AMAHLATHI LOCAL MUNICIPALITY

CREDIT CONTROL, DEBT COLLECTION AND DEBT WRITE OFF POLICY

Council Resolution Number	Approved Date
Ordinary Council Meeting	28 May 2026
Effective Date: 1 July 2026	Review Date: Annually and or as and when required

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Speaker

NAME OF POLICY – CREDIT CONTROL, DEBT COLLECTION AND DEBT WRITE-OFF POLICY	
Policy Number	
Policy Name	Credit Control, Debt Collection and Debt Write-Off Policy
Policy Status	Active
Version	
Date of Approval	29 May 2025
Date of First Implementation	01 July 2025
Date Last Amended	
Date of Next Review	01 July 2026
Purpose	
Aims and Objectives	
Policy Custodian	Budget & Treasury Office
Related Policies and Legislation	MFMA
Approving Authority	Municipal Council
Applicability	Municipal Departments
Policy Benchmark and References	
Stakeholders Consulted	

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1. PREAMBLE

WHEREAS section 152 (1) (b) of the Constitution of the Republic of South Africa Act 108 of 1996 ('the Constitution') provides that one of the objects of local government is to ensure that the provision of services to communities occurs in a sustainable manner;

AND WHEREAS section 153 (a) of the Constitution provides that a municipality must structure its administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community;

AND WHEREAS section 195 (1) of the Constitution provides that the public administration must be governed by the democratic values and principles enshrined in the Constitution, including-

i) The promotion of the efficient, economic and effective use of resources; ii) The provision of services impartially, fairly, equitably and without bias; and iii) The fact that people's needs must be responded to.

AND WHEREAS section 4 (1) (c) of the Local Government: Municipal Systems Act 33 of 2000 ('the Systems Act') provides that the Council of a municipality has the right to finance the affairs of the municipality by charging fees for services, imposing surcharges on fees, rates on property and, to the extent authorised by national legislation, other taxes, levies and duties;

AND WHEREAS section 5 (1) (g), read with subsection (2) (b), of the Systems Act provides that members of the local community have the right to have access to municipal services which the municipality provides provided that, where applicable and subject to the policy for indigent debtors, pay promptly for services fees, surcharges on fees, other taxes, levies and duties imposed by the municipality;

AND WHEREAS section 6 (2) (c), (e) and (f) of the Systems Act provides that the administration of a municipality must take measures to prevent corruption; give members of

a local community full and accurate information about the level and standard of municipal services that they are entitled to receive; and inform the local community about how the municipality is managed, of the costs involved and the persons in charge;

AND WHEREAS Chapter 9, sections 95, 96, 97, 98, 99 and 100, of the Systems Act provides for Consumer Care Management, Debt Collection responsibility of the Municipality, contents of the policy, by-laws that give effect to the policy, Supervisory authority and Implementing authority.

IT IS HEREBY ADOPTED: a credit control and debt management policy of the Amahlathi Municipality.

2. DEFINITIONS

For the purpose of this policy, the wording or any expression has the same meaning as contained in the Act, except where clearly indicated otherwise and means the following:

"Systems act"	The Local Government Act: Systems Act, 2000 (Act No 32 of 2000) as amended from time to time;
"MFMA"	Municipal Finance Management Act No 56 of 2003
"Arrangement"	A written agreement entered between the Council and the debtor where specific repayment parameters are agreed to.
"Arrears"	Means those rates and service charges that have not been paid by the due date and for which no arrangement has been made.

"Authorized representative" Person or instance legally appointed by the Council to act or to fulfil a duty on its behalf;

"Chief Financial Officer" means a person designated in terms of section 80(2) of the Municipal Finance Management Act 56 of 2003.

"Council" The municipal council, as referred to in section 157 of the Constitution of the Republic of South Africa Act 108 of 1996, of the Amahlathi Municipality established by part 7 of provincial notice 80, dated 27 September 2000;

"Credit control" Credit control begins when the first contact is made with a consumer applying for Municipal services - the consumer being the owner of the property or the owner.

It contains all the functions relating to the collection of monies owed by ratepayers and the users of municipal services including:

- Signing of a valid consumer's agreement and the payment of a consumer's deposit
- An accurate meter reading at fixed intervals
- The issuing of accurate and regular statements
- Engaging in regular communication to all consumers
- Provide support to people who are declared as Indigent
- Maintain affordable service levels and standards
- Implement appropriate payment terms and options
- Provide an effective and efficient enquiry system
- Implement consistent credit control measures with the aim to enforce a culture of payment for services
- Furnish monthly reports to Council on the performance of revenue collection.

"Consumer" Any occupier of any premises to which Council has agreed to supply or is actually supplying services, or if there is no occupier, then the owner of the premises and includes any debtor of the municipality;

"Defaulter" Any person or rate payer who is owing the Council arrear monies in respect of rates and / or service charges;

"Engineer" The person in charge of the civil and/or electrical component of Council;

"Equipment" A building or other structure, pipe, pump, wire, cable, meter, engine or any accessories;

"Gender" Any reference to the one gender shall include reference to the other;

"Implementing authority" means the Municipal Manager or his or her nominee, acting in terms of section 100 of the Systems Act 32 of 2000.

