

# **CREDIT CONTROL AND DEBT COLLECTION POLICY**

**REVISED 1 JULY 2011**



**STEVE TSHWETE  
LOCAL MUNICIPALITY  
MP313**

## SECTION 1

### DEFINITIONS

<i>“accounting officer”</i>	The Municipal Manager is the accounting officer of the municipality for the purpose of Act No. 56 of 2003 : Local Government: Municipal Finance Management Act, 2003. (MFMA).
<i>“Council’s attorney”</i>	means a law firm, including all legal practitioners, correspondents and affiliates of such law firms appointed by the council from time to time through a transparent bidding process, to handle all or specifically nominated legal affairs of the council on request.
<i>“councillor”</i>	means a member of the municipal council.
<i>“days”</i>	this will be calendar days unless specifically mentioned otherwise.
<i>“Executive Mayor”</i>	the councillor elected as the Executive Mayor of the municipality in terms of Section 55 of Municipal Structures Act.
<i>“head of department”</i>	a senior official in charge of a specific service of the Council.
<i>“manager”</i>	a senior manager as referred to in section 56 of the Municipal Systems Act.
<i>“month”</i>	one (1) of the twelve (12) months of the calendar year.
<i>“municipality”</i>	a municipal council referred to in section 157(1) of the Constitution of the RSA.
<i>“Municipal Finance Management Act”</i>	Municipal Finance Management Act No. 56 of 2003.
<i>“Municipal Manager”</i>	the person appointed in terms of section 82 of the Municipal Structures Act.

*“Municipal Structures Act”*

the Local Government : Municipal Structures Act No. 117 of 1998, as amended.

*“Municipal Systems Act”*

the Local Government : Municipal Systems Act No. 32 of 2000, as amended.

*“Chief Financial Officer (CFO) / Executive Manager Finance”*

means a person designated in terms of section 80(2)(a) of the MFMA.

*“senior delegated officials”*

means a senior official in the estates and credit control section designated by the Chief Financial Officer.

Any reference to the single will include the plural and vice versa.

Any reference to male gender will include female and vice versa.

## SECTION 2

### 1. PRE-AMBLE

The Municipal Finance Management Act (MFMA), Act 56 of 2003, aims to modernise budget and financial management practices in municipalities in order to maximise the capacity of a municipality to deliver services to all residents, customers and users. It also gives effect to the principle of transparency as required by sections 215 and 216 of the Constitution.

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, Act No. 32 of 2000, to develop the local economy and to provide acceptable services to its residents. It simultaneously 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 indigence relief measures for those who have registered as indigents in terms of the Council's approved indigence management policy.

### 2. VISION

The vision of this policy is:

- to ensure that all consumers pay for the services that are supplied and consumed according to the approved tariff structure of the Steve Tshwete Local Municipality.
- to ensure that all consumer account related enquiries are attended to promptly and diligently.
- to attend to all the consumers' needs regarding credit control in such manner that it should not be necessary to have property or goods attached for a sale in execution unless under the most extreme circumstances.
- to ensure that municipal credit control officials are sufficiently trained and that they will be able to attend to all credit control related functions and enquiries.
- to ensure sufficient notification of outstanding debt to consumers in default.
- to provide consumers timeously with monthly statements in order to allow a fourteen (14) calendar day payment period before due date.
- to ensure sufficient and effective interaction with defaulters and to allow for the conclusion of arrangements for the payment of arrears over agreed periods of time.

- to provide monthly, with the financial report, the payment default position to the Executive Mayor.

### 3. **STATEMENT**

The Steve Tshwete Local Municipality believes that in order to promote social and economic development and to provide services to communities in an efficient and sustainable manner, a credit control and debt collection policy should be adopted to collect all money due and payable to the municipality. It is further recognised that credit can not be granted for a long term period other than what is resolved by the Council and delegated for execution by the relevant officials.

### 4. **AIM**

This policy and the by-laws claims to set down principles for the implementation and enforcement of credit control and collection of all collectable debt.

### 5. **OBJECTIVES**

The objectives of this policy are to provide for:

- credit control procedures and mechanisms.
- debt collection procedures and mechanisms.
- relief to indigent households that is consistent with the municipality's policy on indigent support and free basic services.
- the termination or restriction of services when payments are in arrear.
- procedures relating to unauthorised consumption of services, theft and damages.
- guidelines and procedures for the rendering of accounts.
- realistic targets/benchmarks as set by the municipality which is consistent with:
  - general recognised accounting practices and collection ratios.
  - the estimate income set in the budget minus an acceptable provision for bad debts.

## SECTION 3

### 1. RESPONSIBILITY/ACCOUNTABILITY FOR CREDIT CONTROL AND DEBTORS

#### 1.1 Responsibilities of communities, ratepayers and residents

The responsibilities of communities, ratepayers and residents are:

- (a) to fulfil certain responsibilities, as brought about by the privilege and/or right to use and enjoy public facilities and municipal services;
- (b) to pay service fees, rates on property and other taxes, levies and duties imposed by the municipality;
- (c) to observe the mechanisms and processes of the municipality in exercising their rights;
- (d) to allow designated municipal officials unrestricted access to their property to execute municipal functions during normal working hours and at a time that is agreeable by the consumer and municipal officials for work to be done after hours against payment of the promulgated fees by the consumer;
- (e) to comply with the by-laws and other legislation of the municipality; and
- (f) to refrain from tampering with municipal services and property.

#### 1.2 Responsibilities of all councillors

- (a) Section 12A of Schedule 1 of the Municipal Systems Act, Act 32 of 2000 as amended, stipulate as follows:  
  
*“a councillor may not be in arrears to the municipality for rates and services charges for a period longer than three (3) months”.*
- (b) The municipality may deduct any outstanding amounts from a councillor’s allowance after this period.
- (c) The normal credit control procedures shall also be applied to any arrear account of a councillor.

### 1.3 Responsibilities of all municipal staff

- (a) Section 10 of Schedule 2 of the Municipal Systems Act, Act 32 of 2000 as amended, stipulate as follows:

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

- (b) The normal credit control procedures shall also be applied to any arrear account of a municipal staff member.

### 1.4 Responsibilities for customer care

The municipality must take steps to ensure a sound customer management system that aims to create a positive and reciprocal relationship between persons liable for these payments and the municipality itself.

### 1.5 Credit control and debt collection principles

The credit control and debt collection policy is based on the following principles:

- (a) the policy and its application caters for the specific circumstances of the community to which it relates.
- (b) credit control and debt collection procedures must be understandable, uniform, fair and consistently applied.
- (c) credit control must be effective, efficient and economical.
- (d) the measures taken must be sustainable in the long term.
- (e) an indigent policy must be in place in order to enable the municipality to differentiate between those communities members that cannot pay from those that simply do not want to pay.

