

LEPHALALE

LOCAL Municipality



DRAFT

**CREDIT CONTROL
AND
DEBT COLLECTION POLICY
2022/2023**

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PREAMBLE

WHEREAS section 152 (1) (b) of the Constitution of the Republic of South Africa Act 108 of 1996 (*the Constitution*) provides that one of the objects of local government is to ensure that the provision of services to communities occurs in a sustainable manner;

AND WHEREAS section 153 (a) of the Constitution provides that a Municipality must structure its administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community;

AND WHEREAS section 195 (1) of the Constitution provides that the public administration must be governed by the democratic values and principles enshrined in the Constitution, including –

- The promotion of the efficient, economic and effective use of resources;
- The provision of services impartially, fairly, equitably and without bias; and
- The fact that people's needs must be responded to.

AND WHEREAS section 4 (1) (c) of the Local Government: Municipal Systems Act 33 of 2000 (*the Systems Act*) provides that the Council of a Municipality has the right to finance the affairs of the Municipality by charging fees for services, imposing surcharges on fees, rates on property and, to the extent authorized by national legislation, other taxes, levies and duties;

AND WHEREAS section 5 (1) (g), read with subsection (2) (b), of the Systems Act provides that members of the local community have the right to have access to municipal services which the Municipality provides provided that, where applicable and subject to the policy for indigent debtors, pay promptly for services fees, surcharges on fees, other taxes, levies and duties imposed by the Municipality;

AND WHEREAS section 6 (2) (c), (e) and (f) of the Systems Act provides that the administration of a Municipality must take measures to prevent corruption; give members of a local community full and accurate information about the level and standard of municipal services that they are entitled to receive; and inform the local community about how the Municipality is managed, of the costs involved and the persons in charge;

AND WHEREAS Chapter 9, sections 95, 96, 97, 98, 99 and 100, of the Systems Act provides for Customer Care Management, Debt Collection responsibility of the Municipality, contents of the policy, by-laws that give effect to the policy, Supervisory authority and Implementing authority.

IT IS HEREBY ADOPTED: A Credit Control and Debt Management Policy of Lephale Municipality.

DEFINITIONS

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:

- “Act”** The Local Government Act: Systems Act 2000 (Act No 32 of 2000) as amended from time to time;
- “Arrangement”** A written agreement entered into between the Council and the debtor where specific repayment parameters are agreed to.
- “Arrears”** Means those rates and service charges that have not been paid by the due date and for which no arrangement has been made.
- “Authorized Representative”** Person or instance legally appointed by the Council to act or to fulfill a duty on its behalf;
- “CFO”** Person appointed as the Chief Financial Officer of the Municipality, or his or her nominee.
- “Council”** The municipal council, as referred to in section 157 of the Constitution of the Republic of South Africa Act 108 of 1996, of the Lephalale Municipality established by part 7 of provincial notice 80, dated 27 September 2000;
- “Credit Control”** All the functions relating to the collection of monies owed by ratepayers and the users of municipal services.
- “customer”** Any occupier of any premises to which Council has agreed to supply or is actually supplying services, or if there is no occupier, then the owner of the premises and includes any debtor of the Municipality;
- “defaulter”** Any Person who owing the Council arrear monies in respect of rates and/ or service charges;
- “engineer”** The person in charge of the civil and/or electrical component of Council;
- “equipment”** A building or other structure, pipe, pump, wire, cable, meter, engine or any accessories;
- “Implementing Authority”** Means the Municipal Manager or his or her nominee, acting in terms of section 100 or the Systems Act.
- “interest”** A charge levied with the same legal priority as service fees and calculated at a rate determined by council from time to time on all arrear monies;
- “municipal account”** An account rendered specifying charges for services provided by the Municipality, or any authorized and contracted service provider, and/or assessment rates levies;

- “Municipality”** Means the Lephale Municipality.
- “Municipal Manager”**
The person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act, 1998 (Act 117 of 1998) and include any person acting in that position or to whom authority was delegated;
- “municipal services”**
Those services provided by the Municipality, such as, inter alia the supply of water and electricity, refuse removal, sewerage treatment, and for which services charges are levied;
- “occupier”**
Any person who occupies any property or part thereof, without regard to the title under which he or she occupies the property.
- “owner”**
- (a) The person in whom from time to time is vested the legal title to premises;
 - (b) In case where the person in whom the legal title is vested is insolvent or dead, or is under any form of legal disability whatsoever, the person in whom the administration of and control of such premises is vested as curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative;
 - (c) In a case where the Council is unable to determine the identity of such person, a person who is entitled to the benefit of such premises with a building thereon;
 - (d) In the case of premises for which a lease of 30 years or more has been entered into the lessee thereof;
 - (e) In relation to
 - i. A piece of land delineated on a sectional plan registered in terms of the Sectional Titles Act 1986, (Act 95 of 1986), and without restricting the above the developer or the body corporate in respect of the common property; or
 - ii. A section as defined in such Act, the person in whose name such a section is registered under a sectional title deed and includes the lawfully appointed agent of such a person;
 - (f) Any legal person including but not limited to-
 - i. A company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust, a closed corporation registered in terms of the Closed Corporations Act, 1984 (Act 69 of 1984) and a voluntary association.
 - ii. Any department of State;
 - iii. Any Council of Board established in terms of any legislation applicable to the Republic of South Africa;
 - iv. Any Embassy or other foreign entity
- “premises**
Includes any piece of land, the external surface boundaries of which are delineated on-
- a) A general plan or diagram registered in terms of the Land Survey Act, 1927 (9 of 1927), or in terms of the Deed Registry Act, 1937 (47 of 1937); or

- b) A sectional plan registered in terms of the Sectional Titles Act, 1986 (95 of 1986), which is situated within the area of jurisdiction of the Council;

“Supervisory Authority”

Means the Mayor of the Municipality or his or her nominee, acting in terms of Section 99 of the Systems Act.

