

**VENTERSDORP
LOCALMUNICIPALITY**



**DRAFT CREDIT CONTROL AND DEBT
COLLECTION POLICY
2012/2013**

VENTERSDORPLOCALMUNICIPALITY

CREDIT CONTROL AND DEBT COLLECTION POLICY

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PART 1: LEGISLATIVE CONTEXT

1. The credit control and debt collection policy of Ventersdorp Local Municipality is mandated by section 96(b) of the Municipal Systems Act, 2000 (No.32 of 2000), which specifically provides that a municipality must adopt, maintain and implement a credit control and debt collection policy.
2. In terms of section 152 (1) (b) of the Constitution of the Republic of South Africa, 1996 (No. 108 of 1996), one of the objects of local government is to ensure the provision of services to communities in a sustainable manner.
3. In terms of section 153 (a) of the Constitution of the Republic of South Africa, 1996 (No. 108 of 1996), a municipality must structure and manage its administration and budgeting and planning processes to give priority to the basic needs of and to promote the social and economic development of the community.
4. In terms of section 195 (1) of the Constitution of the Republic of South Africa, 1996 (No. 108 of 1996), public administration must be governed by the democratic values principles enshrined in the Constitution, including the following principles:
 - Efficient, economic and effective use of resources must be promoted.
 - Services must be provided impartially, fairly, equitably and without bias.
 - People's needs must be responded to.
5. In terms of section 64 (2) (a) of the Municipal Finance Management Act, 2003 (No. 56 of 2003), the municipal manager must take all reasonable steps to ensure that the municipality has effective revenue collection systems consistent with section 95 of the

Municipal Systems Act and the municipality's credit control and debt collection policy.

6. In terms of section 4 (1) (c) of the Municipal Systems Act, 2000 (No. 32 of 2000), the council of a municipality has the right to finance the affairs of the municipality by charging fees for services, imposing surcharges on fees, rates on property and, to the extent authorized by national legislation, other taxes, levies and duties.
7. In terms of section 5 (1) (g) of the Municipal Systems Act, 2000 (No. 32 of 2000), 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 provisions of the policy for indent debtors, members of the community promptly pay for service fees, surcharges on fees, rates on property and other taxes, levies and duties imposed by the municipality.
8. In terms of section 6 (2) of the Municipal Systems Act, 2000 (No. 32 of 2000), the municipality must-
 - be responsive to the needs of the local community;
 - facilitate a culture of public service and accountability amongst staff;
 - take measures to prevent corruption;
 - establish clear relationships, and facilitate co-operation and communication between it and the local community;
 - give members of the local community full and accurate information about the level and standard of municipal services they are entitled to receive; and
 - Inform the local community how the municipality is managed, of the costs involved and the persons involved.

PART 2: OBJECTIVES

The objectives of the Credit Control and Debt Collection Policy are:

1. To define a framework within which Ventersdorp Local Municipality can develop an effective procedure to bill consumers of the services it provides and collects payments for the services;
2. To ensure that all monies due and payable to the municipality are collected and applied to deliver municipal services in the best interest of the community, residents and ratepayers and in a financially sustainable manner as prescribed by the Municipal Systems Act, 2000 (No. 32 of 2000) and other applicable legislation;
3. To adopt, maintain and implement a credit control and debt collection policy consistent with section 97 of the Municipal Systems Act, 2000 (No. 32 of 2000) which provides for the contents of the policy;
4. To ensure that the municipality develops credit control and debt collection procedures and mechanisms that are considered to be fair and consistently enforced to all consumers.

PART 3: SCOPE

1. This Policy shall apply and be enforceable throughout the entire area of jurisdiction of the Ventersdorp Local Municipality.
2. In accordance with section 97 (2) of the Municipal Systems Act, 2000 (No. 32 of 2000), the Council reserves the right to differentiate between different categories of ratepayers, users of services, debtors, taxes, services or service standards when applying this Policy.

