



Harry Gwala District Municipality

**HGDM-P009**  
**CREDIT CONTROL**  
**AND DEBT**  
**COLLECTION**  
**POLICY**  
**2016-17**  
**(DRAFT)**



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## 1. PREAMBLE

- 1.1 Whereas s152 (1)(b) of the Constitution of the Republic of South Africa Act 108 of 1996 ('the Constitution') provides that one of the objects of local government is to ensure that the provision of services to communities occurs in a sustainable manner;
- 1.2 And whereas s153(a) of the Constitution provides that a municipality must structure its administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community;
- 1.3 And whereas s195 (1) of the Constitution provides that the public administration must be governed by the democratic values and principles enshrined in the Constitution, including:
- the promotion of the efficient, economic and effective use of resources;
  - the provision of services impartially, fairly, equitably and without bias; and
  - The fact that people's needs must be responded to.
- 1.4 And whereas s4(1) of the Local Government: Municipal Systems Act 32 of 2000 ('the Systems Act') provides that the Council of a municipality has the right to finance the affairs of the municipality by charging fees for services, imposing surcharges on fees, to the extent authorised by national legislation, other taxes, levies and duties;
- 1.5 And whereas s5 (1) (g), read with (2)(b), of the Systems Act provides that members of the local community have the right to have access to municipal services which the municipality provides, provided that, where applicable and subject to the policy for indigent debtors, pay promptly for service fees, surcharges on fees, other taxes, levies and duties imposed by the municipality;
- 1.6 And whereas s6 (2)(c), (e) and (f) of the Systems Act provides that the administration of a municipality must take measures to prevent corruption; give members of a local community full and accurate information about the level and standard of municipal services that they are entitled to receive; and inform the local community about how the municipality is managed, and of the costs involved and the persons in charge;
- 1.7 And whereas Chapter 9, s95, 96, 97, 98, 99 and 100 of the Systems Act provides for Customer Care Management, Debt Collection responsibility of the municipality, contents of the policy and by-laws that give effect to the policy, supervisory authority and implementing authority.
- 1.8 The Credit Control and Debt Collection Policy of the Harry Gwala District Municipality is hereby adopted by Council.



## 2. PURPOSE

It is vital to the long term financial viability of the Harry Gwala District Municipality that it collects the revenues (such as service charges, and taxes) due to it for services rendered. In terms of s96 of the Systems Act, a municipality:

- must collect all money that is due and payable to it subject to this Act and any other applicable legislation; and
- For this purpose, must adopt, maintain and implement a credit control and debt collection policy, which is consistent with tariff policies and complies with the provisions of this Act.
- This means that appropriate credit control and debtors mechanisms must be maintained.

This policy applies to all sources of municipal revenue except for grants.

## 3. DEFINITIONS AND ABBREVIATIONS

<b>Act</b>	The Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) as amended from time to time
<b>Account holder</b>	May mean the customer, occupier or the property owner
<b>Arrangement</b>	A written agreement entered into between the municipality and the debtor where specific repayment arrangements are agreed to
<b>Arrears</b>	Means those service charges that have not been paid by the due date and for which no arrangement has been made
<b>Authorised representative</b>	Person or entity legally appointed by the Council to act or to fulfill a duty on its behalf
<b>Accounting Officer</b>	The person appointed as Accounting Officer in terms of s82 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
<b>CFO</b>	The person appointed as the Chief Financial Officer of the municipality, or his or her nominee
<b>Council</b>	The Municipal Council (as referred to in s157 of the Constitution) of the Harry Gwala District Municipality established by part 7 of provincial notice 80, dated 27 September 2000



