

KGALAGADI DISTRICT MUNICIPALITY

POLICY: CREDIT CONTROL

1. RESPONSIBLE AUTHORITY

1.1 The Council is responsible and should review the performance of the Municipality to endeavour to improve the efficiency of the credit control and debt collection services.

1.2 The delegated officials to assist the Council accomplish its responsibilities are the Municipal Manager, Financial Manager and officials appointed in the Dept Collection Section.

1.3 Municipal Manager

It is the responsibility of the Municipal Manager to report bi-monthly to the full Council on the status of debtors and action taken against them. Further more, the Municipal Manager must ensure that obligations under its by-laws and decisions by the Council are enforced by the Municipal Administration.

1.4 Ward Committees

The communication channel between Council and the public and Ward Committees should on a very regular basis be informed where the level of indebtedness exceeds the levels prescribed by the Council and who then also should make recommendations for improvement to Council.

No Councillor is allowed to influence either the Municipal Manager or a municipal official not to enforce an obligation in terms of this policy and by-laws and if found guilty, may lose his/her Council position.

1.5 Obligation to measure

The Council must ensure that every Municipal service provided to a consumer could either be metered or estimated or allocated at regular intervals and establish a charge or tariff for the service.

1.6 Agreement

Before supplying of a service, a consumer must enter into a contract of agreement, which should provide for the deposit to be paid as security. The deposit should be established when reviewing tariff structures for compiling the budget on a year to year basis.

1.7 Control over deposits of security

Deposits received must be reviewed annually and a register should be maintained. The total sum of deposits received shall constitute a short-term liability in the books of the Municipality. No interest shall accrue in favour of the depositors thereof. Upon termination of the debtor's agreement with the Municipality, the deposit shall/will first be offset against any outstanding balance (if any) to be refunded to the consumer.

1.8 Rendering of accounts

Although Municipalities must render an account for the amount due by a debtor, failure thereof shall not relieve a debtor of the obligation to pay the amount. Accounts must reveal the following:

- a) Details of the consumption for a certain period of each service either by measuring, estimating or allocation.

- b) The amount due in terms of consumption.
- c) The amount due for each remaining service.
- d) Other amounts due.
- e) The amount due for property tax where applicable.

1.9 Final date of payment

1.9.1 Consumer Services Accounts

The invoice/account must state the final date of payment, which must not be later than the 20th of the following month after date of the invoice.

1.9.2 Assessment Rates Accounts

The invoice/account must state the final date of payment which must not be later than 30 September each year for property owners paying assessment rates levied as an annual single amount and for property owners paying assessment rates levied in 12 equal monthly instalments not later than the 20th of the following month after date of the invoice.

2. CREDIT CONTROL

2.1 Purpose

The purpose is to ensure that credit control forms an integral part of the financial system of the Municipality, and ensure that the same procedure be followed for each individual case.

2.2 Arrears

An amount due after the final due date for payment, shall be an amount in arrears, the account following the month when the arrears occurred, should reflect the amount in arrears.

2.3 Action after failure to pay

2.3.1 If a debtor fails by the demand date -

2.3.1. To pay the arrears amount

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2.3.1. To lodge an appeal (query the amount of the account)

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2.3.1. To conclude an agreement with the Municipality for payment of the arrears in instalments.

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2.3.2 The Municipality may without further notice -

2.3.2. Immediately disconnect, discontinue or restrict the supply of any service to the debtor

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2.3.2. Institute legal action for the recovery of the arrears amount within a period not exceeding thirty days from the demand date.

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2.4 Right of access

Municipal officials have the right of access to any property occupied by a debtor for the purposes of reading or inspecting meters or connections or to disconnect, discontinue or restrict supply of any service.

2.5 Right of appeal

An appeal must be submitted in writing to the Municipal Manager prior to the final due date for payment of the contested amount, and must contain details of the specific item(s) on the account which are the subject of appeal, with full reasons.

2.6 Payment during appeal

Once an appeal is lodged, the debtor's obligation to pay that portion of the total amount due represented by the items appealed against is suspended until the appeal has been finalised. The debtor must however immediately pay the balance of the account together with an amount representing the average cost of the item appealed against over the preceding three months, or an amount determined by the Financial Manager. In the meantime, the debtor will remain due and liable for all other amount falling due during the adjudication of the appeal.

2.7 Adjudication of appeal

2.7.1 If the appeal is in respect of a metered consumption, the metered instrument must be tested, within 14 days of lodgement of appeal to establish the accuracy thereof.

2.7.2 The debtor should be informed in writing of the results of the test of the instrument, and of any adjustment to the amount due by him, together with the costs of the test for which the debtor will be liable if no error could be found with the instrument. If a faulty meter or instrument is revealed, the Municipality will bear the costs thereof.

3. EXTENTION FOR PAYMENT

3.1 Policy

3.1.1 Assessment Rates

If a property owner reacts on a written reminder on outstanding assessment rates, the Financial Manager may/can arrange that the property owner pay the outstanding amount in equal monthly instalments on or before 30 June of the year wherein the new assessment rates became taxable and payable.

