



POLICY 049/2017 RAADSBELEID

SUBJECT/ONDERWERP: CUSTOMER CARE, CREDIT CONTROL AND DEBT COLLECTION POLICY

REFERENCE/VERWYSING: 2.11

RESOLUTION NR/BESLUIT NO: 10/05/2017 (CM)

DATE/DATUM: 30 May 2017

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DATE/DATUM: 30 May 2019

DEFINITIONS

Act: The Local Government Act: Systems Act, 2000 [Act 32 of 2000] as amended from time to time.

Authorized Representative: Person or instance legally appointed by the Council to act or to fulfill a duty on its behalf.

Council: means the municipal council of the Dawid Kruijer Municipality.

Customer: means any occupier of any property to which the municipality has agreed to supply services or already supplies services to, or failing such an occupier, then the owner of the property.

Default : means a person who owes money to the municipality after the due date has expired.

Director: means a person appointed by Council in terms of Section 56(a) of the Act as a manager directly accountable to the municipal manager.

Engineer: means the person in charge of the civil and/or electrical component of the municipality.

Equipment: means a building or other structure, pipe, pump, wire, cable, meter, engine or any accessories.

Interest: means a charge levied with the same legal priority as service fees and calculated at a rate determined by council from time to time on arrear monies.

Chief Financial Officer: means the person appointed by Council to administer its finances.

Municipality: means the institution that is responsible for the collection of funds and the provision of services to the customers of Dawid Kruiper.

Municipal account: means an account rendered specifying charges for services provided by the municipality, or any authorized and contracted service provider, and/or assessment rates levies.

Municipal Manager: means the person appointed as Municipal Manager in terms of section 82 of the Local Government: Structures Act, 1998 [Act 117 of 1998] and include any person acting in that position or to whom authority was delegated.

Municipal services: means those services provided by the municipality, such as, inter alia the supply of water and electricity, refuse removal, sewerage treatment, and for which services charges are levied.

Occupier: means any person who occupies any property or part thereof, without taking cognisance of the title in which he or she occupies the property.

Owner means:

- (a) The person in whose name the property is legally vested;
- (b) In the case where the person in whose name the property is vested, is insolvent or deceased, or is disqualified in terms of any legal action, the person who is responsible for administration or control of the property as curator, trustee, executor, administrator, legal manager, liquidator, or any other legal representative;
- (c) In the case where the council are unable to establish the identity of such person, the person who are entitled to derive benefit from the property or any buildings thereon;
- (d) In the case of a lease agreement in excess of 30 years was entered into, then the lessee;
- (e) Regarding:
 - (i) A portion of land allotted on a sectional title plan and which is registered in terms of the Sectional Title Act, 1986 [Act 95 van 1986], without limiting it to the developer or managing body to the communal property;
 - (ii) A portion as defined in the Sectional Title Act, the person in whose name that portion is registered in terms of a 'sectional title', including the legally appointed representative of such person;
- (f) Any legal entity including but not limited to:

- (i) A company registered in terms of the Companies Act, 1973 [Act 61 of 1973]; a trust inter vivos; a trust mortis causa; a closed corporation registered in terms of the Close Corporation Act, 1984 [Act 69 of 1984]; and, any voluntary organization;
- (ii) Any provincial or national government department, and a local authority;
- (iii) Any council or management body established in terms of any legal framework applicable to the Republic of South Africa; and
- (iv) Any embassy or other foreign entity.

Property: any portion of land, of which the boundaries are determined, within the jurisdiction of the municipality.

2. GENERAL OBJECTIVES

2.1 The objectives of this policy are -

- (a) To provide a framework within which the municipality can exercise its executive and legislative authority with regard to credit control and debt collection.
- (b) To ensure that all monies due and payable to the municipality are collected and used to deliver services in the best interests of the community; residents and consumers; and in a financially sustainable manner.
- (c) To provide a framework for customer care.
- (d) To describe credit control measures and sequence of events.
- (e) To outline debt collection procedures and mechanisms.
- (f) To set realistic targets for debt collection.

3. PRINCIPLES

3.1 The administrative integrity of the municipality must be maintained at all costs. The democratically elected Councillors are responsible for policy-making, while it is the responsibility of the Municipal Manager to ensure the execution of these policies.

3.2 All customers must complete an official application form, formally requesting the municipality to connect them to service supply lines. Existing customers may be required to complete new application forms from time to time, as determined by the Municipal Manager.

3.3 A copy of the application form, conditions of services and extracts of the relevant Council's Customer Care, Credit Control and Debt Collection Policy and bylaws must be handed to every customer on request at such fees as may be determined by Council from time to time.