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<b>Credit control and Debt Collection</b>	All the functions relating to the collection of monies owed by users of municipal services
<b>Customer</b>	Any occupier of any premises to which the municipality 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
<b>Defaulter</b>	Any person who owes the municipality arrear monies in respect of service charges
<b>Engineer</b>	The person in charge of the civil/infrastructure/technical and/or water and sanitation services department of the municipality
<b>Equipment</b>	A building or other structure, pipe, pump, wire, cable, meter, engine or any accessories
<b>Implementing authority</b>	Means the Accounting Officer or his or her nominee, acting in terms of s100 of the Systems Act
<b>Interest</b>	A charge levied with the same legal priority as service fees and calculated at a rate determined by the municipality from time to time on all arrear monies
<b>Municipal account</b>	An account rendered specifying charges for services provided by the municipality, or any authorized and contracted service provider.
<b>Municipality</b>	Refers to Harry Gwala District Municipality
<b>Municipal services</b>	Those services provided by the municipality, such as, inter alia: -the supply of water, sanitation, and other municipal services for which services charges are levied
<b>Occupier</b>	Any person who occupies any property or part thereof, without regard to the title under which he or she occupies the property
<b>Owner</b>	The person in whom from time to time is vested the legal title to premises  In a case where the person in whom the legal title is vested is insolvent or dead, or is under any form of legal disability whatsoever, the person in whom the administration of and control of such premises is vested as curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative  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>In the case of premises for which a lease of 30 years or more has been entered into, the lessee thereof</p> <p>In relation to:  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  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</p> <p>Any legal person including but not limited to:  i) A company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust, a closed corporation registered in terms of the Closed Corporations Act, 1984 (Act 69 of 1984) and a voluntary association;  ii) Any department of State; any Council of Board established in terms of any legislation applicable to the Republic of South Africa;  iii) Any Embassy or other foreign entity</p>
<b>Supervisory authority</b>	Means the Mayor of the Municipality or his or her nominee, acting in terms of s99 of the Systems Act
<b>Query</b>	Means an instance which arises when a customer questions the correctness of any account rendered by the Municipality
<b>Dispute</b>	Means an instance which arises when a customer notifies the Municipality of his disagreement with the correctness of any account rendered by the Municipality

## 4. PRINCIPLES

- 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 Accounting Officer to ensure the implementation of the policies.
- All customers must complete an official application form, formally requesting the municipality to connect them to service supply lines. Existing customers may be required to complete new application forms from time to time, as determined by the Accounting Officer.



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- A copy of the application form, conditions of services and extracts of the relevant Council's credit control and debt collection policy and by-laws must be handed to every customer on request at such fees as may be prescribed by Council.
- Upon change of ownership, the municipality must advise the new owner in writing that the relevant policies are available at the municipality for their perusal.
- All relevant billing is to be accurate, timeous and understandable.
- The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.
- The customer is entitled to an efficient, effective and reasonable response to queries, objections and appeals, and should suffer no disadvantage during the processing of a reasonable query, objection or appeal.
- Enforcement of payment must be prompt, consistent and effective.
- Incentives and disincentives may be used in collection procedures as determined by Council from time to time.
- The collection process must be cost-effective.
- Results will be regularly and efficiently be reported by the Accounting Officer and the Mayor.
- Application forms will be used to, inter alia, categorise customers according to credit risk and to determine relevant levels of services and deposits required.
- Targets for performance in both customer service and debt collection will be set and pursued and remedies implemented for non-performance.

## PART 1: OBJECTIVE AND CONSTITUTIONAL OBLIGATIONS

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



## PART 2: EXPECTED FUTURE PAYMENT LEVELS

2.1 In terms of the budgets approved by the council, and in accordance with commonly accepted best practice, this municipality will have to strive to ensure that payment levels for the present and future financial years, in respect of all amounts legitimately owing to the municipality (that is, inclusive of the balance of the monthly accounts payable by registered indigents) are maintained at an annual average of between 70% and 95%.

2.2 It is generally accepted by this council that payment levels averaging below 80% per month are untenable. Even with payment levels of 80%, the council will annually have to provide on its expenses budget a contribution to bad debts of 20% of the aggregate revenues legitimately owing to this municipality – a contribution that is made at the direct cost of improved service delivery and developmental projects.

2.3 In order to deal with the problem of non-payment by residents who can afford their monthly commitments, the municipality intends to introduce a twofold approach: to promulgate credit control, debt collection and by-laws which deal stringently with defaulters, and, by using the formal political structures of the municipality and in the administration's general dealings with the public, to make the community aware of its legal obligations towards the municipality, and to emphasise the negative consequences for all if non-payment continues. The municipality's ward committees are particularly charged with this responsibility.

