

# MERAFONG CITY LOCAL MUNICIPALITY



## CREDIT CONTROL AND DEBT COLLECTION POLICY 2022/2023

Notwithstanding the review date herein, this policy shall remain effective until such time approved otherwise by Council annually prior to the implementation of the municipal budget and may be reviewed on an earlier date if necessary.

## **PREAMBLE**

In terms of Section 152 (1) of the Constitution of the RSA, 1996 (Act 108 of 1996), hereinafter referred to as “the Constitution” states that the objects of local government are:

- (a) to provide democratic and accountable government for local communities;*
- (b) to ensure the provision of services to communities in a sustainable manner;*
- (c) to promote social and economic development;*
- (d) to promote a safe and healthy environment;*
- (e) to encourage the involvement of communities and community organizations in the matters of local government.*

Section 152 (2) of the Constitution stipulates that a municipality must strive within its financial and administrative capacity to achieve the objectives as set out above.

In terms of Section 153 (a) of the Constitution, the developmental duty of the municipality is to:

- (a) structure and manage its administration, budgeting and planning process to give priority to the basic needs of the community, and to promote the social and economic needs of the community.*

**WHEREAS** Section 96 (a) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), hereinafter referred to as the “Systems Act”, obliges the Merafong City Local Municipality to collect all money that is due and payable to it, subject to the provisions of that Act and other applicable legislation.

**AND WHEREAS** Section 96 (b) of the Systems Act requires the Merafong City Local Municipality (hereinafter referred to as “MCLM”) to adopt, maintain and implement a

credit control and debt collection policy, which is consistent with its rates and tariff policies, and complies with the provisions of the Act.

**AND WHEREAS** Section 97 (1) of the Systems Act stipulates what a credit control and debt collection policy must provide for, and

**AND WHEREAS** Section 98 (1) (2) of the Systems Act obliges the Merafong City Local Municipality to adopt by-laws to give effect to this policy.

**AND WHEREAS** Section 97 (b) of the Municipal Finance Management Act obliges the Merafong City Local Municipality to collect all revenue due to the entity.

**NOW THEREFORE** the following is adopted as the Credit Control and Debt Collection Policy of MCLM (hereinafter referred to as 'this Policy') as set out hereunder.

## **1. PURPOSE**

As envisaged against the afore-said, the purpose of this document is to comply with the legislation, as well as to outline sound principles and practices to be adhered to in managing the Credit Control and Debt Collection of Merafong City Local Municipality.

## **2. OBJECTIVES OF THIS POLICY**

This policy serves to assist management and officials of Merafong City Local Municipality to implement and maintain consistent, efficient and effective controls over their revenue department in order to achieve and maintain high levels of revenue collection.

The objectives of this policy therefore are to:-

- 2.1 ensure that all money due and payable to Merafong City Local Municipality in respect of rates, fees for services, surcharges on such fees, charges, tariffs, interest which has accrued on any amounts due and any collection charges are collected efficiently and promptly;

- 2.2 provide for credit control procedures and mechanisms and debt collection procedures and mechanisms;
- 2.3 Provide for indigent debtors;
- 2.4 Provide for the setting of realistic targets consistent with generally recognised practices and collection ratios and also the estimates of income set in the annual budget of Merafong City Local Municipality
- 2.5 Provide for interest on overdue accounts;
- 2.6 Provide for collection charges on the payment of any overdue amount;
- 2.7 Provide for extension of time for the payment of overdue amounts;
- 2.8 Provide for the termination of services or for restrictions on the provision of services when payments are overdue;
- 2.9 Provide for matters relating to the unauthorised consumption of services, theft and damages.

### **3. APPLICATION**

This policy shall apply only in respect of money due and payable to Merafong City Local Municipality for:

- 3.1 Rates
- 3.2 Fees, surcharges on fees, charges and tariffs in respect of the provision of water, refuse removal, sewerage, electricity (herein after referred to collectively as “services”), in all instances where Merafong City Local Municipality is responsible for the rendering of accounts in relation to any one or more of the services and for the recovery of amounts due and payable in respect thereof.

- 3.3 Interest which has accrued in respect of any money due and payable to Merafong City Local Municipality in regard to rates or services ;
- 3.4 Collection charges.
- 3.5 Services provided through pre-paid meters.

#### **4. IMPLEMENTATION**

This policy shall be implemented by the Accounting Officer and as delegated to officials whose duties relate to the rendering of accounts and the collection of money due and payable to the Merafong City Local Municipality in respect of rates and services, and credit control.