- 3.4 Billing is to be accurate, timeously and understandable.
- 3.5 The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods.
- 3.6 The customer is entitled to an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of a reasonable appeal.
- 3.7 Enforcement of payment must be prompt, consistent and effective
- 3.8 Unauthorized consumption, connection and reconnection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to disconnections, penalties, loss of rights and criminal prosecutions.
- 3.9 Incentives and disincentives determined by Council from time to time may be used in collection procedures.
- 3.10 The collection process must be cost-effective.
- 3.11 Results will be regularly and efficiently reported by the Executive Committee to Council.
- 3.12 Application forms will be used to, inter alia, categorise customers according to credit risk and to determine relevant levels of services and deposits required.
- 3.13 Targets for performance in both customer service and debt collection will be set and pursued and remedies implemented for non-performance.
- 3.14 The principle of providing services in line of payment for arrear accounts is supported.

4. DUTIES AND FUNCTION

Duties and Functions of Council

- 4.1 To approve a budget consistent with the needs of communities, ratepayers and residents.
- 4.2 To impose rates and taxes and to determine service charges, fees and penalties to finance the budget.
- 4.3 To facilitate sufficient funds to give access to basic services for the poor.
- 4.4 To provide for bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the municipality.
- 4.5 To set an improvement target for debt collection, in line with acceptable accounting ratios and the ability of the Implementing Authority.

- 4.6 To approve a reporting framework for customer care, credit control and debt collection.
- 4.7 To consider and approve bylaws to give effect to this policy.
- 4.8 To monitor the performance of the Municipal Manager via the Executive Committee (Supervising Authority) regarding customer care, credit control, debt collection and indigent support.
- 4.9 To revise the budget should the targets for Council's customer care, credit control, debt collection and indigent support not be met.
- 4.10 To take disciplinary and/or legal action against councilors, officials and agents who do not execute council policies and by-laws, or act improperly in terms of such policies.
- 4.11 To approve a list of attorneys that will act for Council in all legal matters relating to debt collection.
- 4.12 To delegate the required authority to monitor and execute the customer care, credit control, debt collection and indigent policy to the Executive Committee, Municipal Manager and Service Provider (if required) respectively.
- 4.13 To provide sufficient capacity in the Municipality's Directorate: Financial Services to execute customer care, credit control, debt collection and indigent support actions. Alternatively, if required as such, to appoint a Service Provider or debt collection agent to perform these actions.
- 4.14 To assist the Municipal Manager in the execution of his duties, if and when required.
- 4.15 To provide funds for the training of staff.

Duties and Functions of Executive Committee

- 4.16 To ensure that Council's budget, cash flow and targets for debt collection are met and executed in terms of the policy and relevant bylaws.
- 4.17 To monitor the performance of the Municipal Manager in implementing this policy and bylaws.
- 4.18 To review and evaluate the policy and bylaws in order to improve the efficiency of Council's customer care, credit control, debt collection and indigent support procedures, mechanisms and processes.
- 4.19 To report to Council.

Duties and Functions of the Municipal Manager

- 4.20 To implement good customer care management systems.
- 4.21 To implement council's Customer Care, Credit Control and Debt Collection Policy.

- 4.22 To install and maintain an appropriate accounting system.
- 4.23 To provide credible billing to customers.
- 4.24 To demand payment on due dates.
- 4.25 To raise penalties for defaults.
- 4.26 To appropriate payments received.
- 4.27 To collect outstanding debt through a debt collection management system.
- 4.28 To provide different payment methods.
- 4.29 To determine customer care, credit control, debt collection and indigent support measures.
- 4.30 To determine all relevant work procedures for, inter alia, public relations, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.
- 4.31 To instruct attorneys to proceed with the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders, etc.).
- 4.32 To set performance targets for staff.
- 4.33 To appoint staff to execute council's policy and bylaws in accordance with council's appointment policy.
- 4.34 To delegate certain functions to directors in charge of directorates.
- 4.35 To determine control procedures.
- 4.36 To monitor contracts with Service Providers in connection with credit control and debt collection.
- 4.37 To report to the Executive Committee.
- 4.38 To adhere to the Code of Conduct for Officials

Duties and Functions of Communities, Ratepayers and Residents

- 4.39 To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.

- 4.40 To pay service fees, rates on property and other taxes, levies and duties imposed by the municipality on or before due date.
- 4.41 To observe the mechanisms and processes of the municipality in exercising their rights.
- 4.42 To allow municipal officials reasonable access to their property to execute municipal functions.
- 4.43 To comply with the by-laws and other legislation of the municipality.
- 4.44 To refrain from tampering with municipal services and property.