1. PRINCIPLES

- 1.1 The administrative integrity of the Municipality must be maintained at all costs. The democratically elected councilors are responsible for policy-making, while it is the responsibility of the Municipal Manager to ensure the execution of these policies.
- 1.2 All customers must complete an official application form, formally requesting the Municipality to connect them to service supply lines. Existing customers may be required to complete new application forms from time to time, as determined by the Municipal Manager.
- 1.3 A copy of the application form, conditions of services and extracts of the relevant council’s credit control and debt collection policy and by-laws must be handed to every customer on request as such fees as may be prescribed by Council.
- 1.4 Billing is to be accurate, timeous and understandable.
- 1.5 The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.
- 1.6 The customer is entitled to an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of a reasonable appeal.
- 1.7 Enforcement of payment must be prompt, consistent and effective.
- 1.8 Unauthorized consumption, connection and reconnection, the tampering with or theft of meters, service supply equipment and the reticulation network and fraudulent activity in connection with the provision of municipal services will lead to disconnections, penalties, loss of rights and criminal prosecutions.
- 1.9 Incentives and disincentives may be used in collection procedures.
- 1.10 The collection process must be cost-effective.
- 1.11 Application forms will be used to, inter alia, categorise customers according to credit risk and to determine relevant levels of services and deposits required.
- 1.12 Targets for performance in both customer service and debt collection will be set and pursued and remedies implemented for non-performance.

2. DUTIES AND FUNCTIONS

2.1 Duties and functions of Council:

- 2.1.1 To approve a budget consistent with the needs of communities, ratepayers and residents.
- 2.1.2 To impose rates and taxes and to determine service charges, fees and penalties to finance the budget.
- 2.1.3 To facilitate sufficient funds to give access to basic services for the poor.
- 2.1.4 To provide for a bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the Municipality.
- 2.1.5 To set an improvement target for debt collection, in line with acceptable accounting ratios and the ability of the Implementing Authority.
- 2.1.6 To approve a reporting framework for credit control and debt collection.
- 2.1.7 To consider and approve by-laws to give effect to the Council's policy.
- 2.1.8 To monitor the performance of the Mayor (Supervising Authority) regarding credit control and debt collection.
- 2.1.9 To revise the budget should Council's targets for credit control and debt collection not met.
- 2.1.10 To take disciplinary and/or legal action against councillors, officials and agents who do not execute council policies and by-laws, or act improperly in terms of such policies.
- 2.1.11 To delegate the required authorities to monitor and execute the credit control and debt collection policy to the Mayor and Municipal Manager and Service Provider respectively.
- 2.1.12 To provide sufficient capacity in the Municipality's Financial Department for credit control and debt collection. Alternatively to appoint a Service Provider or debt collection agent.
- 2.1.13 To assist the Municipal Manager in the execution of his duties, if and when required.
- 2.1.14 To provide funds for the training of staff.

2.2 Duties and functions of Mayor

- 2.2.1 To ensure that Council's budget, cash flow and targets for debt collection are met and executed in terms of the policy and relevant by-laws.
- 2.2.2 To monitor the performance of the Municipal Manager in implementing the policy and by-laws.
- 2.2.3 To review and evaluate the policy and by-laws in order to improve the efficiency of Council's credit control and debt collection procedures, mechanisms and processes.
- 2.2.4 To report to Council.

2.3 Duties and functions of the Municipal Manager

- 2.3.1 To implement good customer care management systems.
- 2.3.2 To implement council's credit control and debt collection policy.
- 2.3.3 To install and maintain an appropriate accounting system.
- 2.3.4 To bill customers

- 2.3.5 To demand payment on due dates.
- 2.3.6 To raise penalties for defaults.
- 2.3.7 To appropriate payments received.
- 2.3.8 To collect outstanding debt.
- 2.3.9 To provide different payment methods.
- 2.3.10 To determine credit control and debt collection measures.
- 2.3.11 To determine all relevant work procedures for, inter alia, public relations, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
- 2.3.12 To instruct attorneys to proceed with the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders etc.)
- 2.3.13 To set performance targets for staff.
- 2.3.14 To appoint staff to execute council's policy and by-laws in accordance with council's staff policy.
- 2.3.15 To delegate certain functions to heads of departments.
- 2.3.16 To determine control procedures.
- 2.3.17 To monitor contracts with service providers in connection with credit control and debt collection.
- 2.3.18 To report to the Mayor.

2.4 Duties and functions of communities, ratepayers and residents

- 2.4.1 To fulfill certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.
- 2.4.2 To pay service fees, rates on property and other taxes, levies and duties imposed by the Municipality.
- 2.4.3 To observe the mechanisms and processes of the Municipality in exercising their rights.
- 2.4.4 To allow municipal officials access to their property to execute municipal functions at a time that is agreeable by the consumer and municipal officials.
- 2.4.5 To comply with the by-laws and other legislation of the Municipality.
- 2.4.6 To refrain from tampering with municipal services and property.

2.5 Duties and functions of ward councillors

- 2.5.1 To hold regular ward meetings.
- 2.5.2 To adhere to and convey council policies to residents and ratepayers.
- 2.5.3 To adhere to the Code of Conduct for Councillors.
- 2.5.4 Ward Committees will act in terms of roles and functions as approved by Council.

3. AREA OF APPLICATION

This policy applies throughout the area of the Municipality.

