

UBUNTU LOCAL MUNICIPALITY

Ubuntu Municipality



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ubuntu • ithemba • izithethe
humanity • hope • heritage*

DRAFT CREDIT CONTROL & DEBT COLLECTION POLICY 2024/2025

1. INTRODUCTION

The Credit Control and Debt Collection Policy is compiled based on the mandate of Section 62 (f) (iii) and Section 40 Of the Municipal Finance Management Act as well as Chapter 9 of the Municipal Systems Act No. 32 of 2000.

2. OBJECTIVE

The objective of the Debt Collection Policy is to ensure that all revenues, rates and taxes, service levies, rentals and any other revenue due to the Municipality is collected in good time and in a humane and a cost efficient manner.

3. ARRANGEMENT FOR SETTLEMENT

3.1 If the domestic household's total gross financial income of all occupants over 18 years of age is less than the threshold of **R 5000, as determined by Council annually, such household is regarded as indigent and the indigent policy will apply.**

3.2 **If a domestic household's total gross income exceeds the threshold amount of R 5000, as determined by Council annually, and** should that household refuse or neglect to pay their bill with the Municipality, and is not willing to pay, the account will be disconnected and the consumer must pay according to the payment schedule as outlined below:

3.2.1. **Current Account must always be paid**

PLUS

3.2.2 **Reconnection fees plus**

3.2.3 Initial amount per payment schedule below:

OUTSTANDING AMOUNT	REPAYMENT TO RE-CONNECT SERVICES
Up to R800	Full amount plus reconnection
R801 – R2000	70% Initial payment and arrears must be settled within 2 months. Businesses and Government departments must settle their full accounts
R2001 – R4000	60% Initial payment and arrears must be settled within 3 months. Businesses and Government departments must settle their full accounts
R4001 – R6000	50% Initial payment and arrears must be settled within 4 months. Businesses and Government departments must settle their full accounts.
R6001 – R10 000	30% Initial payment and arrears must be settled within 6 months. Businesses and Government departments must settle their full accounts.
R10 001 and more	20% Initial payment and arrears must be settled within 12 months. Businesses and Government departments need to pay 50% initial payment and arrears must be settled within 2 months

And also agree to where possible

- i. pay the full current portion of the account in cash and sign an acknowledgement of debt; or
- ii. provide a garnishee order/emolument order/stop order (if he or she is in employment);
- iii. sign Consent to Judgement;
- iv.
- v. acknowledge that if the arrangements negotiated are later defaulted on, no further arrangements will be possible and disconnection of water and electricity will immediately follow, as will legal proceedings,

the Municipality will not enter into an extended term of payment with this customer and reserve its right to restrict, block, disconnect or suspend the supply of water and electricity or other municipal services.

- 3.3 All business customers must pay their accounts in full on due date – exception can only be considered on a case-by-case basis after written application from the individual business has been received. The Accounting Officer will consider and approve such applications for arrangements from business within his/her discretion to a maximum of six instalments.
- 3.4 Down payments and instalments will be scaled according to the income of the household and the size of the down payment and the terms of the repayment will be determined on an annual basis, as contained in the tariff and rates schedule.
- 3.5 The Chief Financial Officer will consider and approve (with the exception of businesses and government departments) such application for arrangement, should such terms stated in the schedule be exceeded. Customers with arrears will convert to a prepayment meter, the cost of which will be paid off by adding it as a surcharge to the prepaid electricity cost, and repaying it with each purchase, at not less than 10% of electricity until the debt is liquidated. Should the defaulter be a tenant, the owner will be held liable for the cost of conversion to a prepayment meter.
- 3.7 Customers wishing to apply for arrangements for the settling of their accounts must provide:
- i) proof of income, such as a pay slip of all members in the household older than 18 years; or a state grant slip, etc;
 - ii) proof of unemployment as attested to by the Department of Labour;
 - iii) proof of address, physical and postal (if any), such as a telephone account, consumer (not municipal) account; contact details, and
 - iv) personal details as required by Council on the Municipality's prescribed form.