3. In applying this Policy, the Council shall avoid discrimination as forbidden by the Constitution unless it is established that the discrimination is fair as allowed by the Constitution.

PART 4: EXPECTED DEBT RECOVERY LEVELS

1. The municipality aims at ensuring that payment levels for the present and future financial years, in respect of monies due to the municipality, exclusive of the balance of the monthly accounts payable by registered indigents, are maintained at an annual average of overninetypercent (90%).
2. The long-term target is a debtor turnover of 30 days; that is, on average, debtors are expected to pay for services within one month of receiving accounts.

PART 5: ROLE OF MUNICIPAL MANAGER

1. Section 100 of the Municipal Systems Act, 2000 (No. 32 of 2000) clearly assigns the legal responsibility for implementing the credit control and debt collection policy and by-laws to the municipal manager.
2. The Municipal Manager may delegate these responsibilities in writing to the Chief Financial Officer. However, such delegation does not absolve the municipal manager from final accountability for implementing this Policy.
3. The Municipal Manager shall report monthly to the Mayor and quarterly to the Council on the actions taken in terms of this Policy and on the payment levels for the periods concerned.
4. In addition, such monthly report shall indicate any administrative shortcomings, the measures taken or recommended to address such shortcomings, and any actions by political office bearers and councilors which could reasonably be interpreted as constituting interference in the application of this Policy.

5. Although the Municipal Manager is held accountable for implementing this Policy, it is the responsibility of all officials of the municipality to promote and support this Policy.

PART 6: ROLE OF COUNCILLORS

1. Section 99 of the Municipal Systems Act, 2000 (No. 32 of 2000) places the important legal responsibility on the Mayor of monitoring and supervising the application of this Policy and of reporting to the council on the extent and success of credit control actions.
2. The ward committees must 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 this Policy, and ensure, at the same time, that the municipality's customer relations are of a standard acceptable to the community.
3. In order to maintain the credibility of the municipality in the implementation of this Policy, Councilors, by adopting this policy, pledge that their own accounts will at no stage fall into arrears.

PART 7: SERVICE CONTRACT

1. A service contract shall be entered into with the municipality for each property to which the municipality is expected to provide all or any of the following services:
 - Electricity
 - Water
 - Refuse collection
 - Sewerage.

2. Such contract shall set out the conditions on which services are provided and shall require the signatory to note the contents of the municipality's credit control and debt collection policy, a copy of which shall be provided to such signatory, as well as the provision of the Municipal Systems Act in regard to the municipality's right of access to property.
3. Where the signatory is not the owner of the property to which the services are to be provided, a properly executed letter from such owner indicating that the signatory is the lawful occupant of the property shall be attached to the service contract.
4. The service contract shall be entered into prior to the provision of services and prior to the consumer taking occupation of the property.
5. Where no service contract has been entered into prior to consumption of municipal services, the owner responsible for the payment of rates shall be billed for consumption of municipal services applicable to the property.

PART 8: PAYMENT OF DEPOSITS

Whenever a service contract is entered into, the signatory shall lodge a cash deposit with the municipality, such deposit to be determined as follows:

- Three months' consumption of metered services and charges for other municipal services; or a minimum amount specified by the municipal manager from time to time.
- Deposits for new domestic, commercial and industrial consumers may be re-assessed three months after the date of initial deposit and may, as a result of this reassessment, require an additional deposit from the consumer.

- Deposits may be reviewed annually and the outcome of such review shall be communicated to the consumer in the event of any variation in the deposit arrangement.
- Isn't it possible to determine a fixed deposit for water, electricity and both services, for instance water = R500, elect = R1000, where water and electricity on one stand = R1500. This just makes it easier and more reliable for audit purposes.

