

RANDFONTEIN LOCAL MUNICIPALITY



CREDIT CONTROL AND DEBT COLLECTION POLICY 2010

Preamble

WHEREAS section 96 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) requires a municipality to adopt, maintain and implement a credit control, debt collection and customer care policy;

AND WHEREAS section 97 of the Systems Act prescribes what such policy must provide for;

NOW THEREFORE the Randfontein Municipal Council adopts the policy as set out in this document.

1. DEFINITIONS

“account“ means any account rendered for municipal services provided;

“Act” means the local Government: Municipal System Act, 2000 (Act No. 32 of 20000, as amended from time to time

“authorized agent” means-

- (a) any person authorized by Municipal Council to perform any act, function or duty in terms of, or exercise any power under these Bylaws; and/or
- (b) (b) any person to whom the Municipal Council has delegated the performance of certain rights, duties and obligation in respect of providing revenue services; and/or
- (c) (c) any person appointed by the Municipal Council in terms of a written contract as a service provider to provide revenue services to customers on its behalf, to the extent authorized in such contract;

- “Chief Financial Officer”** a person designated by the accounting officer of the municipality.
- “customer”** means a person with whom the Municipality or its authorized agent has concluded an agreement for the provision of municipal services;
- “defaulter”** means a customer who owes arrears;
- “household”** means a traditional family unit consisting of maximum of eight person (being a combination of four persons over the age of eighteen and four persons eighteen years or younger);
- “Municipality”** means-
- (a) the Randfontein Local Municipality or its successors-in title;
- or
- (b) the Municipal Manager of the Randfontein Local Municipality in respect of the performance of any function or exercise of any right, duty, obligation or function in terms of these Bylaws;
- “Municipal Council”** means the municipal council as referred to in section 157 (1) of the constitution, 1996 (Act 108 of 1996);
- “Municipal Manager”** means the person appointed by the Municipal Council as the Municipal Manager of the Municipality in terms of section 82 of the Local Government: municipal Structures Act, (Act No. 117 of 1998) and included any person-
- (a) acting in such position; and to whom the Municipal Manager has delegated a power, function or duty in respect of such a delegated power, function or duty;

- “municipal services”** means for purpose of this policy, services provided by the Municipality or its authorized agent, including refuse removal, water supply, sanitation, electricity services and rates or any one of the above;
- “occupier”** includes any person in actual occupation of the land or premises without regard to the title under which he occupies, and, in the case of premises sub-divided and let to lodgers or various tenants, shall include the person receiving the rent payable by the lodgers or tenants whether for his own account or as an agent for any person entitled thereto or interested therein
- “owner”** means-
- (a) the person in whom from time to time is vested the legal title to premises;
 - (b) in case where the person in whom the legal title to premises is vested is insolvent or dead, or is under any form of legal disability whatsoever, the person in whom the administration and control of such premises is vested as curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative;
 - (c) in any case where the municipality or its authorized agent is unable to determine the identity of such person, a person who is entitled to the benefit of the use of such premises or a building thereon;
 - (d) in the case of premises for which a lease agreement of 30 years or longer has been entered into, the lessee thereof;
 - (e) in relation to-

(ii) a piece of land delineated on a sectional plan registered in terms of the Sectional Title Act, 1986 (Act No.95 of 1986), the developer or the body corporate in respect of the common property; or

(ii) a section as defined in the Sectional Title Act, 1986 (Act No. 95 of 1986), the person in whose name such section is registered under a sectional title deed and includes the lawfully appointed agent of such a person; or a person occupying land under a register held by a tribal authority;

“property”

any portion of land, of which the boundaries are determined, within the jurisdiction of the Randfontein Local Municipality;

2. POLICY OBJECTIVES

The objectives of this policy are:

- (a) To maximize revenue by timeously collecting all moneys owed to the municipality.
- (b) To ensure that action taken to recover arrear debt is warranted and fair.
- (c) To enable Randfontein Local Municipality to develop and maintain a sustainable service delivery relationship with its customers.
- (d) To deliver excellent service to the communities of Randfontein Local Municipality in return for payment of their rates and service accounts.

