

PROVINCIAL GAZETTE 18 JANUARY 2002

LOCAL AUTHORITY NOTICE 2

MOGALAKWENA MUNICIPALITY

BY-LAWS WITH REGARD TO CREDIT CONTROL AND DEBT COLLECTION

The municipal manager hereby in terms of section 13 of the Local Government Systems Act, 2000 (Act no 32 of 2000), read with section 101 of the Local Government Ordinance, 1939 (Ordinance No 17 of 1939) publishes the By-laws set forth hereinafter, which have been adopted by the Mogalakwena Municipality in terms of sections 12 and 98 of the said Act as well as in terms of section 96 of the said Ordinance.

TABLE OF CONTENTS

SUBJECT	PAGE
A. Introduction	15
B. Credit Control Procedures	17
C. Debt Collection Procedures	18
D. Indigence Policy	19
E. Interest on Arrears Amounts	19
F. Agreement for Payment of Arrears Amounts	19
G. Unauthorized Use, Theft and Damage	20

CREDIT CONTROL AND DEBT COLLECTION

A. INTRODUCTION

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

This by-laws have 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 Bill 2000;
Local Government Ordinance, 1939 (Ordinance 17 of 1939);
Standard Water Bylaws;
Standard 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 by-laws 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 by-laws 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 Waste 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 matters:

- 4.1 STAFF:
 - 4.1.1 Removal costs;
- 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.
- 4.12 TELEPHONE ACCOUNTS FOR STAFF AND COUNCILLORS

B. CREDIT CONTROL PROCEDURES

1. CONSUMER DEBTORS

1.1 SERVICES THAT ARE NOT METERED:

- 1.1.1 These services are to be rendered to 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 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 Should a person/enterprise applies for a water and/or electricity account, such a person/enterprise shall be required to complete the Customer's Agreement and if necessary the Undertaking of Representative and Resolution before the connection of any services is approved;
- 1.2.2 Services will not be connected unless the Municipality receives a copy of the identity document of the person applying for such services;
- 1.2.3 Should a company or close corporation apply for services, such services will not be connected unless the Municipality receives a copy of the registration document of the company or close corporation and the Undertaking of Representative form has not been completed and signed by each and every director/member;

- 1.2.4 The Municipality retains the right to do a credit check when a person/enterprise applies for services, before rendering such services;
- 1.2.5 Should the credit check show that the applicant has outstanding debts, the Municipality may decide to increase such a person's/enterprise's deposit to twice or even more of the normal prescribed deposit;
- 1.2.6 The minimum deposits for rendering water and electricity shall be revised and adjusted from time to time, by the executive committee of the Mogalakwena Municipality;
- 1.2.7 Deposits for rendering water and/or electricity services may not be paid in installments and are payable immediately, before any such services may be rendered;
- 1.2.8 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. Persons and/or enterprises 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;
- 1.2.9 Should a person's services be discontinued due to non-payment, the Municipality shall have the right to increase that person's deposit based on the discretion of the Chief financial officer;
- 1.2.10 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 reconnection 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 reconnection fees and the additional deposit has been paid;
- 1.2.11 No new connection in respect of a property where the owner and/or any previous tenants are in arrear in respect of any amount due to the municipality will be allowed.
- 1.2.12 No proof of residence be issued and no rezoning be allowed if the account is in arrears.
- 1.2.13 If a consumer is in arrears on his rates, levies and other services the selling of pre-paid electricity/water be reduced to 30% of the amount paid and the 70% be allocated to the arrear account until the full outstanding amount has been paid or an instalment agreement has been signed. If the consumer defaults on the

instalment agreement the selling of pre-paid electricity/water again be reduced with 70% with immediate effect. The defaulting consumers will also be prohibited from renewing their vehicle license registrations.

