



CREDIT CONTROL AND DEBT COLLECTION POLICY

20 JUNE 2023

This Policy is made in terms of Section 96 of the Municipal Systems Act, 2000 (Act 32 of 2000) and the Mogale City Local Municipality: Credit Control Bylaws



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 32 “MSA” 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 authorized by national legislation, other taxes, levies, and duties.

AND WHEREAS section 5 (1) (g), read with subsection (2) (b), of the “MSA” 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 “MSA” 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 “MSA” provides for Customer Care Management, Debt Collection responsibility of the municipality, contents of the Policy, Bylaws that give effect to the Policy, Supervisory authority and Implementing authority.

IT IS HEREBY ADOPTED: A CREDIT CONTROL AND DEBT COLLECTION POLICY of Mogale City Local Municipality “THE MUNICIPALITY”



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1. DEFINITIONS

- 1.1 **Account:** refers to a municipal account in the name of a customer held with Mogale City Local Municipality for services rendered and for assessment rates levied by the municipality, which includes but is not limited to services for electricity consumption water refuse, sewerage as well as connection fees and any other sundry municipal services.
- 1.2 **Arrears:** mean the amount due and payable by the Consumer in respect of property rates, and services, levies, interest on the amount due, penalties for defaulting and any other applicable amount due to the Municipality.
- 1.3 **Consumer :** means any person/s natural or juristic or their duly appointed agent to whom the municipality provides municipal services on the premises, or any owner/landlord of a property to which the municipality has agreed to supply services or already supplies services, and any owner of a property not receiving services but for which property services has been made available, and any person liable to the Municipality for taxes, rates or other sundry municipal charges.
- 1.4 **Credit Control:** means an administrative measure and function to protect and collect the revenue of the municipality which includes but is not limited to, communications, limiting or disconnections of further supply of services or sales to debtors in arrears, negotiation of payment plans (arrangements) to normalize further supply of services and institution of legal action.
- 1.5 **Cross Subsidization:** the act by a government, organization, or other group of paying part of the cost of something.
- 1.6 **Debt Collection:** means the execution of functions necessary to collect unpaid income of the municipality, owed by clients who are debtors.
- 1.7 **Due date:** means the date indicated on an account statement by which time payment of the amount on the statement is required.



- 1.8. **Life Rights Complex:** one of the options available to a retired person to acquire the “life-right” to live in the development, which essentially means the right to occupy the unit for the rest of the retiree’s life.
- 1.9 **Residential household:** means a debtor for whom the tariffs for all the levies for services and rates are household tariffs.
- 1.10 **Indigent:** means a debtor whose whole household has been evaluated in terms of the Indigent Management Policy of the municipality and who is approved as being indigent.
- 1.11 **“MSA”:** means the Local Government: Municipal Systems Act no. 32 of 2000.
- 1.12 Charges means rates, sewer, water, electricity, sundry, and all other fees levied on customers’ accounts.

2. THE PURPOSE OF THE POLICY

1. This policy serves to clearly document the key elements of Credit Control and Debt Collection to be implemented within the jurisdiction of Mogale City Local Municipality and interventions to be implemented for non-compliance with the policy. In order to sustain the Municipality and continued service delivery, the collection of income levied on account statements submitted to debtors (current accounts) must be realized within a turnover rate not exceeding 30 days.
2. Payment of arrears must also be addressed sufficiently for the main categories of debtors to minimise arrear debtors.

3. BACKGROUND

- 3.1 The Credit Control function is divided into Payment Demands, Acknowledgement of debts and Payment arrangements, Disconnections, Reconnections and Legal debt collection functions. The disconnections functions include services restrictions, follow-up on non-responses, no deposits and low consumption cases. Other component functions of credit control are indigent management and refunds of closed accounts.



- 3.2 The Debt Collection function includes the issuing of reminder letters, arrangements, summonses, telephone collections and handovers. The Legal debt collection functions deals with the arrear accounts handed over to Attorneys and Collection Agents as well as debt collection from administration of deceased and insolvent estates, administration orders and inactive accounts. It may in certain instances include dealing with the related arrears write-offs.

4.POLICY OBJECTIVES

- 4.1 The objectives of this policy are:

To maximize revenue by timeously collecting all money owed to the municipality.

- 4.1.1 To ensure that action is taken to recover arrear debt is warranted and fair.
- 4.1.2 To enable Municipality to develop and maintain a sustainable service delivery relationship with its customers.
- 4.1.3 To deliver excellent service to the communities of Mogale City Local Municipality in return for payment of their rates and service accounts.

These objectives are achievable if the following outcomes are met:

- 4.1.4 All current service accounts in Mogale City Local Municipality are fully paid-up.
- 4.1.5 Suitable agreements are reached with all account holders who have outstanding accounts with an age analysis of longer than 60 days.
- 4.1.6 Relevant, accurate and complete details of account holders are collected during the opening of account phase.
- 4.1.7 Account holders ensure that when their details change, Mogale City Local Municipality is timeously notified.
- 4.1.8 Persons liable for payment receive regular, accurate and timeous accounts that indicate the basis for calculating the amount due, at their postal or email address.