#### **5. DEFINITIONS**

**“Indigents”** as defined in the indigent policy.

**“Child-headed household”** refers to a household where the registered owner is deceased and the house is occupied by under-age children who are related to the deceased and assume the responsibility of servicing the municipal account.

**“Indigent amount”** refers to the applicable value of the indigent subsidy as determined by the Council from time to time.

**“Consumers”** refers to individuals to whom the municipality renders services.

**“Debt/Arrears”** refers to the amount owed by a consumer to the municipality for services rendered and other rates chargeable not paid on the due date.

**“Interest on overdue accounts”** is based on a full month and part of a month shall be deemed to be a full month.

**“Due date”** refers to the final date of payment as shown on the account.

**“Termination”** refers to the cut off of services by the municipality due to stipulated reasons by the municipality.

**“Arrangement”** means a written agreement entered into between the Municipality and the debtor where specific repayment parameters are agreed to. Such arrangement does not constitute a credit facility envisaged in terms of section 8(3) of the National Credit Act but is deemed to be Incidental Credit as envisaged in terms of section 4(6)(b) read with section 5(2) and (3) of the National Credit Act.

**“Payment”** refers to any form of redemption towards the balance on an account whether by cash, cheque or electronic means.

**“Indigent debtors”** are classified as those debtors who qualify in accordance with councils indigent policy and are approved in terms of said policy.

**“Debtors”** refers to the individuals classified as those who owe the municipality for services rendered or other rates chargeable.

**“Tariff”** refers to agreed charge to the consumer for services rendered.

**“Municipal services”** those services, rates and taxes reflected on the municipal account for which payment is required by the municipality.

**“Sundry debt”** refers to any debt other than for rates, housing, metered services, sewerage and refuse removal.

**“Supply”** means any metered supply of water or electricity.

**“Restriction of services”** shall include partial or full interruption or stoppage of relevant services as owed in terms of a notice.

## **6. SCOPE**

This policy will apply to all residents and customers, councillors, management, staff and officials of the Municipality. Failure to comply with the policy may result in the institution of disciplinary proceedings against the parties involved.

Furthermore, this policy will also apply to service providers. The municipality will not procure from service providers and suppliers who are in arrears with rates, taxes and tariffs for more than three months to the municipality.

## **7. RESPONSIBILITY FOR CREDIT CONTROL**

7.1 The Merafong City Local Municipality's Executive Mayor shall as supervisory authority:

7.1.1 Oversee and monitor:

(a) The implementation and enforcement of the Merafong City Local Municipality's credit control and debt collection policy and any by-laws enacted; and

(b) The performance of the Municipal Manager in implementing the policy and any by-laws.

7.1.2 When necessary, evaluate, review or adapt the policy and by-laws, or the implementation of the policy and any such by-laws, in-order to improve efficiency of its credit control and debt collection mechanisms, processes and procedures, and

7.2 The Municipal Manager shall as implementing authority:

7.2.1 Implement and enforce the Merafong City Local Municipality's credit control and debt collection policy and any by-laws enacted in terms of the Municipal Systems Act;

7.2.2 In accordance with the credit control and debt collection policy and any such by-laws establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the Merafong City Local Municipality, and

- 7.2.3 Report the prescribed particulars monthly to a meeting of the supervisory authority.

## **8. CREDIT CONTROL AND DEBT COLLECTION PRINCIPLES**

- (a) 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.
- (b) All consumers must complete an official application form, formally requesting the municipality to connect them to service supply lines. The most important rights and obligations of the consumer and municipality must be included in the service application form.
- (c) A copy of the application form, conditions of services and extracts of the relevant council's consumer care, credit control and debt collection policy and by-laws must be handed to every consumer on request at such fees as may be prescribed by Council.
- (d) In cases of a business tenant requesting for the provision of services from the municipality, the application form must be completed by the tenant.
- (e) Billing is to be accurate, timeous and understandable.
- (f) The consumer is entitled to reasonable access to pay points and to a variety of reliable payment methods.
- (g) The consumer is entitled to efficient, effective and reasonable responses to enquiries and appeals, and should suffer no disadvantage during the processing of such requests.
- (h) Enforcement of payment must be prompt, consistent and effective.



- (i) 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.
- (j) Incentives and disincentives may be used in collection procedures.
- (k) The collection process must be cost-effective.
- (l) Results will be regularly and efficiently reported and monitored.
- (m) Application forms will be used to, *inter alia*, categorise consumers according to credit risk and to determine relevant levels of services and deposits required.
- (n) Targets for performance in both consumer service and debt collection will be set and pursued and remedies implemented for non-performance.
- (o) Consumers that meet council's indigent criteria must be identified and supported.

