

***GREATER LETABA
MUNICIPALITY***

***CREDIT CONTROL
POLICY***

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GREATER LETABA MUNICIPALITY

CREDIT CONTROL POLICY

A BACKGROUND

In adopting the credit control policy, the Council of the Municipality recognises its constitutional obligations to develop the local economy and to provide acceptable services to its residents. The Council also acknowledges that it cannot fulfil these constitutional obligations unless it receive payment for the services which it provides and for the taxes which it legitimately levies in full from those residents who can afford to pay, and in accordance with its indigency relief measures for those who have registered as indigents in terms of the Council's approved indigency management policy.

Services will be supplied to all the residents of Modjadjiskloof and surrounding areas which fall within the Municipality's area of jurisdiction, once the required administrative procedures are completed at the Municipalities offices and the necessary consumer deposit has been paid. The Municipal services provided to residents and communities in the municipal area should:

- be within the Municipalities financial and administrative capacity;
- be regularly reviewed with a view to upgrading, extension and improvement,
- be provided in a manner that
 - is fair and equitable to all its residents and communities,
 - ensures the highest quality service at the lowest cost and the most economical use and allocation of available resources, and
 - is financially and environmentally sustainable.

Meters will be read on a monthly basis subject to access being possible to the property and consumers will be charged at the prevailing tariffs. Accounts will be rendered on a monthly basis and will indicate details of consumption registered on meters as well as the final date of the payments.

Credit control is the last step in ensuring payment for services rendered. The enforcement of payment for services will be ineffective if it is not based on acceptable principles. The inability for a Municipality to collect money disqualifies the Municipality as a **going concern and will impede service delivery**. It is therefore of utmost importance to collect money owing to the Municipality. "The Municipal Council should ensure that all money that is due and payable to the Municipality is collected," – statement of the Municipal Systems Act. For this purpose the Municipal Council should adopt, maintain and implement a credit control and debit collection policy and by-laws that are consistent with its rates and tariff policies and comply with the provisions of the Municipal Systems Act.

The Municipal Council should adopt by-laws to give effect to its credit control and debt collection procedure manual and policy, its implementation and enforcement. By-laws may differentiate between different categories of taxpayers, customers, debtor's taxes, services, service standards and other matters.

This policy has been compiled to address credit control and comply with the requirements and guidelines as set by the following acts and other documents:

- SALGA – Local Government Financial Best Practise Manual

- The Constitution of the Republic of South Africa, 1996, Act 108 of 1996
- The Municipal Systems Act, Act 32 of 2000
- Municipal Finance Management Act, Act No. 56 of 2003

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B PURPOSE

The purpose of this policy is to ensure that credit control forms part of the Municipality's financial system and to disclose the intension of Council to standardise procedures for each individual case.

It sets clear guidelines for employees and consumers to ensure that credit control is implemented consistent in all instances. It will also ensure that confusion is eliminated when issues of credit control is dealt with. It would also ensure that continuity exist when personnel changes occur.

It gives effect to Chapter 9 of the Municipal Systems Act.

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C SERVICE CONTRACTS AND GENERAL

1. A service contract shall be entered into for each property to which the Municipality is expected to provide any of the following services:
 - Electricity
 - Water
 - Refuse collection
 - Sewerage.
2. Such contract should set out the conditions on which services are provided and should require the signatory to read the contents of the Municipality's credit control and debt collection policy, a copy of which should be provided to such signatory, as well as the Section 101 of the Municipal Systems Act in regard to the municipality's right of access to property.
3. Where the signatory is not the owner of the property to which the services are to be provided, a properly executed letter from such owner indicating that the signatory is the lawful occupant of the property should be attached to the service contract.
4. Current consumers and users of the Municipality's services who have not entered in a service contract as envisaged above, should do so within 30 days from the date on which the by-laws to implement the present policy are published, and failure to do so shall be considered as a default equivalent to non-payment.
5. Where a service contract is entered into, the signatory shall make a cash deposit with the Municipality. The deposit shall be as follows:
 - For a flat R 300,00
 - For a house or empty residential stand R 500,00
 - For a business or empty business or industrial stand R 1 000,00
6. A trade debtor account should be opened on the trade debtor system for each contract signed and once the deposit is paid.
7. All consumers should at all times be treated with utmost respect.
8. No unfair discrimination should be made between the types/classes of consumers and account holders.
9. Consumers are not allowed to selectively nominate money paid for a specific service.
10. Where the electricity and/or water supply of consumers was disconnected erroneously, a written apology must be dispatched to such consumer within seven (7) working days after the supply was reinstated.
11. Clearance certificates will only be issued once all amounts owing to the Municipality have been paid in full.
12. The Director – Finance, or delegated official should ensure accurate and correct statements are prepared and distributed to all customers on a monthly basis and that an effective distribution system exists.
13. The Director – Finance should ensure that effective pay points are in operation and such pay points are