3. LEGAL REQUIREMENTS WITH REGARD TO CREDIT CONTROL AND DEBT COLLECTION

- 3.1 In terms of Section 96 of the Municipal Systems Act, No 32 of 2000, a municipality:-
- (a) must collect all money that is due and payable to it, subject to this Act and any other applicable legislation; and
 - (b) for this purpose, must adopt, maintain and implement a credit control and debt collection policy which is consistent with its rates and tariff policies and complies with the provisions of this Act.
- 3.2 In terms of Section 97 (1) of the Municipal Systems Act, No 32 of 2000, a credit control and debt collection policy must provide for:-
- (a) credit control procedures and mechanisms;
 - (b) debt collection procedures and mechanisms;
 - (c) provision for indigent debtors that is consistent with its rates and tariff policies and any national policy on indigents;

- (d) realistic targets consistent with:-
 - (i) general recognized accounting practices and collection ratios;
 - and
 - (ii) the estimates of income set in the budget less an acceptable provision for bad debts;
- (e) interest on arrears, where appropriate;
- (f) extensions of time for payment of accounts;
- (g) termination of services or the restriction of the provision of services when payments are in arrears;
- (h) matters relating to unauthorized consumption of services, theft and damages; and
- (i) any other matters that may be prescribed by regulation in terms of section 104.

3.3 In terms of section 99 of the Municipal Systems Act, No 32 of 2000, a municipality's executive committee or executive mayor or, if a municipality does not have an executive committee or executive mayor, the municipal council itself or a committee appointed by it, as the supervisory authority must:-

- (a) oversee and monitor:-
 - (i) the implementation and enforcement of the municipality's credit control and debt collection policy and any bylaws enacted in terms of section 98; and
 - (ii) the performance of the municipal manager in implementing the policy and any bylaws;
- (b) when necessary, evaluate or review the policy and any bylaws, or the implementation of the policy and any such bylaws, in order to improve

efficiency of its credit control and debt collection mechanisms, processes and procedures; and

- (c) at such intervals as may be determined by the council report to a meeting of the council, except when the council itself performs the duties mentioned in paragraphs (a) and (b).

3.4 In terms of Section 100 of the Municipal System Act, No 32 of 2000, the municipal manager or service provider must:-

- (a) implement and enforce the municipality's credit control and debt collection policy and any bylaws enacted in terms of Section 98;
- (b) in accordance with the credit control and debt collection policy and any such bylaws, establish effective administrative mechanisms, processes and procedures to collect money that is due and payable to the municipality; and
- (c) at such intervals as may be determined by the council report the prescribed particulars to a meeting of the supervisory authority referred to in Section 99.

3.5 It should be noted that in terms of Section 98(1) of the Municipal Systems Act, No 32 of 2000 a municipal council must adopt bylaws to give effect to the municipality's credit control and debt collection policy, its implementation and enforcement.

4. ROLES AND RESPONSIBILITIES

4.1 In terms of Section 99(a) of the Municipal Systems Act, No 32 of 2000, the municipality's **executive committee** must oversee and monitor the implementation and enforcement of the credit control and debt collection policy.

4.2 In terms of Section 99(b) of the Municipal Systems Act, No 32 of 2000, the municipality's **executive committee** must when necessary, evaluate or review the

- policy or the implementation of the policy in order to improve efficiency of its credit control and debt collection mechanisms, processes and procedures.
- 4.3 In terms of Section 100(a) the **municipal manager** must implement and enforce the municipality's credit control and debt collection policy.
- 4.4 The **communication** of the credit control and debt collection policy to the community is the joint responsibility of the Councillors, Municipal Manager and municipal officials.
- 4.5 In terms of Section 11 (c) of Schedule 1 of the Municipal Systems Act, No 32 of 2000, a Councillor **may not obstruct or attempt to obstruct** the Municipal Manager or any employee of the council to implement and enforce the municipality's credit control and debt collection policy.
- 5. PRINCIPLES**
- 5.1 Non-payment of their accounts by debtors has a direct negative impact on the municipality's ability to provide high quality service delivery to its clients.
- 5.2 Current levies not paid by the indicated due date are in arrears and all debtors with arrears 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 items 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 contained in the account statement. Account statements are regarded as