### 1.6 Account administration

#### 1.6.1 *Accounts*

- (a) Accounts must be rendered and administered in accordance with the requirements of the policy.

- (b) Failure by the Council to render an account does not relieve a customer of the obligation to pay any amount that is due and payable.
- (c) The Council may, in accordance with the provisions of section 102 of the Act:
  - (i) consolidate any separate accounts of debtors liable for payments to the municipality;
  - (ii) credit any payment by such debtor against any account of that debtor; and
  - (iii) implement any of the debt collection and credit control measures provided for in these by-laws in relation to any arrears on any of the accounts of such debtor.
- (d) The amount due and payable by a customer constitutes a consolidated debt, and any payment made by a consumer of an amount less than the total amount due will be allocated in reduction of the consolidated debt in order determined by the Council.

#### 1.6.2 *Action to secure payment*

- (a) The Council or its duly appointed agents may, in addition to the normal civil legal steps to secure payment of accounts that are in arrears, take the following action to secure payment for municipal rates and municipal services, namely:
  - (i) termination and/or restriction of the provision of municipal services; and
  - (ii) allocating of a portion of a payment of an account, or a portion of a prepayment for future accounts, as payment for arrear service charges.
- (b) The Council may also take the steps contemplated in section 104(1)(f)(ii)–(iv) of the Municipal Systems Act, subject to the regulations made or guidelines issued by the Minister, if any, and provided that any intended seizure of property must be referred to the Mayoral Committee for approval, or such directives which the Council deems necessary under the circumstances.
- (c) The Council may, at the cost of the consumer, install prepaid meters upon the failure of the consumer to make regular payments to Council for services consumed.

2. **REVIEW**

This policy will be reviewed annually to ensure that it complies with changes in applicable legislation and regulations.

3. **SHORT TITLE**

This policy shall be called the Credit Control and Debt Collection Policy of the Steve Tshwete Local Municipality.

## SECTION 4

### 1. ACCOUNTS

#### 1.1 Property tax

Property tax levied may be recovered in one (1) annual payment, in which case it is payable before October in a financial year, or in twelve (12) monthly instalments commencing 1 July of a financial year as stipulated by section 26 of the Municipal Property Rates Act, and interest in terms of section 97(1)(e) of the Municipal Systems Act, Act 32 of 2000, and section 64(2)(g) of the Municipal Finance Management Act, Act 56 of 2003 will be levied according to a rate equal to the prime interest rate of the bankers of the municipality as applicable from time to time on all levied outstanding tax not paid at the due date or in regular monthly instalments.

A property tax account is opened for each property separately registered according to the information received from the Deeds Office as well as information received from the Department of Property Valuation Services of the Council.

#### 1.2 Opening a new account

##### 1.2 *Service contract*

A service contract shall henceforth be entered into with the municipality for each property to which the municipality is expected to provide any or all of the following services:

- Electricity
- Water
- Refuse Collection
- Sewerage

Such contract 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. The consumer shall note the provision of the Municipal Systems Act in regard to the municipality's right of access to property.

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 authorised agent, indicating that the consumer is the lawful occupant of the property shall be attached to the service contract.

A consumer account is opened only after a consumer agreement has been entered into and the necessary deposits paid.

The responsibility to advise Council of any address change remains with the consumer/ratepayer and the fact that an account was not received does not exempt the consumer/ratepayer from paying the account.

The responsibility remains with the consumer/ratepayer to see to it that all payments reach the municipality on or before the last date of payment (called the due date).

### 1.3 Payment of Deposits

Deposits as mentioned in Council's water services by-laws and electricity by-laws are payable for all services rendered in respect of water and electricity except in areas where such deposits were not payable at the date of introduction of this policy.

All deposits will be adjusted annually in September, equal to two (2) consecutive month's consumption preceding September on water and conventionally metered electricity as calculated by the billing system. These adjusted deposits will be verified by the Chief Accountant : Consumer Relations before implementation.

Deposits will not be adjusted downwards except when the demand to specific services has changed.

## 2. MONTHLY ACCOUNTS

Consumer and rates accounts will be posted approximately by the 25<sup>th</sup> of each month.

The due date for payment will be approximately the fifth working day of the following month as reflected on the account and will serve as a notification that services will be terminated unless payment is received on or before the due date.

All payments received will be allocated on the consolidated account in the following sequence.

- |                    |                                      |
|--------------------|--------------------------------------|
| (1) Sundry debtors | (9) Sewerage                         |
| (2) Estates        | (10) Availability fees : electricity |
| (3) Interest       | (11) Availability fees : sewerage    |
| (4) Deposits       | (12) Availability fees : water       |
| (5) Property rates | (13) Fixed levies                    |
| (6) Adjustments    | (14) Water consumption               |
| (7) VAT            | (15) Electricity : basic charge      |
| (8) Refuse removal | (16) Electricity : consumption       |

The consumer has no right to prescribe the sequence of allocation of payments made.

Should the full payment not be received on or before the due date of payment the electricity supply will be terminated on cut-off date and thereafter the water supply will be restricted unless a formal repayment arrangement including an acknowledgement of debt agreement has been signed.

The supply of electricity for bulk consumers (kVa accounts) will be disconnected due to non-payment only when the following have been complied with:

- notify the firm / headmaster / chief financial officer by telephone; and
- record the details of the contact person be recorded.
- if no response is received in two (2) working days a hand delivered notice or facsimile be forwarded to the firm / headmaster / chief financial officer; and
- if no response be received within three (3) working days, thereafter, the service promptly be terminated by giving an instruction to the Town Electrical Engineer.

### 3. **EXTENSION OF PAYMENTS**

The following criteria regarding the extension of payment will be strictly followed:

#### 3.1 *Deposits*

No extension of payment of a deposit will be granted unless approved by the Executive Manager Finance.

When a new consumer occupies a property after official work hours the electricity supply will be connected and the occupant has until 10:00 on the following work day to enter into the necessary consumer agreement with the municipality.

The consumer will be informed by the 24 Hour Control Centre that, should the consumer not pay his deposit and the normal connection fee before 10:00 on the following work day such consumer would be disconnected and be held liable for a further reconnection fee.

#### 3.2 *Prepaid electricity meters*

No prepaid electricity will be sold until the total combined account, including property tax account, related to the property to which the electricity is consumed has been settled, (irrespective in whose name the account is).

