

MOGALAKWENA MUNICIPALITY

POLICY WITH REGARD TO CREDIT CONTROL AND DEBT COLLECTION

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CREDIT CONTROL AND DEBT COLLECTION

A. INTRODUCTION

The Mogalakwena Municipality introduces the following Credit Control and Debt Collection Procedures Policy to allow for fair and just collection of all monies due to the Municipality.

This policy has been prepared to comply with the requirements set by the:

*Constitution of South Africa (Act 108 of 1996, Sections 156 and 229);
Local Government Municipal Systems Act, 2000 (Act 32 of 2000);
Local Government Property Rates Act (Act 6 of 2004);
Local Government Ordinance, 1939 (Ordinance 17 of 1939);*

*Water Services Bylaws;
Electricity Bylaws; and
The National Credit Control Guidelines (Issued by the Department of
Constitutional Development).*

To ensure compliance with the requirements of the above authorities and to act fairly and just towards all persons owing money to the Municipality, the Municipality shall comply with the following general principles in all cases, irrespective of the type of money due and payable to the Municipality:

1. PROPER COMPUTER SYSTEM

At all times the Municipality shall ensure that proper systems are in place to calculate levies on all accounts to present accounts that are:

- 1.1 Timeous (on time);
- 1.2 Correct;
- 1.3 Legible and understandable;
- 1.4 Clear, showing the payment dates and amounts owing.

2. EFFECTIVE MANAGEMENT AND REPORTING

At all times the Municipality shall ensure that:

- 2.1 There are sufficient pay points and enquiry facilities available;
- 2.2 There are enough trained personnel in the credit control division;
- 2.3 Reports are being submitted to the Municipality to amend and/or determine possible strategies;
- 2.4 There is sufficient communication with the public to motivate persons to pay accounts. This action shall take place with the involvement of the Councillors of the various wards;
- 2.5 Electricity and water meters are read regularly in order to render metered services correctly;
- 2.6 There is a policy for the assistance with indigent persons.

The credit control and debt collection policy must be implemented through compliance with specific procedures and that is why it is essential to distinguish between the various types of monies that are outstanding. All monies due to the Mogalakwena Municipality is kept up to date using a computerized debit system. For purposes of the policy we shall refer to the types of debtors mentioned below:

3. CONSUMER DEBTORS

These are debtors owing money to the Municipality for the following services:

3.1 SERVICES THAT ARE NOT METERED:

- 3.1.1 Property rates;
- 3.1.2 Refuse removal;
- 3.1.3 Sewerage removal;
- 3.1.4 Basic electricity services;

3.2 METERED SERVICES:

- 3.2.1 Electricity consumed;
- 3.2.2 Water consumed.

4. SUNDRY DEBTORS

These are debtors owing money to the Municipality for various sundry matters. The list below mentions some of the existing accounts, but is not the only accounts:

4.1 STAFF:

- 4.1.1 Removal costs;
- 4.1.2 Private telephone costs;
- 4.1.3 Payments in terms of misconduct;
- 4.1.4 Bursary repayments.

4.2 SEWERAGE BLOCKAGES;

4.3 FIRE BRIGADE SERVICES;

4.4 ERF SALES;

4.5 HIRING OF EQUIPMENT;

4.6 HIRING OF PROPERTY;

4.7 STUDY LOANS TO EXTERNAL PERSONS;

4.8 SIDING COSTS

4.9 INDUSTRY BY-PRODUCTS;

4.10 DAMAGE TO COUNCIL PROPERTY;

4.11 MAHWELERENG WATER ACCOUNTS.

B. CREDIT CONTROL PROCEDURES

1. CONSUMER DEBTORS

1.1 SERVICES THAT ARE NOT METERED:

- 1.1.1 These services are to be rendered to an owner(s) of an erf/erven;
- 1.1.2 The costs involved for these services shall be levied in terms of an owner's account to be opened in the name of the person(s) that own(s) the particular property;
- 1.1.3 It shall be compulsory for an owner of a property to provide a copy of his/her identity document to the Municipality if asked for it. In a case where a company and/or close corporation is/are the owner(s) of a property, such company and/or close corporation shall provide a copy of the registration deed;
- 1.1.4 Payments on these types of accounts shall be appropriated automatically by the computer system, according to the priorities listed in Annexure A.