- 4.1.9 A good customer relationship is established and maintained between the Council and each account holder.
- 4.1.10 Customer Care and revenue staff are skilled in the principles of Batho Pele, communication and effective negotiation techniques.
- 4.1.11 Full enforcement of the Credit Control and Debt Collection Policy.
- 4.1.12 The engagement of a reputable Service Provider with the backing of legally enforced Debt Collection processes.
- 4.1.13 The engagement of a reputable Credit Control Agency.
- 4.1.14 provide for indigents in a way that is consistent with property rates and tariff policies and any national and / local policy on indigents.
- 4.1.15 set realistic targets consistent with –
 - (i) generally recognised accounting practices and collection ratios; and
 - (ii) the estimates of income set in the budget less an acceptable impairment
- 4.1.16 provision for non-collectible revenue that is billed.

5 PRINCIPLES

- 5.1 Non-payment of accounts by debtors has a direct negative impact on the Municipality's ability to provide high quality service delivery to its clients as such the credit control and debt collection measures must be applied by the Municipality in the collection of all and any outstanding accounts.
- 5.2 Current municipal levies not paid by the indicated due date are subject to Credit Control and Debt Collection measures. The right of access to services, and consumption thereof, can only be exercised by residents who are not in arrears on their municipal services accounts or who have arranged to pay their arrears in terms of this Policy.



- 5.3 Various methods of payment by debtors as well as sufficiently convenient payment points are available.
- 5.4 Interest on debt in arrears is levied monthly at the rate specified in item 6.12 in terms of this policy.
- 5.5 Interest is levied on all arrears of 30 days and older. Interest levied but not paid is included in the arrear amount of such a debtor.
- 5.6 Credit control measures are applied with pro-active reminders or warnings. Account statements are regarded as notification of the arrears status of the account as well as stating the intention to take credit control measures.
- 5.7 Metered services consumed by an unknown/ unregistered consumer/ and or tenant/s are billed to the owner of the property to which the service connection is registered.
- 5.7.1. Only one account per property will be opened for all municipal levies and service charges, which account will be opened and submitted to the registered owner of such property.
- 5.7.1.1 Business and industrial premises, where there are multiple consumers, each such consumer being separately metered by the municipality for electricity and /or water consumption. Such businesses and Industrial consumers will open a separate consumer account for the consumption of electricity and other services except for the rates and taxes which will be charged to the registered owner's account.



5.7.1.2. Notwithstanding the provisions of 5.7.1 above, the Municipality may open tenants account only for consumers who are approved as indigents to allow them to benefit from the indigent program, and a permission letter from the owner will be required.

5.7.1.3. Consumers who lease out business properties to multiple consumers, each such lessee being separately metered by the municipality for electricity and /or water consumption, and are billed separately for such services, must enter into a services agreement to have access to these services.

5.7.1.4. No service agreement shall be concluded without the written consent of the registered owner of the property. The said consent should be in the form of a letter from the registered owner together with the lease agreement between the registered owner and a tenant. The owner shall have no right to instruct the municipality to disconnect the services or finalize the account of their tenants unless tenants account is owing.

5.7.1.5. The Registered owner must also consent to the constant monitoring of the tenant's account, to ensure that it is always up to date, and that there are no monies due to the Municipality which are in arrears.

5.8 Refusal by banks to honour payments by debit order is regarded as non-payment, upon which the relevant debtors are subject to credit control measures.

5.9 Clients who make no further use of any services but still owe an amount are considered inactive debtors and are subject to the normal credit control and debt collection process.



- 5.10 Debtors who are large consumers of services are managed by telephone and personal contact with them on a higher management level, e.g., corporate business and government departments.
- 5.11 Residential household debtors form a distinct group for whom the following special measures and exceptions apply:
- 5.11.1 Water supply to defaulting residential household debtors will not be completely discontinued, but rather be restricted due to basic human right reasons. Other types of debtors who are in default and whose water supply is involved will be completely deprived of the utility.
 - 5.11.2 Any interest-free arrangements for payment of arrears are intended to assist those debtors by making their current monthly accounts more affordable.
- 5.12 If it is necessary to disconnect any service in terms of this Policy, the free cross-subsidized portion of that service in terms of the municipality's tariffs for service delivery, will also not be available for as long as that service is to remain disconnected.
- 5.13 All information furnished on the application form may be verified by the Municipality or its authorized representative with any or all data information institutions, credit information bureau and any financial institutions as may be deemed necessary by the Municipality in determining the applicant's credit worthiness.
- 5.14 The Municipality reserves its right to share bad payment behaviour as determined from time to time.



6 KEY CREDIT CONTROL AND DEBT COLLECTION PROCESSES

6.1 Application for new connection:

Application for new connections can only be made by property owners. Business tenants must obtain written consent and authority from the registered owner, accompanied by a lease agreement, positive identification, and company registration documents of both the owner and the tenant.

6.1.1 New applicants must complete the prescribed “New Deposit: Water and electricity Form” in order to obtain a new connection. A new connection fee and a deposit, determined in terms of the municipality’s approved tariff schedule is payable for properties with conventionally metered utilities. All new applications will be evaluated and the deposit for consumers with high risk will be increased. In certain cases, additional security from prospective consumers may be required.