The following conditions are applicable where a prepayment meter has been installed at premises:

- The total outstanding account must be paid on or before the end of the month for which the account has been issued.
  - No prepaid electricity may be sold before the total outstanding account, including the property tax account irrespective of the name of the account holder, has been paid.
- (a) In exceptional cases, where an account has not yet been handed over for collection, an authorised official can authorise the selling of electricity when:
- the previous months account must be paid in full unless a formal acknowledgement of debt is made;
  - 50% of the current month's account has been paid; or
  - if the consumer is unable to pay 50% of the current account, an agreement can be made for the amount the client can afford to pay based on a 70/30 principle where 70% must be allocated to the combined arrear accounts and 30% towards prepaid electricity. Such an agreement is subjected to the individual assessment and approval by the senior delegated official in the estates and credit control section.
- (b) Where a situation arises that an exceptionally large debt is levied to an account due to an incorrect levy, or large water leak etc., extension of payment can be arranged according to paragraph 8 of the section.
- (c) Before an account is handed over to the attorneys for debt collection a defaulter can on discretion be allowed the ultimate opportunity to enter into a repayment arrangement subject to signing an acknowledgement of debt agreement. This system is regulated by a loan register as follows:
- the full amount outstanding is transferred to a holding account.
  - the amount transferred must be repaid at the municipality's discretion interest-free over a maximum period of twelve (12) months.
  - the arrangement must make provision for equal instalments over the agreed payment period.
  - the instalments agreed upon, will automatically be debited to the consumer account on a monthly basis.

- the instalment plus the monthly account will have to be paid in order to purchase prepaid electricity. No further extension of the amount payable can be allowed.
- when an account is handed over for debt collection, no further agreements, directly or indirectly with the consumer, may be concluded.

### 3.3 *Ratepayers/consumers and lessees of private property*

Extension of payment can be approved before the cut-off date as follows:

- A formal written repayment agreement as well as an acknowledgement of debt agreement in the prescribed format must be entered into. A copy of the account holder identification document must be attached.
- The total amount in arrears for the previous months must be paid in full unless arrangements were made.
- In the case of lessees and/or tenants 50% of the current account must be paid provided that the outstanding amount is not more than the deposit.
- In the case of owners of properties 50% of the current account must be paid or the senior delegated official in the estates and credit control section may, subject to the circumstances, approve further extensions provided that the deposit is sufficient to cover the outstanding account.
- The balance must be paid no later than the end of the specific month in which the extension of payment is granted.
- No further extensions can be granted on an extension date;
- Extension may be granted as a result of:
  - the death of a family member within the household – a death certificate must be obtained.
  - unemployment of the breadwinner – proof must be obtained that he/she is registered with the Department of Labour. The possibility to enter the municipality's indigent support programme must be offered to the consumer.
  - for any other unforeseen circumstances proof must be provided.
  - salaries being received at a different time than the payment date – proof must be obtained from the applicant's employer, provided that the deposit is sufficient to cover the outstanding consumption and/or account.

- A maximum of four (4) extensions per year is allowed.
- Should the electricity supply be terminated more than three (3) times during a twelve (12) month period, no further extensions will be allowed.
- The attention of the consumer must be drawn to all of the conditions mentioned above.

### 3.4 *Consumers and lessees of Council property*

- Payment of rental and property tax is controlled by the specific lease agreement entered into and no extensions are allowed.
- The total amount in arrears for previous months must be paid in full.
- A formal repayment agreement and an acknowledgement of debt, only in relation to consumer services, in the prescribed format, must be completed and signed.
- 50% of the current account must be paid provided that the deposit is sufficient to cover the outstanding amount.
- The balance must be paid no later than the end of the specific month in which the extension is granted.
- No further extension can be granted on an extension date.
- A maximum of four (4) extensions per year is allowed.
- Should the electricity supply be terminated more than three (3) times in a twelve (12) month period no further extension will be allowed.
- The attention of the consumer must be drawn to all of the conditions mentioned above.

## 4. **NON-PAYMENT OF ACCOUNTS**

### 4.1 **Consumer accounts in arrears**

#### 4.1.1 *Reading of meters*

All meters are to be read between the 25<sup>th</sup> of the month and the 7<sup>th</sup> of the following month.

#### 4.1.2 *Distribution of accounts*

Consumer accounts are posted to consumers approximately by the 25<sup>th</sup> of the month.

Consumers who are registered for e-service will approximately by the 25<sup>th</sup> of the month:

- receive an sms informing the outstanding balance and due date;
- download the current month's water and lights account; and/or
- receive the water and lights account by email.

#### 4.1.3 *Due date for payments*

Accounts are payable when levied and the final payment date will be reflected on the account issued, but not later than the fifth working day of the month.

#### 4.1.4 *Amounts in arrears*

All amounts not received on the final payment date will be regarded as to be in arrear.

#### 4.1.5 *Telephone warning system*

The municipality has a telephone warning system whereby consumers can be notified that their accounts are in arrears and that supply will be cut if payment is not received prior to the cut-off date. This service is subject to a fee as determined from time to time by the municipality. This service also provides for sending short messages (sms's) to registered mobile phones.

#### 4.1.6 *Amounts not paid on due date*

All accounts not paid on the due date and for which no arrangements for extension have been made will the services be terminated on the cut-off date, in the case of the conventional meters. In the case of prepaid meters will the arrear accounts be regulated by means of electricity sales.

When a consumer has erroneously pays his account and the outstanding balance is less than R100,00, the senior delegated official in the credit control and estate affair section may remove such an account from the cut-off list provided that is not of a repetitive nature to short pay the monthly account.

If the amount is not paid within thirty (30) calendar days after the termination of electricity supply, the water supply will also be restricted.

#### 4.1.7 *Final notice and legal action*

Should an active account remain outstanding for a period of fourteen (14) days a final notice will be sent to the ratepayer/consumer wherein they will be given another period of fourteen (14) days to pay the outstanding amount or make acceptable arrangements for settling the account.

#### 4.1.8 *Handing over of accounts to debt collectors*

After the fourteen (14) day period accounts with a balance of above R2 000,00 will be handed to the debt collectors for collection. They will have a period of thirty (30) days for collection of the amount due or a portion thereof.

In instances where the debt collector has successfully engaged with the debtor and proof is provided, the Chief Accountant : Estate Affairs and Credit Control may grant a further thirty (30) days for the collection of the outstanding amount, before the handing over of the account to the attorneys.

The ward councillors should be notified of all amounts handed to the debt collectors in order to do the necessary interaction, simultaneously with the action of the debt collectors.

Within the above-mentioned thirty (30) day period another opportunity is afforded to the consumer to make full payment or arrangements to be entered into.

#### 4.1.9 *Handing over of accounts to attorneys*

When the thirty (30) day period has lapsed and no or insufficient response was received, the account will be withdrawn from the debt collectors and handed over to the attorneys for collection.

All accounts where the necessary arrangements have not been complied with are also handed over to the attorneys.

The attorneys will exhaust all the legal processes until the property is attached and sold at a sale in execution.

4.1.10 The Chief Accountant : Estate Affairs and Credit Control must monitor all handed over accounts to evaluate the progress of cases. Should there be no progress after twelve (12) months the case may be withdrawn from the relevant attorney and be handed over to a new attorney for collection.

