

NKONKOBÉ LOCAL MUNICIPALITY



CREDIT CONTROL & DEBT COLLECTION POLICY

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PREAMBLE

WHEREAS the Constitution of the Republic of South Africa of 1996 (the Constitution) provides that one of the objects of Local Government is to ensure the provision of services to communities in a sustainable manner.

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:

- Efficient, economic and effective use of resources must be promoted.
- Services must be provided impartially, fairly, equitably and without bias.
- People's needs must be responded to.

And WHEREAS section 4(1)(c) of the Municipal Systems Act 32 of 2000 (Systems Act) provides that the Council of a Municipality has the right to finance the affairs of the Municipality by:

- Charging fees for services, and
- Imposing surcharges on fees, rates on property and, to the extent authorised by national legislation, other taxes, levies and duties.

And WHEREAS section 6(2)(a)(c)(e)(f) of the Systems Act states that the administration of a Municipality must:

- Be responsive to the needs of the local community,
- 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 how the Municipality is managed, of the costs involved and the persons in charge.

And WHEREAS chapter 9, sections 95,96,97,98,99,100 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.

And WHEREAS chapter 8, section 62(1)(f)(iii) of the Municipal Finance Management Act, 56 of 2003 (MFMA) provides that the Municipality has and implements a Credit Control and Debt Collection Policy referred to in section 96(b) of the Systems Act.

DEFINITIONS

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act (Municipal Systems Act, 32 of 2000), except where it is clearly indicated otherwise and will thus mean the following:

“Act”	The Local Government: Municipal Systems Act, 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”	Those rates and service charges that have not been paid by the due date and for which no arrangement for settlement has been made.
“Authorised Representative”	Person or instance legally appointed by the Council to act or to fulfil a duty on its behalf.
“CFO”	Person appointed as the CFO 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 Nkonkobe 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 including: <ul style="list-style-type: none"> • Signing of a valid consumer’s agreement, the payment of a consumers deposit and the verification of the clients’ creditworthiness; • An accurate meter reading at fixed intervals; • The issuing of accurate and regular statements; • Engaging in regular communication to all consumers; • Providing support to people who are declared as Indigent; • Maintaining affordable service levels and standards; • Implementing appropriate payment terms and options; • Providing an effective and efficient enquiry system; • Implementing consistent credit control measures with the aim to enforce a culture of payment for services; and • Furnishing monthly reports to Council on the performance of revenue collection.
“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 owes 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”	The Municipal Manager or his or her nominee, acting in terms of section 100 of the Municipal Systems Act.
“Indigent”	An indigent household whose total household income is between R0 and R1100 per month or such amount as may be determined by Council annually during the budget process.
“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 authorised and contracted service provider, and/or assessment rate levies.
“Municipality”	Means the Nkonkobe Local Municipality.
“Municipal Manager”	The person appointed as Municipal Manager in terms of section 82 of the Local Government: Municipal 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 electricity; refuse removal, sundries and any other services for which service charges are levied.
“Occupier”	Any person who occupies any property thereof, without regard to the title under which he or she occupies the property.
“Owner”	<p>(a) The person in who from time to time is vested the legal title to premises.</p> <p>(b) In a case where the person in whom the legal title is vested is insolvent or deceased, 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.</p> <p>(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.</p> <p>(d) In the case of premises for which a lease of 30 years or more has been entered into, the lessee thereof: In relation to-</p> <ol style="list-style-type: none"> 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. Any legal person including but not limited to- iii. 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, iv. Any department of State, v. Any Council or Board established in terms of any legislation applicable to the Republic of South Africa, vi. Any Embassy or other foreign entity

1. PRINCIPLES

- 1.1 The administrative integrity of the Municipality must be maintained at all costs. The democratically elected Councillors 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 the service supply lines. Existing customers may be required to complete new application forms from time to time, as determined by the Council.
- 1.3 A copy of the application form including conditions of service and a copy of Nkonkobe's Credit Control and Debt Collection Policy must be handed to every new customer on the date of application for services.
- 1.4 Billing to the customer 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 Unauthorised consumption, connection and reconnection, the tampering with or theft of meters, service supply equipment and the reticulation network and any 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 by the Municipality in collection procedures.
- 1.10 Results will be regularly and efficiently reported by the Municipal Manager and the Mayor to the Council.
- 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 by the Council and pursued and remedies implemented for non-performance.