"Interest" A charge levied with the same legal priority as service fees and calculated at a rate determined by council from time to time on all arrear monies;

"Municipal account" An account rendered specifying charges for services provided by the municipality, or any authorised and contracted service provider, and/or assessment rates levies;

"Municipality" i) when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
ii) when referred to as a geographical area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act,1998(Act No.27 of 1998)

"Municipal Manager"
The person appointed as Municipal Manager in terms of section 82 of the Municipal Structures Act, 1998, (Act 117 of 1998) and includes any person acting in that position or to whom authority was delegated;

"Municipal services"

Has the meaning assigned to it in terms of section 1 of the Municipal Systems Act i.e. those services provided by the municipality, such as, inter alia the supply of water and electricity, refuse removal, sewerage treatment, sundries and any other services for which service charges are levied;

"Occupier" Any person who occupies any property or part thereof, without regard to the title under which he or she occupies the property,

"Owner"

i) The person in whom from time to time is vested the legal title to premises;

ii) In a case where the person in whom the legal title is vested is insolvent or dead, or is under any form of legal disability whatsoever, the person in whom the administration of and control of such premises is vested as curator, trustee, executor, administrator, judicial manager, liquidator or other legal representative;

iii) In a case where the Council is unable to determine the identity of such person, a person who is entitled to the benefit of such premises with a building thereon;

iv) In the case of premises for which a lease of 30 years or more has been entered into, the lessee thereof;

v) In relation to:-

(a) a piece of land delineated on a sectional plan registered in terms of the Sectional Titles Act 1986, (Act 95 of 1986), and without restricting the above the developer or the body corporate in respect of the common property; or

(b) a section as defined in such Act, the person in whose name such a section is registered under a sectional title deed and includes the lawfully appointed agent of such a person;

vi) Any legal person including but not limited to-

(a) a company registered in terms of the Companies Act, 1973 (Act 61 of 1973), a trust, a closed corporation registered in terms of the Closed Corporations Act, 1984 (Act 69 of 1984) and a voluntary association;

(b) any department of State;

(c) any Council of Board established in terms of any legislation applicable to the Republic of South Africa;

(d) any Embassy or other foreign entity

"Premises" Includes any piece of land, the external surface boundaries of which is delineated on-

i). A general plan or diagram registered in terms of the Land Survey Act, 1927 (9 of 1927), or in terms of the Deed Registry Act, 1937 (47 of

1937); or ii). A sectional plan registered in terms of the Sectional Titles Act, 1986 (95 of 1986), which is situated within the area of jurisdiction of the Council;

"Supervisory authority" means the Mayor of the Municipality or his or her nominee, acting in terms of Section 99 of the Systems Act.

"Tampering" metering means any unauthorised interference with Council's supplies, seals and equipment causing damage to Council's property with the intention to evade payment for services.

3. POLICY OBJECTIVES

The council of the municipality, in adopting this policy on credit control, debt collection and debt write-off, recognises its constitution obligations to develop the local economy and to provide acceptable service to its residents. It simultaneously acknowledges that it cannot fulfil these constitution obligations unless it exacts payment for the levies – in full of those residents who cannot afford to pay, and in accordance with its indigency relief measures for those who have registered as indigents in terms of the approved policy. Objectives include the following:

a) To ensure collection of all outstanding debt owed to the municipality.
b) To promote a culture of good payment habits amongst debtors.
c) To use innovative, cost-effective, efficient and appropriate methods to collect outstanding debt.
d) To effectively and efficiently deal with defaulters in accordance with the prescripts of this policy.

4. PRINCIPLES

a) The administrative integrity of the municipality must be maintained at all costs. The democratically elected councillors are responsible for policymaking, while it is the responsibility of the Municipal Manager to ensure the execution of these policies.
b) All consumers must complete an official application form, formally requesting the municipality to connect them to service supply lines. Existing consumers may be required to complete new application forms from time to time, as determined by the Municipal Manager.
c) A copy of the application form including conditions of rendering of services must be handed to every new consumer on date of application for services. In addition, a copy of the council's Credit Control and Debt Collection policy would on request be made available to any consumer.
d) Billing is to be accurate, timeous and understandable.
e) The consumer is entitled to reasonable access to pay points and to a variety of reliable payment methods.

f) The consumer is entitled to an efficient, effective and reasonable response to appeals, and should suffer no disadvantage during the processing of a reasonable appeal.

g) Enforcement of payment must be prompt, consistent and effective.

h) Unauthorised consumption, connection and reconnection, the tampering with or theft of meters, service supply equipment and the reticulation network and any fraudulent activity in connection with the provision of municipal services will lead to disconnections, penalties, loss of rights and criminal prosecutions.

i) Incentives and disincentives may be used in collection procedures.

j) Results will be regularly and efficiently reported by the Municipal Manager and the Mayor.

k) Application forms will be used, inter alia, categorise customers and to determine relevant levels of services and deposits required

l) Targets for performance in both consumer service and debt collection will be set and pursued and remedies implemented for non-performance.

m) Debtors may be referred to third party debt collection agencies and may be placed on the National Credit Rating list.

5. DUTIES AND FUNCTIONS

5.1 Duties and Functions of Council

a) To approve a budget consistent with the needs of communities, ratepayers and residents in line with the financial capability of Council.

b) To impose rates and taxes and to determine service charges, fees and penalties to finance the budget.

c) To facilitate sufficient funds to give access to basic services for the poor.[1]

d) To provide for a bad debt provision, in line with the payment record of the community, ratepayers and residents, as reflected in the financial statements of the municipality.[2]

e) To set an improvement target for debt collection, in line with acceptable accounting ratios and the ability of the Implementing Authority.[3]

f) To approve a reporting framework for credit control and debt collection.

g) To consider and approve by-laws to give effect to the Council's policy.

h) To monitor the performance of the mayor (Supervising Authority) regarding credit control and debt collection.

i) To revise the budget should Council's targets for credit control and debt collection not be met.