## 4.2 Rates accounts in arrears

### 4.2.1 *Property Rates*

The property rates levied per annum is owing and payable in equal monthly instalments over twelve (12) months commencing from 1 July each year or in a single payment before 1 October of that year as per section 26 of the Municipal Property Rates Act, Act 6 of 2004 and interest on such rates in terms of section 64(2)(g) of the Municipal Finance Management Act, Act 56 of 2003 as amended, will be levied on all property tax not paid on the due date or in regular monthly instalments.

### 4.2.2 *Due Date*

When a rates account is levied monthly it is payable as per the due date on the consolidated consumer account issued but not later than the fifth working day of the month.

### 4.2.3 *Amounts in arrears*

Amounts outstanding for a period of sixty (60) days will be assumed to be in arrears.

### 4.2.4 *E-service*

Registered property owners on e-service will be notified that their combined rates account is in arrears before the final notice for payment is sent.

### 4.2.5 *Final notice*

A final notice for payment will be sent for accounts outstanding for sixty (60) days and more.

#### 4.2.6 *Non-payment after fourteen (14) days : Debt collectors*

All accounts not paid after a period of fourteen (14) days from sending out of the final notice with a balance above R2 000,00 will be handed over to the debt collectors for collection, except where the amount levied for rates is minimal as the result of phasing in of rates.

They will have a period of thirty (30) days for collection of the amount due or a portion thereof.

In instances where the debt collector has successfully engaged with the property owner and proof is provided, the Chief Accountant Estate Affairs and credit control may grant a further thirty (30) days for the collection of the outstanding amount due or a portion thereof.

In the case of property owners where property rates are phased-in in terms of the MPRA and the outstanding balance is less than R2 000,00, such accounts will be handed over to the debt collectors for collection if the accounts remain unpaid for a period of twelve (12) months.

The ward councillors should be notified of all amounts handed to the debt collectors in order to do the necessary interaction simultaneously with the action of the debt collectors.

Within the above-mentioned thirty (30) day period another opportunity is afforded to the consumer to make full payment or arrangements to be entered into.

#### 4.2.7 *Recovery from tenant and agents*

If property tax remain unpaid for a period of three (3) months after the fixed day, the municipality may at any time within twelve (12) months after the fixed day demand payment of such amount or any part thereof from any tenant or occupier of the rateable property concerned or any agent of the owner of such property to the extent of any rent due and payable by the tenant at the date of such demand, and by non-payment thereof may, after one (1) month from such demand, recover such amount from such tenant or occupier or agent in the same manner as if he/she were the owner in terms of section 28 and 29 of the Municipal Property Rates Act 2004, Act No. 6 of 2004).

#### 4.2.8 *Handing over of accounts to attorneys*

All accounts not paid after thirty (30) days or where arrangements have not been made with the debt collectors should be handed to Council attorneys for collection after being withdrawn from the debt collectors.

#### 4.2.9 *Attaching and selling of properties*

- All vacant stands, business premises and unoccupied residential properties will be attached by Council attorneys after following the necessary legal steps and be sold by means of public auction as arranged by the sheriff of the court.
- All occupied residential properties must be attached as per the normal procedures by the attorneys as stated above. These properties may only be sold in execution after the Council has been able to supply the evictees of suitable alternative accommodation in terms of the Housing Act 1997, Act. No. 107 of 1997. (Refer para. 5 below.)

### 4.3 Estate accounts in arrears

#### 4.3.1 *Estate accounts*

Estate accounts are amounts owed to the municipality for properties sold and financed by the municipality prior to 1st July 2004.

Properties rented out by the municipality is also categorised under this section.

#### 4.3.2 *Due date*

The due date for instalments on these properties is as specified in the sale and purchase agreement or the lease agreement.

#### 4.3.3 *Final notice*

If an instalment is outstanding for a period of thirty (30) days a final notice will be issued to the purchaser or lessee.

#### 4.3.4 *Referring to Senior Manager Legal and Administration*

If no payment is received after fourteen (14) days of the final notice the matter will be handed over to the Senior Manager Legal and Administration for further action.

#### 4.3.5 *Second final notice*

The Senior Manager Legal and Administration must then issue a final thirty (30) day notice to the consumer advising them of the amounts in arrears.

#### 4.3.6 *Notification of cancellation of agreement*

If after thirty (30) days the amount due is still outstanding, the Senior Manager Legal and Administration must cancel the agreement with the consumer/lessee with immediate effect in accordance with the stipulations of the agreement with the purchaser/lessee.

#### 4.3.7 *Handing over to attorneys*

In the situation where the property is registered in the name of the defaulter, the matter will then be handed over to the attorneys to repossess the property.

The property will be sold in execution to recover the outstanding amount due. If there is a surplus after the sale, the balance will be refunded to the party concerned. Alternatively if the property is not sold in execution the property will be sold over the counter and the Municipality shall not be liable to pay compensation as stipulated on the deed of sale or deed of lease.

If it is a leased property the attorney will proceed with legal action at his disposal to recover the outstanding amount due.

### 4.4 Sundry debtors in arrears

#### 4.4.1 *Sundry debtors accounts*

This includes all sundry levies for services not contained under a specific trade or economic service of the municipality and is mostly regulated by a separately entered into agreement.

#### 4.4.2 *Distribution of accounts*

Sundry debtors accounts must be sent out to consumer by approximately the 7<sup>th</sup> working day of the month.

#### 4.4.3 *Due date for payments*

The accounts are payable as specified in the separate agreement entered into or as per due date of the sundry debtor account.

#### 4.4.4 *Final notices*

Where services are not specifically governed by agreements and the applicable by-laws do not stipulate collection procedures, final notices should be issued thirty (30) days from due date for payments where they will be given another fourteen (14) days to pay the outstanding amount or make acceptable arrangements for settling the account.

#### 4.4.5 *Handing over of account to debt collectors*

After the fourteen (14) day period accounts with a balance of above R2 000,00 will be handed to the debt collectors for collection. They will have a period of 30 days for collection of the amount due or a portion thereof.

In instances where the debt collector has successfully engaged with the debtor and proof is provided, the Chief Accountant : Estate Affairs and Credit Control may grant a further thirty (30) days for the collection of the outstanding amount, before the handing over of the account to the attorneys.

#### 4.4.6 *Handing of accounts over to attorneys*

When the thirty (30) day period has lapsed and no or insufficient response was received, the account will be withdrawn from the debt collectors and handed over to the attorneys for collection.

All accounts where the necessary arrangements have not been complied with are also handed over to the attorneys.

The attorneys will exhaust all the legal processes until the cost to recover exceeds the recoverable amount and it will be fruitless to continue.

