



## CREDIT CONTROL AND DEBT COLLECTION POLICY

Policy Number:	Date of Approval:
Date of Effect:	Date of Approval:

Notwithstanding the review date as shown, this policy shall remain effective until approved otherwise by Council and may be reviewed on an earlier date as deemed necessary.

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## **1. PREAMBLE**

- 1.1. **Whereas** Section 96(a) of the Local Government: Municipal Systems Act, No 32 of 2000 (hereinafter referred to as the “Systems Act”), obliges Capricorn District Municipality (hereinafter referred to as “CDM”) to collect all money that is due and payable to it, subject to the provisions of that Act and any other applicable legislation;
- 1.2. **And whereas** Section 96(b) of the Systems Act requires the CDM to adopt, maintain and implement a credit control and debt collection policy, which is consistent with its tariff policies and complies with the provisions of the Act;
- 1.3. **And whereas** Section 97(1) of the Systems Act stipulates what a credit control and debt collection policy must provide for;
- 1.4. **Now therefore** the following is adopted as the Credit Control and Debt Collection Policy of CDM (hereinafter referred to as “this Policy) as set out hereunder.

## **2. PURPOSE**

- 2.1. The purpose of this policy is to ensure that credit control forms part of the financial management system of the Capricorn District Municipality and ensure that the same procedures be followed for each individual case.

## **3. OBJECTIVES**

The objectives of this Policy are to:

- 3.1. Ensure that all money due and payable to CDM in respect of fees for services, surcharges on such fees, charges, tariffs, interest which has accrued on any amounts due and payable in respect of the foregoing and any collection charges are collected efficiently and promptly;
- 3.2. Provide for credit control procedures and mechanisms and debt collection procedures and mechanisms;
- 3.3. Provide for interest on overdue amounts;
- 3.4. Provide for collection charges on the payment of any overdue amount;

- 3.5. Provide for extension of time for the payment of overdue amounts;
- 3.6. Provide for the termination of services or restrictions on the provision of services when payments are overdue;
- 3.7. Provide for matters relating to the unauthorized consumption of services, theft and damages.

#### 4. PRINCIPLES

- 4.1. The policy and its implementation aim at ensuring prudent financial performance at CDM without compromising the delivery of services to residents
- 4.2. Service delivery must be fair and equitable to all residents and communities
- 4.3. CDM must ensure the highest quality service at the lowest cost and the most economical use and allocation of available resources
- 4.4. The services delivered must be financially and environmentally sustainable

#### 5. DEFINITIONS

- 5.1. *“Accounting officer”* The municipal manager is the accounting officer of the municipality for the purpose of Act No. 56 of 2003: Local Government: Municipal Finance Management Act, 2003. (MFMA).
- 5.2. *“Municipality”* a municipal council referred to in section 157 (1) of the Constitution of the RSA
- 5.3. *“Municipal Manager”* the person appointed in terms of section 82 of the Municipal Structures Act.
- 5.4. *“MFMA”* Municipal Finance Management Act No. 56 of 2003.
- 5.5. *“Chief Financial Officer”* Means a person designated in terms of section 80(2)(a) of the MFMA.

- 5.6. “*Municipal Systems Act*” the Local Government: Municipal Systems Act No. 32 of 2000, as amended.

## **6. POLICY SCOPE**

- 6.1. CDM comprises five local municipalities; namely: Polokwane, Blouberg, Lepelle-Nkumpi, Molemole and Aganang.
- 6.2. This policy will be applicable to only four local municipalities which have entered into WSA/WSP agreement with CDM.
- 6.3. The policy must be read in conjunction with WSA/WSP SLAs.

## **7. POLICY GUIDELINES**

- 7.1. CDM must through local municipalities ensure that water meter readings are taken at regular intervals and consumers should be charged at the prevailing tariffs (see tariffs policy).
- 7.2. Local municipalities’ accounts shall be timeously rendered and on monthly intervals and should indicate consumption details in line with metered readings as well as stipulating the final date of the payment.
- 7.3. CDM shall conduct monthly reconciliations of all bulk water (stock) received to ensure that all metered readings are done and/or justifiable on a monthly basis.
- 7.4. Credit control should be the last step in ensuring payment for services rendered.

## **8. RESPONSIBILITY FOR CREDIT CONTROL**

### **8.1. SUPERVISORY AUTHORITY**

8.1.1. The Municipal Mayoral Committee must:

- a) Oversee and monitor the implementation and enforcement of the Municipality’s Credit Control and Debt Collection Policy
- b) Oversee and monitor the performance of the Municipal Manager in implementing the approved policy.
- c) Evaluate and review policy implementation in order to

improve efficiency of its credit control and debt collection mechanisms, processes and procedures.

d) Report on a quarterly basis to the council.

