



Ephraim Mogale Local Municipality

2011/12 Medium Term Revenue and Expenditure Framework (MTREF) Policy Review

CREDIT CONTROL AND DEBT COLLECTION POLICY

AND

BY-LAW

**EPHRAIM MOGALE LOCAL MUNICIPALITY
CREDIT CONTROL AND DEBT COLLECTION POLICY**

CREDIT CONTROL AND DEBT COLLECTION POLICY

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PREAMBLE

WHEREAS section 152 (1) (b) of the Constitution of the Republic of South Africa Act 108 of 1996 (*the Constitution*) provides that one of the objects of local government is to ensure that the provision of services to communities occurs in a sustainable manner;

AND WHEREAS section 153 (a) of the Constitution provides that a municipality must structure its administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community;

AND WHEREAS section 195 (1) of the Constitution provides that the public administration must be governed by the democratic values and principles enshrined in the Constitution, including-

- The promotion of the efficient, economic and effective use of resources;
- The provision of services impartially, fairly, equitably and without bias; and
- The fact that people's needs must be responded to.

AND WHEREAS section 4 (1) (c) of the Local Government: Municipal Systems Act 33 of 2000 (*the Systems Act*) provides that the Council of a municipality has the right to finance the affairs of the municipality by charging fees for services, imposing surcharges on fees, rates on property and, to the extent authorised by national legislation, other taxes, levies and duties;

AND WHEREAS section 5 (1) (g), read with subsection (2) (b), of the Systems Act provides that members of the local community have the right to have access to municipal services which the municipality provides provided that, where applicable and subject to the policy for indigent debtors, pay promptly for services fees, surcharges on fees, other taxes, levies and duties imposed by the municipality;

AND WHEREAS section 6 (2) (c), (e) and (f) of the Systems Act provides that the administration of a municipality must take measures to prevent corruption; give members of a local community full and accurate information about the level and standard of municipal services that they are entitled to receive; and inform the local community about how the municipality is managed, of the costs involved and the persons in charge;

AND WHEREAS Chapter 9, sections 95, 96, 97, 98, 99 and 100, of the Systems Act provides for Customer Care Management, Debt Collection responsibility of the Municipality, contents of the policy, by-laws that give effect to the policy, Supervisory authority and Implementing authority, respectively.

Adoption of a Credit Control and Debt Collection Policy

The Municipality hereby adopted a Credit Control and Debt Collection Policy in terms of section 96(b) of the Local Government: Municipality Systems Act, No. 32 of 2000.

DEFINITIONS

EPHRAIM MOGALE LOCAL MUNICIPALITY CREDIT CONTROL AND DEBT COLLECTION POLICY

In this policy any word or expression to which a meaning has been assigned in the Local Government: Municipal Systems Act, has that meaning, unless the context, indicates otherwise-

“Arrangement”

Means a written agreement entered into between the Council and the debtor where specific repayment parameters are agreed to.

“Arrears”

Means those rates and service charges that have not been paid by the due date and for which no arrangement has been made.

“Account”

Means an account rendered specifying charges for services provided by the municipality, or any authorized and contracted service provider, and which account may or may not include assessment rates levies;

“Authorized Representative”

Means a person or instance legally appointed by the Council to act or to fulfill a duty on its behalf;

“Billing date”

Means the date upon which the monthly statement is generated and debited to the customer's account.

“Business Premises”

Means premises utilized for purposes other than residential and excludes the following: -

- (a) hospitals, clinics and institutions for mentally ill persons which are not operated for gain;
- (b) museums, art galleries, libraries and botanical gardens which are registered in the names of private persons and are open to the public, whether admission fees are charged or not;
- (c) sport grounds used for the purpose of amateur sports and any social activities which are connected with such sports;
- (d) any property registered in the name of an institution or organisation which, in the opinion of the Council, Performs charitable work;
- (e) any property utilised for bona fide church or religious purposes.

“Chief Financial Officer”

Means the person appointed as the Chief Financial Officer of the Municipality, or his or her nominee.

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“Credit Control”

Means all the functions relating to the collection of monies owed by ratepayers and the users of municipal services.

“Council”

Means the municipal council of Municipality or any duly authorized Committee, political office bearer or official of the said Council.

“Customer”

Means any occupier of any premises to which Council has agreed to supply or is actually supplying services, or if there is no occupier, then the owner of the premises and includes any debtor of the municipality;

“day / days”

Means calendar days, inclusive of Saturdays, Sundays and public holidays.

“defaulter”

Means any Person who owing the Council arrear monies in respect of rates and / or service charges;

“Due date” in relation to –

- (a) rates due in respect of any immovable property, means the thirtieth(30) day of September of the financial year for which such rate is made, or any other date determined by council by notice in the Provincial Gazette, and
- (b) in respect of service charges due in respect of any immovable property, means the date for payment indicated on the account.
- (c) Should such day fall on a Saturday, Sunday or public holiday the due date shall be the next working day.

“Immovable property” includes –

- (a) an undivided share in immovable property, and
- (b) any right in immovable property.

“Implementing Authority”

Means the Municipal Manager or his or her nominee, acting in terms of section 100 of the Local Government: Municipal Systems Act No. 32 of 2000.

“Indigent debtor”

Means

- (a) the head of an indigent household:

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- (i) who applied for and has been declared indigent in terms of Council's Indigent Support Policy for the provision of services from the municipality; and
 - (ii) who makes application for indigent support in terms of Council's Indigent Support Policy on behalf of all members of his or her household;
- (b) orphaned minor children duly represented by their legal and / or defacto guardians.

“Indigent Support Programme”

Means a structured programme for the provision of indigent support subsidies to qualifying indigent debtors in terms of the Council's Indigent Support Policy.

“Indigent Support Policy”

Means the Indigent Support Policy adopted by the Council of the Municipality.

“interest”

Means a charge levied on all arrear monies with the same legal priority as service fees and calculated at a rate determined by Council from time to time.

“Month”

Means a calendar month.

“Monthly average consumption”

Means the monthly average consumption in respect of that property calculated on the basis of consumption over the preceding or succeeding twelve months.