- notification of the arrears status of the account as well as stating the intention to take credit control measure.
- 5.7 Metered services consumed by an unknown consumer are billed to the owner of the property to which the service connection is registered. Consumers who are to be billed separately must enter into a service agreement to have access to these services. No service agreement is valid without the written consent of the registered owner of the property.
- 5.8 Refusal by banks to honor payments by cheque or debit order is regarded as nonpayment, 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 who are handed over for collection to a debt collector appointed for this purpose. Limited collection actions (i.e. Final Letter of Demand) are applied for inactive accounts smaller than R400.00 due to the cost-benefit ratio of such cases and any further action required for these individual accounts is at the discretion of the Chief Financial Officer.
- 5.10 Debtors who are large consumers of services are managed by telephonic 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 hygienic reasons. Other types of debtors who are in default and whose water supply is involved will be completely deprived of the service.
- 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 All notifications served to the *domicilia* of clients must state the reason/s for actions taken as well as information as to how they can take corrective action to normalize the situation.
- 5.13 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.

6. CUSTOMER RELATIONS

6.1 Handling of complaints

- 6.1.1 The Credit Control Section deals with all inquiries with regard to credit accounts to ensure that there is speedy resolution and effective communication with customers;
- 6.1.2 The Credit Control Section shall have appropriately trained officials dealing with the public to enhance communications and service delivery and a communication mechanism to give council feedback on service, debt and other issues of concern.

6.2 Metering

- 6.2.1 The Municipality or its authorized agent must in respect of municipal services that can be metered, endeavor to, meter all customer connections.
- 6.2.2 All meters will be read on a regular basis. If a service is not measured, the municipality or its authorized agent may, determine the amount due and payable by a customer for municipal services supplied to him, her or it, by calculating the:
- (a) shared consumption, or if not possible
 - (b) estimated/average consumption.
- 6.2.3 Customers are entitled to request verification of meter readings and accuracy, but may be held liable for the cost thereof.
- 6.2.4 Customers will be informed of meter replacement

6.2.5 If a service is metered but it cannot be read due to financial and human resource constraints or circumstances out of the control of the Municipality or its authorized agent, and the customer is charged for an average consumption the account following the reading of the metered consumption must articulate the difference between the actual consumption and the average consumption, and the resulting credit or debit adjustment.

6.3 Accounts and billing

6.3.1 The customer may receive more than one account for different municipal services if they are accounted for separately.

6.3.2 Accounts will be produced in accordance with the meter reading cycle and due dates are linked to the statement date.

6.3.3 Accounts will be rendered monthly to customers at the address last recorded with the Municipality or its authorized agent.

6.3.4 Failure to receive or accept an account does not relieve a customer (client's responsibility) of the obligation to pay any amount due and payable.

6.3.5 Accounts must be paid not later than the last date for payment specified in such account, which date will be at most on the 7th of every succeeding month after the date of delivery of the account.

6.3.6 Where an account is not settled in full, any lesser amount tendered to and accepted shall not be deemed to be in final settlement of such an account.

6.3.7 Where any payment made to the Municipality or its authorized agent by negotiable instrument, is later dishonored by the bank, the municipality or its authorized agent:

- (a) may recover the average bank charges incurred relating to dishonored negotiable instrument against the account of the customer; and
- (b) shall regard such an event as default on payment.

6.3.8 The Municipality or its authorized agent must, if administratively possible, issue a duplicate account to a customer on request.

6.3.9 If a customer receives a consolidate account for all service costs for that property, and the municipality may credit all payments received from such a person to any service and order of preference as determined by council from time to time.

