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## *Credit Control and Debt Collection Policy*

**2020/2021**

## INDEX

|       |  |    |
|-------|--|----|
| 1.    | <b>PREAMBLE:</b> .....                                       | 3  |
|       | Constitutional Obligation .....                              | 3  |
|       | Definitions .....  | 3  |
|       | REGISTERED ACCOUNTS - OWNERS/TENANTS.....                    | 7  |
|       | RESPONSIBILITY FOR AMOUNTS DUE .....                         | 7  |
| 2.    | <b>CUSTOMER CARE SECTION</b> .....                           | 8  |
| 2.1.  | Objectives .....   | 8  |
| 2.2.  | Communication and feedback .....                             | 8  |
| 2.3.  | Handling of Complaints .....                                 | 9  |
| 2.4.  | Accounts and billing .....                                   | 9  |
| 2.5.  | Metering .....   | 10 |
| 2.6.  | Payment facilities and methods .....                         | 10 |
| 2.7.  | Enquiries, appeals and service complaints.....               | 12 |
| 2.8.  | Customer Categories .....                                    | 12 |
| 2.9.  | Priority Customer Management.....                            | 12 |
| 2.10. | Customer assistance programmes .....                         | 13 |
| 2.11. | Arrangements for settlements.....                            | 13 |
| 2.12. | Property Rates cycle and instalments .....                   | 14 |
| 2.13. | Indigent subsidy .....                                       | 14 |
| 2.14. | Free basic services .....                                    | 14 |
| 3.    | <b>CREDIT CONTROL SECTION</b> .....                          | 16 |
| 3.1.  | Objectives .....   | 16 |
| 3.2.  | Service application and agreements .....                     | 16 |
| 3.3.  | Customer screening and securities .....                      | 17 |
| 3.4.  | Right of access to premises .....                            | 17 |
| 3.5.  | Personal contact.....  | 18 |
| 3.6.  | Interruption of service .....                                | 18 |
| 3.7.  | Assessment Rates/Consolidated Account .....                  | 19 |
| 3.8.  | Building Plans .....   | 19 |
| 3.9.  | The Pre-payment System.....                                  | 19 |
| 3.10. | Incentives for prompt payment.....                           | 20 |
| 3.11. | Interest.....  | 20 |
| 3.12. | Tampering, theft and fraud .....                             | 20 |
| 3.13. | Reconnection of Terminated Services .....                    | 21 |
| 3.14. | Staff and Councillors in Arrears .....                       | 21 |
| 3.15. | Time for Reconnections or Reinstatements.....                | 22 |
| 4.    | <b>DEBT COLLECTION SECTION</b> .....                         | 22 |
| 4.1.  | Objective .....  | 22 |
| 4.2.  | Legal Process/Use of attorneys/ credit bureaus/ agents ..... | 22 |
| 4.3.  | Cost of collection.....                                      | 23 |
| 4.4.  | Abandonment of Claims .....                                  | 23 |
| 4.5.  | Provision for Irrecoverable Debt .....                       | 24 |
|       | <b>ANNEXURE A</b> .....                                      | 25 |
|       | ARRANGEMENTS .....   | 25 |
|       | <b>ANNEXURE B</b> .....                                      | 29 |
|       | GUIDELINES FOR IMPLEMENTATION OF POLICY .....                | 29 |

1. **PREAMBLE:**

**Constitutional Obligation**

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

**Definitions**

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

**“account”** means any account rendered for municipal services and other sundry levies;

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**“act”** means the Local Government: Municipal Systems Act, 2000 (Act No.32 of 2000) and Local Government: Property Rates Act 2004 as well as the Local Government: Municipal Finance Management Act No 56 of 2003, as amended from time to time;

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**“actual consumption”** means the measured consumption of any consumer;

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**“authorized representative”** means the person or institution legally appointed by the Council to act or to fulfil a duty on its behalf;

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**“average consumption”** means the consumption of a municipal service by a consumer during a specific three month period of time during which a normal consumption was registered;

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**“agreement”** means the contractual relationship between the municipality and a consumer, whether written, deemed or implied;

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**“arrears”** means any amount due, owing and payable by a customer in respect of municipal services and or levies not paid on the due date;