managed in a cost effective manner.

14. Undelivered accounts or accounts returned to sender should be reported to the Chief Financial Officer who must institute action to ensure that such accounts are delivered to the correct address.
15. The Municipality may consolidate any separate accounts of consumers/parties liable for payments to the Municipality.
16. The Municipality may utilise payment received to credit any account of the party from which payment was received.
17. The accounts of officials, councillors and ward representatives may never be in arrears. To prevent this, payments in respect of the accounts of officials and councillors, should be recovered on a monthly basis directly from their salaries/allowances.

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D ROLE OF THE MUNICIPAL MANAGER

1. The Municipal Manager is responsible to:
 - 1.1 Implement and enforce the Municipalities credit control and debt collection policy and any by-laws enacted in terms of the Municipal Systems Act;
 - 1.2 Establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the Municipality;
 - 1.3 To bill customers;
 - 1.4 To demand payment on due dates;
 - 1.5 Report the prescribed particulars monthly to a meeting of the supervisory authority.
 - 1.6 To raise penalties for defaults;
 - 1.7 To appropriate payments received;
 - 1.8 To collect outstanding debts;
 - 1.9 To implement “Best practices”;
 - 1.10 To provide different payments methods;
 - 1.11 To determine credit control measures;
 - 1.12 To determine work procedures for public relations, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes;
 - 1.13 To appoint firm/s of attorneys to complete the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders etc.).
 - 1.14 To set performance targets for staff;
 - 1.15 To appoint staff to executive council’s policy and by-laws in accordance with council’s staff policy;
 - 1.16 To delegate certain functions to heads of departments;
 - 1.17 To determine control procedures;
 - 1.18 To report to the Executive Committee.

E ROLE OF THE EXECUTIVE COMMITTEE

1. The Municipality’s council is responsible to:
 - 1.1 To ensure that council’s budget, cash flow and targets for the debt collection are met and executed in terms of the policy and relevant by-laws;
 - 1.2 To monitor the performance of the municipal manager in implementing the policy and by-laws;

- 1.3 To review and evaluate the policy and by-laws in order to improve the efficiency of council's credit control and debt collection procedures, mechanisms and processes;

F ROLE OF THE COUNCIL

1. The Municipality's council is responsibility:
 - 1.1 To approve a budget consistent with the needs of communities;
 - 1.2 To impose rates and taxes and to determine service charges, fees and penalties to finance the budget;
 - 1.3 To provide sufficient funds to give access to basic services for the poor;
 - 1.4 To provide for a bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the municipality;
 - 1.5 To set an improvement target for debt collection, in line with acceptable accounting ratios and the ability of the Municipal Manager;
 - 1.6 To approve a reporting framework for credit control and debt collection;
 - 1.7 To consider and approve by-laws to give effect to the council's policy;
 - 1.8 To monitor the performance of the executive committee and Municipal Manager regarding credit control and debt collection;
 - 1.9 To revise the budget should council's targets for credit control and debt collection not be met;
 - 1.10 To take disciplinary action against councillors, officials and agents who do not execute council policies and by-laws;
 - 1.11 To approve a list of attorneys that will act for council in all legal matters relating to debt collection;
 - 1.12 To delegate the required authorities to monitor and executive the credit control and debt collection policy to the Executive Committee and Municipal Manager respectively;
 - 1.13 To provide sufficient capacity in the Treasury department for credit control and debt collection;
 - 1.14 To appoint debt collection agents to assist the Municipal Manager in the execution of his duties, if required.