4. APPLICATION FOR SERVICES

- 4.1 Consumers who require a service must enter into a written agreement with the Municipality.
- 4.2 The process must occur ten (10) days prior to taking occupation of the premises, so that the Municipality can ensure that a meter reading is taken on the appropriate day and that the services are available when occupation is taken. Failure to adhere to the timeframe may result in customers not having the services available when occupation is taken.
- 4.3 The Municipality will render the first account after the first meter reading cycle to be billed following the date of signing the service agreement.
- 4.4 Consumers who illegally consume services without this agreement will be subject to punitive action.
- 4.5 All occupiers/tenants should be on prepaid metering system.

5. CUSTOMER SERVICE AGREEMENTS

- 5.1 Customer service agreements are those agreements that will be entered into from time to time between the customer and the Municipality for the supply of municipal services.
- 5.2 The contents of the agreement includes: An undertaking by customers:
 - That they are liable for the costs of collection, including any administration fees, penalties for late payment, legal costs, interest, disconnection fees and reconnection fees;
 - That any alleged non-receipt of an account does not stop the collection process;**An undertaking by Council:**
 - That it will deliver accounts to customers.
 - That it will inform customers that they are required to request statements in the event that they do not receive an account.

6. DEPOSITS AND GUARANTEES

- 6.1. The deposits are payable when new customers sign-on and when existing customers move to a new supply address. Guarantees are only permitted for businesses and only under circumstances as determined by Council from time to time.
- 6.2 Customers must pay a deposit equal to an amount as determined by Council from time to time.
- 6.3 The Municipality may increase or decrease deposits and guarantees to suit the particular circumstances.
- 6.4 Customers who are on prepaid metering, should not be charged deposits for prepaid service.

7. ACCOUNTS AND BILLING

- 7.1 Customers will receive one consolidated bill for all services to a property, which is situated within the boundaries of the Municipality.
- 7.2 Accounts are produced in accordance with the meter reading cycles.
- 7.3 An account will be rendered each month in cycles of approximately 30 days.
- 7.4 The Municipality will undertake to have the accounts delivered to all consumers. However non-receipt of an account does not prevent interest charges and debt collection procedures. In the event of non-receipt of an account, the onus rests on the account holder to obtain a free copy of the account before the due date.

- 7.5 Accounts must be paid on or before the due date as indicated on the account. Interest on arrears will accrue after due date if the account remains unpaid irrespective of the reason for non-payment.
- 7.6 Payments for accounts must be received on or before the due date at a Municipal pay-point by the close of business. In the case of any electronic payments or payments via agents, the money must be received in the municipal bank account on or before the due date and not later than the close of business.
- 7.7 Consumers will be notified of their unpaid accounts date prior to the commencement of the debt collection process however in certain circumstances the supply of services may be disconnected without notice.
- 7.8 Non-payment of the account will result in debt collection action in terms of section 5 of this policy.
- 7.9 Properties registered under provincial or national department or any of their entity that upon completion are transferred to the Municipality for distribution to beneficiaries are exempted from paying of rates, taxes, and basic Services.

8. METERING OF CONSUMABLE SERVICES

- 8.1 The Municipality may introduce various metering equipment and customers may be encouraged to convert to a system preferred by the Municipality.
- 8.2 Meters (postpaid) will be read monthly. Should circumstances prevent meter reading the Municipality may estimate an average reading that is comparable to past consumption.
- 8.3 A customer is responsible to ensure access to metering equipment at a time that is agreeable by the consumer and the municipal officials and will accept any cost to ensure access (such as relocating the meter) if satisfactory access is not possible.
- 8.4 Voluntary readings:
 - These will be permitted provided that the Municipality obtains any final reading should the customer move to another supply address.
 - Customers may be liable for a fee to cover the costs of obtaining a reading if no advance warning is given and special arrangements are required to obtain a reading.
 - The Municipality is entitled to make suitable adjustments to the readings should the debtor fail to ensure that a final reading is obtained.
 - An audit reading during the normal reading cycles must be obtained once every six months. If a special audit reading becomes necessary this will be done at the cost of the consumer.
- 8.5 Routine or special maintenance of metering equipment will be communicated to the customer. The meter replacement advice will indicate the removal reading.

9. VALUATION OF PROPERTIES

All properties within the boundaries of the Lephalale Municipality are to be valued in terms of MPRA for the purpose of levying property rates.

10. CUSTOMER ASSISTANCE PROGRAMMES

These are programmes that the Municipality has designed to assist customers meet their obligations, such as:

- 10.1 Rates rebates;
- 10.2 Arrangements for settlement;
- 10.3 Payment of rates by instalments;
- 10.4 Indigent assistance scheme,
- 10.5 Free basic services

10.1 Rates Rebate

Rebates on rates may be granted by Council in terms of Council's rating policy.

10.2 Arrangements for settlement

- 10.2.1 Arrangements are permissible for debtors who experience difficulties in paying their accounts.
- 10.2.2 The terms applicable for the settlement of arrear debt will be as approved by Council from time to time.

10.3 Payment of rates by instalments

- 10.3.1 Owners may pay the property rates annually or in equal monthly instalments over a period of 12 months.
- 10.3.2 Interest shall accrue on all monthly paid rates accounts if they are not paid by the due date as indicated on the account.

10.4 Indigent assistance scheme

An account holder may apply to the Municipality, in the prescribed manner, to be declared indigent provided that the following conditions are applied.

- That the gross household income must not exceed the poverty threshold value as determined by Council from time to time.
- That the Municipality may inspect the property occupied by the applicant and in respect of which municipal services are rendered to assess the merits of the application.
- Any aggrieved person who was not successful in the application to be regarded as indigent may lodge an appeal to the Chief Financial Officer within a period of ten (10) days from the date on which the aforesaid decision has been communicated to him/her.