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**“charges”** means the rate, charge, tariff, flat rate or subsidy determined by the municipality;

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**“connection”** means the point at which the consumer gains access to municipal service;

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**“consumer”** means the occupier of any premises to which the municipality has agreed to supply or is actually supplying municipal services, or if there is no occupier, then any person who has entered into a service agreement with the municipality for the supply of municipal services to such premises, or, if there be no such person, then the owner of the premises;

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**“Council”** means the Council of the Abaqulusi Local Municipality;

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**“defaulter”** means a person who owes money to the municipality after the due date has expired;

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**“due date”** means the date specified as such on a municipal account dispatched by the municipality to an account holder for any charges payable and which is the last day allowed for the payment of such charges;

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**“emergency situation”** means any situation that if allowed to continue poses a risk or potential risk to the financial viability or sustainability of the municipality or a specific municipal service;

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**“estimated consumption”** means the deemed consumption by a customer whose consumption is not measured during a specific period, which estimated consumption is rationally determined taking into account at least the consumption of municipal services for a specific level of service during a specific period in the area of supply of the municipality;

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**“household consumer”** means a customer that occupies a dwelling, structure or property primarily for residential purposes;

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**“household”** means a traditional family unit consisting of a maximum of eight persons (being a combination of four persons over the age of eighteen and four persons eighteen years or younger);

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**“illegal connection”** means a connection to any system through which municipal services are provided that is not authorized or approved by the municipality;

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**“indigent customer”** means a household customer qualifying and registered with the municipality as an indigent in accordance with the Indigent Management Policy;

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**“municipality”** means the Abaqulusi Municipality or its successors –in-title;

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**“municipal council”** means the municipal council as referred to in section 57 of the Constitution, 1996 (Act 108 of 1996);

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**“municipal manager”** means the person appointed by the municipal council as the municipal manager of the municipality in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act No.117 of 1998) and includes any person –

- (a) acting in such position; and
  - (b) to whom the municipal manager has delegated a power, function or duty in respect of such a delegated power, function or duty;
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**“municipal services”** means for purposes of the policy, services provided by the municipality, including refuse removal, water supply, sanitation, and electricity or any other service provided by the Municipality;

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**“occupier”** includes any person in actual occupation of the land or premises without regard to the title under which he occupies, and, in the case of premises sub-divided and let to lodgers or various tenants, shall include the person receiving the rent payable by the lodgers or tenants whether for his own account or as an agent for any person entitled thereto or interested therein;

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**“owner”** means –

- (a) a person in whom the legal title to a premise is vested;
- (b) in a case where the person in whom the legal title to premises is vested is insolvent or deceased, or is under any form of legal disability whatsoever, the person in whom the administration and control of such premises is vested as a curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative;
- (c) in any case where the municipality or its authorized agent is unable to determine the identity of such person, a person who is entitled to the benefit of the use of such premises or a building or buildings thereon;
- (d) in the case of premises for which a lease agreement of 30 years or longer 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 No.95 of 1986), the developer or the body corporate in respect of the common property; or
  - (ii) a section as defined in the Sectional Titles Act, 1986 (Act No.95 of 1986), the person in whose name such section is registered under a sectional title deed and includes the lawfully appointed agent of such a person; or
- (f) a person occupying land under a register held by a tribal authority;

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**“person”** means any natural person, local government body or like authority, a company or close corporation incorporated under any law, a body of persons whether incorporated or not, a statutory body, public utility body, voluntary association or trust;

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**“public notice”** means publication in an appropriate medium that may include one or more of the following:

- (a) publication of a notice, in the official languages determined by the municipal council. -
  - (i) in the local newspaper or newspapers in the area of the municipality; or
  - (ii) in the newspaper or newspapers circulating in the area of the municipality determined by the municipal council as a newspaper of record; or
  - (iii) by means of radio broadcasts covering the area of the municipality; or
  - (iv) displaying a notice at appropriate offices and pay-points of the municipality
- (b) communication with customers through public meetings and ward committee meetings;

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**“reconnection fee”** means the fee charged for reconnection of electricity / water supply when the supply has been disconnected due to non-payment, for which the fee will be determined:

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**“subsidized services”** means a municipal service which is provided to a customer at an applicable rate which is less than the cost of actually providing the service including services provided to customers at no cost;

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**“tampering”** means any unauthorised interference with the municipality’s supply, seals and metering equipment and “tamper” has a corresponding meaning;

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**“tampering fee or fine”** means a fee charged for reconnection, adjustment or by passing of a consumption meter or the siphoning of a supply of electricity or water supply to an unmetered destination, for which a fee will be determined periodically;

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**“variable flow –restrictor device”** means a device that is coupled to the water connection that allows the water supply to be restricted or closed;

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**“unauthorized services”** means receipt, use or consumption of any municipal service which is not in terms of an agreement, or authorized or approved by the municipality.