PART 9: ACCESS TO PROPERTY TO READ METERS

1. Section 101 of the Municipal Systems Act, 2000 (No. 32 of 2000) requires the occupier, owner or tenant of a property to allow municipal officials or the municipality's authorized service provider access to read meters, install or repair meters as well as to discontinue or restrict the provision of service.
2. The municipal official should have proper authorization and can only request access during reasonable hours.
3. If the municipality is unable to read any meter on any property because the meter has been rendered inaccessible through any act or omission of the account holder or owner of the property concerned, the municipal manager shall estimate the consumption of the service concerned by determining the monthly average of the metered consumption recorded on the three most recent accounts in respect of which meter readings were obtained, and thereafter bill the account holder for the monetary value of such estimated consumption plus a provisional surcharge of ten percent (10%) of such value for the first month in which the metered reading could not be obtained, escalating to twenty percent (20%) in the second month, thirty percent (30%) in the third month, and so on by ten (10) percentage points for each subsequent month, until the meter is again rendered accessible.
4. The account holder shall be liable for the initial payment of such surcharge(s) as though the surcharge(s) were part of the service charge concerned, but the municipal manager shall reverse such

surcharge(s) against the first account for which a meter reading is again obtained.

PART 10: ACCOUNTS, BILLING AND PAYMENT

1. The Council shall produce and post a consolidated monthly bill to consumers for service (water, electricity, refuse collection and sewerage) charges and for rates levied on property within the municipal area unless the rates account has not been consolidated with the services account in which case separate rates account shall be posted. These accounts shall be produced in accordance meter reading cycles at regular intervals or as prescribed by law.

The account/invoice shall reflect the following details:

- Name and address of the municipality;
- Period of consumption/account;
- Consumer name;
- Consumer account number;
- Consumer postal address;
- Residence/Erf details to which the services have been supplied;
- Actual or estimated consumption for each metered service within the specified period;
- Applicable service tariff;
- Valuation of the property;
- Total annual amount of property rates due and the monthly amount of property rates due;
- Total amount due and payable;
- Amount in arrears, if any;
- Due or final date for payment;
- Methods of payment;
- Payment points; and
- Notification that failure to settle the total amount due by the due date will result in termination or restriction of services.
- This information does not appear on our monthly account any more since the image of the accounts has changed.

2. The Council shall undertake to post the account to consumer address, in South Africa, as specified by each consumer. In the event of non-receipt of an account, the onus is on the consumer to obtain a copy of the account from the municipality, before the due date.
3. Payment for account must be received at a municipality payment point by close of business on or before the due date. In the case of electronic payment, the money must be received in the municipal bank account by the close of business on or before the due date. **It stays the consumer's responsibility to ensure that the correct reference number appears when making a direct payment. The municipality can't be held responsible if the payment do not appear on the account when a wrong or no reference number has been used.**
4. Accounts must be paid in full on or before the due date indicated on the account. Debt collection action shall be instituted against the consumer if accounts are not paid in full. Irrespective of the reason for non-payment of accounts, **interest on arrears will accrue after the due date at a rate determined by Council from time to time.**
COUNCIL DOES NOT CHARGE INTEREST SINCE 2007.

PART 11: NOTICE OF DEFAULT AND INTENDED TERMINATION OR RESTRICTION OF SERVICES

1. Within seven (7) calendar days after each monthly due date for payment of municipal accounts for property rates and/or service charges, the municipal manager shall dispatch to every defaulting accountholder, that is, every accountholder 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

2. received or an acceptable arrangement made with the municipal manager for partial or late payment, the supply of the municipal electricity or water or both to the property to which the account in arrears relates shall be terminated or restricted fourteen (14) calendar days after the date of the notice concerned.

PART 12: INTEREST ON ARREARS AND OTHER PENALTY CHARGES

Interest shall be charged on all arrear accounts at a rate determined by Council from time to time. PREVIOUSLY INTEREST WAS CHARGED BY 19% PER ANNUM. IF COUNCIL REVERSES RESOLUTION TO STOP CHARGING INTEREST THEY MUST STIPULATE THE NEW INTEREST RATE.

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.