## 9. CODE OF ETHICS

9.1 All Merafong City Local Municipality officials shall embrace the spirit of **Batho Pele** and treat all debtors with dignity and respect at all times. Employees shall execute their duties in an honest and transparent manner whilst protecting the confidentiality of information, having due regard to the Promotion of Access to Information Act.

9.2 The Merafong City Local Municipality further upholds the following ethics and principles in implementing its Credit control and debt collection policy:

- 9.2.1 Essential service to be provided to all residential customers, which includes water, sanitation and refuse removal.

9.2.2 Where a debtor defaults, the restricted water supply shall be adequate enough to maintain the basic living standard (6 kilolitres).

9.2.3 Electricity not essential.

9.2.4 No service disconnections without notice except when arrangement is not met.

9.2.5 No service disconnections in household on Fridays (**after 12h00**) or prior to a public holiday.

9.2.6 Subject to capacity at the time to restore such services which have been restricted or disconnected, such services will be restored within a reasonable time after the relevant conditions of this policy have been met. Onus shall be on the customer to request reconnection and to prove that the full amount as required has been paid.

## **10. APPLICATION FOR NEW CONNECTION**

10.1 Before services can be provided, a service deposit is required to be paid by the consumer to the City Council. Application for new connections can only be made by property owners accompanied by positive identification. Applicants must complete the prescribed "Rendering of Consumer Agreement" forms in order to obtain a new connection. A new connection fee, determined in terms of the municipality's current Tariff Policy is payable. In certain cases additional security from prospective consumers may be required (i.e. bank guarantees). New accounts will not be opened for tenants except for business consumer debtors. In the case of business consumers, owners or estate agents acting on behalf of the owner must give written consent that a tenant account may be opened. Such owners account must not be in arrears and previous tenants account must be settled in full.

10.2 Deposits that are paid will only be refunded at the closure of the account. This will only be done when all amounts that are due to the Merafong City at such a

date is settled in full. Council will determine deposit amounts as part of the tariff policy.

10.3 However Council reserves the right to increase deposits of defaulters. This can effectively be done by adjusting the debtor's deposit to the average of the latest two months' consumption of the property in question.

10.4 No interest will be payable on any deposit held.

10.5 The Manager Revenue and Chief Finance Officer will use their discretion in assessing which debtors should supply collateral documentation to the municipality.

10.6 Determination of Deposits - Deposits will be charged as approved in the tariff policy except for non-South African citizens where they'll be requested to produce a valid passport. The deposit amount for such customers will be twice the amount of the approved tariff.

## **11. ACCOUNTS AND ACCOUNT ADMINISTRATION**

The Merafong City Local Municipality will endeavour to ensure:

- i. accurate metering of consumption at fixed intervals with the minimum delay between service connection and first and subsequent billing;
- ii. where no reading cannot be obtained, interim readings (estimations) will be charged;
- iii. accurate up-to-date customer information;
- iv. accurate monthly billing with the application of appropriate correct tariffs and service charges;
- v. timely despatch of accounts
- vi. adequate provision and the efficient operation of pay facilities throughout the Merafong City Local Municipality;
- vii. arrangements with third party institutions/agents to accept payments on behalf of the Merafong City Local Municipality. Responsibility to ensure that payments are reflected on the account is vested with the debtor; and

- viii. appropriate hours of business to facilitate account payments.

Although the Merafong City Local Municipality must render an account for the amount due by a debtor, failure thereof shall not relieve a debtor of the obligation to pay his/her account.

## **12. DELIVERY OF ACCOUNTS**

12.1 The municipality will on a monthly basis issue accounts for the amount due and payable by the consumer via electronic means – Email, Sms and Electronic platform.

12.2 Where a resident changes their place of accommodation, they remain liable for debt incurred by the new tenant in respect to the usage of municipal services, regardless of the fact that they are no longer residing there, they inform the Municipality of the change in address.

12.3 Consumers must be encouraged to take the initiative to contact the offices of the municipality if an account is not received.

12.4 The consumer is not relieved of the obligation to pay the amount if municipality fails to issue an account, or an account has not been received.

## **13. FINAL DATE OF PAYMENT**

13.1 Due date on payment of municipal accounts is the fourth (4th) day of every month except when the fourth (4th) day falls on a weekend or holiday, in which case the payment must be made on the previous working day. Interest will be charged to unpaid accounts after the 4<sup>th</sup> of each month.