## **8.2. IMPLEMENTATION AUTHORITY**

8.2.1. The Municipal Manager must:

- a) Implement and enforce the municipality's credit control and debt collection policy in terms of the Municipal Systems Act, 2000.
- b) In accordance with the credit control and debt collection policy establishes effective administrative mechanisms, processes and procedures to collect money that is due and payable to the municipality.
- c) Report on monthly basis, prescribed particulars on supervisory authority.

## **9. CUSTOMER REGISTRATION**

CDM must ensure through local municipalities that the registration of new and existing customers is efficiently performed in regard to the following:

- 9.1. New customer registrations must be correctly administered.
- 9.2. Full and concise details must be provided.
- 9.3. Certified copies of identity documents, company registration and resolutions are necessary for registration purposes and are used to determine, at the time of application, whether:
  - 9.4. Other accounts are currently held and;
  - 9.5. Debts are still outstanding on previous accounts.
- 9.6. The CDM will verify through its local municipalities 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 will have to be settled.

## **10. SERVICES AGREEMENT AND GENERAL TERMS AND CONDITIONS FOR THE SUPPLY OF MUNICIPAL SERVICES (to be agreed to using a SLA)**

- 10.1. CDM expects that no services shall be supplied to new applicants, unless and until an application has been made and a service agreement has been entered into between the client(s) and the municipality, and a deposit paid in cash or with a bank-guaranteed cheque as a security equal to an amount determined by council from time to time, has been paid in full.
- 10.2. When the customer is not the owner of the property to which the services are to be provided, a properly executed letter from the owner, or authorized agent, indicating that the customer is the lawful occupant of the property shall be attached to the service contract.
- 10.3. No supply of services to defaulters shall be rendered unless and until application has been made and a service agreement has been entered into and a deposit as a security has been paid full.
- 10.4. The general terms and conditions for the supply of municipal services set out in council policy documents shall apply to the provision of municipal services to customers.
- 10.5. A copy of the policy document shall be made available to each new applicant for Municipal Services.
- 10.6. The parties must be given a written notice to each other of the intention to terminate the service agreement. Normally provided as 30 days notice or as agreed with the service provider
- 10.7. Existing municipal customers may be required by the Municipal Manager to enter into new service agreements within the municipality and to deposit moneys as contemplated required. Non-refundable deposits for e.g. tender documents will be processed differently
- 10.8. If a customer fails or refuses to comply with a request to enter into a services agreement or to make a deposit as required, the supply of any municipal service may be terminated or restricted to such a customer until the agreement has been entered into and the deposit paid in full.



- 10.9. The service agreement signed by the customer and the municipality must include a clause in which the occupier of the premises give an authorized representative of the local municipality access at all reasonable hours to the premises in order to read, inspect, install or repair, restrict, or reconnect, the provision of any service.
- 10.10. The customer will incur the cost of relocating a meter if satisfactory access to the meter is not possible.
- 10.11. The customer will in the customer agreement, acknowledge that the use of an agent by the customer in the transmission of payments to the local municipality is at the risk of the customer including the transfer time of the payment.
- 10.12. The service agreement shall contain a clause, which provides that the Municipal Manager may provide Provincial and National treasury / credit bureaus with the information relating to outstanding debtors as contemplated in the policy documents. (see section 41 of the MFMA)

## **11. ACCOUNTS**

- 11.1. CDM should ensure the following as they pertain to local municipalities
  - a) The municipality will as far as possible, provide an understandable and accurate account for municipal services, which account will consolidate all municipal services' costs in respect of that premises.
  - b) Accounts will be rendered at regular intervals in cycles as will be determined from time to time.
  - c) Municipalities' accounts must be settled as prescribed and reflected on the statement of accounts

## **12. ACCOUNT ADMINISTRATION**

- 12.1. CDM through its local Municipalities, within practical and financial limits, to provide functional meters to every paying client for all measurable services
- 12.2. All water meter readings shall be taken at fixed intervals.

- 12.3. Customers are entitled to request verification or meter readings and accuracy within reason, but may be held liable for the cost of testing the accuracy of meters.
- 12.4. An audit reading must be obtained annually.
- 12.5. Customers must to be informed of any meter replacements
- 12.6. Where any equipment used by the municipality for the rendering of service(s) has been tempered with or damaged, the local municipal Chief Financial Officer shall charge the customer for usage of the service in question based on the estimated average use of such service and based on the use during the corresponding period of the previous year.

