



The home of harmony, prosperity and growth

## **Credit Control and Debt Collection Policy**

## **1. Objectives of the Policy**

- a) To provide for credit control procedures and mechanisms and debt collection procedures and mechanisms; and
- b) To ensure that all money due and payable to the municipality in respect of rates, fees for services, surcharges on such fees, charges, tariffs, are collected efficiently and promptly.

## **2. Legislative Requirement**

- a) Section 96(a) of the Local Government: Municipal Systems Act, No 32 of 2000 (hereinafter referred to as the “Systems Act”), obliges the Ngwathe Local Municipality (hereinafter referred to as “the municipality”) to collect all money that is due and payable to it, subject to the provisions of that Act and any other applicable legislation;
- b) Section 96(b) of the Systems Act requires the municipality to adopt, maintain and implement a credit control and debt collection policy, which is consistent with its rates and tariff policies and complies with the provisions of the Act;
- c) Section 62(1)(iii) of the Municipal Finance Management Act stipulates that the Accounting Officer must take all reasonable steps to ensure that the municipality has and implements a credit control and debt collection policy referred to in section 96(b) of the Systems Act.

## **3. Code of Ethics**

- a) All the officials of the municipality who are responsible for the implementation of this policy shall embrace the spirit of **Batho Pele** and treat all debtors with dignity and respect at all times.
- b) Employees shall execute their duties in a transparent, fair and honest manner whilst ensuring efficient implementation of this policy in order to realize its desired objectives.

## **4. Opening/Creation of New Consumer Accounts**

- a) In order for an account to be opened a service installation form shall be completed in full by the applicant giving particulars that can assist in determining the ability of the applicant to settle the debts as they become due and payable. (Income vs expenses, household members dependent on this income level, identity documents or registration numbers for non-natural persons etc).

- b) An application for supply of service to any premises within the municipality's area of jurisdiction shall be made at least one working day prior to the services being required in order to allow for sufficient time for service activation.
- c) Upon registration, new applicants shall pay cash deposit and lodge additional security, commensurate with risk as determined.
- d) The municipality shall verify through its billing system that the prospective account holder/owner/spouse does not have an outstanding account in respect of another property. Should there already be an arrear account, this account shall have to be paid before a new account can be opened
- e) Where indications relating to indigent status are evident in the application process, the necessary documentation (affidavit, proof of income, etc) should be attached to the application for services, and the Revenue Management Accountant may override the deposits requirements following the recommendations of the Credit Control Officer
- f) New accounts shall be reviewed for proper classification upon opening i.e (household / business / consumer / owners).

## **5. Metering of Consumption and Billing**

- a) For the purpose of calculating the amount due and payable for the quantity of services consumed, the municipality shall take meter readings on regular intervals, at least once a month and before the 7<sup>th</sup> of every month.
- b) Where no reading can be obtained, interim readings (estimations) shall be charged in line with the Consumptions Estimation Policy.
- c) The Accounting Officer shall ensure that accurate up-to-date customer information is maintained at all times and ensure accurate monthly billing with the application of appropriate correct tariffs and service charges.
- d) The Accounting Officer shall also ensure the timely dispatch of accounts and that adequate provision is made for and the efficient operation of pay facilities at dedicated municipal pay points throughout the municipality.

- e) Although the municipality must render an account for the amount due by a debtor, failure thereof shall not relieve a debtor of the obligation to pay any amount due on account.
- f) Interest shall be charged and billed on all overdue accounts as determined by Council from time to time and at a maximum rate permitted by prevailing legislation.

## **6. Related Consumer Accounts**

- a) In cases where sufficient evidence exist as a result of credit checks processes that there are a number of consumer accounts associated or connected to the same consumer, the municipality may:
  - (i) Consolidate any separate accounts of debtors liable for payments to the municipality;
  - (ii) Credit any payment by such a debtor against any account of that debtor, and
  - (iii) Implement any of the debt collection and credit control measures provided for in this policy in relation to any arrears on any of the accounts of such a debtor.

## **7. Furnishing of Consumer Accounts**

- a) The municipality shall furnish each person liable for the payment of services with a written account, which shall specify:-
  - (i) the amount due and payable for services,
  - (ii) the date on or before which the amount is payable,
  - (iii) description of services charged, and where possible, how the amount was calculated,
  - (iv) where applicable, interest charged and the rate of interest applied.
- b) A person liable for payment of accounts remains liable for such payment, whether or not such person has received a written account from the municipality. If the person concerned has not received a written account, he/she must make the necessary enquiries with the municipality.

## **8. Actions to Secure Payment**

### **8.1 Normal Actions – Ordinary Accounts**

- a) In order to secure payments of accounts, the Accounting Office shall ensure that billing and accounts are rendered timeous, monthly in a cycle of approximately thirty (30) days.

- b) The Accounting Officer shall ensure that the account holder must pay all the amounts due as reflected in the municipal account, i.e metered services, assessment rates, levies, fines, interest, etc. on or before due date.
- c) In a case where certain or some accounts were not paid by due date, the Accounting Office shall order for a provisional cut-off list and age analysis reports to be generated, and ensure that follow up with those account holders who are in arrears telephonically or in writing demanding payments.
- d) Where the accounts remain unpaid after the final stipulated date as per follow-up arrangements, the Accounting Officer shall order that a disconnection of services be initiated accordingly.
- e) After disconnection, regular and random checks shall be performed by the meter reading officials on the premises where supply of services has been disconnected to identify if there were illegal re-connections or not.

