

POLICY DOCUMENT

POLICY F1.02

CREDIT CONTROL AND DEBT COLLECTION POLICY





POLICY : CREDIT CONTROL AND DEBT COLLECTION POLICY

SEE DMS 483437 . for bylaws

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PREAMBLE

AND WHEREAS section 5 (1) (g), read with subsection (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 services fees, surcharges on fees, other taxes, levies and duties imposed by the municipality;

AND WHEREAS section 6 (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, of the costs involved and the persons in charge;

AND WHEREAS Chapter 9, sections 95, 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, by-laws that give effect to the policy, Supervisory authority and Implementing authority.

IT IS HEREBY ADOPTED: a credit control and debt management policy of the uMhlathuze Municipality.

DEFINITIONS

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:

“Account” any account(s) rendered by the municipality specifying amounts due to the municipality arising from whatever cause, including municipal accounts as defined hereinafter

“Act” . means Local Government: Municipal Systems Act: (Act No 32 of 2000) as amended from time to time.

“Arrangement” - means a written agreement entered into between the Council and the debtor where specific repayment parameters are agreed upon.

“Arrears” - means those rates and service charges that have not been paid by the due date and for which no arrangement has been made

“Authorised Representative” . means a person or instance legally appointed by the Council to act or to fulfil a duty on its behalf.

“CFO” . means a person appointed as the Deputy Municipal Manager . Financial Services of the Municipality, or his nominee and include any person acting in that position or to whom authority was delegated.

“**Council**” . means the municipal council, as referred to in section 157 of the Constitution of the Republic of South Africa Act 108 of 1996, of the uMhlathuze Municipality established by part 7 of Provincial Notice 80, dated 27 September 2000.

“**Credit Control**” - means all the functions relating to the collection of monies owed by ratepayers and the users of municipal services.

“**customer**” - means 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.

“**equipment**” - means a building or other structure, pipe, pump, wire, cable, meter, engine or any accessories

“**Implementing Authority**” - means the City Manager or his or her nominee, acting in terms of section 100 of the Systems Act.

“**interest**” . means 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**” . means an account rendered specifying charges for services provided by the municipality, or any authorised and contracted service provider, and/or assessment rates levies.

“**Municipality**” - means the uMhlathuze Municipality.

“**Chief Executive Officer**” . means the person appointed as Municipal Manager and/or the Chief Accounting Officer and include any person acting in that position or to whom authority was delegated.

“**municipal services**” . means those services provided by the municipality, such as, inter alia the supply of water and electricity, refuse removal, sewerage treatment, and for which services charges are levied.

“**occupier**” - means any person who occupies any property or part thereof, without regard to the title under which he or she occupies the property,

“**owner**” . means 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 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.



In a case where 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.

In the case of premises for which a lease of 30 years or more has been entered into, the lessee thereof:

- 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;
- Any legal person including but not limited to-
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;
- Any department of State;
Any Council of Board established in terms of any legislation applicable to the Republic of South Africa;
- Any Embassy or other foreign entity;
Any lessee of Council owned property.

“premises” . means includes any piece of land, the external surface boundaries of which are delineated on a general plan or diagram registered in terms of the Land Survey Act, 1927 (9 of 1927), or in terms of the Deed Registry Act, 1937 (47 of 1937); **or**

A unit within a sectional plan registered in terms of the Sectional Titles Act, 1986 (95 of 1986), which is situated within the area of jurisdiction of the Council;

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 City Manager to ensure the execution of these policies.
- A copy of the 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.
- 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 appeals, and should suffer no disadvantage during the processing of a reasonable appeal.
- Enforcement of payment must be prompt, consistent and effective.
- 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.
- Application forms may be used to, inter alia, categorise customers according to credit risk and to determine relevant levels of services and deposits required.

1. AREA OF APPLICATION

This policy applies throughout the area of the uMhlathuze Municipality.