#### 4.5 Inactive accounts

If an inactive account remains outstanding for fourteen (14) days, a final notice will be sent, giving the debtor seven (7) days to make arrangement or to pay in full.

If the debtor does not respond, and it can be determined that he resides within the municipal area the amount on the inactive account must be transferred to his current account. Should the debtor not respond, the account will be handed over to the municipality's debt collectors for collection within a period of thirty (30) days.

In instances where the debt collector has successfully engaged with the debtor and proof is provided, the Chief Accountant : Estate Affairs and Credit Control may grant a further thirty (30) days for the collection of the outstanding amount, before the handing over of the account to the attorneys.

The owner of the property must stand surety for the tenant. Where there is an outstanding amount or balance on the account after the tenant has moved out of the property and the tenant cannot be traced, the relevant outstanding amount will be transferred to the owners account in respect of water, refuse, sewerage and electricity.

Should the amount of such untraceable debtor be less than R2 000,00 the amount must be regarded as irrecoverable and listed to be written off by the municipality. The debtors must be listed with the ITC Credit Bureau. The normal credit collection procedures will continue if the amount is in excess of R2 000,00.

#### 5. **SUPPORT TO EVICTEES**

The eviction of defaulters only becomes necessary when the property is attached and sold at public auction as the last step of the debt collection process. Section 10B of the Housing Act, Act 107 of 1997 stipulates with regard to the involuntary sale of state-subsidised housing:

- "1) *Notwithstanding any provisions to the contrary in any other law, it shall be a condition of every housing subsidy, as defined in the (Housing) Code, granted to a natural person in terms of any national housing program for the construction or purchase of a dwelling or serviced site, that such person's successors in title or creditors in law, other than creditors in respect of credit-linked subsidies, shall not sell or otherwise alienate his or her dwelling or site unless the dwelling or site has first been offered to the relevant provincial housing department at a price not greater than the subsidy which the person received for the property.*

- 2) *Any such offer to the provincial housing department shall be made in writing and shall be accepted or rejected by the MEC within a period of sixty (60) days from receipt thereof".*

The purpose of the attachment and public sale of houses of defaulters is not to cause total havoc of human rights, but only sufficient disruption as a threat to defaulters and alternatively as an effort to have an unwilling payer replaced. It would also be necessary for the Council to support a new buyer of such property in the obtaining of a suitable eviction order and to resettle the evictee in terms of the Prevention of Illegal Eviction from and the Unlawful Occupation of Land Act, 19 of 1998.

For the purpose of resettling provision must be made in the budget for the provision of suitably serviced land with basic services.

#### 6. **ONCE-OFF INCENTIVE SCHEMES**

The municipality can from time to time decide on an incentive scheme or schemes that will have the purpose to decrease the outstanding debts to the municipality and depending on available funds. This will only be done to the advantage of the municipality and to improve the municipality's cash flow situation. This policy can not dictate such incentive schemes.

#### 7. **DISHONOURED PAYMENTS**

No extension of payments will be allowed when dishonoured payments are received.

Should cheques or debit orders be returned by the bank the electricity supply will be terminated within three (3) working days. The same will apply for rejected debit orders.

Should no payment be received within thirty (30) calendar days the water supply will also be terminated.

Should three (3) dishonoured payments be received in a financial year the debit order via the ACB debit order system will be cancelled and/or the consumer / ratepayer will not be allowed to make further payment by means of a cheque or a debit order for at least one year.

#### 8. **ADJUSTMENT ON AN ACCOUNT**

Where a situation arises that an exceptionally large debt is levied to an account due to, for example, a large water leak or an adjustment on an incorrect levy, extension of payment can be arranged as follows:

8.1 *Water leak*

The amount, over and above the normal consumption can be paid over a three (3) to six (6) months period, depending on the amount.

8.2 *Adjustment of an incorrect levy*

The amount can be repaid over a period equal to that over which the incorrect levy has taken place, but not longer than twelve (12) months.

9. **INDIGENT SUPPORT**

In cases where a consumer is unable to pay his/her account the indigent policy may be introduced for additional support and for qualifying pensioners the pensioners rebate may be introduced for additional support.

## SECTION E

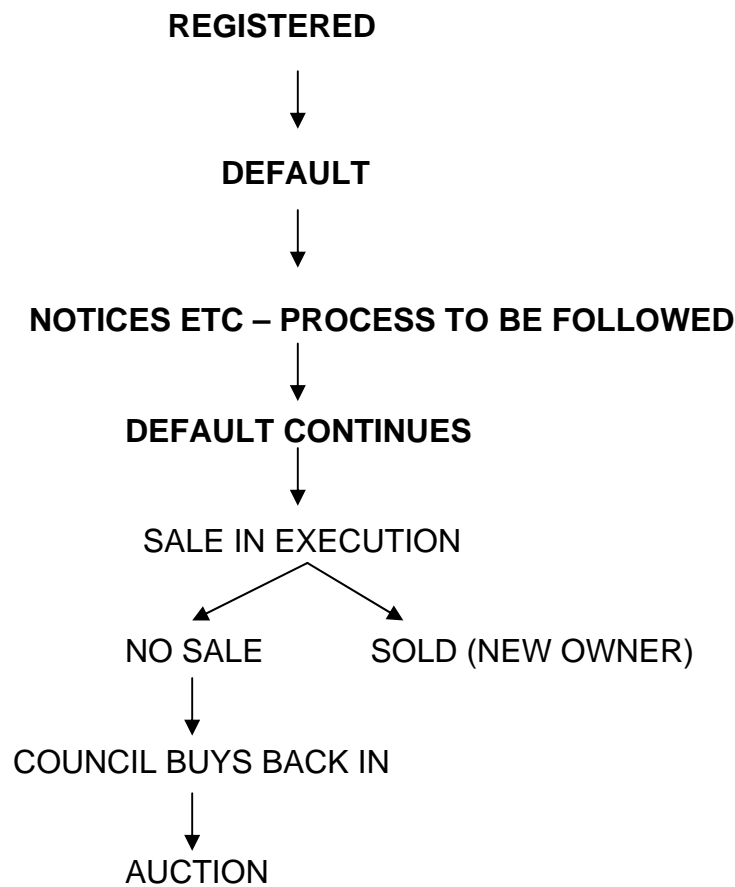
### THE PURCHASE OF ERVEN FROM COUNCIL

All payments must be made strictly according to the stipulations of the Deed of Sale.