G DUTIES AND FUNCTIONS OF COMMUNITIES, RATEPAYERS AND RESIDENTS

1. To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services;
2. To pay services fees, rates on property and other taxes, levies and duties imposed by the municipality;
3. To observe the mechanisms and processes of the municipality in exercising their rights;
4. To allow municipal officials reasonable access to their property to execute municipal functions;
5. To comply with the by-laws and other legislation of the municipality;
6. To refrain from tampering with municipal services and property.

H DUTIES AND FUNCTIONS OF WARD COUNCILLORS AND POLITICAL PARTIES

1. To hold regular ward meetings;
2. To adhere to and convey council policies to residents and ratepayers;
3. To adhere to council code of conduct to councillors.

I EXPECTED FUTURE PAYMENT LEVELS

1. In terms of the budgets approved by the Council, this Municipality will have to strive to its utmost to ensure that payment levels for the present and future financial years, in respect of all amounts legitimately owing to the Municipality that is, inclusive of the balance of the monthly accounts payable by registered indigents – are maintained at an annual average of at least 95%.
2. Payment levels averaging below 95% per month are unsustainable and are a certain forerunner of financial disaster for this Municipality. Even with payment levels of 95% it means that the Council will annually have to provide on its expenses budget a contribution to bad debts of 5% of the aggregate revenues legitimately owing to this Municipality. A contribution that is made at the direct cost of improved service delivery and developmental projects.
3. The only solution to the ongoing problem of non-payment by residents who can afford their monthly commitments to the Municipality is to introduce a twofold approach: Firstly promulgate credit control and debt collection by-laws which deal stringently with defaulters, but at the same time, through the formal political structures of the Municipality, and secondly in the administration's general dealings with the public, to make the community aware of its legal obligations towards the Municipality, and to emphasise the negative consequences for all if non-payment continues.
4. The Municipality's ward committees are particularly charged with this responsibility.

J UNSATISFACTORY LEVELS OF INDEBTNESS

If the level of indebtness in a particular ward or part of the Municipality exceeds the level of the acceptable norm as determined in the Municipality's credit control policy, the supervisory authority should, without delay, advise the Councillor for that ward or part.

1. The Councillor concerned is responsible to:
 - 1.1 Convene a meeting of the ward committee, if there is one, or convene a public meeting for discussion, and
 - 1.2 May make any appropriate recommendations to the supervisory authority.
2. The following should be borne in mind:

Council and individual Councillors are policy makers and should promote adherence thereto. The Council and Councillors as individuals should therefore refrain from interfering with the approved credit control policy and administrative procedures. Councillors should, however, be supportive of the customer management actions in that they exercise no undue pressure on the officials with delegated authority regarding credit control procedures. Councillors are responsible to communicate with their respective constituencies in order to encourage the community to pay for services provided by the Municipality. The Municipal Manager should report to the MEC for Local Government, in terms of Section 10(G)(4) of the Local Government Transitional Act, after due investigation, any instance of Councillors accused of undue influence.

3. Councillors should consult widely with ratepayers within their constituencies and encourage all parties to pay for services rendered. The Chief Financial Officer should supply each Councillor with a list of non-payers in his/her ward for follow up of accounts in arrears on a monthly basis.

K DEFAULT ACCOUNT HOLDERS

1. Due date and time

- 1.1. Due date will be at the date and time by which payment is due and as indicated on the monthly consumer and sundry accounts. The payment date will not be later than the 25th day of each month, and should the 25th day fall on a weekend or public holiday, the first working day following the 25th day. The due time will not be later than 3 o'clock on due date.

2. Notice of default and intended termination or restriction of services

- 2.1. The Municipal Manager or his delegate could send a notice to every defaulting account holder who has not paid the monthly account in full, or has not made any arrangements with the Municipal Manager for partial or late payment within three calendar days after each monthly due date. This notice should clearly indicate that water and/or electricity services will be terminated should the amounts owing not be paid by the 5th day of the month following due date.