2. APPLICATION FOR SERVICES

- 2.1. Consumers who require a service must, where possible, enter into a written service agreement with the municipality before the service is rendered.
- 2.2. Customers must have positive proof of identification. A drivers licence is not acceptable and only an identity document will be accepted.
- 2.3. Tenants must provide a copy of the lease agreement and /or a letter from the owner or his authorised agent which authorise the tenant to open the services account.
- 2.4. The application for the service must occur 2 days prior to taking occupation of the premises, so that the Municipality can ensure that a meter reading is taken on the appropriate day and that the services are available when occupation is taken. Failure to adhere to the timeframe may result in customers not having the services available when occupation is taken.
- 2.5. The Municipality will render the first account after the first meter reading cycle to be billed following the date of signing the service agreement.



- 2.6 Consumers who illegally consume services without this agreement may be subject to punitive action.
- 2.7 Where a service is rendered or has been rendered and no agreement exists, the liability for the payment of the account vests with the owner of the property as all service charges are deemed a charge upon the property as contemplated in section 118(3) of the Act.
- 2.8 A customer / owner that vacate the premises must inform Council in writing thereof. Failure to do so will cause the customer / owner to be held responsible for the account until the date he / she informs Council of vacation.

3. DEPOSITS AND GUARANTEES

- 3.1 Deposits are payable when new customers sign on and when existing customers move to a new supply address.
- 3.2 Customers must pay a deposit equal to an amount as determined by the CFO or his nominee from time to time but not less than 2 times the average account in respect water and / or electricity consumption plus value added tax for owners of properties and 4 times the average account in respect water and / or electricity consumption plus value added tax for tenants of properties.
- 3.3 New consumer deposits for business and industrial consumers must be re-assessed three months after the initial deposit date.
- 3.4 Deposits to be paid in cash, bank guaranteed cheque or corporate guarantees, subject to the provisions of Clause 3.7.
- 3.5 All deposits to be paid at least 2 days prior to occupation of the property or the date on which the services are required, whichever is the earliest. Failure to comply may result in a delay with the connection of services.
- 3.6 No service deposit is required if a pre-payment meter is installed for the particular service.
- 3.7 Only bank guarantees issued by a registered bank will be accepted. The minimum guarantee to be accepted is R5 000,00. The minimum notice period for cancellation of a guarantee by the bank is three (3) months.
- 3.8 Deposits and guarantees will be reviewed at intervals determined by the CFO and / or when a consumer's service requires disconnection as a result of non-payment. When such deposit is reviewed, the payment thereof may be phased in or an arrangement could be made with the individual customers to settle the additional deposit in instalments.



4. ACCOUNTS AND BILLING

- 4.1 Customers will receive one consolidated bill for all services to a property.
- 4.2 Accounts are produced in accordance with the meter reading cycles.
- 4.3 An account will be rendered each month in cycles of approximately 30 days.
- 4.4 The Municipality will undertake to have the accounts delivered via ordinary post 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 credit control & debt collection procedures.
 - 4.4.1 Customers must provide a postal address within the Republic of South Africa. No accounts will be posted to an address outside the Republic of South Africa.
- 4.5 In the event of non-receipt of an account, the onus rests on the account holder to obtain a free copy of the account, before the due date. Copies of accounts older than 3 months will attract a copy charge as detailed in the Tariff of Charges.
- 4.6 Accounts must be paid on the due date as indicated on the account. In the absence of a due date on the account, the account will be payable within 7 days from date thereof. Interest will be charged on the arrear rates component of the account and will accrue after the due date if the account remains unpaid, irrespective of the reason for non-payment. .
- 4.7 Interest be charged on arrear rates only at a percentage equal to the interest rate amount determined by the Minister by regulation as provided for in section 55 of the Property Rates Act
 - 4.7.1 arrear services accounts are exempted from interest.
- 4.8 The determined interest rate is a simple interest rate per annum and charged on a monthly basis, late payment for a part of a month being deemed to be a full month.
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- 4.9 Payments for accounts must be received on or before the due date at a Municipal pay-point by the close of business. In the case of any



electronic payments or payments via agents, the money must be received in the municipal bank account before the due date and not later than the close of Business. Payments are only deemed as received once they have been receipted on Council's Financial System.