6.4 Enquiries, appeals and service complaints

6.4.1 If a customer is convinced that his or her account is inaccurate, he or she can lodge a query with the municipality for investigation of this account, and where necessary the relevant alterations.

6.4.2 A query or complaint must be accompanied by the payment of the average of the last three months' accounts where history of the account is available or an estimated amount provided by the Municipality before payment due date until the matter is resolved.

6.4.3 The Municipality or its authorized agent will:

- (a) investigate or cause the query or complaint to be investigated;
- (b) and, must inform the customer in writing, of its finding within one month after the query or complaint was registered.

6.4.4 Failure to make such agreed interim payment would make the customer liable for disconnection and other normal credit control procedures.

6.4.5 A customer may appeal against a finding of the Municipality or its authorized agent in terms of section 6.4.1 in writing, on the prescribed form.

6.4.6 An appeal and request in terms of subsection 6.4.5 must be made in writing and lodged with the Municipality within 21 (twenty one) days after the customer became aware of such finding and must:

- (a) set out the reasons for the appeal; and

- (b) be accompanied by any security determined for the testing of a measuring device, if applicable.

6.5 Payment facilities and methods

6.5.1 The Municipality or its authorized agent will operate and maintain suitable pay-points facilities, and which facilities will be accessible to all users for payment of accounts and pre-payment of services. These may include the following;

- (a) Easy Pay
- (b) Pick ‘n Pay
- (c) Post office
- (d) Pay Points (Municipal offices or its satellite offices)
- (e) Internet

6.5.2 The customer will acknowledge, in the customer agreements that the use of customer agents in the transmission of payments to the municipality is at the risk of the customer – also for the transfer time of the payment.

7. CREDIT CONTROL POLICY

7.1 Service application and connection

7.1.1 Application for new connections can only be made by property owners accompanied by positive identification.

7.1.2 An owner may provide a written consent to a tenant to sign a separate agreement with the municipality, which the municipality may at its own discretion accept or reject. On default by a tenant, the owner will be the debtor of last resort.

7.1.3 Applicants must complete the prescribed Consumer Agreement forms in order to obtain a new connection A new connection fee, determined in terms of the municipality’s current Rates and Tariff Policy is payable.

- 7.1.4 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 will be required.
- 7.1.5 Deposits can be increased by the municipality at any time and at the sole discretion of the municipality not to be more than two and half times the monetary value of the most recent consolidated accounts of the premises for which an application is made.
- 7.1.6 On signing of the agreement, customers will receive a copy of the agreement for their records.
- 7.1.7 In the agreement customers will acknowledge liability for costs of collection, interest and penalties, in the event of delayed payment
- 7.1.8 Existing customer will be required to sign new agreements as determined by the Municipal Manager from time to time.
- 7.1.9 All applicants will be checked for credit-worthiness including checking information from banks, credit bureau, local authorities, trade creditors, and employers.
- 7.1.10 Security deposits/guarantees either in cash or any other security acceptable to the municipality will be required, and may vary according to the risk. Deposits will be determined annually as part of the budget process.
- 7.1.11 No interest shall be payable by the Municipality or its authorized agent on any deposit held.
- 7.1.12 On the termination of the agreement the amount of the deposit less any outstanding amount due to the municipality will be refunded to the consumer. A deposit shall be forfeited to the Municipality if the customer has not claimed it within 12 (twelve) months of termination of agreement.

7.2 Arrear accounts

7.2.1 The municipality shall have the right to restrict or discontinue the supply of services or to implement any other debt collection action necessary due to late or non-payment of accounts, relating to any consumer, owner or property.

7.3 Right to access premises

7.3.1 The owner and /or occupier of property is to allow an authorized representative of the municipality access at all reasonable hours to the property in order to read, inspect, install or repair any meter or service connection for reticulation, or to disconnect, stop or restrict, or reconnect, the provision of any service.