1.2.14 Payments 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 Removal costs for staff must be awarded in terms of a specific agreement between the member of staff and the Municipality;

2.1.2 The said agreement shall contain the repayment conditions and the remedies in case of non-payment;

2.1.3 Removal costs of members of staff shall be paid by direct monthly salary deduction.

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 In cases of Fire Protection Services, Telephone Accounts for staff and councillors and Damage to the Municipality's equipment, the particulars shall be supplied per memorandum to the city treasurer 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 the Town Secretary 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 city treasurer 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 city treasurer 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 persons who may be in arrears in paying their accounts will then receive a written reminder. These reminders will be delivered to consumers in the towns at the premises where services are rendered. Consumers outside the towns will receive telephonic reminders.

- 1.2.1.3 In terms of the reminder letter or telephonic reminder, the consumer will have a further 5 days wherein the arrear account must be paid, failing which water and electricity supply will be discontinued;
- 1.2.1.4 The list for services to be discontinued will be administered in such a way that the supply will not be cut off on a Friday. However, if the supply has been discontinued and is still cut off on a Friday because it was discontinued on any day before, the supply will not be restored unless the required monies have been paid;
- 1.2.1.5 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.
- 1.2.1.6 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 persons account and the city treasurer may institute any debt collection steps that he may consider appropriate in the particular case.
- 1.2.1.7 After the second "*Refer to Drawer*" cheque has been received on an account, the city treasurer 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 stop order;
- 2.1.2 If it proves impossible to recover the monies by means of a salary stop order, 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. These implications will be considered if legal action were to be necessary against indigent persons.

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 Act 54 of 1975.

2. INSTALMENT AGREEMENTS

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

F. INSTALMENT AGREEMENT RELATING TO ARREARS 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 clients (consumers) 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 client must receive a copy and a further copy must be filed in the specific client's file;
- 2.2 Agreement may not be entered into for debt relating to the supply of electricity;
- 2.3 Domestic Consumers:
- 2.3.1 The initial payment for entering into the installment agreement be R100,00;
- 2.3.2 The period in which arrear amounts be paid in installments do not exceed 24 months;
- 2.3.3 If an account is in arrears in an amount exceeding R20 000,00 the period be increased to a maximum of 48 months; and
- 2.3.4 Over and above these payments, the current account must be paid on time and in full;
- 2.4 All other debtors:
- 2.4.1 The initial payment for entering into the installment agreement be 10% of the arrear amount;
- 2.4.2 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 installment over a period not exceeding twelve months. Over and above these payments, the current account must be paid on time and in full; and
- 2.4.3 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.
- 2.5 In exceptional cases the executive committee may, by resolution, deviate from the above-mentioned terms for the repayment of arrear debts.
- 2.6 Only account holders with positive proof of identity or an agent with a power of attorney and positive proof of identity will be allowed to enter into an agreement;
- 2.7 No client will be allowed to enter a second agreement until the first agreement has been settled in full;

- 2.8 In the event that a client 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 client (consumer) of his/her default; further measures to collect the debt will be instituted against the client immediately.

G. UNAUTHORISED USE, THEFT AND DAMAGE

1. UNAUTHORISED USE

If services were to be connected illegally by the client (consumer), such client (consumer) will be prosecuted.

2. THEFT

- 2.1 If a consumer were to allege that any water consumed and/or electricity consumed and charged on his/her account has/have not been used by that particular consumer, the consumer that has an agreement with the Municipality for the rendering of such services at that time, shall be held responsible for such services;
- 2.2 If a consumer occupies a property without entering an agreement for the rendering of services, the owner of the property shall be held responsible for the consumption of such services;
- 2.3 If there should be any water or electricity consumption on a property after a consumer 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 such consumption.

3. DAMAGE

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

These by-laws come into effect on the date of publication in the Provincial Gazette.

D H MAKOBE
MUNICIPAL MANAGER

Civic Centre, P O Box 34, Potgietersrus, 0600
27 November 2001

(Notice number 93/2001)

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. reconnection fees, bank charges);
2. Legal fees;
3. Interest;
4. Installment accounts;
5. Basic electricity;
6. Sewerage;
7. Waste;
8. Property taxes;
9. Water;
10. Electricity.