6.1.2 The owner of the residential property remains liable for all charges raised on the property irrespective of whether such property is rented or not. The Tenant as well as the owner is jointly and severally liable for all charges on the property. The Municipality reserves the right to disconnect the services of tenant if the owner’s account is in arrears.

6.1.3 Deposit for businesses and industrial consumers may be reviewed annually and, if need be due to an increase in their consumption, be increased to three months consumption based on the latest accounts. Businesses and industrials that have defaulted may be debited with an additional deposit of two months of their latest consumption. Businesses and industrials found not to have paid an initial deposit will be charged a deposit of three months consumption based on the tariff applicable when the account was opened and thereafter be reviewed annually as stated above.



7. Billing

Consumers will receive monthly statement/s with an indicated payment due date. The statement shall contain messages of events within the municipality from month to month. Ratepayers/consumers who have not received an account for a specific month on or before the last day of the month, are to pay not less than the average of the previous three months' accounts and to notify the Municipality in writing within 7 (seven) days. Non-receipt of an account does not exempt one from the liability of payment. It is the responsibility of the ratepayers/consumers to furnish the Municipality with updated information and contact details.

8. Estimated Consumption

The municipality may levy an estimate of the consumption of water or electricity for any relevant period if:

- 8.1 No meter reading could be obtained in respect of the period concerned; or
- 8.2 No meter has been installed to measure the consumption on the premises concerned.
- 8.3 Both residential and business/industrials customers who are found to have illegally connected municipal services at their properties will be charged a penalty per approved tariffs in addition to the estimate of consumption in terms of the approved municipal tariffs.
- 8.4 The customer concerned is liable for payment of the fee in terms of the municipality's approved tariffs for service delivery in respect of such estimated consumption.
- 8.5 In instances where there may be any issue in relation to billing of water, a faulty meter, no meter installed and/or a tampered/breached/bypassed meter, water consumption of 36 kl per month shall be deemed to be consumed by households in line with the municipality's approved tariffs, if no recent and reliable actual average consumption can be determined.



8.6 Water and electricity readings received from consumers by email or telephone shall not be permitted for a period of more than 3 consecutive months. Meter readers and other officials from the Municipality are to be allowed access to all meters if inside a private property at least once every three (3) months. Continued failure to allow access (after more than 3 visits) or prevention of access to a meter inside a client's property may result in services being disconnected by the municipality to that property.

8.7 The municipality shall not be held liable for leaks inside the properties of the consumer and no credit will be passed on to the consumer account for such leaks.

8.8 The municipality may, in accordance with the provision of section 102 of the "MSA" –

8.8.1 Consolidate any separate accounts of a customer liable for payments in terms of the By-laws of the municipality.

8.8.2 Hold any amount paid by a customer, which is in excess of an existing debt, in credit for the customer in anticipation of future rates and fees for municipal services owing. A refund on credit balance due to faulty billing or meter reading on active accounts will be limited to the amount paid by the consumer for a period of five months.

8.8.3 The municipality will not refund client/s or consumer/s for payment made through the application of clearance certificate once the clearance certificate is issued to the client or consumer concerned. Defaults on arrangement made in terms of section 118 of the "MSA" are subjected to disconnections.

8.8.4 Submit only one account for all municipal levies and services to the owner of such a property and to distinguish between various individual debtors or debtor types in this regard.



8.8.5 No refunds will be made in respect of customers that overpay their accounts on an on-going basis or pay their accounts into a credit, creating the impression of a savings account.

8.8.6 No interest will be payable on any deposit held or any credit amount including that contemplated in paragraph above.

9. Credit Control Measures/actions

9.1 The following Credit Control Actions must be used, but are not limited to, to enforce the payment of the arrear's accounts:

9.1.1. The sending of a reminder message via SMS.

9.1.2 The sending of an email reminder message.

9.1.3 Telephonic calls to request payment.

9.1.4 The delivering of a notice of arrears/letter of demand demanding payment where either water, electricity and other municipal charges are in arrears, which notice will include notification of disconnection/restriction of water supply and electricity services.

9.1.5 The disconnection of the electricity supply, whether prepaid or conventional, to any property where either water, electricity and/or any other municipal charges are in arrears.



9.1.6 The disconnection of the water supply, whether prepaid or conventional, to business properties where either water, electricity and/or any other municipal charges are in arrears;

9.1.7 The restriction of water to residential premises, whether prepaid or conventional, by restricting the water flow where either water, electricity and/or any other municipal charges are in arrears.

9.1.8 All accounts in arrears in excess of 60 days will be handed over to debt collection agents/attorneys to collect the debt owed through any legal means available to them including the institution of legal proceedings through a competent court with the requisite jurisdiction, against the debtor.

9.1.9 The consumer's name can be made public by handing over the account to the credit bureau for blacklisting/default listing/trace alert listing/slow payer listing, and/or any other listing available to the Municipality or its service provider.

9.1.10 Any accounts, other than Government departments that render essential services, which are due, and owing will be subject to cut off, disconnection or restriction of services.

10. **Notice of arrears/Demand for payment**

10.1 The Municipality or its duly appointed attorney/debt collector must serve a warning notice/notice of arrears/letter of demand, after the due date, as per Section 115 of the MSA advising that the account has not been paid and/or is in arrears.



