



## ENDUMENI MUNICIPAL POLICY FRAMEWORK

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Oversight structures	Not applicable		
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# *Endumeni Municipality*

## Credit Control & Debt Collection Policy

2020/2021



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## 1. PURPOSE

This policy has been compiled as required in terms of Section 97 of the Local Government: Municipal Systems Act 32 of 2000 (hereinafter referred to as the Act) and is designed

- a. to provide for credit control and debt collection procedures and mechanisms. It also aims to ensure that the Municipality's approach to debt recover is sensitive, transparent and is equitably applied throughout the Municipality's geographic area ;
- b. to ensure that the principles and procedures for the writing-off of irrecoverable debt are formalised to ensure that consumers (especially households) are relieved of their spiral of debt ; and
- c. to align the methodology for the calculation of the provision for doubtful debts with the provisions of GRAP 104

## 2. PROBLEM STATEMENT

The Act requires the Municipality to review the Credit Control Policy annually.

The Municipality has taken cognizance of high level of poverty which is prevalent in various areas of the Municipality and has developed various initiatives to assist those customers who are economically unable to meet normal rates and service charges. Assistance to the Poor is dealt with in terms of Annexure A hereto.

Due consideration has been given to the budgetary implications of this policy and necessary amounts allocated in terms of 2020/2021 Budget.

Huge uncollectable debtor balances compromise the fair presentation of the financial position of the municipality when it reports its results and for budgeting purposes. Hence the inclusion of debt write-off principles and procedures herein.

### 3. DEFINITIONS

For the purpose of this policy, the wording or any expression has the same meaning as contained in Local Government: Municipal Systems Act 2000 (Act No. 32 of 2000) as amended from time to time, except where clearly indicated otherwise. In addition, the following words and phrases shall have the following meanings:

“account”	any account rendered for municipal services provided
“Authorised Delegate”	the Revenue Manager will investigate disputes in terms of section 22 hereof
“the Act”	the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) as amended from time to time
“arrears”	any amount due, owing and payable in respect of municipal services not paid by due date.
“CFO”	the Chief Financial Officer a person employed by the Municipality in terms of the Municipal Systems Act as the Chief Financial Officer of the Municipality, and includes any person to whom the Chief Financial Officer has delegated or sub-delegated a power, function or duty in accordance with the system of delegation developed by the Municipal Manager in terms of Section 79 of the Municipal Finance Management Act and Section 59 of the Systems Act;
“consolidated account”	a monthly account reflecting municipal service fees, charges, surcharges on fees, property rates and other municipal taxes, levies and duties and all consolidations in terms of Section 102 of the Act means a monthly account reflecting municipal service fees, charges, surcharges on fees, property rates, sundry charges and other municipal taxes, levies and duties and all consolidations in terms of Section 102 of the Systems Act

“credit authority”	any arrangement made by agreement between the municipality and a customer, for the payment of any arrears, in installments, whatever the form of such arrangement might be, whether in the form of an acknowledgement of debt, or in correspondence, provided that such arrangement is recorded in writing and signed on behalf of the municipality by an authorized official.
“customer”	Any person liable to the municipality for taxation or other charges means any person or their agent with whom the municipality or an authorized official has entered into an agreement for the provision of any municipal service to the premises
“defaulter”	any customer in arrears
“deemed owner”	means a person, who is not the registered owner of the property, in occupation of such property by virtue of the Administration of Black Estates Act
“due date”	the date on which all customer’s accounts become payable which, in respect of monthly accounts shall be the 10 <sup>th</sup> of the following month, and in the case of annual accounts shall be 30 August each year
“illegal connection”	any connection to any system through which the municipal services are provided, which is not authorised or approved by the municipality or its agent
“metering period”	the time interval between two successive billed meter readings
“MPRA”	the Local Government: Municipal Property Rates Act 6 of 2005
“nett salary”	means gross salary less pension and statutory deductions
“owner”	the person defined as such in the municipality Rates Policy. In addition to the persons defined in the MPRA, includes:

- a) In relation to a property referred to in paragraph (a) of the definition of “property” in the MPRA, a person in whose name ownership of the property is registered;
- b) An owner in a sectional title scheme who owns in addition to the residential unit, a garage, parking, granny flat, or storage room, under separate Title in the scheme, is deemed to be the owner of ONE property for the purposes of 7.2 and 7.3 of the Rates Policy of the Municipality;
- c) An owner of two or more property which are notarially tied to each other, is deemed to be the owner of ONE property for the purposes of 7.2 and 7.3 of the Rates Policy of the Municipality;
- d) The administrator of the body corporate of a sectional title scheme where the common property of a sectional title scheme is at issue and there are no elected trustees of the body corporate;
- e) The administrator, where the owner of a property is a mental health care user as defined in section 1 of the Mental Health Act, 2002 (Act No. 17 of 2002);
- f) The business rescue practitioner, where the owner of the a property has been placed under business rescue;
- g) The managing agent, where the owner of a property is absent from the Republic of South Africa or where the Municipality has, after reasonable attempts, not been able to determine his or her whereabouts;
- h) Every person who is entitled to occupy or use a building, or who does occupy or use a building, where-
  - (i) The owner of a property is absent from the Republic of South Africa;
  - (ii) The Municipality has, after reasonable attempts, not been able to determine the whereabouts of the owner of the building; and
  - (iii) There is not managing agent
- i) Trustees and beneficiaries jointly, in the case of property in a trust,;
- j) An executor or administrator, in the case of property in a deceased estate;
- k) A trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
- l) A judicial manager, in the case of a property in the estate of a person under judicial management;
- m) A curator, in the case of property in the estate of a person under curatorship;
- n) A person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude, as joint owner together with the registered owner,