3. Disconnection of services

- 3.1 The monthly interest run should be finalised on the first day following the payment due date as indicated on consumer and sundry accounts. Interest should be charged on all balances in arrears on this date.
- 3.2 Once the notices mentioned in 2.1 have been distributed and the debtors system has been updated with all receipts up to the period ending the 5th day following the due date on accounts, final cut-off list must be generated by computer on all accounts still in arrears. The balance of the cut-off lists should be reconciled to the balance of the total outstanding debtors to ensure completeness of the cut-off lists.
- 3.3 The names of consumers that have approved arrangements for extension of payments, approved and in writing, should be clearly indicated on the final cut-off list to ensure that services are not disconnected.
- 3.4 The final cut-off list, generated by not later than the 5th working day of each month, should be handed to the parties responsible for the disconnection of services on the morning of the 6th working day of each month.
- 3.5 The parties responsible for the disconnection of services should disconnect all services by the end of the 7th day of each month in respect of properties in Modjadjiskloof, and by the 10th day in respect of properties that fall outside the town area. The disconnection function should occur without any prior notice.
- 3.6 Services to be discontinued:
 - Water – Restriction flow meters to be installed
 - Electricity – Disconnect
 - Pre-paid meters – Bar future purchases until arrears are paid.
- 3.7 The parties liable for the disconnection of services should visit all meters that were disconnected and of which balances were not paid within five days after services were disconnected to verify that services were not illegally restored.

4. Reconnection or reinstatement of terminated or restricted services

- 4.1 Services to defaulting account holders shall be reconnected or reinstated by the Municipality once all

of the following conditions have been met:

- The arrear account, including interest, has been paid in full, or an acceptable arrangement has been made with the Municipal Manager for the payment of the arrear account including interest
- Charges for the notice as well as reconnection or reinstatement charges of the terminated services have been paid in full
- A service contract has been entered into with the Municipality
- A cash deposit has been paid to the Municipal Manager. This deposit will be determined on the basis of the currently prevailing consumption and usage of services in respect of the property concerned, or if insufficient data is available the current consumption and usage of a comparable property will be used
- Where consumers are using pre-paid meters, but have fallen in arrears with the remainder of their obligations to the Municipality, the prepaid system will not be reactivated until the outstanding arrears have been settled or an acceptable arrangement made for the payment of the arrear account.

5. Period for reconnections or reinstatements

- 5.1 The Municipality shall reconnect or reinstate terminated services within one working day after the full payment were received or an arrangement with Municipal Manager has been made, unless the Municipal Manager is unable to do so because of circumstances beyond the control of the Municipality. If such circumstances occur, the Municipal Manager shall promptly inform the Mayor of such circumstances and any actions required to overcome the circumstances concerned.

6. Illegal reconnections

- 6.1 As soon as it comes to the attention of the Municipal Manager that any terminated or restricted service has been illegally reconnected or reinstated, or where meters were tampered with, he will report such instances to the South African Police Service and disconnect or restrict such service. The service will not be reconnected or reinstated unless the following were adhered to:

- The arrear account, including interest has been paid
- The charges for the notice have been paid
- Charges for both the original and subsequent reconnection or reinstatement of the service have been paid
- The revised deposit has been paid in full
- The penalty, as determined by the Council, has been paid in full
- All metered consumption since the date of the illegal reconnection, or the estimated consumption, if a reliable meter reading is not available, has been paid.

7. Restriction of services

- 7.1 If the Municipal Manager is of the opinion that the termination or restriction of an account is not in the best interest of the community because of potential endangerment of the life of any person, the Municipal Manager may restrict rather than terminate the service, and report the fact with his rationale to the Council.
- 7.2 Restricting water flow valves will be installed into the consumer's water meters that are in arrears with

the repayment of accounts where water services alone are supplied to the consumer. In such instances, water supply will be limited to six (6) kilo-litres per month per meter.

