

GREATER LETABA MUNICIPALITY



CREDIT CONTROL POLICY

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1. DEFINITIONS

The following words shall have the meanings hereby assigned to them-

- 1.1 “**Account(s)**” means any account that includes municipal rates and/or services account;
- 1.2 “**Service contract**” means a legal document signed by the account holder that consents to the supply of municipal services;
- 1.3 “**Arrears**” means an amount that is due, owing and payable to the Municipality and includes inter alia; (a) the principal debt, (b) collection costs, (c) interest, (d) default administration charges, (d) connection fees;
- 1.4 “**Interest**” means a charge levied on all arrear monies and calculated at a rate determined by the municipal council on a yearly basis;
- 1.5 “**Indigents**” are defined by the approved Indigent Policy of the Municipality;
- 1.6 “**Indigent Policy**” means the Indigent Policy approved by the council of the Municipality;
- 1.7 “**Municipality**” means Greater Letaba Municipality except where stated otherwise;
- 1.8 “**Policy**” means this document;

2 APPLICATION

This policy shall apply only in respect of money due and payable to the municipality for:

- 2.1** Rates;
- 2.2** Fees, surcharges (*additional charges*) on fees, and tariffs in respect of the provision of water, refuse removal, sewerage and the removal and purification of sewerage, electricity (hereinafter referred to collectively as “services”) in cases where the municipality is responsible for the rendering of accounts in relation to any one or more of the services and for the recovery of amounts due and payable in respect thereof, irrespective of whether the services, or any of them, are provided by the municipality itself or by a service provider through which and on its behalf, in terms of a Service Delivery Agreement, it provides a service;
- 2.3** Interest which has or will accrue in respect of any money due and payable or which will become due and payable to the municipality in regard to rates or services;
- 2.4** Municipal services provided through pre-paid meters;
- 2.5** Any other sundry balance payable to the Municipality.

3 OBJECTIVES OF THIS POLICY

The objectives of this Policy are to –

- 3.1** Ensure that all money due and payable to the Municipality in respect of rates, fees for services, interest which has accrued on any amounts due and payable 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 extension of time for the payment of overdue amounts;
- 3.5** Provide for the termination of services or for restrictions on the provision of services when payments are overdue;

4 IMPLEMENTATION

This policy shall be implemented by the Accounting Officer whose duties that can be delegated include the following:

- 4.1 Taking of monthly meter readings.
- 4.2 Generating and rendering of monthly consumer accounts.
- 4.3 Collection of money due and payable to the municipality.
- 4.4 Implementing of debt collecting procedures against payment defaulters.

5 ACTIONS TO SECURE PAYMENT

- 5.1.** The Municipality must establish service centres / offices and pay points within easy reach of the community and its consumers.
- 5.2.** Such offices must be staffed by officials with relevant skills, expertise and financial system support to assist members of the community.
- 5.3.** The Municipality may use any credit control and debt collection methods, which are permitted in law (including the National Credit Act, where applicable). This includes but is not limited to the following:
- Distribution of monthly statements;
 - Registering defaulters at the credit bureau;
 - Deposit taking;
 - Payment Arrangements;
 - Statement reminder messages;
 - Telephone calls;
 - Notices;
 - Termination or Restriction of Services;
 - Legal Action;
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- 5.4.** The Municipality reserves the right to report individual consumers whose accounts remain unpaid for more than 90 days to Credit Bureaus as allowed by the National Credit Act for blacklisting purposes.

6 INDIGENCT ACCOUNT HOLDER

- 6.1** Each individual that are deemed to be indigent and that wishes to qualify for the indigent benefit must supply the required documentation and register on the Municipality's indigent database in accordance to the stipulations of the Municipality's approved Indigent Policy.
- 6.2** 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 Indigent Policy.
- 6.3** There will be no distinction made regarding the implementation of credit control procedures against the arrear accounts of qualifying indigent account holders.
- 6.4** The consumer accounts of indigent individuals must be credited on a monthly basis with the approved free basic consumption as approved by Council. They are however liable for the payment of accounts in excess of the portion above the free basic portion.

7 NOTICE OF DEFAULT AND INTENDED TERMINATION OR RESTRICTION OF SERVICES

7.1. Notices in writing and/or SMS format will be distributed to every defaulting account holder who has not paid the relevant monthly consumer account in full by the deadline date stipulated on the monthly consumer account, or has not made any payment arrangements with the Municipality for partial or late payment.

7.2. Such notices must be sent or delivered within five (5) working days from the date of the payment deadline date as stipulated on the monthly consumer account.

7.3. A detailed register must be maintained in respect of all consumers to whom notices were served. The following detail should be captured in the register:

- Name and account number of consumer;
- Balance owing;
- Method of how notice was served (hand delivered or SMS);
- Date the notice was delivered or SMS send.