3.1.2 Consumer services and other debtors

If a consumer or other debtor reacts on a written reminder on outstanding or arrears amounts; the Financial Manager may/can arrange that the debtor pay the outstanding amount in equal monthly instalments over a period not exceeding 24 months.

3.1.3 Interest must be charged on the arrears debt mentioned in 3.1.1 and 3.1.2 at a rate of 2% above prime rate.

3.1.4 Other measures for extended repayment periods can also be dealt with by the Financial Manager as set out in 3.4 below.

3.2 Working Capital Reserve

A provision for non-cash revenue not exceeding 25% of the anticipated cash to be received for services should be made.

3.3 Continuous default

If a debtor fails to comply with the terms of any agreement providing for an extension of time for payment, then the total of all amounts due including interest costs, shall immediately become payable without further notice to the debtor.

3.4 Extended repayment periods

3.4.1 If the overdue amount is outstanding for longer than 12 months, a minimum of 50% down payment must be made and repayment period not to exceed 12 months.

3.4.2 If the overdue balance is outstanding for less than 12 months, a minimum down payment of 25% is required and the balance to be paid over a period not exceeding 6 months.

3.4.3 The debtor should request such arrangement and shall agree to the conditions attached thereto.

3.4.4 Interest shall be levied as in 3.1.3 above.

3.4.5 If the conditions as agreed to be not adhered to normal credit control procedures will be implemented.

3.4.6 When a debtor applies for further extension/arrangement, services will be discontinued until final payment is received.

3.4.7 All future current accounts must be paid on due date.

4. COMMENCEMENT AND RESUMPTION OF SERVICES

4.1 New service connections

Connections and supply of a new service may only be made after all charges in respect of deposits and correction fees have been paid.

4.2 Resumption of discontinued services

4.2.1 If the debtor has -

4.2.1. Paid the full amount outstanding

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4.2.1. Made an agreement with the Municipality for the payment of
2 the amount in arrears the services will be resumed.

4.3 Unauthorised consumption, theft, damages and penalties

When established that a water or electricity meter has been tampered with by a transgressor (a consumer), the following actions are applicable:

4.3.1 The replacement of a conventional meter with a pre-paid meter, the cost of the connection for the account of the transgressor/consumer.

4.3.2 The removal of the pre-paid meter where transgressed and on request of the transgressor/consumer re-installed, the cost of the connection for the account of the transgressor/consumer.

4.3.3 On the second count of transgression by the transgressor/consumer, the pre-paid meter will be removed and a total suspended condition will be enforced for the service delivery on the property or any other future property of the transgressor/consumer.

4.3.4 If the suspended condition of service delivery is not acceptable for the transgressor/consumer as mentioned in paragraph 4.3.3, the service delivery to the transgressor/consumer will only be restored if conformed to the following conditions:

4.3.4. A minimum penalty fee payment of R1 000.

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4.3.4. The payment of a full connection fee applicable for the
2 delivery of the services.

4.3.4. The payment of an additional levy in respect of calculated
3 average consumption since the date of deviation in
consumption occurred on the account of the property
involved.

5. PROCEDURE OF FINAL RESORT

The following will facilitate this concept:

5.1 Assessment Rates

5.1.1 The rate payers who have not paid his/her/their yearly assessment rates on 1 October each year or made arrangements with the Financial Manger for monthly payments thereof, be notified in writing to settle the full outstanding amount plus interest within 14 days.

5.1.2 If no reaction on the written reminder has been received, the debt must immediately be handed over to the Debt Collection Section with the instruction to collect the outstanding debt with the understanding that all postponement of payments may be arranged with the Financial Manager that all outstanding assessment rates be recovered on or before 30 June of the year in which the assessment rates must be paid.

5.2 Consumer Services

5.2.1 A Cut-off List must be compiled within 10 days after due date of payment.

5.2.2 Unclaimed written notifications must be delivered to those concerned at their premises at a cost from time to time established by Council, VAT excluded.

- 5.2.3 Those ignoring their written notification services will be discontinued immediately.
- 5.2.4 Services may not be resumed before or arrangements have been made for payment of an additional deposit, arrears outstanding and interest as stipulated in the written notice.
- 5.2.5 A report must be submitted by the person involved with the discontinuation of services in respect of unoccupied premises to try and locate such owners/users before the case is referred to the attorneys.
- 5.2.6 The deposit on services of an unoccupied dwelling must be brought into account before any arrears amount are handed over to the Debt Collection Section for collection with the provision that the debtor /person stay at a known address.
- 5.2.7 The Financial Manager must submit a bi-monthly report to Council in respect of all collections recovered in order to prevent the attorney to accrue further costs in respect of untraceable cases.
- 5.2.8 In the event of cheques being returned by the Council's Bankers, the procedures are:
- 5.2.8. 1 The person concerned will be informed by telephone/ in writing of the in default of payment.
- 5.2.8. 2 The services must immediately be discontinued if the person involved does not, within 24 hours, effect cash payment or provide a bank guaranteed cheque for the amount involved.
- 5.2.8. 3 Further steps must be engaged as explained in paragraphs 5.2.4, and 5.2.5.