## PART 3: NOTICE OF DEFAULT AND INTENDED TERMINATION OR RESTRICTION OF SERVICES AND COMMENCEMENT OF LEGAL PROCEEDINGS

Within 7 (seven) calendar days after each monthly due date for payment of municipal accounts for service charges, the municipal manager shall dispatch to every defaulting account holder, that is, every account holder who as at the date of the notice has not paid the monthly account in full or has not made an acceptable arrangement with the municipal manager for partial or late payment, a notice stating that unless full payment is received or an acceptable arrangement made with the municipal manager for partial or late payment, the relevant supply or service to the property to which the account in arrears relates shall be restricted 14 (fourteen) calendar days after the date of the notice concerned, and that proceedings for the recovery of any amount payable may be commenced after such period.



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## **PART 4: RECONNECTION OR REINSTATEMENT OF TERMINATED OR RESTRICTED SERVICES**

Services to defaulting accountholders restricted in terms of part 3 above shall be reconnected or reinstated by the municipal manager only when all the following conditions have been met:

- the arrear account has been paid in full, including the interest raised on such account; or an acceptable arrangement has been made with the municipal manager for the payment of the arrear account, including the interest raised on such account;
- the charge(s) for the notice sent in terms of part 3 and for the reconnection or reinstatement of the terminated or restricted service(s), as determined by the council from time to time, have been paid in full.

## **PART 5: PERIODS FOR REINSTATEMENTS**

The municipal manager shall reconnect or reinstate terminated or restricted services within 3 (three) working days after the date on which the conditions set out in part 4 have been met, unless the municipal manager is unable to do so because of circumstances beyond the control of the municipality. In the latter event the municipal manager shall promptly inform the mayor of such circumstances and of any actions required to overcome the circumstances concerned.

## **PART 6: RESTRICTION OF SERVICES**

If the municipal manager is of the opinion that the termination of services, in the case of a particular property in respect of which the account is in arrear, is not in the best interests of the community (for example, because of the potential endangerment of the life of any person, whether resident in or outside the property concerned), the municipal manager may appropriately restrict rather than terminate the services in question.

## **PART 7: INSTITUTION OF LEGAL PROCEEDINGS**

If an account holder has not paid arrears owing to the municipality, including the interest raised on such account, or made an acceptable arrangement with the municipal manager for the payment of the arrear account, including the interest raised on such account, within a period of 28 (twenty eight) calendar days after the date of the notice referred to in part 3, the municipal manager shall, forthwith hand such account over for collection and such further action as is deemed necessary to the municipality's attorneys or any debt collecting agency appointed by the council, unless the cost of such collection and the prospects of recovery in relation to the amount of the arrears concerned would render such action non-cost-effective. Such further action shall include if necessary the sale in execution of such property to



recover arrear service charges (if the account holder is also the owner of the property). All legal expenses incurred by the municipality shall be for the account of the defaulting account holder.

## PART 8: ARRANGEMENTS FOR PAYMENT OF ARREAR ACCOUNTS

8.1 Allowing defaulting account holders to make arrangements for the payment of arrear accounts shall be at the discretion of the municipal manager.

8.2 Each defaulting account holder shall be allowed a maximum period of 3 (three) months within which to pay an arrear account, together with the interest raised on such account, and it shall be a condition for the conclusion of any arrangement that the account holder is bound to pay every current municipal account in full and on time during the period over which such arrangement extends.

8.3 If an account holder breaches any material term of an arrangement, the balance of the arrear account, together with the balance of interest raised on such account, shall immediately become due and payable to the municipality, and if the account holder defaults on such payment, the municipal manager shall restrict services to the property in question and shall forthwith hand such account over for collection as envisaged in part 7.