13.2 However, Pensioners will be given grace period taking into account the date of receipt of pension. This grace period will be extended up to the tenth (10th) day of the month, by which time payment must have been made, failing which interest will be levied on the account outstanding and credit control measures will apply.

13.3 The municipality will establish and maintain a register of pensioners, for pensioners that apply

13.4 The onus is upon the pensioner to approach the Municipal offices with their relevant pension documents in order to be registered as pensioner and for pension rebates.

#### **14. PAYPOINTS**

14.1 The Merafong City Local Municipality has established several service points for the payment of municipal services or purchases of prepaid services for the community members, as accessible and convenient as possible. Currently these service points are:

- (a) Khutsong Municipal Offices– Khutsong Proper, Khutsong South
- (b) Carletonville Municipal Offices
- (c) Wedela Municipal Offices
- (d) Fochville Municipal Offices
- (e) Kokosi Municipal Offices
- (f) Greenspark Municipal Offices
- (g) Blybank pay point

14.2 Other than these designated pay points, members of the community can make use of other easy pay facilities such as in-store payments at Pick n Pay, Shoprite, Woolworths, Checkers, Post Office or pay in person through banks, by authorizing the bank to put through debit orders or by initiating direct deposits and at any merchant using Easy pay.

14.3 Other additional/new pay points will be identified by the Municipality and the public will be notified of such from time to time.

#### **15 CREDIT CONTROL MEASURES**

15.1 The Merafong City Local Municipality or its duly appointed agents may, in addition to the normal civil legal procedures to secure payment of accounts that

are in arrears, take the following action to secure payment for municipal rates and services:

- i. termination and/or restriction of the provision of services;
- ii. allocate a portion of payments or pre-payments to service charges, arrears or future charges;
- iii. the Municipality may in terms of section 103 of the Systems Act, with the consent of a consumer, approach an employer to secure a debit or stop order arrangement on the salary of the consumer;
- iv. the Municipality may in terms of sections 28 and 29 of the Property Rates Act, No.6 of 2004, after a written notice has been served to the tenant or occupier, recover arrears of rates from tenants, occupiers and agents of the owner; and
- v. Credit control will commence from the conclusion of the consumer agreement. Credit control methods will include, *inter alia*, the following:-
  - i. evaluation of application;
  - ii. referencing checking;
  - iii. checking information on the ITC and at the Deeds Office and Registrar of Companies;
  - iv. procuring securities where necessary;
  - v. payment of deposits;
  - vi. entering into binding consumer agreements;
  - vii. providing monthly statements;
  - viii. providing statement messages;
  - ix. sending final notices;
  - x. termination or restriction of services;
  - xi. sending letter of demands; and
  - xii. instituting legal action.

## **16. NOTICE REGARDING NON-PAYMENT**

**(a) Notice of termination of services**

(i) A debtor will be viewed by the Municipality as a defaulter once they have fallen one month in arrears without having approached council offices to negotiate payment arrangements

(ii) Customers will be notified through any of the following: placing message in monthly statements and notification by ward councillors or ward committees that services shall be terminated after the due date. If payment is not received within the stipulated period, services will be disconnected.

(iii) Where accounts are in arrears for 90 days or more such debtors are handed over to attorneys or debt collectors for collection.

(iv) Refusal by banks to honour payments debit order will be regarded as non-payment upon which the relevant debtors are subject to credit control measures. The municipality will recover the charges incurred relating to the dishonoured negotiable instruments against the account of the consumer. The municipality reserves the right to refuse to accept or to cancel such further payment methods from such person. If the debtor pays their amount in full no further action will be deemed necessary by the council.

**(b) Recovery of rates in arrears from tenants, occupiers and agents**

The Municipality may attach the rental or any other payments due to debtors who are in arrears with their municipal accounts:

(a) if any debt levied in respect of a property is unpaid by the owner of the property the Municipal Manager may recover the amount in whole or in part from a tenant or occupier of the property, despite any contractual obligation to the contrary on the tenant or occupier.