[1] Preferably, the equitable share should be set-aside for this purpose.
[2] The bad debt provision should at least reflect the increase in debtors during the previous financial year.
[3] A realistic target would be to improve on the previous year's result by 5% - 10%. The target should be reviewed every year until the turnover rate of debtors is between 45-56 days.

j) To take disciplinary and/or legal action against councillors, officials and agents who do not execute council policies and by-laws, or act improperly in terms of such policies.

k) To approve a list of attorneys that will act for Council in all legal matters relating to debt collection.

l) To delegate the required authorities to monitor and execute the credit control and debt collection policy to the Mayor and Municipal Manager and Service Provider respectively.

m) To provide sufficient capacity in the Municipality's Financial Department for credit control and debt collection. Alternatively, to appoint a Service Provider as debt collection agent (such service provider must be a registered debt collection agent in terms of legislation).

n) To assist the Municipal Manager in the execution of his duties, when required.

o) To provide funds for the training of staff.

5.2 Duties and Functions of the Mayor

a) To monitor that the Council's budget, cash flow and targets for debt collection are met and executed in terms of the policy and relevant by-laws[1].

b) To monitor the performance of the Municipal Manager in implementing the policy and by-laws[2].

c) To review and evaluate the policy and by-laws to improve the efficiency of Council's credit control and debt collection procedures, mechanisms and processes[3]. d) To report to Council.

5.3 Duties and Functions of the Municipal Manager

a) To implement good consumer care management systems.

b) To implement council's credit control and debt collection policy.

c) To install and maintain an appropriate accounting system.

d) To bill consumers.

e) To demand payment on due dates.

f) To raise penalties for defaults.

g) To appropriate payments received.

h) To collect outstanding debt.

i) To provide different payment methods.

j) To determine credit control and debt collection measures.

k) To determine all relevant work procedures for, inter alia, public relations, arrangements, disconnections of services, summonses, attachments of assets, sales in execution, write-off of debts, sundry debtors and legal processes.

l) To instruct attorneys to proceed with the legal process (i.e. attachment and sale in execution of assets, emolument attachment orders etc)

m) To set performance targets for staff.

[1] The implementation and enforcement of the municipality's consumer care, credit control and debt collection policy and any by-laws enacted in terms of section 98; and

[2] The performance of the municipal manager in implementing the policy and any by-laws.

[3] When necessary, evaluate or review the policy and any by-law, or the implementation of the policy or such bylaws, in order to improve efficiency of it's credit control and debt collection mechanisms, processes and procedures; and

n) To appoint staff to execute council's policy and by-laws in accordance with council's staff policy.

Section 99 of the Local Government: Municipal Systems Act, 2000 provides that the executive Mayor must –a) Oversee and monitor -

o) To delegate certain functions to the Directors of departments.

p) To determine control procedures.

q) To monitor contracts with service providers in connection with credit control and debt collection

r) To report to the Mayor

5.4 Duties and Functions of Communities, Ratepayers and Residents

a) To fulfil certain responsibilities, as brought about by the privilege and or right to use and enjoy public facilities and municipal services.

b) To pay service fees, rates on property and other taxes, levies and duties imposed by the municipality.

c) To observe the mechanisms and processes of the municipality in exercising their rights.

d) To allow municipal officials access to their property to execute municipal functions.

e) To comply with the by-laws and other legislation of the municipality.

f) To refrain from tampering with municipal services and property.

5.5 Duties and Functions of Ward Councillors

a) To hold quarterly ward meetings wherein the credit control and debt collection policy and procedures of Council are addressed.

b) To adhere to and convey council policies to residents and ratepayers and in particular the credit control and debt collection policy and procedure.

c) To adhere to the Code of Conduct for Councillors.

d) Ward Committees will act in terms of roles and functions as approved by Council and assist in the dissemination and distribution of information.

6. AREA OF APPLICATION

This policy applies throughout the area of the Municipality of Amahlathi.

7. APPLICATION FOR SERVICES

7.1 Consumers who require a service must enter into a written service agreement with the Municipality.

7.2 In the instance where the occupant is not the owner of the property, service agreements will only be entered into by the lawful owner of the property to which the services are to be provided. Only in exceptional cases where tenant accounts will be opened and with the approval of the Chief Financial Officer.

7.3 The process must occur at least two working days prior to taking occupation of the premises, so that the Municipality can ensure that a meter reading is taken on the appropriate day and that the services are available when occupation is taken. Failure to adhere to the timeframe may result in consumers not having the services available when occupation is taken.

7.4 The Municipality will render the first account in the month following occupation.

7.5 Consumers who illegally consume services without this agreement will be subject to punitive action.

8. CONSUMER SERVICE AGREEMENTS

8.1 Consumer service agreements are those agreements that are entered into between the consumer and the Municipality for the supply of municipal services and shall include the documentary annexures as required.

8.2 The contents of the agreement include the following:

An undertaking by consumers:

i). That they are liable for the costs of collection, including any administration fees, penalties for late payment, legal costs on an attorney consumer basis, interest, and administrative levy relating to disconnection and/or reconnection of services;

ii). That any alleged non-receipt of an account does not stop the collection process;

iii). An additional/higher deposit may be required to be paid depending on the associated risk as determined by the CFO

iv). That they will provide Council with all information and documentation required to assess credit worthiness of the consumer.

8.3 Cancellation of Services

The Consumer shall notify the Municipality no less than two days in advance, of his intention to terminate his services and cancel his service agreement. The consumer must furnish all the information required to the financial official for Council to ascertain the final account and to attend to the disconnection of services.

8.4 The consumer shall be liable and responsible to ensure that the termination documentation is submitted in terms of these requirements and for payment of all costs up to and including the date of final reading and disconnection of services by the Municipality.