- o) A lessee, in the case of a property that is registered in the name of the Municipality and is leased by it;
- p) A buyer or developer, in the case of a property that was sold by the Municipality and of which possession was given pending registration of ownership in the name of the buyer, beneficiary or a developer;
- q) A fidei commissary as joint owner together with the fiduciary;
- r) Ingonyama Trust in respect of the land vested in the Ingonyama Trust by virtue of the Ingonyama Trust Act of 1994, as amended, or any other law;
- s) The national Government of the Republic of South Africa, in the case of a property that is registered in the name of a deregistered company or close corporation and where ownership thereof has accrued to the state by operation of law (*bona vacantia*);
- t) An owner of a property in the name of any other juristic person not mentioned in this definition of an owner;
- u) A deemed owner;
- v) A child or children in charge of a property in the case of a child headed household as contemplated in this Policy and the Rates Policy of the Municipality

“rates”                      municipal tax levied on the valuation of property. The rate is expressed as cents in the rand

“revenue clearance certificate” a certificate of the kind referred to in Section 118(1) of the  
Act

“sundry charges”                      a charge to a customer, not directly linked to a property

# PROVISION OF MUNICIPAL SERVICES

## 4. REGISTRATION

- 4.1 Residential – the Municipality will endeavour to register owners only for services on their properties.
- Tenant registrations currently in place will continue until the tenant vacates, the account is closed or the Municipality cancels the contract of the tenant in default in terms of clause 7.1.2
  - When an account is opened in the name of a tenant the registered owner of the property will notify in writing the Municipality of who the tenant is and that he takes full responsibility for the tenants outstanding service charges if the tenant vacates the property without settling the outstanding amount
- 4.2 Business – The Municipality will continue to register tenants for services on receiving a letter from the owner approving connection in business name.
- 4.3 Owners of rented properties shall ensure that all outstanding amounts are recovered from tenants
- 4.4 Government – The Municipality will continue to register tenants for services. The respective Government Departments shall be held liable for the debts on their property
- 4.5 Sundry Accounts – the customer must provide the Municipality with a municipal account number or rate account number. If the customer does not have an existing municipal account, then a new account must be created
- 4.6 The Municipality shall whenever possible, combine any separate accounts of persons who are liable for payment to the municipality, into one consolidated account
- 4.7 No registrations or additions to the customer database can be processed unless legal documentation acceptable to the Chief Financial Officer has been produced in each instance
- 4.8 If there is an outstanding debt on the property, this debt must be settled in full, or suitable payment arrangements must be made by the owner of the property, before any customer/owner is registered for services
- 4.9 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

- 4.10 Customers who fail to register and who illegally consume services will be subjected to such administrative, civil or criminal action as the Municipality deems appropriate.

Where municipal services are used / consumed or made use of and the owner, tenant or occupants of a property, have not entered into nor completed an agreement for such services, the owner responsible for the payment of rates on the property shall be billed for the metered consumption and all municipal service charges applicable to the property.

- 4.11 Where the purpose for or extent to which any municipal service used is changed, the onus and obligation is on the customer / owner to advise the Municipality of such change.

## 5. DEPOSITS

- 5.1 At the time of registration as a customer, a deposit will be required based on the criteria set by the Chief Financial Officer from time to time
- 5.2 The CFO may exclude a category of owners from payment of deposits, from time to time
- 5.3 Deposits will be due and payable on registration of new customers and upon the movement of existing customers to a new address
- 5.4 The municipality may appropriate a customers' deposit on any account related to that customer
- 5.5 Notwithstanding receipts for different services, deposits payable to the Municipality shall be a consolidated deposit, paid in cash. Guarantees will no longer be accepted with the implementation of this policy.
- 5.6 If a customer is in arrears, the deposit may be increased.
- 5.7 The Municipality may utilize the consolidated deposit as security for any or all of the charges or amounts included in the statement of account.
- 5.8 Where a tenant has absconded leaving a debt on a property, an additional deposit, equal to the debt on the property, will be raised on the tenants other account, should one exist.
- 5.9 Review of Deposits
- a) If a customer poses a credit risk, the value of the original deposit paid may be reviewed from time to time by the Chief Financial Officer

- b) The deposit on an account shall be reviewed when:
  - (i) The account is paid after the due date
  - (ii) Payment by negotiable instrument or direct debit, is dishonored
  - (iii) There is increased consumption of services
- c) The Municipality may increase the deposit up to three months average usage.

## ACCOUNTS MANAGEMENT

### 6. ACCOUNTS

- 6.1 The Municipality shall bill the customers, property owners and property occupiers within its area for municipal services supplied or available to them by the Council and for property rates, at regular intervals or as prescribed by law.

The customer shall pay, in full, the account rendered, on or before the due date. Failure to comply with this section shall result in debt collection action being instituted against the customer, and interest at the rate determined from time to time by the Council or, in the absence of any determination, as prescribed by law, may be charged from the date upon which the amount of the account was due for payment.

- 6.2 The Municipality will have accounts posted, or sent electronically if so registered, to all customers. In the case of multiple ownership, the account will be posted to any one owner.

