



CREDIT CONTROL, DEBT COLLECTION AND CUSTOMER CARE POLICY

Reviewed for 2022/2023 Financial Year

PREAMBLE

WHEREAS Section 152(1) of the Constitution of the Republic of South Africa provides that one of the objectives of Local Government is to ensure that the provision of services to communities occurs in a sustainable manner.

AND WHEREAS Section 4(1) (c) of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) provides that the Council of a municipality has the right to finance the affairs of the Municipality by charging fees for services, imposing surcharge on fees, rates on property and to extent authorised by National Legislation, other taxes, levies and duties.

AND WHEREAS Section 96 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) as amended requires a Municipal to adopt, maintain and implement a Credit Control -, Debt Collection and Customer Care Policy.

AND WHEREAS Section 97 of the said Act prescribes what such policy must provide for.

And in terms of the Municipal Finance Management Act (MFMA, 2003 (Act No 56 of 2003) sections 62 and 64 requires the effective management of the Municipality's revenue.

NOW THEREFORE the Municipal Council of Metsimaholo Local Municipality adopts the policies as set out in this document.

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1. DEFINITIONS

In this policy, unless the context indicates otherwise, the word or expression has the means as follows:

"account" ~~means any account or accounts rendered for municipal services provided~~

~~- means a notification by means of a statement of account to any consumer liable for payment of any amount to the Council in respect of any of the following:~~

~~(a) Electricity consumed based on a meter reading or an estimate of consumption;~~

~~(b) Water consumed based on a meter reading or an estimate of consumption~~

~~(c) Refuse removal and disposal;~~

~~(d) Sewerage~~

~~(e) Rates;~~

~~(f) Interest; and/or~~

~~miscellaneous and sundry fees and collection charges;~~

"Actual consumption" means the measured consumption of any consumer for any given period.

"Agreement" means the contractual relationship between the municipality and a customer whether in writing or not.

"Arrears" means any amount due, owing, and payable by a customer in respect of municipal services not paid on the due date.

"Arrangement" means a formal agreement entered between the Municipality and a customer where specific repayment parameters are agreed to in respect of debt in arrears.

"Average consumption" means the average consumption by a customer of a municipal service during a specific period, which consumption is calculated by dividing the total measured consumption of that municipal service by the customer over the preceding three months by three.

"Authorised Representative" means a person or agent or instance legally appointed or authorised by the Council to act or to fulfil a duty on its behalf.

"Chief Financial Officer" means the person appointed by Council to administer its finances;

"Connection" means the point at which a customer gains access to municipal services.

"Council" means the municipal Council of Metsimaholo Local Municipality.

~~"Customer" the owner of the property.~~

"consumer" means any occupier of premises to which the Council has agreed to provide or is actually providing any municipal service, or if there is no occupier, the owner of the premises concerned;

"collection charges" means charges which may be recovered by the Council in terms of section 75A of the Act, and includes –

(a) the cost of reminding consumers of arrears;

(b) the cost of the termination, restriction and reinstatement of municipal services;

(c) the costs of any notice rendered, sent or delivered in terms of these By-laws;

(d) the costs and administration fees contemplated in section 4.16 of these By-laws;

(e) all legal costs, including attorney and client costs, incurred in the recovery of arrears; and

(f) any commission and/or other expenses relating to the recovery of arrears payable by the Council to any consumer or firm

"Defaulter" means the person who owes money to municipality after the due date has expired

"Deposit" means a minimum sum of money specified by Council and payable by the customer to the Municipality prior to occupation of the property or prior to the date on which services to the property are required; or prior to the date on which services are supplied by the municipality.

"Due date" means the date stipulated on the account and determined from time to time as the last date on which the account must be paid.

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

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

"Financial year" means the period starting on 1st July in a year and ending on the 30th of June the next year.

"Illegal connection" means a connection to any system through which municipal services are provided that is not authorized or approved by the municipality.

"Indigent customer" means a domestic customer qualifying and registered with the municipality as an indigent in terms of the municipality's indigent policy.

"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 arrears monies.

“Meter audits” means an investigation of municipal electricity and water meter supply to verify the correctness of consumption.

“Municipality”

- (a) means a municipality as described in the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000)
- (b) a geographic area means a municipal area determined in terms of Local Government Municipal Demarcation Act, 1998 (Act No 27 of 1998).

“Municipal Manager” means the person appointed as Municipal Manager in terms of Section 82 of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998) and includes 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, electricity, refuse removal, sewerage treatment, property rates and for which services charges are levied.

“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, legal manager, liquidator, or any other legal representative.
- (c) in the case where Council is unable to determine the identity of such person, a person who is entitled to the benefit of such premises with a building thereon; (d) in relation to:
 - (i) a portion of land delineated on a sectional plan registered in terms of the Sectional Title Act, 1986 (Act No 95 of 1986), without restricting it to the developer or managing body corporate in respect of the common 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 lawfully appointed agent of such person.
- (e) any legal entity including but not limited to:
 - (i) a company registered in terms of the Companies Act, 1973 (Act No 61 of 1973), a trust, a closed corporation registered in terms of the Close Corporation Act, 1984 (Act No (of 1984) and a voluntary association.
 - (ii) any national or provincial government department; and
 - (iii) any Council or Board established in terms of any legislation applicable to the Republic of South Africa.