7.4. This notice should clearly indicate that:

- Water and/or electricity services will be terminated or restricted should the amounts owing not be paid or payment arrangement has been made within 10 days from the deadline date as stipulated on the monthly consumer account;
- Reconnection charges or fee will be charged should the account holder request connection of services after the services were restricted or disconnected as result of non-payments.
- The deposit of the account holder will be adjusted upwards due to non-payment;
- The account will be handed over to the Municipality's Legal Department should the account not be settled or payment arrangements made within 30 days from the deadline date stipulated on the monthly account.

8 RESTRICTION OR TERMINATION OF SERVICES

- 8.1 The municipality may restrict or terminate the supply of water, electricity and refuse removal or discontinue any other service to any premises whenever a user of any service fails to make full payment of the monthly consumer account by the due date as stipulated on the monthly consumer accounts or fails to make acceptable arrangements for the repayment of any amount for services, rates or taxes or other amounts due.
- 8.2 Services of consumers who have not settled consumer accounts in full within fourteen (14) days from the payment deadline date as stipulated on the monthly consumer accounts must be restricted and/or terminated. Management to ensure that the financial and debtor systems have been updated with all the receipts.
- 8.3 The final cut-off list must be used as guide for restriction and/or termination of services. Refer to Section 12 for arrangements for late payment or down payment of arrears accounts.
- 8.4 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 to account holders who have settled or made payment arrangements are not disconnected or restricted.
- 8.5 The final cut-off list must be approved by the Director: Finance for the commencement of cut-off procedures by close of business fourteen days after the deadline date as stipulated on the monthly consumer account or closest working day to the 14th day.
- 8.6 The parties responsible for the restriction and/or disconnection of services must restrict / disconnect all services by the end of the 5th day after the final cut-off list was approved by the Director: Finance. Such parties must be supplied with copies of the final cut-off list.
- 8.7 Meter readings must be taken for 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 or connected. Where services were illegally reconnected criminal actions must be instituted.
- 8.8 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 or her rationale to the Council.

- 8.9 Restricting water flow valves must 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.
- 8.10 The revenue accountant must ensure on a monthly basis that reconnection charges were correctly billed to the accounts of all consumers that appeared on the monthly cut-off list and whose services were reconnected due to full payment of the account.

9 **INTEREST CHARGES**

- 9.1 Interest will be charged on all overdue accounts that have not paid the full balance owing by the account payment date as stipulated on the monthly consumers' accounts.
- 9.2 The interest rate to be charged on the monthly consumer accounts must be approved by Council during the annual budget approval meeting.
- 9.3 Council must annually review the adequacy of the interest rate charged. Changes to the interest rate charges can only be approved by Council during the annual budget approval process and the rate cannot be changed during a financial year.
- 9.4 Interest on arrear accounts 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.
- 9.5 The Director: Finance or delegated senior official must ensure on monthly basis that interest is charged on a monthly basis and at the correct rates to all accounts that are in arrears.

10 **RECONNECTION OF SERVICES AND CHARGING OF FEES**

- 10.1 Where a consumer has settled the full consumer account that was in arrears a reconnection fee as approved by Council will be charged.
- 10.2 The Municipality shall reconnect and/or restore full levels of supply of any of the restricted or discontinued services only after the full amount outstanding is paid, including the costs of such reconnection have been made or a payment arrangement has been made for payment of such outstanding amounts in terms of this Policy, or any other condition(s) of this Policy have been complied with.
- 10.3 The following conditions must also be met before the reconnection is made:
- A service contract has been entered into with the Municipality;
 - An additional deposit fee as determined by the municipal council has been charged to the consumer's account;
 - 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.
 - The reconnection fee or charge has been paid.
- 10.4 Only the Assistant Director: Revenue or delegated senior accountant can authorise the reconnection of services or reinstatement of service delivery after satisfactory payment and/or arrangement for payment has been made according to this Policy.
- 10.5 The Municipality shall, as far as possible, reconnect or reinstate terminated services within 24 hours after the full payment were received or a payment arrangement with the municipality has been made, unless the Municipality is unable to do so due to circumstances beyond its control. If such circumstances occur, the Municipal Manager or delegated official shall promptly inform the Mayor of such circumstances and any actions required to overcome the circumstances concerned.

11 ILLEGAL RECONNECTIONS OR TAMPERING WITH METERS

- 11.1 The Municipality's approved meter readers must on monthly basis and when physical meter readings are taken inspect and verify that services are not illegally connected or that meters were not tampered with.
- 11.2 The officials of the Municipality's Technical Department must also on constant basis inspect properties and meters to identify potential illegal connections or tampering.
- 11.3 The Assistant Director: Revenue or delegated senior should on monthly basis utilise the final meter reading fault report to identify potential illegal connections or tampering. This could inter alia include the following:
- Meter readings that remained unchanged from the previous month's reading;
 - Meter readings that are lower than the previous month's reading;
 - Abnormally low readings;
 - Abnormally high readings.
- 11.4 The Director: Finance must, as soon as it comes to his or her attention that any terminated or restricted service has been illegally reconnected or reinstated, or where meters were tampered with, 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 in full;
 - 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.