10.5 Free basic services

Council will provide free basic services to domestic debtors, on a monthly basis in quantities as determined from time to time.

11. COMMUNICATION

Councillors must from time to time, address ward committees on the contents of the policy and any amendments thereto.

12. PAYMENT FACILITIES AND METHODS

- 12.1 Municipal payment and enquiry facilities will be maintained subject to acceptable levels of activity when compared to the operational costs. The Municipal Manager or his/her designate has the discretion to open and close offices as required.
- 12.2 The consumer acknowledges that any agent used for transmitting payments to the Municipality is at the risk and cost of the consumer. In addition the consumer must take into account the transfer time of the particular agent.
- 12.3 A range of payment methods are available and may be extended as required subject to financial implications. The Municipality shall actively monitor the effectiveness of pay facilities, methods and convenience for consumers.
- 12.4 The Chief Financial Officer shall allocate payments according to pre-determined priorities.

13. ENQUIRIES AND APPEALS

- 13.1 Any resident or consumer who may feel aggrieved concerning his/her account may address a grievance/ appeal to the Municipal Manager or Chief Financial Officer or visit any Office provided by the Municipality.
- 13.2 A customer who has lodged an enquiry is not relieved of the responsibility to maintain regular payment of the account. An interim payment similar to the average account must be paid by the due date pending finalisation of the enquiry. Failure to make a payment will result in debt collection action been instituted against the customer.
- 13.3 Depending on the nature of the enquiry and the resources available, the enquiry must receive a response within 10 working days.
- 13.4 If a customer has received a response and is still not convinced that the account is not correct, the customer may approach the relevant Ward Councillor to assist with the enquiry.

14. DEBT COLLECTION

The Chief financial Officer is authorized to institute these mechanisms without exception and with the intention of proceeding until the debt is collected. The following mechanisms are to be used to collect.

- 14.1 Disconnection / restriction of metered services for all overdue rates and service charges.
- 14.2 Emolument attachment orders on debtors' salaries.
- 14.3 Withholding of rates clearance certificates under certain conditions. (Refer to section 118 of the Systems Act of 2000.)
- 14.3 Legal process, including the attachment and sale of goods or immovable property.
- 14.4 Withholding payments of grants-in-aid.
- 14.5 Withholding payment on contract.
- 14.5.1 For consumers that buy water and electricity on prepaid, the Municipality may take a certain percentage, determined by Council, of the amount sold to the consumer to settle the arrears.
- 14.5.2 Any other method authorized by Council from time to time.
- 14.5.3 The Municipality may change the electricity supply from conventional to prepaid should the debtor be disconnected electricity due to non-payment or default on the payment arrangement.

15. THEFT AND FRAUD

- 15.1 The Municipality does not condone theft and fraud of municipal services and will monitor the service networks for signs of tampering or irregularities.
- 15.2 The Council may approve specific penalties and distinguish between cases of vandalism and theft.
- 15.3 Subsequent acts of tampering may lead to refusal to supply certain services by the Municipality.

16. REPORTING AND PERFORMANCE MANAGEMENT

- 16.1 The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Mayor as supervisory authority in terms of section 99 of the Systems Act, read with section 100(c). This report shall contain particulars on:
 - 16.2 Cash collection statistics, collection rate and debtors age analysis. Where possible the statistics should be divided into, domestic, business (commerce and industry), farms, government and other such divisions.
 - 16.3 If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the Municipal Manager who will, if he agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realisable income levels.
 - 16.4 The Mayor as Supervisory Authority shall, at intervals of 3 months, report to Council as contemplated in section 99(c) of the Systems Act.

17. INCOME COLLECTION TARGET

The long-term target is a debtor turnover ratio of 30 days, that is, debtors are expected to pay for services on average in a month and a half.

18. APPLICATION OF THE POLICY

The Council reserves the right to differentiate between different categories of consumers, debtors, services or service standards when applying the Policy. The Council will on application of the credit control policy avoid discrimination as forbidden by the Constitution unless it is established that the discrimination is fair as allowed by the Constitution.

19. REFUNDS

- 19.1 The client will be refunded their credit balances in the following instances:
 - 19.1.1 where the client has credit balance emanating from over payment done in the account;
 - 19.1.2 where the client after termination of account and appropriation of deposit has credit balance left in their account.
 - 19.1.3 where the client was overcharged and their account is left with credit after it has been corrected.
 - 19.1.4 where the client was charged deposit for postpaid electricity and such client subsequently gets switched to prepaid electricity. At time of refund for deposit, the account should not have any amount outstanding.

However, no refund will be paid to the accountholder who has other accounts that have debit balance, in that instance credit balance should be transferred to other accounts.

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DEBT COLLECTION PROCEDURES

The debt collection policy determines that municipal accounts be paid on the due date as indicated on the account and that non-payment of accounts will result in debt collection action.

1. ARRANGEMENTS – DEBT COLLECTION

- 1.1 A customer who cannot pay the municipal account may enter into an arrangement agreement to pay the account over an extended period of time. Council will only entertain one arrangement.
- 1.2 The customer must:
 - 1.2.1 Sign an acknowledgement of debt.
 - 1.2.2 Acknowledge that interest will be charged at the prescribed rate.
 - 1.2.3 Acknowledge that if the arrangements being negotiated later are defaulted on, restrictions of water supply and disconnection of electricity will follow immediately, as will legal proceedings.
 - 1.2.4 Acknowledge liability of all legal costs incurred.
- 1.3 Broken arrangement
 - 1.3.1 In the event that an arrangement has been broken, all arrear arrangement instalments plus the current monthly account has to be paid before the arrangement is reinstated. If the required payments are not made, debt collection action will be instituted immediately.
 - 1.3.2 The Municipality may change the electricity supply from conventional to prepaid should the debtor default on the payment arrangement.
 - 1.3.3 The debtor(s) that defaulted on their payment arrangement for more than 3 months must be excluded from the arrangement list.