### **13. ADJUSTMENT TO CONSUMER ACCOUNT BALANCES**

- 13.1. Balances on local municipalities' accounts and/or relevant agencies can only be reduced or written off in exceptional circumstances (in line with GRAP practices) including:
  - a) In the normal course of accounts administration to correct indebtedness, which arose as a result of genuine accounting and arithmetic errors, in which case, the Chief Financial Officer or the Municipal Manager should give approval.
  - b) Where Council has taken a resolution to approve a concession to reduce or write off, as the case may be, account balances on specified accounts such as accounts for indigent households, in order to address exceptional circumstances peculiar to the accounts or category of accounts or to give effect to any Act of Parliament or Presidential Directive extending benefits to the account-holders or category of accounts holder.
- 13.2. Notwithstanding the above, accounts can only be adjusted when sufficient provision to offset the adjustment has been raised in the accounting record in accordance with Generally Recognized Accounting Practice (GRAP) and other applicable regulations.

- 13.3. Council may approve peace-meal adjustments of account balances where the financial position of the municipality is such that sufficient provision could only be raised over a period extending beyond one financial year: Provided the period does not overlap two council terms of office. Accounts approved for peace-meal write offs may not accrue further charges until they are written off in full.
- 13.4. Subject to the provisions stipulated in this part of the policy, and taking into account all relevant facts and circumstances, council may consider and take a resolution on any case of local accounts up to date.
- 13.5. Subject to the provisions stipulated in this part of the policy, and taking into account all relevant facts and circumstances, local municipal councils may consider and take a resolution on any case of accounts purported to warrant adjustment (i.e. reduction of write off).

#### **14. DOUBTFUL ACCOUNTS AND DEBTS**

- 14.1. Accounts will be provided for in the accounting records and ultimately written off where there are solid facts to show that outstanding amounts will not be recovered, partly or in full. Accounts which have been handed over to the lawyers for collection should be provided for at a percentage approved by council or fixed in the accounting policies.
- 14.2. A special provision for bad debts may be raised to give effect to the implementation of a council resolution as contemplated in part 13.1 above, and should be approved in the same council meeting where a resolution to adjust consumer account balances (peace-meal or once off) is taken.
- 14.3. A provision in excess of accumulated surplus and reserves should take the form of a cash – backed reserve resulting from an external injection of funds to ensure the municipality maintains sound-liquidity and does not have a negative balance sheet which might be different to existing and potential stakeholders and strategic partners.
- 14.4. This provision in the accounting records should be reviewed annually to take into account new or changing circumstances. Once the provision is

approved by council, proper administrative and budgetary procedures should be followed to apply the provision to adjust the accounts accordingly in order to ensure that debtors reflect at reasonable figures in the accounting records of the municipality.

## **15. POWERS OF MUNICIPALITY TO RECOVER FEES AND COSTS**

### **15.1. DISHONoured PAYMENTS**

a) Dishonoured payments by financial institutions and/or banks despite the presence of a signed negotiated arrangement / instrument, shall not constraint the Municipal Manager from levying costs and administration fees against the account of the defaulting debtor at the rate determined by council.

### **15.2. LEGAL FEES**

a) All legal costs, including attorneys and own clients costs incurred by the local municipality in the recovery of accounts in arrears shall be levied by the Municipal Manager against the arrears accounts of the debtor.

b) A surcharge may be levied against the account of the debtor at a rate determined by the council from time to time in respect of any action taken in demanding payment from the debtor to reminding the debtor, by means of telephone, fax, e-mail, letter or otherwise, that payments are in arrears.

## **16. PAYMENTS FACILITIES AND METHODS**

16.1. The municipality will offer a range of payment options to customers, which include, cash payments, bank-guaranteed cheques, electronic payments [debit (speed point) and transfers]

16.2. The municipal Chief Financial Officer may, at his discretion allocate a payment between services in respect of a debtor who has an overdue

debt. The debtor may not specify that the payment be for a specific portion of the account.

- 16.3. When payment is received from the debtor, the principle of current account first will be followed and consumer accounts credited. Sixty percent of the amount received will be allocated to water and sewerage.
- 16.4. The municipality may, with the consent of the customer, approach an employer to secure a debit or stop order arrangement as contemplated in section 103 of the Municipal Systems Act.

## **17. CONTROL OVER DEPOSITS OF SECURITY**

- 17.1. The deposit to be paid must be an amount as determined by Council from time to time.
- 17.2. The Chief Financial Officer may before entering into a Service Agreement with a customer, or at any time thereafter, if deemed necessary, make such credit rating enquiries with other municipalities and/ or a credit bureau.
- 17.3. Should the Chief Financial Officer determine that the customer poses a payment risk to the Council, the Chief Financial Officer may determine a consumer deposit reflecting such payment risk.
- 17.4. Should the customer wish to appeal against a decision of the Chief Financial Officer in terms of par 19.3 above, the customer may submit an appeal and reasons in writing to the Municipal Manager, within twenty one (21) days from the date on which the customer is notified of the determination of the Chief Financial Officer meant in par 19.3 above.
- 17.5. The Municipal Manager must consider the appeal within six weeks from the date of the appeal and must notify the customer of his/ her decision within a reasonable time thereafter.