“Property” means any portion of land, of which the boundaries are determined, within the jurisdiction of the municipality.

“Rates” refers to property rates being levied by the municipality for a property that is situated in the municipal area

“Services” refers to Water, Electricity, Sanitation and Refuse and Availability charges being levied by the municipality that is situated in the municipal area

“Terminated account” refers to:

- (i) the final account for services after the customer has vacated the premises, whether the customer has given notice to terminate the supply of service or
- (ii) the final account for services if the customer has contravened the service provisions of this policy and attendant municipal by-laws

2. OBJECTIVES

The objectives of this policy are to:

- i) Provide a framework within which the municipality can exercise the executive and legislative authority regarding credit control and debt collection.
- ii) Ensure that all monies due and payable to the municipality are collected and utilised to deliver services in the best interests of the community, residents, and customers and in a financially sustainable manner.
- iii) Provide a framework for customer care.
- iv) Describe credit control measures and sequence of events.
- v) Outline debt collection procedures and mechanisms; and set realistic targets for debt collection.

3. PRINCIPLES

- 3.1 The administrative integrity of the municipality must be maintained at all time.
- 3.2 The democratically elected Councillors are responsible for policymaking, while it is the responsibility of the Municipal Manager to ensure the execution of these policies.
- 3.3 All customers must complete an official agreement form, formally requesting the municipality to connect them to service supply lines.
- 3.4 Existing customers may be required to complete new agreement forms from time to time, as determined by the Municipal Manager.
- 3.5 The billing must be accurate, timeous, and understandable
- 3.6 The customer is entitled to reasonable access to pay points and to a variety of reliable payment methods
- 3.7 Enforcement of payments must be prompt, consistent and effective
- 3.8 The collection process must be cost-effective
- 3.9 Targets for performance in both customer service and debt collection will be set and pursued and remedies implemented for non-performance
- 3.10 The principle of customers providing services in lieu of payment for arrear accounts is supported.
- 3.11 Unauthorised 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.

4. DUTIES AND FUNCTIONS

4.1. Duties and Functions of Council

- 4.1.1. To approve a budget consistent with the needs of communities, ratepayers, and residents
- 4.1.2. To impose rates and taxes and to determine service charges, fees, and penalties to finance the budget.
- 4.1.3. To promote and support that sufficient fund be given for access to basic services for the poor
- 4.1.4. 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
- 4.1.5. To approve a reporting framework for customer care, credit control and debt collection
- 4.1.6. To consider and approve by-laws to give effect to the Council's policy
- 4.1.7. To revise the budget in terms of expenditure should Council's targets for customer care, credit control and debt collection not be met
- 4.1.8. To monitor the performance of the Municipal Manager via the Executive Mayor regarding customer care, credit control and debt collection
- 4.1.9. To approve a list of attorneys that will act for Council in all legal matters relating to debt collection
- 4.1.10. To provide sufficient capacity in the Municipality's Financial services department for customer care, credit control and debt collection, alternatively to appoint a service provider or debt collection agent
- 4.1.11. To assist the Municipal Manager in the execution of his/her duties, if and when required,
- 4.1.12. To ensure funds for the training of staff
- 4.1.13. To delegate the required authorities to monitor and execute the customer care, credit control and debt collection policy to the Executive Mayor and Municipal Manager respectively
- 4.1.14. To set an improvement target for debt collection in line with the acceptable accounting ratios and the ability of the municipality manager.
- 4.1.15. To take disciplinary action against councillors, officials and agents who do not execute council's policy and by-laws.
- ~~4.1.13.~~

4.2. Duties and Functions of Councillors

- 4.2.1. To hold regular ward meetings (Ward Councillors)
- 4.2.2. To adhere to and convey Council policies to residents and ratepayers
- 4.2.3. To adhere to the Code of Conduct for Councillors
- ~~4.2.3-4.2.4.~~ To support administration of the Council.

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4.3. Duties and Functions of Executive Mayor

- 4.3.1. To ensure that Council's budget, cash flow and targets for debt collection are met and to execute in terms of this policy and relevant by-laws
- 4.3.2. To monitor the performance of the Municipal Manager in implementation of the policy and by-laws
- 4.3.3. To report to Council in accordance with the relevant legislation
- 4.3.4. To review and evaluate the policy and by-laws in order to improve the efficiency of Council's customer care, credit control and debt collection produces, mechanisms and processes

4.4. Duties and Functions of Municipal Manager

- 4.4.1. To implement sound customer care management systems
- 4.4.2. To implement Council's customer care, credit control and debt collection policy
- 4.4.3. To install and maintain an appropriate accounting system
- 4.4.4. To bill customers timeously and accurately
- 4.4.5. To demand payment on the due dates
- 4.4.6. To raise penalties for defaults
- 4.4.7. To appropriate payments received
- 4.4.8. To collect outstanding debt
- 4.4.9. To provide different payment methods
- 4.4.10. To determine customer care, credit control and debt collection measures
- 4.4.11. To set performance targets for staff
- 4.4.12. To appoint staff to execute Council's policy and by-laws
- 4.4.13. To delegate necessary functions to Heads of Departments
- 4.4.14. To determine control procedures
- 4.4.15. To monitor contracts with Service providers in connection with credit control and debt collection
- 4.4.16. To instruct Attorneys to proceed with legal processes (i.e., attachment and sale in execution of assets, emolument attachment orders, etc.)
- 4.4.17. To determine all relevant work procedures for, inter alia, public relations, arrangements, disconnection of services, summonses, attachment of assets, sale in execution, write-off of debt, sundry debtors, and legal processes
- 4.4.18. To report to the Mayoral Committee in accordance with relevant legislation
- 4.4.18-4.4.19. To implement "Best practices".