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## **REGISTERED ACCOUNTS - OWNERS/TENANTS**

**Residential and Business property** - The Municipality will endeavor to register owners only for services on their properties.

Phasing approach: Currently registered tenant accounts (excluding tenants of Municipal and Government owned property) will continue until the tenant vacates, defaults on payments, the account is closed or the Municipality cancels the contract of the tenant in default in terms of “RESPONSIBILITY FOR AMOUNTS DUE” as mentioned below.

**Government property** - The Municipality will continue to register tenants for services. The respective Government Departments shall be held liable for the debts on their own property.

**Sundry accounts** - The customer must provide the Municipality with a municipal account number or rate account number. If the customer does not have an existing municipal account then a new account must be created.

A person applying for a Municipal Service must enter into a service agreement with the Municipality in order for such Municipal Service to be provided.

## **RESPONSIBILITY FOR AMOUNTS DUE**

In terms of Section 118 (3) of the Systems Act, an amount due for municipal service fees, surcharge on fees, property rates and other municipal taxes, levies and duties are a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property. Accordingly —

- a. the owner of such property shall be liable for charges incurred in connection with such property and all municipal debts must be paid by the owner of such property without prejudice to any claim or right of recovery which the Municipality may have against another person;
- b. the Municipality reserves the right to cancel a contract with the customer in default and register the owner of such property for services on the property; and
- c. Subject to the right to a basic water supply as contemplated in the Water Services Act, 1997 (Act No. 108 of 1997), as amended, the Municipality will not provide any services on the property until all municipal debts on the property have been paid in full or suitable arrangements have been made to pay such debts. The Municipality reserves the right to determine the manner in which access to a basic water supply will be provided.

## **2. CUSTOMER CARE SECTION**

### **2.1. Objectives**

The objectives of the customer care section are to: -

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

### **2.2. Communication and feedback**

The municipality will, within its financial and administrative capacity, conduct an annual process of compiling and communicating its budget



The Customer Care, Credit Control and Debt Collection Policy or relevant extracts thereof, will be available at the municipal office, the official website and on special request.

Ward councillors will be required to hold regular ward meetings at which customer care and related issues will be given prominence.

The press will be encouraged to give prominence to customer care and related issues and will be invited to Council or Committee meetings where these matters are discussed.

### **2.3. Handling of Complaints**

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

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

### **2.4. Accounts and billing**

- 2.4.1. Customers will receive an understandable and accurate bill from the municipality, which will consolidate all service charges for that property.
- 2.4.2. Accounts will be rendered monthly in meter reading cycles of approximately 30 days at the address last recorded with the municipality or its authorised agent.
- 2.4.3. It is the customer's responsibility to ensure that postal address and other contact details are correct.
- 2.4.4. It is the customer's responsibility to ensure timeous payment and in the event of accounts not received, to request a duplicate as non-receipt of an account will not serve as an excuse for non-payment.
- 2.4.5. Settlement or due dates will be as indicated on the statement.
- 2.4.6. Where an account is not settled in full, any lesser amount tendered and accepted shall not be deemed to be in full and final settlement of such an account.

- 2.4.7. Where any payment is made by a negotiable instrument and is later dishonoured by a bank, the municipality or its authorised agent: -
- may recover the bank charges related to the transaction against the account of the customer; and
  - shall regard such an event as a default on a payment.
- 2.4.8. The municipality or its authorised agent must, if administratively possible, issue a duplicate account to a customer on request, at a cost as determined by Council.