9. DEPOSITS

9.1 Before services can be provided, a service deposit is required to be paid by the consumer to the Municipality.

i) The deposit is payable for all consumers as per the tariff for all conventional meters.

ii) Deposits that are paid will only be refunded at the closure of the account after settlement of all levies, service charges, sundry charges.

iii) Deposits retained on behalf of consumers shall not earn interest.

iv) Any deposit held by or on behalf of a consumer shall, on being claimed, be refunded on the earlier of:

- Verification of no outstanding amount, or
- Within 30 days of receiving notification of cancellation.

v) In instances where the consumer prefers to be refunded directly to their banking account, they are to provide their banking details (bank statement or bank confirmation letter) and copy of their ID document.

vi) Unclaimed deposits will be forfeited, after allocation to any arrears outstanding to the Municipality, 6 months after the final account has been processed.

vii) Deposits of new business and industrial consumers are to be reviewed and adjusted six months after the initial application.

viii) Consumers deposits shall be applicable only to the account for which they have been allocated initially and may not be transferred by the Municipality between consumer service agreements.

ix) The Municipality shall not enter into an agreement without compliance with this requirement and the Municipal Official shall conduct a verification search of previous Municipal accounts held. Any outstanding accounts should be paid in full.

9.2 The Municipality may increase deposits to suit the particular circumstances.

9.3 The Municipality may increase the required deposit of defaulting consumers who are disconnected or should be disconnected in accordance with this policy, to equal three months average consumption which deposit shall be payable prior to reconnection of services.

9.4 The Municipality may apply the deposit towards any and all arrears arising on a service account and thereafter shall apply (8.4) hereof.

10. ACCOUNTS AND BILLING

10.1 Consumers will receive one consolidated account for all services to a property, which is situated within the boundaries of the Municipality.

10.2 Accounts are produced in accordance with the monthly meter reading cycles.

10.3 An account will be rendered each month in cycles of approximately 30 days.

10.4 The Municipality will endeavour to have the accounts delivered to all consumers. However non-receipt of an account does not prevent interest charges and debt collection procedures. In the event of non-receipt of an account, the onus rests on the account holder to obtain a free copy of the account, before the due date.

10.5 Accounts must be paid on the due date as indicated on the account. Except for 100% subsidised indigents, interest on arrears will accrue after due date if the account remains unpaid as at due date, irrespective of the reason for non-payment.

10.6 Payments for accounts must be received by:

i) Close of business on or before the due date at a Municipal pay-point

ii) In the case of electronic payments or payments via agents, the money must be received in the municipal bank account by close of business on due date

10.7 Consumers who have failed: -

i) to pay the service charges levied by due date,

ii) or to comply with the conditions of supply of services

Shall receive notification of Councils intention to disconnect services 3 days from notification where after the debt collection process will be implemented.

10.8 When a customer opens a new account an old account must be paid in full.

11. METERING OF CONSUMABLE SERVICES

11.1 The municipality may introduce various metering equipment, and consumers may be obligated to convert to a system preferred by the municipality.

11.2 Consumers who default (fail to pay by a due date) may be required by the municipality to convert to a Prepayment metering system.

11.3 Meters will be read monthly. Should circumstances prevent reading the Municipality is entitled to estimate a (3 month's history of available readings) reading that is within reason comparable to past consumption.

11.4 A consumer is responsible to allow municipal officials access to their property to execute municipal functions and will accept any cost to ensure access (such as relocating the meter) if satisfactory access is not possible.

11.5 Routine or special maintenance of metering equipment will be communicated to the consumer. The meter replacement advice will indicate the removal reading.

12. **VALUATION OF PROPERTIES**

All properties within the boundaries of the Amahlathi Municipality are to be valued in terms of the legislation, applicable to the valuation of properties for the purpose of levying property rates.

13. **CONSUMER ASSISTANCE PROGRAMMES**

These are programmes that the Municipality has designed to assist consumers meet their obligations, such as:

- Rates rebates;
- Arrangements for settlement;
- Payment of rates by instalments;
- Indigent Subsidy Support

Rates rebate

Council may grant rebates on rates in terms of Council's Rating Policy.

Arrangements for settlement

a) Arrangements are permissible for debtors who experience difficulties in paying their accounts.
b) The Municipality will enter into agreements with owners of properties.
c) Where the applicant has been put under administration, written permission may be obtained from the Administrator and the owner of the property before such arrangement could be made.
d) All arrangements will be made in writing according to section 57 of the Magistrates Act No 1938 on the prescribed form.
e) Council will in line with the Debt Collection Procedure approve the terms applicable for the settlement of arrear debt. – Each account to be accessed in conjunction with the CFO.
f) Only one arrangement should be concluded between the Municipality and the consumer. In the event the said arrangement has been honoured with satisfactory pay record, another first arrangement can be concluded with the consumer.

g) The arrangement in respect of arrears with the provision that the current account is to be serviced – if the current account falls in arrears, then the agreement falls away and the full amount outstanding is due.

h) It shall be a condition on the arrangement agreement that if the arrangement wasn't honoured, the electricity supply will be terminated without any further notice to the consumer. A Municipal official should monitor all arrangements on due dates and affect discontinuation of services where necessary.

i) When arrangements are made, a 50% deposit of the amount owed must be made and any exceptional case that will be excluded to the 50% must be approved by the CFO after due consideration is done.