The following interest and penalty charges shall be raised:

- charges for collecting arrear rates
- charges for disconnection or restriction of services
- charges for reconnection or reinstatement of services
- charges for notices of default and other correspondence
- penalty charges for illegal reconnections
- penalty charges for dishonored and other unacceptable cheques/debit orders

These interest and penalty charges shall be determined on an annual basis by Council when considering its annual budget.

PART 13: RECONNECTION OR REINSTATEMENT OF TERMINATED OR RESTRICTED SERVICES

Services to defaulting accountholders terminated or restricted in terms of part 11 of this Policy 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 11 of this Policy 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;
- A service contract has been entered into with the municipality, as contemplated in part 7 of this Policy; and
- a cash deposit, as determined by the Chief Financial Officer, has been lodged with the municipality in compliance with part 8 of this Policy.

PART 14: PERIOD FOR RECONNECTION OR REINSTATEMENT

The municipal manager shall reconnect or reinstate terminated or restricted services within three (3) working days after the date on which the conditions set out in part 13 of this Policy have been met, unless the municipal manager is unable to do so because of circumstances beyond the control of the municipality.

PART 15: ILLEGAL RECONNECTIONS

The municipal manager shall, as soon as it comes to the notice of the municipal manager that any terminated or restricted service has been irregularly reconnected or reinstated, report such action to the South African Police Service, disconnect or restrict such service(s), and not reconnect or reinstate such service(s) until the arrear account, including the interest raised on such account, the charges for the notice sent in terms of part 11 of this Policy and the charges for both the original and subsequent reconnection or

reinstatement of the service(s) and the revised deposit have been paid in full, together with such penalty as may be determined by the council from time to time. In addition, all metered consumption since the date of the illegal reconnection, or the estimated consumption if a reliable meter reading is not possible, shall also be paid full before any reconnection or reinstatement is considered.

PART 16: SERVICES NOT RECONNECTED OR REINSTATED AFTER FOUR WEEKS

If services have been terminated or restricted in the case of a property in respect of which the account is in arrear, and the account holder has not paid such arrears, 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 twenty eight (28) calendar days after the date of termination or restriction of the service(s) concerned, 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. Such further action shall include if necessary the sale in execution of such property to recover arrear property rates and 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 17: AGREEMENTS AND ARRANGEMENTS FOR PAYMENT OF ARREAR ACCOUNTS

The municipal manager shall enter into agreements with defaulting account holders for the payment of arrear accounts as depicted below.

Income Group/Entity	Percentage initial payment	Period for payment of balance of arrears
R1681- R2500	10%	Maximum of 24 months
R2501- R3500	25%	Maximum of 24 months
R3501- R5000	50%	Maximum of 24 months
Business Entity	70%	Maximum of 6 months
Government Department	NIL	Within one financial year ending 31 March
Non-Governmental Organization (NGO)	NIL	Within one municipal financial year ending 30 June

It shall be a condition for the conclusion of any arrangement that the accountholder is bound to pay every current municipal account in full and on time during the period over which such arrangement extends.

If an accountholder breaches any 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 accountholder defaults on such payment, services to the property in question shall be terminated or restricted and the account shall be handed over for collection as envisaged in part 16 of this Policy..

PART 18: ALLOCATION OF PART-PAYMENTS AND APPROPRIATION OF DEPOSITS

If an accountholder 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;
- Thirdly, to any unpaid sewerage charges;

- Fourthly, to any unpaid refuse collection charges;
- Fifthly, to any unpaid property rates;
- Sixthly, to any unpaid water charges; and
- Lastly, to any unpaid electricity charges.

An accountholder shall not be entitled to allocating any payment made to any portion of the arrear account.

If an accountholder defaults on the payment of an arrear account, the municipal manager shall appropriate as much of the deposit paid, in respect of the property in question, as is necessary to defray any administrative costs incurred by the municipality and the arrear amount owing to the municipality in the same sequence that is applicable to the allocation of part payments, as contemplated above.