- 17.6. After the disconnection of services by the Municipality, an increased deposit of a sum equal to two month's service levies may automatically be required in addition to a reconnection fee.
- 17.7. Where the services are not readily available and the Municipality must incur additional costs to provide such services, the Municipality may require bank guarantees for the provision of municipal services.
- 17.8. Deposits received must be reviewed annually and a register should be maintained. The total sum of deposits received shall constitute a short-term liability in the books of the Municipality. No interest shall accrue in favour of the depositors thereof upon termination of the debtor's agreement with the Municipality. The deposit will first be offset against any outstanding balance (if any) and then be refunded without interest to the customer.

## **18. ENQUIRIES, APPEALS AND SERVICE COMPLAINTS**

- 18.1. Customers can lodge an appeal in writing with the municipal CFO for recalculation of the account at the payment of a fee determined by council if they feel that their accounts are inaccurate.
- 18.2. In the interim, while the correctness of the account is being investigated, the debtor must pay the average of the last three (3) months account where the history of the account is available. Where no such history is available, the debtor is to pay on estimate provided by the CFO before payment due date, until the matter is resolved.
- 18.3. Failure to make such interim payment(s) would make the customer liable for restriction and or disconnection of services.
- 18.4. The municipal manager must investigate the complaint and inform the debtor about the outcome within one month of the complaint.
- 18.5. If the investigation confirms that the municipal account complained about was incorrect, the fee payable shall be refunded within the confines of best practice.

## **19. ACTIONS TO SECURE PAYMENT**

- 19.1. The CDM or its duly appointed agents may, in addition to the normal civil legal procedures to secure payment of accounts that are in arrears, take the following action to secure payment for municipal rates and services:
- c) Termination and/or restriction of the provisions of services:
  - d) Allocating a portion of payments or pre-payments to service charges arrears or future charges Credit control will commence from the conclusion of the consumer agreement.
- 19.2. Credit control methods will include, inter alia, the following:
- a) Monthly Statements
  - b) Letters of reminder
  - c) Final Notices
  - d) Termination or Restriction of Service
  - e) Letter of Demand
  - f) Legal Action

## **20. INTEREST CHARGES**

- 20.1. Interest will be charged on all overdue accounts at the prevailing prime rate.
- 20.2. Interest write off will be as per the agreement signed with customers and WSP on behalf of CDM.

## **21. COST TO REMIND DEBTORS OF ARREARS**

- 21.1. For any action taken in requesting payment from the debtor or reminding the debtor, letter or otherwise, that his/her payments are due, an administrative fee may be levied against the account of the debtor in terms of CDM's tariff provisions.

## **22. POWER TO RESTRICT OR TERMINATE SUPPLY OF SERVICES**

- 22.1. The CDM may restrict or terminate the supply of water or discontinue any other service to any premises whenever a user of any service:
- 22.2. Fails to make full payment on the due date or fails to make acceptable arrangements for the repayment of any amount for services, taxes or other amounts due;
- 22.3. Fails to comply with a condition of supply determined by the CDM;
- 22.4. Obstructs the efficient supply of water or any other municipal services to another customer;
- 22.5. Supplies such municipal service to a customer who is not entitled thereto or permits such service to continue;
- 22.6. Causes a situation which in the opinion of the CDM is dangerous or a contravention of relevant legislation;
- 22.7. Is placed under provisional sequestration, liquidation or judicial management, or commits an act of insolvency in terms of the Insolvency Act no 24 of 1936; and
- 22.8. If an administration order is granted in terms of section 74 of the Magistrate court Act, 1944 (Act 32 of 1944) in respect of such user.
- 22.9. The CDM shall reconnect and/or restore full levels of supply of any of the restricted or discontinued services only after the full amount outstanding and due, including the costs of such disconnection and reconnection, if any, have been paid in full, or acceptable arrangements have been made for payment of such outstanding amounts in terms of paragraph 16 below, or any other condition or conditions of this credit Policy have been complied with.
- 22.10. The right to restrict, disconnect or terminate service due to nonpayment shall be in respect of any service rendered by the CDM and shall prevail notwithstanding the fact that payment has been made in respect of any specific service and shall prevail notwithstanding the fact that the person who entered into agreement for supply of services with the CDM and the owner are different entities or parties, as the case may be.