7.3.2 The owner is responsible for the cost of relocating a meter if satisfactory access is not possible.

7.3.3 If a person fails to comply with the request for reasonable access the municipality or its authorized representative may:

- (a) By written notice require such person to restore access at his/her own expense within a specified period.
- (b) If it is the opinion that the situation is a matter of urgency, without prior notice restore access and recover the cost from such person.

7.4 Business who tender to the municipality

7.4.1 The Procurement Policy and Tender Conditions provide the following:

- (a) When inviting tenders for the provision of services or delivery of goods, potential contractors may submit tenders subject to a condition that consideration and evaluation thereof will necessitate that the tenderer obtain from Municipality a certificate stating that all relevant municipal accounts owing by the tenderer or its directors, owners or partners have been paid or that suitable arrangements (which include the right to set off in the event of non-compliance) have been made for payment of any arrears.

- (b) municipal account to mean any municipal service charge, tax or other fees, fines and penalties, due in terms of a contract or approved tariff or rate, which is outstanding after the due date normally appearing on the consolidated account or overdue in terms of the contract or any other due date that has passed.
- (c) Tender conditions contain a condition allowing the Municipality to deduct moneys owing to the municipality from contract payments in terms of a reasonable arrangement with the debtor.

7.5 Different categories of debtors

7.5.1 Customers will be categorized according to certain classifications based on the type of entity, use of services, levels of services, infrastructure requirements and applicable tariffs and risk levels.

7.6 Credit Control Measures

7.6.1 Reminder/Demand for payment

- (a) A reminder that the previous account has not been paid on the due date is generated after the due date and hand-delivered to the debtor's physical address. This reminder clearly states that a period of 7 days is allowed for payment or arrangement for payment, in the absence of which, services to the client will be restricted. The account of the debtor is debited with the cost of such a reminder at the approved tariff of the municipality.
- (b) In those instances where prepayment meters for service vending are installed, the municipality may block the vending of services to consumers of services on properties where arrears are owed for other municipal services or levies.

7.6.2 Electricity disconnection (level 1) and Water restriction

- (a) 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 cut-off at the approved tariff of the municipality.
- (b) In the absence of reaction to the disconnection of electricity within 7 days, 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.
 - (c) 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.

7.6.3 Electricity disconnection (level 2) and Water restriction

- (a) In the further absence of reaction on 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.
- (b) The municipality may 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.
- (c) 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.

7.6.4 Illegal reconnection/tampering of electricity

- (a) 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 on an investigation document.
- (b) The Randfontein Local Municipality reserves the right to levy penalties against a customer found guilty for illegal connection/tampering with electricity.

7.6.5 Illegal reconnection/tampering of water

- (a) 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.
- (b) Interference with disconnections at water service points of non-residential consumers will lead to the removal of such a service connections.
- (c) Any first time discovery of tampering with a restriction device or service connection at the address of a residential consumer leads to restriction of the water flow rate to the quantity of the monthly free water allocation to residential households. Any further tampering after such a restriction will lead to the prosecution of the offending debtor.

7.6 Reinstatement of Municipality Services

7.6.1 The municipality must reinstate full levels of provision of any electricity or water service terminated or restricted after –

- (a) the full amount of arrears has been paid, or
- (b) an agreement for payment of the arrears contemplated has been entered into in terms of this Policy, or

- (c) 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
- (d) any other condition of the Policy that the municipality may consider appropriate has been complied with.

7.6.2 Reinstatement of services will be done within 24 hours.

7.7 Reconnection of services

7.7.1 Where services are disconnected as a result of the application of this Policy, these services can only be reconnected under the following circumstances:

- (a) Water supply restricted for non-payment by clients, can only be normalized after either receipt of the amount in arrears or conclusion of a settlement arrangement for payment of the arrears in terms of this Policy.
- (b) Water supply which has been restricted due to non-payment will only be normalized after either full payment of the arrears, or upon receipt of an appeal for normalization due to a good payment record of three (3) months on the repayment contract and the current monthly levies. The Chief Financial Officer will receive and evaluate each appeal before normalization.
- (c) 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.
- (d) Any services which are discontinued as a result of tampering with the Municipality's distribution networks and/or mechanisms can only be legally reconnected if a Court orders so; or
- (e) ALTERNATIVELY: if the affected client admits in writing that he/she permitted or committed the tampering and undertakes to not repeat the action and concludes a settlement arrangement for payment of the

reconnection charges and arrears in terms of this Policy, service reconnection can also be made. Such written admission will be kept on the case document for future use in case of repeated tampering.