10.2 This notice is to be delivered on the debtor or the property concerned or emailed, calling upon the debtor to pay the debt or enter into a payment arrangement with the Municipality, within 7 (seven) days of receipt of such notice, failing which legal proceedings will be instituted for the recovery of such debt plus legal costs on an attorney and own client scale, as well as an order attaching the debtor's movable and/or immovable property to recover the outstanding debt.

10.3 This notice will state that in the absence of payment or an accepted payment arrangement services to the client will be restricted and/or disconnected, without further notice.

The notice will contain the following:

The amount in arrears that the consumer must conclude a payment arrangement with the Municipality for payment of arrears amount in instalments as provided for in this policy;

10.4 An administrative fee will be levied and debited against the account of a customer in terms of the tariff approved and set by the Municipality, in respect of any action taken in demanding payment from the customer or reminding the customer by means of notice delivered by mail, hand or any other electronic means available, that the account is arrears.

11. **Electricity disconnection (level 1) and Water restriction**

11.1 In the absence of reaction on the 7-day reminder, the electricity supply to the debtor is discontinued together with the notice for the reason of the discontinuance. The account of the debtor is debited with the cost of the level 1 admin fee at the approved tariff of the municipality. The municipality



reserves the right to charge cost or admin fee irrespective of whether the actual action took place or not.

11.2 In the absence of reaction to the disconnection of electricity, in cases where the debtor has a consolidated account including water consumption levies, a disconnection (restriction for residential consumers) of water is carried out at the consumption address and a notice is left at the premises. The account of the debtor is debited with the cost of this action at the approved tariff of the municipality.

11.3 In the absence of reaction on the 7-day reminder, in cases where the debtor has an account for water consumption levies but not for electricity, a disconnection (restriction for residential debtors) of water is carried out at the consumption address after the 7-day period, and a notice to that effect is left at the premises. The account of the debtor is debited with the cost of this action at the approved tariff of the municipality.

12. Electricity disconnection (level 2) and Water restriction

12.1 In the further absence of reaction to the level 1 cut-off of electricity, the level 1 cut-off is inspected after 7 days to ensure that the service is still discontinued. If the electricity is found on, it is again discontinued with the relevant notification, but then via a more expensive procedure to ensure a more tamperproof disconnection. The account of the debtor is debited with the higher cost of the level 2 cut-off at the approved tariff of the municipality.

The municipality must also opt to install a prepayment type electricity meter at the cost of the consumer or owner of the property and to then restrict the consumption of vending to the meter until the requirements of the municipality are met by the owner or consumer.

12.2 In cases where the debtor has a consolidated account that includes water consumption levies, the water supply is also disconnected (restricted for residential consumers) together with the level 1 electricity cut off inspection and a notice to that effect is left at the premises. The



account of the debtor is debited with the cost of this action at the approved tariff of the municipality.

13. Illegal reconnection/tampering of electricity

If consecutive follow-up actions due to no reaction by the debtor reveal that illegal consumption of the service occurred or a disconnection has been tampered with, the service connection is removed and evidence against offenders is filed in an investigation document. A criminal case may be opened with the South African Police Services.

14. Illegal reconnection/tampering of water

14.1.1 The water disconnection/restriction is monitored and followed up in cases of absence of reaction by the debtor to ensure that an illegal reconnection has not occurred.

14.1.2 Interference with restriction at water service points will lead to the removal of such a service connection. Where the services connection is removed, the consumer will be charged with the costs of the action in terms of the council's tariff structure.

14.1.3 Any first-time discovery of tampering with a restriction device notwithstanding it being a "first time tampering should be deemed an offence and should be reported to the South African Police Services which can lead to the prosecution of the offending debtor.

14.1.4 A consumer who claims to have been wrongfully cut off should report such to the Municipality within two days, failure to do so, Municipality shall not be held responsible for any losses incurred by the consumer. Consumers who suffered losses due to wrongful disconnection should produce proof of her/his losses to the Council so that an investigation can be undertaken.

14.1.5 The Municipality may amend the percentage deduction for outstanding debt via the prepaid system on an annual basis.



- 14.1.6 For consumers who buy water and electricity from the prepaid vending machine, the municipality may limit the amount of vending for consumers with outstanding accounts and take forty (40) percentage of the amount vended to settle the arrears.

15. Reinstatement of Municipality Services

- 15.1 The municipality must reinstate full levels of provision of any electricity or water service terminated or restricted after –
- 15.1.1 the full amount of arrears has been paid, or
 - 15.1.2 an agreement for payment of the arrears contemplated has been entered into in terms of this Policy, or
 - 15.1.3 the full amount of arrears in respect of any agreement entered into, and any increased deposit, have been paid, or any additional security required has been provided, and
 - 15.1.4 any other condition of the Policy that the municipality may consider appropriate has been complied with.
- 15.1.5 Reconnection of the service will be done within 48 hours after receipt of payment.

16. Reconnection of services

- 16.1 Where services are disconnected as a result of the application of this Policy, these services can only be reconnected under the following circumstances:
- 16.2 Water supply restricted for non-payment by clients, can only be normalised after either receipt of the amount in arrears or conclusion of a settlement arrangement for payment of the arrears in terms of this Policy.