## **23. RECONNECTION OF SERVICES**

23.1. The Chief Financial Officer shall authorize the reconnection of services or reinstatement of service delivery after satisfactory payment and/or arrangement for payment has been made according to paragraph 25 of the policy.

## **24. FULL AND FINAL SETTLEMENT OF AN ACCOUNT**

24.1. The CDM shall be at liberty to appropriate monies received in respect of any of its debt at its sole discretion.

24.2. Where a special rebate by council is granted, the settlement amount shall be a total due less the rebated amount.

Procedures in respect of water will be applied according to the water service provider

## **25. INCENTIVES FOR PROMPT PAYMENT**

25.1. The CDM council may give incentives to encourage prompt payment

25.2. Assess special incentives for prompt payment. The Council will only give such incentives if it is proved that they are financially viable and of mutual benefit to the municipality and its locals.

25.3. Such special incentive schemes, if introduced, will be reflected in the annual budget as additional expenditure and must annually be reviewed together with the budget proposals.

## **26. ARRANGEMENTS TO PAY ARREARS**

- 26.1. A debtor may enter into a written agreement with the WSP on behalf of CDM to repay any overdue amount to the CDM under the following conditions:
- 26.1.1. The outstanding balance, costs and any interest thereon shall be paid in accordance with the signed agreement and;
  - 26.1.2. The current monthly amount must be paid in full on or before due date and;
  - 26.1.3. The written agreement has to be signed on behalf of the CDM by the Chief Financial Officer.
  - 26.1.4. Should any dispute arise as to the amount owing, the debtor will continue to make regular payments, based on the average charges for the preceding three months prior to the dispute, plus interest.
  - 26.1.5. WSP to make payment arrangements in line with CDM principles.

## **27. INTEREST ON ARRANGEMENTS**

- 27.1. Once an agreement has been concluded the amount in arrears will be reflected as current and no further interest will be added. In the event of default, interest will again be levied from date of default.

## **28. COLLECTION OF ARREARS**

- 28.1. CDM has to ensure that in future, arrears are collected as follows:

### **28.1.1. Power to restrict or disconnect the supply of services**

- a) The delegated person may on request by the Municipal Manager, limit or restrict or disconnect the supply of water in terms of the municipality's disconnection procedures, or discontinue or restrict any other municipal service to any premises whenever a user of any service:

- i) Fails to make full payment on the due date or fails to make acceptable arrangements for the payment of any amount for services, rates or taxes
  - ii) Fails to comply with a condition of supply imposed by the municipality.
  - i) Obstruct the efficient supply of water, gas or any other municipal services to another customer.
  - ii) Supplies such municipal service to a customer who is not entitled thereto or permits such service to continue;
  - iii) Cause a situation, which in the opinion of the municipal engineer is dangerous, or is a contravention of any relevant legislation;
  - iv) It in any way bridges connects or reconnects the supply of previously disconnected services or uses without authority or commits theft in respect of the municipal services.
  - v) Is placed under provisional sequestration, liquidation or judicial management, or commits an act of insolvency in terms of the Insolvency Act no. 24 of 1936.
  - vi) Is subject to an administration order granted in terms of Section 74 of the Magistrates Court Act, 1944 (Act 32 of 1944).
- c) On the written authority of the Municipal Manager, or any duly appointed agent of the municipality an authorized person shall reconnect to restore to full levels of supply any of the restricted or discontinued services only after the full outstanding amount, including the costs of such disconnection and reconnection, if any, has been paid or any other acceptable arrangements have been made in line with the municipality's policy for the full payment thereof.
- d) The right of the duly appointed agent of the Municipality to restrict water supply to any services or customer shall be subject to the provision of Section 4 of the Water Service Act, 1997 (Act no. 108 of 1997).

- e) The right of the municipality to restrict, disconnect or terminate any service rendered due to non-payment shall prevail notwithstanding the fact that the person who entered into the arrangement for the supply of services with the municipality and the owner are different entities or persons, as the case may be.

**28.1.2. Municipality's right of access to premises**

- a) The municipality and a service provider may exercise its right of access to premises through the Municipal Manager, any head of department or any written authorised member of staff or any duly appointed agent or service provider.
- b) In the event of access refusal, the municipality may disconnect the services and claim whatever monies are due to it.

**28.1.3. Arrangements to pay outstanding and due amounts in consecutive installments.**

- a) The Municipal Manager may enter into a written agreement with a debtor to repay any outstanding and due amounts to the municipality under the following conditions;
  - i) The outstanding balance, costs and any interest there upon shall be paid in regular and consecutive monthly installments
  - ii) The written agreement has to be approved and signed on behalf of the municipality by a duly authorized official.
  - iii) Credit payment arrangements to all creditors should benefit both the creditor (contractors, service providers, etc) and CDM on terms to be agreed
- b) Should any dispute arise as to the amount by an owner in respect of municipal services the owner shall notwithstanding such dispute proceed to make regular minimum payment based on the calculation of the average municipal account for the corresponding period during the previous year prior to the dispute arising taking into account interest

and surcharges as well as the annual arrangements of tariffs of the municipality.