4.5. Duties and Functions of Communities, ratepayers, and residents

- 4.5.1. To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services
- 4.5.2. To pay services fees, rates on property and other taxes, levies and duties imposed by the municipality on or before due date
- 4.5.3. To allow municipal officials access to their property to execute municipal functions
- 4.5.4. To comply with the by-laws and legislation of the municipality

- 4.5.5. To refrain from tampering with municipal services and property
4.5.5.4.5.6. To respect the mechanisms and processes of the municipality in exercising their rights.

5. Councillors and Municipal staff in arrears

- 5.1. Staff in arrears will be dealt with in accordance with Schedule 2 of the Systems Act, and terms any procedures, methods or actions referred to in this policy. Notwithstanding any other procedure, methods or action that may be taken in terms of this policy, the Municipal Manager shall deduct any outstanding amount from such staff member's salary after these 3 (three) months.
- 5.2. In accordance with schedule 1, item 12 A of the Systems Act, a Councillor of the Municipality may not be more than 3 (three) months in arrears for municipal services, surcharges on fees, rates or any other municipal taxes, levies and duties levied by the municipality. Notwithstanding any other procedure, method or action that may be taken in terms of this policy, the Municipal Manager shall deduct any outstanding amount from such Councillor's remuneration after this 3 (three) month period.
- 5.3. All new appointees (councillors and staff members) indebted to the municipality must enter into agreement with the municipality for the payment or arrear accounts via automatic salary deductions, informed by the affordability of the debtor.

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5.6. PERFORMANCE EVALUATION (Annexure "A")

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

5.1.6.1. Income collection targets

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

5.2.6.2. Customer service targets

- 5.2.1.6.2.1. Council to create targets that will include:
- 5.2.1.1.6.2.1.1. Response time to customer queries
 - 5.2.1.2.6.2.1.2. Date of first account delivery to new customers
 - 5.2.1.3.6.2.1.3. Reconnection turnaround time
 - 5.2.1.4.6.2.1.4. Meter reading cycle
 - 5.2.1.5.6.2.1.5. Timeous delivery of statements

5.3.6.3. Administrative performance

- 5.3.1.6.3.1. Council to create targets that will include:
- 5.3.1.1.6.3.1.1. Cost efficiency of debt collection
 - 5.3.1.2.6.3.1.2. Query and appeal periods
 - 5.3.1.3.6.3.1.3. 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 Mayor as supervisory authority in terms of the Systems Act. This report shall contain particulars on: -
- 6.1.1 Cash collections statistics, showing high-level debt recovery information (number of customers; enquires; arrangements; default arrangements; growth or reduction of arrear debt)
 - 6.1.2 Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, government, institutional and other such divisions.
 - 6.1.3 Performance of all areas against targets agreed to in paragraph 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 may immediately move for a revision of the budget according to realistically realisable income levels.
- 6.3. The Executive Mayor as Supervisory Authority shall report quarterly to Council as contemplated in Section 99(c) of the Municipal Systems Act

7. CUSTOMER CARE POLICY

7.1. Specific Objective

- 7.1.1. 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 the services received, and the municipality, and where applicable, any service provider.

7.2. Communication

- 7.2.1. 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.
- 7.2.2. Council's Credit Control, Debt Collection and Customer Care Policy or relevant extracts thereof, will be available in **English, Afrikaans, and Sotho**, and will be made available by general publications and on specific request, and will also be available for perusal at Council's offices.
- 7.2.3. Council will endeavour to distribute a regular newsletter, which will give prominence to customers' care and debt issues.
- 7.2.4. Ward Councillors will be required to hold regular ward meetings, at which customer care and debt collection issues will be given prominence.

7.2.5. The media will be encouraged to give prominence to Council's Customer Care, Credit control and Debt Collection policies and will be invited to Council or Committee meetings where these are discussed.

7.2.6. Must also be available on the Website of the Municipality

7.2.7. A central complaints/feedback office to effectively deal with correspondence from the first acknowledgement of receipt until finalisation.

7.2.8. A central complaint database to enhance co-ordination of complaints, their speedy resolution and effective communication with customers.

7.2.9. Appropriate training for officials dealing with the public to enhance communications and service delivery.

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7.3. Metering

7.3.1. The municipality will endeavour, within practical and financial limits, to provide meters to every paying client for all consuming services.

7.3.2. All meters will be read monthly, if possible. If the meter is not read monthly the Council will estimate the consumption in terms of Council's operational procedures.