With reference to Section 115 of the Municipal Systems Act, No. 32 of 2000:

*115. Service of documents and process – (1) Any notice or other document that is served on a person in terms of this Act or by a municipality in terms of any other legislation is regarded as having been served –*

- (a) When it has been delivered to that person personally;*
- (b) When it has been left at that person's place of residence or business in the Republic with a person apparently over the age of sixteen years;*
- (c) When it has been posted by registered or certified mail to that person's last known residential or business address in the Republic and an acknowledgement of the posting thereof from the postal service is obtained*
- (d) If that person's address in the Republic is unknown, when it has been served on that person's agent or representative in the Republic in the manner provided by paragraphs (a), (b) or (c); or*

*(e) If that person's address and agent or representative in the Republic is unknown, when it has been posted in a conspicuous place on the property or premises, if any, to which relates.*

*(2) When any notice or other document must be authorized or served on the owner, occupier or holder of any property or right in any property, it is sufficient if that person is described in the notice or other document as the owner, occupier or holder of the property or right in question, and it is not necessary to name that person.*

*(3) Any legal process is effectively and sufficiently served on a municipality when it is delivered to the municipal manager or a person in attendance at the municipal manager's office.*

- 6.3 Failure to receive or accept accounts does not relieve a customer of the obligation to pay any amount due and payable. The onus is on the customer to make every effort to obtain a copy account or establish the amount payable for payment.
- 6.4 The Municipality or its authorized agent must, if administratively possible, issue a duplicate account to a customer on request. The Municipality will provide owners with copies of their tenant's accounts if requested.
- 6.5 With the exception of Government Accounts, assessment rates shall be billed on a monthly basis.
- 6.6 Customers are required to update their information details as soon as there is a change in their details. The onus is on the customers to provide their new details to the municipality, whenever there is such a change. This can be done by contacting the helpdesk and/or the front office and presenting the updated details for capturing. Contact may be made electronically or manually.
- 6.7 The payment of rates shall not be affected by reason of an objection, appeal or non-compliance with the rates policy.

## **7. RESPONSIBILITY FOR AMOUNTS DUE**

- 7.1 In terms of Section 118 (3) of the Act an amount due for municipal service fees, surcharge on fees, property rates and other municipal taxes, levies and duties is a charge upon the property in connection with which the amount is owing and enjoys preference over any mortgage bond registered against the property.
  - a) Accordingly, all such Municipal debts shall be payable by the owner of such property without prejudice to any claim which the Municipality may have against any other person.
  - b) The Municipality reserves the right to cancel a contract with the customer (tenant) in default and register the owner only for services on the property.
  - c) No new services will be permitted on a property until debts on the property are paid, or suitable arrangements made to pay such debts.

- 7.2 Where the property is owned by more than one person, each such person shall be liable jointly and severally, the one paying the other to be absolved, for all Municipal debts charged on the property.
- 7.3 Except for property rates, owners shall be held jointly and severally liable, the one paying the other to be absolved, with their tenants who are registered as customers, for debts on their property.
- 7.4 Refuse removal shall form part of the property debt, payable by the owner of the property.
- 7.5 Directors of Companies, members of Close Corporations and Trustees of Trusts shall sign personal suretyships with the Municipality when opening service accounts.
- a) For so long as a tenant or an occupier occupies a property in respect of which arrears are owing, or an agent acts for an owner in respect of whose property arrears are owing, then the Municipality may recover from such tenant, occupier or agent such monies as are owing by the tenant, occupier or agent to the owner, as payment of the arrears owing by such owner.
  - b) The Municipality may recover the amount in whole or in part despite any contractual obligation to the contrary on the tenant/occupier/agent.
  - c) The amount the municipality may recover from the tenant, occupier or agent is limited to the amount of the rent or other money due and payable, but not yet paid by the tenant, occupier or agent.
  - d) Should the tenant, occupier and/or agent refuse to pay as above, to the Municipality, the services of the tenant, occupier and /or agent may be disconnected.
- 7.6 Should any dispute arise as to the amount owing, the customer shall pay all amounts which are not subject to the dispute.
- 7.7 Pre-paid meters shall not be installed until all outstanding debt has been paid in full, subject to clause **20** hereto.
- 7.8 The owner of the property may be held liable for tampering with the electricity metering equipment on the property as well as charges that arise there from.
- 7.9 Where electricity has not been sold on a pre-paid meter for longer than four (4) months, and after reviewing the history of the transactions on the meter for bulk purchasing, the electricity supply may be disconnected to enable technical staff to investigate for possible tampering or faulty meters.

## **8. PAYMENT OPTIONS**

- 8.1 The Municipality will endeavour to establish a payment network to ensure that, wherever practically possible, customers in receipt of accounts have access to a

payment site within a reasonable distance of their home.

8.2 The Municipality shall accept payment by the following methods:

- Cheques
- Electronic Funds Transfer
- Cash
- 3<sup>rd</sup> Party Collectors
- Speedpoint machines/Card payments
- Online payments

8.3 Where any payment made to the Municipality, or its authorised agent, or direct debit, is later dishonoured by the bank, the municipality or its authorised agent:

- a) Will recover the average bank charges incurred relating to a dishonoured negotiable instrument against the account of the customer;
- b) May regard such an event as default on payment and the account shall be dealt with as an arrear account
- c) Reserves the right to take legal action on the negotiable instrument or for recovery of arrears.

8.4 The methods of payment shall be determined by the Chief Financial Officer from time to time

8.5 Where a customer signs a Credit Authority with the Municipality, payment shall, as far as possible, only be accepted via a direct debit procedure.

## **9. FULL AND FINAL SETTLEMENT**

9.1 Where the exact amount due and payable has not been paid in full, any lesser amount tendered and receipted, except when duly accepted in terms of delegation of power, shall not be in full and final settlement of such an account.

9.2 The provision above shall prevail notwithstanding the fact that such lesser payment was tendered and/or receipted in full settlement.

9.3 The CFO or his delegate must be consulted on any settlement, out of court or other-wise, that have a financial implication.