2. AREA OF APPLICATION

This policy applies throughout the boundaries of Nkonkobe Local Municipality.

3. APPLICATION FOR PROVISION OF MUNICIPAL SERVICES

- 3.1 Consumers who require municipal services in respect of any immovable property must enter into a written service agreement with the Municipality.
- 3.2 The process must occur at least 5 (five) days prior to taking occupation of the aforesaid property, so that the Municipality can ensure that a meter reading is taken on the appropriate day and that services are available when the consumer takes occupation of the property. Failure to adhere to this timeframe may result in customers not having the services available when occupation is taken.
- 3.3 The Municipality will render the first account after the first meter reading cycle to be billed following the date of signing the service agreement.
- 3.4 Consumers who illegally consume service without this agreement will be subject to legal recourse that Council will deem appropriate.

4. CUSTOMER SERVICE AGREEMENTS

- 4.1 Customer service agreements are those agreements that the customer and the Municipality will from time to time enter into for the provision of municipal services.
- 4.2 Prior to the Municipality entering into a new agreement with a client, the client shall provide the Municipality with information pertaining to previous municipal accounts or to his/her credit history to enable the Municipality to assess the credit worthiness of the potential client.
- 4.3 The contents of this agreement includes the contents of this Credit Control and Debt Collection Policy as well as:

An undertaking by customers

- That they are liable for the costs of collection of accounts 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.
- Agrees that Council may conduct credit verification of its credit affairs in line with the National Credit Act, 34 of 2005 (NCA).
- That they will provide the Council with all information and documentation required to assess its credit worthiness.
- An additional or higher deposit may be required to be paid by the consumer after fair determination by the CFO depending on the associated risk.

An undertaking by Council

- That it delivers accounts to customers, failing which
- It will inform customers that they are required to request statements in the event that they do not receive an account.
- Provides notice of default and explore all remedial measures as prescribed by the NCA, before commencing with legal proceedings.

4.4 Cancellation of Services

- The client shall notify the Municipality no less than 10 days in advance, of his intention to terminate his services and cancel his service agreement. The client must furnish all the information required to the CFO in order for the Municipality to determine the final account and to attend to the disconnection of services.
- The client shall be liable and responsible to ensure that the termination documentation is submitted in terms of these requirements

5. DEPOSITS AND GUARANTEES

- 5.1 Deposits are payable when a new customer signs a customer service agreement with the Municipality and when an existing customer moves to a new property and signs a new service agreement.
- 5.2 An applicant for the provision of municipal services in respect of immovable property shall be required by the Municipality to pay a deposit equivalent to 1.5 (one and a half) times the previous average monthly consumption of that property, before municipal service will be provided.
- 5.3 The Municipality may, upon written notice to the owner of an immovable property, and after the conclusion of a written agreement, either increase or decrease the deposit payable.
- 5.4 Deposits may be paid in cash or bank guaranteed cheques

6. ACCOUNTS AND BILLINGS

- 6.1 The Municipality shall provide every customer of the Municipality with a consolidated account in respect of all rates and service charges owed to the Municipality.
- 6.2 Accounts will be rendered on a monthly basis in cycles of 30 (thirty) days.
- 6.3 The Municipality undertakes to deliver accounts to all consumers; however non-receipt of an account does not remove the liability to pay the account and does not prevent interest charges and the implementation of debt collection procedures.
- 6.4 Any account rendered by the Municipality shall be payable within a period of 30 (thirty) days from the billing date appearing on the account.
- 6.5 Any amount which remains due and payable after the aforesaid period of 30 (thirty) days shall attract interest at 14%.
- 6.6 A payment shall be deemed to be late, unless received on or before the due date at a municipal pay point by 14h00.
- 6.7 Electronic payments or payments made via duly authorised agents must;
 - be received in the municipal bank account by 16h00 on the due date; and
 - clearly indicate the details of the customer on behalf of whom the payment is made.