7.3.3. Customers are entitled to request verification of meter readings and accuracy within reason but may be held liable for the cost there of if it is found that the readings are correct, or the difference is less than ten percent.

7.3.4. Customers will be informed of meter replacement.

7.3.5. 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, the customer is charged for an estimated consumption based on any consecutive twelve months' consumption.

7.3.6. The account following the reading of the metered consumption must articulate the difference between the actual consumption and the average consumption of 3 months, and the resulting credit or debit adjustments.

7.3.7. The customer can submit their own meter reading with a photo attached to the municipality electronically

7.3.8. In the exceptional circumstances and to avoid unfairness, it is delegated to the CFO to adjust the consumption after the new reading, based on the average of the previous 3 months levied. The exceptional circumstances are deemed relevant were the actual consumption during the period not read. For these consumers the municipality will write off 50 % of the difference

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7.3.9. It is the responsibility of the consumer to ensure that his/her meter is always clear and readable.

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7.4. Accounts and Billing

- 7.4.1. Customers on the billing system will receive an understandable and accurate bill from the municipality, which bill will consolidate all services costs for that property.
- 7.4.2. Accounts will be produced in accordance with the meter reading cycle and due dates will be linked to the statement date.
- 7.4.3. Accounts will be rendered monthly in cycles of approximately 30 days at the address last recorded with the municipality or its authorized agent
- 7.4.4. It is the customer's responsibility to ensure that the postal address and other contact details are correct and in the case of a changes the municipality be notified in writing.
- 7.4.5. It is the customer's responsibility to ensure timeous payment in the event of accounts not received on or before the due date.
- 7.4.6. Settlement or due dates will be as indicated on the statement.
- 7.4.7. 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.
- 7.4.8. 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: -
- May recover the average bank charges incurred relating to dishonoured negotiable instruments against the account of the customer.
 - Shall regard such an event as a default on payment
 - Disconnect the service to such applicable property
- 7.4.9 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

7.4.9. If a consumer does not receive an account by the 10th of the month, a copy must be requested at any Municipal office.

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7.4.10. All separate debts owed to this Municipality by a debtor shall be deemed to be consolidated.

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7.4.11. Subject to section 118(1) of the Systems Act, the Municipal Manager has the right to offset any credit, or any amount due to a debtor, against any debit pertaining to that same debtor, or to transfer any debt to another account of the same debtor.

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7.4.12. The Municipal Manager has the right to transfer any property debt owed by a tenant to the owner's account of any property, in terms of sections 102 and 118(3) of the Systems Act.

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7.4.13. Payments received by the municipality shall be appropriated in the order determined by the CFO and must be revised annually during the budget process.

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7.5. Payment Facilities and Methods

- 7.5.1. The municipality will operate and maintain suitable payment facilities that will be accessible to all users

- 7.5.2. The municipality will, at its discretion, allocate a payment between service debts and a debtor who has overdue debt,
- 7.5.3. Any payments received from debtors for service delivery by the Council shall be used to off-set debts to the council in the following order: -
- Arrears.
 - Interest.
 - Instalment – dwelling.
 - Instalment – stand.
 - Sundries.
 - Additional – deposit.
 - Rates.
 - Penalty on arrear rates and services.
 - Collection charges on arrear rates.
 - Refuse removal.
 - Water.
 - Sewerage.
 - Electricity; and
 - VAT on vatable services which will be the proportionate amount for the applicable services.
- 7.5.4. The municipality may in terms of Section 103 of the Municipal Systems Act, with the consent of a customer, approach an employer to secure a debit or stop order arrangement.
- 7.5.5. The customer will acknowledge, in the customer agreements 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
- 7.5.6. When a debtor's check or electronic payment, made payable to Council is rejected by the Bank institution as a result of insufficient funds, the debtor will be liable for an administrative fee as per the approved tariffs.

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- 7.5.7. If a debtor's electronic payment is rejected due to insufficient funds, the municipality will notify the debtor accordingly. If the debtor's payment is rejected for the 2nd consecutive time, the municipality will notify the debtor again and the debtor will have to make use of alternative payment method.

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7.6. Incentives for Prompt Payment

- 7.6.1. 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 debt.
- 7.6.2. Such incentive schemes, if introduced, will be reflected in annual adjustment budgets as additional expenditure.

7.7. Enquiries, Appeals and Service Complaints

7.7.1. Within its administration and financial ability, the municipality will establish:

- Centralized complaints/feedback office.
- A centralized complaints database to enhance co-ordination of complaints, their speedy resolution and effective communication with customers.
- Appropriate training for officials dealing with the public to enhance communication and service delivery; and
- A communication mechanism to give Council feedback on service, debt, and other issues of concern.

7.7.2. If a customer is convinced that his/her account is inaccurate, he/she can lodge in writing a query with the municipality for investigation of this account, and where necessary the relevant alterations.

7.7.3. 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.

7.7.4. The relevant department will investigate and inform the debtor within the period specified herein, as determined by the Municipal Manager from time to time.

7.7.5. Failure to make such agreed interim payment or payments will result in the customer forming part of the normal credit control procedures.