(b) the Municipal Manager may recover an amount only after a written notice has been served on the tenant or occupier; and

- (c) the amount the Municipal Manager may recover from the tenant or occupier of a property in terms of sub-item (a) is limited to the amount of the rent or other money due and payable, but not yet paid, by the tenant or occupier to the owner of the property; and
- (d) any amount the Municipal Manager recovers from the tenant or occupier of the property must be set off by the tenant or occupier against any money owed by the tenant or occupier to the owner; and
- (e) the tenant or occupier of a property must, on request by the Municipal Manager, furnish a written statement specifying all payments to be made by the tenant or occupier to the owner of the property for rent or other money payable on the property during a period determined by the Municipal Manager.
- (f) the Municipal Manager may recover the amount due for debt on a property in whole or in part from the agent of the registered owner, if this is more convenient for the Municipal Manager; and
- (g) the Municipal Manager may recover the amount due for debt from the agent of the registered owner only after a written notice has been served on the agent; and
- (h) the amount the Municipal Manager may recover from the agent is limited to the amount of any rent or other money received by the agent on behalf of the registered owner, less any commission due to the agent; and
- (i) the agent must, on request by the Municipal Manager, furnish a written statement specifying all payments for rent on the property and any other money received by the agent on behalf of the owner during a period determined by the Municipal Manager.

## **17. DISPUTES PERTAINING TO ACCOUNTS**

17.1 Should any dispute arise in respect of the amount owing, the debtor will continue to make regular payments until such time that the dispute on the account is settled. The onus is on the accountholder to approach municipal



offices to resolve the issue. The council will still demand payments on the due dates in respect of the services rendered.

17.2 If the accountholder does not approach or contact the municipal offices and due date for payment has lapsed, the municipality will apply debt recovery procedures.

## **18. ARRANGEMENT MADE PRIOR TO PAYMENT DUE DATE**

18.1 If the consumer enters into an agreement with municipality pertaining to the manner of payment of debt due, that consumer shall be deemed not to be in arrears to the extent to which he/she performs according to the contract of agreement and is therefore not in breach of that contract.

18.2 Any breach of such contract will automatically deem the consumer to be in arrears and therefore subject to full credit control measures that is including, but not limited to the restriction of water or disconnection of electricity or discontinuance of any other service to the premises.

18.3 The responsibility to enter into such an agreement shall rest with the consumer and failure to do so prior to payment date is not an excuse.

18.4 No person is allowed to enter into consecutive or overlapping arrangements without the written authorization of the Manager Revenue.

## **19. ARRANGEMENTS FOR EXTENDED REPAYMENT PERIODS**

19.1 A debtor may enter into a legally binding written agreement with the MCLM to repay any overdue amount to the MCLM. Suitable arrangements must be made for payment of arrear amounts.

19.1.1 Proposals for arrangement to pay arrear account balances on domestic accounts and sundry will be considered, provided the following conditions are met: Tenants (existing) should obtain consent letters from the owner

granting them permission to enter into an arrangement. If the owner does not grant such permission, the full outstanding amount becomes payable.

Consumers who are in arrears and not the owner of the property, must acquire a consent letter from the owner to enter into a payment arrangement.

In the event that the owner account is excessively in arrear such a tenant may pay part or all of the rental fee towards the outstanding balance and service the current account on a monthly basis.

19.1.2 Arrangement to pay arrear account balances will be considered for Industrial, Business and School accounts as per paragraph

19.3. This also applies to churches and non-profit organisations.

19.2 A consumer may be required to complete a debit order for the payment of arrears.

19.3 The municipality may allow a period of payment in excess of 36 months for the payment of arrears, in special circumstances, which the customer could not reasonably have prevented, warrant a longer period of payment. Such arrangements shall be concluded by the Supervisors (Accountants and Chief Accountants and the Manager Revenue)

19.4 In instances where debtors does not honour the aforementioned agreement, the amount outstanding becomes payable immediately. The agreement becomes *null and void* and no further agreement shall be allowed.

19.5 Dishonouring of the agreement shall result in the normal credit control measures.

19.6 Ideally, all current accounts opened with the municipality must be paid on due dates.

## 20. INCENTIVE SCHEME

20.1 All household customers who pays off the total outstanding amount on their accounts including arrear amounts can apply to have the full interest that has accumulated to be written off.

20.2 All customers who enters into an agreement to settle the total outstanding amount on their accounts within a period of 6 months including arrear amounts can apply to have the interest, accrued in the last 6 months, written off.

20.3 All business and farms customers who pays off the total outstanding amount on their accounts including arrear amounts can apply to have the interest that has accumulated to be written for at : **15%** of the outstanding balance or **R 25 000** whichever is the greatest.

20.4 Exclusions: Government departments, state owned entities and properties requesting clearance figures are excluded from the incentive scheme.