8.4 An account holder who has breached an arrangement as set out above shall not be allowed to make any further arrangements for the payment of arrear accounts, but shall be proceeded against, after the dispatch of the initial notice of default as envisaged in part 3 and failure by the account holder to pay the arrear account, together with interest raised on such arrears as required in terms of such notice, as though such account holder had breached a material term of an arrangement.

## PART 9: ALLOCATION OF PART-PAYMENTS AND APPROPRIATION OF DEPOSITS

9.1 If an account holder pays only part of any municipal account due, the Municipal Manager shall allocate such payment as follows:

- firstly, to any unpaid charges levied by the municipality in respect of unacceptable cheques, notices, legal expenses and reconnections or reinstatements of services in respect of the account or property concerned;
- secondly, to any unpaid interest raised on the account;

9.2 This sequence of allocation shall be followed notwithstanding any instructions to the contrary given by the account holder.



## PART 10 QUERIES BY ACCOUNT HOLDERS

In the event of an account holder reasonably querying any item or items on the monthly municipal account, no action shall be taken against the account holder as contemplated in part 3 provided the account holder has paid by due date an amount equal to the monthly average monetary value of the three most recent unqueried accounts in respect of the service under query, as well as all unqueried balances on such account, and provided further such query is made in writing by the account holder or is recorded in writing by the municipal manager on behalf of the account holder on or before the due date for the payment of the relevant account.

## PART 11: DISHONoured AND OTHER UNACCEPTABLE CHEQUES

If an account holder tenders a cheque which is subsequently dishonoured by or is found to be unacceptable to the account holder's bankers, the municipal manager shall - in addition to taking the steps contemplated in this policy against defaulting account holders – charge such account holder the penalty charge for unacceptable cheques, as determined by the council from time to time, and such charge shall rank equally with the costs and expenses incurred by the municipality for purposes of determining the sequence of allocations and appropriations contemplated in part 9.

## PART 12: DELEGATION OF RESPONSIBILITIES BY MUNICIPAL MANAGER

The municipal manager, including any person acting in such capacity, shall be responsible to the council for the implementation of this policy and its attendant by-laws but - without in so doing being divested of such responsibility - may delegate in writing all or any of the duties and responsibilities referred to in these by-laws to any other official or officials of the municipality, and may from time to time in writing amend or withdraw such delegation(s).

## PART 13: ROLE OF MUNICIPAL MANAGER

13.1 Section 100 of the Municipal Systems Act 2000 assigns the legal responsibility for implementing the credit control and debt collection policies and by-laws to the municipal manager.

13.2 In practice, however, the municipal manager will inevitably delegate some or many of the responsibilities specifically assigned to this office in the by-laws, as it will be administratively impossible for the municipal manager to perform the numerous other functions of this office as well as attend to frequently recurring administrative responsibilities. However, such delegation does not absolve the municipal manager from final accountability in this regard, and the municipal manager will therefore have to ensure that a proper internal reporting structure is established and consistently implemented so that the day-to-day



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actions of and results from the credit control and debt collection programme are properly monitored and supervised.

13.3 It is also an integral feature of the present policy that the municipal manager shall report monthly to the executive mayor or the executive committee, as the case may be, and quarterly to the council on the actions taken in terms of the by-laws, and on the payment levels for the periods concerned. Such reports shall, as soon as practicably possible, provide the required information both in aggregate and by municipal ward.

13.4 In addition, such monthly report shall indicate any administrative shortcomings, the measures taken or recommended to address such shortcomings, and any actions by councillors which could reasonably be interpreted as constituting interference in the application of the by-laws.

13.5 Notwithstanding all the foregoing references to the accountability of the municipal manager in regard to these by-laws, it is incumbent on all the officials of the municipality, certainly all those who are at management level, as well as more junior officials who are directly or indirectly involved with the community and the municipality's general customer relations, to promote and support both this credit control and debt collection policy and the application of the attendant by-laws. The responsibilities of all officials include reporting to the municipal manager any evident breaches of these by-laws, whether by members of the community, other officials or councillors of the municipality.