1.2 METERED SERVICES:

- 1.2.1 From 1 July 2011 these services are to be rendered only to an owner(s) of an erf/erven.
- 1.2.2 Current tenant accounts will be phased out during the period 1 July 2014 to 30 June 2020 and this policy is applicable to such tenants where accounts are in arrears.
- 1.2.3 Tenants of municipal properties will however be obliged to open an account in his/her own name;
- 1.2.4 Should an owner apply for a water and/or electricity account, such an owner shall complete the Consumer's Agreement before the connection of any services is approved;
- 1.2.5 Services will not be connected unless the Municipality receives a copy of the identity document of the owner applying for such services;
- 1.2.6 Should the owner be a company or close corporation who applies for services, such services will not be connected unless the completed Consumer's Agreement is submitted to the Municipality together with the completed Undertaking of Representative and Resolution and a copy of the registration document of the company or close corporation;

- 1.2.7 The Municipality retains the right to do a credit check when an owner applies for services, before rendering such services;
- 1.2.8 Should the credit check show that the owner has outstanding debts, the Municipality may decide to increase such owner's deposit to three times or even more of the normal prescribed deposit;
- 1.2.9 The minimum deposits for rendering water and electricity shall be revised and adjusted from time to time, by the chief financial officer of the Mogalakwena Municipality;
- 1.2.10 Deposits for rendering water and/or electricity services may not be paid in installments and are payable immediately, before any such services shall be rendered;
- 1.2.11 Deposits held on consumers' accounts shall be revised annually and may be adjusted if necessary to represent twice the two highest average consecutive months' use of these services during a period of one year. Owners required to pay a higher deposit initially due to the debts showing during the credit check, shall find that their deposits will always be more than the normal deposit required in terms of the services consumed;
- 1.2.12 Should services to a property be discontinued due to non-payment, the Municipality shall have the right to increase that owner's deposit based on the discretion of the chief financial officer;
- 1.2.13 Any service supply that has been discontinued due to non-payment shall not be reinstated unless the full amount due in terms of the account, including all defaulting fees and the additional deposit has been paid or an installment agreement has been entered into with regard to the full amount in arrears and the defaulting fees and the additional deposit has been paid;
- 1.2.14 Payments on these types of accounts shall be allocated automatically by the computer system, as set out in terms of the priorities explained in Annexure A.

2. SUNDRY DEBTORS

2.1 MEMBERS OF STAFF:

- 2.1.1 All monies due to the municipality by members of staff shall be paid by direct monthly salary deductions.

2.2 ALL OTHER SUNDRY DEBTORS:

- 2.2.1 In case of specific agreements, the conditions of the agreements shall regulate compliance;
- 2.2.2 Particulars in respect of Fire Brigade Services and/or any other payments due to the municipality shall be supplied per memorandum to the chief financial officer by the department involved.

C. DEBT COLLECTION PROCEDURES

1. CONSUMER DEBTORS

1.1 SERVICES THAT ARE NOT METERED:

- 1.1.1 The last day of payment for accounts is the last day of each month;
- 1.1.2 Final notices will be sent monthly by registered mail to debtors whose payments are in arrears for 60 days or longer;
- 1.1.3 7 days after the registered final notice, personnel from the debt collection section will contact debtors who did not respond to the final notices telephonically;
- 1.1.4 If a debtor does not react within 3 days of the telephonic discussion, or if a debtor cannot be contacted telephonically, summonses will be served on all persons that ignored the final notices;
- 1.1.5 Upon expiry of the summons response period, additional legal action will be instituted against persons that failed to respond to the summons;
- 1.1.6 The department of Corporate Support Services may decide about the required legal action, should a person fail to respond to the summons. These actions may include the following:
 - 1.1.6.1 Informing the "*Information Trust Corporation*" of the person owing money to the Municipality, to prevent such person from obtaining any credit unless the Municipality's account is settled in full;
 - 1.1.6.2 Appointment of debt collectors;
 - 1.1.6.3 Any other legal actions that may be required to collect amounts owing to the Municipality;

- 1.1.7 If the Municipality receives a cheque from the bank with the words “*Refer to Drawer*”, the amount and cheque shall be debited against the person’s account and the chief financial officer may institute any debt collection steps that he may consider appropriate in the particular case.
- 1.1.8 After the second “*Refer to Drawer*” cheque has been received on an account, the chief financial officer shall refuse any future payments by cheque.

1.2 METERED SERVICES:

1.2.1 Water and Electricity:

- 1.2.1.1 The last day for the payment of accounts is the last day of the month;
- 1.2.1.2 If an account is not paid after 10 days after the date that payment became due, a reminder list will be prepared and all debtors who are in arrears on their accounts will receive a written reminder. These reminders will be delivered to debtors in the towns at the premises where services are rendered. Debtors outside the towns will receive telephonic reminders.
- 1.2.1.3 In terms of the reminder letter or telephonic reminder, the debtor will have a further 5 days wherein the arrear account must be paid, failing which electricity supply will be discontinued and/or water supply restricted and the defaulting fee be charged to the arrear account.;
- 1.2.1.4 If there are any monies outstanding in terms of the water and electricity supply after implementing the list for the discontinuance of water and electricity supply for a particular account, the matter will be dealt with in the same manner that applies to services that are not metered.
- 1.2.1.5 If the Municipality receives a cheque from the bank with the words “*Refer to Drawer*”, the amount of the cheque shall be debited against the debtor’s account and the chief financial officer may institute any debt collection steps that he may consider appropriate in the particular case.
- 1.2.1.6 After the second “*Refer to Drawer*” cheque has been received on an account, the chief financial officer shall refuse any future payments by cheque.