## **2.5. Metering**

- 2.5.1. Within practical and financial limits, the municipality will endeavour to provide meters for every consumable service.
- 2.5.2. All meters will be read monthly as close as possible to a 30-day cycle. In cases where access to a premises or circumstances beyond control do not allow for a monthly reading, an estimate based on the average consumption of the preceding 3 months will be used to levy a monthly consumption.
- 2.5.3. Customers are entitled to request verification of meter readings and accuracy within reason but may be held liable for the cost thereof.
- 2.5.4. Customers will be informed of meter replacements.
- 2.5.5. If a service is metered but it cannot be read due to constraints or circumstances out of the control of the municipality or its authorised agent, and the customer is charged for an estimated consumption, the account following the estimated account, must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustments.

## **2.6. Payment facilities and methods**

- 2.6.1. The municipality will operate and maintain suitable and accessible payment facilities.
- 2.6.2. The municipality will, at its discretion allocate payments between service debts and debtors may not specify that payments are for specific portions of the account.
- 2.6.3. With the consent of a customer the municipality may in terms of section 103 of the Systems Act, approach an employer to secure a debit- or stop order arrangement.

- 2.6.4. The municipality may provide for special incentives as contemplated in section 103 of the Systems Act.
- 2.6.5. The customer will acknowledge, in the customer agreement, if he/she uses agents to transmit payments to the municipality for which the customer will still be responsible for late and non-payments.

## **2.7. Enquiries, appeals and service complaints**

- 2.7.1. If a customer is convinced that his or her account is inaccurate, he or she can lodge a query with the municipality to investigate and adjust the account if found valid.
- 2.7.2. In the interim the debtor must pay an amount equal to the average of the preceding three month's consumption where such history of the account is available. Where no such history is available, the debtor must pay an estimated amount as calculated by the municipality until the matter is resolved.
- 2.7.3. The relevant department will investigate the query lodged in terms of paragraph 2.7.1 and inform the debtor within the period specified in the policy targets.
- 2.7.4. Failure to make interim payments will subject the customer to the normal credit control and debt collection procedures.
- 2.7.5. A customer may appeal to the Municipal Manager against the finding of the municipality or its authorised agent in terms of paragraph 2.7.3.
- 2.7.6. An appeal in terms of paragraph 2.7.5 must be made and lodged with the municipality within 21 (twenty-one) days after the notification of such finding has been received and must: -
- set out the reasons for the appeal; and
  - be accompanied by any security determined for the testing of a measuring device, if applicable.

## **2.8. Customer Categories**

- 2.8.1. Customers will be categorised according to specific classifications based on *inter alia* the type of entity and applicable tariffs and risk levels.
- 2.8.2. Processes for credit control, debt collection and customer care may differ from category to category, as deemed appropriate from time to time by the Municipal Manager.

## **2.9. Priority Customer Management**

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

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

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

## **2.10. Customer assistance programmes**

### **2.10.1. Water leakages**

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

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

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

### **2.10.2 Rate rebates**

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

## **2.11. Arrangements for settlements**

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

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

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

- monthly over an agreed period; and

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

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

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

## **2.12. Property Rates cycle and instalments**

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

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

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

## **2.13. Indigent subsidy**

2.13.1. Customers may apply for an indigent subsidy on the conditions as stipulated in the municipality's Indigent Policy.

## **2.14. Free basic services**

2.14.1. Council may provide, free of charge to a customer, certain basic levels of services, as determined from time to time.

## **2.15. DISHONoured CHEQUES**

2.15.1. A cheque referred to as R/D means the bank dishonored the cheque because of numerous reasons. The municipality shall debit the consumer's account with the amount equal to the cheque as it will entail that no payment was made and add

Adopted June 2020

such other amounts to the account such as costs and expenses incurred by the municipality during the transactions with the bank.

### **3. CREDIT CONTROL SECTION**

#### **3.1. Objectives**

The objectives of the credit control section are to:

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

#### **3.2. Service application and agreements**

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



### **3.3. Customer screening and securities**

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

### **3.4. Right of access to premises**

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

- 3.4.3.1. by written notice and with indicting the cost, relocate the said service within a specified period; and
- 3.4.3.2. recover such cost from the owner of the property.