8. Services not reconnected or reinstated after four weeks

- 8.1 If the default account holder has not paid their arrear account, including interest, or has not made an acceptable arrangement with the Municipal Manager within a period of 28 calendar days after the date of the termination or restriction of the services, the Municipal Manager shall hand over such account for collection and further action deemed necessary to the Municipality's attorneys or any debt collecting agency appointed by the Council. Such action shall include, if necessary, the sale in execution of such property. All expenses regarding the recovery of debt shall be for the account of the defaulting account holder.
- 8.2 Should the Municipality's debt collectors not be able to collect amounts owing, the information of such account holders should be handed over to the local credit bureau. The names should not be removed from the credit bureau until the full amount owing has been settled.

9. Arrangement for payment of arrear accounts

- 9.1 Allowing defaulting account holders to make arrangements for the payment of accounts in arrears shall be at the discretion of the Municipal Manager. This function can be delegated to the Director – Finance.
- 9.2 Application for arrangement for repayments of arrear accounts must be in writing.
- 9.3 A maximum of three months is allowed for the account holder to pay the account in arrears, including interest raised on such account. It shall be a condition for the conclusion of any arrangement, that the account holder is bound to pay every Municipal account in full and on time during the period over which the agreement extends. Debt orders should, as far as possible, be entered into to recover the arrears.
- 9.4 If there is a breach on any material term of the arrangement, the balance of the arrear account, together with the interest raised on such account, shall immediately become due and payable to the Municipality. If the account holder do not make such payments, services to the account holder shall be restricted or terminated and the account shall be handed over for collection.
- 9.5 The account holder that breached the terms of the arrangement will not be allowed to make any further arrangement for the payments of accounts in arrears, but shall be proceeded against after the dispatch of the initial notice of default and failure by the account holder to pay the arrear account, together with interest raised on such arrears as required in terms of such notice, as though such account holder had breached a material term of an arrangement.

10. Dishonoured and other unacceptable cheques

- 10.1 If an account holder tenders a cheque which is subsequently dishonoured by or is found to be unacceptable to the account holder's bankers, the Municipal Manager shall, in addition to taking the steps contemplated in this policy against defaulting account holders, charge such account holder the penalty charge for unacceptable cheques, as determined by the Council from time to time, and such charge shall rank equally with the costs and expenses incurred by the Municipality for purposes of determining the sequence of allocations and appropriations contemplated in section I.
- 10.2 The following procedures should be followed where cheques that were received by the Municipality as payment on consumer accounts are not honoured by the account holder's financial institution:
 - 10.2.1 The receipt made out when the cheque was received should be reversed on the consumer's debtor account and the debtor ledger control account by means of a journal entry with the relevant code for a dishonoured or unaccepted cheque.

10.2.2 The water and/or electricity supply of such a consumer should be disconnected with immediate effect and the necessary approved reconnection fees should be levied to the consumer's debtor account.

10.2.3 An administration fee as approved by Council should be levied to the consumer's debtor account by a journal.

10.2.4 Such consumer should be informed that future accounts can only be repaid in cash or bank guaranteed cheques, and this practise should be enforced by the cashier via a computerised system.

11. Interest on arrears

11.1 Interest will be charged on arrear accounts at a rate as approved from time to time by Council

11.2 Interest shall be calculated on a daily basis. For purposes of determining arrear amounts, all amounts unpaid, including interest previously raised and penalty charges, but excluding value added tax, shall be taken into account.

9.2 In considering each annual budget, Council should review the adequacy of its interest charges and shall determine the following for the financial year concerned:

- Charges for disconnection or restriction of services
- Charges for reconnection or reinstatement of services
- Charges for notices of default
- Penalty charges for illegal reconnections
- Penalty charges for dishonoured cheques.

10. Suspension of services

10.1 Suspension of services and/or disconnection should be done within the ambit of the latest legislation.

10.2 The South African Police Services should be informed of bulk disconnections in areas where it is deemed necessary, before disconnections are affected.

11. Uncollectible arrears

11.1 The effective implementation of the credit control policy also implies a realistic review of the Municipality's debtors book at the conclusion of each financial year. The Municipal Manager shall as soon as possible after 30 June each year present to the Council a report indicating the amount of the arrears which it is believed is uncollectible, together with the reasons for this conclusion.