“Municipal pay point”

Means any municipal office in the area of jurisdiction of the municipality designated by Council for such purposes, or any such other places as the Chief Financial Officer may from time to time designate.

“Municipal Services”

Means services provided either by the Municipality, or by an external agent on behalf of the Municipality in terms of a service delivery agreement.

“Municipality”

Means the Municipality of Ephraim Mogale Local Municipality

“Municipal Manager”

Ephraim Mogale Local Municipality

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Means the Municipal Manager of the Ephraim Mogale Local Municipality or his or her nominee acting in terms of power delegated to him or her by the said Municipal Manager with concurrence of the Council.

“Occupier”

Means the person who controls and resides on or controls and otherwise uses immovable property, provided that –

- (a) the husband or wife of the owner of immovable property which is at any time used by such owner and husband or wife as a dwelling, shall be deemed to be the occupier thereof;
- (b) where a husband and wife both reside on immovable property and one of them is an occupier thereof; the other shall also be deemed to be an occupier thereof.

“Owner”

In relation to immovable property means-

- (a) The person in whom is vested the legal title thereto provided that –
 - (i) The lessee of immovable property which is leased for a period of not less than thirty years, whether the lease is registered or not, shall be deemed to be the owner thereof;
 - (ii) The occupier of immovable property occupied under a service servitude or right analogous thereto, shall be deemed to be the owner thereof;
- (b) If the owner is dead or insolvent or has assigned his or her estate for the benefit of his creditors, has been placed under curatorship by order of court or is a company being wound up or under judicial management, the person in whom the administration of such property is vested as executor, administrator of such property is vested as executor, administrator, trustee, assignee, curator, liquidator or judicial manager, as the case may be, shall be deemed to be the owner thereof;
- (c) If the owner is absent from the Republic or his address is unknown to the Municipality, any person who as agent or otherwise receives or is entitled to receive the rent in respect of such property, or

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- (i) if the Municipality is unable to determine who such person is, the person who is entitled to the beneficial use of such property.

“Premises”

Includes any piece of land, the external surface boundaries of which are delineated on:

- (a) A general plan or diagram registered in terms of Land Survey Act,(9 of 1927) or in terms of the Deed Registry Act, 47 of 1937; or-
- (b) A sectional plan registered in terms of the Sectional Titles Act, 95 of 1986, which is situated within the area of jurisdiction of the Council.

“Prescribed”

Means prescribed by this policy and where applicable by Council or the Municipal Manager.

“Prescribed debt”

Means debt that becomes extinguished by prescription in terms of the Prescription Act 68 of 1969.

“Person”

Means a natural and juristic person, including any department of state, statutory bodies or foreign embassies

“Rates”

Means any tax, duty or levy imposed on property by the municipality.

“Registered owner”

Means that person, natural or juristic, in whose name the property is registered in terms of the Deeds Registry Act, no. 47 of 1937.

“Responsible person”

Means any person other than the registered owner of an immovable property who is legally responsible for the payment of municipal service charges.

“Service charge”

Means the fees levied by the Municipality in terms of its tariff policy for any municipal services rendered in respect of an immovable property and includes any penalties, interest or surcharges levied or imposed in terms of this policy.

“Service delivery agreement”

Means an agreement between the Municipality and an institution or persons mentioned in section 76(b) of the Local Government: Municipal Systems Act 32 of 2000.

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“Sundry debtor accounts”

Means accounts raised for miscellaneous charges for services provided by the Municipality or charges that was raised against a person as a result of an action by a person and which was raised in terms of Councils policies, bylaws and decisions.

“Supervisory Authority”

Means the Executive Mayor of the Municipality or his or her nominee, acting in terms of Section 99 of Municipal Systems Act 32 of 2000.

“Tariff”

Means any rate, tax, duty and levy or fee which may be imposed by the Municipality for services provided either by itself or in terms of a service delivery agreement.

“Tariff Policy”

Means a tariff policy adopted by the Council in terms of Section 74 of Local Government: Municipal Systems Act 32 of 2000.

“User”

Means the owner or occupier of a property in respect of which municipal services are being rendered.

3. PRINCIPLES

The principles supported in the policy are:-

- 3.1 The administrative integrity of the municipality must be maintained at all times.
- 3.2 The policy must have the full support of all Councilors.
- 3.3 Councilors must have full knowledge of the implementation and enforcement of the policy.
- 3.4 The Executive Mayor oversees and monitors the implementation and enforcement of this policy.
- 3.5 The Municipal Manager implements and enforces this policy.
- 3.6 The Municipal Manager may delegate the implementation and enforcement of this policy to the Chief Financial Officer.
- 3.7 Consumers must be informed of the contents of this policy.
- 3.8 Consumers must apply for services from Council by the completion of the prescribed application form.

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- 3.9 Consumers must receive regular and accurate accounts that indicate the basis for calculating the amounts due.
- 3.10 Consumers must pay their accounts regularly by the due date.
- 3.11 Consumers are entitled to reasonable access to pay points and to a variety of reliable payment methods.
- 3.12 Consumers are entitled to an efficient, effective and reasonable response to appeals, and should not suffer any disadvantage during the processing of a reasonable appeal.
- 3.13 Debt collection action will be instituted promptly, consistently, and effectively without exception and with the intention of proceeding until the debt is collected.

4. SUPERVISORY AUTHORITY

- 1. The Executive mayor oversees and monitors –
 - (a) The implementation and enforcement of the municipality's credit control and debt collection policy.
 - (b) The performance of the Municipal manager in implementing the credit control and debt collection policy.
- 2. The Executive Mayor shall at least once a year, cause an evaluation of review of the credit control and debt collection policy to be performed in order to improve the efficiency of the Municipality's credit control and debt collection mechanisms, processes and procedures and to the implementation of this policy.
- 3. The Executive Mayor shall submit a report to council regarding the implementation of the credit control and debt collection policy at such intervals as Council may determine.