7.7.6. A customer may appeal against the finding of the municipality or its authorised agent.

7.7.7. An appeal and request must be made and lodged in writing with the municipality within 21 (twenty-one) days after the customer became aware of the finding and must: -

- Set out the reasons for the appeal
- Be accompanied by any security determined for the testing of a measuring device, if applicable.

7.7.8. Incentive measures may be implemented as per Council resolution.

7.7.9. Where a customer is prepared to pay off the capital amount on an outstanding account older than 3 years, in one payment, then the municipality will write off 33% of interest charged. For any other payment incentive arrangement, the CFO must approve it.

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7.8. Customer Assistance Programmes

7.8.1. Water Leakages

- The customer has the responsibility to control and monitor his/her water consumption.

- 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.
 - The consumer is responsible for private reparation of water pipes behind the meter.
 - An abnormal water leakage will be dealt with as follows.
1. A customer will qualify for a water leakage discount upon application with proof of the following.
 - The leak was not easily detectable.
 - The leak was repaired within 72 hours since its detection.
 - The customer may apply only once in a cycle of 24 months for a discount; and
 - Suitable proof of repair has been submitted containing the following information:
 1. Date of repair, and
 2. Confirmation that the leak was not easily detectable.

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7.8.2. Rate Rebates

- Properties used exclusively for residential purposes may qualify for a rebated rate determined annually by Council.
- 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.

7.9. Arrangements (Annexure "B")

- 7.9.1. Customers with arrears and who cannot pay his/her account must: -
 - Agree to the conversion to a prepayment electricity meter (if possible)
 - Sign an acknowledgement of debt
 - Acknowledge that as an incentive measure no interest will be charged on the arrear amount as from the date of the agreement.
 - Sign an acknowledgement 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
 - Acknowledge liability of all costs incurred.
- 7.9.2. Businesses, Schools and Industries are allowed to sign arrangements up to a maximum period of 12 months.
- 7.9.3. Municipal employees and Councillors are allowed to sign arrangements in line with credit policy arrangements and it be deducted from their salary/ allowance.
- 7.9.4. Council reserves the right to raise the deposit requirement of debtors who default on arrangements.

7.9.5. Supply proof of income.

7.9.6. If a consumer requests a payment arrangement to be reduced, proof of the change in financial situation must be provided.

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7.9.7. If a debt arrangement is not honoured, the debt collection process or legal action will resume from where it was suspended and not restart at the beginning of the debt management process.

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7.10. Rates by Instalments

- 7.10.1. 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 are no rates outstanding in respect of a previous period and that the rates are paid in full prior to the next cycle.
- 7.10.2. Any arrangement for monthly rate instalments will be cancelled by the Municipality and all rates will be payable in full of immediate effect should any three instalments become overdue.
- 7.10.3. Owners of farm property may pay their assessment rates in one payment by not later than 31st October; interest will be affected thereafter if no payment is received.

7.11. Indigent Subsidy

- 7.11.1. The purpose of the indigent subsidy is to provide funding for a basic level of services to qualifying household consumers with a total gross income of two times the State old age pension, and according to further specified criteria as determined by Council from time to time
- 7.11.2. The source of funding of the indigence subsidy is that portion of the equitable share contribution to the municipality made from the national governments and as provided for in the budget. As such, the subsidy can only be credited to the qualifying customers' accounts until the amount received by the Municipality from National Government for this purpose has been exhausted, whereupon no further credits will be made, or the level of the credits reduced, until further national funds are received.
- 7.11.3. Subsidized services may include electricity, water, sanitation, refuse removal and assessment rates, rental, and any consumption service charge.
- 7.11.4. If a consumer's consumption or use of the municipal service is less than the subsidised service, the unused portion may not be accrued by the customer and will not entitle the customer to cash or a rebate in respect of the unused portion.
- 7.11.5. If a customer's consumption or use of a municipal service is in excess of the subsidised service, the customer will be obliged to pay for such excess consumption at the applicable charges.
- 7.11.6. All consumers who qualify for an equitable share subsidy may be placed on restricted service levels in order to limit further escalation of debt.
- 7.11.7. Where applicable, these consumers may be exonerated from their arrear debt of portion thereof.
- 7.11.8. Where a qualifying customer's account is paid in full at the date of application or maintains a paid-up account after receiving the subsidy,

the restriction on service levels may be waived on request by such a customer.

- 7.11.9. An indigent customer must immediately request de-registration by the municipality or its authorised agent if his/her circumstances have changed to the extent that he/she no longer meet the criteria.
- 7.11.10. An indigent customer may at any time request de-registration
- 7.11.11. A register of indigent customers will be maintained and may be made available to the public.

7.12. Additional Subsidy Categories

- 7.12.1. Council may provide, free of charge to a customer, certain basic levels of water and electricity, as determined from time to time
- 7.12.2. Council may provide grants in lieu of rates to certain categories of owners of domestic properties to alleviate poverty
- 7.12.3. Rebates may be granted to sporting or any other determined bodies for consumption, but tariffs must at least cover the cost of service.
- 7.12.4. Rebates may be granted to large customers to attract business to Metsimaholo that would benefit the community of Metsimaholo, but tariffs must at least cover the cost of the service.