1.4 Customers have been categorized into the following income categories:

- 1.4.1 Households
- 1.4.2 Households (Indigents)
- 1.4.3 Businesses/Industries
- 1.4.4 Non domestic (includes farms).
- 1.4.5 Government Departments.

1.5 Arrangements by non indigent customers(owners)

1.5.1 The arrangement by non indigent customers must include the following:

- Payment of the current monthly account, plus
- Payment of arrears, payable as follows:
- 20% of the arrears of total outstanding debts shall be payable upon signing arrangement forms. However in case were the services have been discontinued as a result of non-payment, 50% of total outstanding debt will be required.
- Income group R3500 – R5 000 – over maximum period of 24 months, payments are made monthly by the due date.
- Income group R5 000 and more –over a maximum period of 18 months
- Customers may be required to prove levels of income but must make reasonable payment of arrears as stated above.
- Customers with arrangement must have their conventional electricity meters converted to prepayment electricity meters.
- In case of occupant arrangement for the payment of debt will be as determined for the payment of arrears on the prepayment system as stipulated under section 1.7 of this policy.

1.6 Arrangements by Business

- 50% of the arrears of total outstanding debts shall be payable upon signing arrangement forms.
- Balance of the account be paid over period of twelve (12) months, plus current monthly account, payment should be made monthly by the due date.

1.7 Debt Arrangement – Pre-payment system

17.1 The prepayment electricity system implemented by Council has a debt management facility. The Debt Management facilities are various blocking type, which can be utilized to collect outstanding debts.

17.2 The various blocking type can be described as follows:

17.2.1 Total Block

The consumer is blocked from buying electricity due to arrear debt and can be unblocked when:-

- The arrear debt is paid in full.
- Arrangements have been made to pay off the arrear debt and the arrangements have been captured on the system.

17.2.2 Percentage Blocking

- Everytime the consumer makes a purchase a percentage of the amount tendered for the purchase of electricity is allocated to arrear debt. This type of block is another method to collect arrear debt but

does not collect the monthly account. Council will apply a system where 40% of each purchase of electricity is allocated to debtors arrear balance and debtors are also blocked from buying electricity for monthly charges.

2. THEFT/FRAUD AND METER TAMPERING

2.1 The Municipality does not condone theft and fraud of Municipal services and will monitor the service network for signs of tampering or irregularities.

2.2 Meter tampering are detected as follows:

- 2.2.1 Visiting premises on house-to-house bases to detect tamperers.
- 2.2.2 Follow up after meters have been disconnected for non-payment of accounts.

2.3 Tampering of electricity meters:

- 2.3.1 The electricians visit the premises to check the meter for any irregularities.
- 2.3.2 If any irregularities are found a photo is taken of the suspected tampering.
- 2.3.3 A tamper query form is completed and passed on to the electricity distribution section.
- 2.3.4 An electrician inspects the suspected tamper and confirms the tamper if the meter was tampered with.
- 2.3.5 On confirmation the tampered meter is disconnected.
- 2.3.6 The meter will only be reconnected on the payment a fine, and the settlement of the arrear account or after suitable arrangement to settle the arrears.
- 2.3.7 The fine payable for this offence is determined annually by Council.
- 2.3.8 On regular tampering by the consumer the meter is removed and the consumer will have to negotiate with the Municipality on the penalties and the reconnection cost to be paid before the electricity is reconnected. The municipal account will also have to be settled in full.

2.4 Tampering with water meters:

- 2.4.1 When a water meter tamper is found a restriction washer is placed in the pipes, the meter is locked and bypassing pipes are removed.
- 2.4.2 The water flow will only be restored on the payment of the relevant tamper fees, and the settlement of the arrear account or after a suitable arrangement to settle the arrears.
- 2.4.3 The fine payable for this offence is determined annually by Council.
- 2.4.4 On regular tampering by the consumer the water meter connection is removed and the consumer will have to negotiate with the Municipality on the penalties and the reconnection cost to be paid before the water supply is reconnected. The municipal account will also have to be settled in full.

2.5 Charges for tampering:

The electricity and water consumption not charged due to tampering will be calculated and the consumer will have to pay the amount before the services are restored.

3. FINAL ACCOUNTS

3.1 Electricity and Water accounts:

- 3.1.1 When electricity and water consumers leave town or move from one premise to another an application for disconnection of services must be completed by the consumer, which must indicate the forwarding address of the consumer and the date of the cancellation of the service.
- 3.1.2 On the indicated date of cancellation of services a final reading will be taken of the electricity and water consumption and the consumer will be billed for the consumption until the final reading.
- 3.1.3 The consumer deposit, which is held by Council, is appropriated against the account.
- 3.1.4 After the appropriation of the deposit and a credit balance remains on the account, the credit balance will be refunded to the consumer.
- 3.1.5 The debit balance that remains on the account must be paid by the consumer.
- 3.1.6 The debit balance that remains unpaid of a consumer that left town must be handed over within 90 days for legal proceedings to be instituted to collect the amount due.
- 3.1.7 The debit balance that remains unpaid of a consumer that moved from one premises to another, must be transferred to the current account of that consumer.