## 10. CASH ALLOCATION

- 10.1 In accordance with section 102 of the Act, the Municipality may:
- a) Consolidate any separate accounts of persons liable for payments to the municipality;
  - b) Credit a payment by such a person against ANY account of that person; and
  - c) Implement any of the debt collection and credit control measures provided for in this Policy in relation to any arrears on any of the accounts of such a person.
- 10.2 Any amount paid by the customer in excess of an existing debt may be held in credit for the customer in anticipation of future rates and fees for municipal services, and no interest will be payable on that amount, subject to Section 55 of the Act .
- 10.3 The Municipality's allocation of payment is not negotiable, and the customer may not choose which account to pay.



## 11. INTEREST AND ADMINISTRATIVE CHARGES

- 11.1 Interest charges are raised on arrears which appear on the accounts.
- 11.2 The interest rate is determined by the Chief Financial Officer and is reviewed from time to time. The legal rate of interest raised on arrears is equivalent to the rate of interest as determined in Regulation 9 of the Rates Regulations unless other applicable legislation stipulates the contrary.
- 11.3 Interest shall accrue 30 days from date of account on unpaid accounts. Interest shall accrue for each completed month in respect of any arrears remaining unpaid after 30 days of the account. A part of a month shall be deemed to be a completed month.
- 11.4 Payments on assessed/estimated charges, where the final amount has not been determined but which would have been due and payable had the amount been determined, shall attract interest from the date when it would have been so due and payable, i.e. 30 days from date of account.
- 11.5 Interest may only be reversed under the following circumstances:
- Exemptions as determined by this Policy from time to time;
  - If the Municipality has made an administrative error on the account; and
  - Where the Municipality approves such reversal from time to time.
- 11.6 An administrative charge as determined by a Resolution of the Municipal Council shall be levied on arrear rates where the Municipality has instituted legal action by service of summons, to recover same

## 12. STAFF AND COUNCILLORS IN ARREARS

- 12.1 a) Item 10 of Schedule 2 to the Act states that: -
- “a staff member of the Municipality may not be in arrears to the Municipality for rates and service charges for a period longer than three (3) months and a Municipality may deduct any outstanding amounts from a staff member’s salary after this period.”*
- b) The Municipality shall liaise with the relevant staff on repayment of their arrears
- c) The staff member must sign a payment arrangement and a stop order for the repayment of arrears in accordance with this Policy
- d) No special treatment shall be afforded to staff in arrears

- 12.2 a) Item 12A of Schedule 1 to the Act states that: -  
*“a Councillor may not be in arrears to the municipality for rates and service charges for a period longer than three months”*
- b) The Municipal Manager shall liaise with the Mayor and issue the necessary salary deduction instruction where appropriate.
- 12.3 Where the staff or Councillors arrears have arisen due to any other reason, such arrear must be paid within 3 months with interest.
- 12.4 Bonus payments and thirteenth cheques may be appropriated to the whole debt where suitable arrangements have not been made to pay off the debt.
- 12.5 Where staff are occupying premises under someone else’s name and nobody is paying the debt, the abovementioned rules will apply to them.

### **13. ARREAR ACCOUNTS: NOTICE, DEMAND, DISCONNECTION AND RECONNECTION OF SERVICES**

- 13.1 Arrears on rates or services or any other consolidated debt may result in disconnection of ANY services or with holding use of Municipal Facilities.
- Should the debtor’s account remain unpaid after the final due date, the customer will be contacted and requested to pay his account in full within seven (7) days of the due date; failing which services shall be disconnected without further notice. Or alternatively, the debtor must have made an arrangement with municipality for the payment of the arrears.
- 13.2 A disconnection penalty fee will be raised on all accounts printed for disconnection.
- 13.3 A reconnection fee will be raised on reconnection of services.
- 13.4 Disconnection and Reconnection fee have to be paid within 30 days of their levy or be included as part of the arrangement.
- 13.5 Any official or contractor appointed by the Municipality for the purposes set out herein, may, at all reasonable times enter any premises to which services are supplied by the Municipality, in order to inspect pipes, wires or any apparatus used for the supply of services and belonging to the Municipality, for the purpose of ascertaining the quantity of services supplied or consumed, or to disconnect or terminate such supply or remove any apparatus belonging to the Municipality. Should access be unreasonably denied or prevented, a disconnection penalty fee may be raised.

- 13.6 If the debtor's account remains in arrears after the above mentioned actions, the premises of the unpaid account must be placed on a weekly inspection schedule/register to ensure that the services remain disconnected at the premises until the account is paid or an arrangement is made between the debtor and municipality.

## **14. DEBT RELIEF PROGRAMME**

- 14.1 Debt Relief Programme is aimed at assisting customers who are in arrears for service charges, for hundred and fifty (150) days or more. Customers eligible for the debt relief programme are those families:
- a) Who reside on the property with a rateable value as determined by Council at its annual budget; or
  - b) Who, irrespective of the property value, are confirmed as being too poor to be able to afford their current service debt;
  - c) Application procedures hereof are delineated in the indigent policy of the municipality; and
  - d) Where this policy clashes with the indigent policy, the indigent policy shall prevail.
- 14.2 The CFO has to use his or her own discretion in managing such cases internally and all screening processes has to be conducted in cases where it has been proven that customers are unable (overcommitted) to pay Council dues.

## **15. TERMINATION / TRANSFER OF SERVICES**

- 15.1 At least two (2) days' notice is required from the customer upon termination / transfer of an account, to enable the Municipality to take final meter readings and process account adjustments
- 15.2 Once the account is terminated, the account must thereafter be linked to the owner's rates account.
- 15.3 The Municipality may exercise its common-law right where a tenant on a property is in breach of his/her contract with the Municipality and transfer the debt to the owners' account. The tenant shall forfeit his/her deposit to the owner where the outstanding debt is paid by the owner.

## 16. UNALLOCATED CONSUMPTION

When electricity consumption is recorded on a property during a period for which there is no registered customer against whom a bill can be raised, the relevant charges for electricity services shall be raised against the registered owner on his consolidated bill.

