

**JB MARKS LOCAL
MUNICIPALITY**



**CREDIT CONTROL AND
DEBT COLLECTION POLICY**

CREDIT CONTROL, DEBT COLLECTION AND INDIGENT POLICY

1. PREAMBLE

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;

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;

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

- (a) The promotion of the efficient, economic and effective use of resources;
- (b) The provision of services impartially, fairly, equitably and without bias; and
- (c) The fact that people's needs must be responded to.

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 authorized by national legislation, other taxes, levies and duties;

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;

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;

Chapter 9, sections 95, 96, 97, 98, 99 and 100, of the Systems Act provides for Customer 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, respectively.

2.1 DEFINITIONS

In this policy any word or expression to which a meaning has been assigned in the Local Government: Municipal Systems Act, has that meaning, unless the context, indicates otherwise-

- 2.1 **Arrangement** - means a written agreement entered into between the Municipality and the debtor where specific repayment parameters are agreed to. Such arrangement does not constitute a credit facility envisaged in terms of section 8(3) of the National Credit Act but is deemed to be Incidental Credit as envisaged in terms of section 4(6)(b) read with section 5(2) and (3) of the National Credit Act.
- 2.2 **Arrears** - means those rates and service charges that have not been paid by the due date and for which no arrangement has been made.
- 2.3 **Account** - means an account rendered specifying charges for services provided by the municipality, or any authorized and contracted service provider, and which account may or may not include assessment rates levies;
- 2.4 **Authorized Representative** - means a person or instance legally appointed by the Municipality to act or to fulfil a duty on its behalf.
- 2.5 **Billing date** - means the date upon which the monthly statement is generated and debited to the customer's account.
- 2.6 **Business premises** - means premises utilized for purposes other than residential and excludes the following:
- (a) hospitals, clinics and institutions for mentally ill persons which are not operated for gain;
 - (b) museums, art galleries, libraries and botanical gardens which are registered in the names of private persons and are open to the public, whether admission fees are charged or not;
 - (c) sports grounds used for the purpose of amateur sports and any social activities which are connected with such sports;
 - (d) any property registered in the name of an institution or organization which, in the opinion of the Municipality, performs charitable work;
 - (e) any property utilized for bona fide church or religious purposes.
- 2.7 **Chief Financial Officer** - means the person appointed as the Chief Financial Officer of the Municipality, or his or her nominee.
- 2.8 **Credit Control** - means all the functions relating to the collection of monies owed by ratepayers and the users of municipal services.
- 2.9 **Council** - means the Municipal Council of JB Marks Local Municipality or any duly authorized Committee, political office bearer.
- 2.10 **Customer**- means any occupier of any premises to which the Municipality 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.
- 2.11 **day/days** – mean calendar days, inclusive of Saturdays, Sundays and public holidays.
- 2.12 **Debt Collection Agent** – means a debt collector or attorney appointed by the municipality to collect rates and services charges.
- 2.13 **Debt Collection** - means the activity to collect monies owed by a debtor.

- 2.14 **Debt Impairment Allowance** - means the irrecoverable amount calculated on the billing debtor balance as at 30 June of a financial year by which the debtor balance must be reduced in the Annual Financial Statements.
- 2.15 **Defaulter** - means any person owing the Municipality arrear monies in respect of taxes and/or service charges in relation to –
- (a) rates due in respect of any immovable property, means the thirtieth (30) day of June of the financial year for which such rate is made, or any other date determined by the Council by notice in the Provincial Gazette, and
 - (b) in respect of service charges due in respect of any immovable property, means the date for payment indicated on the account.
 - (c) should such day fall on a Saturday, Sunday or public holiday the due date shall be the next working day. "Immovable property" includes –
 - (i) an undivided share in immovable property, and
 - (ii) any right in immovable property.
- 2.16 **Implementing Authority** - means the City Manager or his or her nominee, acting in terms of section 100 of the Local Government: Municipal Systems Act No. 32 of 2000.
- 2.17 **Indigent debtor** means: the head of an indigent household:
- (a) who applied for and has been declared indigent in terms of the Municipality's Indigent Support Policy for the provision of services from the municipality; and
 - (b) who makes application for indigent support in terms of the Municipality's Indigent Support Policy on behalf of all members of his or her household; orphaned minor children duly represented by their legal and/or defacto guardians.
- 2.18 **Indigent Support Programme** - means a structured programme for the provision of indigent support subsidies to qualifying indigent debtors in terms of the Municipality's Indigent Support Policy. "Indigent Support Policy" means the Indigent Support Policy adopted by the Council of the Municipality.
- 2.19 **Interest**- means a charge levied on all arrear monies with the same legal priority as service fees and calculated at a rate determined by the Municipality, from time to time;
- 2.20 **Month** – means a calendar month.
- 2.21 **Monthly average consumption** – means the monthly average consumption in respect of that property calculated on the basis of consumption over the preceding or succeeding twelve (12) months.
- 2.22 **Municipal pay point** - means any municipal office in the area of jurisdiction of the municipality designated by the Municipality for such purposes,

- 2.23 **Municipal services** - means services provided either by the municipality, or by an external agent on behalf of the Municipality in terms of a service delivery agreement.
- 2.24 **Municipality** - means the JB Marks Local Municipality.
- 2.25 **Municipal Manager** - means the Municipal Manager of the JB Marks Local Municipality or his or her nominee acting in terms of power delegated to him or her by the said City Manager with the concurrence of the Council.
- 2.26 **Occupier** - means the person who controls and resides on or controls and otherwise uses immovable property, provided that –
- (a) the husband or wife or life companion of the owner of immovable property which is at any time used by such owner and husband or wife or life companion as a dwelling, shall be deemed to be the occupier thereof;
 - (b) where a husband and wife or life companion both reside on immovable property and one of them is an occupier thereof; the other shall also be deemed to be an occupier thereof.
- 2.27 **Owner**- in relation to immovable property means –
- (a) the person in whom is vested the legal title thereto provided that –
 - (i) the lessee of immovable property which is leased for a period of not less than thirty years, whether the lease is registered or not, shall be deemed to be the owner thereof;
 - (ii) the occupier of immovable property occupied under a service servitude or right analogous thereto, shall be deemed to be the owner thereof;
 - (b) if the owner is dead or insolvent or has assigned his or her estate for the benefit of his creditors, has been placed under curatorship by order of court or is a company being wound up or under judicial management, the person in whom the administration of such property is vested as executor, administrator, trustee, assignee, curator, liquidator or judicial manager, as the case may be, shall be deemed to be the owner thereof;
 - (c) if the owner is absent from the Republic or if his address is unknown to the Municipality, any person who as agent or otherwise receives or is entitled to receive the rent in respect of such property, or
 - (i) if the Municipality is unable to determine who such person is, the person who is entitled to the beneficial use of such property.
- 2.28 **Premises** - includes any piece of land, the external surface boundaries of which are delineated on: (a) A general plan or diagram registered in terms of the Land Survey Act, (9 of 1927) or in terms of the Deed Registry Act, 47 of 1937; or (b) A sectional plan registered in terms of the Sectional Titles Act, 95 of 1986, which is situated within the area of jurisdiction of the Council. "Prescribed" means prescribed by this policy and where applicable by the Council or the City Manager.
- 2.29 **Prescribed debt** - means debt that becomes extinguished by prescription in terms of the Prescription Act 68 of 1969. "Person" means a natural and juristic person, including any department of state, statutory bodies or foreign embassies. "Rates" means any tax, duty or levy imposed on property by the municipality.
- 2.30 **Reconnection fee** – means the penalty fee imposed on a defaulting debtor appearing on the debt collection action list, and is due and payable irrespective if the services have been suspended or not.