## **21. INTEREST ON ARREARS**

Interest will be charged on all amounts due on the sixteenth (16) day of each month at the municipality primary bank's prevailing prime rate. The prime bank-lending rate of the municipality's banker less **three (3) %** at the start of the financial year of the municipality will be applicable for the entire financial year. This means that the interest rate will be changed on the debtor system once in every financial year.

In terms of the in duplum rule – the interest charged on outstanding balance of the consumer by the municipality will not exceed the capital or principal amount. This implies that the municipality's long outstanding debts should be recovered before the in duplum rule becomes a possibility or a probability in an endeavour to prevent a situation where the municipality can no longer recover any further interest.

## **22. INTEREST ON ARRANGEMENTS**

Once an arrangement on the payment of arrears has been concluded, the amount in arrears will be reflected with the current account, and no penalties will be levied, except interest, which is payable on all overdue accounts.

## **22. TERMINATION OR RESTRICTION OF SERVICES**

22.1 Failure to pay for services after the notice due date, and without having approached municipal offices in order to negotiate an acceptable payment arrangement, will result in services being restricted and/or terminated by Council. Council may restrict or discontinue supply of any other services to any premises resulting from, viz. theft, fraud, tampering, non-compliance, obstruction and any other criminal means or activity.

22.2 Other actions that the council will take are detailed in *section 25* below.

## **23 COSTS FOR TERMINATION OF SERVICES**

Where any service is terminated as a result of non-compliance with the Policy by the debtor, the Merafong City Local Municipality shall be entitled to levy and recover the standard credit control fees as determined by the Merafong City Local Municipality, from time to time, from the accountholder or owner of the premises where the services were rendered and levied. For the duration of an account being in arrears and services attached to the account, credit control measures will be implemented and costs billed monthly.

## **24 CATEGORY OF ASSISTANCE (SPECIAL CIRCUMSTANCES)**

24.1 In accordance with its core value of providing essential and basic services to all members of the community, council will assess the circumstances of the individuals/households of certain categories, before instituting credit control procedures.

24.2 Individuals in the following special circumstances cases must approach municipal offices and apply for indigent status:

- (a) Pensioners
- (b) Child headed households
- (c) Unemployed persons

- (d) Disabled persons
- (e) Terminally ill persons

24.3 Acceptance or non-acceptance will be based upon criteria detailed in the Municipality's Indigent Policy Document. The prevailing indigent threshold of a monthly gross not exceeding two (2) times the prevailing monthly government pension payout will however still be the applicable qualifying criteria for indigency. The Municipality will maintain a register of approved indigent persons.

## **25. CONDITIONS FOR RECONNECTION OF SERVICES**

25.1 The designated officials of Merafong City Local Municipality shall authorise the reconnection of services to the debtor's premises:

- a) Upon receipt of full payment of amounts outstanding.
- b) Upon receipt of full payment for Council's equipment that has been damaged maliciously and is deemed essential in the supply of the service. Such cost shall be payable by the applicant regardless the fact that non-responsibility might be claimed for the damage.
- c) Upon entering into a formal agreement with the Council to repay the debt.
  - (i) In instances where debtors do not honor the aforementioned agreement due to an acceptable reason, the Manager Revenue and CFO will use their discretion as to whether the reason is acceptable or not. In the case of the former being applicable, a new agreement be entered into but with firm discretion.
  - (ii) For dishonoring the agreement without an acceptable reason, the agreement becomes null and void and no further agreement shall be allowed.

25.2 A disconnection fee as per tariff determined from time to time by the municipality will be levied to the consumer.

25.3 Where services were illegally restored :(i) the water or electricity supply will be immediately restricted. (ii) the full amount of arrears plus any illegal consumption, and any applicable tariffs, will be payable prior to reconnection. Should exceptional circumstances exist, adequate payment arrangements may be permitted at the sole discretion of the Chief Financial Officer; and (iii) the illegal reconnection of, or tampering with, a service supply is considered a criminal offence which may result in legal action being taken against the offender.

## **26 RIGHT OF ACCESS TO PREMISES**

26.1 The occupier of premises must give an authorised representative of the Council access to the premises in order to read or inspect any meter or service connection for reticulation, or to disconnect, stop or restrict the supply of any service in accordance with the provisions of section 101 of the Systems Act.

26.2 Council-authorized meter readers will visit consumer premises for the purposes of reading meters to enable council to calculate amounts due and payable to it by each accountholder/resident in respect of services consumed for the month.

26.3 Where council-authorized meter readers are denied access to meters, such action will be viewed as obstruction or breach of the council's conditions of service as initially outlined when the consumer applied for supply of council services.