### **3.5. Personal contact**

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

### **3.6. Interruption of service**

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

### **3.7. Assessment Rates/Consolidated Account**

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

### **3.8. Building Plans**

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

### **3.9. The Pre-payment System**

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

### **3.10. Incentives for prompt payment**

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

### **3.11. Interest**

- 3.11.1. Interest will be raised as a charge on all accounts not paid by the due date in accordance with applicable legislation.

### **3.12. Tampering, theft and fraud**

- 3.12.1. Any natural or juristic person found to: -
  - 3.12.1.1. be illegally connected to municipal services;
  - 3.12.1.2. has tampered with meters, the reticulation network or any other supply equipment;
  - 3.12.1.3. has committed any unauthorised act associated with the supply of municipal services, and;
  - 3.12.1.4. be involved in theft of and fraudulent activity;

will be prosecuted and/or held liable for penalties as determined from time to time as indicated in Annexure A to this Policy. A notice will be served on such consumer and Council will immediately terminate the supply of services should such conduct as outlined in paragraph 3.12.1 be detected.
- 3.12.2. The total bill owing, including penalties, assessment of unauthorised consumption and discontinuation and reconnection fees, and increased deposits as determined by Council if applicable, will be due and payable before any reconnection can be sanctioned.
- 3.12.3. The municipality will maintain monitoring systems in order to identify customers who are undertaking illegal actions.
- 3.12.4. Any person failing to provide information or providing false information to the municipality may face immediate disconnection and/or legal action.

- 3.12.5. In case of continued tampering and or illegal connection, the installation will be removed and the consumer will have to apply for a new installation/connection after all penalties, interest and new connection fees were paid.
- 3.12.6. All new residential installations emanating from meter tampering shall consist of a pre-paid meter.
- 3.12.7. The Municipality may consider payment of tamper fines on terms and signing of an official arrangement agreement. This will only apply to the following:
  - 3.12.7.1. The consumer must satisfy the municipality that he/she cannot afford to pay the tamper fine in full and that he/she meets all the requirements of the Council's Indigent Management Policy.
  - 3.12.7.2. The monthly instalment for monies outstanding will not be negotiable unless the tamper fee has been paid in full. Then only can there be a negotiation to negotiate the monthly payment of outstanding accounts

### **3.13. Reconnection of Terminated Services**

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

- 3.13.1. the arrear account has been paid in full, including the interest raised on such account; or an arrangement has been made with the municipality for the payment of the arrear account, including the interest raised on such account;
- 3.13.2. the charge(s) for the notice sent in terms of item 3.6.5 and for the reconnection of the terminated service(s), as determined by the council from time to time, have been paid in full;
- 3.13.3. arrears have been paid as per arrangement agreed upon as contemplated in item 2.11 above.

### **3.14. Staff and Councillors in Arrears**

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

“A staff member of the Municipality may not be in arrears to the municipality for rates and service charges for a period longer than 3 months and a municipality

may deduct any outstanding amounts from a staff members' salary after this period”

The Chief Financial Officer shall issue a salary deduction instruction where appropriate and in compliance with the Basic Conditions of Employment Act.

- 3.14.2. Schedule 1 of the Municipal Systems Act, 2000 (Act No 32 of 2000) was amended per the Local Government Laws Amendment Act, 2002 (Act No. 51 of 2002) to provide as follows in paragraph 12A:

“A councillor may not be in arrears to the municipality for rates and service charges for a period longer than 3 months.”

The Municipal Manager shall issue a salary deduction instruction where appropriate or take other action as provided for in the Act.

### **3.15. Time for Reconnections or Reinstatements**

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

## **4. DEBT COLLECTION SECTION**

### **4.1. Objective**

The objective of the debt collection section is to: -

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

### **4.2. Legal Process/Use of attorneys/ credit bureaus/ agents**

- 4.2.1. The municipality may, when all other credit control actions have been exhausted, commence legal processes against debtors which processes could involve

summonses, judgements and sales in execution. In the case of registered indigents, the Municipality will conduct a social assessment before any legal actions are taken.