- 2.31 **Registered owner** - means that person, natural or juristic, in whose name the property is registered in terms of the Deeds Registry Act, no. 47 of 1937. "Responsible person" means any person other than the registered owner of an immovable property who is legally responsible for the payment of municipal service charges.
- 2.32 **Service Agreement** - means the application form that is completed by the owner of the property for the provision of Municipal services.
- 2.33 **Service charges** - means the fees levied by the Municipality in terms of its tariff policy for any municipal services rendered in respect of an immovable property and includes any penalties, interest or surcharges levied or imposed in terms of this policy.
- 2.34 **Service delivery agreement** - means an agreement between the Municipality and an institution or persons mentioned in section 76(b) of the Local Government: Municipal Systems Act 32 of 2000.
- 2.35 **Sundry debtor accounts** - means accounts raised for miscellaneous charges for services provided by the Municipality or charges that was raised against a person as a result of an action by a person and which was raised in terms of Council's policies, by-laws and decisions.
- 2.36 **Supervisory Authority** - means the Executive Mayor of the Municipality or his or her nominee, acting in terms of Section 99 of the Municipal Systems Act 32 of 2000.
- 2.37 **Tariff** - means any rate, tax, duty and levy or fee which may be imposed by the municipality for services provided either by itself or in terms of a service delivery agreement.
- 2.38 **Tariff Policy** - means a Tariff Policy adopted by the Council in terms of Section 74 of the Local Government: Municipal Systems Act 32 of 2000.
- 2.39 **User** - means the owner or occupier of a property in respect of which municipal services are being rendered.

3. LEGAL FRAMEWORK

3.1 The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)

3.1.1 "Customer Care and Management, Section 95

In relation to the levying of rates and other taxes by a municipality and the charging of fees for municipal services, a municipality must, within its financial and administrative capacity –

- (a) establish a sound customer management system that aims to create a positive and reciprocal relationship between persons liable for these payments and the municipality, and where applicable, a service provider;
- (b) establish mechanisms for users of services and ratepayers to give feedback to the municipality or other service provider regarding the quality of the services and the performance of the service provider;

involved in service provision, the reasons for the payment of service fees, and the manner in which monies raised from the service are utilised;

- (d) where the consumption of services has to be measured, take reasonable steps to ensure that the consumption by individual users of services is measured through accurate and verifiable metering systems;
- (e) ensure that persons liable for payments, receive regular accurate accounts that indicate the basis for calculating the amounts due;
- (f) provide accessible mechanisms for those persons to query or verify accounts and metered consumption, and appeal procedures which allow such persons to receive prompt redress for inaccurate accounts;
- (g) provide accessible mechanisms for dealing with complaints from such persons, together with prompt replies and corrective action by the City Council;
- (h) provide mechanisms to monitor the response time and efficiency in complying with paragraph (g); and
- (i) provide accessible pay points and other mechanisms for settling accounts or for making prepayments for services.

4. DEBT COLLECTION RESPONSIBILITY OF MUNICIPALITIES

In terms of Section 96 of the Local Government: Municipal Systems Act, 2000, a Municipality -

- (a) must collect all money that is due and payable to it, subject to this Act and any other applicable legislation; and
- (b) for this purpose, must adopt, maintain and implement a credit control and debt collection policy, which is consistent with its rates and tariff policies and complies with the provisions of this Act.

5. CONTENTS OF POLICY

In terms of Section 97 (1) of the Municipal Systems Act, a credit control and debt collection policy must provide for –

- (a) credit control procedures and mechanisms;
- (b) debt collection procedures and mechanisms;
- (c) provision for indigent debtors that is consistent with its rates and tariff policies and any national policy on indigents;
- (d) realistic targets consistent with -
 - (i) Generally Accepted Municipal Accounting Practice and Collection Ratios; and
 - (ii) the estimates of income set in the budget less an acceptable provision for bad debts;

- (e) interest on arrears, where appropriate;
- (f) an extension of time for payment of accounts which is financially acceptable, that will not other any circumstances lead to a deficit in the cash flow and the budget of the JB MARKS LOCAL MUNICIPALITY;
- (g) termination of services or the restriction of the provision of services when a consumers account is in arrears;
- (h) matters relating to unauthorised consumption of services, theft and damages; and
 - (i) any other matters that may be prescribed by regulation in terms of Section 104."

Section 98(1) and (2) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), further states that the by-laws that will give effect to the policy, is prescribed as follows:

- (1) A Municipal Council must adopt by-laws to give effect to the Municipality's credit control and debt collection policy, its implementation and enforcement.
- (2) By-laws in terms of subsection (1) may differentiate between different categories of ratepayers, users of services, debtors, taxes, services, service standards and other matters as long as the differentiation does not amount to unfair discrimination. The different categories of consumers are referred to as businesses, government departments, general consumers and other institutions, i.e. tertiary, sports etc.

Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)
 Section 64 of the Act determines the following:
 Revenue Management

- "64(1) The Accounting Officer of a municipality is responsible for the management of the revenue of the municipality.
- (2) The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure –
 - (a) that the municipality has effective revenue collection systems consistent with section 95 of the Municipal System Act and the municipality's credit control and debt collection policy;
 - (b) that revenue due to the municipality is calculated on a monthly basis;
 - (c) that accounts for municipal tax and charges for municipal services are prepared on a monthly basis, or less often as may be prescribed where monthly accounts are uneconomical;
 - (d) that all money received is promptly deposited in accordance with this Act into the municipality's primary and other bank accounts;

- (e) that the municipality has and maintains a management, accounting and information system which –
 - (i) recognises revenue when it is earned;
 - (ii) accounts for debtors; and
 - (iii) accounts for receipts of revenue;
 - (f) that the municipality has and maintains a system of internal control in respect of debtors and revenue, as may be prescribed;
 - (g) that the municipality charges interest on arrears, except where the council has granted exemptions in accordance with its budget-related policies and within a prescribed framework; and
 - (h) that all revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled at least on a weekly basis.
- (3) The accounting officer must immediately inform the National Treasury of any payments due by an organ of state to the Municipality in respect of municipal tax or for municipal services, if such payments are regularly in arrears for periods of more than 30 days.
- (4) The accounting officer must take all reasonable steps to ensure –
- (a) that any funds collected by the municipality on behalf of another organ of state is transferred to that organ of state at least on a weekly basis; and
 - (b) that such funds are not used for purposes of the municipality.”

6. **DESIRED GOAL**

To provide optimal basic services to the community of JB Marks Municipality as well as ensure that the municipality maximises revenue collection.

7. **PROCEDURE FOR EFFECTIVE CREDIT CONTROL**

Credit Control is generally understood in the municipal sector to be those functions that are related to the receipt of payment from debtors, being ratepayers and consumers of various Municipal services. In terms of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), Credit Control Procedures commences as soon as an account becomes unpaid after a specified due date.