7.7.2 Reconnection of services will be done within 24 hours.

7.8 Termination of Service Agreements

7.8.1 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 time.

7.8.2 The municipality may, 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-

- (a) 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
- (b) has made an arrangement with another service provider to provide the municipal service concerned to the customer; or
- (c) has vacated the premises to which the agreement concerned relates.

7.9 Illegal Connections and Meter Tampering

7.9.1 When it is ascertained that a meter had been tampered with, the cost of repairing or replacing an existing meter with another one will be charged to the account of the respective customer.

7.9.2 The municipality can also opt to close the consumer's account in such instances and levy all municipal charges related to the property on the owner's account. The full outstanding balance is immediately payable before services will be restored.

- 7.9.3 In addition, where a meter has been tampered with or where there has been unauthorized consumption of water or electricity, 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 Competent Court of law.
- 7.9.4 In a case where the meter is inside the house or the yard, it 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.

7.10 Free Basic Services

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

7.11 Indigent Assistance Scheme

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

8. DEBT COLLECTION POLICY

8.1 Legal Process/Use of attorneys/Use of credit bureaus

- 8.1.1 The debt collection unit of the Randfontein Local Municipality shall deal with outstanding debts of up to two thousand rand (R2 000.00) and less than 90 days outstanding for households and businesses. This unit will also deal with all government accounts.
- 8.1.2 In-house Debt Collection may include issuing of letters of default and other procedures to encourage payment by the debtor.
- 8.1.3 Where there is no response, the accounts will be handed over to external debt collectors and/or attorneys.

- 8.1.4 Any amount above two thousand (R2 000.00) and over 90 days outstanding will be handed over to external debt collection agencies contracted to the Randfontein Local Municipality.
- 8.1.5 Council may, when a debt of above two thousand (R2 000.00) and over 90 days in arrears, commence legal process against that debtor, which process could involve final demands, summonses, court trials, judgments, garnishee orders and/or sales in execution of property.
- 8.1.6 Council will exercise strict control over this process, to ensure accuracy and legality within it, and will require regular reports on progress from outside parties, be they attorneys or any other collection agents appointed by council.
- 8.1.7 Council will establish procedures and codes of conduct with these outside parties.
- 8.1.8 Garnishee orders, in the case of employed debtors, are preferred to sale in execution, but both are part of Council's system of debt collection procedures.
- 8.1.9 All steps in the credit control procedure will be recorded for Council's records and for the information of the debtor.
- 8.1.10 All costs of this process are for the account of the debtor.
- 8.1.11 Individual debtor accounts are protected and are not subject of public information. However Council may release debtor information to credit bureaus. This release will be in writing or by electronic means.
- 8.1.12 Council may consider the cost effectiveness of the legal process, and will receive reports on relevant matters, including cost and effectiveness.
- 8.1.13 Council may 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 part of the agreement Council might conclude with such agents or service providers; and will be closely monitored by Council

8.1.14 Customers will be informed of the powers and duties of such agents or service providers and their responsibilities including their responsibility to observe agreed codes of conduct.

8.1.15 Any agreement concluded with an agent, product vendor or service provider, shall include a clause whereby breaches of the code of conduct by the agent or vendor constitute a breach of a contract.

8.2 Cost of collection

8.2.1 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.

8.3 Rates clearance

8.3.1 On the sale of property in the municipal jurisdiction, Council will withhold the transfer until all rates and service charges are paid by withholding a rates clearance certificate.