#### **28.1.4. Reconnection of Services**

- a) The local municipal manager may authorise the reconnection of services or reinstatement of service delivery only after satisfactory payment or a satisfactory arrangement for payment of outstanding debt has been made.

## **29. DEBT COLLECTION**

### **29.1. Abandonment of Claims**

The Municipal Manager must ensure that all avenues are utilised to collect the municipality's debt.

There are certain circumstances that allow for the valid termination of debt collection procedures as contemplated in section 109(2) of the Systems Act, such as:-

29.1.1. The insolvency of the debtor, whose estate has insufficient funds.

29.1.2. A balance being too small to recover, for economic reasons considering the cost of recovery.

Where Council deems that a customer or groups of customers are unable to pay for services rendered.

The municipality will maintain audit trails in such an instance, and document the reasons for the abandonment of the action or claim in respect of the debt.

### **30. DEBT WRITE OFFS**

- 30.1. The Municipality has the discretion to write off debt if irrecoverable.
- 30.2. All debt write offs will be referred to the Chief Financial Officer.
- 30.3. Debt shall be considered irrecoverable if:
  - 30.3.1. legal recourse has been exhausted and the Municipality is still unable to secure payment of the outstanding debt; or
  - 30.3.2. the success of future legal action by the Municipality to recoup the outstanding debt is compromised due to actions or inactions by the Municipality; or
  - 30.3.3. the costs of instituting legal action for the recovery of the outstanding debt would be higher than the value of the outstanding debt; or
  - 30.3.4. the debtor in question cannot be traced and a tracing agency has rendered a non-traceable report on the debtor in question; or
  - 30.3.5. a deceased estate is insolvent and has no liquid assets to cover the outstanding amount; or
  - 30.3.6. a competent Plea of Prescription has been raised by the defendant in the Plea, or alternatively if the Plea of Prescription is raised ex facie the Plea but carries the real risk that it would be upheld if raised properly in the Plea; or
  - 30.3.7. if, as a result of the lack of evidence, it is not possible to prove the debt outstanding; or
  - 30.3.8. if the outstanding amount is due to an irreconcilable administrative error by the municipality; or
  - 30.3.9. if the Sheriff of the Court has rendered a Nulla Bona return on movables and the debtor has no immovable property.
- 30.4. The above factors do not constitute an exhaustive list of factors that may be taken into account, and the Municipality may, in its opinion, consider any other factor.
- 30.5. In exercising its discretion, the Municipality must act lawfully and reasonably having regard to the principles of fairness and equity.

- 30.6. A request by a account holder to write off an amount or amounts as bad debt must be made in the form of a submission/motivation and must be in the prescribed or required form as stipulated by the Municipality from time to time. Any deviation from the prescribed form shall result in the rejection of such submission/motivation.
- 30.7. In making submission for a debt write off, a Municipality Official shall take all necessary and reasonable steps to ensure compliance with this Policy and shall take all necessary and reasonable steps in the detection of fraudulent activity on the part of the account holder and shall be obliged to report such fraudulent activity to the CFO.
- 30.8. An official who knowingly participates in fraudulent conduct with an account holder in the write off of a debt shall be subjected to the disciplinary action as set out in the Municipality's Disciplinary Code of Conduct, as well as civil or criminal prosecution in a competent court of law.

### **31. WRITE BACKS**

- 31.1. The Municipality shall be entitled to reverse any amount written off as a bad debt where it is later found that an account holder has misrepresented (whether intentional or negligent) any information whatsoever in order to motivate such write-off of debt
- 31.2. The Municipality shall be entitled to effect the write back immediately against the account holder's municipal account upon noting the fraud or misrepresentation.
- 31.3. The Municipality may write back any amount previously written off on behalf of an account holder if the account holder at any time has a credit balance reflected against any of his/her municipal accounts and requests a refund from the Municipality for such credit balance. The write back principle will apply to all other account holders, including indigent account holders.

#### **31.4. Writing off Bad Debt**

The Finance Department must review the debtors outstanding periodically and based on the criteria mentioned above in note 26; recommend debts to be written off to the Accounting Officer.

### **32. INTEREST REVERSALS**

32.1. An account holder may apply to the Municipality, in the prescribed form, for interest on an account to be reversed.