## PART 14: ROLE OF COUNCILLORS, RESIDENTS AND SERVICE CONSUMERS

### PART 14A: ROLE OF COUNCILLORS

14.1 Section 99 of the Systems Act 2000 places the important legal responsibility on the executive mayor or executive committee, as the case may be, of monitoring and supervising the application of the present policy and the attendant by-laws, and of reporting to the council on the extent and success of credit control actions.

14.2 The present policy further recommends that the municipality's ward committees be actively involved in implementing the credit control and debt collection programme, and should therefore receive monthly reports on the status of the municipal manager's credit control actions. The ward committees must also actively promote the present policy, and ensure at the same time that the municipality's customer relations are of a standard acceptable to the community.

14.3 In order to maintain the credibility of the municipality in the implementation of the present policy and the attendant by-laws, it is essential that councillors should lead by example. Councillors, by adopting this policy, therefore pledge, not only their unqualified



support for the policy, but their commitment to ensuring that their own accounts will at no stage fall into arrears.

## **PART 14B: ROLE OF RESIDENTS AND SERVICE CONSUMERS**

14.4 To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.

14.5 To pay service fees and other taxes, levies and duties imposed by the municipality on time, namely on or before the due dates stipulated on the account.

14.6 To observe the mechanisms and processes of the municipality in exercising their rights.

14.7 To allow municipal officials access to their property to execute municipal functions at a time that is agreeable by the consumer and municipal officials.

14.8 To comply with the by-laws and other legislation of the municipality.

14.9 To refrain from tampering with municipal services and property.

## **PART 15: INTEREST ON ARREARS AND OTHER PENALTY CHARGES**

15.1 Interest shall be charged on all arrear accounts at the prevailing overdraft rate offered by the municipality's bankers plus 2 (two) percentage points.

15.2 If the municipality uses more than one banking institution it shall for purposes of determining the interest on arrear accounts apply the overdraft rate offered by the institution with which its primary bank account is placed.

15.3 Interest shall be calculated on a daily basis. For purposes of determining arrear amounts, all amounts unpaid including interest previously raised and penalty charges, but excluding value added tax, shall be taken into account.

15.4 Considering each annual budget the council shall review the adequacy of its interest charges, and shall determine the following for the financial year concerned:

- charges for disconnection or restriction of services;
- charges for reconnection or reinstatement of services;
- charges for notices of default; and
- penalty charges for dishonoured cheques.



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## **PART 16: INDIGENT MANAGEMENT**

In regard to the payments expected from registered indigents, and the credit control and debt collection actions contemplated in respect of such residents, this policy must be read in conjunction with the municipality's approved policy on indigent management.

## **PART 17: UNCOLLECTABLE ARREARS**

17.1 The effective implementation of the present policy also implies a realistic review of the municipality's debtors' book at the conclusion of each financial year. The municipal manager shall as soon as possible after 30 June each year, present to the council a report indicating the amount of the arrears which it is believed is uncollectable, together with the reasons for this conclusion.

17.2 The council shall then approve the write off of such arrears, if it is satisfied with the reasons provided.

## **PART 18: ARREARS WHICH HAVE ARISEN PRIOR TO THE ADOPTION OF THE PRESENT POLICY**

The council shall separately consider arrears which arose prior to the adoption of the present policy, and shall advise account holders of their respective obligations in regard to such arrears. In determining such obligations, the council shall have regard to the quantum of such arrears, to the period over which the default occurred, and to whether the account holder concerned has registered as an indigent in terms of the municipality's policy on indigent management. The council shall further consider an incentive scheme which will appropriately encourage account holders to settle all or a stated percentage of these arrears.

## **PART 19: BY-LAWS TO BE ADOPTED**

By-laws shall be adopted to give effect to the council's credit control and debt collection policy.

## **PART 20: ANNEXURE: LEGAL REQUIREMENTS**

20.1 It is essential for the protection of the municipality's interests that the provisions of particularly the Municipal Systems Act 2000, in so far as they provide additional debt collection mechanisms for municipalities, be diligently enforced. At the same time, both the council and the administration must note the obligations, which the municipality has towards the community in respect of customer care and relations.