In terms of modern practices, credit control is classified as the last step on the revenue value chain, within the ambit of consumer management approach which focuses on the client's needs in a responsive and responsible manner, the objective being to encourage payment of services and to prevent the need for enforcement.

Consumer Management begins when contract is first made with a new consumer/owner or ratepayer and includes *inter alia* the following aspects:

- (1) The signing of a valid consumers' agreement, the payment of a services' deposit and the verification of the consumer's creditworthiness.

- (2) An accurate metering reading is acquired at fixed intervals so as to prevent any delay between the connection of the service and the issuing of the first statement of payment. If no readings can be obtained an estimation must be done and rectified as soon as an actual reading is obtained.
- (3) The issuing of accurate and regular statements in accordance with service tariffs that are approved by the Municipality.
- (4) Engaging in regular communication with the aim of furnishing correct information to all consumers.
- (5) Providing support in terms of the Indigent Policy to persons who are declared as indigent.
- (6) Maintaining affordable service levels and standards within the approved regulations.
- (7) Implementing appropriate payment terms and options.
- (8) Providing an effective and efficient enquiry system with cash payment facilities.
- (9) Implementing credit control measures that are consistent with the aim to enforce a culture of payment for services.
- (10) Furnish monthly reports on the performance of revenue collection to the JB MARKS LOCAL MUNICIPALITY.

A successful consumer management programme is a pre-requisite to effective and efficient credit control. Consumers must however, meet certain minimum requirements and the Municipality should eliminate all possible reasons for not enforcing credit control measures. This will be achieved by taking all the necessary steps to ensure that norms and standards are maintained on service delivery and creating service opportunities for the payment of services.

8. CREDIT CONTROL PRINCIPLES

The principles of credit control must be such that the Municipality can always be in a position to apply this practice under any circumstances.

The following broad principles are deemed to be of vital importance in the Customer Management approach:

8.1 Comprehensive approach

Policies and legislation should recognise the need for facilities and mechanisms which deal with promoting payment, are to be supported by the reactive actions to enforce payment.

It is for example equally important to be in a position to disconnect services for non-payment as to provide timely and appropriate accounts.

8.2 Civic rights and obligations

The constitutional rights and obligations of citizens should carry equal weighting.

A consumer who does not pay for services and a Municipality which does not strive to make its services more accessible, is also deemed to not be focused on serving the needs of the community.

Support mechanisms are required to address the issue of low income households whilst severe penalties and firm actions are necessary to address defaulters who fail to pay for services for reasons such as theft, damage to property, political persuasion and negligence.

8.3 Firm and prompt action against under-performance

Performance is closely aligned to Customer Management and is defined as the rendering of an appropriate account by the municipality for services rendered and payment by the consumer on/or before the specified due date.

Failure on either the part of the municipality to create an environment for payment or the customer to meet his or her social responsibility should lead to appropriate discipline.

In the case of non-payment, disconnection of services must be carried out promptly.

8.4 Cost-effective credit control

All administrative processes related to consumer management and credit control should be cost-effective, efficient and economical.

The implementation of Credit Control Measures must be balanced against a reasonable possibility that outstanding debts will be recovered without any undue cost to the Municipality.

The present practice of executing all available legal steps in order to prove that a debt is not collectable should be reviewed.

8.5 Appropriate application of credit control and reasonable discretion

Credit Control actions that only provide for maximum penalties for non-payment should be avoided.

8.6 Entrench right and responsibilities (capacity building)

Appropriate communication with all consumers is of vital importance in a Consumer Management Programme.

Consumers should for example be given the “rules” as part of the signing of a consumer agreement and be informed that it is possible in deserving cases to make certain arrangements for payment.

Written notification of the City Council’s intention to disconnect services is more in accordance with modern practice than to disconnect services without any prior notification.

8.7 Responsibility, performance and reporting

In terms of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), and the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), the Municipal Manager is entrusted with the responsibility to implement credit control measures.

The Municipal Manager must report to the Council on all relevant aspects, predetermined measures, norms and standards in other words the target for debtors turnover rates, irrecoverable debts, legal actions that are instituted, etc.

8.8 Separation of policy-making and execution

In terms of Sections 99 and 100 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), and the relevant Sections of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), the implementation, execution and enforcement of the policy must be independent from policy makers so as to ensure absolute accountability.

A clear demarcation must be maintained between political and administrative responsibilities. It is normal practice that the political sphere is responsible to determine policy and set priorities on the one hand and officials are responsible to manage and be held accountable.

9. THE ROLE OF A FINANCIAL PLAN

The bedrock of a successful Consumer Management and Credit Control Policy lies on the foundation of Generally Recognised Accounting Practice (GRAP) and other Financial Policies that are specifically relative to Municipalities.

The current financial position of the Municipality will serve as a determining factor on the financial viability and assertiveness of the credit control policy.

The underlying financial policy must include *inter alia* the following issues:

9.1 Tariffs

Tariffs should recover the associated costs in rendering services to a customer. Tariffs must be uniformly and fairly applied to recover costs.

9.2 Reserving levels, solvency and liquidity

Appropriate reserving levels for working capital or doubtful debts should form part of the financial plan.

Each component of net current assets should be supported by performance targets such as debtor's turnover rate and creditor's payment period.

The Department of Finance must submit quarterly reports to Council on the value of bad debts that have been written off.

9.3 Funding of capital projects and external loans

Maximum levels of capital expenditure, interest and redemption and external loans must also be addressed in a local finance plan.

10. CUSTOMER FOCUS

A number of broad principles and guidelines have been set and with this background herewith follows the specifics in this regard.

10.1 Services agreement

All new consumers/owners are required to conclude a service agreement with the JB Marks Local Municipality before services can be provided. These consumers must however meet certain requirements as stipulated below.

- 10.1.1 Must be the registered owner of the property
- 10.1.2 Must produce a valid form of identification
- 10.1.3 Complete a consumers agreement
- 10.1.4 Supply necessary Trust and BK documents if applicable

11. SERVICES DEPOSIT/SECURITY

- 11.1 Before metered services can be provided, a services deposit is required to be paid by the consumer to the JB Marks Local Municipality.

The deposit is payable only in cash or electronic for domestic consumers. Deposits that are paid will only be refunded at the closure of the account. This will only be done when all amounts that are due to the JB Marks Local Municipality at such a date is settled in full.

Cash deposits retained on behalf of consumers shall not earn interest.

In the event, the owner of a property who receives his/her monthly rental from his/her tenant fails to initiate payment in respect of assessment rates, he/she must be handed over to the attorneys for collection.

The owner remains responsible for all accounts due to the Property in his/her registration/sole ownership as per the deeds office registration and as such no tenant/s accounts will be opened on behalf of the owner. All services will be liable to the owner account/Property Owner.