7.13. Customers Categories

- 7.13.1. 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, as deemed appropriate from time to time by the Council.

7.14. Priority Customer Management

- 7.14.1. Certain customers may be classified as priority customers based on criteria determined by the Council from time to time, such as the number of properties owned or volume of consumption

8. Credit Control Policy

8.1. Specific Objectives

- 8.1.1. To implement procedures which ensure the collection of debt, meeting of service targets and the prevention of escalation in arrear debt.
- 8.1.2. To facilitate 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.

8.2. Service Application and Agreements

- 8.2.1. All customers (**owners**) of services will be required to sign an agreement governing the supply and cost of municipal services. Prior

to signing these agreements, customers will be entitled to receive the policy document of the Council on request.

- 8.2.2. On the signing of the agreement, customers will receive a copy of the agreement for their records.
- 8.2.3. Council reserves the right to refuse any application for services if any amounts are owed on the account (site/erf) by the owner.
- 8.2.4. When applying for services, personal details as required by Council from time to time must be produced. Failure thereof will result in Council reserving its right to refuse such services to application.
- 8.2.5. Customers are responsible for costs of collection, interest, and penalties in the event of delayed and/or non-payment.
- 8.2.6. Existing customers of services may be required to sign new agreements as determined by the Municipal Manager from time to time
- 8.2.7. If at the commencement of these policies or at any other time, municipal services are provided and received, and no written agreement exists in respect of such service it shall be deemed that an agreement in terms of paragraph (8.2.1) exist.

8.3. Right of Access to Premises

- 8.3.1. The owner and or occupier of property is to allow an authorizes representative of the municipality access at all reasonable hours to the property 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 municipal service.
- 8.3.2. The owner is responsible for the cost of relocating a meter if satisfactory access is not possible
- 8.3.3. If a person fails to comply, the municipality or its authorised representative may: -
 - By written notice require such a person to restore access at his/her own expense within a specified period.
 - 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.

8.4. Enforcement Mechanisms

- 8.4.1. Interest will be raised as a charge on all accounts not paid by the due date, at a rate determined by Council from time to time, in accordance with applicable legislation.
- 8.4.2. 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.

8.5. Liability for Payment

- 8.5.1. The owner will remain liable for payment of the Municipal account up to and including the date which terminates the Service Agreement as indicate in the Notice of Termination of Services,
- 8.5.2. An owner who fails to enter into the Service Agreement, will despite such failure, be liable for the payment of the Municipal account.
- 8.5.3. Nothing contained in this policy will prohibit the Council to collect payment of any amount from the owner or any other person, in terms of applicable legislation
- 8.5.4. The Chief Financial Officer may consolidate separate municipal accounts, or portions thereof, of persons liable for payment to the Council
- 8.5.5. A copy of the identity document, payslip, and Electricity Compliance Form must be submitted with the Service Agreement.

8.6. Theft and Fraud

- 8.6.1. 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, may be prosecuted and/or liable for penalties as determined from time to time.
- 8.6.2. Council will immediately terminate the supply of services to a customer should such conduct as outlined above, be detected.
- 8.6.3. The total bill owing, including penalties, assessment of unauthorised consumption and discontinuation and reconnection fees, and increased deposits as determined by Council if applicable, will be due and payable before any reconnection can be sanctioned.
- 8.6.4. Council may maintain monitoring systems to identify customers who are undertaking such illegal actions.
- 8.6.5. Council reserves the right to lay criminal charges and/or to take any other legal action against both vandals and thieves.
- 8.6.6. Any customer failing to provide information or providing false information to the municipality may face immediate disconnection and/or legal action.

8.7. Customer Screening and Securities

- 8.7.1. All applicants for municipal services may be checked for creditworthiness including checking information from banks, credit bureaus, other local authorities, trade creditors and employers,
- 8.7.2. Deposits either in cash or any other security acceptable to the municipality may be required and may vary according to the risk as determined by the Municipality.
- 8.7.3. A minimum deposit of the equivalent of one month's average consumption will be required.
- 8.7.4. Deposits can be increased by the municipality at any time and at the sole discretion of the municipality to a maximum of three month's average consumption.
- 8.7.5. Deposits can vary according to the creditworthiness or legal category of the applicant.
- 8.7.6. The municipality will not pay any interest on deposit's
- 8.7.7. 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.

8.8. Persons and Business who Tender to the Municipality

- 8.8.1. The Procurement Policy and Tender Conditions of the Municipality will include the following: -
 - 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 director, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of noncompliance) have been made for payment of any arrears
 - 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.
 - A condition allowing the municipality to deduct any moneys owing to the municipality from contract payments.
- 8.8.2. The municipality reserves the right not to consider and or disapprove any applications for subdivisions, consolidations, and development of land if the owner, and partner or director (s) of such an application owes the municipality for rates and / or services.