12 ARRANGEMENTS TO PAY ARREARS

- 12.1 A consumer requesting down payment of an arrears balance must complete and sign an application for arrangement for repayments of arrear accounts. The request must be on the standard form, be in writing and be approved by the Municipal manager or the delegated senior official.
- 12.2 A debtor who's down payment request was approved must enter into a written agreement with the Municipality to repay agreed overdue amount by signing a formal agreement and:
- 50% of the debt should be paid upfront prior to payment agreement being reached
 - Admits liability for all outstanding amounts owing and payable to the municipality according to the Municipality's financial system;
 - Offers to pay all outstanding amounts on the terms set by the Municipality,
 - Includes a consent to judgment and shall entitle the Municipality to obtain default judgment against the account holder should the account holder default in terms of the conditions as set out in the agreement.
- 12.3 A copy of the agreement must be given to the account holder or forwarded to the account holder via registered mail.
- 12.4 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.
- 12.5 If the account holder do not make such payments as agreed upon in the agreement, services to the account holder shall be restricted or terminated and the account shall be handed over to the legal Department for collection.
- 12.6 The written agreement has to be signed on behalf of the municipality by a duly authorised official, i.e. the Municipal Manager or delegated senior official. The original of the agreement must be properly safeguarded.
- 12.7 To ensure the continuous payment of such arrangement the amount determined must be affordable to the debtor, taking into account that payment of the monthly current account is a prerequisite for concluding an arrangement. The main aim of an agreement will be to promote full payment of the current account and to address the arrears on a consistent basis.
- 12.8 A maximum of six 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. Debit orders should, as far as possible, be entered into to recover the arrears.

12.9 It is the responsibility of the Assistant Director: Revenue to ensure that the repayments as stipulated in the agreement are being adhered to.

13 ALLOCATION OF PART-PAYMENTS AND APPROPRIATION OF DEPOSITS

- 13.1 If an account holder pays only part of any Municipal account due, the payment will be allocated proportionally, in the following sequential order:
- i. 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;
 - ii. To any unpaid interest raised on the account;
 - iii. To any unpaid sewerage charges;
 - iv. To any unpaid refuse collection charges;
 - v. To any unpaid water charges;
 - vi. To any unpaid electricity charges; and
 - vii. To any unpaid property rates.
- 13.2 This sequence of allocation should be followed notwithstanding any instructions to the contrary given by the account holder.
- 13.3 In the event of an account holder's defaulting on the payment of an arrear account as per 4, the Municipal Manager or delegated official 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.

14 THE PROCESS OF LEGAL COLLECTION

- 14.1 All accounts in arrears for a period over 60 days must be handed over the Municipality's Legal Department for following up and collection.
- 14.2 All accounts outstanding for a period of 120 days and over with which the Municipality's legal Department were unsuccessful in collection must be handed over to the Municipality's approved debt collectors or attorneys for follow up and collection.
- 14.3 The Municipality's Legal Department, approved debt collectors or attorneys must take all reasonable legal steps to ensure that payments are received.
- 14.4 All individuals or companies whose accounts are in arrears for a period exceeding 180 days and that has signed and honoured payback agreements must be blacklisted.
- 14.5 All legal costs, including attorney-and-own-client costs incurred in the recovery of amounts in arrears shall be levied against the arrears account of the debtor and/or recovered directly by the Legal Department, or approved collecting agents or attorneys.

15 AGENTS, ATTORNEYS AND OTHER COLLECTION AGENTS

- 15.1 The municipality shall appoint attorneys and / or collecting agents acting through normal supply chain management processes.
- 15.2 All such agents shall be supplied with a copy of the credit control measures.
- 15.3 Under no circumstances may agents negotiate terms, extend payment periods or accept cash on behalf of the Municipality.

16 CLEARANCE CERTIFICATES

- 16.1 In order to obtain a rates clearance certificate when evacuating a property, an account holder must accurately complete a rates clearance application form in full. The evacuation date must be clearly indicated on the request.
- 16.2 The Municipality will provide the full outstanding amount owing on the account to be settled before the clearance certificate will be issued. This will include consumption and basic charges up to the date of property vacation.
- 16.3 The issued certificate should be in the prescribed form and must be signed by the Director: Finance or delegated official once verified that all balances owing on the certificate has been settled.
- 16.4 In the instance where the property owner or surviving spouse or heir is a registered indigent in terms of the Indigent Policy and therefore unable to pay the amount required for the purpose of obtaining the requisite clearance certificate, the Director: Finance may recommend to the Municipal Manager that a clearance certificate be issued by writing off the outstanding debt or amount.
- 16.5 A clearance certificate can be issued in the instance where an account holder negotiates full and final settlement of his outstanding debt in order to facilitate the transfer of his property, upon payment of the accepted full and final settlement amount by the account holder's financial institution, a submission of a proof of payment to the Municipality.

17 REVIEW OF THIS POLICY

- 17.1 This policy should undergo regular reviews in order to maintain its stipulations in line with the obligations placed on the municipality in terms of section 96 and 99 of the Municipal Systems Act and also to accommodate changes in legislation.
- 17.2 This policy should be reviewed at a minimum, once every financial year.