- 11.2 Except in the case of the Government of South Africa, including the North West Provincial Government and other designated consumers that are approved by the Municipality, every applicant for a supply of services shall, before such service is provided, pay a deposit to the Municipality, a sum of money on the basis of the cost of the maximum consumption of electricity and water which the applicant is likely to use during any two (2) consecutive months. This is undertaken, provided that such sum shall not be less than is prescribed in the tariff.
- 11.3 Notwithstanding the foregoing provisions of this section, the JB Marks Local Municipality shall in lieu of a deposit, accept from an applicant, a guarantee for an amount calculated in accordance with paragraph (a) and in the form prescribed by the Municipality, as security for the payment of any amount that may become due by the applicant for, or in respect of, the supply of water and electricity: Provided that no such guarantee shall be accepted unless the estimated monthly account in respect of the supply to the premises concerned amounts to at least R10 000.
- 11.4 The JB Marks Local Municipality may at any time when the deposit or guarantee is found to be inadequate for the purposes of subsection (1), require a consumer to increase the deposit made or guarantee furnished by him, in which event the consumer shall, within thirty (30) days after being so required, deposit with the JB Marks Local Municipality such additional sum or furnish such additional guarantee as the JB Marks

Local Municipality may require, failing which the Municipality may after hearing an appeal in terms of Section 62 of Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), discontinue the supply.

- 11.5 Any sum of deposit by or on behalf of a consumer shall, on being claimed, be refunded within sixty (60) days after the termination of the consumer's agreement after deducting any amount due by the consumer to the JB Marks Local Municipality.
- 11.6 Should it come to the attention of the JB Marks Local Municipality that any consumer of water and electricity has failed to enter into the prescribed consumer's agreement with the JB Marks Local Municipality, the electricity and or water supply shall be terminated without any further notice.

12. OTHER REQUIREMENTS

12.1 Consumers

- (i) To produce a valid form of identification;
- (ii) To agree that an ITC check can be done on his/her credit record and depending on the results thereof an additional/higher deposit may be required to be paid depending on the associated risk.
- (iii) consumers must attach a photo of the water and electricity meter when entering into an agreement with the JB Marks Municipality and termination of the agreement.

Section 118 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), stipulates as follows:

“Restraint on transfer of property

- 118.(1) A Registrar of Deeds or other registration officer of immovable property may not register the transfer of property except on production to that registration officer of a prescribed certificate –
- (a) issued by the Municipality in which that property is situated; and
 - (b) which certifies that all amounts due in connection with the said property for municipal service fees, surcharges on fees, property rates and other municipal taxes, levies and duties during the two (2) years preceding the date of application for the certificate have been fully paid.
- (2) In the case of the transfer of immovable property by a trustee of an insolvent estate, the provisions of this section are subject to Section 89 of the Insolvency Act, 1936 (Act 24 of 1936).
- (3) An amount due for municipal service fees, surcharges 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.”
- (4) Notwithstanding any other provision in this Policy, the owner of a premises shall be liable for the payment of any amount that is due and payable to the Municipality by a consumer who is a lawful occupier of such premises to which a service or services have been provided for the

preceding **2 (two)** years, provided that the Municipality could not recover from such a consumer the aforesaid amount despite the proven fact that the Municipality has taken all reasonable steps to do so.

As a result, the following actions will become necessary:

- (1) The owner or authorised agent must give written consent prior to services being rendered to a tenant, or a valid rental agreement must be attached
- (2) The owner upon request will be notified of any arrears in respect of the tenants account and who will be responsible for payment to the Municipality. The consumers account will be in respect of electricity, water, refuse, etc.

13. METERING, BILLING AND RENDERING OF ACCOUNTS

Metering is the determination of the amount or level of service rendered to each consumer, whilst billing is the process of compiling and presenting a claim or invoice to each consumer based on the quantity of the service consumed over a specified period.

13.1 Metering

Metering systems vary on the basis of the nature of the service.

- (i) Water and electricity meters are installed to all consumers and consumption readings are taken monthly.
- (ii) Prepaid electricity meters are also available on request or in accordance to Municipal Policy.

13.2 Billing and rendering of accounts

13.2.1 Compilation and dispatching of accounts

Bills/statements are compiled monthly and are produced during the last week of the month.

13.2.2 Disputed consumption

Consumers may have their consumption or billing reviewed or verified for errors in consumption, billing or for any other explanation.

13.2.3 The testing of the water meter may be done at the request of the consumers at a fee, as approved and which will become refundable on condition that if an error as defined in the applicable by-laws is found to exist and which it is not the responsibility of the consumer.

In terms of the applicable by-law the verification of the meter is undertaken with a 5% allowance either way of the consumption on water being absolutely correct.

13.2.4 The testing of the electricity meter may be done at the request of the consumers at a fee, as approved and which will become refundable on condition that if an error as defined in the applicable by-laws is found to exist and which it is not the responsibility of the consumer.

In terms of the applicable by-law the verification of the meter is undertaken with

a 5% allowance either way of the consumption on electricity being absolutely correct.

14. PAYMENT TERMS

14.1 Normal terms

All consumers are required to effect payment of their rates and services accounts on or before the 10th of each month.

Interest will be charged on all accounts that are not paid after thirty (30) days. The interest rate that will be charged is in accordance with the resolution as approved by the Council.

14.2 Payments for services will be allocated to the different services on a structure as approved by Council.

14.3 Prepaid electricity will only be sold to consumers whose services and rates accounts are paid up to date or according to the Council resolution and who comply with the approved arrangements.

14.4 There must be no exceptions for officials and Councillors in the manner in which they will be treated for the payment of municipal services from that of the general consumers of services within Municipal boundaries. The provision of the credit control policy will be applied equally to all consumers. The option to initiate a monthly debit order from his/her salary will be the responsibility of the said official and Councillor.

14.5 No cheques will be accepted as payment.

Officials and Councillors have to comply with the stipulations of the Code of Conduct as specified in the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), regarding payment of municipal accounts.

15. SANCTION MEASURES

15.1 Removal of meters

This measure is taken where a meter has been tampered with or where there has been unauthorised consumption/theft. The costs of a repaired or new meter will have to be borne by the customer, and the full outstanding balance is immediately payable before services are restored.

15.2 Tampering

When a meter has been tampered with, the costs of a repaired or new meter will be borne by the consumer, and the full outstanding balance is immediately payable before services are restored. An average of the following three (3) months consumption can be taken in order to calculate the previous (12) months consumption and which will be debited to his/her account.

15.3 Theft/illegal connection

In the case where theft has not resulted in the damage of a meter, then a reconnection fee together with the Municipal's estimate of the value of the services consumed for the duration of the theft, can be required before services are restored. Legal prosecutions can be pursued where sufficient evidence is available.

16. PROBLEM STATEMENT

16.1 Problems as currently identified

- 16.1.1 The current reality is that there is a large percentage of consumers who are unable to pay -
- (i) their consumer deposits; and
 - (ii) their consumer services as rendered due to a high rate of poverty and unemployment.
- 16.1.2 It is a common occurrence that once arrear debts are written off, the same consumer accumulates new debts and again falls behind with payment on these new debts.
- 16.1.3 Consumers do not honour their agreements to pay their services, whilst at the same time they apply for further extensions on existing debt on their account.
- 16.1.4 It is currently difficult to determine and keep track of consumers, who may qualify/qualified as indigents.
- 16.1.5 With regard to houses and stands, the following problems have been encountered:
- (a) The information which is furnished for the concluding of an arrangement is often insufficient for the parties concerned to conclude an agreement.
 - (b) Accounts that reflect high arrears, which must be cleared before new agreements can be entered into, whilst at the same time the parties responsible for these debts cannot be traced and/or cannot pay these debts.
- 16.1.6 If the Municipality is to provide sustainable services to the community, it is imperative that a sound credit control and debt collection policy is maintained. Non-payment of debtors for services has a direct and negative impact on the ability of the Municipality to improve its current service delivery and also to deliver new services to the people of JB Marks Local Municipality.