- 4.10 Non-payment of the account will result in debt collection actions as prescribed elsewhere in this policy.
- 4.11 Consumers who have offered a cheque as payment for services, and which cheque is returned by the Financial Institution as ~~referred to drawer~~ (R.D.), will be disconnected and / or blocked at the soonest opportunity. The account will be flagged and no further cheque payments will be accepted. The flag on the account, which effectively prevents the account holder from making any cheque payments, can be reviewed at the discretion of the CFO after 24 months.
- 4.12 Metered services consumed by an unknown consumer are billed to the owner of the property to which the service connection is registered.
- 4.13 Should a debtor dispute any of his accounts, the following will apply:
 - 4.13.1 For a dispute to exist there must be more than just an expression of dissatisfaction regarding any service.
 - 4.13.2 The dispute must be in writing and specific to an account.
 - 4.13.3 The dispute must specify the reasons why the specific account or part thereof is in dispute.
 - 4.13.4 The customer is not entitled to withhold any payments of any his accounts or portions of his accounts while the account is in dispute.
 - 4.13.5 The dispute must specify the proposed remedy to rectify the dispute.
 - 4.13.6 Once all the specific matters listed as per 4.13.3 have been addressed by Council in writing to the debtor, the dispute is deemed resolved.
 - 4.13.7 If the debtor still feels that the dispute is unresolved, he must follow the appeal procedures listed in section 62 of the Municipal Systems Act, Act 32 of 2000.

Any dispute raised by a debtor against any of his accounts or portions of his accounts does not preclude Council from instituting Credit Control Actions and proceedings in Court for the recovery of the amount(s) claimed by Council.



5. METERING OF SERVICES

- 5.1 The municipality may introduce various metering equipment and customers may be encouraged to convert to a system preferred by the municipality.
- 5.2 Customers who fail to pay their account by the due date may be required by Council to convert to another metering system. This applies to business and residential customers.
- 5.3 Prepayment metering is the preferred installation for all new domestic and where applicable, business connections.
- 5.4 Conventional Meters will be read monthly. Should circumstances prevent reading, the Municipality is entitled to estimate a reading that is within reason comparable to past consumption.

6. WATER LEAK REBATE

- 6.1 Excess charges due to water leaks in respect of domestic customers on the account will be recalculated in terms provided that the following conditions are applied:
 - 6.1.1 The leak must be repaired within 48 hours of detection.
 - 6.1.2 The leak must have been one that the consumer was not aware of and which could not be detected easily or noticeably despite diligent checks by the customer and does not include leakages of taps, toilets and normal household fittings or appliances.
 - 6.1.3 The water usage due to the leak must be at least twice the average consumption used in the 3 months prior to the leak being detected. If no such consumption is available the average will be determined at the discretion of the CFO.
 - 6.1.4 A certificate must be submitted from a registered plumber or, in the event that the leak was repaired by someone other than a registered plumber, a sworn affidavit by such person and must reach the Municipality within 30 days of the leak having been repaired.
- 6.2 The customers will only be entitled to 1 recalculation of the water account due to a leak in a 24-month period.
- 6.3 The CFO will determine any further administrative matters in this regard including the method used to calculate the adjustment, if applicable.



6.4 After a written application by the consumer, a credit may also be passed for a water leak situated at the meter, based on a recommendation by the Infrastructure & Technical Services Department.

6.5 All credits passed for water leaks will be limited to a leak over a consumption period of four (4) months.

7. ARRANGEMENTS FOR SETTLEMENT OF ARREAR ACCOUNTS

7.1 Arrangements are permissible for debtors who experience difficulties in paying their accounts.

7.2 The CFO is authorised to enter into agreements with the debtors with arrears accounts and to grant such debtors extensions for payment.