Duties and Functions of Councillors

- 4.45 To hold regular ward meetings (Ward Councillors).
- 4.46 To adhere to and convey Council Policies to residents and ratepayers.
- 4.47 To adhere to the Code of Conduct for Councillors.

5. PERFORMANCE EVALUATION (Annexure 'A')

- 5.1 The municipality must establish a mechanism to set targets for debt collection, customer care and administrative performance, evaluate and take corrective actions on a regular basis to enhance credit control and debt collection.

Income Collection Target

- 5.2 Council to create targets that include the reduction in present monthly increase in debt in line with performance agreements determined by Council.

Customer Service Targets

- 5.3 Council to create targets that would include:
 - (a) Response time to customer queries.
 - (b) Date of first account delivery to new customers.
 - (c) Reconnection time lapse.
 - (d) Meter reading cycle.
- 5.4 Abovementioned to be reflected in Service Delivery Charter of Council.

Administrative Performance

- 5.5 Council to create targets that will include:
 - (a) Cost efficiency of debt collection.
 - (b) Query and appeal periods.
 - (c) Enforcement mechanism ratios.

6. REPORTING

- 6.1 The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Executive Committee as Supervisory Authority in terms of Section 99 of the Systems Act, read with section 100(c). This report shall contain particulars on:
- (a) Cash collection statistics, showing high-level debt recovery information (numbers of customers; enquires; arrangements; default arrangements; growth or reduction of arrear debt). Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, state, institutional and other such divisions.
 - (b) Performance of all areas against targets agreed to in section 5 of this policy document.
- 6.2 If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the Municipal Manager who will, if he/she agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realisable income levels.
- 6.3 The Executive Committee as Supervisory Authority shall, at intervals of 3 months, report to Council as contemplated in section 99(c) of the Systems Act.

7. CUSTOMER CARE POLICY

Objective

- 7.1 To focus on the client's need in a responsible and pro-active way, to enhance the payment for services and to create a positive and cooperative relationship between the persons responsible for the payment for services received and the municipality, and where applicable, any service provider.

Communication

- 7.2 The municipality will, within its financial and administrative capacity, conduct an annual process of compiling and communicating its budget, which will include targets for credit control.
- 7.3 Council's Customer Care, Credit Control and Debt Collection Policy or relevant extracts thereof, will be available in Xhosa, English and Afrikaans and will be made available by general publication and on specific request and will also be available for perusal at Council's offices.
- 7.4 Council will endeavour to distribute a regular newsletter, which will give prominence to customer care and debt issues, in a cost effective manner.
- 7.5 Ward Councillors will be required to hold regular ward meetings, at which customer care and debt collection issues will be given prominence.

- 7.6 The press will be encouraged to give prominence to Council's Customer Care, Credit Control and Debt Collection Policy, and will be invited to Council or Committee meetings where these are discussed.
- 7.7 Council will endeavour to create partnerships with civil society organisations in promoting customer care, credit control, debt collection and indigent support issues.

Metering

- 7.8 The municipality will endeavour, within practical and financial limits, to provide meters to every paying client for all consuming services.
- 7.9 All meters will be read monthly, if at all possible. If meters are not read on a monthly basis, the council will estimate the consumption in terms of council's operational procedures.
- 7.10 Customers are entitled to request verification of meter readings and accuracy within reason, but may be held liable for the cost thereof.
- 7.11 Customers will be informed of a meter replacement.
- 7.12 If a service is metered but it cannot be read due to financial and human resource constraints or circumstances out of the control of the municipality or its authorised agent, and the customer is charged for estimated consumption, the account following the reading of the metered consumption must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustments.

Accounts and Billing

- 7.13 Customers on the billing system will receive an understandable and accurate bill from the municipality, which bill will consolidate all service costs for that property.
- 7.14 Accounts will be produced in accordance with the meter reading cycle and due dates will be linked to the statement date.
- 7.15 Accounts will be rendered monthly in cycles of approximately **30 days** at the address last recorded with the municipality or its authorized agent.
- 7.16 It is the customer's responsibility to ensure that postal address and other contact details are correct.
- 7.17 It is the customer's responsibility to ensure timeous payment in the event of accounts not received.
- 7.18 Settlement or due dates will be as indicated on the statement.
- 7.19 Where an account is not settled in full, any lesser amount tendered and accepted shall not be deemed to be in full and final settlement of such an account.