16.3 Water supply which has been restricted due to non-payment will only be normalised after either full payment of the arrears, or upon receipt of an appeal for normalisation due to a good payment record of three (3) months on the repayment contract and the current monthly levies.

16.4 The Manager Credit control with approval by Chief Financial Officer (CFO) will receive and evaluate each appeal before normalization.

16.5 Electricity supply discontinued due to non-payment can only be reconnected after receipt of the amount in arrears or the conclusion of a settlement arrangement for payment of the arrears in terms of this Policy.

16.6 Any services which are discontinued because of tampering with the Municipality's distribution networks and/or mechanisms can only be legally reconnected if a Court orders so.

17. Termination of Service Agreements

17.1 A customer must terminate an agreement with the municipality for the provision of any municipal service by notice in writing (completing the relevant service discontinuation and account closure forms of the municipality) not less than seven working days before the required disconnection date by the client.

17.2 The municipality will, subject to compliance with the provisions of the relevant By-laws and any other applicable law, terminate the agreement for the provision of a municipal service to a customer, by notice in writing of not less than 14 working days, if the customer-

17.2.1 has not used the municipal service during the preceding six months and has not made arrangement to the satisfaction of the municipality for the continuation of the relevant agreement; or

17.2.2 has made an arrangement with another service provider to provide the municipal service concerned to the customer; or

17.2.3 has vacated the premises to which the agreement concerned relates.



18. Illegal Connections and Meter Tampering

18.1 When it is ascertained that a meter has been tampered with or bypassed, the cost of repairing or replacing an existing meter with another one will be charged to the account of the respective customer in terms of the municipality's tariff structure. The municipality can also opt to remove the illegal installation. In other instances, the Municipality can opt to charge the levy of all municipal charges related to the property on the owner's account, where the property is occupied by a tenant. The full outstanding balance is immediately payable before services are restored. The Municipality shall disconnect and remove any illegal connection and remove any wiring, pipping or other equipment or installation without any prior notice.

18.1.1 In addition, where a meter has been tampered with or bypassed or where there has been unauthorized consumption of water or electricity on two (2) or more instances, the municipality shall remove the connection and the cost of this action will be charged to the account of the customer, and a criminal case will be opened with the South African Police and the client charged the applicable penalty as well as illegal consumption/connection in terms of the approved municipal tariff.

18.1.2 In addition to 18.1 above, a tampered with or bypassed meter inside the house or the yard, shall be moved outside, and the costs will be borne by the customer/s, or a pre-paid meter must be installed at the owner's expense.

19. Free Basic Services

The municipality will only provide free basic services to indigent domestic debtors on a monthly basis in quantities as determined from time to time in line with the Indigent Management Policy.



20. **Indigent Assistance Scheme**

An account holder may apply to the municipality, in the prescribed manner, to be declared indigent. Indigent customers are not excluded from this Policy.

21. **ESTATES ACCOUNTS COLLECTIONS**

INSOLVENT ESTATES, ESTATES UNDER ADMINISTRATION AND ESTATES UNDER LIQUIDATION

21.1 The accounts of Consumers who have been declared insolvent by a competent court or estates under administration shall be dealt with in terms of the Insolvency Act 24 of 1936.

21.2 Any unsuccessful claims by the Municipality under the above act shall be recommended to Council for possible write off.

21.3 Businesses placed under provisional or actual liquidation, businesses under business rescue, and individuals under debt review who are in arrears will have their water and electricity services disconnected, the outstanding debt will be handed over for collection.

21.4 Prepaid meters will not be installed for such domestic consumers if there is an outstanding balance on the accounts unless an arrangement is made to settle the arrears.



22. DECEASED ESTATES

The accounts of Consumers who are deceased shall be dealt with in terms of the Administration of Deceased Estates Act. Any unsuccessful claims by the Municipality under the above act shall be recommended to Council for possible write off.

23. Revenue Recovery Methods

23.1 Where the letter of final demand/arrears notice and/or the termination of services yield no response, the account will be handed over to external debt collectors and/or attorneys for collection. Government accounts will not be handed over to external debt collectors or attorneys.

23.1.1 Liability for Rates and Municipal charges: If an amount due for rates and other municipal charges is unpaid by the owner of the property, the municipality will recover the amount from the tenant or occupier of the property. This amount due may also be recovered from the agent of the owner. The Council reserves the right to hand over any debt irrespective of its aging.

23.1.2 In-house Collections

23.1.2.1 In-house Debt Collection can include the listing of the debtor with the Credit Bureau.

23.1.2.2 Where there is no response, the accounts will be handed over to external debt collectors and/or attorneys.

It should be noted that the issuing of summons internally will depend on the capacity of the municipality in terms of personnel.

23.2 External Debt Collection with the assistance of an Attorney

Accounts that remain outstanding after internal credit control measures and are 60 days and above; as well as accounts that have an outstanding balance due and owing after payment of clearance figures in terms of Section 118 (1) of the MSA; will be handed over to Mogale City Local Municipality's Debt Collection Agency/Attorneys for collection and to attend to matters that are defended.



23.3 Payment Terms and Interest Charged on Outstanding Accounts

23.3.1 Normal Terms: All categories of consumers/clients are required to effect payment of their rates and services accounts on or before the due date advised in account statements.