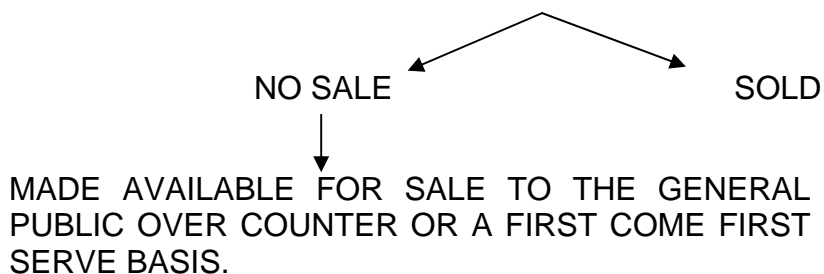
Should the payments not be made timeously the stipulations of the Deed of Sale will be strictly pursued.

No extensions will be allowed and no electricity sold if the full account is not paid up to date, this therefore includes rates, taxes, services as well as stand instalments.

### SALE OF REGISTERD ERVEN VIA AUCTION DUE TO DEFAULT



(Original defaulter may purchase before 15:00 on the day before the date on which the auction for the selling of such properties takes place.)



### **Inset price at auction**

All costs incurred and owing to the Council including but not limited to service charges, auctioneer costs and legal costs, will form the basis of the inset price.

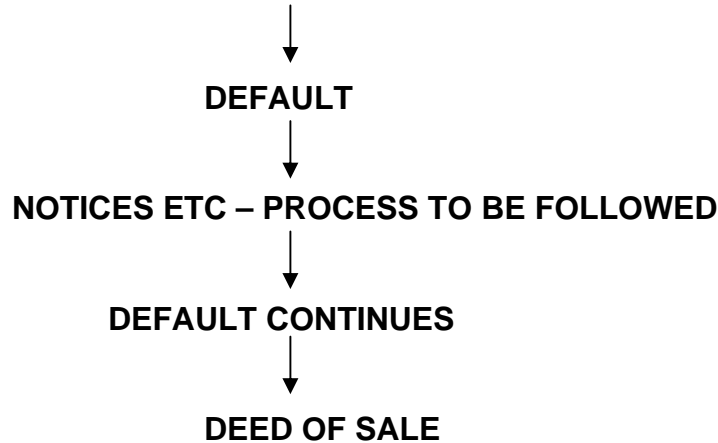
### **Price of erf for sale over the counter**

Deed of Sale to be entered into:

- the erf will be made available for sale on a cash basis at the same price as the inset price of the erf for auction purposes.
- in the event that the erf is not sold for cash within one (1) month from the date when it is made available for sale to the general public, that it then be sold in accordance with the normal conditions of sale for residential erven at a price to be redetermined by the Department Property Valuation Services.

## SALE OF UNREGISTERED ERVEN TO WHERE A DEED OF SALE EXIST

UNREGISTERED



### CANCELLED AND RECOVER AMOUNTS NAMELY:

- a) Outstanding service charges
- b) 10% pre-liquidated damages (raauwkoop)
- c) R100 administrative fee
- d) Interest on purchase price
- e) Any legal/attorney costs

#### NO IMPROVEMENTS

- Re-sale to public at new market related value determined by the Department Property Valuation Services.
- Write off outstanding amounts as irrecoverable

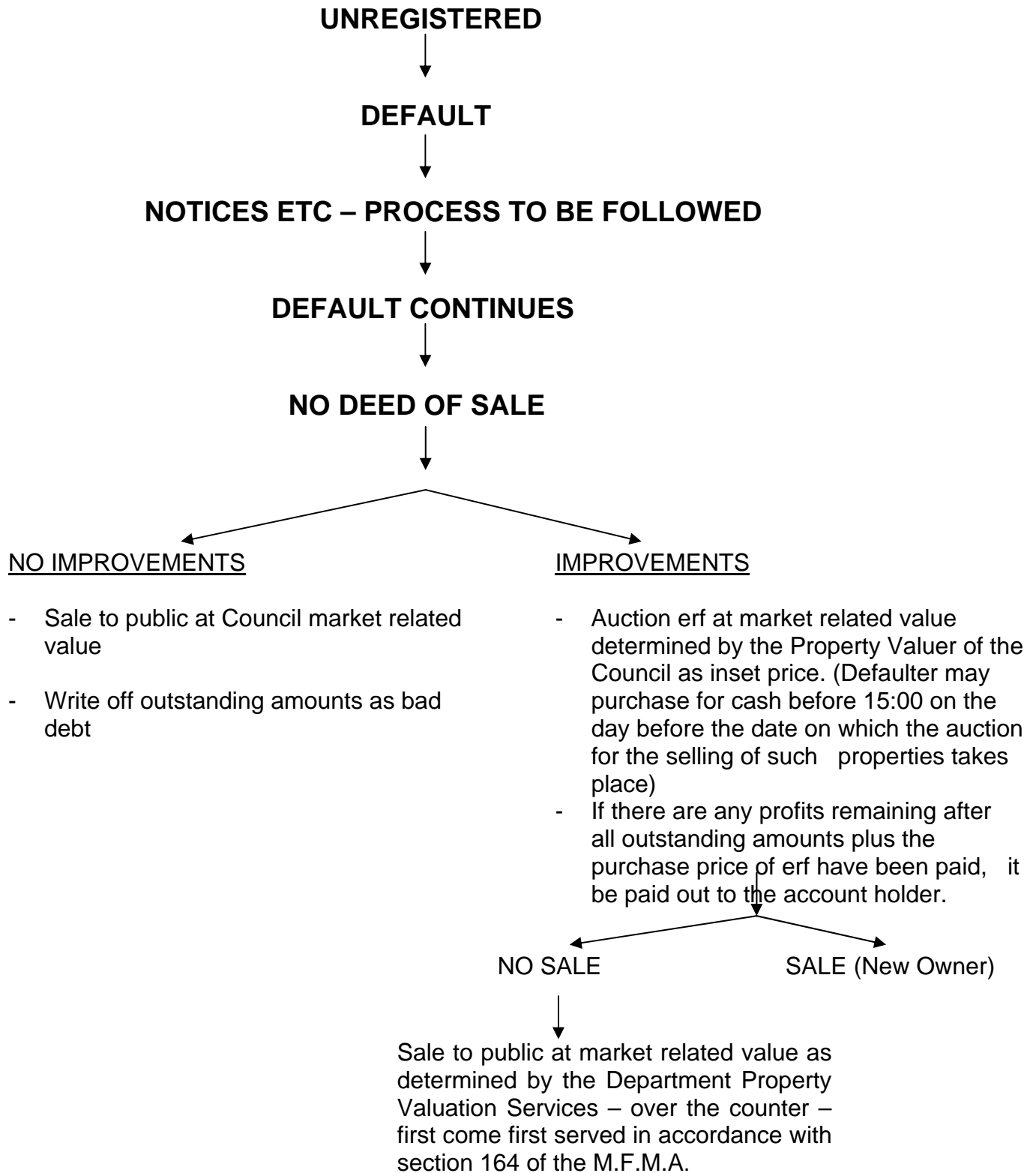
#### IMPROVEMENTS

- Auction erf at market related value of erf as inset price. (Normal auction conditions applicable)
- If any amounts remaining from profits of sale after deduction of outstanding amounts owing plus purchase price of erf, these amounts – should they be claimed by the person who made the improvements – can be paid out to him/her

NO SALE

SALE (New Owner)

Re-sale to public at market related value determined by the Department Valuation Services – over the counter – first come first served in accordance of section 164 of the MFMA and section 40(3) of the supply chain management policy of the Council.



