

CAPRICORN DISTRICT MUNICIPALITY



EXTRACT FROM THE MINUTES OF COUNCIL MEETING HELD ON 21 MAY 2021

ITEM

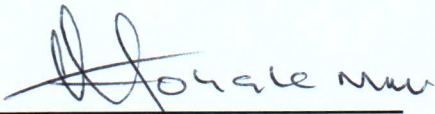
OC 06/2020 - 2021/6.1.3 Budget Related Policies 2021/22

RESOLUTION

Resolved, That the following Budget Related Policies 2021/22 be approved:

- (a) Credit Control and Debt Collection Policy;
- (b) Cash and Investment Policy;
- (c) Tariff Policy;
- (d) Tariff Structure;
- (e) Virement Policy;
- (f) Petty Cash Policy;
- (g) Supply Chain Management Policy;
- (h) Asset Management Policy;
- (i) Delegations of Financial Powers;
- (j) Indigent Policy;
- (k) Bad Debts Provision and Write off Policy; and
- (l) Cost Containment Policy.

**CERTIFIED AS A TRUE EXTRACT
FROM THE MINUTES.**



**MM MOHALE
COUNCIL SPEAKER**

2021/05/21
DATE





CREDIT CONTROL AND DEBT COLLECTION POLICY

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.

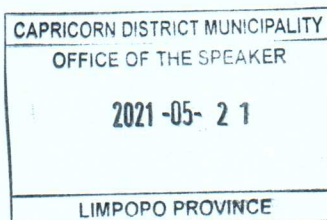
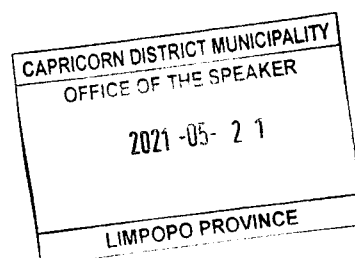


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1. PREAMBLE

- 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 a 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.

CAPRICORN DISTRICT MUNICIPALITY
OFFICE OF THE SPEAKER
2021-05-21
LIMPOPO PROVINCE

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

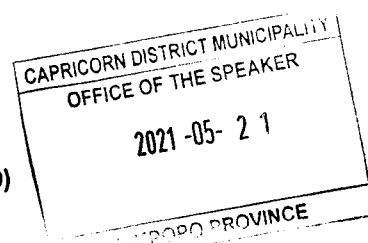
8.2.1. The Municipal Manager must:

- 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:

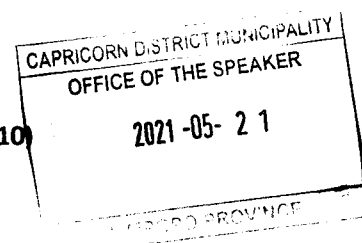
- 9.1. New customer registrations must be correctly administered.
- 9.2. Full and concise details must be provided.
- 9.3. Certified copies of identity documents, company registration and resolutions are necessary for registration purposes and are used to determine, at the time of application, whether:
- 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. Where meter readings could not be obtained, the meter reading of the previous month shall be used.
- 12.4. 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.
- 12.5. An audit reading must be obtained annually.
- 12.6. Customers must to be informed of any meter replacements
- 12.7. 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.

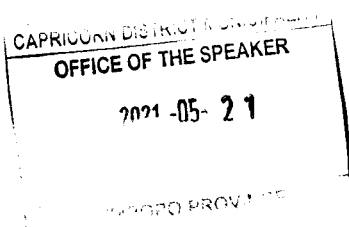
16. PAYMENTS FACILITIES AND METHODS

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.