- 7.20 Where any payment made to the municipality or its authorised representative by negotiable instrument is later dishonoured by a bank, the municipality or its authorised agent:
- (a) May recover the average bank charges incurred relating to dishonoured negotiable instruments against the account of the customer.
 - (b) Shall regard such an event as a default on payment.
- 7.21 The municipality or its authorised agent must, if administratively possible, issue a duplicate account to a customer on request, at a cost determined by Council from time to time.

Payment Facilities and Methods

- 7.22 The municipality will operate and maintain suitable payment facilities (internet payment facilities included), and which facilities will be accessible to all users.
- 7.23 The municipality will at its discretion allocate a payment between service debts and a debtor, who has overdue debt, may not specify that the payment is for a specific portion of the account.
- 7.24 The municipality may in terms of section 103 of the Systems Act, with the consent of a customer, approach an employer to secure a debit or stop order arrangement.
- 7.25 The customer will acknowledge, in the customer' agreement that the use of customer agents in the transmission of payments to the municipality is at the risk of the customer - also for the transfer time of the payment.

Incentives for Prompt Payment

- 7.26 The Council may, to encourage prompt payment and/or to reward regular payers, consider from time to time incentives for the prompt payment of accounts or payment by debit or stop order.
- 7.27 Such incentive schemes, if introduced, will be reflected in annual budgets as additional expenditure.

Enquiries, Appeals and Service Complaints

- 7.28 Within its administration and financial ability the municipality will establish:
- (a) A central complaints/feedback office;
 - (b) A centralised complaints database to enhance co-ordination of complaints, their speedy resolution and effective communication with customers;
 - (c) Appropriate training for officials dealing with the public to enhance communications and service delivery; and
 - (d) A communication mechanism to give council feedback on service, debt and other issues of concern.

- 7.29 If a customer is convinced that his or her account is inaccurate, he or she can lodge a query with the municipality for investigation of this account, and where necessary the relevant alterations.
- 7.30 In the interim the debtor must pay the average of the last three months accounts where such history of the account is available. Where no such history is available, the debtor is to pay an estimate provided by the municipality before payment due date until the matter is resolved.
- 7.31 The relevant department will investigate and inform the debtor within the period specified herein, as determined by the Municipal Manager from time to time.
- 7.32 Failure to make such agreed interim payment or payments will result in the customer forming part of the normal credit control procedures.
- 7.33 A customer or its authorised agent may appeal against the findings of the municipality in terms of subsection (30).
- 7.34 An appeal and request in terms of subsection (32) must be made and lodged with the municipality within 21 (twenty-one) days after the customer became aware of the finding referred to in subsection (30) and must:
- (a) Set out the reasons for the appeal; and
 - (b) Be accompanied by any security determined for the testing of a measuring device, if applicable.

Customer Assistance Programmes

Water Leakages

- 7.35 If the leakage is on the customer's side of the meter, the customer will be responsible for the payment of all water supplied to the property.
- 7.36 Where suitable proof of repair costs are provided, the Municipality may, at its sole discretion, provide relieve to a maximum of 50% of the charge raised for the water lost due to the leak.
- 7.37 The customer has the responsibility to control and monitor his/her water consumption.

Rate Rebates

- 7.38 Properties used exclusively for residential purposes may qualify for a rebated rate determined annually by Council.
- 7.39 A rate rebate may be granted according to certain qualifying criteria to social pensioners or the receiver of a State disability grant and/or any category of customer, as determined by Council from time to time.

Arrangements for Settlements (Annexure 'B')

- 7.40 Customers with electricity and water arrears must agree to the conversion to a prepayment meter, if and when implemented the cost of which, and the arrears total, will be paid off either by -
- (a) Adding the debt to the arrears bill and repaying it over the agreed period; or
 - (b) Adding the debt as a surcharge to the prepaid electricity or water cost, and repaying it with each purchase of electricity and water until the debt is liquidated.
- 7.41 In the case of households qualifying for indigent support, the conversion costs to a prepayment meter will be funded through that portion of the equitable share contribution to the municipality made from the national government's fiscus and as provided for in the budget.
- 7.42 Council reserves the right to raise the deposit requirement of debtors who seek arrangements.

Rates by Installments

- 7.43 Customers may elect to pay the property rates account monthly, over a maximum period of 12 months at no interest cost, on the condition that there is no rates outstanding in respect of a previous period and that the rates are paid in full prior to the next rates cycle.
- 7.44 Any arrangement for monthly rate installments will be cancelled by the Municipality and all rates will be payable in full with immediate effect should any three installments become overdue.