20.2 For ease of reference a summary of the relevant extracts from the Municipal Systems Act, specifically Sections 95 to 103 and Section 118, are therefore appended to this policy. The immediately relevant extracts from the Water Services Act 1997 and the Municipal Finance Management Act are also included in the annexure.

## I: WATER SERVICES ACT NO. 108 OF 1997

### SECTION 21: BY-LAWS

The Act requires a municipality, in its capacity as water services authority, to make bylaws which contain conditions for the provision of water services and which provide for the following (inter-alia):

- the standard of the services;
- the technical conditions of supply, including quality standards, units or standards of measurement, the verification of meters, acceptable limits of error and procedures for the arbitration of disputes relating to the measurement of water services provided;
- the determination and structure of tariffs;
- the payment and collection of moneys due for the water services consumed;
- the circumstances under which water services may be limited or discontinued and
- the procedure for such limitation or discontinuation; and
- the prevention of unlawful connections to water services works and the unlawful or wasteful use of water.

## II: LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT NO. 32 OF 2000

### SECTION 95: CUSTOMER CARE AND MANAGEMENT

A municipality must, in relation to the levying of taxes, and the charging of fees for municipal services, within its financial and administrative capacity, do the following:

- establish a sound customer management system which aims to create a positive and reciprocal relationship between persons liable for these payments and the municipality itself or (where applicable) a service provider;
- establish mechanisms for users of services to give feedback to the municipality or other service provider with regard to the quality of the services and the performance of the service provider;
- take reasonable steps to ensure that users of services are informed of the costs involved in service provision, the reasons for the payment of service fees, and the manner in which moneys raised from the service are utilised;



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- where the consumption of services is measured, take reasonable steps to ensure that the consumption by individual consumers of services is measured through accurate and verifiable metering services;
- ensure that persons liable for payments receive regular and accurate accounts which indicate the basis for calculating the amounts due;
- provide accessible mechanisms for those persons to query or verify accounts and metered consumption, as well as appeal procedures which allow such persons to receive prompt redress for inaccurate accounts;
- provide accessible mechanisms for dealing with complaints from such persons, together with prompt replies and corrective action by the municipality;
- provide mechanisms to monitor the response time and efficiency in complying with the aforementioned requirements; and
- provide accessible pay points and other mechanisms for settling accounts or for making prepayments for services.

## SECTION 96: DEBT COLLECTION RESPONSIBILITY OF MUNICIPALITIES

A municipality must collect all moneys that are due and payable to it, subject to the requirements of the present Act and any other applicable legislation. For this purpose, the municipality must adopt, maintain and implement a credit control and debt collection policy which is consistent with its tariff policies and which complies with the provisions of the present Act.

## SECTION 97: CONTENTS OF POLICY

The municipality's credit control and debt collection policy must provide for all of the following:

- credit control procedures and mechanisms;
- debt collection procedures and mechanisms;
- provision for indigent debtors in a manner consistent with its tariff policies and any national policy on indigents;
- realistic targets consistent with generally recognised accounting practices and collection ratios, and the estimates of income set in the budget less an acceptable provision for bad debts;
- interest on arrears (where appropriate);
- extensions of time for payment of accounts;
- restriction of the provision of services when payments are in arrears;
- matters relating to unauthorised consumption of services, theft and damages; and
- any other matters that may be prescribed by regulation in terms of the present Act.

The municipality, within its discretionary powers, may differentiate in its credit control and debt collection policy between different categories, users of services, debtors, taxes,



services, service standards and other matters, and, if so, must ensure that such differentiation does not amount to unfair discrimination.

## **SECTION 98: BY-LAWS TO GIVE EFFECT TO POLICY**

The council of the municipality must adopt by-laws to give effect to the municipality's credit control and debt collection policy, its implementation and enforcement. Such by-laws may differentiate between different categories of ratepayers, users of services, debtors, taxes, services, service standards and other matters, and, if so, must ensure that such differentiation does not amount to unfair discrimination.