Payment for services in instalments

a) Owners may elect to pay the property rates monthly in equal monthly instalments over a period of 12 months or annually before the 30th September.

b) Interest shall accrue on all rates accounts if they are not paid by the due date as indicated on the account.

c) Regular monthly instalment payments must be maintained. Failure to maintain monthly instalment payment for three (3) consecutive months shall result in the cancellation of the facility and all future instalments become payable.

Indigent support

An account holder may apply to the Municipality in terms of the laid down Indigent support policy and by-law to be considered for Indigent support.

14. COMMUNICATION

The municipality will at its own cost make the Credit Control and Debt Collection policy brochure available to the community at their request. Any amendments may be communicated in a newsletter. Councillors must on a regular basis, address ward committees and their wards on the contents of the policy and any amendments thereto.

15. PAYMENT FACILITIES AND METHODS

- Municipal payment and enquiry facilities will be maintained subject to acceptable levels of activity when compared to the operational costs. The Municipal Manager or his designate has the discretion to open and close offices as required.
- The consumer acknowledges that any agent used for transmitting payments to the Municipality is at the risk and cost of the consumer. In addition, the consumer must consider the transfer time of the agent.
- A range of payment methods is available and may be extended as required subject to financial implications.
- The Municipality shall actively monitor the effectiveness of pay facilities, methods and convenience for consumers.
- The Chief Financial Officer shall allocate payments according to pre-determined priorities of Council.
- The consumer is not allowed to selectively nominate any monies paid by him for specific services. The allocation of payments is automatically done according to priorities as determined by the CFO in line with Councils direction.
- No allegation for the non-receipt of an account will be exempted from the responsibility to pay on or before the due date.
- Officials and Councillors service accounts to be either paid in cash or be deducted on a monthly basis from their salary / remuneration.
- In terms of section (9) Schedule 2 of the Municipal Systems Act Municipal officials and Councillors are not allowed to be indebted to the Municipality on their municipal service accounts.
- The Municipality may enter into agreement with businesses and their employees for the business to deduct from and pay over to the Municipality the Municipal service account due and owing by the employee.

16. ENQUIRIES AND APPEALS

a) Any consumer who has a query/dispute concerning his service account or on the application of the credit control and debt collection policy and procedure to himself must address a letter to the Municipal Manager or Chief Financial Officer.

b) A consumer who has lodged a query/dispute is not relieved of the responsibility to maintain regular payment of the account. An interim payment similar to the average account must be paid by the due date pending finalisation of the enquiry. Failure to make a payment will result in debt collection action been instituted against the consumer.

c) The consumer will receive a response within 10 days of being lodged. (aligned to the customer care policy).

d) If a consumer is not satisfied with the response received, he shall make a written submission, to the Municipal manager, setting out the reasons for his dissatisfaction. The Municipal manager shall investigate the written submission and forward his findings to the consumer within 21 days of receipt thereof. The Municipal Managers decision shall be final.

e) The testing of an electricity meter may be done on request of the consumer at the prescribed fee, as approved. The deposit will be refundable to the consumer on the following conditions:

   i. That if an error/fault as defined in the applicable by-laws is found to exist which is not the responsibility of the consumer the meter test fee will not be applicable. If it is determined that fault is with the consumer, the fee is applicable. The verification of the meter is undertaken with a 5% allowance either way of the consumption being correct. If the variance is more than 5% Council must investigate whether the meter is faulty and if it is found to be faulty the meter must be replaced at Council's cost

   ii. Refunding (through an adjusting journal) of consumption in respect of faulty meters will be restricted to a period of 12 months from the date of query.

   iii. In the event of a prepaid meter where the consumer has complaint, the meter will be inspected and if it is found faulty the meter will be replaced and

the credit on the faulty meter will be transferred to the new meter. In the event of it being determined it is a fault of the consumer (tampering), the consumer must pay for a tamper fee and reconnection (the card is blocked).

17. MUNICIPAL SERVICE ACCOUNT CERTIFICATE: TENDERERS

The Supply Chain Management Policy and Tender Conditions of the Municipality will include the following:

a) When inviting tenders or registration on supplies 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 the municipality a certificate stating that all relevant municipal accounts owing by the tenderer and/or its directors, owners or partners have been paid.

b) No contract will be entered into with a person/contractor until proof of payment of any arrear debt for the repayment of arrears, has been made. No further debt may accrue during contract period.

18. DEBT COLLECTION

17.1 Mechanisms

The Municipal Manager is authorised to institute these mechanisms without exception and with the intention of proceeding until the debt is collected.

The following mechanisms are to be used to collect:

a) Disconnection / restriction of metered services for all service accounts.

b) Barring from buying prepayment services by debtors who are in arrears with all overdue rates and service accounts.

c) Allocating a portion of any payment for prepayment services to arrear debt.

d) Insisting that a prepayment meter be installed at the cost of debtor including the Withholding of rates clearance certificates under certain conditions. (Refer to section

118 of the Systems Act of 2000.)

e) Legal process, including proceeding (s)/arrangements in terms of section 65(J) of the magistrate's court act 1944 and all amendments in 1997, an emoluments attachment order on the debtor's salary, the attachment and sale of movable or immovable property and section 65(J) proceedings.

f) Any other method authorised by Council.

g) Electricity accounts that are in arrears must be deducted against electricity purchase in a percentage of 40% towards purchase and 60% towards repayments of account.