7.3 The terms applicable for the settlement of arrear debt as well as any upfront payment will be determined by the CFO.

7.4 Only account holders with positive proof of identity or an authorised agent with a Power of Attorney will be allowed to enter into an agreement for the payment of their arrear account in instalments.

7.5 The arrangement must be in writing and may be in the form of an Acknowledgement of Debt. One copy must be handed to the client.

7.6 Failure to honour the agreement will lead to immediate blocking/ disconnection/ restricting of services as well as further legal action where applicable.

7.7. No arrangement may be concluded with consumers without the written authorisation of the owner of that property.

8. ALLOCATION OF PAYMENTS

8.1 A customer may not selectively nominate payment of any of his account(s) or portions of any of his account(s).

8.2 The CFO may at his discretion consolidate any separate accounts of persons liable for payments to the municipality and/or credit a payment by such a person against any account or portion of an account of that person.

9. TENDERS FOR BUSINESS



- 9.1 When inviting tenders for the provision of services or delivery of goods, potential contractors may submit tenders subject to all relevant municipal accounts owing by the tenderer and/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 payment of any arrears.
- 9.2 No tender will be allocated to a person/contractor until a suitable arrangement for the repayment of arrears, has been made. No further debt may accrue during contract period.
- 9.3 A condition must also be included in all contracts allowing Council to deduct any moneys owing to the municipality from contract payments.



10. APPROVAL OF BUILDING PLANS

Before any building plans pertaining to the alteration, improvement or erection of buildings or structures on a property can be considered for approval or any permission to proceed with such construction can be given, all arrears outstanding for a period longer than 30 days associated with the relevant property are to be paid.

11. DEBT COLLECTION

- 11.1 The CFO is authorised to institute mechanisms with the intention of proceeding until the debt is collected.
- 11.2 The following mechanisms may be used, but are not limited to, to collect outstanding monies owed to Council:
 - 11.2.1 Disconnection / restriction of metered or prepaid services to any premises of a debtor for any overdue accounts of a debtor..
 - 11.2.2 Blocking from buying prepayment services by debtors who are in arrears with rates and/or service charges or any other outstanding account.
 - 11.2.3 Allocating a portion of any payment for prepayment services to arrear debt.
 - 11.2.4 If a debtor's electricity supply has been disconnected for 3 or more consecutive times within one year, Council has to install a prepayment supply at the cost of the debtor.
 - 11.2.5 Deducting payments of grants-in-aid.
 - 11.2.6 Deducting payments on contracts.
 - 11.2.7 Any other method authorised by Legislation or Council from time to time.
 - 11.2.8 The issuing of a final demand. The demand will be posted by ordinary post and will be deemed received 3 days after it had been posted. The issuing of a demand by way of e-mail or Cell phone text message will also be accepted as a proper demand sent in terms of this policy.
 - 11.2.9 Legal process; - up to and including the attachment and sale of moveable property or sale of immovable property where, in cases of residential properties, the owner does not occupy the premises.



- 11.2.10 The transfer of outstanding debt on a closed account to the owners account. (Refer to section 118(3) of the Act).
- 11.3 The CFO has the delegated authority to determine the economic viability of all arrear accounts as well as the minimum outstanding arrears before these accounts are handed over to an attorney for collection.
- 11.4 The CFO must investigate ways and means of assisting customers before selling their immovable property.
- 11.5 The CFO may instruct the attorneys to proceed with the sale in execution in respect of all undeveloped properties, commercial properties and properties where the owner is not the consumer..
- 11.6 The Executive Committee must be furnished with all relevant details prior to the CFO instructing the attorneys to proceed with the sale in execution of all residential properties where the owner is also the consumer.
- 11.7 The collection of arrear accounts from Provincial or Government departments will be dealt with in accordance with the provisions of MFMA circular number 21 after a due diligence process followed by the Credit Control section to collect such arrears.
- 11.8 The following charges / fees be applied in respect of Credit Control Actions and will be amended annually during Council's budget review process:
- 11.8.1 SMS Fee**
A fee will be charged to all customers where an sms is send as a reminder for an unpaid account.
- 11.8.2 Final Request Fee**
A fee wil be charged to all customers for every written final request sent as a reminder for an unpaid account where the customer is notified of Council intention to disconnect the electricity supply or restrict the water supply. The fee structure should differentiate between Business and Residential consumers. A higher fee should be applicable to business consumers.
- 11.8.3 Final Demand Fee**
A fee will be charged to all customers where a final demand message is send via post or hand delivered to his address, reminding the customer of his unpaid account, giving him notice of Council's intention to hand the account over to an attorney for legal action.
- 11.9 Disconnections & Restrictions**