11.2 The Council should then authorise the write off of such arrears, if it is satisfied with the reasons provided. The write-off of amounts owing to the Municipality should only be considered once all other debt collection procedures resulted in negative results.

12. Arrears prior to the present policy

12.1 Council should consider arrears which arose prior to the adoption this present policy separately, and advise accountholders of their respective obligations in regard to such arrears. In determining such obligations, Council should have regard to the quantum of such arrears, to the period over which the default occurred, and to whether the accountholder concerned has registered as an indigent in terms of the Municipality's policy on indigency management. The Council should further consider an incentive scheme which will appropriately encourage accountholders to settle all or a stated percentage of these

arrears.

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L ALLOCATION OF PART-PAYMENTS AND APPROPRIATION OF DEPOSITS

1. If an accountholder pays only part of any Municipal account due, the payment will be allocated proportionally, in the following sequential order:
 - 1.1 to any unpaid recovery charges levied by the Municipality in respect of unacceptable cheques, notices, legal expenses and reconnections or reinstatements of services in respect of the account or property concerned;
 - 1.2 to any unpaid interest raised on the account;
 - 1.3 to any unpaid sewerage charges;
 - 1.4 to any unpaid refuse collection charges;
 - 1.5 to any unpaid water charges;
 - 1.6 to any unpaid electricity charges; and
 - 1.7 to any unpaid property rates.
2. This sequence of allocation should be followed notwithstanding any instructions to the contrary given by the accountholder.
3. In the event of an accountholder's defaulting on the payment of an arrear account as per 4, the Municipal Manager shall forthwith appropriate as much of such deposit as is necessary to defray any costs incurred by the Municipality and the arrear amount owing to the Municipality in the same sequence that is applicable to the allocation of part payments, as contemplated above, but only after services has been discontinued.

M QUERIES BY ACCOUNT HOLDERS

1. In the event of an account holder reasonably querying any item or items on the monthly Municipal account, no action shall be taken against the account holder as contemplated above provided the account holder has paid by due date:
 - 1.1 An amount equal to the monthly average monetary value of the three most recent un-queried accounts in respect of the service under query,
 - 1.2 As well as all un-queried balances on such account,
 - 1.3 And provided further such query is made in writing by the accountholder or is recorded in writing by the Municipal Manager on behalf of the account holder on or before the due date for the payment of the relevant account.
2. Any query raised by an account holder with regard to the inability to read the meter does not constitute a reasonable query.

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N ASSESSMENT RATES, REFUSE, SEWERAGE AND SUNDRY CHARGES ON UNMETERED PROPERTIES

Where consumers fail to pay their accounts by due date the following actions will be taken:

1. Final notices should be posted or delivered where accounts are in arrears for two months (60 days) or more, starting at the date of payment. The final notice will contain that the consumer has to pay the outstanding balance in terms of the Credit Control Policy. Information contained on the final notice stating that failure to settle the account on the due date will lead to the account being handed over to the Municipalities attorneys for collection.
2. The same procedure in respect of arrangements for paying off on arrears or extension of payment as for water and or electricity accounts will apply to all accounts.
3. If no response has been received within 14 days after final notices were issued, accounts that are still outstanding will be handed over to Municipality's debt collectors for collection and/or legal action. Should no response be obtained such account holder will be listed at the Credit Bureau.
4. Extension will only be granted to those consumers who can prove that they have applied successfully at a financial institution for finance to cover their accounts that are in arrears. Extension will only be granted for a period of ten working days.

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O RESIDENTS WHO RENT OR JUST RESIDE ON PROPERTY

The following steps will be taken against residents who rent or just reside on property and who are in arrears with the payment on accounts.

1. A letter will be written to inform the residents that the non-payment of their municipal accounts will prejudice them with the allocation of erven and houses because of their poor payment record.
2. That a record be kept by the Chief Financial Officer, of all parties with a poor payment record and not to alienate any property to them.
3. That an indigent register be kept as decided by Council and that grants received from Government be appropriated against such accounts, according to the Council's approved indigent policy, before any credit control measures are instituted.
4. Where a service has been disconnected to a rented property due to non-payment, the property owner will be held liable for the amounts payable to the Council. Services will only be re-connected on payment of the full amount owing.
5. Where the owner is in arrears with the payment of assessment rates, Council will claim the rental paid by the lessee as down payment on the owners account.

