

# **EMADLANGENI MUNICIPALITY**



## **CREDIT CONTROL & DEBT COLLECTION POLICY**

**2017/18**

## **POLICY ON DEBT COLLECTION AND CREDIT CONTROL**

### **1. Definitions**

### **2. Introduction:**

- 2.1 The municipality cannot develop the local economy and provide acceptable services to its residents unless it receives payment, in full of its bills raises for services that it provides
- 2.2 The municipality must develop, maintain and implement a credit control and debt collection policy that is consistent and complies with the relevant legislation
- 2.3 This policy is to be read in conjunction with or other relevant legislation.

### **3. Objectives**

The objectives of the policy are to provide for:

- 3.1 To define a framework which enables the municipality to bill for and collect its revenues
- 3.2 To ensure that all monies due and payable to the municipality are collected and used to deliver municipal services in the best interest of the community, residents and ratepayers and in financially sustainable manner as prescribed by the Municipal Systems Act, 2000 (Act No. 32 of 2000) and other applicable legislations
- 3.3 To maintain and implement a credit control and debt collection policy which is consistent and complies with section 97 of the Municipal Systems Act, 2000 (Act No. 32 of 2000)
- 3.4 To ensure that the municipality develops credit control procedures and mechanisms that are considered to be consistent, fair and effective to all its customers.

### **4. Area of application**

**This policy shall apply and be enforced throughout the entire area of jurisdiction of the Emadlangeni Municipality and other areas of supply and signing and**

#### **3.1.4 Delegation**

The implementation of the credit control policy is the competency of the Municipal Manager but it is delegated to the Chief Financial Officer as permitted in terms of the Municipal Systems Act.

#### **3.1.5 Conduct of Councillors and Officials**

Every councillor and official must uphold and enforce the provisions of this policy and must refrain from any conduct which may undermine or be seen to undermine it, in terms of Schedule 1 and 2 of the Local Government: Municipal Systems Act.

#### **3.1.6 Credit Control**

No supply of services shall be given unless and until application has been made and a service agreement has been entered into and a deposit in the form of either cash or a bank guarantee as determined by Council from time to time, has been paid in full.

#### **3.1.7 Service Agreements**

- All owners of property will be required to sign agreements governing the supply and cost of municipal services.

- Agreements for the rendering of services with tenants will only be entered into with the written consent of the owner or his/her duly authorized agent.
- The contents of Section 118 of the Municipal Systems Act will be brought under the attention of the owner or his/her duly authorized agent.
- In the agreement, consumers and owners will acknowledge liability for costs of collection, interest and penalties in the event of delayed payment.
- Termination of the services agreement must be in writing.

### **3.1.8 Deposits**

- A deposit will be required from the consumer as security and will vary according to risk.
- A minimum deposit of the equivalent of 2 months average account will be required.
- The form of the deposit may be in cash or a bank guarantee. The increase of a deposit as a result of defaulting on the accounts will be delegated to the Chief Financial Officer.

### **3.1.9 Accounts and Billing**

- Consumers and owners will receive an understandable and accurate account from the municipality, which account will consolidate all service costs for that property.
- Accounts will be produced in accordance with the meter reading cycle and due dates are similarly linked.
- Accounts will be rendered in monthly cycles of approximately 30 days.
- As the municipality does not control delivery of accounts, it is the client's responsibility to ensure timely payment in the event of an account not arriving.

#### **The Municipality may:**

- Consolidate separate accounts of persons liable for payment to the municipality and
- Credit any unspecified payment by such person against any account of that person.

### **3.1.10 Cost Recovery**

The municipality shall levy the following costs against the account of the client:

- In the event that the account is not settled by the 7<sup>th</sup> of the month, interest will be levied on the outstanding amount according to the standard rate of interest.
- ◇ All legal costs, including attorney and own client
- A fee, under the municipality's tariff provision for the action taken in demanding payment from a debtor, or reminding the debtor by means of telephone, fax, and letter or otherwise that payment is due.
  - A fee, under the municipality's tariff provision, where the bank dishonours any payment to the municipality.
  - The standard reconnection fee as determined by the municipality from time to time, where any service is disconnected, restricted. The reconnection fee must be paid prior to services being reconnected.
  - Where services are illegally restored, criminal prosecution will be taken if possible.

### **3.1.11 Right of Access to Premises**

- The customer must give an authorized representative of the municipality access at reasonable hours to the premises in order to read, inspect, install or repair any meter or service connection or to disconnect, stop, restrict or reconnect the provision of any service.
- The customer accepts the cost of relocating a meter if satisfactorily access is not possible.

### **3.1.12 Power to Restrict or Disconnect Supply of Services**

The Council may restrict or disconnect the supply of water and electricity whenever a user of any service:

- Fails to make full payment on due date or fails to make acceptable arrangements.
- Fails to comply with a condition of supply imposed by Council.
- Supplies such municipal service to a customer who is not entitled thereto or permits such service to continue.
- Causes a situation which in the opinion of the Council is dangerous or a contravention of relevant legislation.
- Is placed under provisional sequestration, liquidation or judicial managed or commits an act of insolvency in terms of the Insolvency Act No 24 of 1936.
- If an administration order is granted in terms of Section 74 of the Magistrate Court Act, 1944.
- A legal action has been taken against a customer for access on their accounts.
- Is declared indigent in terms of Council's indigent policy.
- The right of Council to restrict water shall be subject to the provisions of the Water Services Act, 108 of 1977, as amended.