3.2 Absconded Debtors:

- 3.2.1 On a regular basis Council has to deal with accounts where the person that had applied for the services and no longer residing on the premises and current occupant of that particular premises had not applied for the services but is making use of the services. In such case the services will be discontinued immediately.
- 3.2.2 On becoming aware that the person that applied for the service had absconded a final reading of services must be taken, a final account must be produced and the consumer deposit must be appropriated.
- 3.2.3 A credit balance on the account must be refunded to the consumer and the arrear balance on the account must be handed over for legal proceeding to be instituted to recover the arrear amounts.
- 3.2.4 The service to the premises must be disconnected in such a way to prevent persons moving onto the premises and consuming services without the required application for connection of services.
- 3.2.5 Council regularly finds that people moving into premises connect the services without applying for the services. On becoming aware of the situation the services must be disconnected.
- 3.2.6 In the case of a lease property, it is also the responsibility of the owner to monitor the consumption account of the lessee.

3.3 Rates Clearance Certificates:

- 3.3.1 When an owner of a property wants to sell the property a rates clearance is obtained from Council by the conveyancing attorney.
- 3.3.2 Section 118 of the Municipal Systems Act, No 32 of 2000 determines the following regarding -

Restraint on transfer of property:

“118. (1) A registrar of deeds or other registration officer of immovable property may not register the transfer of property except on production to that registration officer of a prescribed certificate -

- (a) issued by the Municipality in which that property is situated; and
 - (b) which 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.
- (2) In case of a transfer of immovable property by a trustee of an insolvent estate, the provisions of this section are subject to section 9 of the Insolvency Act, 1936 (Act No. 24 of 1936).
- (3) An amount due for municipal service fees, surcharges on fees, property 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.

3.3.3 Council must certify that all municipal charges during the two years preceding the date of the application for the clearance certificate have been fully paid.

3.3.4 The amount due for municipal charge enjoys preference over any mortgage bond registered against the property.

3.3.5 The owner is required that before a clearance certificate is issued that Municipal charges during the two years preceding the date of application for the certificate have been fully paid.

3.3.6 A judgement must be obtained for debt older than two years to instruct the conveyancing attorney to deduct the amount due to Council from the proceeds of the Sale of the property.

3.3.7 Where property is sold in sale of execution the Sheriff must be informed of the amount due to Council and the Sheriff will have to deduct the amount due from the proceeds of the sale of the property due to the preference municipal charges enjoys over the mortgage bond registered against the property.

4. LEGAL ACTION PROCEDURES

4.1 Confirmation of hand over:

The Attorney is to confirm receipt of the Handover list either by email or letter within three (3) days from date of handover, which list of hand overs will exclude all indigent debtors. The Municipality will endeavour to ensure that the handover list contains the correct name, physical address and postal address of the current registered owner(s) of the property, as well as correct details of amounts outstanding.

4.2 Procedure:

4.2.1 Attorneys are to immediately peruse the handover list and advise the Municipality of any obvious problem matters within 7 (seven) days of receipt of the handover. The Municipality will then revert to the Attorney with specific written instructions in respect of those matters within seven days. Failing such response the Attorney shall be entitled to close the file.

- 4.2.2 The Attorney is to commence by way of letter of demand sent by ordinary mail to the debtors and must include in the letter reference to the Municipality's Indigency Policy.
 - 4.2.3 If there is no response to the letter of demand the summonses must be delivered to the clerk of the court within 7 (seven) days of expiry of the demand period.
 - 4.2.4 If there is no response to the summons then an application must be made for default judgment immediately the time allowed for entering an appearance to defend has expired.
 - 4.2.4.1 If any matters are defended then these must be reported to the Municipality immediately, together with a blank affidavit in support of an application for summary judgment, which will then be returned to the Attorney, duly signed and commissioned, should the Municipality be of the view that the debtor has no defence to the matter.
 - 4.2.4.2 The Municipality must be informed of all applications for default judgment.
 - 4.2.5 Once default judgment has been granted the Attorney must -
 - 4.2.5.1 check the municipal system once again for payments or indigency, and
 - 4.2.5.2 if insufficient payments have been recorded, or if there is no record of indigency or any other impediment preventing the Attorney from proceeding, then
 - 4.2.5.3 The Attorney shall first proceed by way of writ against movable property should the capital be less than R 3 000.00 (Three Thousand Rand).
 - 4.2.5.4 In the event that the capital is R 3 000.00 or more, then the Attorney may proceed by way of writ against immovable property, or may, exercising its discretion, proceed by way of write against movable property.
 - 4.2.6 Before drafting the notice of sale in execution for the sale of immovable property an approval from council should be obtained.
 - 4.2.7 Before each step in the process is taken, the Attorney shall check the municipal accounting system, in order to check for details of the debtor/consumer's status, namely indigency, arrangements made etc.
 - 4.2.8 The Municipality undertakes to inform the Attorney in writing immediately if any files are to be closed.
 - 4.2.8.1 Files are only to be closed upon the written instruction of the Municipality or as provided in 5.2.10 hereunder.
 - 4.2.9 Should the debtor not be traceable, the Municipality shall be informed and shall then issue an instruction within seven days failing which the Attorney may assume that the file may be closed. The file should not be closed if the debtor is possessed of immovable assets, which it would be economically viable to proceed against.
 - 4.2.10 The Attorney shall inform the Municipality immediately it forms the opinion that the debt has become irrecoverable, and the reasons therefore.
 - 4.2.11 The Municipality reserved the right to close any file at any point in time by instructing the Attorney concerned in writing.
- 4.3 Fees:
- 4.3.1 The Attorneys shall only be entitled to charge in terms of the Law Society's recommended guidelines for collection fees.
 - 4.3.2 The Municipality undertakes to pay all fees and disbursements as and when incurred by the Attorney and these shall be invoiced to the Municipality Monthly.