## **SECTION 6**

### **LEGAL PRESCRIPTIONS AND REQUIREMENTS**

Chapter 9 of the Local Government Municipal Systems Act 32 of 2000 (sections 95 to 104) requires, with regard to credit control and debt collection, the following:

#### **Section 95**

A municipality must:

- establish a sound customer management system, which creates positive and reciprocal relationships.
- establish mechanisms to receive feedback on the quality of services provided.
- take steps to inform consumers of services of the costs involved, the reason for service fees and how the income is utilised.
- provide for the measurement of service consumptions through accurate and verifiable metering systems.
- ensure regular and accurate accounts that indicate the basis for calculating of amounts due.
- provide accessible mechanisms for consumers to query or verify accounts, and metered consumptions.
- provide for appeal procedures to allow the prompt redress of inaccurate accounts and to give prompt replies and corrective action.
- provide for mechanisms to measure and control the response time on queries.
- provide accessible pay points and other mechanisms to settle accounts or make prepayments for services.

#### **Section 96**

To collect all money due and payable to the Council subject to all applicable legislation and to adopt a credit control and debt collection policy which is consistent with the Council's rates and tariffs policy and the requirements of Act 32 of 2000, chapter 9.

## **Section 97**

The policy must provide for:

- credit control as well as debt collection procedures and mechanisms.
- provision for indigents consistent with the rates and tariff policy and national policy on indigents.
- realistic targets consistent with GRAP and collection ratios.
- realistic estimate on real income in the budget as well as adequate and 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.
- measures to prevent unauthorised consumption of services, theft and damages and to address any procedures and guidelines as laid down by the Minister of Local Government in terms of section 104 of the Act.

## **Section 98**

- The Council must adopt by-laws to give effect to the credit control and debt collection policy and to ensure its implementation and enforcement.
- This may differentiate between different categories of rate payers, users of services, debtors, taxes, services, service standards and other matters as long as *the differentiation does not amount to unfair discrimination*.

## **Section 99**

The Executive Mayor as supervisory authority:

- must oversee and monitor the implementation and enforcement of the policy and all by-laws enacted in line with it, the performance of the Municipal Manager in implementing the policy and by-laws; and
- regularly evaluate and review the policy and by-laws to improve efficiency of the mechanisms, processes and procedures; and

- at such intervals as determined by the Council, give report at a meeting of the full Council.

### **Section 100**

The Municipal Manager:

- must implement and enforce the policy and by-laws.
- establish in accordance with the policy and by-laws procedures to collect money that is due and payable to the Council.
- at such intervals as determined by the Council report prescribed particulars to a meeting of the Executive Mayor.

### **Section 101**

The occupier of premises in the municipality must give an authorised representative of the Council, or a service provider of the Council, access at all reasonable hours to the premises in order to read, inspect, install or repair any meters or service connection for reticulation, or to disconnect, stop or restrict the provision of any service.

### **Section 102**

The Council may:

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

With the understanding that the above cannot be applied where there is an unresolved dispute between the Council and a debtor concerning any specific amount claimed from that debtor.

### **Section 103**

The Council may:

- with the consent of a person liable for payment of rates, taxes, fees for services, or rental enter into an agreement with that person's employer to deduct from the salary or wages of that person any outstanding amounts due to the Council, or such regular monthly amounts as may be agreed; and

- provide special incentives for employers to enter into such agreements and employees to consent to such agreements.

## **Section 104**

This section deals with procedures and guidelines that the Minister of Local Government may lay down with regard to:

- particulars that must be contained in the Municipal Manager's report as per section 100.
- to identify services provided by the Council or other service providers where the usage of the service can reasonably be determined, measured or estimated,
- the determination, measuring or estimate of the use of such services.
- user agreements, deposits and bank guarantees for the provision of municipal services.
- the rendering of accounts to ratepayers and consumers and the particulars to be contained in such accounts.
- the action that may be taken by the Council and service providers to secure payment of accounts that are in arrear, including:
  - the termination of municipal services and restriction of the provision of services.
  - the seizure of property.
  - the attachment of rent payable on property.
  - the extension of liability to a director, a trustee or a member if the debtor is a company, a trust or a close corporation.
- appeals against the accuracy of accounts for municipal taxes or services.
- the manner in and time within which such appeals must be lodged and determined and the consequences of successful and unsuccessful appeals.
- extension for the payment of arrears and interest payable in respect of such arrears.
- service connections and disconnections and the resumption of discontinued services.
- the combating of unauthorised consumptions, connections and reconnections and theft of municipal services.

- the development and implementation of an indigent policy.
- the tampering with or theft of meters, service supply equipment and reticulation network and any other fraudulent activity in connection with the provision of municipal services.
- any other matter that may facilitate:
  - effective and efficient systems of credit control and debt collection by municipalities; or
  - the application of chapter 9 of the Systems Act, Act 32 of 2000.

In the issuing of guidelines or making of regulations the Minister is obliged to take account of the capacity of municipalities to comply with such matters and to differentiate between different kinds of municipalities according to their different capacities.

Section 118(1) of the Municipal Systems Act, Act 32 of 2000, prevents a Registrar of Deeds to register the transfer of any fixed property or interest in fixed property should there not be a valid clearance certificate issued by the municipality under whose jurisdiction such property is situated. A clearance certificate certifies that all amounts due in connection with that 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.

Section 118(3) of the Municipal Systems Act, Act 32 of 2000, stipulates that an amount due for municipal service fees, surcharges 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.

Section 89 of the Insolvency Act, 1936, Act 24 of 1936, rules the prescription of debt unless confirmed by acceptable acknowledgement of debt. Property rates are a form of tax and therefore not subjected to prescription.

The Municipal Finance Management Act refers to the credit control and debt collection policy as one of the "*budget-related policies*" which must be revised annually with the tabling of the budget by the Executive Mayor before end March.

Section 64(2)(a) of the Municipal Finance Management Act, is in line with Section 95 of the Municipal Systems Act which makes provision for the execution of credit control measures by the Municipal Manager as accounting officer and acknowledges by sub-section 64(2)(e)(i) the accounting principle of "*matching*" by ruling that revenue be recognised when it is earned and not when it is received.

Section 64(2)(g) of the Municipal Finance Management Act prescribes that Council should charge interest on arrears, except where the Council has granted exemptions in accordance with its budget-related policies or within a prescribed framework.