## **8.2 Punitive Actions – Ordinary Accounts**

- a) Where there are reported signs of illegal re-connection, the Accounting Officer shall order for permanent suspend services to such premises and immediately hand over the account to the municipality's debt collectors for further action.
- b) After a month of disconnection, and where the account remains unpaid, the Accounting Officer shall order for handing over of the account to the municipality's debt collectors for further action.
- c) Where payments are made via the debt collectors, the Accounting Officer shall ensure that such payments are received by the municipality at least two working days before the due date to enable the payment to be processed and reflect on the subsequent consumer account. However, the onus is on the debtor to ensure that such payment is reflected on the account.
- d) On a monthly basis, the Accounting Officer shall run reports of accounts where consumption exceeds deposit and run subsequent reports showing history of accounts for three consecutive months where consumption exceeded the amount of deposit and for all accounts which, the calculated three consecutive months' consumption exceed deposit, the Accounting Officer shall order that an increase in deposit be considered and notify the consumer with regard to the additional deposit required accordingly.

### **8.3 Ordinary Actions – Indigents’ Accounts**

With regard to any payment 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 Indigent Policy.

## **9. Reconnection or Reinstatement of Disconnected or Restricted Services**

- a) Services to defaulting accountholders terminated or restricted in terms of Connections and Disconnection of Services Policy shall be reconnected or reinstated only when all the following conditions have been met:
- (i) The arrear account has been paid in full, or an arrangement has been made with the Accounting Officer for the payment of the arrear account, as set out as follows: **The current account *Plus* the first minimum payment towards the arrears, which shall not be less than 10% of the total debt owed**
  - (ii) For each additional month that the account remains overdue, the debtor shall be required to pay as follows: **The current account *Plus* An installment as per Arrangement Agreement entered into.**

## **10. Default on Arrangements**

- a) Should the debtor default on arrangements made, services shall be disconnected or restricted and payments shall be required as follows:
- (i) **First Default** - Current account ***Plus*** a minimum payment of 30% of the outstanding debt and enter into a new payment arrangement.
  - (ii) **Second Default** - Current account ***Plus*** a minimum payment of 50% of the outstanding debt and enter into a new payment arrangement.
  - (iii) **Third and Final default** - Current account ***Plus*** Full arrears.
- b) In the case of consumers using prepaid meters, but who have fallen into arrears with the remainder of their obligations to the municipality, no prepaid purchases shall be accepted until the outstanding arrears have been settled or an acceptable arrangement made for the payment of the arrear account. Such arrangement may entail the limitation of the amount of prepaid services which may be purchased until the arrears or a stated percentage of the arrears have been settled.

## **11. Closed Accounts**

In the case of closed account (after closing the account) and where the final account exceeds the deposit in any account, the Accounting Officer shall ensure that the excess is debited to the newly opened account immediately on activation of the new account, and require the account holder to make appropriate arrangements for the settlement of such balance.

## **12. Cost to Remind Debtors of Arrears**

For any action taken in requesting payment from the debtor or reminding the debtor, by means any appropriate communication means that his/her payments are due, an administrative fee may be levied against the account of the debtor in terms of municipality's tariff policy.

## **13. Cost for Disconnection of Services**

Costs associated with disconnection and reconnection / reinstatement of the terminated or restricted service(s), as determined by the council from time to time, shall be due and payable in full with the minimum payments required for reconnection / reinstatement of services. (*this provision not applicable to indigent consumers*)

## **14. Allocation of Part-Payments and Appropriation of Deposits**

- a) If an accountholder pays only part of any municipal account due, the Accounting Officer shall allocate such payment as follows:
- (i) **firstly**, to any unpaid property rates;
  - (ii) **secondly**, to any unpaid interest raised on the account;
  - (iii) **thirdly**, to any unpaid refuse collection charges;
  - (iv) **fourthly**, to any unpaid sewerage charges;
  - (v) **fifthly**, to any unpaid water and electricity charges;
  - (vi) **sixthly**, to any unpaid charges levied by the municipality, notices, legal expenses and reconnections or reinstatements of services in respect of the account or property concerned;
- b) This sequence of allocation shall be followed regardless of any instructions to the contrary given by the accountholder.

**15. Credit Control and Debt Collection Procedures for Assessment Rates, Refuse, Sewerage, Sundry Debtors and Unmetered Properties**

- a) Where consumers fail to pay their accounts by the due date of every month as indicated on the statement, the following actions shall be taken:
- b) Final demand/statements shall be issued or delivered where accounts are in arrears. The final demand/statement shall advise that the account holder may arrange to pay the outstanding balance in terms of this policy.
- c) The final notice/statement shall constitute a final notice and failure to settle the account on the due date shall lead further action being taken without further notice.
- d) If no response has been received in response to the final demand the municipality shall have the right to block the prepaid electricity meter associated with the property concerned until appropriate arrangements of full payment of the account in arrears has been made;
- e) Finally, the accounts remains unpaid despite the above efforts, the outstanding accounts shall be handed over for collection and/or legal action to the attorneys and may be listed at a credit bureau.

**16. Queries by Accountholders**

- a) In the event of an accountholder reasonably querying any item or items on the monthly municipal account, no action shall be taken against the accountholder as contemplated in paragraph 7 above provided the accountholder 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 accountholder or is recorded in writing by the Accounting Officer on behalf of the accountholder on or before the due date for the payment of the relevant account.
- b) Any query raised by an accountholder as a result of reading having been estimated due to restrictions placed / caused by the account holder to enable access to property for proper meter reading, such query shall not constitute a reasonable query for the purposes of this paragraph.



## **17. Review and Approval**

This policy and underlying strategies shall be reviewed at least annually, or as necessary, to ensure its continued application and relevance.

**Approved by Council on:** \_\_\_\_\_