Customer Categories

- 7.45 Customers will be categorised according to specific classifications based on inter alia the type of entity and applicable tariffs and risk levels. Processes for credit control, debt collection and customer care may differ from category to category, as deemed appropriate from time to time by the Municipal Manager.

Priority Customer Management

- 7.46 Certain customers will be classified as priority customers based on criteria determined by the Municipal Manager from time to time, such as the number of properties owned or volume of consumption.
- 7.47 A Priority Customer Liaison Officer or person nominated by the Municipal Manager will be responsible for the ongoing management of the customers so classified and will perform tasks such as the review of monthly accounts to ensure accuracy, the monitoring of prompt settlement of accounts and response to queries.

8. CREDIT CONTROL POLICY

Objective

- 8.1 To implement procedures which ensure the collection of debt, meeting of service targets and the prevention of escalation in arrear debt. To facilitate financial assistance and basic services for the community's poor and provide incentives for prompt payment as well as ensuring limited risk levels by means of effective management tools.

Service Application and Agreements

- 8.2 All customers of services will be required to sign an agreement governing the supply and cost of municipal services. Owners may allow a tenant to sign a separate agreement with the municipality, which the municipality may at its own discretion accept or reject. On default by a tenant, the owner will be the debtor of last resort.
- 8.3 Prior to signing these agreements, customers will be entitled to receive the policy document of the Council on request at a cost determined by Council.
- 8.4 On the signing of the agreement, customers will receive a copy of the agreement for their records.
- 8.5 Customers are responsible for costs of collection, interest and penalties in the event of delayed and/or non-payment.
- 8.6 Existing customers of services will be required to sign new agreements as determined by the Municipal Manager from time to time. This will particularly be in the case of defaulters.

Right of Access to Premises

- 8.7 The owner and or occupier of property is to allow an authorised representative of the municipality access at all reasonable hours to the property in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict, or reconnect, the provision of any service.
- 8.8 The owner is responsible for the cost of relocating a meter if satisfactory access is not possible.
- 8.9 If a person fails to comply with the municipality or its authorised representative, the municipality may:
- (a) By written notice require such person to restore access at his/her own expense within a specified period.
 - (b) If it is the opinion that the situation is a matter of urgency, without prior notice restore access and recover the cost from such person.

Enforcement Mechanisms

- 8.10 Interest will be raised as a charge on all accounts not paid by the due date in accordance with applicable legislation.
- 8.11 The municipality shall have the right to restrict or discontinue the supply of services or to implement any other debt collection action necessary due to late or non-payment of accounts, relating to any consumer, owner or property.

Theft and Fraud

- 8.12 Any person (natural or juristic) found to be illegally connected or reconnected to municipal services, tampering with meters, the reticulation network or any other supply equipment or committing any unauthorised act associated with the supply of municipal services, as well as theft of and damage to Council property, will be prosecuted and/or is liable for penalties as determined by Council from time to time.
- 8.13 Any member of the local community that supply information with regard to any of the illegal actions as set out in (8.12) above, and the information when verified found to be true, will upon authorisation by the Municipal Manager be rewarded as determined by Council from time to time. The name of the informant and the information supplied will at all times be kept confidentially so as to protect the informant against any retaliatory action.
- 8.14 Council will immediately terminate the supply of services to a customer should such conduct as outlined above, be detected.
- 8.15 The total bill owing, including penalties, assessment of unauthorised consumption and discontinuation and administration fees, and increased deposits as determined by Council, if applicable, will be due and payable before any reconnection can be sanctioned. The following payment arrangement will only applies to households:
- (a) Reconnection of electricity after payment of 50% of the amount due and payable for the unauthorized electricity bill.
 - (b) The payment arrangement on the balance can only be made for 3 months; if the arrangement is not honored then the electricity will be disconnected.
- 8.16 Council will maintain monitoring systems in order to identify customers who are undertaking such illegal actions.
- 8.17 Council reserves the right to lay criminal charges and/or to take any other legal action against both vandals and thieves.
- 8.18 Any person failing to provide information or providing false information to the municipality may face immediate disconnection and/or legal action.

Customer Screening and Securities

- 8.19 All applicants for municipal services will be checked for credit-worthiness including checking information from banks, credit bureaus, other local authorities, trade creditors and employers.
- 8.20 Deposits either in cash or any other security acceptable to the municipality will be required, and may vary according to the risk as determined by the Municipality. A minimum deposit of the equivalent of two months average consumption will be required.

- 8.21 Deposits can be increased by the municipality at any time and at the sole discretion of the municipality to a maximum of three months average consumption.
- 8.22 Deposits can vary according to the credit-worthiness or legal category of the applicant.
- 8.23 The municipality will not pay any interest on deposits.
- 8.24 On the termination of the agreement the amount of the deposit, less any outstanding amount due to the municipality, will be refunded to the consumer.