23.3.2 Interest at the prime bank lending rate is charged on all consumer accounts or portions of accounts which are not settled / paid on the due date.

NOTE: For this purpose, the prime bank-lending rate of the municipality's banker 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 at the beginning of every financial year.

23.3.3 The amount due and payable by a customer constitutes a consolidated debt, and any payment made by a consumer will be allocated in reduction of the consolidated debt first or in the order determined by the Municipality.

23.3.4 The amount handed over will cease to attract interest.

23.3.5 Clients/Customers who settle their account within 12 months will receive a hundred (100) percent interest write off as an incentive. The municipality may over and above the interest write off, consider writing off an amount of no more than fifty (50) percent of admin fees charged for consumers who settle their outstanding account/s.

23.4 Payment methods and Dishonored Debit Orders

Payments for accounts must be received on or before the due date at a Municipal pay-point by the close of business. In the case of any electronic payments or payments via agents, the money must be



received in the municipal bank account before the due date and not later than the close of Business. Payments are only deemed as received once they have been receipted on Council's Financial System. If any payment is dishonored, the municipality will levy costs and administration fees against the account of the defaulting customer at the prescribed rate. The council reserves the right to refuse any payment method that has been previously dishonoured.

23.5 Arrangement and payment extension

23.5.1 Arrangement to pay arrear account balances will be considered for Industrial, Business, Body Corporate or Homeowner's association and School accounts whose outstanding balance is R500 000.00(Five Hundred Thousand Rand) and above but limited to twelve months (12) period and an initial payment of fifty (50) percent of the outstanding debt is required, if not possible to pay the 50% the Client will make an appeal or motivation. The Chief Financial Officer (CFO) will reasonably evaluate the motivation applying reasonable judgement. This also applies to churches and non-profit organizations, with only actual service charges being billed. Payment extension for the current account will not be allowed.

23.5.2 Proposals for arrangement to pay arrear account balances on residential property accounts and sundry debtors will be considered, provided the following conditions are met: This will be applicable to tenant and owners' customers. Tenants should obtain a letter from the owner granting them permission to enter into an arrangement.

23.5.3 An appropriate initial down payment of the arrear amount is payable on conclusion of the arrangement and is based on the following: The initial payment is not applicable to staff members of Mogale City Local Municipality.



(1) Net income range earned by the consumer:

Income Range	Deposit
1.1. R 1 000 – R 5 999:	15 % of the outstanding debt.
1.2. R6000 – R12 999:	20 % of the outstanding debt.
1.3 R13000– R29 999:	30% of the outstanding debt
1.4. R30 000 and above:	50% of the outstanding debt

23.5.4 The salary advice/ proof of income as well as proof of the initial down payment must be attached to all arrangements, which have been concluded, in order for the agreed arrangement to be implemented.

23.5.4.1 The debtor is to make full payment of the current account and charges while simultaneously paying the arrears as per the terms of payment arrangement/acknowledgement of debt within a period of 36 months.

23.5.4.2 Should the debtor fail to make payment of charges on the current account, or any part thereof, the customer shall be in breach of the payment arrangement, in which instance the full amount then outstanding will become due and payable forthwith, without any further notice.

23.5.4.3 In special circumstances and where the customer could not have reasonably prevented the default on the account, the municipality will, in its discretion, allow a payment period of not more than 36 months. The Municipality is duly authorized to take into account any information documents and the history of the account in the consideration of the extended payment arrangement and request.



- 23.5.4.4 Documentary proof and supporting documents must be furnished by a customer upon application for a payment arrangement on request by the Council.
- 23.5.4.5 The following documentation will be required, where applicable, upon application of the payment arrangement and signature of the acknowledgement of debt:
- 23.5.4.6 Motivational letter clearly setting out reasons for a payment arrangement.
- 23.5.4.7 Owner's and/or tenant's (if applicable) identification documents.
- 23.5.4.8 Owner's and/or tenant's (if applicable) salary advice.
- 23.5.4.9 Spouse's salary advice (if married in community of property or joint owner of the property).
- 23.5.4.10 Pension card.
- 23.5.4.11 3 months bank statements.
- 23.5.4.12 List of assets and liabilities.
- 23.5.4.13 List of income and expenditure.
- 23.5.4.14 Approval letter from the owner of the property if an arrangement by a tenant is accepted.
- 23.5.4.15 If there are joint/co-owners of a property and if either the owner or the tenant is married in community of property, the spouses' documents are required.
- 23.5.4.16 Any other document/s information that may be deemed necessary by the Municipality.
- 23.5.4.17 Acknowledgement of debt and arrangement agreement forms must be completed fully and signed by the customer himself/herself and all documents required must be submitted before the arrangement can be approved.
- 23.5.4.18 The total arrear amount which is subject to the agreed arrangement will cease to attract interest if the arrangement is honored. If, however, the arrangement is dishonored, interest will be levied and the whole outstanding amount becomes due and payable.