32.2. Interest on outstanding debt can be reversal when:

32.2.1. an account holder would like some relief from interest in order to facilitate the final settlement of all outstanding debt on his account;

32.2.2. before embarking on litigation to recover outstanding debt, interest reversal is used as a tool to persuade the account holder to settle his outstanding debt in full;

32.2.3. in the course of litigation, the reversal of interest is used as a negotiating point for the settlement of the matter in court;

32.3. Interest reversal may also be initiated by authorised officials in instances where errors with billing have occurred and outstanding arrears should not have accrued interest in the first instance.

### **33. INDIGENT SUPPORT AND GRANTS-IN-AID**

33.1. Indigent debtors who are legally occupying premises and legally using municipal services and who qualify for indigent support in terms of the municipality's policy on indigent support, shall apply to the municipality in writing by completing, signing and submitting the form 'Application for Household Indigence Subsidy'.

33.2. If the application is approved, the provision of subsidies will commence immediately after approval and will be valid until the end of that financial year for the processing of municipal accounts.



- 33.3. Any applicant for a grant-in-aid from the municipality shall obtain from the Municipal Manager, a certified letter reflecting the status of the applicant's municipal debt, if any, and that the awarding of grants-in-aid will be subject to giving priority to payment of such debts or an arrangement to pay any arrear.

#### **34. RELAXATION, WAIVER, DIFFERENTIAL AND ARRANGEMENT FOR SETTLEMENT BY LOCAL MUNICIPALITIES**

- 34.1. The municipality may differentiate between different categories of, users of services, customers, debtors, taxes, services, service standards and other matters.
- 34.2. The municipality may, in a specific instance and for a particular customer, relax or waive in writing the requirements of a provision of this policy.
- 34.3. Any such differentiation or relaxation shall be upon such conditions as it may deem fit to impose, if the council is of the opinion that the application or operation of that provision in that instance would be unreasonable.
- 34.4. If a domestic household customer is financially able to pay but refuses or neglects to pay the municipal accounts and is willing to:
- a) Sign an acknowledge of debt,
  - b) Sign a consent to judgment
  - c) Acknowledge that interest will be charged at the prescribed rate,
  - d) Pay the current portion of the account in cash; and
  - e) Sign an acknowledgement that; if the arrangement being negotiated is later defaulted on, that disconnection of water and other services will immediately follow as will legal proceedings;
- 34.5. The municipality may enter into an agreement which provides for an extended term of payment for such customer.

All non-residential customers must pay their accounts in full on due date and exception can only be considered on a case-by-case basis, after application for arrangement of payments from business customers, will be considered by the Executive Committee/Executive Mayor.

### **35. REPORTING OF DEFAULTERS**

- 35.1. The Municipal Manager may in his discretion report any debtors who owe the municipality monies, to bodies such as credit bureau that collate and retain such information and the different treasury offices
- 35.2. The information that would be included in such a report shall reflect information of the defaulter, or in the event of a legal person, available statutory details, including information pertaining to the responsible officers of such legal person.
- 35.3. In the case of employees, personal information of the defaulting former employee(s)

### **36. DISPUTES AND PAYMENTS DURING DISPUTES**

- 36.1. A dispute must be submitted in writing to the Municipal Manager prior to the final due date for payment of the contested amount. Such dispute must contain details of the specific item(s) on the account, which are subject to dispute with full reasons.
- 36.2. Should any dispute arise as to the amount owing by an owner in respect of municipal services the owner shall, notwithstanding such dispute, proceed to make regular minimum payments based on the calculation of the average municipal debits for the preceding three months prior to the arising of the dispute and taking into account interest as well as the annual amendments of tariffs of the Municipality.

### **37. BUSINESSES THAT BID TO THE MUNICIPALITY**

- 37.1. When the municipality invites bidders for the provision of services or the delivery of goods, any potential bidders who submit bids will be subject to a condition that consideration and evaluation of such bidders will necessitate that the bidders obtain from the Municipal Manager, a municipal services and tax clearance certificate stating that all municipal accounts owing by the bidders or its directors, owners or partners have been paid, or that suitable arrangements (which includes the right to set

off in the event of non-compliance) have been made for the payment of any arrears.

37.2. A municipal account, for the purposes of this situation, means any municipal service charge, tax or other fees, fines and penalties, due in terms of the contract or any other due date that has passed.

37.3. All requests for tenders must contain a condition allowing the Municipal Manager to deduct moneys owing to the municipality from contract arrangement with the debtor.