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4. The Municipal manager:-
 - (a) Implements and enforces the credit control and debt collection policy.
 - (b) Is accountable to the Executive Mayor for the enforcement of the policy and shall submit a report to the Executive mayor regarding the implementation and enforcement of the credit control and debt collection policy at such intervals as may be determined by Council.
 - (c) Must establish effective administration mechanisms, processes and procedures to collect money that is due and payable to the Municipality.
 - (d) Where necessary, propose to the Executive Mayor with the aim of improving the efficiency of the credit control and debt collection mechanisms, processes and procedures.
 - (e) Establish effective communication between Council and account holders with the aim of keeping account holders abreast of all decisions by Council that may affect account holders.
 - (f) Establish customer service centres, which are located in such communities as determined by Council.
 - (g) Convey to account holders information relating to the cost involved in service provision, the reasons for payment of services are utilized, and may where necessary, employ the services of local media to convey such information.
- 5 The Municipal Manager may, in writing, delegate any of the powers entrusted or delegated to him or her in terms of Council's credit control and debt collection by-law to the Chief Financial Officer.
- 6 A delegation in terms of subsection (5) –

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- (a) Is subject to any limitations or conditions that the Municipal Manager may impose;
- (b) May authorize the Chief Financial Officer to, in writing, sub-delegate power to another official of the municipality;
- (c) Does not divest the Municipal Manager of the responsibility concerning the exercise of the delegated power.

7 The Chief Financial Officer shall be responsible to the Municipal Manager for the implementation, enforcement and administration of this policy, and the general exercise of his powers in terms of this policy.

5 APPLICATION FOR THE PROVISIONS OF MUNICIPAL SERVICES

- (1) A consumer who requires the provision of municipal services must apply for the service from Council.
- (2) The application for the provision of municipal services must be made by the registered owner of an immovable property or by a tenant only if he/she can produce a written consent from the owner of the property which clearly gives consent to occupy the property as well as accepting liability for any future outstanding fees for 60 days or older on the tenant's account should the tenant fail to honour his/her debts.
- (3) Council will not entertain an application for the provision of municipal services from a tenant of a property, if the client has not settled his/her account by the set due date or if the client has dishonoured a payment arrangement.
- (4) The only exception to (2) above is that individuals and businesses with lease agreements to lease properties from the Municipality and Government departments will be allowed to open an account in the name of the lessee of the property.

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- (5) An agent may with a proxy open an account in the name of the owner taking into consideration the provisions of (2) above.
- (6) The application for the provision of municipal services must be made in writing on the prescribed application form that is provided by Council.
- (7) By completing the prescribed application form for the provision of municipal services the consumer of services enters into an agreement with the Council.
- (8) The agreement with Council makes provision for the following:-
 - (a) An undertaking by the owner that he or she will be liable for collection costs including administration fees, interest, penalty fees and any other legal costs occasioned by his or her failure to settle accounts by the due date;
 - (b) An acknowledgement by the owner that accounts will become due and payable by the due date notwithstanding the fact that the owner did not receive the account; and
 - (c) That the onus will be on the owner to ensure that he or she is in possession of an account before the due date.
 - (d) The undertaking by the Municipality that it shall do everything in its power to deliver accounts timorously.
- (9) The application for the provision of municipal services shall be made at least ten (10) days prior to the date on which the services are required to be connected.
- (10) On receipt of the application for provision of municipal services, Council will cause the reading of metered services linked to the property to be taken on the working day preceding the date of occupation.

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- (11) The first account for services will be rendered after the first meter reading cycle to be billed following the date of signing the service agreement.

6 DEPOSITS AND GUARANTEES

- (1) On application for the provision of municipal services the prescribed consumer deposit shall be paid.
- (2) A guarantee in lieu of a deposit will be accepted on application for the provision of municipal services by a business in terms of the prevailing conditions determined by Council at the time of the application.
- (3) Existing consumers moving to a new address are required to pay the prescribed consumer deposit on application for the provision of municipal services at the new address.
- (4) The minimum deposit payable is determined annually by Council and is contained in the tariff book produced annually.
- (5) The consumer deposit paid on application for the provision of municipal services may be increased or decreased, upon written notice to consumers, if found that the deposit is not equal to the estimated charges for the supply of electricity and water for a period of three (3) months.
- (6) Council may increase the amount of the deposit required from the owner of a property, where the electricity supply has been disconnected at least twice during the preceding period of twelve months, after the owner of the property was give notice of Council's intention to increase the deposit.

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- (7) On termination of the supply of services the amount of the deposit less any payment due to Council will be refunded to an account holder, provided that payments due are less than the deposit paid, and that the account holder has provided a forwarding address.

7 ACCOUNTS AND BILLING

- (1) Council provides all consumers of municipal services monthly with a consolidated account for all services rendered.
- (2) The consolidated account can include property rate charges.
- (3) Accounts are produced on a monthly basis in cycles of approximately 30 days.
- (4) All accounts rendered by Council shall be payable on the due date as indicated on the account.
- (5) Amounts on accounts, which remain unpaid after the due date, shall attract interest on arrears irrespective of the reason for non-payment.
- (6) All accounts are payable by the due date regardless of the fact that the person responsible for the payment of the account has not received the account. The onus is on the account holder to obtain a copy of the account before the due date.
- (7) Council bills an owner of a property for the following rates and service charges:-
- a) Property rates, refuse and sewerage charges are billed annually or monthly as preferred by customers.
 - b) Council's preference is that property rates, refuse and sewerage charges to be charged monthly. Due to historical legislation and the absence of a property Rates Policy, these charges are been charged monthly and annually.

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- c) Property rates, refuse and sewerage charges charged annually are billed on the July account of each year and the due date for the payment of these charges is 30 September of each year.
- d) Property rates, refuse and sewerage charges charged monthly are billed on the monthly accounts and the due date for the payment of the charges will be as indicated on the accounts.
- e) The tariffs to calculate the property rates, refuse and sewerage charges are determined annually and approved by Council and are contained in the tariff book produced by Council.

(B) Electricity and water Charges

- (i) Consumption of electricity and water are billed in terms of metered consumption.
- (ii) Monthly accounts are rendered for electricity and water consumption and the due date for the payment of the accounts will be the date as indicated on the account.
- (iii) The tariffs to calculate the electricity and water charges are determined annually and approved by Council and are contained in the tariff book produced by Council.