- 3.8 Customers with valid arrears arrangements will not be charged interest while agreed arrangements are met – should one such instalment not be met, interest will be charged on all arrear instalments as in clause 4.2.2 of this policy.
- 3.9 Should a customer fall into arrears,
- i) Annual Municipal Rates and Taxes will only become in arrears after 30 September when the account has not been settled on or before 30 September
 - ii) the full amount outstanding will become due and immediately payable;
 - iii) restriction, disconnection, blocking or suspension of services processes will immediately begin;
 - iv) the arrears arrangement will be enforced and legal action will begin immediately;
 - v) no new agreement may be entered into; and
 - vi) if the customer has a prepayment meter installed, such outstanding amount will be collected by adding it as a surcharge to the prepaid electricity cost at not less than 20% of each electricity purchase until the debt is liquidated.
- 3.10 The Chief Financial Officer, in consultation with the Municipal Manager, may appoint a Debt Collection Business to collect all arrear amounts on accounts older than 60 days. A fixed commission of not more than 25% on a risk basis will be paid on all arrear amounts recovered.

4. ENFORCEMENT MECHANISMS

4.1 INTERRUPTION OF SERVICES

- 4.1.1 Customers that are in arrears with their municipal bill will have their supply of electricity and water and other municipal services, restricted, blocked, suspended or disconnected.

Council reserves the right to restrict or deny the sale of electricity or water coupons to customers who are in arrears with their rates or any other municipal charges or fees.

4.1.2 Upon the liquidation of arrears, or the conclusion of arrangements for term payment, the restricted service will be reconnected as soon as conveniently possible, there after the conventional meter will be replaced by a prepayment meter and the cost of the meter will be recovered through a deduction of not less than 50% of pre-paid sales or cash payment.

4.1.3 The cost of the restriction or disconnection, and the reconnection, will be determined by tariffs agreed by Council, and will be payable by the consumer before reconnection.

4.1.4 Households, classified as indigent, will be treated as per indigent policy.

Council may recover arrear amounts of prepayment customers through the deduction of a percentage of sales until the debt is liquidated. If services have been disconnected or restricted for an account that is in arrears and such arrears has not been paid or an acceptable arrangement has not been made within 30 days after disconnection or restriction, legal processes will commence which could involve final demands, summonses, court trials, judgements, garnishee orders and/or sales in execution of property.

4.2 INTEREST

4.2.1 Interest will be raised as a charge on all accounts not paid by the due date **except on those who accounts who are classified as Indigent Households account and those who have made arrangements to pay their outstanding accounts.**

4.2.2 Interest will be charged on the total outstanding capital balance of the accounts (i.e. total capital levied for services less interest charged), at a rate of 7% p.a as determined by Council annually through tariff policy.

4.2.3 The decision to waive interest in specific instances can only be taken by the Accounting Officer.

4.3 CONTACT

4.3.1 The Accounting Officer may appoint Debt Collectors to assist, , make personal contact with all arrears debtors to encourage their payment, and to inform them of the state of their arrears, and their rights (if any) to conclude arrangements or to indigence subsidies, and other related matters, and will provide information on how and where to access such arrangements or subsidies.

The Chief Financial Officer shall maintain a schedule of debtors with large amounts outstanding and will maintain intensive contact with these debtors as in 4.3.1

Such contact is not a right for debtors that debtors enjoy – disconnection of services, and other collection proceedings, will continue in the absence of such contact for whatever reason.

4.4 LEGAL PROCESS

4.4.1 INTERNAL LEGAL PROCESS

The Municipality will, after all enforcement mechanisms, as referred to in 4.1 to 4.3 above, have failed, proceed with the legal process of issuing final demands and summonses. Should these actions fail, the legal process will be continued with the use of attorneys as referred to in 4.4.2.

4.4.2 USE OF ATTORNEYS/ CREDIT BUREAUS

- i The Chief Financial Officer will, when a debtor falls into arrears, immediately commence the debt collection process against that debtor, which process could involve final demands, summonses, court trials, judgements, garnishee orders and/or sales in execution of property.
- ii The Municipal Manager will exercise strict control over this process, to ensure accuracy and legality within it, and will require regular reports on progress from the Chief Financial Officer.
- iii The Chief Financial Officer will establish procedures and codes of conduct with outside parties, be they attorneys, the courts, the sheriff and others and will require regular reports on progress from them.
- iv Garnishee orders, in the case of employed debtors, are preferred to sales in execution, but both are part of the Municipality's arsenal of debt collection procedures.
- v All steps in the credit control procedure will be recorded for the Municipality's records and for the information of the debtor.
- vi All costs of this process are for the account of the debtor.
- vii Individual debtor accounts are protected and are not the subject of public information. However, the Municipal Manager and the Chief Financial Officer may release debtor information to Credit Bureaux. This release will be in writing, and this situation will be included in the Municipality's agreement with its customers.
- viii Council will receive and consider reports on relevant matters, including cost effectiveness, of this process.
- ix Council or its delegated authority may sell the fixed property of default consumers via "EXECUTION OF SALE" who does not settle their Rates and Taxes and Municipal Services Accounts.