### **38. OFFENCES**

38.1. CDM through local municipalities uphold that contraventions will be as follows: any person who:

- a) Fails to give access to premises required by an officer or duly appointed agent in terms of this policy,
- b) Obstructs or hinders an officer or duly appointed agent in the exercising of the powers, performance, of functions or duties under this policy
- c) Tamper or interferes with municipal equipment or without authority for instance...
- d) Fails or refuse to give an officer or duly appointed agent such information as may reasonably be required for the purpose of exercising the powers or functions under this policy or gives such an officer or agent false or misleading information, knowing it to be false or misleading,
- e) Contravenes or fails to comply with a provision of the policy.
- f) Fails to comply with the terms of a notice served upon him for the settlement of debt in terms of this policy shall be guilty of an offence and subjected to prosecution.

### **39. AVAILABILITY OF POLICY DOCUMENT**

- 39.1. The municipality or its authorized agents of service providers shall take reasonable steps to inform customers of the contents of the policy document
- 39.2. A copy of the policy document shall be available for inspection at the municipal offices or at the offices of its authorized agent or service provider at all reasonable times.
- 39.3. A copy of the policy document shall be given to each councilor after being elected into such a role.
- 39.4. A copy of the policy document may be obtained against payment of an amount as determined by the Municipal Council from the municipality or its authorized agent or service provider.

### **40. IMPLEMENTATION AND MONITORING**

- 40.1. The policy is to be implemented to the latter of the law without compromising constitutional provisions. CDM reserves the right to change this policy if deemed necessary.
- 40.2. This policy shall be implemented once approved by Council. All future credit control and debt collection measures must be taken in accordance with this policy.
- 40.3. In terms of section 17(1) (e) of the MFMA this policy must be reviewed on annual basis and the reviewed policy tabled to Council for approval as part of the budget process.

## **CREDIT CONTROL AND DEBT COLLECTION REGULATIONS FOR ANY OUTSTANDING AMOUNTS**

Where consumers fail to pay their municipal accounts by the due date stipulated on the account, the following actions will be taken.

1. Final notices/ accounts may be delivered or posted after the final date of payment. The final notice/ account will contain that the client may arrange to pay the outstanding balance in terms of the Credit Control Policy. Information that the account constitutes as a final notice and failure to settle the account on the due date may lead to disconnection of services at any date thereafter, without further notice, must however form an integral part of the account.
2. An Acknowledgement of Debt must be completed with all arrangements for paying off arrear accounts. Copies of this document must be handed to the client. An affidavit of financial affairs must also be submitted to determine an affordable monthly installment.
3. Only account holders with positive proof of identity or an authorised agent with a Power of Attorney will be allowed to complete an Acknowledgement of Debt.
4. Debit orders may be completed for the monthly payment of the agreed amount or at least the current amount, as far as possible. If the arrangement is dishonoured, the full balances will immediately become payable.
5. Where cheques are returned, "Refer to Drawer" after an arrangement has been made the full balance will immediately become payable.
6. No person will be allowed to enter into a second agreement if the first agreement was dishonoured, except in special merit cases. Such applications will be approved by the Chief Financial Officer only and must be submitted before the arranged due date.

7. Where arrangements were not made and water supply is restricted due to non-payment, it will only be restored upon payment of the full outstanding balance or signing of an Acknowledgment of Debt on merits.
8. Merit cases, where special circumstances prevail, must be treated individually and could amongst others include the following categories:-
  - a) Deceased estates;
  - b) Liquidated companies;
  - c) Private persons under administration;
  - d) Outstanding enquiries on accounts, for example, misallocated payments, water leaks, journals, incorrect levies, etc;
  - e) Certain categories of Pensioners; and
  - f) Any other cases not mentioned which can be regarded as merit cases due to circumstances.

Extension for payment of arrears in respect of merit cases should preferably not exceed 60 months (5 years) or any other period in the discretion of the Chief Financial Officer or his/ her delegate.

9. Only the Chief Financial Officer or his delegate may agree to such extensions and these must be supported by documentary proof. Previous payment record will be taken into consideration.
10. When restriction of water supply takes place due to non-payment, or an agreement is dishonored the consumer's deposit will be adjusted.
11. New consumer deposits for business and industrial customers must be re-assessed three months after the initial deposit date.
12. All other business and industrial deposits will be reviewed annually.
13. Where the consumer has not entered into a service agreement with the Municipality, water may be restricted until such time as a service agreement has been signed and the applicable deposits paid.

14. Where services are illegally restored criminal action will be taken if possible.
15. Where municipal accounts remain outstanding or unpaid for more than 2 months, without response, the account will be handed over to debt collectors for the collection and/ or legal action to the Attorneys and can be listed at the Information Trust Corporation. These clients will have to make further arrangements at the attorneys and/or the debt collectors for payment of the arrear amounts. The current monthly accounts must be paid to the Municipality directly.
16. Once an account has been handed over for collection, the case will not be withdrawn unless there was a mistake or oversight on the part of the Municipality.