17.2 Legal Proceedings

a) When any of the above methods has been followed and proved to be unsuccessful, and the account is in arrears for more than 90 days, a final demand will be produced and delivered to the consumer. This will notify the consumer of the Municipality's intention to start with legal proceedings against him.

b) Should no response be received on the final demand the responsible financial officials should investigate and perform some tracing steps. All returned mail should be verified on the system, and responsible officials should perform certain tracing steps to ascertain whether the postal address is indeed correct.

c) Should Councils tracing procedures seem to be difficult; a registered Tracing Agent
may be requested to assist in the tracing process on a no trace no pay basis. Should no new data be obtained the official should ascertain the viability to proceed with the issuing of summons

17.3 Handing over

a) The handing over of arrear debt (debt over 90 days) is the beginning of a legal process.

b) It is important that arrear debt be handed over to debt collectors when the Credit Control Section was unsuccessful with the collection process.

Defaulters who do not respond to the debt collectors will be handed to attorneys for collection.

Civil action

Attorneys identified by Council should be used on a rotational basis and their progress needs to be monitored monthly by submitting a monthly report to the CFO. The CFO must monthly calculate the different attorneys' success rate versus their cost and report formally to Council.

The Council or an appointed attorney may take the following actions:

a) Legal steps are taken to collect arrears in the following cases:
    i) Where the cut-off action yielded no satisfactory result
    ii) There no cut-off action is possible due to the nature of services for which the account has been rendered
b) A pre-investigation into the account and debtor detail is carried out before the preparation of a summons takes place. The data of an appointed Credit Bureau is utilised in this regard, often resulting in telephonic contact with the consumer, which obviates the need for summonsing. The cost of the tracing as well as the telephone cost is debited to the account of the debtor at the approved tariff of the Municipality.
c) Arrear accounts in excess of R100 000 which are to be summonsed are Supreme Court matters, which are referred to the suitably qualified legal appointed panel of attorneys for summonsing.
d) Arrear accounts smaller than R100 000 are Magistrate Court matters for which the summonses are prepared by appointed panel of attorneys or the Finance Department.
e) If debtors react on the summonses received within 10 working days after delivery by the Sheriff, by either payment in full or partial payment and arrangement for monthly payment of the balance, no further legal costs are debited as in the case of an attorney or debt collection agent, and the matter is

not further pursued for as long as the debtor complies with the agreed monthly payment.

f) Summonses not reacted upon within the 10 working days window period are referred to the local Magistrates Courts in conjunction with the legal division, who have jurisdiction in these Courts. Default judgement is obtained and the relevant debtor is automatically also blacklisted at the major credit bureaus. A notice of the default judgement is posted to the debtor by registered mail.

g) Default judgements not reacted upon within a further 10 working days are again presented at the Magistrate, who issues a warrant of execution, which can either order the sale of property of the debtor to recover arrears or order the debtor to be evicted in case of arrear rentals. Where the debtor has no fixed property a court order can be served on him/her to appear in court where the Magistrate can approve a garnishee order on the debt.

h) If the Council experiences a capacity problem in the recovery of arrears, a selected portion of the work overflow can be handed to an appointed attorney for the recovery of the debt. Any cost that arises from such action is directly recovered from the debtor by the attorney.

17.4 Off setting of account balances

The municipality will, from time to time, implement off setting of account balances between itself and other debtors/creditors to reduce debt from both parties.

19. CHEQUES MARKED AS 'REFER TO DRAWER"

Cheque payments are no longer accepted by the municipality.

20. PERSONS PLACED UNDER ADMINISTRATION/ LIQUDATED

Once the Municipality is notified of a person being placed under administration, all debt immediately before the date of administration should be placed in abeyance. The debtor should not be allowed to get into arrears again. Monthly contributions from the Administrator are to be deducted from the debt placed in abeyance.

21. TRAINING

All relevant officials need to be trained on a regular basis on new legislation and best practices. Regular meetings need to be held with officials to obtain feedback on current work procedures and possible improvements.

22. DISCONNECTIONS AND RESTRICTION PROCEDURE

The Council shall ensure that:

a) Services in respect of consumers in arrears after due date shall be disconnected after a disconnection notice, as provided for herein, is issued to the consumer.

b) A monthly report on the outstanding debt and collection rate, as allowed by the municipal finance software, is to be submitted to the finance standing committee and to the quarterly Council meetings.

c) Before the supply of services is restored 50% of the outstanding Municipal account (which includes all rates and levies charged) must be paid in full, an appropriate reconnection fee and an arrangement must be made for settlement of the account.

d) The debtor may arrange to settle the outstanding debt in 12 monthly instalments.

e) Deviation from (c) and (d) above can only be approved by the Chief Financial Officer.

f) Only one arrangement per consumer will be entertained by Council.

g) The account of the arrear debtor is debited with the applicable levies and charges as provided for herein before the services are restored.

h) The deposit of the arrear debtor is adjusted as provided herein.

i) In the event of a dispute arising the duty shall be on the consumer to submit the dispute in writing in terms of the appeal procedure

j) Regular follow-ups are conducted on disconnected services to prevent illegal reconnection or tampering and to implement action in terms of the Credit Control and Debt Collection By-law on all illegal reconnection and tampers found.

k) The account of the consumer will be debited with the cost of such actions. The Municipality may also insist that the consumer install a pre-paid device- at the consumer's expense

23. APPROVAL OF BUILDING PLANS

Building plans, alterations and additions to the structure to be approved only when the debtor account is up to date or settled.

24. ESTATE ACCOUNTS

In the event of a council; being informed of a deceased consumer the Council must notify and request the legal occupants of the household to sign a new service agreement within a certain time determined by Council. The final account in the name of the deceased will then be forwarded to the respective executor of the estate for payment.

25. METER READINGS

Meters will be read monthly. Deviation lists to be verified every month to ensure the correctness of the billing process. Serious meter variances on electricity must be investigated by a meter reader before billing. Billing check to be conducted prior to running 'live' billing.