Persons and Business Who Tender to the Municipality

- 8.25 The Procurement Policy and Tender Conditions of the Municipalities will include the following:
 - (a) When inviting tenders for the provision of services or delivery of goods, potential contractors may submit tenders subject to a condition that consideration and evaluation thereof will necessitate that the tenderer obtain from the municipality a certificate stating that all relevant municipal accounts owing by the tenderer and/or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of non-compliance) have been made for payment of any arrears;
 - (b) No tender will be allocated to a person/contractor until a suitable arrangement for the repayment of arrears, has been made. No further debt may accrue during contract period; and
 - (c) A condition allowing the municipality to deduct any moneys owing to the municipality from contract payments.

Cost of Collection

- 8.26 All costs of legal processes, including interest, penalties, service discontinuation costs and legal costs associated with customer care or credit control, where ever applicable, are for the account of the debtor and should reflect at least the cost of the particular action.

The Pre-Payment Meter System

- 8.27 The municipality will use its pre-payment system to -
 - (a) Link the provision of electricity and water by the Municipality to a *pre-payment* system comprising, first, a pre-payment of electricity kWh and water kiloliters; and
 - (b) A payment in respect of arrears comprising a *package* of accrued municipal taxes and other municipal levies, tariffs and duties in respect of services such as water, refuse removal, sanitation and sewage.
- 8.28 A customer with arrears incurred after 1 June 2016 who opts for the pre-payment system, will be required to repay all arrears in full before any amount is allocated to an electricity pre-payment, or, if the amount outstanding is large and/or the customer's ability to pay is limited (because of low income, cash flow problems, etc), to pay the

arrears by allocating 50% of all monies offered for purchases towards the arrears before any electricity credit is given.

9. DEBT COLLECTION POLICY

Objective

9.1 To provide procedures and mechanisms to collect all the monies due and payable to Council arising out of the supply of services and annual levies, in order to ensure financial sustainability and delivery of municipal services in the interest of the community.

Personal Contact

9.2 Telephonic contact, agents calling on clients:

- (a) Council will endeavour, within the constraints of affordability, to make personal or telephonic contact with all arrear debtors to encourage their payment and to inform them of their arrears state, their rights (if any) to conclude arrangements or to indigent support, other related matters and will provide information on how and where to access such arrangements or subsidies.
- (b) Such contact is not a right for debtors to enjoy and disconnection of services and other collection proceedings may continue in the absence of such contact for whatever reason.

Interruption of Service

9.3 Customers who are in arrears with their municipal account and who have not made arrangements with the Council will have their supply of electricity suspended or disconnected.

9.4 The disconnection of electricity services may happen when the municipal account is 1 (one) day overdue.

9.5 Council reserves the right to deny or restrict the sale of electricity to customers who are in arrears with their rates or other municipal charges.

9.6 Upon the liquidation of arrears, or the conclusion of acceptable arrangements for term payment, the electricity service will be reconnected as soon as conveniently possible.

9.7 The cost of the restriction or disconnection, and the reconnection, will be determined by tariffs approved by Council, and will be payable by the customer.

9.8 The deposit of any defaulter could be adjusted to bring into line with relevant policies.

Legal Process / Use of Attorneys / Use of Credit Bureaus

9.9 Council may, when a debtor is in arrears, commence legal process against that debtor, which process could involve final demands, summonses, court trials, judgments, garnishee orders and / or sales in execution of property. (Excluding consumer accounts)

9.10 Council will exercise strict control over this process, to ensure accuracy and legality within it, and will require regular reports on progress from outside parties, be they attorneys or any other collection agents appointed by Council.

- 9.11 Council will establish procedures and codes of conduct with these outside parties.
- 9.12 Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of Council's system of debt collection procedures.
- 9.13 All steps in the customer care and credit control procedure will be recorded for Council's records and for the information of the debtor.
- 9.14 All costs of this process will be for the account of the debtor.
- 9.15 Individual debtor accounts are protected and are not the subject of public information. However, Council may release debtor information to credit bureaus. This release will be in writing or by electronic means.
- 9.16 Council may consider the cost effectiveness of the legal process, and will receive reports on relevant matters, including cost effectiveness.
- 9.17 Council may consider the use of agents as service providers and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct and the success of such agents and products will be part of the agreement Council might conclude with such agents or service providers; and will be closely monitored by Council.
- 9.18 Customers will be informed of the powers and duties of such agents or service providers and their responsibilities including their responsibility to observe agreed codes of conduct.
- 9.19 Any agreement concluded with an agent, service provider or product vendor shall include a clause whereby breaches of the code of conduct by the agent or vendor will constitute a breach of the contract.