7. METERING OF CONSUMABLE SERVICES

- 7.1 The Municipality may introduce various metering equipment and customers may be obligated to convert to a system preferred by the Municipality.
- 7.2 Prepayment meter is the preferred installation for all new domestic accounts and where applicable, business accounts.
- 7.3 Customers who default (fail to pay by due date) may be required by the Municipality to convert to a metering system, and the cost related to this conversion shall be that of the consumer.
- 7.4 The Municipality shall take reading of all meters measuring consumption of municipal services, on a monthly basis, or at such other interval as may be determined by the Municipality.
- 7.5 A customer shall ensure that duly authorised representatives of the Municipality or service providers are able to gain access to metering equipment on the property in question at all reasonable hours in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict the provision of any service.

7.6 The Municipality may direct that if circumstances prevent the reading of a meter, then the customer be charged an amount equal to the average monthly consumption in respect of that property.

7.7 Routine or special maintenance of metering equipment will be communicated to the customer. The meter replacement advice will indicate the removal reading.

8. VALUATION OF PROPERTIES

All properties within the boundaries of the Nkonkobe Local Municipality are to be valued in terms of the Municipal Property Rates Act, 6 of 2004, for the purpose of levying property rates.

9. CUSTOMER ASSISTANCE PROGRAMMES

The following are programmes that the Municipality provides to assist customers to meet their obligations:

- Rates rebates
- Arrangements for settlements
- Payments of rates by instalments
- Indigent Support Policy
- Free Basic Services

9.1 Rates Rebate

Properties which are used exclusively for residential purposes may qualify for a rebate, subject to the provisions of Councils Rates Policy.

9.2 Arrangements for settlements

9.2.1 arrangements are permitted for debtors who experience difficulties in paying their accounts.

9.2.2 Where the person who wants to enter into an arrangement is not the owner of the property, written permission must be obtained from the owner before the Municipality may enter into such an agreement.

9.2.3 Should the tenant obtain permission to enter into an agreement but defaults on the arrangement, the owner must be notified in writing.

9.2.4 Where the applicant has been put under administration, written permission needs to be obtained from the Administrator and the owner of the property before such arrangements may be made.

9.2.5 All arrangements will be made in writing according to section 57 of the Magistrates Act 1938, on the prescribed form.

9.2.6 Council will, in line with the debt collection procedures of this policy, approve the terms applicable for the settlement of arrear debt.

9.2.7 No arrangements for business clients are allowed.

9.2.8 Only 1 (one) arrangement should be concluded between the Municipality and the client, therefore, a customer may not enter into 2 (two) arrangements at the same time. In the event the said arrangement has been honoured with a satisfactory pay record, another arrangement may be concluded with the client should that particular client require assistance.

9.2.9 It shall be a condition on the arrangement that if the arrangement is not honoured, the electricity supply will be terminated without any further notice to the client. A municipal official should monitor all arrangements on due dates and affect discontinuation of services where necessary.

9.3 Payment of rates by instalments

9.3.1 A debtor may make arrangements with the Municipality to repay any outstanding amount due to the Municipality.

9.3.2 The outstanding balance, any interest thereon and any additional costs shall be paid in regular and consecutive monthly instalments.

9.3.3 In the event of any dispute arising as to the amount owing by a debtor in respect of municipal services, provided such debtor shall, notwithstanding such dispute, proceed to make regular minimum payments based on the calculation of the average municipal account for the 3 (three) months prior to the occurrence of the dispute, taking into account inflation, as well as annual amendments of tariffs by the Municipality.

9.4 Indigent Support

An account holder who has difficulty in paying his/her account to the Municipality for various reasons, as stipulated in the Municipalities Indigent Policy, may apply for indigent support, for assistance from the Municipality.