24. THEFT AND FRAUD

a) The Municipality condemns theft and fraud of municipal services and will monitor the service networks for signs of suspected tampering or irregularities. If it appears that any service was utilised or consumed without prior authorisation from the Council, or that any of the Council's property or equipment used for the provision or measuring of services has been stolen or damaged, the Council must investigate the matter and can lay criminal charges if and where it deems it to be appropriate

b) The Council may approve specific penalties and distinguish between cases of vandalism and theft.

c) Subsequent acts of suspected tampering might lead to a refusal to supply certain services for determined periods decided by Council.

d) Illegal reconnection/tampering of electricity

If consecutive follow-up actions due to no reaction by the debtor reveal that a connection has been tampered with or the municipal seal has been broken, a permanent disconnection is done and is accompanied by the gathering of evidence for the purpose of prosecution of the offending consumer.

In such cases, the Municipality will also block any further vending of prepay electricity where such a meter is installed. A request to reconnect a permanent disconnection would only be done once all arrears on such property has been settled and advance payment for a new connection was received and an increase deposit will be required from the debtor.

e) The reconnection will be considered as a new application, and current installation costs will apply.

f) Electricity supply discontinued due to non-payment will be reconnected after receipt of the required amount and reconnection fee.

g) If the reconnection of the electricity involves the installation of a prepay type meter, the installation/reconnection can only take place after payment for the provision of the meter has been received by the Municipality.

25. REPORTING AND PERFORMANCE MANAGEMENT

Reporting Procedures

The Chief Financial Officer shall report monthly to the Municipal Manager in a suitable format to enable the Municipal Manager to report to the Mayor as supervisory authority in terms of section 99 of the Systems Act, read with section 100(c). This report shall contain particulars on:

i) Cash collection statistics, showing high-level debt recovery information (numbers of consumers; enquires; arrangements; default arrangements; growth or reduction of arrear debt). Where possible, the statistics should ideally be divided into wards, business (commerce and industry), domestic, state, institutional and other such divisions.

ii) 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 agrees with the Chief Financial Officer, immediately move for a revision of the budget according to realistically realisable income levels. iii) The Mayor as Supervisory Authority shall, at intervals of 3 months, report to Council as contemplated in section 99(c) of the Systems Act.

26. INCOME COLLECTION TARGET

The long-term target is a debtor turnover ratio of 45 days, that is, debtors are expected to pay for *services on average in a month and a half.

27. APPLICATION OF THE POLICY

The Council reserves the right to differentiate between different categories of consumers, debtors, services or service standards when applying the Policy. The Council will on application of the credit control policy avoid discrimination as forbidden by the Constitution unless it is established that the discrimination is fair as allowed by the Constitution.

DEBT WRITE-OFF POLICY

1. INTRODUCTION

The council of Amahlathi Municipality proposes that in terms of Section 97 (1)/(d)(ii) of the Local Government: Municipal Systems Act, Act 32 of 2000 as amended and the Local Government Finance Management Act Section 64 (f) to adopt the underlying policy for all debts deemed irrecoverable. The Municipal Finance Management Act (MFMA) Act 56 of 2003 aims to modernise budget and Financial Management Practices in Municipalities in order to maximise the capacity of the municipality to deliver services to all with transparency as required by Sec 216 of the constitution.

The council of the municipality in adopting this policy on writing off bad debts recognizes its responsibilities as set out in Chapter 9 of the Local Government Municipal System Act 32 0f 2000.

2. OBJECTIVE

The objective of the policy is to ensure that the debtors of the municipal council are not overstated in the debtor's book through the following:

a) Ensuring that all the outstanding debt is evaluated to determine the possibility of realizing such income as revenue;
b) Ensuring that in instances where it is beyond reasonable doubt that a debt cannot be turned into revenue, in that case such debt be procedurally regarded as irrecoverable;
c) Enough provision is made for bad debts; and
d) By making sure that the municipal debt book does not reflect for periods longer than it should all monies that could be written off.

3. STATEMENT

This policy aims to set down procedures and principles to be carried out when all debt deemed irrecoverable is to be written off.

a) It is set to identify all bad debts during the financial year;
b) The writing off all bad debts at a more frequent basis preferably at least 3 months before year end; and
c) Proper delegation of power by the Municipal Accounting Officer i.e. Municipal Manager is done so procedurally.

4. IDENTIFICATION OF IRRECOVERABLE DEBT

A debt is deemed to be irrecoverable when:

a) All reasonable notifications and cost-effective measures to recover a specific outstanding debt have been exhausted;
b) If the amount to be recovered is too small to warrant further endeavours to collect it;
c) If the cost to recover the debt at a particular stage does not warrant further action e.g. summons in another country;
d) The amount outstanding is the residue after payment of a dividend in the rand from an insolvent estate;
e) The debtor has immigrated and has left debts unpaid; no assets can be attached and debtors where about are unknown;

f) The amount of the debt is less than R200 (Two hundred Rand) and has been outstanding for 3 years;

g) When debts are owed by debtors who cannot be traced; and

h) When no source documentation is available to substantiate or prove the debt, provided that the Accounting Officer must have satisfied him/herself that all reasonable steps have been taken to locate the source documents.

5. SPECIFIC CONDITIONS

The Municipality will consider debts for write-off in the following specific circumstances:

a) Debt associated with ownership of property (Rates accounts); and

b) Debt raised by Council for the services rendered to registered owners of the property/land, i.e. Assessment rates, refuse removal, Sewerage, Availability fees for electricity, will not be written-off except when the property is disposed of in the liquidation process and the proceeds do not cover the outstanding debt, the balance can then be written-off as irrecoverable.