8.4 Arrangements for settlement

8.4.1 If a customer cannot pay his/her account the municipality may enter into an extended term of payment with the customer.

8.4.2 He/she must pay the current portion of the account in cash; and sign an acknowledgement that, in the event of arrangements previously negotiated later being defaulted on, no further arrangements will be possible. Under such circumstances further credit control procedures will be followed.

8.4.3 Customers with consumption arrears must agree to the conversion to prepayment meter, if and when implemented the cost of which, and the arrears total, will be paid off either by:

- (a) adding the debt to the arrears bill and repaying it over arrangement period;
- or

- (b) adding the debt as a surcharge to the prepaid electricity cost, and repaying it with each purchase of electricity until the debt is liquidated.

8.4.4 Council reserves the right to raise the deposit requirement of debtors who seek arrangements.

8.5 Abandonment of claims

8.5.1 The Municipal Manager must ensure that reasonable revenues are utilized to collect the municipality's debt.

8.5.2 There are some circumstances that allow for the valid termination of debt collection procedures:

- (a) The insolvency of the debtor, whose estate has insufficient funds
- (b) A balance being too small to recover, for economic reasons considering the cost of recovery.
- (c) Where Council deems that a customer or group of customers is unable to pay for services rendered.

8.5.3 The municipality will maintain audit trails in such an instance, and document the reasons for the abandonment in respect of the debt.

8.6 Estates Accounts Collection

8.6.1 Estates with legal status

- (a) The accounts of debtors who are declared as insolvent, under administration or deceased are dealt with according to normal legal practices by the collection staff of the municipality.
- (b) Unsuccessful claims are written off and submitted to the Council for noting.

8.6.2 Estates without formalized legal status

- (a) In many cases the head of a household has died without leaving a will/final testament indicating to whom ownership of the family residence is to be transferred upon the event of his/her death

OR

the owner of the property has abandoned his/her family to fend for themselves.

- (b) These scenarios are not provided for in the normal legal practice, which necessitates the following process in Randfontein Local Municipality:
 - (i) The remaining family must report the situation to the municipality's collection office, who will require the relevant documentation to be obtained by the family, i.e. a death certificate and an order of the local Magistrate allocating right of ownership to someone of the surviving family in the case of a deceased estate
- OR
- (ii) an order of the local Magistrate allocating right of ownership to someone in the abandoned family
- (c) In all of these cases, extension for the payment of the accumulated arrears as at the date of notification will be granted by the debt collectors in the collection office, disconnected electricity will be reconnected and the remaining family must then pay all amounts levied on monthly current accounts in excess of the amount of the payment extension until such time as the matter has been finalized.
 - (d) This will prevent any further service restrictions/cut offs or collection actions at the residence whilst the family is in process of legalizing ownership of the property.
 - (e) As soon as ownership has been officially allocated by the Magistrate, the documentation must be presented to the municipality's collection office, which will then change the name of the account to that of the new owner. They will also encourage the new owner to make an arrangement for the payment of the arrears to prevent credit control and collection actions from being taken by the Municipality.

- (f) ALTERNATIVELY, if the family qualifies to be registered for assistance in terms of the municipality's Indigent Support Policy, they can apply to be registered and after registration to enjoy the benefits offered in terms of that Policy regarding the arrears.
- (g) Amounts claimed and not successfully collected are submitted to the Council for approval to be written off against the reserve for bad debt.

9. REPORTING

- 9.1 The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to Council. This report shall contain particulars on:
 - (a) Cash flow information for capital and operating accounts, and the combined situation, showing Council's actual performance against its cash flow budgets.
 - (b) Cash collection statistics, showing high level debt recovery information (numbers of customers; enquires; default arrangements; growth or reduction of arrear debtors; ideally divided into wards, business (commerce and industry) domestic, state, institutional and other such divisions.
 - (c) Council's ongoing income and expenditure statements, comparing both billed income and cash receipt income, against ongoing expenditure in both the capital and operating accounts.
- 9.2 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.