Rates Clearance

- 9.20 On the sale of any property in the municipal jurisdiction, Council will withhold the transfer until all rates; service charges are paid in full and the consumer complies with the regulations of Town Planning and Building Control by withholding a rates clearance certificate as contemplated in section 118 of the Systems Act.

Abandonment of Claims

- 9.21 The Municipal Manager must ensure that all avenues are utilised to collect the municipality's debt.
- 9.22 There are some circumstances that allow for the valid termination of debt collection procedures as contemplated in section 109(2) of the Systems Act, such as:
 - (a) The insolvency of the debtor, whose estate has insufficient funds.
 - (b) A balance being too small to recover, for economic reasons, considering the cost of recovery.

- (c) Where Council deems that a customer or groups of customers are unable to pay for services rendered.

9.23 The municipality will maintain audit trails in such an instance, and document the reasons for the abandonment of the action or claim in respect of the debt.

10. QUERY AND APPEAL PERIODS

10.1 **45 Working days** to resolve queries and appeals through Council Committees, the Executive Committee and Council.

INCOME COLLECTION TARGETS

1. Computerized Credit Control and Debt Collection Management System
 - 1.1 It is Council's intention to collect all revenue due to Council from customers who can afford to pay.
 - 1.2 For this purpose it is acknowledged that the Municipality is in need of a computerized credit control and debt collection management system.
 - 1.3 This system will be procured through the Supply Chain Management process or alternatively the Municipal Manager may obtain the services of an external service provider to perform this function.

2. Recovery of arrears (accumulated before 30 June 2019)
 - 2.1 To achieve this goal the level of recovery of recoverable arrears should be:

(a)	Within 6 months	=	40%
(b)	7 to 12 months	=	30%
(c)	13 to 18 months	=	30%

3. Recovery of arrears (accumulated after 1 July 2019)
 - 3.1 To collect all recoverable arrears over a maximum period of one year.
 - 3.2 To achieve this goal the level of recovery should be:

(a)	Within 6 months	=	50%
(b)	7 to 9 months	=	30%
(c)	10 to 12 months	=	20%

CUSTOMER SERVICE TARGET

1. Response time to customer queries: Initial response within 10 working days
2. Date of first account delivery to: By second billing cycle after date of new customers: application or occupation whichever is the latest.
3. Reconnection time: Within **24 hours** after appropriate payment/arrangement.
4. Meter reading cycle: 95% of meters being read on a monthly basis with a maximum of 3 consecutive months estimated.

ADMINISTRATIVE PERFORMANCE TARGETS

1. Cost efficiency of debt collection
 - (a) Cost of collection not to exceed the capital debt amount;
 - (b) All reasonable steps to be taken to limit cost to Council or the customer;
 - (c) Cost of collection is to be recovered from the defaulting customers; and
 - (d) Total cost of collection to be recovered by means of applicable credit control tariffs.

2. Query and Appeal Periods

- 2.1 **45 Working days** to resolve queries and appeals through Council Committees, the Executive Committee and Council.

1. ARRANGEMENTS

- 1.1 If a customer cannot pay his/her account with the Municipality then the Municipality may enter into an extended term of payment not exceeding **11 months**.

The customer must:

- (a) Sign an acknowledgment of debt;
- (b) Sign consent to judgment;
- (c) Provide a stop order (if he or she is in employment of the Municipality)
- (d) Acknowledge that interest will be charged at the prescribed rate;
- (e) Pay the current portion of the account in cash;
- (f) Sign an acknowledgment that, if the arrangements being negotiated are later defaulted on, that no further arrangements will be possible and that disconnection of water and electricity will follow immediately, as will legal proceedings; and
- (g) Acknowledge liability of all costs incurred.

2. THE FOLLOWING ACCEPTABLE ARRANGEMENTS CAN BE ENTERED INTO WITH:

2.1 **Domestic Consumers**

- (a) Debt of R1 to R5,000:
20% of outstanding debt plus the cost of credit control action. The balance of the outstanding debt will be repayable over a maximum period of **6 months**.
- (b) Debt of R5,001 to R10,000:
20% of outstanding debt plus the cost of credit control action. The balance of the outstanding debt will be repayable over a maximum period of **11 months**.
- (c) Debt of R10,000 and more
30% of the outstanding plus the cost of credit control action. The balance of the outstanding debt will be repayable over maximum period of **11 months**.
- (d) The Municipal Manager will, after thorough review of any exceptions in terms of this Policy, approve the arrangement.
- (e) If the household default on (a), (b), (c) and (d) then the account will be handed over to the Municipality's debt collector immediately.