## 17. METER READINGS

The Municipality may estimate readings and read meters when it is convenient and cost effective. If the municipality cannot access the premises for a period of three months the municipality reserves the right to install a pre-paid meter at the premises. Any costs emanating from this will be for the owners account.

## 18. ELECTRICITY DEBT RECOVERY USING THE PRE-PAYMENT METERING SYSTEM

- 18.1 The customer of a private residential property may apply for a pre-payment meter and qualify for pre-payment debt recovery facility, (at discretion of the Municipality and within the municipality's budget and resource availability) provided the following conditions are met:
- a) The applicant / owner must not own any other immovable property
  - b) If electricity services have been removed, the owner must apply and pay for the re-instatement of services, and where necessary, obtain the service of a private registered contractor to inspect, rewire, test and issue a Certificate of Compliance (COC)
  - c) The customer, with the consent of the owner, must sign an Acknowledgement of Debt with the Municipality for any outstanding debt, Clauses 23.12 are applicable *mutatis mutandis*;
  - d) The owner must complete a "change-over" form at the Municipality changing from a credit meter to a pre-paid meter;
  - e) Certified copies of the Identity Documents of the owner and his/her spouse must be produced.
- 18.2 The services of customers on pre-paid meters, who tamper with their services, will be disconnected and any outstanding debt will become due and payable immediately. The services may be reconnected on a 50/50 % or suitable pre-payment debt recovery plan.

- 18.3 No electricity will be supplied to consumers in arrears who have not made arrangements with the Municipality (and honor their agreement) unless their current account is paid in full and provided that should they wish to purchase electricity, 50% of the amount tendered will be offset against their arrear account and 50% against the purchase of pre-paid electricity.
- 18.4 Electricity will only be supplied to consumers whose current account is paid in full and arrangements have been made (and honored) for the payment of arrear amounts. Consumers will not be allowed to skip payment of an arrangement for a month and purchase electricity.
- 18.5 Whilst an account is in arrears the due date for payment of accounts will be the 1<sup>st</sup> of each month instead of the 10<sup>th</sup> of the month. This means no electricity will be supplied unless the current account is paid in full. (Blocked on the 1<sup>st</sup> of each month)
- 18.6 No extension for late payment of accounts in arrears will be considered for the purpose of purchasing pre-paid electricity.
- 18.7 Current accounts consists of Property Rates and Consumer Services, part payments will not approve the purchasing of electricity.
- 18.8 After payment of current accounts without any arrangements on outstanding arrear accounts a limited amount of electricity will be supplied on the 50/50 basis as per Council Resolution.
- 18.9 Consumers who qualify for Indigent Support and whose application was approved by council will be supplied with 50 units electricity free of charge per calendar month.
- 18.10 Should they wish to purchase additional electricity during the same month, the full current must be paid before such additional electricity will be sold on the 50/50 basis or as per agreement.

## **19. REVENUE CLEARANCE CERTIFICATES**

Subject to Sections 118(1) and (1A) of the Act, the following shall apply to the issue of a revenue clearance certificate for the purpose of effecting transfer of a property to a new owner.

- 19.1 Assessments

- a) An application shall be made by a conveyancer, in the prescribed format. Each application must be accompanied by the relevant application fee. The application will not be processed until the fee is paid.
- b) Copies of all current accounts must accompany any application made manually. If the relevant information is not provided, the application will be returned to the conveyancer.
- c) The new owner may be held liable post transfer should the application not record the correct meter numbers on the property.
- d) The Municipality does not accept responsibility for errors on manual applications. The Conveyancer must check that all details on the application, assessment and the revenue clearance certificate are correct.
- e) Assessed figures are calculated ninety (90) days in advance. Service charges are estimated for ninety (90) days based on previous consumption.
- f) Upon the receipt of the revenue clearance certificate request, a letter shall be sent to the nominated Conveyancer notifying him or her about his or her responsibilities to inform both the seller and the purchaser regarding the total amount of municipal outstanding debts charged against the property.
- g) An "Attorneys Report" in respect of all amounts owing and the assessed figures, shall be issued upon the receipt of the request for the report.
- h) The assessment shall remain valid for a period of thirty (30) days from the issue date. If payment has not been received within this period, a re-assessment may be required, and payment of a further application fee will apply.
- i) Amounts raised on the Supplementary Valuation Roll prior to the effective date of that roll, will be billed for the purpose of the assessment. The seller shall be deemed to have waived his right to be billed on the effective date of such roll.
- j) Prior to the issue of a revenue clearance certificate for a subdivision which is still held under the title of the parent property, the owner/seller must, subject to the provisions of Section 19.1 or pay all debt on the parent property. Onus rests with the owner/seller to ensure that on new subdivisions, the debts on the parent property are fully paid
- k) Any discrepancies may result in delays in the issuing of a revenue clearance certificate, and in addition may result in the levying of additional backdated rates, penalties or charges.
- l) Any amounts paid shall be appropriated to the oldest debt first

- m) A separate application is required for each transfer
- n) An assessment in terms of S118(1) of the Systems Act will only be issued on request by a Conveyancer.
- o) The balance of the debt, prior to the two years preceding the date of application of a certificate, shall remain as a charge against the property. All subsequent owners, together with the owner at the time the debt was incurred, shall be jointly and severally liable for such debt, the one paying the other to be absolved.
- p) The Municipality reserves the right not to provide services on the property until all debt is fully paid or suitable arrangements are made to pay the debt;
- q) The onus is on the Conveyancer to advise the purchaser of the provisions of Section 19.1 o and p above.
- r) Where the Municipal account is in respect of a debt consolidated under Section 102 of the Systems Act, the said consolidated account will be deconsolidated on application for a revenue clearance certificate. An account for the property subject to the revenue clearance application will be rendered together with the full interest that accrued on the consolidated account.
- s) A revenue clearance certificate shall be issued within ten (10) days of the date of payment of the amount requested in the "Attorneys Report"

