
- A balance being too small to recover, for economic reasons considering the cost of recovery.

15.2.2 Where Council deems that a customer or groups of customers are unable to pay for services rendered. The municipality will maintain audit trails in such an instance, and document the reasons for the abandonment of the action or claim in respect of the debt.

## **15.3 Writing off Bad Debt**

Council must appoint a committee in terms of its delegations to review and recommend to Council to approve all bad debt write off cases. The writing off shall be applicable to approved indigents and any other reasonable circumstances as determined by council from time to time.

## **15.4 Provision for Bad Debts/ Impairment**

Provision for bad debts shall be calculated annually based on the judgment of collectivity on the arrear accounts. A special formula can be used to make such a calculation.

## **15.5 Prescription of Debts**

The municipal consumer debts shall be prescribed after every six month in the financial year as per council resolution according to the Prescription Act. 68 of 1969. This shall be done after reasonable steps to recover the outstanding debts have been made by council.

## **16 IMPLEMENTATION AND REVIEW OF THIS POLICY**

16.1 This policy shall be implemented once approved by Council. All future credit control and debt collection measures must be taken in accordance with this policy.

16.2 In terms of section 17(1) (e) of the MFMA this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.