26.4 The council reserves the right to estimate such charge for council services used over the period for which access is denied, as the amount due and payable to it.

26.5 The consumer will be obliged to pay the estimate amount, failing which debt collection procedures will be instituted. This does not prevent council from charging the excess amount underpaid, based on the correct readings that may be recorded at a later stage to the consumer, when access is gained to the premises. Same will be done in reversing the overpayment for the said period.

26.6 Where access has been denied or officials cannot reasonably gain access to a property the Municipal Manager, having given 14 days notice, may disconnect or restrict the provision of the service at the owners cost. Further to this prepaid electricity and water meters can be installed at the cost of the owner.

## **27. UNAUTHORISED CONSUMPTION, THEFT, DAMAGES AND PENALTIES**

### **(a) Removal of meters**

This measure will be taken where a meter has been vandalised, tempered with or where there has been unauthorised consumption/theft. The costs of a repaired or new meter will be borne by the consumer. A penalty as per the Sundry Tariff policy must be paid before installation of a new meter, and is subject to review by council from time to time.

### **(b) Tampering**

When a meter has been tempered with, the costs of a repaired or new meter will be borne by the consumer. A penalty as per the Sundry Tariff policy must be paid before installation/repair of the meter, and is subject to review by council from time to time.

### **(c) Illegal connection/theft**

In the case where theft has not resulted in the damage of a meter, the prevailing connection fee as determined by council will be required. A penalty as per the Sundry Tariff policy must be paid before installation/repair of the meter, and is subject to review by council from time to time.

Legal prosecutions against the consumer/perpetrator can be pursued at the discretion of the municipality, where sufficient evidence is available. The customer will be liable for payment of the fine as well as 650kwh for electricity and 25kl for water per month (maximum 24 months) for any theft or illegal consumption, vandalism and or tampering.

**Consumers who are on prepaid electricity and not purchasing electricity and yet their water consumption indicates that the property is occupied will be**

charged 650 kw/h for the affected period not exceeding maximum of 24 months

## 28. METHODS OF DEBT RECOVERY

28.1 The Merafong City Local Municipality will apply the following means in an effort to collect all money due and payable to it:

- (a) Issue notice to consumers in arrears/default in accordance with the stipulations outlined in section 15 of this policy document.
- (b) Installation of a flow restriction valve or “slow flow” water valve to restrict the water supply to the minimum.
- (c) Termination of other services i.e. electricity – to be re-instated upon full receipt of all amounts outstanding.
- (d) In the instance where consumers have pre-paid metering installed, the Municipality will reserve the right to allow them to purchase electricity on the basis of a **60% (debt recovery)** purchase and **40% (electricity purchase)** payment on the account, for consumers who do not / are unable to pay their arrear accounts. **A prepaid consumer who is in arrears and have a suitable payment arrangement in line with the approved debt control and collection policy will not be subjected to the 60/40 payment recovery method.**
- (e) All arrears are payable in full and final settlement before any property can be transferred from one owner to another (refer to section 31 of this policy) , where after the Chief Financial Officer (CFO) issues a clearance certificate to that effect. No transfer can take place without such certification.
- (f) Where a debtor has ignored a final notice, issued where an account has fallen into arrears over 60 days, the account will be handed over to the attorneys or debt collectors contracted to Council, for collection and the litigation procedures shall commence.



(g) By utilizing attorneys and debt recovery agencies appointed by Council and the Municipality's Senior Executives, being the Chief Financial Officer and the Municipal Manager.

(h) Where attorneys or collection agents have been appointed, they shall abide by the following:

Provide written engagement proposals specifying:

- (i) cost factors for the whole process as well as a detailed tariff structure;
- (ii) detail regarding their assessment of the case;
- (iii) recommended course of action they deem effective in order to recover the money owed to the Municipality; and
- (iv) fee required for their services.

28.2 The Merafong City Local Municipality's Credit Control Policy will be provided to attorneys or collection agents and they shall use it as guidance during the period of handling the cases.

28.3 No re-negotiation of terms and repayment periods/arrangements shall take place with consumers who are handed over.

- (a) Full liability for all legal and collection costs incurred will be borne by the debtor.
- (b) Monthly reporting from agent with regard to cases handed over will be required.
- (c) Judgments will be listed with credit bureaus for the purposes of blacklisting the defaulting individuals, companies or institutions.
- (d) Attach defaulter's property/assets and dispose them to recover all amounts due to the municipality, in instances where the deposit in place is less than the amount owed.