Statements of account:

- 4.3.3 The Attorney shall submit a statement of account in the form of a VAT invoice to the Municipality at least monthly, and more frequently if called upon to do so by the Municipality.
- 4.3.4 The statement shall detail the payments received, collection commission, fees and any disbursements that may be incurred for each account since the previous statement of account. The statement must be accompanied with a cheque for the amounts due to Council and the Attorney may not set off fees against monies collected. The Municipality undertakes to effect payment of the Attorneys fees within 30 days of receipt of invoicing.

5. APPLICATION FOR RATES REBATE

- 5.1 Annually Council grants a rebate on rates to pensioners and persons receiving a Government disability pension.
- 5.2 The conditions to qualify for the rebate on rates are as follows:
 - 5.2.1 The person must be 60 years of age and older.
 - 5.2.2 Must occupy the property registered in their name.
 - 5.2.3 Income from all sources not exceeding R 4 000 per month.
 - 5.2.4 Some of the sources of income from the applicant and the spouse of the applicant include the following -
 - Income from employment
 - Income from self-employment
 - Income from pension (all types of pension)
 - Income from rental
 - Child Grant
 - Income from investment
 - 5.2.5 Persons who are under the age of 60 years and receive a Government disability pension (grant) also qualify for the pensioner's rebate.
- 5.3 Application:
 - 5.3.1 The applicant must complete an indigent form, which is available at municipal enquiry office.
 - 5.3.2 The application must be submitted before 31 May each year and must be accompanied by documents as stated in our indigent policy.

6. WATER LEAKS

6.1 Water leaks on a property and after the meter is the responsibility of the consumer on that property.

7. ANNUAL RATES, REFUSE AND SEWERAGE CHARGES

7.1 Annual rates, refuse and sewerage charges become due and payable on 1 July of every year and are extended to 30 September for debtors who have not made applications to pay rates in instalments.

7.2 If the annual rates, refuse and sewerage charges remain unpaid after 30 September a letter of final demand per registered mail shall be served on the debtor liable to pay the amounts due. The debtor will be given 14 days after receipt of the demand to pay the amount payable.

7.3 Debtors who fail to respond to the final demand will be handed over for legal action to collect the arrears.

7.4 Interest on arrears will be charged on annual charges, which remain unpaid after 30 September and will be charged until the account is settled in full.

7.5 Arrangements for the settlement of the accounts which have been handed over to the attorneys must be dealt with by the attorneys and must not be entertained by Council's staff.

8. ANNUAL RATES, REFUSE AND SEWERAGE CHARGES TO BE PAID IN TWELVE MONTHLY INSTALMENTS

8.1 Annual rates refuse and sewerage charges become due and payable on 1 July of each year and are extended to 30 September for debtors who have not made application to pay rates in instalments.

8.2 Ratepayers/customers may make use of the facility available to pay annual charged property rates, refuse and sewerage charges in twelve (12) monthly instalments.

8.3 Ratepayers/Customers to qualify for the payment of annual charges in twelve monthly instalments must do the following:

8.3.1 Complete a form – Application to pay assessment rates by instalments form is available at all municipal enquiry offices.

8.3.2 The form must be completed and handed in at Councils enquiry offices before 31 May preceding Councils financial year in which the ratepayer/customer wishes to commence with the payment annual rates and service charges in twelve monthly instalments.

8.3.3 The Ratepayer/Customer agree: -

- That the monthly instalment will be paid on or before the due date as indicated on the account.
- That interest on arrears will be charged on unpaid installments after the due date as indicated on the account.

- That the facility will be withdrawn if more than three installments, whether consecutive or not, remains unpaid.

8.3.4 The rates and service charges for the previous financial years must be paid before the facility can be implemented.

8.3.5 The facility will be applicable until withdrawn in writing by the ratepayer/customer.

8.4 If more than three instalments, whether consecutive or not, are unpaid or paid in arrears during any financial year, a notice in writing shall be served on the debtor to withdraw the right to pay annual rates and service charges by instalment and after no response from the debtor within 14 days the monthly instalment facility must be cancelled and the total annual charge becomes due and payable, after which total amount due must be handed over for legal action to be instituted to collect the arrears.

8.5 Arrangements for the settlement of the accounts which have been handed over to the attorneys must be dealt with by the attorneys and must not be entertained by Councils staff.

9. MONTHLY RATES, REFUSE AND SEWERAGE CHARGES

9.1 The rates refuse and sewerage account of Indigent Customers will be converted to monthly on approval of the Indigent application.

9.2 Monthly charges accounts are due by the due date as indicated on the account.

9.3 Interest on arrears will be charged on charges unpaid after the due date, except Indigent customer accounts.

9.4 Consumers with credit electricity meters will have their electricity supply disconnected after the due date for non-payment of the monthly charges accounts and will only be reconnected after the account has been settled in full or until acknowledgement of debt has been signed on a payment as approved by Council has been agreed to.

9.5 Consumers who fail on their arrangement to repay the debt will have their electricity supply again disconnected and will not be reconnected until all arrear arrangement instalments plus the current months account has been paid.

9.6 Consumers with prepayment electricity meters will be dealt with in terms of the debt collection facilities available on the prepayment system if their monthly charge accounts remain unpaid after the due date as indicated on the account.

9.7 If the above actions failed to collect the arrears within 90 days the accounts must be handed over for legal action to collect the arrears. Indigent consumer accounts will not be handed over for legal action.