2.2 **Business**

- (a) That no arrangements should be allowed and services will be disconnected in case of default and if the accounts are on arrears.
- (b) The Municipal Manager will, after thorough review of any exceptions in terms of this Policy, be approve the arrangement.
- (c) If no payment is after disconnection then the account will be handover immediately to the Municipalities debt collector immediately.

2.3 **Government Departments**

- (a) That no arrangements should be allowed and services will be disconnected in case of default and if the accounts are on arrears.
- (b) The Municipal Manager will, after thorough review of any exceptions in terms of this Policy, be approve the arrangement.

2.4 **Municipal Employees and Government Employee**

2.4.1 When a Municipal staff member's consumer account is on arrears:

- (a) The consumer will only have 3 months to settle his or her account as per Schedule 2 and section 10 of the Local Government Municipal System Act 32 of 2000, after this period the Municipality may deduct the money from his or her salaries.

2.4.2 When a consumer is working for any Government Department and his/her account is in arrears:

- (a) The payment arrangement can only be made for 3 months; if the arrangement is not honored then the electricity will be disconnected.
- (b) If no payment is after disconnection then the account will be handover immediately to the Municipalities debt collector.

2.4.3 The Municipal Manager will, after thorough review of any exceptions in terms of this Policy, approve the arrangement.

2.5 **Administrations**

2.5.1 Where a person has been placed under administration the following procedures will be followed:

- (a) The debt as at the date of the administration court order will be placed on hold, and collected in terms of the court order by the administrator's dividend.
- (b) The administrator is to open a new account on behalf of the debtor, with a new deposit. No account is to be opened / operated in the debtor's name as the debtor is not entitled to accumulate debt (refer section 74S of the Magistrates Courts Act, 1944 [Act 32 of 1944]).
- (c) Until such time as this new account is opened, the debtor is to be placed on limited service levels. The consumer will be compelled to install a prepaid electricity and water meter, should one not already be in place. The Municipality will be entitled to recover the cost of the basic services by means of purchases made on the prepaid meter(s).
- (d) Should there be any default on the current account, the supply of services is to be limited or terminated, and, the administrator handed over for the collection of this debt.

2.6 **General**

Should there be any reason after all the debt collection processes have been completed, and there is still no payment done or the debt have been on the Municipality's books for more than three years, then the following processed may be followed:

- 2.6.1 The Chief Financial Officer will, after thorough review of any applications in terms of this Policy, be delegated to write off any amounts in the case of a household consumer to the maximum of R10,000 (excluding interest and penalties) per submission or the amount determined by Council from time to time during the budget approval process.
- 2.6.2 Any amount in excess of the delegation provided for in paragraph (2.6.1) above must be submitted together with a recommendation to the Municipal Manager for consideration. The Municipal Manager will, after thorough review of any recommendation by the Chief Financial Officer and in terms of this Policy, be delegated to write off any amounts in the case of a household consumer to the maximum of R20,000 (excluding interest and penalties) per submission or the amount determined by Council from time to time during the budget approval process.
- 2.6.3 Any amount in excess of the delegation provided for in paragraph (2.6.2) above and in the case of a business consumer and other consumers may only be reviewed by the Committee and must be submitted together with a recommendation to Council via the Committee for Budget & Treasury and Mayoral Committee for consideration.
- 2.6.4 All amounts to be written off in terms of paragraph (2.6.1) and paragraph (2.6.2) above must be considered individually and each case on its own merits must be separately reported to the Committee.

AMENDMENTS

EXTRACT OF THE MINUTES OF THE COUNCIL MEETING HELD ON 30 MAY 2019

38.6 **CUSTOMER CARE, CREDIT CONTROL AND DEBT COLLECTION POLICY REVIWED: (CM): :**
(DIRECTORATE BUDGET AND TREASURY)

RESOLUTION 38.6/05/2019 (CM)

That the following amendments to the Customer Care, Credit Control and Debt Collection Policy be approved:

1. In paragraph 2 and 3 of Annexure A amend the date *2018* to *2019*.
2. In paragraph 1.1 amend the figure *36* with *11*.
1. In paragraph 2.1(a) amend the figure *12* with *6*.
4. In paragraph 2.1(b) amend the figure *24* with *11*.
5. In paragraph 2.1(c) amend the figure *36* with *11*.