

DIHLABENG LOCAL MUNICIPALITY



CREDIT CONTROL AND DEBT COLLECTION POLICY

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1. Background

1.1 The constitution of the Republic of South Africa

In terms of section 152(1) the objective of Local Government in South Africa is to:

- a) Provide democratic and accountable Government for local communities
- b) Ensure provision of services to communities in a sustainable manner
- c) Promote social and economical development
- d) Promote a safe and healthy environment
- e) Encourage the involvement of communities and community organizations in the matters of Local Government.

1.2 The Municipal Systems Act, Act 32 of 2000

In terms of Chapter 9, it obliges the municipality to have a Credit Control and Debt Collection Policy. The Municipality must:

- a) Structure and manage its administration, budgeting and planning processes to give priority to the basic needs of the community, and
- b) Participate in National and Provincial development programs.

In order to provide the services in a sustainable manner, whilst creating an environment conducive to the promotion of social and economic development, Council adopted and implemented a Credit Control Policy in terms of which rates and taxes had to be and were collected.

Customer Care and Management, Section 95

95. In relation to the levying of rates and other taxes by Municipality and the charging of fees for municipal services, a municipality must, within its financial and administrative capacity:
- a) Establish a sound customer management system that aims to create a positive and reciprocal relationship between persons liable for these payments and the municipality, and where applicable, a service provider.
 - b) Establish mechanisms for users of services and rate payers to give feedback to the municipality or other service provider regarding the quality of the services and the performance of the service provider.
 - c) Take reasonable steps to ensure that users of services are informed of the costs involved in service provision, the reason for the payment of service fee and the manner in which monies raised from the services are utilized.
 - d) Ensure that persons liable for payments receive regular and accurate accounts that indicate the basis for calculating the amounts due.
 - e) Provide accessible mechanisms for dealing with complaints from such persons, together with prompt replies and corrective action by the municipality.
 - f) Provide accessible and sufficient pay points and other mechanisms for settling accounts or for making pre-payments for services.

Attention should therefore be directed at improving the recovery rate of the Municipality's debtors.

2. CREDIT CONTROL PROCEDURES

- a) Chapter 9 of the Municipal Systems Act requires each municipality to have one Executive Committee and Municipal Manager to monitor and oversee implementation and enforcement.
- b) To have a proper billing system.
- c) An effective and efficient distribution system should exist to ensure that consumers receive their monthly accounts on time.
- d) Interest of prime plus 1 % on arrears-rates.
- e) Service contract shall be entered into for provision of services.
- f) The municipality must have access to all meters at all times.
- g) A deposit equal to the approved tariffs is to be paid by all new consumers of water and electricity.
- h) Consumer deposits will not earn interest.
- i) Transfer of property can only take place by the Registrar of Deeds if a clearance certificate has been issued by the municipality.
- j) All income must be collected within the budget year.
- k) The municipality may recover any outstanding monies of property owners from the tenant after serving a notice to the tenant and may therefore suspend service to the tenant.
- l) Owners of properties and/or renting agents are obliged to monitor their tenants' accounts and will be liable for any outstanding monies.
- m) Payments of accounts will be allocated in the following order of priority:
 - a. Unpaid charges i.e. legal expenses, reconnections, etc.
 - b. Interest raised.
 - c. Sewerage charges.
 - d. Refuse collection charges.
 - e. Water charges.
 - f. Property rates.
 - g. Electricity charges.
- n) If the municipality is unable to read meters, average consumption will be charged for a period of no longer than three months.
- o) Councilors are not permitted to have accounts older than 30 days and therefore must sign stop orders.
- p) Employees of Council are not permitted to have account older than 30 days and therefore must sign stop orders.
- q) Businesses are not allowed to have accounts older than 30 days.

3. DEBT COLLECTION PROCEDURE

- a. Municipal accounts must be paid on or before the 7th of every month.
- b. Debt collection procedure will be applied if a current debtor's account or any portion of such an account is not paid by the 7th.
- c. Consumers should be given a seven day's written notice of intended disconnection.
- d. Services may be disconnected if the consumer owes the municipality any money on any other service.
- e. The indigent policy must be considered.
- f. Councilors should take the responsibility of consulting with their wards in order to encourage consumers to pay for services provided, and that a list of defaulters be given to councilors every month.
- g. The municipality may enter into arrangements with consumers to recover outstanding monies, the arrangements must be within the relevant financial year.
- h. A reconnection fee equal to the approved tariff must be charged before reconnection of electricity (unbarring of prepaid meters).

3.1 Arrangements for payments of outstanding monies.

- a. A minimum amount of 15% of the outstanding account will be required before reconnecting or to prevent disconnection in the case of a consumer responding to the written notice as stated above.
- b. A written agreement for the outstanding balance must be entered into for a period of one year or less provided that the installment must not be less than 15% of the outstanding debt or R200 which ever is the greatest.
- c. No arrangements will be allowed for business-, government- and schools accounts.
- d. In the case of tenants a written approval by the owner must accompany the agreement.
- e. The agreement must include the payment of the current account in full.
- f. If the arrangement is dishonored, the full balance will immediately become payable and the municipal services will be terminated. The municipality then has the right to promptly hand over the account to the attorneys for collection without further notice. No person will be allowed to enter into a second agreement, except in special merit cases with the discretion of the municipal manager or his/her delegate.
- g. Extension for the payment of the agreement and current accounts may not exceed 30 days of date of agreement.
- h. If cheques and debit orders are returned marked "refer to drawer" the full balance will immediately become payable and the municipal services will be terminated. The municipality then has the right to promptly hand over the account to the attorneys for collection without further notice. Bank charges in this regard will be for the account of the consumer. No further cheques will be accepted, except a bank guaranteed cheque.
- i. Where services are illegally restored, a fine will be instituted and the municipality has the right to take legal action.
- j. The municipality may consolidate any separate accounts or credit payments against any account where there are disputes.

3.2 Additional provisions

- a. An owner of a stand who wishes to transfer his/her stand has to pay all rear amounts prior to transfer unless he/she is registered as indigent.
- b. Provincial government to be requested for assistance with transfer costs in the case of the death of an owner and his/her heirs are indigent.
- c. In the case of an owner who has more than one stand and cannot afford services on both stands:
 1. Where no title deed exists, the stand will be taken back and reallocated.
 2. Where a title deed does exist, the stand will be attached and be sold on the open market.
- d. In the case of an empty stand where the owner/occupier cannot be traced, all arrears will be written off and the stand sold to the amount of R5 per square meter.
- e. In the case of a person not living on a stand where a title deed exists, the property will be attached and sold.
- f. Before attachment of a property, the ward councilor has to be informed within seven working days in order to enable the councilor to negotiate with the debtor any payments.
- g. Council might consider implementing water restriction to enforce this Policy which shall be within the relevant Health Act.

3.3 Tampering of meters

- a. A fine equals to the prescribed amount on the Council's tariff list will be levied and has to be paid before the restoring of services to the debtor may take place.
- b. Where the whole amount can not be afforded by the consumer half of the amount is to be paid up front and an arrangement for the payment of the balance can be made payable within three months.
- c. The above arrangements are applicable to indigent consumers as well.

3.4 Ethical Notes

Councilors and employees alike commit themselves to the following:

- a. Not to make exceptions to, or relax the stated procedures contained in this policy in respect of any consumer, whether individual or group, at their own initiative or at the request of somebody else.
- b. Not to intervene in the debt collection process with a view of stopping or delaying any action against any consumer, except to answer an enquiry concerning an account.
- c. Diligently implement this policy and procedure.