**11.9.1 Disconnection Fee.**

A fee will be charged for the disconnection of the electricity supply due to the non-payment of the account.

11.9.2 Restriction fee

A fee will be charged for the restriction of the water supply. This fee should differentiate between consumers in the urban and traditional areas. The fee applicable to the traditional areas should be 25% of the urban areas and should be phased in over 4 years to be equal after the said 4 years.

11.10 Administrative Actions**11.10.1 Acknowledgement Of Debt (AOD)**

A fee will be charged to each customer where a written acknowledgement of debt (AOD) is completed and recorded on the Financial System

11.10.2 Blocking of Prepayment

A fee will be charged for processing a blocking action in respect of a prepayment customer due to the non-payment of any other account owing to Council.

12. RESPONSIBILITY FOR AMOUNTS DUE AND PAYABLE

12.1 An amount due for municipal service fees, surcharge on fees, property rates and other municipal taxes, levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property.

12.2 Accordingly, all debts accrued in respect of the property shall be a charge upon the property, and shall be payable by the owner of such property.

12.3 Should a tenant or occupier other than the owner fail to pay for any account rendered in respect of services rendered to the property, such account will be payable by the owner.

12.4 Any person who purchases or otherwise acquires or leases immovable property from the Municipality shall be deemed to be the owner thereof from the date of such purchase or other acquisition by him or from the commencement of such lease, as the case may be and shall be held responsible for all debts accrued in respect of the property.



- 12.5 Where the property is owned by more than one person, each such person shall be liable jointly and severally for all Municipal debts charged on the property.

13. BAD DEBT RESERVE AND WRITING OFF OF IRRECOVERABLE ACCOUNTS

- 13.1 The valuation of provision for bad debts will be annually determined during the preparation of the Financial Statements by the Chief Financial Officer by adhering to the applicable IAS and GRAP standards.
- 13.2 The CFO is authorised to write-off all closed accounts with outstanding balances below R5000,00 after all steps as set out in this policy have been implemented and the amounts are deemed irrecoverable. The aforementioned authorisation is also extended to include the following:
- 13.2.1 All amounts outstanding on closed accounts below R100,00 will be written off 30 days after a letter of demand has been posted and no reaction received.
- 13.2.2 All amounts below R20,00 will be written off as they occur.
- 13.2.3 All credits amounts of R20 or less on closed accounts where the consumer has no further account with Council, will be forfeited to Council and will be credited to the surplus account vote. If the debtor opens an account within a period of 1 year after such amount was forfeited, the said amount will, on application thereto, be credited to his new account.
- 13.2.4 Other accounts which have been subjected to credit control measures and appears to be irrecoverable or the collection thereof not economically viable must be submitted annually to the Executive Committee for consideration for write off as bad debt.

14. LEASE AGREEMENTS

- 14.1 Any lease agreement concluded between Council and a lessee where the lessee is a close corporation or private company must include a Deed of Suretyship.
- 14.2 No lease agreement may be ceded if there is any arrear amount outstanding in terms of the lease agreement or in terms of the services account of the lessee on the lease property.