### **3.1.13 Disputes**

- Any dispute on an account rendered by the municipality must be in writing within 30 days after rendering such account.
- Where a written dispute has been received, the municipality will strive to settle the dispute within 5 working days after receiving thereof.
- In the interim, the customer must pay an average based on the last 3 months account where such history is available and taking into account the annual amendments of tariffs of Council. Where no such history is available, the customer is to pay an estimate provided by the Income Accountant, until the matter is resolved.
- In the event of a customer alleging that any meter is defective or inaccurate, the municipality may arrange for the meter to be tested at a fee payable by the customer. In the event that the test proves that the meter is defective, the municipality will reimburse the customer.

### **3.1.14 Extension for Payment**

Arrangements for extension for payment will be in the form of a written agreement between the municipality and the customer for the payment in regular and consecutive monthly instalments of the outstanding balance, cost and interest thereon.

- An Acknowledgement of Debt must be completed, with all arrangements for paying off arrear accounts. Copy must be handed to client and one to be filed on debtors file.
- Only account holders with positive proof of identification or an authorized agent will be allowed to complete the Acknowledgement of Debt.

- Debit orders may be completed for the monthly payment of the agreed account as far as possible. If arrangement is dishonoured, the full balance will immediately become payable.
- Where cheques are returned, "Refer to Drawer", the full balance will immediately become payable. Services to such clients will be restricted/disconnected until the full amount is paid in cash or per bank guaranteed cheque.
- No person will be allowed to enter into a second agreement if the first Agreement was dishonoured except in special merit cases.
- Where no arrangement was made and services are disconnected/restricted due to non-payment, it will only be restored upon payment of full outstanding balance or signing an Acknowledgement of Debt, subject to the following condition:
 

"If a customer is in arrears, he/she must make arrangements to remit the balance of the arrears in monthly instalments as agreement upon per month, subject thereto that a customer immediately after concluding the arrangement pay his/her current account in full in the subsequent months thereafter. All payments are to be made on or before the due date of each month. The accounts agreed upon will be paid within a period of 6 months."
- Only the Chief Financial Officer, Division Manager: Income Accountant: Income and Clerk: Income under delegated authority of the Municipal Manager may agree to extension for payment and these cases must be supported by documentary proof and previous payment record will be taken into consideration.
- Special merit cases will be referred to an extension committee comprising Manager: Financial Services, Divisional Manager: Income, Accountant: Income and Clerk: Income.

### **3.1.15 Claim on Rental for Assessment Rates in Arrears**

Council will lay claim to rental due, in respect of rateable property, to cover in part of in full any amount outstanding in respect of assessment rates for a period longer than 3 months.

### **3.1.16 Change to Prepaid**

- No consumer will be allowed to change from conventional to a prepaid meter, unless the consumer account is settled in full or at the discretion of the extension committee.
- Consumers who are constantly in arrears with their account would have their metering systems changed to prepaid and the cost thereof would be recovered from them.

### **3.1.17 Agreement with Employers**

The municipality can enter into an agreement with a customer's employer with the consent of the customer to deduct any outstanding amount due by the customer to the municipality or any regular monthly amounts as may be agreed from the salary or wage of the customer.

### **3.1.18 Councillors and Officials of Council**

- Council's Policy is that Councillors and Officials will set an example to the community.
- Councillors will sign a debit order against their allowance and officials against their salaries.
- Provisions of schedule of the Municipal Systems Act, will be made applicable.
- The deposit policy will not be applicable to Officials or Councillors.

### **3.1.19 Penalties**

- A consumer who violates this policy shall be liable to the charges determined by the municipal council as well as other charges and/or sentence imposed by competent court having jurisdiction.
- No consumer is allowed to tamper with the apparatus installed by the municipality without prior written approval of the Manager : Technical Services.

### 3.1.20 Payment of Accounts

The allocation of payments will be as follows:

- Interest
- Arrears
- Rates
- Sundry
- Electricity
- Refuse

### 3.1.21 Realistic Target / Benchmarks

The policy will be measured in terms of the following benchmarks:

**a. Turnover rate:**

$$\text{Formula : } \frac{\text{Total outstanding debtors}}{\text{Budgeted income}} \times \frac{100}{1}$$

**b. Debt Collection period:**

$$\text{Formula : } \frac{\text{Total outstanding debtors}}{\text{Revenue}} \times \frac{365}{1}$$

Acceptable norm is set at 45 days

**c. Annual debtors collection rate:**

$$\text{Formula : } \frac{\text{Last 12 months receipts from debtors}}{\text{Last 12 month billing}} \times \frac{100}{1}$$

Acceptable norm for the collection rates is set at 90%.