17. OPTIONS AND SOLUTIONS

17.1 Deposits

Addressed under services agreement (paragraph A1.1)
It is addressed under the indigent policy.

17.2 Arrear debts

Notwithstanding the present prevailing circumstances in the economy, no arrears debts can be written off unless it is not cost-effective to take any further action in an attempt to collect the outstanding debt. This will also be applicable in the case where no provision for bad debts has been provided in the budget.

Should a person receive indigent assistance and he/she does not pay for services in excess of the indigent assistance amount, such a consumer will only be supplied with services by means of a prepaid meter. In addition no credit control measures will be taken against the registered indigent in the event the discounted monthly levies are paid in full on every due date.

17.3 **Agreements to honour arrangements on outstanding debt**

Consumers who are not registered in terms of the indigent policy will be given an opportunity to apply for one (1) arrangement, which must be payable by the date as prescribed by the Chief Financial Officer.

17.4 The breaching of a repayment arrangement is regarded as a violation of this policy and will lead to renewed disconnection of services as well as legal procedure to be undertaken for the collection of the arrears.

In instances of such a breach of contract, services can only be reconnected and legal procedures can be held in abeyance after the reinstatement of the contract by payment of all repayment instalments that are in arrears as well as the relevant current accounts which might be unpaid.

In cases where the reinstatement of a breached contract is not possible, new repayment contracts can only be considered for private households if substantial proof, including sworn affidavits, can be submitted regarding unforeseen financial and personal circumstances.

In such cases, the Revenue Division will convince the debtor to save on the current levies by discontinuing certain services for an agreed period of time. By so doing, the repayment of the arrears together with the current account is made more affordable. No extension on arrangements will be granted, except on merit cases (death or ill-health).

No arrangements is allowed for Government and State organs.

In case of a tenant, extension for payment or an arrangement will only be granted with the written permission of the registered owner or his/her authorised agent.

17. **IMPLEMENTATION OF TARRIES**

In accordance with Section 74(1) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), the policy must comply with the following:

17.1 A Municipal Council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the Municipality itself or by way of service delivery agreements, and which complies with the provisions of this Act and with any other applicable legislation.

17.2 A tariff policy must reflect at least the following principles, namely that -

- (a) users of municipal services should be treated equitably in the application of tariffs;
- (b) the amount individual users pay for services should generally be in proportion to their use of that service;
- (c) poor households must have access to at least basic services through -

- (i) tariffs that cover only operation and maintenance costs;
 - (ii) special tariffs or life line tariffs for low levels of use or consumption of services or for basic levels or service; or
 - (iii) any other direct or indirect method of subsidisation of tariffs for poor households;
- (d) tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;
 - (e) tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned;
 - (f) provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
 - (g) provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
 - (h) the economical, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged;
 - (i) the extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed.

17.3 A tariff policy may differentiate between different categories of users, debtors service providers, services, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair determination.

18. WATER AND ELECTRICITY

Where consumers fail to pay their water and electricity accounts by due date, the following actions will be taken:

18.1 Services in respect of household consumers will not be suspended after the first due date. A notice by SMS or email on his/her account, that the month's account is still in arrears and that services in respect of all accounts that are outstanding, will be suspended without any further notice. The account of the debtor is debited with the cost of the disconnection and the reconnection of services will be undertaken in line with an administration fee as approved by the JB Marks Local Municipality.

Ward Councillors will be furnished with a list of defaulters per ward to assist in order to recover the outstanding amounts. It is the responsibility of the relevant Ward Councillor to establish whether the debtor has already entered into a previous arrangement with the JB Marks Local Municipality.

In the event, a debtor has furnished incorrect information on his/her request for a payment arrangement with the relevant Councillor, the Revenue Division in consultation with the Municipal Manager and the Director of Finance will investigate the consumers' account. If the results reveal a contravention of the Credit Control Policy then such an application will not be processed and the consumer will be informed accordingly.

- 18.2 Before the supply of services is restored the outstanding municipal services account must be paid in full or an arrangement must be made with the Implementing Authority to settle the account in full. Only one (1) arrangement will be concluded between the Municipality and the consumer in the settling of the arrear debt.
- 18.3 An Acknowledgement of Debt and consent to judgement must be completed with the arrangement that was concluded with the JB Marks Local Municipality for the paying off of arrear debts. Copies will be handed to the client on request.
- 18.4 By mutual agreement between the JB Marks Local Municipality and the consumer, debit orders can be completed for the monthly payment on all amounts that are owed to the JB Marks Local Municipality. If the arrangement (first arrangement) is dishonoured, the full balance will immediately become payable. The Municipality will not conclude any further arrangements with the consumer concerned on the account.
- 18.5 A first arrangement to be concluded between the JB Marks Local Municipality and the consumer on the payment of his/her municipal services (arrears and or current accounts), with the first payment being made within thirty (30) days of date of agreement. The minimum amount regarding down payments on arrear debts is fixed at R50 per month. In the event the municipal accounts of businesses are thirty (30) days in arrears, all services with the exception of the water supply which will be restricted, will immediately be suspended. In addition no arrangements will be concluded between the parties concerned.
- 18.6 No interest will be charged on the arrear amount of such an arrangement, provided that the consumer honours the arrangement, and the arrears are repaid in full within the agreed time frame.
- 18.7 **Follow-up on disconnection**

In the further absence of any reaction on the first disconnection of electricity, the premises will be revisited after fourteen (14) days to ensure that the service is still discontinued. If the electricity is illegally connected, it will again be disconnected, but then via a more expensive procedure to ensure a more tamperproof disconnection. The account of the debtor is debited with the higher cost of the more expensive disconnection procedure at the approved tariff of the City Council.

The JB Marks Local Municipality will also opt to install a prepaid type electricity meter at the cost of the debtor.

Should the debtor be an electricity and water consumer or not be an electricity consumer, but consuming water, a notice will be served within fourteen (14) days so as to inform the debtor that a restriction on the consumption of water can be placed at his/her consumption address.

18.8 Only account holders with positive proof of identity (or an authorised agent with a written Power of Attorney) will be allowed to complete an Acknowledgement of Debt. In the event of a tenant the owner must also be required to give his/her written consent.

18.9 No cheques will be accepted as a payment method.

If debit orders are returned marked "Refer to Drawer" the full balance will immediately become payable. Electricity supply to such consumers will be disconnected until the full amount is paid in cash. Bank charges in this regard will be payable by the consumer

18.10 That the cost that is payable by the consumer must be equal to the cost that has been charged by the Bank to the JB Marks Local Municipality in all cases where bears the status of "Refer to Drawer".

18.11 That only one (1) arrangement should be concluded between the Municipality and the consumer debtor.

18.12 Where no arrangements were made and electricity is disconnected due to non-payment, it will only be restored upon payment of the full outstanding balance or the consumer will be permitted to conclude only one (1) arrangement with the Implementing Authority in the settlement of their account and or signing of an Acknowledgement of Debt. The account of the debtor is debited with the cost of the disconnection and reconnection of services with an administration fee as approved by the JB Marks Local Municipality.