- 4.2.2. The municipality will exercise strict control over this process and will require regular reports on progress from service providers.
- 4.2.3. The municipality will establish procedures and codes of conduct with these outside parties.
- 4.2.4. Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of the municipality's system of debt collection.
- 4.2.5. All steps in credit control and debt collection procedures will be recorded for the municipality's records and for the information of the debtor.
- 4.2.6. Individual debtor account information is protected and not the subject of public information.
- 4.2.7. The municipality may release debtor information to credit bureaus and reserves the right to register consumers with a Credit Bureau in case of continued outstanding debt and defaults on payment.
- 4.2.8. The municipality may consider the cost effectiveness of the legal process, and will receive reports on relevant matters, including cost effectiveness.
- 4.2.9. The municipality may consider the use of agents as service providers and innovative debt collection methods and products.
- 4.2.10. Customers will be informed of the powers and duties of such agents or service providers and their responsibilities including their responsibility to observe agreed codes of conduct.

#### **4.3. Cost of collection**

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

#### **4.4. Abandonment of Claims**

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

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

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

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

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

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

#### **4.5. Provision for Irrecoverable Debt**

Provision for irrecoverable debt should be made for amounts outstanding over 90 days. Such contributions should be calculated on the total outstanding amount older than 90 days in the following manner:

- 0 to 90 days                      0%
- 91 to 150 days                    50%
- Over 150 days                    100%

Rates debtors should not be provided for as the property can be attached in the collection of the outstanding amount.

Council should periodically review the risk provision in relation to the different consumer categories e.g. Business, Residential, Government, etc.



**ANNEXURE A****ARRANGEMENTS**

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

The customer must:

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

**CATEGORIES OF DEBTORS****DOMESTIC CUSTOMERS**

| <b>DEBT</b>            | <b>PAYMENT OF ARREARS</b>  |
|------------------------|--|
| R1,00 to R3 000,00     | <b>20%</b> of outstanding debt plus the cost of the credit control actions as down payment. The balance over maximum 8 months subject thereto that the instalment on the amount of debt not older than 60 days, will not be less than 50% of the average account on the applicable property.   |
| R3 000,00 to R6 000,00 | <b>20%</b> of the first R3 000.00 outstanding<br><b>10%</b> on R3 001.00 – R6 000.00 outstanding plus the cost of the credit control actions as down payment. The balance of the outstanding amount over maximum 16 months subject thereto that the instalment on the amount of debt not older than 60 days, will not be less than 50% of the average account on the applicable property.                        |
| R6 000,00 and more     | <b>20%</b> of the first R3 000.00 outstanding<br><b>10%</b> on R3 0010.00 – R6 000.00 outstanding<br><b>2.5%</b> above R6 000.00 outstanding plus the cost of the credit control actions as down payment. The balance of the outstanding amount over maximum 24 months subject thereto that the instalment on the amount of debt not older than 60 days, will not be less than 50% of the average account on the |

|  |                      |
|--|----------------------|
|  | applicable property. |
|--|----------------------|

In all cases the consumer deposit to be increased to 3 times the average monthly consumption or a minimum as determined annually and published in the tariff list.

**BUSINESS**

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

**SCHOOLS / HOSPITALS ETC.**

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

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

**OLD AGE & DISABILITY PENSIONERS**

| <b>DEBT</b>        | <b>PAYMENT OF ARREARS</b>   |
|--------------------|---|
| R1,00 to R3 000,00 | <b>5%</b> of outstanding debt plus the cost of the credit control actions |

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

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

### **ACCOUNT HOLDERS UNDER ADMINISTRATION**

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

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

### **INDIGENT**

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

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

### **PENALTIES**

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

### **CRIMINAL MATTERS AMENDMENT ACT**

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

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

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

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

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

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

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

Offence relating to essential infrastructure

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

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

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

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

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

**GUIDELINES FOR IMPLEMENTATION OF POLICY**

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

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

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

**2. RECONNECTION OF TERMINATED SERVICES:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Some of the underlying conditions are as follows:

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

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

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

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

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

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

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

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

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

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

If there is no response after the due date as per letter of demand, the analysis of how the account accumulated shall be prepared in a spreadsheet format and other document giving rise to the account

such as the copy of agreement form, copy of identity document or business documents in case of business.

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

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

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

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

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

The conditions:

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

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

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

**10. SERVICE CONTRACT:**

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

Currently the Abaqulusi Municipality renders the following services:

- Electricity
- Water



- Refuse collection
- Sewerage

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

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

**11. QUERIES BY CONSUMERS:**

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

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

Dishonored Cheques do not form part of this query.