15. ENHANCED EXTENDED DISCOUNT BENEFIT SCHEME (EEDBS) PROPERTIES

- 15.1 Council acknowledge that there are certain residual housing stock which are in still the process of been alienated in terms of the Enhanced Extended Discount Benefit Scheme (EEDBS).
- 15.2 A large number of the beneficiaries of these types of housing are in arrears and all credit control actions provided for in this policy are applied except for the sale in execution of the properties.
- 15.3 All properties, which are still subject to transfer in terms of the EEDBS scheme, where the original beneficiary is no longer in occupation of the property be re-allocated to another person in terms of prevailing policies regarding the allocation of properties.
- 15.4 Any debt that remains outstanding on these accounts be written off as irrecoverable when the new owner takes occupation of the property. Where the new beneficiary has been in occupation of the property, all debt that is applicable to the period where he was in occupation, will remain a debt outstanding for his account.

16. TAMPERING WITH SERVICES

- 16.1 The application of any measures in respect of tampering with services are provided for in Council's Electricity and Water Services Bylaws.
- 16.2 Any amounts debited to a customer's account in respect of Electricity illegally consumed forms an integral part of the customer's account and no arrangements for the payment of the outstanding account in instalments can be made unless the debtor pays a first upfront amount of 50% of his total outstanding account.

17. ASSISTANCE TO INDIGENT DEBTORS

- 17.1 Free basic electricity (FBE) will be supplied in accordance with Council's separate policy on FBE.
- 17.2 Free basic water services are supplied to all domestic consumers only and on a separate Tariff Structure with the following sliding scales:

0 - 0,2 Kl. per day	(0 - 6 Kl per month) - Free Allocation
0,2 + Kl per day	per tariff of charges



- 17.3 The actual water tariffs for the scales as shown above are set and approved by Council annually during the budget review process.
- 17.4 A residential household can only be registered as indigent if the holder of the municipal account (the applicant for registration) meets all of the following criteria:
- 17.4.1 If the total gross monthly income of all the members of the applicant's household over the age of 18 is equal to or below double the current old age state pension,
- 17.4.2 If the applicant, as well as any other member of the household does not own other fixed property than the one on which they reside,
- 17.4.3 The applicant must be a South African citizen and must be the owner or tenant as defined in this policy and must be resident on the property referred to on the municipal account.
- 17.4.4 In cases of child headed households, the applicant for registration may either be a guardian adult over eighteen (18) years of age not resident on the property or an orphaned minor under 18 years of age residing on the property. The person applying on behalf of a child headed household must certify that only orphaned children reside at that property.
- 17.4.5 The fixed property may not be bonded for amount higher than R100 000. (One hundred thousand Rands)
- 17.4.6 Any type of business conducted on the premises of an account holder or by any other person, will also disqualify the applicant.
- 17.4.7 If the applicant is using luxury appliances and or equipment such as DSTV, the applicant will be excluded from any relief.
- 17.4.8 Occupiers of premises, where proof can be submitted that the relevant account holder/property owner has absconded and their whereabouts are unknown may apply as if he/she is the owner.
- 17.4.9 The final determination of who qualifies as an indigent (excluding tariff applications in respect of the universal approach) must be done by way of an investigation at the household.
- 17.5 An indigent application form must be completed by the Municipal official performing the investigation and the following documentary proof must be submitted with each application:
- Certified copies of proof of existence of each member of the household i.e. birth certificates or identity documents.



- A copy of the most recent municipal account of the property or the correct account number.
- Documentary proof of the total monthly income of the household (e.g. Pension receipt advice, UIF Cards, Salary advice, letter from an employer) **or** a written declaration stating the alternative sources and approximate amounts of the total income generated monthly by the household including monies collected through self employment schemes such as the selling of vegetables etc.
- In case of tenants on municipal properties, a copy of the rental contract or the correct rental account number.

17.6 After confirmation on the application form by a municipal officer that the information on the application and supporting documents have been verified to be true and conforming to the registration criteria, the application is approved and captured on an indigency register / database kept by the municipality.