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P DEPOSITS

This section must be read in conjunction with the Municipality's Consumer Deposit Policy.

1. An initial consumer deposit as approved from time to time by Council is payable on signing of a service rendering contract.
2. Deposits for business and industrial consumers should be reviewed every three months while all other deposits must be reviewed annually to represent at least the average value of two months consumption. Consumption will be for water and electricity services.
3. After the disconnection of services due to non-payment, the deposit should be adjusted to represent at least the average of two months consumption.
4. The deposit can either be in the form of cash or bank guarantee.
5. The deposits should be accounted for in a register that is reconciles to the Municipalities general ledger system on a monthly basis.
6. No interest shall accrue in favour of the depositors thereof upon termination of the debtors agreement with the Municipality.
7. Deposits will first be offset against any outstanding balances before it can be refunded to the consumer.
8. Deposits to be refunded are only payable to the entity which name is appearing on the closed account.
9. Deposits are not transferable to a next account of those consumers moving from one property to another, or in cases where the name of the person, responsible for paying the account, has changed.

Q INABILITY TO READ METERS

If the Municipality is unable to read any meter on any property because the meter has been rendered inaccessible through any act or omission of the accountholder or owner of the property concerned, the Municipality should estimate the consumption of the service concerned by determining the monthly average of the metered consumption recorded on the three most recent accounts in respect of which meter readings were obtained, and thereafter bill the accountholder for the monetary value of such estimated consumption plus a provisional surcharge of 10% of such value for the first month in which the metered reading could not be obtained, escalating to 20% in the second month, 30% in the third month, and so on by 10 percentage points for each subsequent month, until the meter is again rendered accessible. The accountholder are liable for the initial payment of such surcharge(s) as though the surcharge were part of the service charge concerned, but the municipal manager shall reverse such surcharge(s) against the first account for which a meter reading is again obtained.

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R INDIGENCY MANAGEMENT

In regard to the payments expected from registered indigents, and the credit control and debt collection actions contemplated in respect of such residents, this policy should be read in conjunction with the Municipality's approved policy on indigency management.

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S BY-LAWS

1. By-laws should be adopted to give effect to the Council's credit control and debt collection policy. These by-laws deal severely with defaulters, and their application requires a considerable degree of commitment from the Municipal Manager and his or her administration, as well as from the Municipality's political structures.
2. For these by-laws to ensure the avoidance of financial misfortunes for the Municipality, and to lead to sustained financial stability, their application will have to receive the constant attention of all the Municipality's key role-players and decision makers. If these by-laws are not constantly and consistently applied, from month to month and from year to year, the Municipality's political and administrative credibility will be severely impaired, and it may not be able to avert financial collapse in the long run.
3. Although these by-laws envisage even the termination of basic services for defaulting accountholders this will not in itself – no matter how harsh it may seem to those Councillors and officials who are disposed to greater leniency – prevent the accumulation of arrears. The monthly billing for property rates, sewerage charges and refuse removal fees will continue in respect of defaulting accountholders, even though their consumption of electricity and water may have been terminated or restricted. The termination or restriction of services should therefore be seen merely as a vital first step in the credit control programme, and the commitment by the municipality to follow up such actions with the full force of the law at the Municipality's disposal is an essential further step if the accumulation of debts is to be meaningfully reduced.
4. The by-laws should comply with the requirements of the Municipal Systems Act 2000, the Water Services Act 1997 and the Municipal Finance Management Act 2003.
5. The by-laws also deal with the determination and payment of consumer deposits, this policy effectively differentiate in this respect between accountholders who are both the owners and occupiers of the fixed property concerned, on the one hand, and accountholders who are tenants of such properties, on the other. This differentiation is essential if the Municipality wishes to protect its interests in so far as tenants are concerned.