(C) Fire Levy

- (i) Property owners within Municipality area are charge a fire levy instead of been charged when the Fire Department responds to fire calls in respect of dwellings and businesses.
- (ii) The fire levy is charged monthly on the account produced by Council.

(D) Sundry Debtor accounts

- (i) Sundry debtor accounts are raised for miscellaneous charges for services provided by Council or charges that are raised against a debtor as a result of an action by a debtor or person which necessitate a charge to be raised by Council against the debtor or person in terms of Council's policies, by-laws and decisions.
- (ii) The sundry debtor account is included in the monthly consolidated account produced by council.

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(E) **Final accounts**

On receipt of an application for termination of services the final readings of metered services will be taken, the accounts finalized, the consumer deposit will be appropriated and if a debit balance remains the balance will be payable by the consumer and if a credit balance remains the balance will be refunded to the consumer, on condition that the consumer has provided Council with a forwarding address.

(F) **Due date**

The due dates for the payment of accounts in the various areas of the Municipality is as follows: -

Cycle no 1	areas	7'th day of each month
Cycle no 2	areas	7'th day of each month
Cycle no 15.....	areas	15'th day of each month

8 METERING OF MUNICIPAL SERVICES

- (1.) Council may introduce various metering equipment and may encourage consumers to convert to a system, which is preferred by Council when Council considers this to be beneficial to its functioning and operations.
- (2.) Council's preferred metering system to measure electricity is the prepayment electricity metering system for domestic consumers and for certain businesses.
- (3.) Electricity and water consumption is measured with credit and prepayment electricity and water meters.
- (4.) The following applies to the reading of credit meters: -
 - (a) Credit electricity and water meters are read at in cycles of approximately 30 days.
 - (b) If for any reason the credit electricity and water meters cannot be read, Council will render an account based on estimated consumption.
 - (c) The account based on estimated consumption will be adjusted in the subsequent account based on the actual consumption.
 - (d) The consumer is responsible to ensure access to metering equipment for the purpose of obtaining meter readings for billing purposes.
 - (e) Consumers can for reasons of non-accessibility to their properties by meter readers, provide Council monthly with meter readings for billing purposes, provided that an audit reading can be obtained by Council once every six months and provided that

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a final reading can be obtained should the consumer vacate the property.

- (f) If any calculation, reading or metering error is discovered in respect of any account rendered to a consumer –
 - (i) the error shall be corrected in subsequent account,
 - (ii) any such correction shall only apply in respect of account for a period of three years preceding the date on which the error in the account was discovered,
 - (iii) the correction shall be based on the tariffs applicable during the period, and
 - (iv) the application of this section shall not prevent a consumer from claiming overpayment for any longer period where the consumer is able to provide the claim in the court of law.
 - (g) When a consumer vacates a property and a final reading of The meter is not possible, an estimation of the consumption may be made and the final account rendered accordingly.
- (5.) The following applies to prepayment metering: -
- (a) Prepayment electricity and water are purchased at prepayment vending points for consumption after the date of purchase.
 - (b) Amounts tendered for the purchase of prepayment electricity and water will not be refunded after the prepayment meter token has been produced.
 - (c) On request of the consumer copies of the previous prepayment meter tokens will be produced.
 - (d) Credits remaining in the prepayment meter will not be refunded when a premises is vacated by a consumer.
 - (e) Council shall not be liable for the reinstatement of credit in prepayment meter lost due to tampering with, or the incorrect use or the abuse of prepayment meters.
 - (f) Council will apply all the debt collection functions available on the prepayment system to collect all arrear debt on the account of the debtor.
 - (g) Council will appoint vendors for the sale of prepayment electricity and does not guarantee the continued operation of any vendor.

(6.) The following applies to water leaks that are found on properties: -

- (a) Water leaks in the reticulation system on a property and after the water meter is the responsibility of the owner of the property.
- (b) The position mentioned in (6)(a) above can be changed by a Council resolution to solve a water management problem in a certain area or areas.
- (c) When a water leak is discovered on a property which

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resulted in excessive water charges on the account of the consumer, the consumer will be entitled to a water leak rebate if:-

- (i) The consumer submits a certificate from a registered plumber or sworn affidavit from any other person who has repaired the leak within ten (10) days of the leak having been repaired.
 - (ii) The said certificate must clearly state the date on which the leak was repaired,
 - (iii) It is confirmed that the leak was not discernable from the surface,

 - (iv) It is certify that the leak occurred on a pipe listed on the schedule of approved pipes and fittings prescribed by the Director of Engineering Services.
 - (v) The leak must have been repaired within forty-eight hours (48) after detection.
- (d) The cost of the repairs shall be for the account of the consumer.
- (e) The excess charge for water on the account of the consumer due to a water leak will only be adjusted after three (3) monthly readings, following the repair of the water leak, to determine the average consumption during the period the leak occurred.
- (f) During the period that the water leak occurred the charge for water will be based on average consumption of water.

9 PAYMENT OF ACCOUNTS

- (1.) All accounts rendered by Council are due and payable on or before the due date as indicated on the account.
- (2.) All payments, whether made by cash, cheque, stop order, electronic payments or payments made through agents must be receipted by Council by the close of business on the due date.
- (3.) Accounts rendered by Council can be paid at any Municipal cashier office and any other pay point as determined by Council, from time to time.
- (4.) The payment methods and facilities supported by Council, can be used to make payments on accounts.
- (5.) Payments received in respect of rates and service charges will be allocated by Council entirely within its discretion, on the account of the debtor.

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- (6.) Part payment received on an account shall be allocated firstly to reduce any penalty charges that may have accrued on the account.
- (7.) An official receipt issued by Council will be the only prove of payments made.
- (8.) Cheques received for the payment of an account and which a bank dishonoured, will result in the account of the debtor being debited with the amount of the cheque and dishonoured cheque cost. The debtor will not be permitted to make payments to Council with a cheque in future.