The Budget Regulatory Prescriptions by the South African National Treasury regulates that provision shall be made in the operating budget for an operating reserve or contribution to a reserve for bad debts equal to the projected default in payment for assessment rates and service levies in the year under review. The accounting policy of the Steve Tshwete Local Municipality requires a bad debt impairment reserve equal to all outstanding debt in excess of one hundred and fifty (150).

## SECTION 7

### DELEGATED AUTHORITY

The Council's present approved delegation of authority to officials of the Steve Tshwete Local Municipality makes provision for the following delegated authority with regard to credit control and debt collection.

#### Authority of the Executive Manager Finance

- No. G4 - To instruct lawyers to recover all charges due to the Council, in terms of section 102(1)(c) of the Municipal Systems Act.
- No. G6 - To annually before the end of April prepare a report of all identified cases of irrecoverable debt in excess of R2 000,00 per case be submitted to the Municipal Manager to recommend to Council for such debt to be written off against Council's bad debts reserve.
- No. G7 - To exercise the powers in terms of section 6(1)(b) of the standard electricity by-laws.
- No. G8 - To ensure that all monies received by the municipality are paid into its main bank account promptly and immediately or at the first working day following the receipt thereof be recorded in the books and an official receipt be issued.
- No. G11 - Authorise personnel in the Department of the Executive Manager Finance who are on level 6 or above to issue clearance certificates.
- No. G13 - Inform developers that no clearance certificates will be issued for an erf until the outstanding amount on that erf has been paid in full.
- No. G14 - To arrange with defaulters for a formal acknowledgement of debt and the necessary arrangements for extension of payment according to the following criteria:
  - Consumers more than six (6) months in arrears to pay off arrears in equal instalments over a maximum period of fifteen (15) months.
  - 1. Consumers more than three (3) months but less than six (6) months in arrears to pay off arrears in equal instalments over a maximum period of six (6) months.
  - 2. Consumers in arrears for less than three (3) months in arrears to pay arrears with one (1) month extension with the following understanding:

- the consumer's monthly current account must be kept up to date.
  - the consumer's service deposits be revised and should it be necessary to be increases such increased amount be paid off concurrently with the arrear payments.
  - that for consumers who have not made arrangements prior to the termination of services suppliers not be allowed to make arrangements for periods exceeding seven (7) days.
  - that no arrangements for extension be made with consumers of whom cheques or electronic transfers were dishonoured by his bank.
  - that where arrangements are dishonoured services immediately be terminated and legal steps be instituted.
  - that no further extensions on existing arrangements be allowed.
  - that pre-paid electricity sales be allowed for consumers with only the current month outstanding if an amount equal to the electricity purchase be paid off on his basic account.
3. No extension of payment shall be granted for the payment of a deposit.
  4. Should a new consumer occupy a property after office hours the electricity supply may be connected until 10:00 on the following day where after the electricity supply will be terminated if the deposit has not been paid. The consumer will then have to be informed by the 24 hour emergency service, that should he not have paid his deposit and the normal connection fee by 10:00 the following working day he would be held liable for a further reconnection fee.
  5. The total amount in arrears must be paid in full.
  6. In exceptional cases, where an account has not yet been handed over or being considered to be handed over for collection, to authorise a senior official to consider the circumstances and on merit to grant the selling of electricity, according to the credit control and debt collection policy.
  7. The balance of the account shall have to be settled no later than the end of the specific month.
  8. Should extension be granted on ground of:

- a) death of a family member within the household – a death certificate must be obtained.
  - b) unemployment of the breadwinner - proof must be obtained that he/she is registered with the department of labour.
  - c) salaries being received at a different time than the payment date – proof must be obtained from the applicant's employer.
9. A maximum of four (4) extensions per year is allowed.
10. Should electricity supply be terminated more than three (3) during a twelve (12) month periods, no further extensions must be allowed.
11. After the second time the supply of either electricity or water has been terminated because of non payment, the consumer deposit must be adjusted and is payable before the services are restored.
12. Should the outstanding account of any consumer not be paid within thirty (30) days from the termination of electricity the water supply be restricted to a flow of not more than two hundred (200) litre per day.
13. To include the above in conjunction with the communications department in an information bulletin for consumers and to be made available at all paypoints.
14. To authorise one or more senior officials to disconnect services if arrangements for the off-payment of arrear debts over a period not exceeding twelve (12) months have not been made in terms of the section 7 of the Council's credit control and debt collection policy:

#### 14.1 *Residential and businesses*

Should the full payment not be received on or before the due date payment the electricity supply will be terminated on cut-off date and thereafter the water supply will be restricted.

#### 14.2 *Bulk consumers*

- notify the firm / headmaster / chief financial officer by telephone; and
- record the details of the contact person be recorded.
- if no response is received in two (2) working days a hand delivered notice or facsimile be forwarded to the firm / headmaster / chief financial officer; and
- if no response be received within three (3) working days, thereafter, the service promptly be terminated by giving an instruction to the Town Electrical Engineer.

No. G18        -        To in co-operation with Legal and Administration purchase any erf at a price of R100,00 when no bid is received at a sale in execution when such erf is sold due to outstanding monies owed to Council.

**ANNEXURE A:**

- \*  
1. Up to date and correct account each month.
- 2. Not paid on due date:  
Cut electricity/water and refuse prepaid electricity. After 30 days restrict water supply.
- 3. Make arrangements for extensions – when not paid according to arrangement – obtain garnishee orders on salaries.

**Credit Control Process: Attorney's actions: After final notice and debt collectors process**

\*  
**60 days  
account unpaid**  
  
(60 days)  
Refer Section 26(2)  
and (3) of Municipal  
Property Rates Act,  
Act 6 of 2004

→ **21 days**  
  
Final Notice  
(14 days + response)

→ **30 days**  
  
at Debt  
Collectors

↓  
**14 days  
Simultaneous Actions**  
Give notice for evacuation of Council's rent properties  
Recover debts from payable rent by the tenants of the defaulters.  
Hand to councillors for 14 days period of interaction.

Hand over for **legal process** of 60-90 days **with attorneys**  
**Summons – Judgement – Warrant of Execution – Attach property**  
**The servicing of processes must be total transparent** and will have to be clarified with the sheriff.

**30 days**

Recommendation to Mayoral Committee for approval of sale in execution.

→ **Sale in Execution**  
(as per Magistrate Courts Act of 1944)

This process will have to be clarified with the sheriff in order to allow for:

1. Clear and transparent advertisements including the Council's notice boards.
2. Fliers issued in community.
3. Full public awareness.
4. Auction at a prominent point (preferably in community hall).
5. Opportunity for local community to obtain properties.
6. Assist with removal of defaulters from sold properties.
7. Alternative very basic accommodation for ejected defaulters