18.13 That all special circumstances should be clearly determined before it can be declared as a Merit Case. All merit cases should then be handled within the guidelines of the Credit Control Policy by the Implementing Authority for implementation by the Revenue Division. The approval of a Merit Case should be monitored and if dishonoured by the debtor, then no further arrangement should be considered.

18.14. That an extension for payment will only be granted for one (1) month's account due to exceptional circumstances upon the submission of the necessary documentary proof.

Extension on accounts with arrangement must be approved by the Chief Financial Officer.

That an extension for payment will only be granted to the due date of the next month and that it be made applicable in all cases to facilitate the task of following up for payments together with the suspension of services where applicable, by the electricians, thus only taking up one day of their time.

That an extension for payment will only be granted to registered owners except where the deposit of a tenant is sufficient to cover twice the amount due or that a levy to debit the account with the deficit of the deposit be initiated.

18.15 That an extension should only be considered due to exceptional circumstances and that a sense of responsibility has been displayed by the consumer in honouring his/her payments on his/her account as determined by the first agreement between the parties concerned.

18.16 That a consumer is no longer allowed to selectively nominate any monies paid by him or her for specific services and that the allocations of payments are automatically done in the following sequence:

- (a) Interest
- (b) Sundry debtors (including arrangements for payment of arrears)
- (c) Water
- (d) Sewerage
- (e) Refuse
- (f) Assessment Rates
- (g) VAT
- (h) Electricity
- (i) Deposit charges
- (j) Rental (Housing)
- (k) Erf instalments
- (l) House Instalments
- (m) Sundry Debts
- (n) Legal cost
- (o) Monies not allocated.

18.16.1 MONIES NOT CLEARED - Unallocated receipts and Clearing of Accounts

With respect to monies not allocated due to them being unknown receipts will be temporarily posted to an unallocated receipts account. The entries will be as follows:

DEBIT: BANK (Asset)
CREDIT: UNALLOCATED RECEIPTS (Liability)

The unknown receipt amounts must be traced to deposits or remittances and must be followed up by contacting the payee or bank where applicable, to verify for what or whom the payment was received.

The unallocated receipts account must be cleared at least on a monthly basis through the receipt allocation system described in section (15). The allocation of unallocated/unknown deposits must be carried out by the revenue section in collaboration with the cash and bank reconciliation management section.

- 18.17 When the disconnection of the electricity supply takes place due to non-payment, the consumer's deposit can be adjusted to the current minimum, that is twice the maximum consumption of two (2) consecutive months, which amount can be debited to his/her account over a six (6) month period.

- 18.18 New consumer deposits for business and industrial consumers can be re-assessed three (3) months after the initial deposit date.
- 18.19 Where a service agreement with the JB Marks Local Municipality has not been entered into by the consumer, the electricity will be disconnected until such time as a service agreement has been signed and the applicable deposits are paid.

In the event it is brought to the attention of the JB Marks Local Municipality that any consumer of water and/or electricity had failed to enter into the prescribed consumer's agreement with the JB Marks Local Municipality, the electricity supply will be terminated without any further notice.

- 18.20 In the event services are illegally restored, legal action will be taken against the consumer whose responsibility it would be to pay all legal costs as a result of such an action.
- 18.21 In addition the Revenue Division should suspend services as soon as possible after the consumer debtor does not honour the proposed date of the agreement. In light thereof, the Revenue Division may not consider any further applications for any form of arrangement by the said debtor, i.e. no extension on an already existing extension.

(Note: In the event of an agreement being concluded with a consumer and the said terms of the agreement is not honoured by the Debtor then the account must be placed on the **DISCONNECTION LIST**. The necessary measures will be implemented in terms of the debt collection policy.

18.22 **Illegal reconnection/tampering of electricity/water meters**

The suspension of electricity and the restriction on the water supply will be monitored and followed up in cases of an absence of any reaction by the debtor so as to ensure that the disconnection is not tampered with. Any discovery of tampering will lead to a further disconnection of the electricity and a restriction of water supply. This is undertaken with the aim to gather evidence for the purpose of prosecuting the offending consumer.

- 18.23 The non-receipt of an account does not exempt the consumer from the responsibility to pay same on/or before the due date. The principle of ignorance of the law is no excuse, prevails.

19. **ASSESSMENT RATES, REFUSE, SEWERAGE AND SUNDRY DEBTORS**

Where consumers fail to pay their accounts by due date the following actions will be taken:

- 19.1 Where a debtor's account remains outstanding or unpaid for more than thirty (30) days or where an arrangement has been made and not honoured it will be dealt with in terms of the debt collection procedure mechanism.
- 19.2 The same procedure in respect of arrangements for paying off of arrears or extension for the payment for water and electricity will be applicable in these instances.
- 19.3 If no response has been received within fourteen (14) days of the final notice another letter will be forwarded wherein the debtor will be informed that the procedures as set out in the debt collection procedure mechanism will be

- 18.18 New consumer deposits for business and industrial consumers can be re-forwarded to the consumer will be on the account of the debtor.
- 19.4 The account of the debtor will be debited with the administrative cost at the approved tariff of the Municipality for the forwarding of the reminders.

20. HOUSING AND ERVEN

In the event of arrear instalments the housing section will be informed to act in accordance with the terms of the contract.

21. INDIGENTS RELIEF/SUPPORT

Indigents should be identified as old aged pensioners, the unemployed and the households whose total gross monthly income do not exceed the total of two (2) State old aged pensions. The amount is annually determined by the National Treasury in conjunction with the Department of Social Services It will be the responsibility of the Implementing Authority to receive, evaluate and approve the registration of indigents.

The applicant for indigent status as well as any other member of the household may not own any other fixed property other than the one in which they reside in. This also includes any fixed deposits and investments that are registered in the name of the applicant.

(b) Poverty

Poverty is defined with reference to a poverty line, i.e. if a household earns a gross income lower than a set amount, that household and its members are deemed to be living in poverty. The poverty line varies according to the size of the household and its age composition.

This will entail the provision of -

- (a) 6 kℓ water free of charge per month;
- (b) Interest free arrangements;
- (c) The granting of indigent status to those who qualify for indigent grants;
- (d) The free installation of a prepaid meter to approved indigents;
- (e) 80 kWh per month free electricity (or determined by Government from time to time);
- (f) Grant on refuse, sewerages and basic water as determine by Council
- (g) Rebate on property rates as determine in Property Rates policy and tariffs

21.1 Social Development Objectives

In relation to Section B of the White Paper on Local Government and the Integrated Development Plan, the objectives are to -

- (i) meet the basic needs of the poor;

- (ii) alleviate poverty in conjunction with other social development programmes;
- (iii) enhance job-creation;
- (iv) provide support services in terms of facilitating small business; and
- (v) empower the marginalized and disadvantaged groups like pensioners, single parents, people with disabilities, and the unemployed.

21.2 **Criteria in order to qualify for an Indigent Grant**

An indigent grant, which will be provided to qualifying persons for indigent status, is available only to the following households:

- (i) Households earning a joint gross income which is less than the value of two (2) State old age pensions (old age pensions - proof of pay-slips/pension cards).
- (ii) Only permanent residents of JB Marks Local Municipality with a valid South African identity document.
- (iii) The completion of the Governmental Grant Form as issued by the National Department of Provincial Government (Attached).