10 INTEREST ON ARREAR DEBT

- (1.) Amounts on accounts, which remain unpaid after the due date, shall attract interest irrespective of the reason for non-payment.
- (2.) The following categories of arrear debt shall not attract interest on arrears:
 - (a) Indigent debt
 - (b) Closed accounts
 - (c) Deceased estates
 - (d) Insolvent estates
 - (e) Debtors under administration (administration portion only)
- (3.) No interest shall be charged on any outstanding amounts in respect of which an agreement had been concluded for the payment by way of installation thereof, provided the instalment is paid in full by the due date.
- (4.) Interest on arrear debt shall be calculated for each month for which such payment remains unpaid and part of a month shall be deemed to be a month.

11 ENQUIRIES AND APPEALS

- (1.) Any aggrieved person may address a grievance or query regarding charges for municipal services to the Chief Financial Officer in writing or may visit any customer care office provided by Council.
- (2.) The aggrieved person shall clearly state the basis of his or her dissatisfaction and the desired resolution.
- (3.) The lodging of an inquiry shall not relieve the aggrieved person of the responsibility to settle his or her account. An interim payment similar to an average account must be paid by the due date pending finalization of the enquiry.

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(4.) Council will respond to all inquiries from consumers in writing within sixty days from the lodging of the inquiry.

12. DEBT COLLECTION

(1.) The Chief Financial Officer is authorized to institute agreed upon debt collection mechanisms without exception and with the intention to proceed until the debt is collected.

(2.) All accounts rendered by Council shall be paid on the due date as indicated on the account.

(3.) Amounts on accounts, which remain unpaid after the due date, shall attract interest irrespective of the reason for non-repayment.

(4.) Amounts on accounts, which unpaid after the due date, will be subject to debt collection action.

(5.) Debt collection action will be taken on the total amount outstanding on the account after the due date. The total amount outstanding includes property rates, refuse, sewerage, water, electricity, fire levy and sundry debtor charges.

(6.) The debt collection action to be taken will be as follows: -

(a) Disconnection of electricity supply

(i) Council shall disconnect the electricity supply to a property if the account rendered by Council is not paid by the due date as indicated on the account.

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- (ii) Disconnection of electricity supply will be for the total amount outstanding on the account, not just for the electricity portion of the account.
 - (iii) Disconnection of electricity supply for the non-payment of an account will be during the 30 day period following the due date.
 - (iv) All accounts outstanding after the set due date will be charged a penalty fee which the client is liable to pay regardless of whether a disconnection was done or not.
 - (v) Services will only be reconnected or restored once there is proof that the account has been settled in full and such reconnection will be done within 24 hours.
- (b) Block from the purchase of electricity
- (i) Council will block a consumer from the purchase of electricity on the prepayment electricity system if the account rendered by Council is not paid by the due date as indicated on the account.
 - (ii) The block from purchase of electricity will be for the total amount outstanding on the account, not just for the electricity portion of the account.
 - (iii) The block from purchase of electricity for the non-payment of an account will be during the 30 day period following the due date.
 - (iv) Non-indigent consumers with arrears will be blocked on a block type that will require the consumer to pay the amount due to Council before prepayment electricity can be purchased.
 - (v) Low income non-indigent consumers with arrears living in a property with a certain municipal value, which will be determined by Council, will be blocked on a block type that will require the consumer to pay the current monthly account

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due before prepayment electricity can be purchased and with the purchase of electricity 40% of the amount tendered to purchase electricity will be held back and be allocated to arrear debt. **The amount of the current monthly account due is the amount after the indigent subsidy has been deducted.**

(vi) Consumers will be placed on a total block from the purchase of electricity for the following reasons and will only be permitted to purchase electricity after a visit to Council's offices by the consumer to attend to the reason for blocking:

- When a consumer moved into a property and failed to apply for services from Council and failed to pay the required consumer deposit.
- When the disconnection of electricity, blocked from the purchase of electricity and the restriction of water flow to the property did not have the desired effect to persuade the consumer to pay the arrear debt.

(c) Restriction or disconnection of water flow

(i) Council will restrict the water flow to a property for the following reasons and will only restore the water flow after a visit to Council's office by the consumer to attend to the reasons for the restriction of the water flow: -

- When the disconnection of electricity supply or blocked from the purchase of electricity on the prepayment system did not have the desired effect to persuade the consumer to pay the arrear debt.
- When water consumption by indigent consumers is more than 6kl free water provided by Council to indigent consumers and the account remains unpaid.

(ii) Council will disconnect the water flow to a property under

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the following circumstances and will only restore the water flow after a visit to Council's office by the consumer to attend to the reasons for the disconnection of the waterflow:

- The water supply to a business with an unpaid account will be disconnected if the disconnection of electricity supply to the property or blocked from purchase of electricity from the prepayment electricity system did not have the desired effect to persuade the consumer to pay the arrear debt.
- When the consumer moved into a property and failed to apply for services from Council and failed to pay the required consumer deposit.

(d) Handover and debt to debt collectors

- (i) Debt that could not be collected by the disconnection of electricity supply to a property, blocked from the purchase of prepayment electricity, restriction or disconnection of water supply and that are 60 days old will be handed over to debt collectors.
- (ii) Handover to debt collectors is pre-legal action and if the debt collectors are unsuccessful in collecting the debt, the debt will be handed over to attorneys for legal collection.
- (iii) The following types of debt will be handed over to the debt collectors: -
 - Debt that is 60 days and older
 - The amount of the debt per debtor to be handed over is the amount that will be determined from time to time.
 - Debt that relates to non-indigent debtors living in RDP houses.

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- Low income non-indigent consumers living in a property with a certain municipal value that generally relates to consumers with low income.
 - Debt for which no payment arrangements were made.
- (iv) The following types of debt will **not** be handed over to debt collectors.
- Debt of indigent debtors that are registered as indigent at the date of handover.
 - Government debt
 - Debt that is been paid off as per arrangement with debtor.
 - Debt that is under query
- (vi) The process of collecting debt by debt collectors includes:-
- The phoning of debtors
 - Sending out demand letters
 - Making arrangement with debtors to pay off debt in terms of Council's credit control and debt collection policy.
 - Making follow-ups with debtors
- (e) Handover of debt to Attorneys for legal collection
- (i) Debt that could not be collected by debt collectors and debt that requires urgent legal attention will be handed over to attorneys for legal collection.
- (ii) The following types of debt will be handed over to attorneys:-
- Debt that is 90 days and older
 - The amount of debt per debtor to be handed over is the amount that will be determined from time to time.
 - Debt for which no payment arrangement were made
 - Debt that relates to non-indigent debtors living in RDP

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houses. The legal process will be proceeded with as far as sale of movable property.