17.7 The applicant must accept technical assistance by the municipality to make his/her current monthly consumption of services more affordable through the supply of limited services, as soon as the application is successful. (E.g. Restriction of water to 6 kl)

17.8 The applicant must accept the limited level of service.

17.9 The registered indigent must always ensure that her/his monthly consumption does not exceed the limited level of services allocated in terms of this policy. Normal rates, fees and requirements to pay an account will apply, should a household account exceed the benefits

17.10 No debt collection or credit control measures will be instituted against the indigent for as long as the account for consumption over and above the free use is paid in full every month.

17.11 The indigent household, who receives their electricity supply from the Municipality through a prepayment metering system, may purchase additional electricity above the free allocation unless the sale of electricity is blocked in terms of the provisions of the Credit Control Policy or Bylaws.

17.12 Should the situation of the registered indigent household change, the onus is on that household to either inform the municipality that re-evaluation may be considered or to apply for de-registration.

17.13 Directly after the registration of the household as indigent, credit control and debt collection actions to recover the total outstanding amount will be suspended. This total outstanding to Council in respect of the indigent



household's municipal account will then immediately be written off for successful registrations and reported on to Council on an annual basis.

- 17.14 Indigent support equal to the outstanding amount on the account will be given and funded from the equitable share received from National Government.
- 17.15 If the indigent customer is unable to pay the required amounts in respect of tampering and/or services consumed illegally, a minimum period of 1 year without electricity will apply for each transgression.
- 17.16 Should it be found that any debtor/s made false statements pertaining to their status as indigent, such debtor shall forfeit all the benefits and protection as a classified %indigent+ and the total arrear amount, including any written off amounts, be recovered, regardless of the process followed;
- 17.17 Relief in respect of the policy on Free Basic Electricity can only be given if the electricity supply to the household of the indigent debtor is done by way of prepayment electricity supply. Where the supply to the indigent household is not by way of prepayment, a prepayment meter must be installed at Council's cost to the household, limited to Council's licenced supply area..
- 17.18 The water to the premises of an indigent household will be unrestricted for a period of 3 days in the case of a funeral / traditional ritual. Application for such restoration must be made in writing and must be accompanied by a copy of the relevant death certificate.
- 17.19 Ad hoc evaluations will be undertaken on all registered indigent households exceeding certain consumption levels which indicate abuse or if false information on applications is suspected and when the property is sold within 1 year after being included on the indigent register
- 17.20 Further relief to indigent debtors will be made in accordance with the current approved Indigent and /or Rates Policy.

18. ESTATES WITHOUT FORMALISED LEGAL STATUS

- 18.1 In cases where the head of an indigent household has died without leaving a will/final testament indicating to whom ownership of the family residence is to be transferred in the event of his/her death OR the owner of the property has abandoned his/her indigent family to fend for him/herself:



- 18.1.1 The remaining indigent family of the deceased must report the situation to the Department of the CFO, who will require the relevant documentation to be obtained by the family, i.e. a death certificate and an order of the local Magistrate allocating right of ownership to someone of the surviving family in the case of a deceased estate, OR an order of the local Magistrate allocating right of ownership to someone in the abandoned indigent family.
- 18.1.2 The Credit Control Section will then grant extension for the payment of the accumulated arrears subject to the credit control policy provisions.
- 18.1.3 As soon as the Magistrate has officially allocated ownership to a member of the indigent family, the documentation must be presented to the Department of the CFO's office, who will then change the name of the account to that of the new owner. A special note will be recorded on the property record that the registered owner is deceased.
- 18.1.4 The indigent family will be informed that the property may not be sold unless the property is firstly transferred to the heir of the estate.

19. NON-COMPLIANCE WITH POLICY

- 19.1 The non-compliance with any clause contained in this Credit Management Policy due to computer hardware or software failure will not be seen as a failure to comply with this policy.