21.3 **Procedure (How to Assist)**

- (i) Identification in terms of the relevant application form.
- (ii) Review and assessment by the Screening and Monitoring Committee:
 - (a) Interviews based on the questionnaire adopted from GALA (Annexure A).
 - (b) Selection based on the criteria for approval.

22. **IMPLEMENTING AUTHORITY**

The Indigent Officers with authority consider and approve applications.

The Monitoring and Screening Committee can for time to time do spot checks on the approve indigents

The Monitoring and Screening Committee should be constituted by the following persons, namely:

- (a) The Accounting Officer - Chairperson
- (b) The CFO - Finance
- (c) Two (2) officials from the Directorate Finance.

All approved indigent households must re-apply every twelve (12) months for indigent status.

23. SUBSIDISATION OF INDIGENTS

The Indigent Grant will be implemented in terms of the conditions as listed below.

That classified indigent consumers be held responsible for any consumption or liability to the JB Marks Local Municipality in excess of the subsidised amount.

In the event the approved indigent damages or tampers with his/her prepaid meter then normal credit control procedure will be applicable.

24. OTHER CONDITIONS

Upon the approval by the Accountant Revenue to register a consumer as an Indigent, a prepaid meter must be installed as soon as possible prior to his/her registration on the system. The cost of the installation and the service connection including the prepaid meter will be borne by the JB Marks Local Municipality.

The indigence programme constitutes part of the Credit Control Policy/By-law.

In the event of non-payment, services will be discontinued so as to encourage the indigents to come forward.

Persons who abuse the system must be punished and a penalty of at least R1 000 may be imposed if incorrect information is furnished by the applicant to the relevant Ward Councillor or any appointed Political Office-bearer of JB Marks Local Municipality.

All approved indigent households must reapply after twelve (12) months for indigent status.

In the time period that is taken to grant its approval to an application, that applicant/consumer will continue to be listed on the **DISCONNECTION LIST** during the said period.

All approved applications for IGG status that are received by the Revenue Division on/or before the 15th of each month, will receive the grant in the same month.

25. DEBT COLLECTION OF ARREAR ACCOUNTS

25.1.1 Debt collection is the execution of functions that are necessary to collect unpaid income of the municipality, that are owed by its consumers who are declared as debtors in terms of accounting science.

25.1.2 Accounts mean the municipal account for services rendered, housing and for assessment rates levied by the municipality.

25.1.3 Due date means the date indicated on an account statement by which time payment of the amount on the statement is required.

25.1.4 Indigent means a debtor whose whole household has been assessed and approved in terms of the Indigent Policy and who is registered as being indigent.

25.2.2 Purpose

In order to sustain the local governance and continued service delivery, the collection of income levied on account statements submitted to debtors should be realised within a turnover rate not exceeding thirty (30) days.

25.3.3 Principles

25.3.1 Non-payment by debtors of their accounts has a direct and a negative impact on the ability of the Municipality to maintain quality service delivery to its clients.

25.3.2 Current levies that are not paid by the required due date are deemed to be in arrears and all debtors with arrears on their accounts are subject to credit control measures.

25.3.3 Various methods of payment by debtors as well as convenient pay points should be available to consumers.

25.3.4 Interest is levied monthly on all accounts that are in arrears. The interest rate that will be charged is in accordance with the Resolution as approved by Council , will not be less than the interest charged by Municipality commercial bank on personal loans.

25.3.5 Interest is levied on all accounts that are in arrears in excess of fifty-nine (59) days. Interest levied but not paid, is included in the arrear amount of such a debtor.

25.3.6 Credit control measures are applied with pro-active reminders or demands. Account statements are regarded as reminders of the arrear status of the account as well as stating the intention to implement credit control measures.

25.3.7 No metered services can continue to be delivered to any unknown consumer. Only consumers with a valid service agreement must have access to these services.

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

25.3.9 Clients who make no further use of any service but still owe an amount are inactive debtors who, after the submission of a second inactive account statement to their latest known postal addresses, are handed over for collection to a debt collector appointed for this purpose.

25.3.10 Debtors who are large consumers of services may be managed by telephonic and personal contact by the Revenue Division, e.g. corporate business and government departments. This does not distract from the requirement of Section 64(3) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

25.4 Credit Control Measures

Service disconnection

25.4.1 Reminder/demand for payment

A reminder that the previous account has not been paid on the due date is generated when the next statement is billed and forwarded to the debtor.

The non-receive of an account does not exempt the consumer from the responsibility to pay same on/or before the due date. The principle of ignorance of the law prevails.

25.4.2 Disconnection of electricity (Level 1)

In the absence of any reaction on the demand for payment, the electricity supply to the debtor is suspended. The account of the debtor is debited with the cost of the disconnection and reconnection will be undertaken with the payment of an administration fee as approved by Council.

Should the debtor be an electricity and water consumer or not be an electricity consumer, but consuming water, a notice will be served within fourteen (14) days so as to inform the debtor that a restriction on the consumption of water is to be placed at his/her consumption address.

25.4.3 Follow-up disconnection (Level 2)

In the further absence of any reaction on the level 1 disconnection of electricity, the premises should be revisited after fourteen (14) days to ensure that the service is still disconnected. If the electricity is illegally reconnected, it is again suspended, but then via a more expensive procedure to ensure a more tamperproof disconnection. The account of the debtor is again debited with a tariff as approved by the Council.

The Municipality can also opt to install a prepaid electricity meter. The installation of a prepaid meter will only be approved if the current service account is paid in full. The prepaid meter will not be replaced by a conventional meter unless the registered owner of the property applies for the installation and pays the relevant costs for such a meter.

25.4.4 Illegal reconnection of or tampering with electricity

If consecutive follow-up actions are undertaken as a result of no reaction by the debtor, reveal that a disconnection has been tampered with; another level 2 disconnection is done and is accompanied by the gathering of evidence for the purpose of prosecuting the offending consumer. In such cases, the Municipality will also suspend any further vending of prepaid electricity where such a meter is installed.

The costs of a repaired or new meter will be borne by the consumer, and the full outstanding balance is immediately payable before services are restored.

An average of the following three (3) months consumption can be taken in order to calculate the previous twelve (12) months consumption and which will be debited to his/her account.

25. 4.5 Illegal reconnection/tampering of water

Any discovery of tampering will lead to the disconnection of the water supply and further gathering of evidence will be undertaken for the purpose of prosecuting the offending consumer. If there is a water leakage, it is the responsibility of the consumer to furnish proof that the leakage is being repaired.

An average of the following three (3) months consumption can be taken in order to calculate the previous twelve (12) months consumption and which will be debited to his/her account.

26. **CIVIL LITIGATION**

In the event where the above-mentioned attempts to collect debts have failed, legal action will be taken as a last resort to recover the outstanding amounts from inhabitants who are not indigents.