- 23.5.4.19 Special arrangements on arrears are treated as a once-off opportunity within a 36-month cycle, made available to account holders/customers who have fallen into arrears. Individuals who did not honor a previous agreement will therefore not be considered for a new agreement unless exceptional circumstances are found to have existed, in which case the arrangement period shall be extended for a period not exceeding 60 months.
- 23.5.4.20 Agreements will not be concluded with customers who respond only after being handed over to attorneys for collection.
- 23.5.4.21 Should a customer have multiple properties then separate payments arrangements and acknowledgement of debts are to be concluded in respect of each property.
- 23.5.4.22 Arrangements are authorized and approved by **Assistant Manager: Debt Management** and Manager except for business and industrial accounts as per clause 5.7.1.1
- 23.5.5 Customers who are indebted to the municipality for rates and services and wish to submit building plans for approval will first have to arrange to pay off their arrears before such plans can be approved. EFT and cash payments for such rates and services will be accepted.
- 23.5.6 The arrangement for the following categories of consumers may be allowed more than 36 months and current accounts to be paid in full.
- 23.5.7 Under debt review, administrations, and Estate late estate.
- 23.5.8 Consumer/s who fail to honor their payment arrangement should be subject to emolument attachment to their salaries.



- 23.5. The municipality should not pay its suppliers invoice if they owe the municipality for services, or such a payment should be set off against the supplier's municipal account.

24. CREDIT CONTROL ON EMPLOYEES AND OTHER GOVERNMENT EMPLOYEE ACCOUNTS

Section 10 of Schedule 2 of the MSA states that *"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."*

Upon appointment as the employee of the Municipality or upon acquiring a property, the said employee may be required to disclose that they have an existing account with the Municipality. Payment of arrears amounts by staff may be extended to a maximum of 36 months in exceptional circumstances in order to deal with previous accumulated arrears and within the prescripts of the Basic Conditions of Employment Act. Thereafter no further arrears may be accumulated.

25. CREDIT CONTROL AND DEBT COLLECTION OF COUNCILLOR ACCOUNTS

25.1 The Local Government Laws Amendment Act (No 51 of 2002) states that Municipal Councillors may not be in arrears to the municipality for rates and services for a period longer than 3 months. In addition, 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."



25.2 In order to ensure timeous, assured payment of councilor accounts, all councilors shall be subject to a deduction instituted against their councilor allowance payments on a monthly basis should the account be in arrears for more than 3 months.

26. CLEARANCE CERTIFICATES

26.1. In order to effect transfer of a property, legislation, the municipality, and the deeds office requires a clearance certificate to be obtained. A clearance certificate can only be issued once the municipality receives payment for monies owed in respect of municipal service fees, surcharges on fees, property rates and other municipal taxes, levies, and duties outstanding. Provision is to be made in the clearance calculation for the period between the date of application until transfer of the property. No transfer can take place without such a certificate.

26.2. Upon a request for clearance figures in terms of Section 118 (1) of the MSA, the Municipality is to furnish the figures which is to reflect, include and specify all amounts that became due 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. Provision is to be made in the clearance calculation for the period between the date of application until transfer of the property.

26.3. Any application for clearance figures, is to be accompanied with the following information and supporting documents:



26.3.1 A copy of the Sale Agreement, in the event of a private sale.

26.3.2 A copy of the Terms and Conditions of Sale, in the event of a property purchased by way of Auction/Liquidation.

26.3.3 Certified identification documents of the seller/s and purchaser/s. In the event that the seller or purchaser is a juristic entity, certified copies of the company registration documents are required.

26.3.4 Full contact details of both the seller/s and purchaser/s are required, including telephone numbers, and email addresses.

26.3.5 Proof of residence of both the seller/s and purchaser/s not older than 3 months. In the event that the seller or purchaser is a juristic entity, proof of the current business address and principal place of business is required.

26.3.6 Information regarding the bond account, in the event of a property purchased by way of Auction/Liquidation.

26.3.7 The market value of the property, in the event of a property purchased by way of Auction/Liquidation.

26.3.7 The applicant's attorneys full contact details together with the power of attorney to act is required.

26.3.7 Any other document/s and/or information that may be deemed necessary by the Municipality.

26.4 Clearance figures are payable within 30 days from date of issue failing which such figures will expire and new figures must be applied for by the conveyancing attorneys.

26.5 Once the clearance figures are paid in terms of Section 118 (1) of the "MSA", the Municipality is to issue the clearance certificate as soon as reasonably possible.



26.6 Should any amount be outstanding once clearance figures in terms of Section 118 (1) of the MSA is calculated, the Municipality has the discretion to either:

26.7 Accept a payment arrangement and obtain a signed acknowledgement of debt as per the terms provided for in this policy; and

26.8 Accept an irrevocable guarantee from the Conveyancing Attorney that once payment of the purchase price is received, the full outstanding amount will be paid to the municipality prior to the proceeds being distributed; and/or

26.9 Instruct a debt collection agency and/or attorney to proceed with legal action for the recovery of the outstanding balance from the responsible entity/party.

27. Rates Clearance Certificates: -

27.1 Will be valid for 60 days;

27.2 No extension on a clearance certificate will be granted, if it expires a new application for clearance figures must be made; and

27.3 All payments / credits that remain on the seller's account after finalisation of registration of transfer will be transferred to the registered seller's other municipal accounts that have debit balances if applicable and if none, then all refunds/credits will be disbursed per instructions of



the conveyancing attorneys through a formal and signed letter from the conveyancing attorneys.