8.9. Cost of Collection

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

8.10. The Pre-Payment Meter System

8.10.1. The municipality may use its pre-payment system to: -

- Link the provision of electricity by the Municipality to a "prepayment" system compromising, first, a pre-payment of electricity kWh and:
- A payment in respect of arrears of accrued municipal taxes and other municipal levies, tariffs, and duties in respect of services such as water, refuse removal, sanitation. (40% will be allocated towards arrears)

9. DEBT COLLECTION POLICY

9.1. Specific Objective

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

9.2. Personal Contact

9.2.1. Telephonic contact, agents calling on clients

- ~~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 right (if any) to conclude arrangements or to indigence subsidies, other related matters and will provide information on how and where to access such arrangements or subsidies.~~
- 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 session.
- The municipal officials in the Revenue department 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, and their rights (if any) to conclude arrangements or to apply for indigent subsidies, and other related matters and will provide information on how and where to access such arrangements or subsidies.
- The municipality shall maintain a schedule of debtors with large amounts outstanding (the cut off amount will be agreed by the Municipal Manager) and will maintain intensive contact with these debtors.

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9.3. Interruption of Service

9.3.1. Customers who are in arrears with their municipal account and who have not sign arrangements with the Council will have their supply of electricity and water, and other municipal services, suspended, disconnected, or reduced.

9.3.2. The disconnection of services may happen within **14** days of the date the warning notice letter.

- 9.3.3. Council reserves the right to deny the sale of electricity or restrict the sale of water to customers who are in arrears with their rates or their municipal charges
- 9.3.4. Council reserves the right to levy an administrative fee if the process to disconnect services, take legal action has been completed after the due date and the customer only pays the arrear amount before the action has been executed.
- 9.3.5. Upon the liquidation of arrears, or the conclusion of acceptable arrangements for term payment, the service will be reconnected as soon as conveniently possible.
- 9.3.6. 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.
- 9.3.7.** The deposit of any defaulter will be adjusted to bring into line relevant policies. ▲

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- 9.3.8. A flow control mechanism may be installed directly before or behind the existing meter to allow 15 kl water per month to the concerned property.
- 9.3.9. Consumers who illegally tamper with the flow control mechanism will be disconnected immediately until full payment of outstanding debt or an acceptable arrangement is made for payment of outstanding debt or fee for tampering with meter is paid.
- 9.3.10. Consumers with conventional electricity that has been disconnected three times for non-payment will be compelled to install a prepaid meter at own cost before the supply is reconnected. ▲

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9.4. Action to secure payment

- 9.4.1. The Council may, in addition to the normal civil legal steps to secure payment of any arrears, take the following action to secure payment of such amount:
- The termination or restriction of the provision of any municipal service in terms of section 9.3; and
 - All accounts more than 90 days on arrears, a 40% of the prepaid amount will be allocated to pay for other services when consumers buy electricity to reduce arrears on a continuously basis despite the arrangements being made. This is to reduce the risk of collection on a consumer account, in terms of section 8.10.1.
 - A reconnection fee equal to the approved tariff must be charged before reconnection on conventional and or/ prepaid meters.

9.5. Pre-legal Process

9.5.1. An sms or email may be sent to a debtor if his/her cell phone number or email address is available once his/her account is not paid before or on the due date.

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9.5.2. When there is no response from the consumer regarding the SMS or email sent, a further notice will be served relating to the specific service to be restricted.

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9.4.9.6. Legal Process/Use of Attorneys/Use of Credit Bureaus

9.4.1.9.6.1. Council may, when a debtor is in arrears, commence legal process against that debtor, who process could involve final demands, summonses, court trails, judgements, garnishee orders and/or sales in execution of property.

9.4.2.9.6.2. 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.

9.4.3.9.6.3. Council will establish procedures and codes of conduct with these outside parties.

9.4.4.9.6.4. 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.

9.4.5.9.6.5. All steps in the customer care and credit control procedure will be recorded for Council's records and for the information of the debtor.

9.4.6.9.6.6. All costs of this process will be for the account of the debtor.

9.4.7.9.6.7. 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.

9.4.8.9.6.8. Council may consider the cost effectiveness of the legal process, and will receive reports on relevant matters, including cost effectiveness.

9.4.9.9.6.9. 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 include with such agents or service providers; and will be closely monitored.

9.4.10.9.6.10. Customers will be informed of the powers and duties of such agents or service providers and their responsibilities including their responsibilities to observe agreed codes of conduct.

9.4.11.9.6.11. Any agreement concluded with an agent, service provider of product vendor shall include a clause whereby breaches of the

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code of conduct by the agent or vendor will constitute a breach of the contract

9.5.9.7. Rate Clearance

9.5.1.9.7.1. On the sale of any property in the municipal jurisdiction, Council will withhold the transfer until rates and service charges are paid by withholding a rates clearance certificate as contemplated in Section 118 of the Municipal Systems Act.

9.7.2. Council will accept a guarantee from the transfer attorney that all outstanding debt will be paid on date of registration of such property.

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9.7.3. The Municipality will issue such clearance certificate on receipt of an application on the prescribed form from the conveyancer.

10.9.7.4. All payments will be allocated to the registered seller's municipal accounts and all refunds will be made to such seller. No interest shall be paid in respect of these payments.