In proceeding with the institution of legal action the following procedures will take place:

- (i) A letter of final demand will be posted or delivered to the customer. The cost of such final demand will be borne by the debtor.
- (ii) If no response has been received from the debtor within fourteen (14) days, a list of the debtors that will be handed over to the attorneys for collection, must be sent to the relevant Ward Councillor to investigate the matter whereupon the Ward Councillor must report back within fourteen (14) days and confirm in writing whether or not further steps must be taken, failing which the account will be handed over to the attorneys for collection.
- (iii) The attorneys will do further legal actions to collect the outstanding debt, including a sale in execution of the debtors' assets.
- (iv) Current account of debtors must still be paid in full at the offices of the JB Marks Local Municipality.
- (v) Accounts of consumers that are handed over to the debt collectors or attorneys that are designated to act on behalf of the Municipality with the outstanding portion older than ninety (90) days shall cease to attract interest from the date they were handed over.

The municipal accounts of debtors who are in liquidation or declared insolvent, also cease to attract interest from the date when the insolvency or liquidation is reached.

Legal measures are implemented to collect arrears in the following cases:

- (a) Where the suspension action has yielded no satisfactory result.
- (b) Where no suspension action is possible due to the nature of services for which the account has been rendered.
- (c) The legal costs will be debited against the account of the consumer.

27. **CLEARANCE CERTIFICATES**

Before any property can be transferred from one owner to another, all arrear amounts applicable on the property are payable, where after Municipality issues a certificate to that effect. No transfer can take place without such a certificate. Section 118(1b) of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998), and the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004), will be applicable.

The applicant for a clearance certificate must be charged an administrative fee in terms of the tariffs as approved by Council for such a certificate.

28. **CITIZENS RELATIONS MANAGEMENT**

28.1 Consumers may lodge appeals to the Accounting Officer on the accuracy of accounts. If such an appeal is not solved, no credit control measures are taken for that amount. Other levies on the account, which do not form part of such an appeal, are however, still payable and are not included in the extension for payment.

28.2 The following arrangements for payments can be made with the JB Marks Local Municipality to either prevent credit control measures or to normalise service delivery (reconnect) and legal status after credit control measures are implemented.

28.2.1 Full settlement of the amount for which action was taken.

28.2.2 Only one arrangement will be concluded between the JB Marks Local Municipality and the consumer.

28.2.3 An arrangement can be made for the settlement of the arrear debt on the consumer's account in accordance with the Council's resolution to write off or capitalise the arrears. Such remaining instalment amounts shall then be charged monthly to the debtors account, in other words, the relevant consumer be given an opportunity to settle his/her arrear debt, interest free. Interest will, however, be charged in the normal manner if the monthly charge representing the instalments of the arrangement are not duly paid. The minimum amount regarding down-payments upon arrear amounts is fixed at R50 per month.

28.2.4 The discretion of the Accounting Officer is exercised within the following parameters:

(a) If no partial settlement is possible immediately, it can be extended to the end of that month or included in the monthly repayment contract.

(b) Monthly repayment contracts can be made interest free under the following circumstances:

(i) The Accounting Officer has the authority to make arrangements according to the approved policy.

(ii) If there was an error on the account, a financial correction will be done and the customer can request an interest free arrangement for payment of the arrears.

(c) A minimum amount of R50 plus the normal monthly account must be paid. The extension period must reflect a balance between the JB Marks Local Municipality best financial interest as well as the client's request.

(d) Extension for normal full payment of a current account can only be made until the next due date for payment.

28.2.5 When an account of a consumer is handed over for further legal action by the JB Marks Local Municipality, then all arrangements by the debtor must be concluded with the relevant attorneys.

28.2.6 If a debtor has maintained and honoured a good payment record with the relevant attorney, then the said debtor would receive a supply of electricity.

28.2.7 Breaching of repayment contracts is regarded as a violation of this policy and will lead to renewed disconnection of services as well as the implementation of legal procedures for the collection of the arrears.

In instances of such breach of contract, services can be reconnected and legal procedures can be held in abeyance after the reinstatement of the contract by the payment of all repayment instalments that are in arrears as well as the relevant current accounts, which might be unpaid.

In cases where the reinstatement of a breached contract is not possible, new repayment contracts can only be considered for private households if substantial proof, including sworn affidavits, can be submitted regarding unforeseen financial and personal circumstances. In such cases, the Revenue Division will convince the debtor to save on the current levies by discontinuing certain services for an agreed period of time. By so doing, the repayment of the arrears together with the current account is made more affordable. No extension is granted except upon receipt of a merit case as approved by the Implementing Authority. The owner of property must also approve the extension.

28.2.8 Disconnection of metered services to clients, who request or agree to such an action in an effort to decrease their current accounts, will be accommodated. **6.Suspension of arrears (private households only)**

28.2.9 Upon registration of an indigent, the arrear amounts of the debtor at such a household is interest free, when an arrangement for payment of arrears is made and honoured whilst current monthly service levies must be paid in full.

28.2.10 As soon as an indigent household becomes de-registered after re-evaluation, they will be treated in accordance with the credit control policy.

28.2.11 Credit control measures for the total debt will be applied against defaulters in terms of the credit control policy.

29. RECONNECTION OF SERVICES

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

29.1 Electricity supply that is suspended due to non-payment will be reconnected within one day as far as possible after receipt of the required amount or an approved arrangement.

29.2 Any services which are discontinued as a result of tampering with the JB Marks Local Municipality distribution networks and/or interference of mechanisms can only be legally reconnected after the cost of a repaired or new meter as well as the full outstanding balance has been settled in full. In the case where no damage was done to the meter, then a reconnection fee together with the JB Marks Local Municipality estimate of the value of the services consumed for the duration of the theft, as well as the full outstanding balance is immediately payable before services are restored. Legal prosecutions are pursued where sufficient evidence is available.

28.2.7 Breaching of repayment contracts is regarded as a violation of this policy and repayment contracts can only be considered separate for private households if substantial proof, including sworn affidavits, can be submitted regarding unforeseen financial and personnel circumstances in such cases, the Revenue Division will convince the debtor to save on the current levies by discontinuing certain services for an agreed period of time. By so doing, the repayment of the arrears together with the current account is made more affordable. No extension is granted except upon receipt of a merit case as approved by the Accounting Officer. The owner of property must also approve the extension.

30. ASSESSMENT RATES, REFUSE, SEWERAGE, SUNDRY DEBTORS AND UNMETERED PROPERTIES

Where consumers fail to pay their accounts by due date, the following actions will be taken:

- 30.1 Final notices will be posted or delivered where accounts are in arrear for thirty (30) days or more.
- 30.2 The same procedure in respect of arrangement for paying off arrears or extension of payment as for water and electricity will apply.
- 30.3 If no response has been received within fourteen (14) days, services will be suspended and those accounts that are still outstanding will be handed over to debt collectors for collection and/or for legal action to the attorneys.
- 30.4 Where an account remains unpaid on a property that is unmetered, the above procedures will apply.

31. MAYORAL CLEAN-LINE

Purpose

The Mayoral Clean-line is designed to afford the community of JB Marks Local Municipality an opportunity to assist the JB Marks Local Municipality to prevent fraud and corruption within our communities.

People's Involvement

It is the responsibility of the JB Marks Local Municipality Local to enlighten all the citizens of JB Marks Local Municipality on how to utilise this facility so as to report all forms of theft, illegal connections, tampering with instruments that are installed to deliver basic services such as electricity and water at a possible reward perceived abuse of the Indigent Grant.

It is Council's responsibility to protect the identity of persons who report such incidences.

28.2.7 Breaching of repayment contracts is regarded as a violation of this policy and
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