9.5 Free Basic Services

Council will provide free basic services to Indigent consumers within the municipal boundaries, as determined in the Indigent Policy and in alignment with National Government Policy.

10. COMMUNICATION OF POLICIES

- 10.1 The Municipality will, at its own cost, make the Credit Control and Debt Collection Policy available in the form of a brochure or booklet to the community. Any amendments may be communicated in the form of a newsletter.
- 10.2 As representatives of the community councillors must, on a regular basis, address ward Committees and there wards on the contents of the policy and any amendments thereto.

11. PAYMENT FACILITIES AND METHODS

- 11.1 The CFO may, at his/her discretion
- 11.2 Payments on accounts rendered by the Municipality may be effected at any municipal pay-point, through bank transfers or at any municipal appointed agent.
- 11.3 Subject to the consent of a debtor, the Municipality may enter into a written agreement with the aforesaid debtors' employer to deduct outstanding rates and service charges, or to settle regular monthly accounts, through deductions from the aforesaid debtors salary or wages.
- 11.4 The Municipality may, from time to time, provide special rebates, incentives or benefits to the debtor or employer, with regards to the aforementioned agreement.

12. CHEQUES MARKED AS 'REFER TO DRAWER'

If cheques are marked as refer to drawer, the full balance will immediately be payable in cash. Electricity supply will immediately be terminated after a telephone call is made to inform the consumer of the RD cheque and the client failed to remedy the cheque within 12 (twelve) hours. Bank charges will be payable immediately by the client. In the event of a client having tendered a RD cheque for the second time, no further cheque payments will be accepted from him/her, except for bank guaranteed cheques.

13. ENQUIRIES AND APPEALS

- 13.1 A customer may address in writing any grievance or query regarding service charges to the CFO. The grievance must clearly state the basis for the customer's grievance/dissatisfaction, and the desired outcome.
- 13.2 The lodging of a grievance/query with the Municipality does not relieve the customer of the responsibility of settling the account, provided that the CFO may, upon receipt of the written application, direct that interim payments be made, pending the finalisation of the enquiry.
- 13.3 The CFO shall respond to such an enquiry in writing, within a period of 14 (fourteen) days from the date the grievance/query is lodged.

14. TENDERS FOR BUSINESS

The Procurement Policy and tender conditions of the Municipality must include the following:

- 14.1 The Municipality may require any person/service provider reacting to a tender published by the Municipality or intending to enter into a contract with the Municipality for the provision of goods or services, to produce a certificate issued by the CFO, stating that the said person/company maintains regular payments on all his/her accounts.
- 14.2 Where a person/company fails to provide such certificate, the Municipality may recover any outstanding amounts owed for service charges, by way of deductions from all monies due and owing to such person and arising from a tender awarded to, or contract concluded with the said person.

15. DEBT COLLECTION

The CFO is authorised by the Municipality to institute the mechanisms stated below without exception and with the intention of proceeding until the debt is collected.

The following mechanisms are to be used to collect outstanding debt:

- 15.1 The Municipality must inform the client of the debt in writing and propose that the client refers the account to a debt counsellor.
- 15.2 Before any debt collection mechanism is implemented, the Municipality must ensure that it has exhausted any avenues to remedy the situation
- 15.3 The Municipality may insist that a pre-payment meter be installed at the cost of the debtor.
- 15.4 Limit, discontinue or disconnect the electricity supply to the property for the recovery of all overdue service accounts.
- 15.5 Withholding of rates clearance certificates as prescribed by the Systems Act.
- 15.6 Payments to contractors, who have been contracted by the Municipality, shall be withheld if such contractor defaults in his payments. This condition will be incorporated in all Municipal contracts.
- 15.7 Clients that are owing should pay 40% on arrear debt as a deposit and arrange to pay the balance over a maximum period of 12 months.**
- 15.8 If a debtor defaults on the arrangement he/she should be handed over to the municipal attorneys.**

15.9 If all the above methods are not complied with, the Council can determine any other method that it deems suitable and effective for collection.