## **19.2 Revenue Clearance Certificates**

- a) Payment on the assessment must be made in cash, EFT payments, direct debit, bank transfers or cheques or other instrument accepted by the Municipality from time to time.
- b) There shall be no refunds on the cancellation of a sale or otherwise
- c) The certificate shall be valid for a period of sixty (60) days from date of issue.
- d) The certificate shall be endorsed with the balance owing as a charge against the property in order to bring the same to the attention of the seller, buyer and conveyance. The onus is on the conveyance to advise his or her clients accordingly. The Municipality reserves the right to require the Conveyancer to furnish an irrevocable bank guarantee for the full outstanding debt, payable on date of registration of transfer.

- e) The Municipality may institute legal proceedings to recover the balance owed from the persons referred to in section 19.1 p.
  - f) The Municipality reserves the right to follow any of the legal mechanisms available to it in order to recover the balance of the debt, including lodging an urgent application to interdict the sale of the property until the debt is paid in full.
  - g) All legal costs, including attorney-own-client costs incurred in recovery of arrears, shall be levied against the debtor's account.
- 19.3 Information and addresses of the purchaser provided on the revenue clearance certificate shall be used as details of the new owner/purchaser for the purposes of billing for rates, services and consolidated accounts, until same is changed by the purchaser in writing.

## 20. LEGAL ACTION

- 20.1 Legal steps may be taken to collect arrears where;
- a) Disconnection action yielded no satisfactory result;
  - b) Disconnection action is not possible due to the nature of the services for which the account has been rendered; or
  - c) The arrears are older than ninety (90) days
- 20.1.1 The final letter of demand will be issued at this stage to the debtor demanding payment of the outstanding amount, failing which legal action will then be taken against the debtor. *[Newly inserted section]*
- 20.2 The Municipality may, in terms of Section 28 of the Municipal Property Rating Act, recover arrear rates from tenants/managing agents in occupation of the relevant property but only to the extent of the rent payable or amount due by the tenant but not yet paid to the owner of the property. This does not preclude further legal action against the owner.
- 20.3 For residential properties occupied by owners, all reasonable steps shall be taken to ensure that the ultimate sanction of judgment and sale-in-execution is avoided or taken as the last resort. The Municipality, however, has total commitment to follow the legal processes through to judgment and sale-in-execution should the debtor fail to make use of the alternatives provided for by the Municipality from time to time.
- 20.4 Once judgment is obtained the properties will be advertised and sold through public auction, unless appropriate settlement has been made to the satisfaction



of the Municipality. The Municipality shall assess annually, the appropriate minimum amount below which it will not attach homes.

- 20.5 All legal costs shall be debited to the relevant debtors account
- 20.6 Proceeds of the Sale in Execution may be appropriated to any of the debtor's accounts in arrears.
- 20.7 Metering and connection equipment remain in the ownership of the Municipality at all times and the owner of the property, on which such Municipal Meters and connection equipment is installed, shall be held responsible for all instances of tampering, damage or theft. Accordingly, the owner of the property concerned is liable for any breach of this duty may be prosecuted.
- 20.8 Where a Sectional Title Body Corporate is in arrears, the CFO may apply to the court for the appointment of an administrator in terms of Section 46 and 47 of the Sectional Titles Act 95 of 1986, as amended.

## **21. CREDIT AUTHORITIES AND OFFERS TO SETTLE IN TERMS OF SECTION 58 OF THE MAGISTRATE'S COURT ACT**

- 21.1 The Municipality may, at its discretion, enter into a credit authority and an admission of liability, with customers and owners in arrears with municipal service fees, surcharges on fees, property rates and other municipal taxes, levies, duties and sundry charges.
- 21.2 Before any credit authority is concluded, all services must be consolidated onto one account (if not done previously) and a credit authority concluded for the full debt of all services where possible.
- 21.3 The customers' current account must be paid in full, and maintained, for the duration of the agreement.
- 21.4 The owner of a property must consent in writing to a credit authority and admission of liability with the Municipality and his tenant.
- 21.5 Re-connection and disconnection fees, where applicable, must be paid in full before any credit authority can be entered into.
- 21.6 By entering into a credit authority the debtor(s), and where applicable, the owner, acknowledge that failure to meet any installment will result in prompt disconnection action being taken, without prejudice to any legal action that the Municipality may take to recover the arrears.
- 21.7 Credit authorities negotiated on business accounts shall require:

- a) The agreement to be signed by a duly authorised Director/Member of the business;
- b) Personal sureties to the value of the debt plus current accounts, or increased deposits;

21.8 A credit authority may not be granted where:

- a) Arrears have arisen due to dishonoured cheques, direct debit reversals etc.
- b) Instances of repeated meter tampering have been identified
- c) The services have been removed; or
- d) The customer's deposit has been increased due to a poor risk profile.

21.9 Where any debt has arisen as a result of the Municipality having applied an incorrect charge and/or tariff, or faulty meter, the customer may arrange to pay the debt over a maximum period at the discretion of the Chief Financial Officer and any interest or penalties may be waived.

21.10 Should any dispute arise with respect to the amount owing, the debtor will continue to make regular payments based on the average charges for the preceding three (3) months prior to the dispute, plus interest where applicable.

21.11 The amount of the down payment and the period of the credit authority shall be at the discretion of the Municipality;

21.12 The credit authority shall be terminated if a debtor relocates from the property. The balance owing shall become immediately due and payable.