(iii) The following types of debt will **not** be handed over to attorneys:-

- Debt of indigent debtors that are registered as indigent at the date of handover.
- Debt of debtors living in a property with a certain municipal value, that will be determined by Council and which value, that will be determined by Council and which value includes the value of the site and improvements.
- Debt that is been paid off as per arrangement with the debtor.
- Debt that is under query

(iv) The process of legal collection includes:-

- Final demands for payment to debtors.
- Emolument attachment orders on debtor's salaries.
- Summons issued for debt to be paid.
- Default judgement be obtained against the debtor.
- The attachment of moveable properties and sale in execution of moveable property.
- The attachment of immovable property and the sale of immovable property.

(f) Withholding or offsetting grants-in-aid.

Council provides annual grants-in-Aid to Institutions on application.

If an institution is in arrear with its services account, then Council

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Will withhold the grant-in-Aid or grant-in-aid will be off set against the arrear debt with Council.

- (g) Institutions or individual persons, who are in contract with Council to provide a service, and who are in arrear with their services account, will have payments to them withheld by Council until the arrear debt with Council is settled or payment will be off set against the arrear debt with Council.

(g) Section 118 of Local Government: Municipal Systems Act No 32 of 2000.

- (i) Council will issue a certificate required for the transfer of immovable property in terms of Section 118 of Local Government: Municipal Systems Act No 32 of 2000, which is lodged with Council in the prescribed manner, only when all amounts that became due in connection with that property for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties during the two years preceding the date of application for the certificate have been fully paid.
- (ii) Debt older than two years on the property irrespective of whether the owner of the property had accumulated the debt will also have to be paid before any clearance can be issued and the transfer of the property by the owner can be done.
- (iii) If the owner refuses to pay the debt which is older than two years, then Council will apply to a competent Court for an order in the following terms:-
- In the case where there is already a judgement for the payment of the amount, an order that the judgement debt be paid out of the proceeds of the sale, before the mortgage debt is settled.
 - In case where there is no judgement debt, for an order staying transfer of the property pending the finalisation of a civil action

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to be instituted against the person who is in law liable for the payment of the outstanding debt.

- The above action must be taken before the property is transferred as the statutory lien created by Section 118(3) of Act only endures until the property has been transferred and in terms of Section 118(5) of the Act can the new owner of the property not be held liable for the debt that became due before a transfer of a residential property took place.

(iv) Other debt collection methods

The debt collection methods mentioned in paragraph (a) to (h) above are not an exhaustive list of methods that can be applied to collect debt and any other methods that can be initiated, will be implemented with the consent of Council, to collect debt.

(7) Debt Collection Cost

Any costs, which includes collection costs, charges, disbursements and legal costs relating to any of the debt collection methods applied to collect the debt will be debited to the account of the defaulting debtor.

13. ARRANGEMENTS TO PAY ARREAR DEBT

- (1) A consumer who cannot pay their arrear debt may enter into an arrangement to pay the account over an extended period of time limited to five times in a financial year.
- (2) If the outstanding balance has been overdue for a period of more than twelve months, 50% of the total outstanding should be paid as an initial payment, and the remainder must be payable within six months depending on the amount concerned on which the CFO will use his/her discretion on the number of months it must be paid off.
- (3) If the total outstanding balance has been overdue for a period less than twelve months, 25% of the total outstanding amount must be paid as an

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initial payment, and the remainder must be settled within a period of three months depending on the amount remaining.

- (4) No verbal arrangements will be accepted by Council, only written arrangements on a prescribed format as provided by Council will be accepted.
- (5) No arrangements will be entertained by Council on debt that has been handed over to debt collectors.
- (6) The consumer , by signing the arrangement agreement to payoff arrear debt acknowledges the following: -
 - (a) That debt is owed to Council
 - (b) That on default to honour the arrangement agreement, interest on arrears will be charge on the amount due, electricity supply will be disconnected to the property of the consumer or the consumer will be blocked from the purchase of electricity on the prepayment system and / or the water supply to the property of the consumer will be restricted and legal proceedings will be instituted to collect the debt.
 - (c) That the consumer will be liable for all cost, which includes legal costs, incurred to collect the debt.

(7) Dishonoured arrangement

In the event that an arrangement has been dishonoured, all monies owing to the municipality, plus the current monthly account has to be paid in full. If the required payments are not made, debt collection action will be instituted immediately.

(8) Arrangements by Indigent consumers

- (a) Indigent consumers must have their credit electricity meters converted to prepayment electricity meters.
- (b) Indigent consumers are required to pay their current monthly account, which is the amount after indigent subsidy has been deducted, regularly every month by the due date.
- (c) Indigent consumers with arrears will be blocked on a block type on

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the prepayment electricity system that will require the consumer to pay the current monthly account due before prepayment electricity can be purchased and with the purchase of electricity, 40% of the amount tendered to purchase electricity will be held back and be allocated to arrear debt. **The amount of the current monthly account due is the amount after the indigent subsidy has been deducted.**

(9) Arrangements by low income non-indigent consumers.

- (a) A low income non-indigent consumer is a consumer living in a property with a certain municipal value, that will be determined by Council, and which property generally relates to consumers with low income.
- (b) Low-income non-indigent consumers must have their credit electricity meters converted to prepayment electricity meters.
- (c) Consumers are required to pay their current monthly account regularly every month by the due date.
- (d) Consumers with arrears will be blocked on a blocked type that will require the consumer to pay the current monthly account due before prepayment electricity can be purchased and with the purchase of electricity 40% of the amount tendered to purchase electricity will be held back and be allocated to arrear debt.