6. METERED SERVICES DEBT

Debt owed to Council due to consumed metered services, i.e. Electricity consumption will be regarded as irrecoverable only in the following instances:

- if debt has been prescribed

7. INDIGENT HOUSEHOLD DEBT

Debt owed to Council by an Indigent Household, when registering for the first time in terms of the official Indigent Policy, shall be written off as a once-off concession, subject to a thorough audit investigation and certification to the effect that the household is a bona-fide indigent as stipulated in the Indigent Policy.

8. DECEASED ESTATE

Debt owed by the deceased estate of the breadwinner of a registered indigent household shall be written off in instances where the next of kin present proof that the property transfer fees has been paid and the service contract is signed in his/her name.

9. SPECIAL CASES

Where the allocation of RDP houses by the relevant department, has resulted in debt raised for the property in the name of the person allocated the house, but who never took occupation due to one of the following reasons:

a) Occupation taken up by illegal occupants;
b) Failure to inform the rightful owner about the allocation; and
c) Alteration of allocation not effected in Council records;

In the above-mentioned cases there will be no need to implement the Credit Control and Debt Collection Policy; therefore, write-off should take place immediately when the Division involved in the allocation of property issues a memorandum that confirms the above. Furthermore, the write-off should be affected and later reported to Council for ratification purposes.

10. FINAL ACTION

Whenever all the legal avenues, procedures and steps listed above have been exhausted, the arrear amounts should be classified as irrecoverable and should be written off by the person to whom the authority to do so has been delegated under the Municipality's system of delegations. Immediately after 30 June each year, or more regularly if requested by Council, the Accounting Officer must present to the Council a report listing the following:

a) For noting – details of the debts that was written off during the year ending 30 June under delegated authority, together with the reasons for the write offs; and
b) For consideration – details of any debt, not included under (a) above, which is believed to be irrecoverable, together with the reasons for this conclusion. The council shall then approve the write-off of such arrears, it if is satisfied with the reasons provided.

11. DELEGATED AUTHORITY

The Accounting Officer shall be given delegated authority to write-off debt under the following circumstances:

a) the debt amounts R200,00 or less;
b) all reasonable steps have been taken to recover the debt as stipulated above.

In such cases, the reason for each write-off must be listed in the report against each individual item, and audit trails for each write-off must be kept for control purposes.

12. PROPOSED WRITE-OFF REGISTER

Category of Debtor	Percentage of debt regarded as collectable	Percentage of Debt Provided for as irrecoverable
Credit Balance	Zero	Zero
In-Active Accounts	Zero	100%
Handed-over accounts to panel of debt collectors, legal handovers and clearance handovers (Debt outside Section 118)	Zero	100%
Approved Indigents	Zero	100%
Pending Indigents	Zero	100%
Non-Payment received during the preceding 6 month	Zero	100%
Formal arrangement debt more than 30 days	Zero	100%
Disconnection of Services more than 6 times during preceding 12 months	Zero	100%
Debt ageing 1080+ Days (36 months)	Zero	100%
Debt ageing between 1080 and 180 days	Average payment collection rate over preceding 12 months	100% Average payment collection rate over preceding 12 Months
Debt ageing less than 180 days	100%	Zero

Housing Rental Debtor's		
□ Debt ageing 30 days+	Zero	100%
□ Current Debt	100%	Zero

12. BAD DEBTS RECOVERED

The approval of Council for the write-off of any debt does not mean that actions to recover the money will be terminated; however, further actions will be instituted depending on the costs involved and if debt is recovered it will be recorded in the financial records of Council as recovered.

13.MONITORING AND EVALUATION

The policy must be monitored and evaluated from time to time to test if the rationale for which it was created remains relevant. There is no hard and fast rule as to when the policy should be evaluated.

14.REVIEWING A POLICY

Amahlathi Local Municipality Policies are subject to review, as and when necessary. As the review date approaches it is important to plan the process. To some extent it can help to see this as a shortened version of the full development process because it is important to ask if many of the same fit for the purpose. Inevitably, the demands of the organisation can change over a year, and it is important to consider whether the policy needs to be amended to reflect these changes. It is also essential to galvanise views from across the municipality about the success of the policy, what has worked and what hasn't and consider where there may be gaps and identify any newly emerging needs or issues.

It may be necessary to plan a communications exercise or the intranet to generate discussion and feedback. For practice related policies it will be essential to create some dialogue with relevant stakeholders to gain their views.

If because of the review, essential aspects of the policy are changed it will again be important to run a similar communications exercise as occurred in the initial implementation of the policy, this will need to be used to highlight any key changes.

15.DEVIATION CLAUSE

A deviation clause in the Policy offers an escape route in the event of unforeseen circumstances such as danger to life, emergency situations or an instruction from National / Provincial Government and District Municipality. It creates flexibility and enables performance outside the otherwise rigid confines of the policy. Approval for deviation must however be approved by the Municipal Manager or Council as the case may be.

16.DISPUTE RESOLUTION

Any dispute arising out of the implementation of policy shall be referred to the South African Local Government Bargaining Council (SALGBC) or any other structure established for that purpose in terms of the Labour Relations Act.

17.ADOPTION AND APPROVAL OF THE POLICY BY COUNCIL

This policy is adopted and approved by Amahlathi Local Municipality Council for implementation.

Effective from (Date)_____

Approved by Resolution Number _____ on this the _____day of _____20 ___

Signed this the _____ day of _____ 20___

_____ _____

DR. Z. SHASHA **DATE**

MUNICIPAL MANAGER

_____ _____

CLLR N. MLAHLEKI **DATE**

SPEAKER