21.13 The monthly installments on a credit authority are payable within twenty-one (21) days from the date of the account notwithstanding any further extension of time printed on the face of the account

21.14 A credit authority shall be cancelled upon application for a revenue clearance certificate on the property, and the whole debt shall become due, owing and payable, notwithstanding any agreement on the contrary.

21.15 Where the credit authority is based on interim readings, the amounts on the credit authority will accordingly be adjusted once the actual readings are taken.

21.16 A credit authority is automatically cancelled when an award is made in favour of a tenderer;

21.17 A credit authority for staff and councillors would be in accordance with clause 14

hereto.

- 21.18 The customer who signs a credit authority must as far as possible, make payment to the Municipality via a debit order.

## 22. DISPUTES

- 22.1 A customer who disputes an account must submit each dispute in writing to the person appointed by the Municipality to deal with such disputes (hereinafter referred to as "the Authorized Delegate"), stating the reasons for such dispute and any relevant facts, information or representation which the Authorized Delegate should consider to resolve the dispute,
- 22.2 The dispute 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.
- 22.3 The dispute must relate to a specific amount on the account. Amounts not in dispute must be paid in full. If the amounts not in dispute remains unpaid, services may be disconnected.
- 22.4 Queries are not regarded as a dispute.
- 22.5 Proven tampering charges are not regarded as a dispute.
- 22.6 The Authorized Delegate or his nominee may hear representations from customers who dispute an account and he/his nominee may take a decision, based on the spirit of the Policy.
- 22.7 A dispute submitted above shall not stop or defer the continuation of any legal procedure already instituted for the recovery of arrear payment relating to such dispute.
- 22.8 The customer has the right to appeal to the CFO or his assign against the decision of the Authorized Delegate. The CFO or his assign may hear representations and make a decision that is binding.
- 22.9 A person whose rights are affected by the decision of the CFO may appeal against that decision within 21 days of the date of notification of the decision, to the municipal manager.
- 22.10 Objections and Appeals on property valuations do not stay Credit Control and Debt Collection Procedures.
- 22.11 Disputes regarding the General Valuation Roll must be submitted to the Real Estate section in the form of an objection or appeal as envisaged by Sections 50 and 54 of the MPRA. The account must be paid in full until an objection or appeal outcome is reached whereafter the account will be credited or debited accordingly

## **23. REFUNDS**

Provided all the customers' accounts are paid, credits on accounts shall be refunded, on application, as follows:

- 23.1 on a refuse services or electricity account: to the account holder;
- 23.2 where the owner pays the tenants account in terms of Section 118(3) of the Act : to the owner;
- 23.3 on transfer of a property, to the conveyancing attorney
- 23.4 proof by receipt to claimant
- 23.5 credit on an owner's account will not be refunded where there is outstanding debt on the property.

## **24. DECEASED ESTATES**

- 24.1 The Executor of a Deceased Estate shall be liable for payment of all debts on the property.
- 24.2 Where the property was previously governed by the Black Estates Act, and the estate has not yet been finalized, the occupants of the property shall be regarded as "Deemed Owners" for the purposes of the account only, and shall be responsible for the consolidated account, including rates.
- 24.3 "Deemed Ownership" does not confer any rights to the occupants other than the liability to pay the accounts.

## **25. HOUSING**

- 25.1 This Credit Control Policy shall apply equally to Municipal Housing tenants.
- 25.2 the accounts will be consolidated with rates and services and will be disconnected for non payment.
- 25.3 Where tenants are substituted in terms of the Housing substitution Policy, the substituted tenant shall assume the rights and obligations of the one so substituted, including all debts, credit authorities, deposits etc.

## 26. IRRECOVERABLE AND DOUBTFUL DEBT

26.1 Debt will only be considered as irrecoverable if it complies with one or more of the following criteria:

- a) On an annual basis the list of outstanding indigent balances will be submitted to Council for consideration for write off. *[newly inserted section]*
- b) all reasonable notifications and cost-effective legal avenues have been exhausted to recover a specific outstanding amount; or
- c) any amount equal to or less than R500.00, or as determined by Council from time to time, will be considered too small, after having followed basic checks, to warrant further endeavours to collect it; or
- d) the cost to recover the debt does not warrant further action; or
- e) it has been proven that the debt has prescribed; or
- f) the debtor is untraceable or cannot be identified so as to proceed with further action; or
  - the debtor has emigrated leaving no assets of value to cost-effectively recover Councils claim; or
- g) it is not possible to prove the debt outstanding; or
  - a court has ruled that the claim is not recoverable;
  - the claim is subject to any order of court;
  - the claim is subject to an out of court settlement agreement;
  - the debt is subject to a settlement in terms of Section 109 of the Systems Act;
  - Council has resolved that the debt is irrecoverable; or
  - If an offer of Full and Final Settlement is accepted and confirmed in writing by the Head: Legal and CFO if it has financial implications; or
- h) The outstanding amount is:
  - Due to an irreconcilable administrative error by the Municipality;
  - As a result of an administration error; or
- i) Expenditure incurred, in respect of internal accounts raised in the name of the Municipality, in any previous financial year; or
- j) Conversion of old dormant balances of debtors, inherited from the previous municipalities which now form part of the Municipality, and where reasonable steps have been taken to recover these debts; or
- k) Where Council –
  - Expropriates any property; or
  - Purchases any property in terms of its Sales in Execution

- 26.2 Provided there is sufficient provision for bad debt, the CFO shall write off any revenue which is irrecoverable or the recovery of which is considered not to be reasonably practicable;
- 26.3 The CFO must report to Council all amounts that will be written off as irrecoverable with the Section 71 MFMA report.
- 26.4 GRAP 104 provides the following guidance on working out the provision for doubtful debts at reporting date

**“Financial assets measured at amortised cost (see Appendix A paragraphs AG120. to AG129.)**

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If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

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An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (see paragraph .58). If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal shall be recognised in surplus or deficit.”