5.2.9 When debtors evacuate their houses and cannot be traced, the Council must be requested to write off the outstanding debt and must the person involved be listed on a control list.

5.2.10 If a conventional water and/or electricity consumer fails to pay their account on the prescribed due date, the conventional meter(s) will be replaced with a pre-paid meter. The criteria are the following after:

5.2.10. 1 The name of the consumer of water and/or electricity appeared twice on a cut-off list.

5.2.10. 2 The consumer of water and/or electricity being thrice in default of payment.

5.2.10. 3 The consumer of water and/or electricity failed to comply with arrangements made to pay arrears amounts for whatever reason.

5.2.10. 4 The consumer of water and/or electricity used self righteousness to re-install water and/or electricity supplies to his premises after the supply has been disconnected by the Municipality for whatever reason.

5.2.11 Where consumer services have been disconnected for whatever reason in terms of the Council's policy, the Municipality is obliged to install a drip valve at the consumer concerned until all outstanding debt is paid in full.

5.3 Write-off of Irrecoverable Debts: Conditions

5.3.1 Where the debtor is untraceable.

- 5.3.2 Insolvency of debtor.
- 5.3.3 Where a contribution obligation may exist on sequestration of a business or individual.
- 5.3.4 The debtor has no movable or immovable property at his disposal.
- 5.3.5 The cost of collection exceeds the debt.

6. DEBT COLLECTION

6.1 Procedures for the collection of outstanding debt on all debtors

- 6.1.1 Dispatch of accounts and payment thereof by the debtor within the prescribed time indicated on the account.
- 6.1.2 In the event of non/default payment of the account a written final notice will be posted/delivered in person to the person concerned with a 14 days concession to settle the account.
- 6.1.3 A summons must be issued to those concerned, which did not react in terms of paragraph 6.1.2
- 6.1.4 If no reaction is received in terms of paragraph 6.1.2 the following procedures to recover the outstanding debt.
 - 6.1.4. Confiscation of immovable property must be effected after 1 movable property has been sold if the outstanding debt exceeds R1 000. Immovable property must not be sold for less than R1 000.
 - 6.1.4. Arrangements for the payment of Assessment Rates must

2 be made with debtors in accordance with paragraph 5.1.2

6.1.4. Arrangements for the payment of consumer debtors must
3 be made with debtors who are consumers of services with
the Municipality over a maximum period of 2 years to repay
the outstanding debt.

6.1.4. Arrangements for the payment of outstanding debts of all
4 other debtors must be made to recover outstanding debts
over a maximum period of 1 year.

6.1.4. Before paragraph 6.1.4.6 may be executed, the debtor must
5 be in non-compliance with one of the following conditions
where the total consolidated amount of all debts exceeds
the amount of R1 000.

6.1.4.5.1 If the Council's agreement for consolidation of
arrears amounts, excluding assessment rates,
has not been signed by the debtor concerned
within seven days after an agreement has been
reached to repay the outstanding debt within 24
months at a standard interest rate on date of the
signing of the agreement.

6.1.4.5.2 In the event of non-compliance by a debtor to
paragraph 6.1.4.5.1, the immovable property of
the debtor will be transferred to the Municipality
who in turn will allow persons on the waiting list
for subsidised housing first opportunity to
purchase the property from the Municipality.

6.1.4.5.3. In the event of non-compliance within 30 days
of the opportunity to buy the property concerned
by persons on the waiting list for subsidised

housing (the opportunity made known to them through the informed Housing Forum), the property through the relevant Councillor(s), may be sold privately to avoid speculation within 30 days after the relevant Councillor(s) has been informed.

6.1.4.5.4 In the event of non-compliance with paragraph 6.1.4.5.1 to 6.1.4.5.3, the property concerned will be sold in accordance with normal legal procedures as contained in paragraph 6.1.4.6

- 6.1.4. If a debtor is not resident consumer of services within the boundaries of the Local Authority or not in the position to pay his/her outstanding debt, execution of the property will take place.
- 6.1.5. No employee/Councillor is/must be allowed in any way to grant extension of time to debtors handed over for collection or to intervene with the debt collection process with the aim to grant extension of time.
- 6.1.6 Written apology by the Departmental Head concerned must be issued where a blunder/mistake/error has been committed against a debtor.
- 6.1.7 An updated Control List of vanished debtors must be kept that in the event of a new application for services, no services will be rendered before all outstanding arrears amounts plus costs has been paid in full by the concerned debtor.
- 6.1.8 In the event of a case being defended where a summons had been issued to a debtor, the Council's appointed attorneys will deal with the case on behalf of the Council.