10. MONTHLY ELECTRICITY AND WATER CHARGES

10.1 The due date for the payment of accounts for electricity and water charges for any month will be the date as stated on the accounts.

10.2 If the account due is not paid by the due date as stated on the account the electricity service to the consumer will be disconnected until the debt has been settled in full or until

acknowledgement of debt has been signed and a payment arrangement as approved by Council has been agreed to.

- 10.3 Only electricity supply to consumers with credit electricity meters will be disconnected.
- 10.4 Electricity supply to consumers can be disconnected for all municipal charges i.e. rates, refuse, sewerage, electricity, water and sundry debtors. Section 102 of the Municipal Systems Act, Act 32 of 2000 determines that the accounts of the various service charges shall be consolidated and any of the debt collection measures can be applied when a consumer defaults.
- 10.5 The disconnection of electricity service will be done in two phases i.e. first line and second line disconnections and will apply as follows:
 - 10.5.1 When a consumer defaults on the payment of the amounts due the first line disconnection will apply. First line disconnection means that the pole fuse or the circuit breaker and the bridge piece will be removed.
 - 10.5.2 Any consumer who unlawfully reconnects the electricity supply after been disconnected for an overdue account will be disconnected on second line. The second line disconnection means that the electricity service to the property will be removed.
 - 10.5.3 On first line disconnection, a disconnection and reconnection fee is payable and will be debited to the debtors account.
 - 10.5.4 On second line disconnections penalties and reconnection fees are payable and reconnection of electricity will only be done when the penalty, reconnection fee and total amount due is paid in full.

11. SUNDRY DEBTOR ACCOUNTS

- 11.1 All debt that falls in this category is payable on presentation of an invoice (e.g. damage to municipal property, such as electricity poles, traffic lights etc).
- 11.2 The relevant department that initiates this type of transaction must forward all the relevant documentation to the Office of the Chief Financial Officer.
- 11.3 All debt that has not been settled within one month from the date of invoice must be referred to the Debt Management Section for collection.
- 11.4 Depending on the circumstances of each case and the amount involved, arrangement can be made to redeem the debt in terms up to a maximum period of 6 months.
- 11.5 Debt of 90 days and over must be handed over for legal action to be instituted to collect the debt.

12. DISHONORED DEBTOR CHEQUES (R/D CHEQUES)

- 12.1 Dishonored cheque by bank must be regarded as a fraudulent act by the debtor.
- 12.2 Upon receipt of a bank dishonoured cheque the payment must be reversed on the debtor's account.
- 12.3 Services to the debtor's premises must be disconnected and only reconnected when the debtor's account has been settled in full.

- 12.4 No arrangement to pay arrears must be entertained.
- 12.5 The debtor must be informed that only cash will be accepted in future.

13. ALLOCATION OF PAYMENT RECEIVED

- 13.1 Settlement of an account clears all charges, which includes interest on arrears.
- 13.2 Part payment of an account will be allocated at the discretion of Council.
- 13.3 The priority allocation of part payments currently applicable are as follows:
 - Rates
 - Annual rates
 - Miscellaneous charges
 - Miscellaneous non vat
 - Sewerage
 - Refuse
 - Water
 - Electricity
 - Loan Debtors
 - Housing
 - Vacuum Tanks

The selected payment of certain charges is not entertained.

14. IRRECOVERABLE DEBTS

14.1 Impairment of debtors

Consumer debtors and other debtors are stated at cost less provision for doubtful debt. The Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Impairment loss is recognized as an expense in the statement of financial performance.

14.1.1 Significant debtors are defined as follows:

Households: A household debt is regarded as significant if such debt is more than R20 000 and over 90 days in arrears.

Businesses: A business debt is regarded as significant if such debt is more than R60 000 and over 90 days in arrears.

Industrial: A household debt is regarded as significant if such debt is more than R200 000 and over 90 days in arrears.

Debtors are evaluated at the end of the reporting period and impaired as follows:

| Category of debtor | Percentage of debt provided for as doubtful |
|-------------------------------|---|
| Lephalale Town and Onverwacht | 50% |
| Farms | 75% |
| Marapong and Thabo Mbeki | 100% |

14.1.2 Insignificant debtors: Provision for impairment shall be made on insignificant debtors that are older than 120days at a rate of 100%.

14.1.3 Methodology:

The Municipality will make provision for doubtful debts by first assessing significant debtors individually. The following will be taken into consideration when debtors are being assessed.

- Aging of the debt
- Payment rate of the debtor.
- Property location.
- Account status (Whether active or inactive).
- Whether the debtor is the owner or is renting the property.

Provision for doubtful debts on significant debtors that are more than 90 days overdue will be calculated as follows:

1. 50% of the outstanding balance older than 90 days for commercial debtors in Marapong, Onverwacht, Town and Thabo Mbeki.
2. 100% of the outstanding balance older than 90 days for residential debtors in Marapong and Thabo Mbeki
3. 50% of the outstanding balance older than 90 days for residential debtors in Onverwacht and Town
4. 75% of the outstanding balance older than 90 days for farmers or agricultural debtors.

14.2 Determination of impairment amount for traffic fines

That the outstanding debt on traffic fines be impaired using the average impairment percentage of the preceding 3 financial years.

14.3 Irrecoverable debts write-off

A debt can be considered for write-off if:

- It can be proven that all avenues have been exhausted to recover the debt.
- The debtor is deceased.
- The debtor is untraceable.
- The debtor is registered as an indigent consumer.
- The cost to recover the debt is more than the debt itself.
- The debt has prescribed in terms of the Prescription Act.

SIGNED AT LEPHALALE ON _____

**M M COCQUYT
MUNICIPAL MANAGER**