In accordance with the above guidance, the following methodology will be followed to determine the amount of the provision for doubtful debts.

**Consumer debtors**

Exclude :

- Government accounts and organs of state
- Credit balances

**Conditions**

Debt aged 0 to 60 days are not provided for because those are collectible through monthly electricity disconnections and blockings.

<b>Payments made in</b>	<b>Debtor age</b>	<b>Provision</b>	<b>except</b>
June (year under review)	90 days 120 days 150 days 180 days Up to 365 days and over	10% 20% 30% 40%  50%	Debt paid up after year end. If there is an arrangement that is being adhered to.
March, April, May (year under review)	90 days 120 days 150 days 180 days Up to 365 days and over	20% 30% 40% 50% 60%	Debt paid up after year end If there is an arrangement that is being adhered to.
Jan, Feb (year under review)	90 days 120 days 150 days 180 days Up to 365 days and over	30% 40% 50% 60% 70%	Debt paid up after year end If there is an arrangement that is being adhered to.
July to December (year under review)		70%	Debt paid up after year end If there is an arrangement that is being adhered to.
No payments during the financial year under review		100%	Debt paid up after year end If there is an arrangement that is being adhered to.

### **Sundry debtors**

Exclude credit balances

Provide for all debtor ages

<b>Payments made in</b>	<b>Debtor age</b>	<b>Provision</b>	<b>except</b>
June (year under review)	0-90 days 120 days 150 days 180 days	10% 20% 30% 40%	Debt paid up after year end. If there is an arrangement that is being adhered to.

	Up to 365 days and over	50%	
March, April ,May (year under review)	90 days 120 days 150 days 180 days Up to 365 days and over	20% 30% 40% 50% 60%	Debt paid up after year end If there is an arrangement that is being adhered to.
Jan, Feb (year under review)	90 days 120 days 150 days 180 days Up to 365 days and over	30% 40% 50% 60% 70%	Debt paid up after year end If there is an arrangement that is being adhered to.
July to December (year under review)		70%	Debt paid up after year end If there is an arrangement that is being adhered to.
No payments during the financial year under review		100%	Debt paid up after year end If there is an arrangement that is being adhered to.

## 27. LEASES

- 27.1 Persons who lease property from the Municipality for the purposes of any business or trade must sign a surety agreement covering all debt incurred on the said property during the duration of the lease.
- 27.2 Where the lessee is a company of close corporation, the directors or members are required to sign a personal surety covering all debt incurred on the said property during the duration of the lease;
- 27.3 Municipal service accounts must be opened in the name of the lessee only. The rates and services accounts will be consolidated.
- 27.4 Sub-lessee's may open service accounts in their name with the consent of the Head: Real Estate and provided that the account is consolidated with the rates account.



## 28. POLICY EVALUATION AND REVIEW

To be in a position to measure the outcome of the Policy , the Municipality believes that the output of this Policy should be measured in terms of general recognized accounting practices and the following benchmarks will be applicable:

		<u>Total amount outstanding</u>		<u>365</u>
28.1	DEBT COLLECTION PERIOD	=	revenue	X 1
28.2	ANNUAL DEBTORS COLLECTION RATE	=	<u>last 12 months receipts from debtors</u> last 12 months billing	X <u>100</u> 1

The norm on the collection rate is set at -95- %

This Policy supersedes previous resolutions relating to Credit Control and Debt Collection.

## **Annexure A**

### **ASSISTANCE TO THE POOR**

#### **Electricity:**

Endumeni Electricity implemented a Free Basic electricity (FBE) tariff in 2003. This tariff applies to indigent customers who consume less than [300kwh]per month, and are registered as FBE customers.

#### **Qualifying Criteria**

1. The customer's consumption must be equal to or less than of [300kWh] per month, calculated over a period of the preceding 03 months.
2. The average consumption is calculated at each purchase or enquiry at the vendor.
3. A person who has zero consumption does not qualify for a FBE token.
4. The FBE tokens must be collected in the current month only, and cannot be carried-forward to the next month.

#### **Exclusions**

The free basic electricity is meant for the law-abiding indigent customers. The following are excluded from the FBE tariff:

1. General lighting supplies in residential complexes;
2. All business connections; and
3. Indigent citizens who have tampered with their supplies

#### **Credit Customers**

All credit customers that fit the above criteria are required to convert to pre-payment metering, at no cost to the customer.

Each of these customers will be audited for compliance using the above criteria.

#### **Prepaid Customers**

All customers will be audited for compliance and the system of those not fitting the above criteria will be disabled on the vending system. It will be during this auditing process that a formal address will be assigned to each customer and uploaded onto the prepaid data-base.

## **Refuse Removal**

**Residential Property = R100 000 or less than R100 000 – no charge**

### **Rates:**

In addition to the R15 000 reduction in value of residential property imposed by the Local Government: Municipal Property Rates Act 6 of 2004, the Municipality grants an additional reduction of R 85000. This further reduction is aimed primarily at persons owning low-cost properties and is an integral part of the municipality's indigent relief measures. The Municipality may raise a fixed charge on these properties. The charge may be recovered via the electricity pre-payment system.

### **Acknowledgement Of Debt**

where a debtor occupies property of the kind referred to above, and qualifies for a full reduction in the value of his/her property, and where such debtor enters into an Acknowledgement Of Debt with the Municipality to pay off arrears for service charges, no further interest will be added to the arrears outstanding if during the period, the debtor adheres to the Agreement.