- (e) Obtain a court order requesting for a garnishee order to recover costs from the consumer.

## **29 EXCEPTIONS**

29.1 Note that Persons that qualify for indigent status under the criteria detailed in Merafong Municipality's Indigent Policy Document are not subject to debt collection. However for the purposes of monitoring the usage of municipal services, the Merafong City Local Municipality shall restrict services to 6 kilolitres of water and 50 Kilowatts of electricity for all registered indigents and monitor such restriction.

29.2 It remains the Merafong Municipality's prerogative to enforce the restrictions, and indigents that utilize their allocated electricity and water subsidies before the month is up or exceed their allocations, will have their services/supplies discontinued. From there on any water or electricity required will be purchased from the municipality using the prepaid system, subject to the arrears recovery principle.

## **30 MUNICIPAL EMPLOYEES AND COUNCILLORS**

30.1 Employees and Councillors of the Merafong City Local Municipality that fall into arrears on their accounts pertaining to municipal services shall have such debt recovered from their salaries. In terms of s10 of Schedule 2 of the Municipal Systems Act *"a staff member of a municipality may not be in arrears to the municipality for rates and service charges for a period longer than 3 months, and a municipality may deduct any outstanding amounts from the staff member's salary after this period."*

In order to ensure timeous, assured payment of employee accounts, all employees residing within the Merafong City Local Municipality shall be subject to an automatic deduction instituted against their salaries. If any municipal employee is in arrears, an amount of at least 50% of excess amount received during bonus month will be recovered from the said employee's salary towards the account in arrears.

In terms of the Municipal Finance Management Act (No 56 of 2003), S124 (b)  
*“The notes to the annual financial statements of a municipality must include particulars of any arrears owed by individual councillors to the municipality for rates or services and which at any time during the relevant financial year were outstanding for more than 90 days, including the names of those councillors.”*

**Councillors and employees who are residing at the informal settlement based on the address provided with Human Capital section will be subjected to a nominal charge that covers 6kl of water, 6kl of sanitation and 1 X pw refuse removal services.**

In order to ensure timeous, assured payment of councillor accounts, all councillors shall be subject to an automatic deduction instituted against their councillor allowance payments on a monthly basis.

30.2 Manager Revenue in conjunction with Human Resources Department shall notify such employees and councillors in writing of the steps that the Municipality will take to recover the debt.

30.3 The policy shall apply to all employees irrespective of their level or position within the Municipality.

## **31. CLEARANCE CERTIFICATES**

All debt, inclusive of any advanced collection deemed to be due and payable, for the purpose of issuing any clearance certificate in terms of section 118, of the Systems Act, must be paid in full:

- (a) no interest shall be paid in respect of any payment made in terms of this sub-item;

- (b) all payments will be allocated to the registered seller's municipal accounts in terms of this policy;
- (c) prior to any refund this payment will be dealt with as follows:
- (i) the advanced collection shall be used to offset any debt that accumulated against the property as follows –
- (aa) any tenant debt; and
- (bb) any of the sellers debts:-
- d) any refund, in respect of any credit remaining after registration of transfer has been registered in the Deeds Office, shall be refunded to such seller unless if a request is received in writing from the transferring attorneys requesting that the refund be issued directly to them;
- (e) no certificate, in terms of section 118 of the Systems Act, will be issued where the registered owner (and, in this instance, the seller) has not complied with any relevant legislation, policy relating to the property in question;
- (f) the Municipal Manager may require the purchaser to apply for all services at the property as part of the application for a clearance certificate; or by virtue of registration of the property, the registered owner accepts liability for all services rendered by the Municipality to the said property, except as provided for in other legislation or policy.
- (g) with the exception of an attorney's trust cheque any cheque tendered in respect of a clearance certificate, in terms of section 118 of the Systems Act, must first be cleared by the bank before the certificate can be issued.
- (h) Where there is outstanding debt on the property that is older than the two year minimum period the municipality must endorse the revenue clearance certificate to confirm that there is debt older than the two year period.

### **32. COLLECTION TARGETS**

In accordance with the Local Government: Municipal Systems Act 32 of 2000, collection targets will be realistic in accordance with the Funding and Reserves Policy and generally recognised accounting practices and collection ratios and the estimates of income set in the budget less an acceptable provision for bad debts.

### **33. AUTHORITY**

Formulation Policy	:	Chief Financial Officer
Authorisation Policy	:	Council
Ownership	:	Municipal Manager
Maintenance Manager	:	Manager: Revenue Management