2. SUNDRY DEBTORS

2.1 MEMBERS OF STAFF:

- 2.1.1 If a member of staff is in arrears in terms of any amounts owing to the Municipality, the Municipality shall recover such monies from the member of the staff's salary by means of a monthly deduction;
- 2.1.2 If it proves impossible to recover the monies by means of a salary deduction, the steps described for services that are not metered shall be followed to recover such monies.

2.2 TELEPHONE ACCOUNTS

- 2.2.1 Any amounts owing to the Municipality for private telephone calls shall be recovered from the staff's or councillor's salaries.

2.3 ALL OTHER SUNDRY DEBTORS:

- 2.3.1 These debts shall be recovered in the same manner prescribed for services that are not metered.

D. INDIGENCE POLICY

The Municipality provides for indigence assistance in its indigent policy.

E. INTEREST ON ARREARS AMOUNTS

1. GENERAL

- 1.1 The Municipality charges interest on all types of amounts that may be owed to the Municipality, should a person not settle the full amount owing on the last day of the month;
- 1.2 Interest shall be charged at a rate determined from time to time in terms of the Prescribed Rate of Interest Act, 1975 (Act 55 of 1975).

2. INSTALMENT AGREEMENTS

- 2.1 No interest will be charged on the amount payable in terms of an installment agreement, provided the debtor complies with the conditions of the agreement in full and by the agreed dates.

F. INSTALMENT AGREEMENT RELATING TO ARREAR AMOUNTS

1. INTRODUCTION

The Municipality accepts the practice of entering into agreements for the payment of arrear debt by installments. These installment agreements may be instituted at any time to assist debtors to settle outstanding accounts. To safeguard the interests of the Municipality and to ensure that the practice is not abused, the entering into agreements is subject to certain conditions.

2. CONDITIONS

2.1 An “*Acknowledgement of Debt*” as approved by the executive committee of the Mogalakwena Municipality shall be completed for each account. The debtor must receive a copy and a further copy must be filed in the specific debtor’s file;

2.2 Domestic Consumers:

2.2.1 The initial payment for entering into the installment agreement be 10% of the outstanding account;

2.2.2 The period in which arrear amounts be paid in installments must not exceed 24 months if the outstanding balance is below R20 000,00;

2.2.3 The period in which arrear amounts be paid in installments must not exceed 48 months if the outstanding balance is above R20 000,00;

2.2.4 Over and above these payments, the current account must be paid on time and in full;

2.3 All other debtors:

2.3.1 The initial payment for entering into the installment agreement be 25% of the arrear amount;

2.3.2 If a debt includes amounts that have been outstanding for a period of twelve months or more, the outstanding amount must be paid in equal installments over a period not exceeding twelve months. Over and above these payments, the current account must be paid on time and in full; and

2.3.3 If a debt includes amounts that have been outstanding for less than twelve months, the outstanding amount must be paid in equal installments over a period not exceeding six months. Over and above these payments, the current account must be paid on time and in full.

- 2.4 In exceptional cases the Manager Corporate with the Chief Financial Officer may deviate from the above-mentioned terms for the repayment of arrear debts.
- 2.5 Only owners of the property shall be allowed to enter into an agreement;
- 2.6 No owner shall be allowed to enter a second agreement until the first agreement has been settled in full;
- 2.7 In the event that an owner does not comply with the conditions of the agreement, he/she will no longer be eligible for any further postponement of payments. The Municipality shall also not be responsible for notifying the owner of his/her default; further measures to collect the debt will be instituted against the owner immediately.
- 2.8 If a debtor pay the full outstanding arrear amount interest can be written off or if an arrangement been done interest can be put on abbayens till the arrangement is honored in full then it can be written off if arrangement is dishonored interest been put back on account.

G. UNAUTHORISED USE, THEFT AND DAMAGE

1. UNAUTHORISED USE

If services were to be connected illegally by the owner or his/her tenant, such owner shall be prosecuted.

2. THEFT

- 2.1 If there should be any water or electricity consumption on a property after an owner gave notice, and indicated that the property will be evacuated and that the electricity and water supply should be discontinued, the owner of the property will be held liable for any further consumption.

3. DAMAGE

In terms of the Electricity By-laws and Water Services By-laws of the Municipality.

This policy comes into effect on the date of 1 July 2020 until revoked by the council of Mogalakwena Municipality.

ANNEXURE A

APPROPRIATION OF ACCOUNT PAYMENTS

The amount paid by a consumer shall be allocated as follows:

1. Any sundry levies on the account (eg. defaulting fees, bank charges, cleaning of erven, fire brigade fees);
2. Legal costs;
3. Interest;
4. Installment accounts;
5. Basic electricity;
6. Sewerage;
7. Refuse;
8. Property rates;
9. Water;
10. Electricity.