28. COLLECTION OF SUNDRY DEBTORS

28.1 If payment is not received, a first contact letter (Final Demand) requesting payment and offering the debtor an opportunity to make an arrangement within 7(seven) days, from the date of the letter, is sent to the defaulting sundry debtor, If the sundry debtor has a contract with the municipality, the breach clause will be effected and implemented.

28.2 If the debtor fails to respond to the letter of demand, the debtor will, within the next 30 (thirty) the matter will be referred to debt collectors.

29. CLIENT CARE, DISPUTES AND APPEALS

29.1. Clients may lodge appeals and disputes on the accounts at the Client services Section and Municipal call center. Whilst such an appeal/dispute is not solved, no credit control measures are to be taken for the disputed amount. Other levies on the account, which do not form part of such an appeal/dispute, are however still payable and are not included in the extension for payment.

Should a debtor dispute any of his/her accounts, the following shall apply:



- 29.1.1. For a dispute to exist there must be more than just an expression of dissatisfaction and may not be by implication, a general enquiry and must be submitted within thirty (30) days of the account. If a dispute is raised after this period, it will be treated as an enquiry, the account will not be suspended, and normal credit control procedures will apply.
- 29.1.2. Proven tampering or bypass of meter charges are not regarded as a dispute.
- 29.1.3. A Customer may be represented by a duly appointed nominee or agent, and such nominee or agent shall produce written proof of such appointment to the municipality.
- 29.1.4. The dispute must be in writing in the format prescribed by the municipality and only registered account holders can lodge a dispute. The dispute must be specific to an individual account.
- 29.1.5. The dispute must specify the reasons why the specific account or part thereof is in dispute.
- 29.1.6. Should any written dispute arise as to the amount owing on the account in respect of all services by a customer, the customer shall, pending the resolution and outcome of that dispute, continue to make regular minimum payments based on the average charges for the preceding twelve months prior to the arising of the dispute, plus interest, until the resolution of that dispute. Where no average is available, the amount will be determined by the municipality.



29.1.7. Should any written dispute arise as to the amount owing on part of the account or service by a customer, the customer shall, pending the resolution and outcome of that dispute, continue to make regular payments on services that are NOT in dispute PLUS the average charges for the preceding three months prior to the arising of the dispute in respect of remaining part of account or disputed service until the resolution of that dispute.

29.1.8. The dispute must specify the proposed remedy to rectify the dispute. The municipality is not in any way obliged to accept the proposed remedy but will consider the proposal.

29.1.9. The Municipality's decision is final and will result in the immediate implementation of any debt collection and credit control measures provided for in this Policy after the debtor is provided with the outcome of the appeal/dispute.

29.1.10. Any dispute raised by a debtor against any of his accounts or portions of his accounts does not preclude Council from instituting Credit Control Actions and proceedings in Court for the recovery of the amount(s) claimed by Council.

29.1.11. The same debt/issue may not again be defined as a dispute in terms of this paragraph and will not be reconsidered as the subject of a dispute.

29.1.12. Should a debtor not be satisfied with the outcome of the dispute; a debtor may lodge an appeal in terms of section 62 of the MSA.



30. REPORTING AND PERFORMANCE MANAGEMENT

- 30.1 The Chief Financial Officer shall report monthly in a suitable format in terms of section 99 of the Systems Act, read with section 100(c).
- 30.2 If in the opinion of the Chief Financial Officer, Council will not achieve cash receipt income equivalent of the income projected in the annual budget as approved by Council, the Chief Financial Officer will report this with motivation to the Municipal Manager who will, if he/she agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realizable income levels.
- 30.3 The Executive Mayor as Supervisory Authority shall, at intervals of 3 months, report to Council as contemplated in section 99(c) of the Systems Act.

31. APPLICATIONS OF THE POLICY

The Council reserves the right to differentiate between different categories of consumers, debtors, services, or service standards when applying the 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.

32. INCONSISTENCY WITH OTHER COUNCIL POLICIES

Should there be any inconsistency and conflict between any of the provisions contained in this policy and any other policy or by-law of the Municipality then the provisions of this policy shall prevail and take preference.



33. WRITING OF BAD DEBTS

33.1 The Mayoral Committee will consider writing off bad debts and make recommendations to Council for approval to write off the bad debts—

33.2 Only after all reasonable steps have been taken to recover the debt in accordance.

with this policy, and the Mayoral Committee has convinced itself that:

33.2.1 recovery of the debt would be uneconomical; or

33.2.2 recovery would cause undue hardship to the customer or his/her dependants; or

33.2.3 it would be to the advantage of the Council to affect a settlement of its claim or to waive a claim.

33.2.4 The debt to be written off as determined in 32.1 above will only be affected in terms of council policy; or

33.2.5 in terms of legislation; or

33.2.6 in terms of delegated powers; or

33.2.7 in terms of regulations issued.

34. EFFECTIVE DATE:

The Policy is effective from 01 July 2023



35. SCHEDULE OF FORMS

- 35.1 Form MCP 163 A - New deposit water and electricity form. - Owner
- 35.2 Form MCP 77 - New deposit water and electricity form -Business
- 35.3 Form MCP 80 - Acknowledgement of debt and arrangement form
- 35.4 Form - Dispute Lodgment Form
- 35.5 Form - Appeal Lodgment Form

APPROVED