(10) Arrangements by non-indigent consumers

- (a) The arrangement by non-indigent consumers must include the payment of the current monthly account **plus** the payment of arrear debt.
- (b) The arrear debt can be paid as follows: -
 - (i) Income group R1500 – R5000.
Over a maximum period of 36 months, with interest provided payments are made monthly by the due date.
 - (ii) Income group R5000 and more
Over a maximum period 24 months, interest free provided

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payments are made monthly by the due date.

(11) Arrangements by businesses

- (a) At the date of the arrangement a minimum of 50% of the capital arrear debt must be paid immediately.
- (b) The balance of the debt, which includes the capital amount and interest, may be paid over a period of 6 months, interest free, provided payments are made monthly by the due date.
- (c) The total monthly instalment must include the current monthly charges **plus** the amount to pay off arrear debt.
- (d) Arrangement by businesses to pay off arrear debt will only be entertained for debt on which debt collection actions have been taken and which actions are in an advance stage.
- (e) Failure to maintain the arrangement will result in interest being reversed and full debt collection will be implemented, with no possibility of reprieve.

(12) Arrangements on partially collectable debt

- (a) Partially collectable debt can be described as debt that cannot be collected in full through application of debt collection processes and that it is in the best interest of Council to accept part payment of the debt in full and final settlement.
- (b) All the debt collection processes must have been followed and if at the sale-in-execution of the property no interest is shown by prospective bidders to purchase the property, offers for the purchase of the property must be obtained and the relevant attorney must submit a report to Council.
- (c) The market value of the property must be obtained and a report must be submitted to Council on the offer to purchase that was received.

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- (d) Council must make a decision to accept the offer for full and final settlement of the debt and by accepting the offer Council must also resolve to write off the remaining debt on the property as irrecoverable.

14. INDIGENT DEBTORS

- (1) An account holder (consumer) may apply, in the prescribed manner, to be regarded as an indigent debtor provided that the following conditions are applied: -
 - (a) That the gross household income must not exceed the poverty threshold value as determined by Council from time to time.
 - (b) That the applicant should not own more than one fixed property.
 - (c) That the applicant must be a resident on the property.
 - (d) That the property of the indigent applicant may be inspected annually to determine the validity of the application.
 - (e) Any aggrieved person who was not successful in the application to be regarded as indigent may lodge an appeal to the Chief Financial Officer within a period of ten (10) days from the date on which the aforesaid decision was communicated to the applicant.
 - (f) Any person who has been declared indigent shall be entitled to indigent subsidies for basic services on a basis determined by Council from time to time and in accordance with the National policy on indigents.
- (2) Arrangements by indigent debtors to pay their debt to Council are as follows: -
 - (a) Indigent consumers must have their credit electricity meters converted to prepayment electricity meters.
 - (b) Indigent consumers are required to pay their current monthly account, which is the amount after indigent subsidy has been

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deducted, regularly every month by the due date.

- (c) Indigent consumers with arrears will be blocked on a block type on the prepayment electricity system that will require the consumer to pay the current monthly account due before prepayment electricity can be purchased and with the purchase of electricity 40% of the amount tendered to purchase electricity will be held back and be allocated to arrear debt. **The amount of the current monthly account due is the amount after the indigent subsidy has been deducted.**
- (3) Debt of indigent debtors will **not** be handed over to debt collectors and / or to attorneys to collect their debt, provided that the debtors are registered as indigent at the date of handover.
- (4) Debt of indigent debtors will not attract interest on arrears.
- (5) The water flow to the properties of indigent debtors will be restricted when the consumption of water is more than the 6kl free water provided by Council and their accounts remains unpaid.
- (6) Debt of deceased indigent estates –
 - (a) Until the property is transferred from the deceased estate to the new owner all the services from the account of the deceased owner as at the date of death will be transferred to the account of the occupant, which must include the valuations of the property in order to charge the occupant for property rates.
 - (b) The occupant of the property must sign an agreement in which the occupant agrees to pay all the rates and service charges that are to be raised on the property that is occupied.
 - (c) The following circumstances must prevail to transfer the services to the account of the occupant:-
 - (i) The house must be a government funded RDP house.
 - (ii) The occupant of the house must be a registered indigent consumer with Council and be receiving an indigent subsidy from Council.

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- (7) Debt of absconded owners –
- (a) The occupant of the property must sign an agreement in which the occupant agrees to pay all property rates and service charges that are to be raised on the property of the absconded registered owner's property.
 - (b) The rates and service charges only be transferred to the occupant of the property if the property is a RDP funded property.

15. MUNICIPAL STAFF – PAYMENT OF ARREARS

- (1) Section 10 of schedule 2 of the Local Government: Municipal System Act, No. 32 of 2000 provides the following: -
- “A staff member of a municipality may not be in arrears to the municipality for rates and service charges for a period longer than three (3) months, and a municipality may deduct any outstanding amounts from a staff member's salary after this period.”
- (2) Arrear debt relating to rates and service charges will be collected from staff in terms of collection arrangements approved by the Municipal Manager from time to time.

16. ADMINISTRATION ORDERS – PAYMENT OF ARREARS

- (1) A person can apply for the administration of its estate in terms of section 74 of the Magistrates Court Act, 1944.
- (2) On notification that the order had been granted, Council will manage the debt that is part of the administration order separately to the current account.
- (3) The debtor will be responsible for the payment of the current monthly account and if the debtor defaults on the payment of the account, debt collection action will be implemented.