## **SECTION 99: SUPERVISORY AUTHORITY**

A municipality's executive mayor or executive committee, as the case may be, or - if the municipality does not have an executive committee or executive mayor - the council of the municipality itself, or a committee appointed by the council as the supervisory authority, must do all of the following:

- oversee and monitor the implementation and enforcement of the municipality's credit control and debt collection policies and any by-laws enacted in terms of the foregoing requirements, and the performance of the municipal manager in implementing the policies and by-laws;
- where necessary, evaluate or review the policies and by-laws, and the implementation of such policies and by-laws, in order to improve the efficiency of its credit control and debt collection mechanisms, processes and procedures; and
- at such intervals as may be determined by the council, report to a meeting of the council, except when the council itself performs the duties of the supervisory authority.

## **SECTION 100: IMPLEMENTING AUTHORITY**

The municipal manager, or - where applicable - the service provider must:

- implement and enforce the municipality's credit control and debt collection policies and by-laws enacted in terms of the foregoing requirements;
- in accordance with the credit control and debt policies and any by-laws, establish effective administrative mechanisms, processes and procedures to collect moneys due and payable to the municipality; and
- at such intervals as may be determined by the council, report the prescribed particulars to a meeting of the supervisory authority referred to previously.



## SECTION 101: MUNICIPALITY'S RIGHT OF ACCESS TO PREMISES

The occupier of premises in a municipality must give an authorised representative of the municipality or of a service provider access at all reasonable times to the premises 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.

## SECTION 102: ACCOUNTS

Except where there is a dispute between the municipality and the person from whom the municipality has claimed any specific amount, a municipality may:

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

## SECTION 103: AGREEMENTS WITH EMPLOYERS

A municipality may, within its discretionary powers, but with the consent of any person liable to the municipality for the payment taxes or fees for municipal services, enter into an agreement with such person's employer to deduct from the salary or wages of such person any outstanding amounts due by such person to the municipality or such regular monthly amounts as may be agreed to. The municipality may further, within its discretionary powers, provide special incentives for employers to enter into such agreements and for employees to consent to such agreements.

## SECTION 118: RESTRAINT ON TRANSFER OF PROPERTY

The registrar of deeds or any other registration officer of immovable property may not register the transfer of any property other than on the production to such registration officer of a prescribed certificate issued by the municipality in which such property is situated, and which certificate certifies that all amounts due in connection with such property for municipal service fees, surcharges on fees, and other municipal taxes, levies and duties during the two years preceding the date of application for the certificate have been fully paid.

A municipality may recover, as far as is practicable, all amounts due to it for municipal service fees, surcharges on fees, and other municipal taxes, levies and duties, in preference to any mortgage bonds registered against any property which is to be transferred.



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## CODE OF CONDUCT FOR MUNICIPAL STAFF MEMBERS

Paragraph 10 of this Code of Conduct stipulates that if any staff member of a municipality is in arrears to the municipality for service charges for a period longer than 3 months, the municipality may deduct any outstanding amounts from such staff member's salary after this period.

## CODE OF CONDUCT FOR COUNCILLORS

Section 6A of this code requires councillors to pay all tariffs, rents and other moneys due to the municipality promptly and diligently.

The municipal manager is further required to notify the speaker of the council and the MEC for Local Government, in writing, whenever a councillor has been in arrears with any of these payments for a period exceeding 30 days.

## III: LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT NO. 56 OF 2003

### SECTION 64: REVENUE MANAGEMENT

The accounting officer of the municipality is responsible for the management of the municipality's revenues, and must, for this purpose, take all reasonable steps to ensure:

- that the municipality has effective revenue collection systems consistent with Section 95 of the Municipal Systems Act 2000 and the municipality's credit control and debt collection policies;
- that revenues due to the municipality are calculated on a monthly basis;
- that accounts for municipal taxes and charges for municipal services are prepared on a monthly basis, or less often as may be prescribed where monthly accounts are uneconomical;
- that all moneys received are promptly deposited in accordance with the requirements of the present Act, into the municipality's primary and other bank accounts;
- that the municipality has and maintains a management, accounting and information system which recognises revenues when they are due, accounts for debtors, and accounts for receipts of revenues;
- that the municipality has and maintains a system of internal control in respect of debtors and revenues, as may be prescribed;
- that the municipality charges interest on arrears, accept where the council has granted exemptions in accordance with its budget related policies and within a prescribed framework; and



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- that all revenues received by the municipality, including revenues received by any collecting agent on its behalf, is reconciled at least on a weekly basis.