**20. SERVICE OF DOCUMENTS AND PROCESS**

- 20.1 Any notice, including an account or final notice or other document that is served on/or sent to a person in terms of this policy, is regarded as having been served or received if;:
- 20.1.1 when it has been delivered to that person personally.
 - 20.1.2 when it has been left at that person's place of residence or business in the Republic.
 - 20.1.3 when it has been posted by ordinary or registered or certified mail to that person's last known postal or residential or business address within the Republic.
 - 20.1.4 If that person's address in the Republic is unknown, when it has been served on/or sent to that person's agent or representative in the Republic in the manner provided by paragraphs (20.1.1), (20.1.2) or (20.1.3); or
 - 20.1.5 If that person's address and agent or representative in the Republic is unknown, when it has been posted in a conspicuous place on the property or premises, if any, to which it relates.
 - 20.1.6 when any notice is sent via email or cell phone text message it is deemed served / received when the message has been sent and there exists an electronic record that such message was sent.
- 20.2 When any notice or other document must be authorised or served on/or sent to the owner, occupier or holder of any property or right in any property, it is sufficient if that person is described in the notice or other document as the owner, occupier or holder of the property or right in question, and it is not necessary to name that person.

21. PERFORMANCE MANAGEMENT

- 21.1 In terms of section 99 of the Act, Council's Executive Committee must oversee and monitor:
- 21.1.1 the implementation and enforcement of the municipality's credit control and debt collection policy and any by-laws enacted in terms of section 98; and
 - 21.1.2 at such intervals as may be determined by the Council, report to a meeting of the Council on the duties mentioned in paragraphs (18.1.1 to 18.1.4).

- 21.2 The targets which will be used to determine the enforcement and/or effectiveness of Council's Credit Management Policy are therefore:-

21.2.1 Debtors Turnover rate.

The turnover rate is calculated by expressing outstanding debtors as a percentage (%) of the total levied income for the immediate preceding 12 months. The rate should ideally be below 20%.

21.2.2 Payment Rate

The payment rate is determined monthly by expressing the actual debtors collections over the previous 12 months as a percentage (%) of the levied amount in respect of rates and services for the same period. The rate should ideally be above 98%.

22. CREDIT CONTROL AND DEBT COLLECTION : EMPLOYEE ACCOUNTS

- 22.1 Schedule 2, Section 10 of the Municipal Systems Act states that *"a staff member of a municipality may not be in arrears to the municipality for rates and service charges for a period longer than 3 months, and a municipality may deduct any outstanding amounts from the staff member's salary after this period."*
- 22.2 Employees of the Municipality shall be subject to disciplinary hearings, as per the Municipal Systems Act (No 32 of 2000), Schedule 2 S10, if they are found to be in arrears.
- 22.3 In order to ensure timeous, assured payment of employee accounts, all employees residing within the City of Umhlathuze shall be subject to an automatic deduction instituted against their salaries.
- 22.4 No arrangements (AODs) will be concluded with staff.
- 22.5 If a staff member's current account is in credit, no refunds will be made.

23. CREDIT CONTROL AND DEBT COLLECTION : COUNCILOR ACCOUNTS

- 23.1 The Local Government Laws Amendment Act (No 51 of 2002) states that Municipal Councilors may not be in arrears to the municipality for rates and services for a period longer than 3 months. In addition, in terms of the Municipal Finance Management Act (No 56 of 2003), S124(b).



“The notes to the annual financial statements of a municipality must include particulars ofany arrears owed by individual councilors to the municipalityfor rates or services and which at any time during the relevant financial year were outstanding for more than 90 days, including the names of those councilors.....”

- 23.2 In order to ensure timeous, assured payment of councillor accounts, all councilors shall be subject to an automatic deduction instituted against their councillor allowance payments on a monthly basis.
- 23.3 No arrangements (AODs) will be concluded with councillors.
- 23.4 If a councillor's current account is in credit, no refunds will be made

24. COMMUNICATION

- 24.1 The municipality will at its own cost make the Credit Control and Debt Collection Policy brochure available to the community. Any amendments may be communicated in a newsletter from time to time.
- 24.2 Councillors must from time to time, address ward committees on the contents of the policy and any amendments thereto.

25. INCONSISTENCY WITH OTHER COUNCIL POLICY

In the event of any inconsistency between any provision of this policy, and any other Council policy, this policy prevails.