17. WRITE OFF OF IRRECOVERABLE DEBT

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- (1) The objective to write off irrecoverable debt is to have a debt book that does not reflect irrecoverable debt.
- (2) Council's approval must be obtained to write off irrecoverable debt.
- (3) In the submission to Council to write off debt Council must be provided with details of –
 - (a) The debt collection procedures implemented to recover the debt and the costs incurred as a result thereof;
 - (b) The reasons why the debt collection procedures were not successful and had to be abandoned;
 - (c) The debtors financial position, if known;
 - (d) Reasons why the debt or a portion thereof is regarded as being irrecoverable.
- (4) Debt can be regarded as irrecoverable under the following circumstances: -
 - (a) Debt that was subjected to all the debt collection procedures provided for in this policy and still was unsuccessful to collect the debt and where the debt collection process had to be abandoned.
 - (b) Debt of which the cost to collect debt has exceeded the debt amount.
 - (c) Debt of indigent debtors that cannot be collected after the implementation of the debt collection procedures applicable to indigent consumers provided for in this policy.
 - (d) Small amount debt of which the cost to collect the debt is more than the debt amount.
 - (e) Debt of deceased estates –
 - (i) Claims must have been submitted to the estate of the deceased.
 - (ii) The executor of the estate advised Council in writing that there are no funds in the estate.
 - (f) Debt of debtors who have emigrated –

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- (i) Debt collection procedures must have been implemented.
 - (ii) Council was informed by a reliable source that the debtor had emigrated.
 - (iii) The emigrating authorities had confirmed that the debtor had emigrated.
- (g) Debt of insolvent estates –
- (i) Debt collection procedures must have been implemented.
 - (ii) Debt must be older than three years.
 - (iii) Debt must comply with the provisions of section 10 Chapter III of the Prescription Act No 68 of 1969.
 - (iv) Claims must have been submitted to the liquidators of the insolvent estate.
 - (v) The liquidators of the insolvent estate must advise Council in writing that there are no funds in the estate.
 - (vi) Council received dividends on the amount owing and was advised that the estate had been finalized and there will be no further dividends forthcoming.
- (5) The annual Revenue Budget will include an amount to provide for the amount to be written off.

18. PROVISION FOR BAD DEBT

- (1) The objective of the provision for bad debt is to make a realistic provision annually in the Revenue budget to cater for charges raised in terms of the budget that cannot be collected.
- (2) The calculation of the provision for bad debt will be based on an extract of Council's debtors book as at the last day of the financial year.
- (3) The extract of Council's debtors book must reflect detailed ageing of the debt within the following debt categories: -

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- (a) Debt per service
 - (b) Debt per type of debtor
- (4) A provision for bad debt amount will be calculated in terms of each of the abovementioned categories and will be submitted to the Chief Financial officer for consideration of the provision amount to be included in the Revenue Budget.
- (5) The provision for bad debt amount will be an accumulative expression of a percentage of the amount of the debt occurrence at a certain ageing category and an amount that represents an accumulation of individual debt amounts.
- (6) When calculating the provision for bad debt in terms of the debt per service category the following must be considered: -
- (a) The probability of the ageing of the debt.
 - (b) The sliding scale percentage that will be applied on the age of the debt commencing with debt that is 150 days old. The percentage must be increased when progressing to the oldest debt occurrence. The probability of collecting the debt in the oldest occurrence will be zero, therefore the provision must be 100%.
 - (c) The probability of recovery between the different types of services. The probability of recovering property rates versus the recovery of other services in the same ageing occurrence will be higher, as property rates is a tax and only prescribes after 30 years, in terms of the relevant legislation.
 - (d) The payment trend of each of the services billed.
- (7) When calculating the provision for bad debt in terms of the debt per type of debt the following must be considered:-
- (a) The probability of the ageing of the debt.
 - (b) The debt as per the following debtor groups identified:-
 - (i) Domestic
 - (ii) Business
 - (iii) Government departments

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(iv) Municipal staff and Councilors

(v) Other debtors.

Note – The types of debtor that make up the above groups will be those as detailed in the financial system at the time of the date extraction.

(c) The debt on the following debt groups are to be excluded from the provision calculation, as the debt is deemed to be collectable: -

(i) Government departments.

(ii) Municipal staff and Councilors

(d) The debt on the following debt groups are to be fully provided for in the provision calculation, as the debt is deemed to be not collectable.

(i) Indigent debtors.

(ii) Debtors under administration.

(iii) Insolvent and liquidated estates.

(iv) Deceased indigent estates

(v) Informal settlements

(vi) Debt that has prescribed

(vii) "RDP" houses.

(viii) Uncollectable business debt after legal action.

(ix) Uncollectable domestic debt after legal action.

(e) The sliding scale percentage that will be applied on the age of the debt commencing with debt that is 150 days old. The percentage must be increased when progressing to the oldest debt occurrence. The probability of collecting the debt in the oldest occurrence will be zero, therefore the provision must be 100%.

(f) When determining the provision percentages on domestic debtors the demographics of the city must be taken in to account, as the probability of recovery of debt will higher in the high income suburbs as compared to the recovery of debt in the

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low income suburbs.

(g) The payment trend of each of the debtor groups.

19. CERTIFICATES REQUIRED FOR TENDERS

- (1) A person or an institution reacting to a tender published by Council or wishing to enter into a contract to either provide services or goods to Council must produce a certificate, on the prescribed form, which states that regular payment of rates and services accounts are maintained and that the account are currently up to date.
- (2) A person who fails to provide such a certificate shall be disqualified from the tendering process.

20. THEFT AND FRAUD

- (1) The Municipality does not condone theft and fraud of municipal services and will monitor the service networks for signs of tampering or irregularities.
- (2) The Council may approve specific penalties and distinguish between cases of vandalism and theft.
- (3) Subsequent acts of tampering may lead to a refusal to supply certain services for determined periods.

21. REPORTING AND PERFORMANCE MANAGEMENT

- (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 section 99 of the Systems Act, read with section 100 (c).
- (2) This report shall contain particulars on cash collection statistics, showing high-level debt recovery information (numbers of customers; enquires; arrangements; default arrangements; growth or reduction of arrear debt). Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic,

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state, institutional and other such divisions.

- (3) If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the Municipal Manager who will, if in agreement with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realizable income levels.
- (4) The Executive Mayor as Supervisory Authority shall, at intervals of three (3) months, report to Council as contemplated in section 99 (c) of the Systems Act.

22. INCOME COLLECTION TARGET

Income collection targets will be set by the Chief Financial Officer to achieve the optimum debt collection ratio i.e. receipt / billing, that will satisfy Council's IDP objectives.

23. APPLICATION OF THE POLICY

The Council reserves the right to differentiate between different categories of consumers, debtors, services or service standards when applying this Policy. The Council will on application of the credit control policy avoid discrimination as forbidden by the Constitution unless it is established that the discrimination is fair as allowed by the Constitution.