The accounting officer must immediately inform the national treasury of any payments due by an organ of state to the municipality in respect of municipal taxes or for municipal services, if such payments are regularly in arrears for periods of more than 30 days.

## NOTE: SECTION 164: FORBIDDEN ACTIVITIES

Section 164(1)(c) lists as a forbidden activity, the making by a municipality of loans to councillors or officials of a municipality, directors or officials of any municipal entity, and members of the public. It has been assumed for purposes of compiling the credit control and debt collection policy that allowing any party to pay off arrears of municipal service charges is not tantamount to the making of a loan in terms of Section 164.)

## 5. BUSINESSES WHO TENDER TO THE MUNICIPALITY

When inviting tenders for the provision of services or delivery of goods, potential contractors must declare that all relevant municipal accounts owing by the tenderer or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of non-compliance) have been made for the payments of arrears.

The Municipality will at its sole discretion check whether all the Municipal accounts are up to date.

No tender will be allocated to a person/contractor until suitable arrangement for the repayment of arrears over the duration of the contract, has been made. The tenderer must maintain arrangements and pay current instalments as provided for in any contract with the Municipality.

Where payments are due to a contractor in respect of goods or services provided to the Municipality, any arrear amount owing to the Municipality may be set off against such payments.

## 6. REPORTING AND PERFORMANCE MANAGEMENT

The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format in terms of s71 of the Municipal Financial Management Act 56 of 2003, to enable the Accounting Officer to report to the Mayor as supervisory authority in terms of s99 of the Systems Act, read with s100(c). This report shall contain particulars on:



Cash collection statistics, showing high-level debt recovery information (numbers of customers; enquires; arrangements; default arrangements; increase or decrease of arrear debtors' balances). Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, state, institutional and other relevant categories.

If in the opinion of the Chief Financial Officer, the municipality will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the Accounting Officer who will, if he agrees with the Chief Financial Officer, immediately move for an adjustment of the budget according to realistically realisable income levels.

The Mayor as supervisory authority shall, at intervals of three (3) months, report to Council as contemplated in s99(c) of the Systems Act.

## 7. INCOME COLLECTION TARGET

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

## 8. APPLICATION OF THE POLICY

The Council reserves the right to differentiate between different categories of consumers, debtors, services or service standards when applying this policy. The Council 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.

## 9. POLICY EVALUATION AND REVIEW

To be in a position to measure the outcome of this policy, the Municipality believes that the output of this policy should be measured in terms of general recognized accounting practices and the following benchmarks will be applicable:

$$\begin{aligned} \text{DEBT COLLECTION PERIOD} &= \frac{\text{total outstanding period}}{\text{revenue}} \times \frac{365}{1} \\ \text{ANNUAL DEBTORS COLLECTION} &= \frac{\text{last 12 months receipts from debtors}}{\text{Last 12 months billing}} \times \frac{100}{1} \end{aligned}$$



The norm on the debt collection period is set at 30 days and the collection rate is set at 95 %.

## 10. LEGAL COMPLIANCE

- 1.1 The municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with the provisions of and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003.
- 1.2 A summary of the provisions of this Act is attached as Annexure I to this policy.

## 11. REVIEW OF POLICY

In terms of section 17(1)(e) of the MFMA this policy must be reviewed on annual basis and the review policy tabled to Council for approval as part of the budget process.

The following should be taken into account for future amendments to this policy:

- Changes in financial strategy; and
- Changes in legislation

<b>Policy section:</b>	Director: Income and Expenditure
<b>Current date:</b>	30 March 2016
<b>Previous review date:</b>	22 May 2015

## 12. APPROVAL AND IMPLEMENTATION OF POLICY

This policy shall be implemented on 01 July 2016 once approved by council.

<b>Policy section:</b>	Director: Income and Expenditure
<b>Approval by council:</b>	