PART 19: QUERIES IN RESPECT OF ACCOUNTS

1. The clerk stationed at the "Enquiries" counter at the municipality shall be contacted for all account queries.
2. Any query in respect of the amount due and payable as indicated on the consolidated bill must be lodged, in writing, at the municipality within ten (10) days of the date of the consolidated bill. The municipality shall investigate any query and give feedback to the accountholder within fourteen (14) working days of the receipt of the query.
3. An accountholder who has lodged a query is not relieved of the responsibility to maintain regular payment of his/her account. In the event of an accountholder reasonably querying any item(s) on the monthly municipal account, no action shall be taken against the accountholder as contemplated in part 11 of this Policy provided the accountholder has paid, by due date, an amount equal to the monthly average monetary value of the three most recent un-queried accounts in respect of the service under query, as well as all un-queried balances on such account, and provided further

that, such query is made in writing by the accountholder or is recorded in writing by the municipal manager on behalf of the accountholder within ten (10) days of the date of the consolidated bill.

PART 20: DISHONoured AND OTHER UNACCEPTABLE CHEQUES/DEBIT ORDERS

1. Refusal by accountholder's banker(s) to honour payment by cheque or debit order shall be regarded as non-payment of account and all relevant credit control measures envisaged in this Policy shall be taken against the accountholder.
2. Such accountholder shall be liable for penalty charge for dishonoured and unacceptable cheque/debit order as determined by Council from time to time.
3. An accountholder who has tendered three dishonoured cheques or debit orders in any period of twelve (12) months shall not be allowed to make further payment by cheque or debit order for a period of at least one year; however, a bank guaranteed cheque shall be accepted.

PART 21: UNOCCUPIED PROPERTY

1. A property is deemed to be unoccupied when an accountholder terminates the account and no new consumer registers for provision of services to the property.
2. When water and/or electricity consumption is recorded at a property that is deemed to be unoccupied, effort shall be made to establish the identity of the person responsible for that consumption failing which the property owner shall be held liable for the payment for the services.

PART 22: ISSUE OF CLEARANCE CERTIFICATES

A property shall be transferred from one owner to another, only when all debts owed to the municipality in respect of the property have been settled. The Chief Finance Officer shall issue a clearance certificate stating that all debts owed to the municipality have been settled only when the outstanding debts in respect of the property have actually been settled. No property shall be transferred without the issue of a clearance certificate.

PART 23: PROMULGATION OF BY-LAWS

1. By-laws shall be promulgated to give effect to the council's credit control and debt collection policy.
2. The by-laws are to comply with the requirements of the Municipal Systems Act, 2000 (Act No.32 of 2000), the Water Services Act, 1997 (Act No. 108 of 1997), the Electricity Act, 1987 (Act No. 41 of 1987), the Property Rates Act, 2004 (Act No. 6 of 2004) and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).
3. The by-laws deal severely with defaulters, and their application requires a considerable degree of commitment from the municipal manager and his or her administration, as well as from the municipality's political structures. For these by-laws to ensure the avoidance of financial misfortunes for the municipality, and to lead to sustained financial stability, their application will have to receive the constant attention of all the municipality's key role-players and decision makers.
4. If these by-laws are not constantly and consistently applied, from month to month and from year to year, the municipality's political and administrative credibility will be severely impaired, and it may not be able to avert financial collapse in the long run.
5. Although these by-laws envisage even the termination of basic services for defaulting account holders, this will not in itself prevent

the accumulation of arrears. The monthly billing for property rates, sewerage charges and refuse removal fees will continue in respect of defaulting account holders, even though their consumption of electricity and water may have been terminated or restricted. The termination or restriction of services must therefore be seen merely as a vital first step in the credit control programme, and the commitment by the municipality to follow up such actions with the full force of the law at the municipality's disposal is an essential further step if the accumulation of debts is to be meaningfully curtailed.

PART 24: SHORT TITLE

This policy is the Credit Control and Debt Collection Policy of the Ventersdorp Local Municipality.

PART 25: ENFORCEMENT/IMPLEMENTATION

This policy has been approved by Council in terms of resolutiondated and comes into effect from