4.5 USE OF COLLECTION AGENTS

- 4.5.1 The Chief Financial Officer will consider the use of agents, and innovative debt collection methods and products. Cost effectiveness, the willingness of agents to work under appropriate codes of conduct, and the success of such agents and products will be both part of the agreement the Municipality might conclude with such agents or product vendors and will be closely monitored by the Municipal Manager.
- 4.5.2 Customers will be informed of the powers and duties of such agents, and their responsibilities including their responsibility to observe agreed codes of conduct.
- 4.5.3 Any agreement concluded with an agent or product vendor shall include a clause whereby breaches of the code of conduct by the agent or vendor will see the contract terminated.
- 4.5.4 When the municipality resolved to appoint and Debt Collection Company/Agent/ Attorneys (Service Providers), the appointment on Commission basis, will be done under the following conditions
- 4.5.4.1 Only arrear amounts older than sixty (60) days will be applicable when Debt Collections Company/Agent/Attorneys are appointed
- 4.5.4.2 The Current Account, 30 days and 60 days account amounts are excluded from the appointment as stated in par. 4.5.4.1
- 4.5.4.3 **No Commission will be paid on monies received on Current, 30 days and 60 days.**
- 4.5.4.4 The collection fee will be discussed between the Municipality and the agency.

5 THEFT AND FRAUD

- 5.1 Any person (natural or juristic) found to be illegally connected or reconnected to municipal services, tampering with meters, reticulation network or any other supply equipment or committing any unauthorised service associated with the supply of municipal services, as well as theft and damage to Council property, will be liable for penalties as determined from time to time.
- 5.2 The Municipality will immediately terminate the supply of services to a customer should such conduct as outlined above be detected.
- 5.3 The total bill owing, including penalties, assessment of unauthorised consumption and discontinuation and reconnection fees, and increased deposits as determined by Council if applicable, becomes due and payable before any reconnection can be sanctioned.
- 5.4 The Municipality will maintain monitoring systems and teams to detect and survey customers who are undertaking such illegal actions.
- 5.5 Council may distinguish in its penalties between cases of vandalism and cases of theft.
- 5.6 Subsequent acts of tampering will lead to penalties and deposits increasing in quantum.
- 5.7 The Municipality reserves the right to lay charges and to take any other legal action against both vandals and thieves.

6 COST OF COLLECTION

All costs of legal process, including interest, penalties, service discontinuation costs and legal costs associated with credit control are for the account of the debtor and should reflect at least the cost of the particular action. This onus is to be specifically outlined in Council's credit agreement with a future customer.

7 ABANDONMENT

- 7.1 The Municipal Manager, and through delegation the Chief Financial Officer, must ensure that all avenues are utilized to collect the municipality's debt.
- 7.2 There are some circumstances that allow for the valid termination of debt collection procedures:
- i. the insolvency of the debtor, whose estate has insufficient funds; and
 - ii. a balance being too small to recover, for economic reasons, considering the cost of recovery.
- 7.3 The decision to terminate the debt collection procedures in specific instances will only be taken by the Chief Financial Officer.
- 7.4 The Chief Financial Officer will maintain audit trails in such an instance and document the reasons for the abandonment and the writing-off of the abandoned debt.

8 WRITE-OFF

Council will consider, on an annual basis, the writing off of service arrears, after the Chief Financial Officer has submitted a report with the reasons, but not for tampering charges or connection/reconnection fees or legal/collection costs or any other fee/instalment in terms of an existing agreement or for the purpose of selling properties within a period of 24 months after write-off of arrears.

An account may not be written off more than once in a 10year cycle.

An account may be written off where the account t holder has passed on and a claim cannot be laid against the estate.

Where the accountholder is indigent and reasonable proof can be provided that the consumer prior being indigent could not afford to settle the acoount

The CFO needs to perform a thorough investigation and provide the Accounting officer a report to be tabled in Council

for approval to be written off,.

9 BY-LAWS

The principle contained in this policy will be reflected in the various service by-laws as promulgated and amended by Council from time to time.

10 COMMENCEMENT

This policy takes effect on 1 July 2024..

Date and signed aton this.....day of.....20.....

By.....for Council (Meeting held.....)