In terms of Section 10 of Schedule 2 of the Systems municipal employees rates and service accounts may not be in arrears for more than 3 months. In the event that said accounts are in arrears for more than 3 months the municipality is authorized to deduct the outstanding amount from the relevant Official's monthly salary.

16. DISCONNECTIONS AND RESTRICTION PROCEDURES

The Council shall ensure that:

- 16.1 Services in respect of clients in arrears after due date shall be disconnected after a disconnection notice and debt consolidation procedures have been exhausted by the Municipality, as provided for herein.
- 16.2 A monthly report on the outstanding debt and collection rate per ward, as allowed by the municipal finance software, is to be submitted to the Finance Standing Committee and to the Council meetings.
- 16.3 Before the supply of services is restored the outstanding municipal account together with all levies is paid in full or an arrangement has been made for settlement of the account in full.
- 16.4 Only 1 (one) arrangement per client is entertained by the Municipality.
- 16.5 No services are provided to any client who is in arrears with his/her arrangement until such time as the outstanding arrears on the current arrangement and all levies charged have been paid in full.
- 16.6 The account of the debtor in arrears is debited with the applicable levies and charges as provided for by the Municipality before the services are restored.
- 16.7 The deposit of the debtor in arrears is adjusted as provided for by the Municipality. In the event of a dispute arising the duty shall be on the client to submit the dispute in writing in terms of the appeal procedure.
- 16.8 At least monthly follow-ups will be conducted on disconnected services to prevent illegal connection or tampering and to implement action in terms of this Credit Control and Debt Collection Policy on all illegal reconnections and tampering.
- 16.9 The account of the client is to be debited with the cost of the actions alluded to above. The Municipality may also request the client to install a pre-paid device.

17. PERSONS PLACED UNDER ADMINISTRATION/LIQUIDATED

Once the Municipality is notified of a person being placed under administration all debt immediately before the date of administration should

be placed in abeyance, the debtor should not be allowed to fall into arrears again. No arrangements are to be made with that person without the written approval of both the owner of the property (in the case of a tenant) and the Administrator. Monthly contributions from the Administrator are to be deducted from the debt placed in abeyance. The owner of the property should be notified of his tenants' status. The Municipality may restrict the electricity services or request the client to install a pre-paid electricity device.

18. THEFT AND FRAUD

The Municipality condemns any form of theft or fraud of municipal services and will prosecute any person who:

- 18.1 Unlawfully uses or interferes with municipal equipment or the consumption of services supplied to any customer.
- 18.2 Tamper with or breaks any seal on a meter or on any equipment belonging to the Municipality, or causes a meter not to register properly the services used.
- 18.3 Fails or refuses to give a duly authorised representative of the Municipality such information as he/she may reasonably require for the purpose of exercising or performing his/her powers or functions as determined by the Council.

19. REPORTING AND PERFORMANCE MANAGEMENT

19.1 The CFO 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) of the same Act. This report shall contain particulars on:

19.1.1 Cash collection statistics, showing high-level debt recovery information (numbers of customers, enquiries, arrangements, default arrangements, growth or reduction of arrear debt). Where possible, the statistics should ideally be divided into Wards, business (commerce and industry), domestic, state, institutional and other such divisions.

19.1.2 If in the opinion of the CFO, Council will not achieve cash receipt income equivalent to the income projected in the annual budget as approved by Council, the CFO will report this with motivation to the Municipal Manager who will, if he agrees with the CFO, immediately move for a revision of the budget according to realistically realisable income levels.

19.1.3 The Mayor as Supervisory Authority shall, at intervals determined by Council, report to Council as contemplated in section 99(c) of the Systems Act.

20. INCOME COLLECTION TARGET

The long-term target is a debt turnover ratio of 45 days, that is, debtors are expected to pay for services on average in a month and a half.

21. APPLICATION OF THE POLICY

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

22. REVIEW OF POLICY

Nkonkobe Local Municipality will review this Credit Control and Debt Collection Policy on an annual basis, and after taking into consideration comments from the public, review the policy accordingly.