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10.1.9.8. Abandonment of Claims

10.1.1.9.8.1. The Municipal Manager must ensure that all avenues are utilised to collect the municipality's debt.

10.1.2.9.8.2. There are certain circumstances that allow for the valid termination of debt collection procedures as contemplated in Section 109(2) of the Municipal Systems Act such as: -

- The insolvency of the debtor, whose estate has insufficient funds
- A balance being too small to recover, for economic reasons considering the cost of recovery.

10.1.3.9.8.3. Where Council deems that a customer or groups of customers are unable to pay for services rendered

10.1.4.9.8.4. 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.

11.10. IMPLEMENTATION AND REVIEW OF THIS POLICY

11.1.10.1. This policy shall be implemented once approved by Council.

11.2.10.2. All future credit control and debt collection arrangements should be dealt with in accordance with this policy.

11.3.10.3. In terms of Section 17(3)(e) of the MFMA this policy must be reviewed on an annual basis and any proposed amendments tabled to Council for approval as part of the budget process.

11.4.10.4. Policy must be reviewed annually

“ANNEXURE A”

1. CUSTOMER SERVICE TARGETS

- 1.1. Response time to customer queries: - Initial responses within 10 working days
- 1.2. Date of first account delivery of customers: - By second billing cycle after new date of application or occupation whichever is the latest.
- 1.3. Reconnection time: - Within 72 hours after appropriate payment/arrangement
- 1.4. Meter reading cycle: - 95% of meters being read on monthly basis with a maximum of 3 consecutive months estimated.

2. ADMINISTRATIVE PERFORMANCE TARGETS

2.1. Cost Efficiency of Debt Collection

- 2.1.1. Cost of collection not to exceed the capital debt amount.
- 2.1.2. All reasonable steps to be taken to limit cost to Council or the customer
- 2.1.3. Cost of collection is to be recovered from the defaulting customers
- 2.1.4. Total cost of collection to be recovered by means of applicable credit control measures

2.2. Query and Appeal Periods

- 2.2.1. It must be within 30 working days or before the second billing cycle whichever is the latest to resolve queries and appeals
- 2.2.2. Enforcement mechanism ratio's: - 95% of total number of arrear customers being successfully notified / disconnected.

“ANNEXURE B”

1. ARRANGEMENTS AND EXTENSIONS

1.1. Business

1.1.1. 1st default in financial year: -

- The current account must be paid in full as well as a minimum payment of 30% of the arrear.
- Balance over a maximum of 3 months or in cases where it is not possible a favourable period be negotiated with the debtor,
- The Chief Financial Officer is authorised to approve a period not exceeding 6 months'
 - The Accounting Officer is authorised to approve a period not exceeding 12 months'
 - Council to approve periods exceeding 12 months
 - Deposit may be adjusted to 3 month's consumption.

1.1.2. 2nd default in financial year: -

- Full outstanding plus current account
- No arrangements
- Deposit adjusted to 3 month's consumption

1.1.3. 3rd default in financial year: -

- Deposit adjusted to 3 month's consumption
- Weekly cash payments based on consumption plus contribution to increased deposit.

1.2. Government Departments

As National and Provincial departments are obliged by the Municipal Finance Management Act No 56 of 2003 Article 35 (b) to promptly meet their financial obligations towards municipalities no arrangements may be entered into with such a department.

1.3. Administrations

1.3.1. Where a person has been placed under administration the procedures will be as follow: -

- 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.
- 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 32 of 1944
- 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 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.
- 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.

1.4. Indigent Consumers

- All consumers qualifying as indigent and having remaining arrear debt after any relief has been granted, will be handled in terms of the Councils Indigent Policy

1.5. Residential Consumers

- The current account must be paid in full as well as a minimum payment of 20% of the arrear.
- The balance over a maximum of 36 months.
- Council to approve periods exceeding 36 months'
- Deposit may be adjusted to 3 month's consumption
- Interest is suspended on the arrear debt if the arrangements are being honoured
- Where the customer defaults on the arrangements, the full debt becomes due and payable, and the supply of services is to be limited or terminated

1.6. Once -off Incentive (Operation Patala) for residential consumers

- a) Once off settlement of the arrears older than 12 month, a 50% discount on capital debt will be granted, but, subject to the following condition:
 - (aa) the current account of such a customer must be paid in full on monthly basis for a period of 12 months.
 - (bb) Failure to adhere to the above conditions, the customer debt will be reinstated.

Full and final settlement of arrears for the customer intending to sell their property and for purpose of rates clearance certificate a 20%

discount will be granted, thus mean 80% of the arrears must be paid in before issuing rates clearance certificate.

2. EXTENSIONS

Extensions are short term in nature and are intended to grant short term relief for the payment of the arrears on the municipal account

- 2.1.** Extensions apply only to residential customers
- 2.2.** Extensions may be granted as a once off arrangement and may not be repeated at the expiration of an initial extension being granted
- 2.3.** The due date for payment of the arrears may be extended by a maximum of 2 months
- 2.4.** Where the customer defaults on the extensions, the full debt becomes due and payable, and the supply of services is to be limited or terminated
- 2.5.** All extensions are to be approved by the Accountant Debt Management if so appointed or failing which by the Manager Revenue